Barking & Dagenham

Notice of Meeting of the

ASSEMBLY

to be held on Wednesday, 28 February 2024
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

Councillors and senior officers are also invited to attend a briefing on Localities, commencing at 6.00pm in the Council Chamber

Date of publication: 20 February 2024

Fiona Taylor
Chief Executive

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

Please note that this meeting will be webcast via the Council’s website. Members of the public wishing to attend the meeting in person can sit in the public gallery on the second floor of the Town Hall, which is not covered by the webcast cameras. To view the webcast online, click here and select the relevant meeting (the weblink will be available at least 24-hours before the meeting).

AGENDA

1. **Apologies for Absence**

2. **Declaration of Members' Interests**

   In accordance with the Council's Constitution, Members are asked to declare any interest they may have in any matter which is to be considered at this meeting. Members are reminded that the provisions of paragraph 9.3 of Part 5, Chapter 1 of the Constitution in relation to Council Tax arrears applies to agenda item 6.

3. **Minutes - To confirm as correct the minutes of the meeting held on 31 January 2024 (Pages 5 - 11)**

4. **Leader's Statement**

   The Leader will present his statement.

5. **Appointments**

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

6. **Budget Framework 2024/25 and Medium Term Financial Strategy 2024/25 - 2027/28 (Pages 13 - 104)**

7. **Treasury Management Strategy Statement 2024/25 and Capital Strategy 2024/25 to 2026/27 (Pages 105 - 177)**

8. **Overview and Scrutiny Committee Annual Report 2022/23 (Pages 179 - 191)**

9. **Reactivation of Uphill and Waters Education Foundation (Pages 193 - 205)**

10. **Pay Policy Statement 2024/25 (Pages 207 - 216)**

11. **Motions**

12. **Questions With Notice**

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

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

Private Business

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

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

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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.

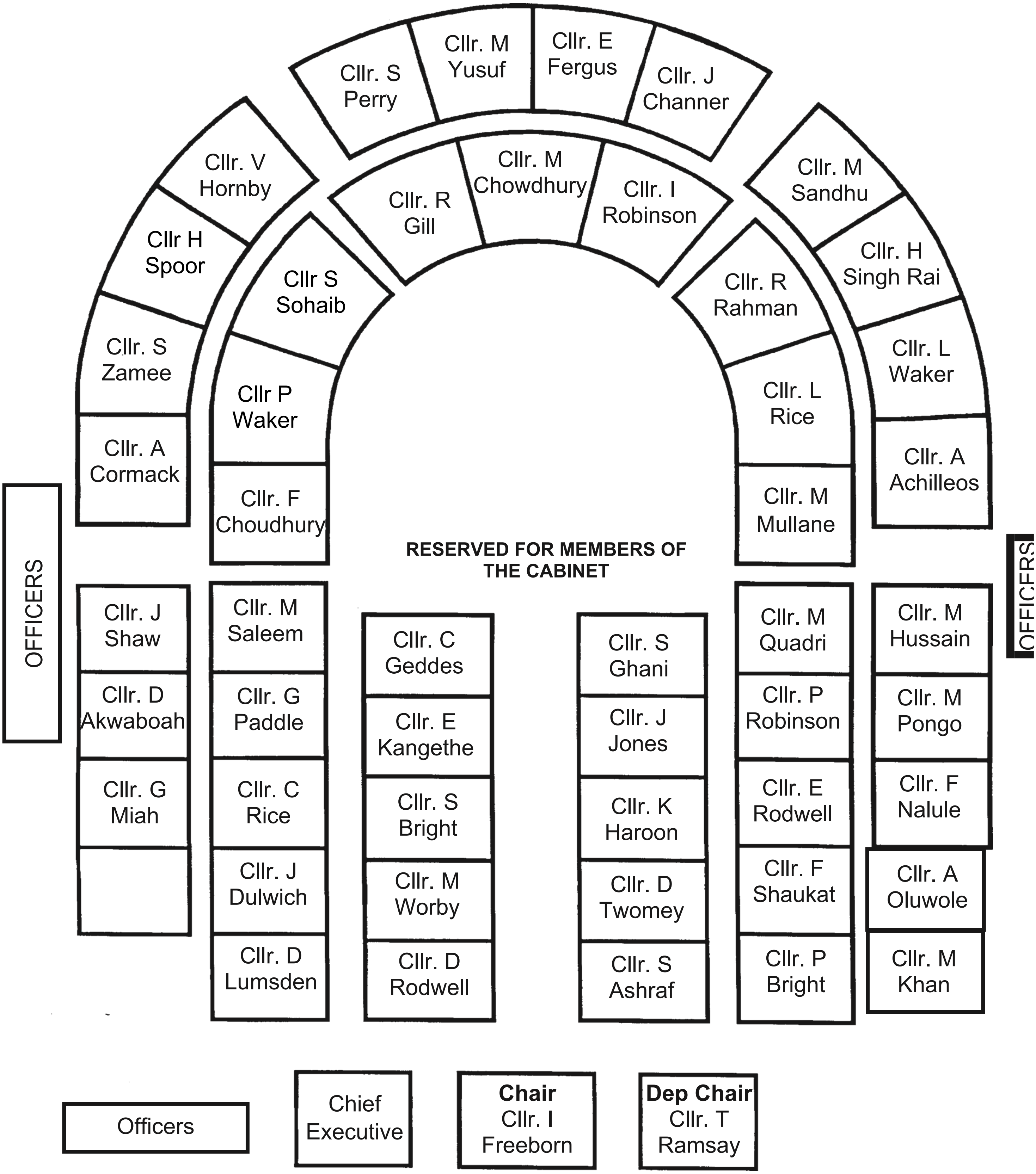
To support the delivery of these priorities, the Council will:

- 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

Sept'23

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MINUTES OF ASSEMBLY

Wednesday, 31 January 2024
(7:00 - 9:07 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 Muhib Chowdhury	Cllr Alison Cormack
Cllr Cameron Geddes	Cllr Syed Ghani	Cllr Rocky Gill
Cllr Kashif Haroon	Cllr Victoria Hornby	Cllr Manzoor Hussain
Cllr Jane Jones	Cllr Elizabeth Kangethe	Cllr Mohammed Khan
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 Darren Rodwell
Cllr Muhammad Saleem	Cllr Muazzam Sandhu	Cllr Faraaz Shaukat
Cllr Jack Shaw	Cllr Summya Sohaib	Cllr Harriet Spoor
Cllr Dominic Twomey	Cllr Lee Waker	Cllr Maureen Worby
Cllr Mukhtar Yusuf	Cllr Sabbir Zamee	

APOLOGIES FOR ABSENCE

Cllr John Dulwich	Cllr Edna Fergus	Cllr Donna Lumsden
Cllr Emily Rodwell	Cllr Phil Waker	

47. Declaration of Members' Interests

There were no declarations of interest.

48. Minutes (22 November 2023)

The minutes of the Assembly meeting held on 22 November 2023 were confirmed as correct.

49. Death of Haji Mohammed Siddique, Freeman of the Borough

The Assembly noted with deep regret the recent passing of Haji Mohammed Siddique, Freeman of the Borough, aged 93.

The Chief Executive presented a tribute report, advising that Haji had arrived in the UK in 1955 aged 26 as an economic migrant, leaving behind his loved ones in Pakistan and a career as a teacher of mathematics and physical education. A short while later, he settled in Barking and Dagenham and held jobs at Ford's Dagenham and a local rubber factory before going on to be a supervisor at London

Transport and ending his working career in the food industry.

Haji was instrumental in the development of the Pakistani Muslim Association and was the founding father of the Barking Muslim Association. Upon being elected Chairman of the Association, Haji restructured it into a charitable trust and grasped, at the time, the very visionary idea of promoting and working towards inter-community tolerance, integration and the development of good relations between all.

Haji was bestowed the Freedom of the Borough in May 2016 for his commitment to community cohesion in the Borough, his work on behalf of the Pakistani Muslim community and his global charity work.

A number of Members paid tribute to Haji, remembering his contributions and dedication to the borough.

50. Death of Former Councillor Albert Gibbs, Freeman of the Borough

The Assembly noted with deep regret the recent passing of former Councillor and Freeman of the Borough, Albert Gibbs, aged 98.

The Chief Executive presented a tribute report, advising that Albert was first elected to represent Chadwell Heath ward at a by-election in May 1983 and continued to represent the area, becoming a councillor for Whalebone ward in May 2002 following a local boundary review, until May 2006 when he stood down.

During his time on the Council, Albert represented the Chadwell Heath Residents' Association and served on numerous committees, including the Parks, Contractual Services, Planning and Technical Services Committees, and was a very active member of the Wellgate Community Forum which covered the Chadwell Heath and Whalebone ward areas. Another of Albert's passions was the town twinning between Barking and Dagenham and Witten, Germany. Albert was also a member of the Royal British Legion and received a Branch Certificate of Merit from them.

Albert was conferred the title of Honorary Freeman of the Borough in 2004 in recognition of his service to the Council and the Chadwell Heath / Whalebone community in particular.

A number of Members paid tribute to Albert, remembering him fondly, not only for his contributions to the borough but also his efforts during World War II.

51. Death of Former Councillor Roy Patient, Freeman and Alderman of the Borough

(The Chair agreed that this item could be considered at the meeting as a matter of urgency under the provisions of Section 100B(4)(b) of the Local Government Act 1972.)

The Assembly noted with deep regret the passing of former Councillor, Freeman and Alderman of the Borough, Royston Alan James (Roy) Patient, earlier in the week, aged 90.

The Chief Executive presented a tribute report, advising that Roy was first elected as a Labour councillor representing Thames ward in May 1982 and, alongside his good friend and colleague, the late George Shaw, he worked tirelessly for the residents of Thames View for the next 20 years, standing down from the Council in May 2002. Upon his election, Roy soon established himself as a senior figure amongst the political leadership at the Council and, as well as serving on a whole host of committees and sub committees during his tenure, he was also a long-standing Chair of the Council's Cleansing Committee, Technical Services Committee and the B&D Road Safety Council, in addition to being the Chair of the Barking & Dagenham Sports Council.

Roy was also one of Barking & Dagenham's two appointed representatives on the East London Waste Authority (ELWA), the statutory Waste Disposal Authority covering B&D, Havering, Newham and Redbridge, and he held the position of ELWA Chair for a number of years before stepping down as a councillor in 2002. As Chair, Roy was instrumental in the development and implementation of ELWA's 25-year Integrated Waste Management Services contract, which was still operating today.

Roy's most long-standing and lasting legacy related to his role on the Eastbury Community School (formerly Eastbury Comprehensive School) Governing Body. Roy served on the Governing Body for over 50 years, the majority of those as Chair of Governors, and continued in that role right up to his passing. He was highly respected amongst the teaching staff and pupils and had been referred to as "Mr Eastbury" by his colleagues on the Governing Body.

In recognition of his standing and contribution to Barking & Dagenham Council, Roy was elected as Mayor for the 1991/92 municipal year and raised many thousands for his chosen charity, the Sick and Needy Appeal. That recognition was extended further in 2003 when Roy was conferred the title of Honorary Freeman of the Borough and yet again in 2017 when he was made an Alderman of the Borough.

A number of Members paid tribute to Roy, remembering his contributions and dedication to the borough.

Following the conclusion of the tributes, Members held a minute's applause as a mark of respect to and in memory of Haji Mohammed Siddique, Albert Gibbs and Roy Patient.

52. Minutes of Sub-Committees

The Assembly received and noted the minutes of the JNC Appointments, Salaries and Structures Panel meetings held on 14 and 19 December 2023.

53. Leader's Statement

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

Upcoming Elections: The Mayor of London and London Assembly Elections were being held on 2 May 2024, with the high probability that a General Election would take place later in the year. The Leader commented that a change in power in the Government was needed following ‘Partygate’, the longest Junior Doctor strike in history, the doomed Rwanda project, the housing crisis and, of course, the ongoing cost-of-living crisis. He also remarked on the continuing, severe financial pressures facing local government as a result of the Government’s austerity programme, commenting that for every £1 of Central Government funding that the Council received in 2010, it now only received 66p.

Family Hubs: The recently launched Family Hubs were the latest element in the Council’s new locality model and formed part of the Community Hub network.

Bobby Moore Sports Hub: The Bobby Moore Sports Hub opened to the community in December and was the only facility of its kind in London, providing 16 grass pitches, two 3g football pitches and a national league system pitch as well. It also contained gym activities, a cafeteria and changing facilities.

Visit by the Duke of Edinburgh: The Leader was very proud to welcome the Duke of Edinburgh to the Borough recently to mark the opening of the new Wharf studios and he remarked on the many new employment and education opportunities being created in Barking and Dagenham.

Remembering the Holocaust: On 26 January, Council representatives were joined by community members from a range of different backgrounds and cultures to commemorate Holocaust Memorial Day and he welcomed the united stand in promotion of the Council’s aspirations for “one Borough, one community, no one left behind”.

54. Appointments

There were no appointments.

55. BAD Youth Forum Annual Report 2023

The Assembly received the Barking and Dagenham (BAD) Youth Forum and Young Mayor’s Annual Report, introduced by the Head of Participation, Opportunity and Wellbeing, who then handed over to representatives of the Youth Forum.

The report detailed the achievements of the BAD Youth Forum during the past 12 months, outlining the work of each of its sub-groups, their aims and the impact of the work completed.

The Youth Forum were concerned about the rise of misogynistic material on social media and the increasing view of sexual harassment and sexual assault being acceptable among some young people. Forum members had designed a survey to capture young people’s thoughts, feelings and experiences of sexual harassment and abuse to understand what was happening in the borough. While waiting for survey responses, the Forum created some products to give to young people to highlight the issue of sexual harassment and sexual assault. These items included oyster card holders, lip balms, rulers and banner pens.

Other key highlights of the report included:

- Undertaking workshops to understand sexual harassment, unwanted attention and gender based violence;
- Creating a Young Persons' tab on the Council's BD Money webpages;
- Raising money for the Young Mayor's Chairty, Centre Point, by undertaking a group sleepout and bucket shakes at events in the borough;
- Volunteering at Barking Foodbank and creating wellbeing bags for homeless people;
- Events attended by the Young Mayor, Regina Mudibo Pamba, which included Mayor Making and the Civic Parade, Women's Empowerment Awards and Transgender Remembrance Day; and
- Various additional events providing new experiences and opportunities for young people.

The Assembly thanked the Forum for their presentation and hard work during 2023.

The Assembly **resolved** to note the work and achievements of the BAD Youth Forum in 2023.

56. Adoption Annual Report 2022/23

The Cabinet Member for Children's Social Care and Disabilities presented the Adopt London East Annual Report for 2022/23.

The adoption functions of Tower Hamlets, Newham and Barking and Dagenham were delegated on 1 October 2019 to the London Borough of Havering within terms drawn up in a detailed partnership agreement. Adopt London East (ALE) formally commenced operational activity on that date.

The report had been produced by the Head of Service for the ALE and all four Local Authorities received the report. The ALE report, attached at Appendix A to the report, provided a comprehensive overview and evaluation of adoption activity for 2022/23 in the following areas:

- ➢ Recruitment and training of adopters;
- ➢ Family finding for children with an adoption plan; and
- ➢ Post adoption support to children, adoptive families, and birth families.

The Cabinet Member identified key highlights from the 2022/23 ALE report:

- Adoption preparation training continued to be developed and improved. In 2022/23, a total of 21 placements were approved, which included one foster carer wishing to adopt. Just over a quarter of those adopters wanted to be approved as Early Permanence Carers;
- There was an increase in the number Adoption Plans being made by the Agency Decision Maker (ADM) - a total of 43 made across ALE, with six being LBBD children; and
- Across ALE, 25 children were placed with eight being from LBBD. 76% of the children were between the ages of 0-2 years and the oldest child matched was five-year's old. Of the 25 children placed, 10 were placed via Early

Permanence.

The Assembly **resolved** to note the report.

(Standing Order 7.1 (Chapter 3, Part 2 of the Council Constitution) was suspended at this juncture to enable the meeting to continue beyond the two-hour threshold).

57. Council Tax Support Scheme 2024/25

The Cabinet Member for Finance, Growth and Core Services presented a report on the outcome of the public consultation on proposals for a new, statutory local Council Tax Support (CTS) scheme for working age recipients for 2024/25.

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

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

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

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

The Assembly **resolved** to:

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

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

58. Motions

There were no motions.

59. Questions With Notice

There were no questions with notice.

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ASSEMBLY

28 February 2024

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

Summary

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

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

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

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

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

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

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

Members should note that the proposed General Fund budget requires a drawdown from reserves of £8.809m to balance the 2024/25 budget after including £15.595m of savings and £54.129m of growth from the 2023/24 revised budget. This report includes the

Council's Chief Financial Officer (Section 151 Officer) opinion on the robustness of the budget proposals and the adequacy of reserves given the financial risks that the Council is facing. Members should have due regard for this Section 25 statement, attached at Appendix H, when making their decisions.

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

Approval is also sought to delegate authority to the Council's Section 151 Officer, in conjunction with the Cabinet Member for Finance, Growth and Core Services, to make amendments to the budget up to £1m.

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

This report was considered and endorsed by the Cabinet at its meeting on 19 February 2024.

Recommendation(s)

The Assembly is recommended to:

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

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

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

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

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

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

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

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

(ix) Delegate authority to the Strategic Director, Resources, in consultation with the Cabinet Member for Finance, Growth and Core Services, to make further changes to the 2024/25 budget proposals up to a maximum amount of £1.0m;

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

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

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

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

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

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

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

(xvii) Approve the Strategy for the Flexible Use of Capital Receipts 2024/25 at Appendix I to the report, in line with the regulatory requirements to facilitate the delivery of efficiency savings including capitalisation of redundancy costs; and

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

(xiv) Note the changes to the report since its endorsement by the Cabinet on 19 February, as set out in paragraph 19.13 of the report.

Reason(s)

The Council has a legal obligation to set its Council Tax for the following financial year and approve an annual, balanced budget on the advice of the Council's Section 151 Officer. The relevant legal provisions are set out in the Local Government Finance Act 1992. The setting of the budget is a function reserved to Full Council (Assembly) following recommendation for approval by Cabinet.

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

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

1. Introduction

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

1.2. It should be noted that Council Tax Support (CTS) is a local responsibility and the Council's new CTS scheme for 2024/25 was endorsed by the Cabinet and approved by the Assembly in January 2024. This scheme continues to provide a similar level of enhanced support that was given in 2023/24 and will reduce the amount of council tax income. From 2025/26 onwards the Council need to consider the affordability of this enhanced scheme.

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

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

1.5. This further draw down of reserves follows significant utilisation of reserves in balancing 2022/23 and the potential need to use general fund reserves to fund the forecast overspend of £9.33m (Period 9). A forecast of the remaining reserves is set out in the relevant section below and Members should have regard to the S151 Officer's consideration of the adequacy of those reserves in their Section 25 statement attached.

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

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

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

2. Background

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

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

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

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

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

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

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

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

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

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

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

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

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

2.14. To facilitate regeneration in the borough and the provision of much needed housing, the Council approved an Investment and Acquisition Strategy (IAS) in

2016. The IAS Strategy was established to be self-financing and had a target ambition of delivering a 5% revenue return to the Council both of which are now at risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Economic Context

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

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

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

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

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

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

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

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

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

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

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

- From April 2024, Local Housing Allowance rates in Great Britain will be raised to the 30th percentile of local market rents;

- A £5 million extension to June 2025 of the Public Works Loan Board policy margin announced in Spring 2023;
- An extension to 'thank you' payments into a third year for Homes for Ukraine sponsors across the UK, remaining at £500 per month;
- The provision of £120 million funding for the devolved administrations and local authorities in England to invest in homelessness prevention, including to support Ukrainian households who can no longer remain in sponsorship.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Residents are supported during the current Cost-of-Living crisis.
- Residents are safe, protected and supported at their most vulnerable.
- Residents live healthier, happier, independent lives for longer.
- Residents prosper from good education, skills development and secure employment.
- Residents benefit from inclusive growth and regeneration.

- Residents live in and play their part in creating safer, cleaner and greener neighbourhoods.
- Residents live in good housing and avoid becoming homeless

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

a) Growth for People & Resources (PIR) Directorate – 2022/23 base budget pressures addressed in full for 2024/25, limited to additional ring-fenced funding thereafter.
b) Contingency of an additional £4m to be retained centrally and released to offset unavoidable overspends in PIR during the year but subject to approval by the Council's S151 Officer. If arising, likely to be as a result of rising demand and/or increase in third party providers.
c) Planned transformation programme for people services including PIR and Community Solutions as part of the council's emerging Localities model, focusing on prevention activity and assisting residents including social care clients to require less intensive support (details below).
d) A council-wide approach to support addressing the drivers and solutions for social care demand. For example, how the council's Housing Strategy can better support older people and those with learning disabilities. Improvements to the digitalisation advice and guidance offer, so people are supported earlier and easier when they need help.
e) Fundamental review of core structures, operating models and budgets supported by an outcomes-based approach:
    - Co-design with users of services – how do people want to use and access our services? Has this changed and are services fit for the population that we have and how they want to interact with us;
    - What is the best way to meet those needs? Is there another way to meet that need aside from Council direct service delivery;
    - What are the modern and most effective operating models to deliver the service? How do these need to change?
    - Do we need to invest to deliver changes and, if so, what investment will bring us maximum benefit?
    - What staffing structures do we need to deliver those new operating models; and finally;
    - How do the net expenditure budgets need to change and how can we reduce our cost base or increase our income?
f) Fundamental review of the Council's subsidiary structures, taking stock and looking at why those structures were established, their purpose and benefit? Has anything changed and the objectives been achieved? If not, how do we need to change?
g) Fundamental review of the Council's Investment & Acquisition Strategy (IAS) with the same principles as in (e) above but with an additional objective of de-risking the IAS Asset Portfolio should that be required. Also reviewing financial forecasting ensuring that it is robust and gives assurances over the ability for IAS schemes to meet the Council's borrowing costs and then any corrective action can be taken where necessary.
h) Strong focus on the Council's borrowing strategy to underpin the IAS borrowing, working closely with Council advisors, to ensure that future required

borrowing to complete existing schemes is affordable and any risk to increased General Fund costs is mitigated.

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

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

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

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

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

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

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

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

Medium Term Financial Plan (MTFP) Summary 2024-27	2024/25 Forecast £'000	2025/26 Forecast £'000	2026/27 Forecast £'000
Net Cost of Services	**194.460**	**221.745**	**233.989**
Changes to Prior Year Budget			
Savings - Existing (Feb 20233)	(0.571)	(0.272)	(0.150)
Pre-agreed Growth (Feb 2023)	6.549	3.872	4.386
Savings- New	(15.024)	(0.826)	(0.834)
Growth - New	0.578	0.770	0.834
Growth - Base Budget Pressure	39.130		
Inflation	7.872	8.700	8.800
Budget Re-allocation (from Core Funding) *	(11.249)		
Net Budget Requirement	**221.745**	**233.989**	**247.025**
Core Funding			
Revenue Support Grant	(22.258)	(22.926)	(23.293)
NDR	(22.872)	(23.302)	(23.675)
NDR Top Up & S31 Grants	(38.575)	(62.421)	(63.420)
S31 Grants and Other Admin Grants	(15.796)		
BRR Pooling	(1.000)	(1.000)	(1.000)
2023/24 Top Adjustment	(0.072)		
Council Tax	(84.096)	(88.462)	(94.135)
(Surplus)/Deficit on Collection Fund	(0.042)		
Market Sustainability & Fair Cost of Care Grant	(3.995)	(3.995)	(3.995)
Services Grant	(0.367)	(0.367)	(0.367)
Social Care Support Grant	(19.823)	(19.823)	(19.823)
Additional Social Care Support Grant	(1.900)		
New Homes Bonus	(2.140)		
Total Core Funding	**(212.936)**	**(222.296)**	**(229.708)**
Cumulative Budget Deficit/(Surplus) Before Reserve	**8.809**	**11.693**	**17.317**
Contribution To Reserve / (Drawdown From Reserve)	(8.809)		
Cumulative Budget Deficit/(Surplus) After Use of Reserve	**0.000**	**11.693**	**17.317**

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

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

4.17. In Barking & Dagenham the highest proportions of its net revenue expenditure budget allocated to the People and Resources (Adults and Childrens) Directorate (59% for 2023/24 and 60% now proposed for 2024/25). The planned increases for 2024/25 are not currently affordable and are dependent on finding significant additional Council savings to fund these budgets on a permanent basis.

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

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

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

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

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

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

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

Funding				
Council taxbase (after council tax reduction scheme)	84,096	88,462	94,135	
Increase in CT Base	3.0%	1.5%	1.4%	
Budgeted collection rate (%)	97.5%	98.0%	98.0%	
Band D (standard) (%)	2.99%	2.99%	2.99%	
Band D (adult social care precept)%	2.00%	2.00%	2.00%	
Council Tax Bad Debt Provision	5.00%	4.00%	4.00%	Considered reasonable with the projected balance of arrears

5. Sensitivity analysis

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

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

6. Funding

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

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

6.2. Each year the Local Government Finance Settlement is announced with the provisional settlement usually announced after the Autumn Statement before

Christmas (to allow for consultation) and the final settlement towards the end of January or early February.

6.3. The final settlement was announced on 5 February 2024 and the impact is currently being worked through. There will not be any significant changes to the budget proposals.

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

7. Local Government Finance Settlement

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

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

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

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

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

Core Funding:

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

Specific Grants:

a) **Social Care Grant** - increased in line with December 2023 Policy Statement by £692m to £4,544m.
b) **Improved Better Care Fund** - funding remains at £2,140m.
c) **ASC Market Sustainability and Improvement Fund** - funding increase of £283m (from £562m to £845m).

d) **ASC Discharge Fund** - increased by £200m to £500m.
e) **New Homes Bonus** - 2024/25 allocations have remained at £291m.
f) **Funding Guarantee** - cost of the 3% funding guarantee has increased by £64m from £133m to £197m for 2024/25.
g) **Services Grant** - reduced from £483m to £77m, a reduction of £406m.

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

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

Change from 2023/24 to 2024/25

	Final Settlement 2023/24	Final Settlement 2024/25	Final Budget 2024/25	Increase/ (Decrease) in Funding 23/24 to 24/25	Increase/ (Decrease) in Funding Final Budget to Final Settlement	Total Increase/ (Decrease) in Funding
	£m	£m	£m	£m	£m	£m
RSG	(20.563)	(22.258)	(22.258)	(1.696)	0.000	(1.696)
NDR	(21.334)	(24.167)	(22.872)	(2.833)	1.294	(1.539)
NDR Top Up and S31 Grants	(38.837)	(38.575)	(38.575)	0.262	0.000	0.262
(Surplus)/Deficit on Collection Fund			(0.042)	0.000	(0.042)	(0.042)
BRR Pooling			(1.000)	0.000	(1.000)	(1.000)
Council tax	(77.781)	(82.920)	(84.096)	(5.139)	(1.177)	(6.316)
S31 Grants and Other Admin Grants	(10.196)	(11.724)	(15.796)	(1.528)	(4.072)	(5.600)
2023-24 Top Up Adjustment		(0.072)	(0.072)	(0.072)	0.000	(0.072)
Grants Rolled In	(1.388)			1.388	0.000	1.388
Market Sustainability & Fair Cost of Care Grant	(2.138)	(3.995)	(3.995)	(1.857)	0.000	(1.857)
Services Grant	(2.334)	(0.403)	(0.367)	1.931	0.036	1.967
Social Care Support Grant	(16.627)	(21.725)	(19.823)	(5.098)	1.902	(3.196)
Additional Social Care Grant			(1.900)	0.000	(1.900)	(1.900)
NHB	(1.938)	(2.140)	(2.140)	(0.202)	0.000	(0.202)
Total Core Funding	**(193.136)**	**(207.979)**	**(212.936)**	**(14.844)**	**(4.959)**	**(19.803)**

Change from Budget Strategy Report to Final Budget

	BSR	Provisional Settlement	Final Budget	Increase/ (Decrease) in Funding BSR to Provisional Settlement	Increase/ (Decrease) in Funding Provisional to Final Budget
	£m	£m	£m	£m	£m
RSG	(22.274)	(22.258)	(22.258)	0.016	0.000
NDR	(25.062)	(25.700)	(22.872)	(0.638)	2.828
NDR Top Up and S31 Grants	(38.601)	(38.575)	(38.575)	0.026	0.000

(Surplus)/Deficit on Collection Fund	2.821		(0.042)	(2.821)	(0.041)
BRR Pooling	(1.000)		(1.000)	1.000	(1.000)
Council tax	(80.973)	(83.045)	(84.096)	(2.072)	(1.052)
S31 Grants and Other Admin Grants*	(10.681)	(11.700)	(15.796)	(1.021)	(4.096)
2023-24 Top Up Adjustment		(0.072)	(0.072)	(0.072)	0.000
Market Sustainability & Fair Cost of Care Grant	(3.215)	(3.995)	(3.995)	(0.780)	0.000
Services Grant	(2.333)	(0.367)	(0.367)	1.966	0.000
Social Care Support Grant	(19.716)	(19.823)	(19.823)	(0.106)	0.000
Additional Social Care Grant			(1.900)	0.000	(1.900)
NHB	(1.938)	(2.140)	(2.140)	(0.202)	0.000
Total Core Funding	**(202.972)**	**(207.675)**	**(212.936)**	**(4.704)**	**(5.261)**

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

To note:

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

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

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

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

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

8. Council Tax, Business Rates and the Collection Fund

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

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

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

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

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

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

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

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

9. National Non-Domestic Rate (NNDR)

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

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

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

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

10. Business Rate Pool

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

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

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

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

11. Fees & Charges

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

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

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

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

12. General Fund Revenue Budget for 2024/25

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

Directorate	Budget 2023/24 £m	Reversal of Temp Virements £m	Pay Award 2023/24 £m	Revised Budget 2023/24 £m	Total Growth & Inflation £m	Total Savings £m	Budget Re-allocation £m	Budget 2024/25 £m	% Movement
PEOPLE & RESILIENCE	116.958	(0.063)	2.686	119.581	19.908	(6.880)		132.609	10.89%
CORPORATE MANAGEMENT	16.148	0.063	0.800	17.011	1.523	(1.171)		17.363	2.07%
LAW AND GOVERNANCE	6.513	0.116	0.661	7.290	1.256	(0.722)		7.824	7.33%
STRATEGY	9.756		0.419	10.175	1.266	(1.245)		10.196	0.21%
INCLUSIVE GROWTH	1.078		0.232	1.310	0.108	(0.246)		1.172	-10.53%
COMMUNITY SOLUTIONS	14.461	(0.116)	1.184	15.529	2.794	(1.720)	(0.859)	15.744	1.39%
MY PLACE	4.448		1.510	5.958	2.056	(3.611)		4.403	-26.10%
DIRECTORATE TOTAL	**169.362**	**0.000**	**7.492**	**176.854**	**28.911**	**(15.595)**	**(0.859)**	**189.311**	**7.04%**
CENTRAL EXPENSES	34.896	(5.696)	(7.492)	21.708	25.218			46.926	68.31%
IAS	(5.256)	1.154		(4.102)			(10.390)	(14.492)	0.00%
TOTAL	**199.002**	**(4.542)**	**0**	**194.460**	**54.129**	**(15.595)**	**(11.249)**	**221.745**	**14.03%**

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

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

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

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

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

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

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

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

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

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

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

	Budget 2023/24	Growth - pre-agreed	Growth - New	Growth - Base Budget Pressure	Inflation	Savings	Budget Re-allocation*	Base Budget 2024/25
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Total Council	194.460	6.549	0.578	39.130	7.872	(15.595)	(11.249)	221.745

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

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

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

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

13. Savings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14. Growth

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

14.2. Growth of £13.5m has also been given to increase the net cost of services budget in order to correct an error in 2023/24 base budget accounting treatment. This was in respect of reserve drawdowns required to balance the 2023/24 budget. A net income budget of £13.5m was created (GF Reserve of £8.944m and Collection Fund Deficit £4.567m) instead of treating the drawdown as a one-off income.

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

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

Directorate	Pre-agreed Growth £m	Growth - New £m	Growth - Base Budget Pressure £m	Inflation £m	Net Growth £m
Community Solutions	(0.611)		3.405		2.794
Inclusive Growth	(0.029)	0.004	0.133		0.108
Law & Governance		1.256			1.256
My Place	1.000		1.056		2.056
People and Resilience	(0.053)	(0.487)	20.448		19.908
Resources	0.015	0.931	0.577		1.523
Strategy	2.050	(0.784)			1.266
Central Expenses	4.177	(0.342)	13.511	7.872	25.218
	6.549	**0.578**	**39.130**	**7.872**	**54.129**

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

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

- Independent reviews of cost drivers and quality of practice are supporting further improvements in terms of both outcomes, impact and efficiency, including ASC finance review and peer review of LD services across social care, the wider council and health. An LGA review identified the potential to managing demand more effectively through a “front door” with a fully developed advice, guidance, information pathway and preventative offer. This is a change to the council’s current operating model and the new approach will focus on reducing demand and improving outcomes for residents.
- The “front door” of adult social care has returned in recent weeks to adult social care, a move strongly supported by both internal and external CQC assessment and preparation, and independent review of finance in terms of supporting better and impactful management of demand.
- Working with providers and other local authorities regionally to support mitigating price increases and seeking to understand and standardise rates across key markets, which are being affected by inner NEL boroughs driving up the prices of care in outer NEL London boroughs.
- Optimising the ICB’s disaggregation of BHR footprint into place based, which provides the opportunity to work more closely with health.
- Developing an integrated commissioning structure across public health, social care and health, identifying opportunities for inclusive growth, such as small residential units for young people and those with LD, and changes to ASC income collection and financial assessments.

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

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

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

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

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

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

15. Investment and Acquisition Strategy (IAS)

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

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

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

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

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

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

General Fund & IAS Borrowing Cost Budgets

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

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

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

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

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

16. 2023/24 General Fund revenue budget position

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

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

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

16.4. The latest budget monitoring report presented to Cabinet for Period 9 indicated that the forecast overspend for 2023/24 had reduced to £9.336m. The table below shows the high-level summary of the forecast by Directorate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18. Financial Risks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19. Reserves

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

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

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

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

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

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

	Opening Balance	Budgeted Drawdown 23-24	Inter Reserve Transactions 23-24	Planned Drawdowns 23-24 (P9)	Transfer to Reserve (P9)	Dividend Reserve Drawdown	Planned Drawdowns 2023/24 not in P9	Balance (before overspend)
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
General Reserves	(17.03)	0.00	0.00	0.00	0.00		0.00	(17.03)
Budget Support Reserve	(16.84)	13.51	(3.15)	0.00	0.00		0.00	(6.48)
Sub total	**(33.87)**	**13.51**	**(3.15)**	**0.00**	**0.00**	**0.00**	**0.00**	**(23.51)**
Ring-fenced Reserves	(28.91)	0.00	1.00	4.76	(2.33)		3.56	(21.92)
PFI Reserves	(14.28)	0.00	0.00	0.00	0.00		0.00	(14.28)
Levy Funding Reserve	(6.11)	0.00	0.00	0.00	0.00		0.00	(6.11)
Sub total	**(49.30)**	**0.00**	**1.00**	**4.76**	**(2.33)**	**0.00**	**3.56**	**(42.31)**
Non Ring-Fenced Reserves								
Corporate Reserves	(5.91)	0.00	0.00	0.16	0.00		1.37	(4.39)
People & Resilience	(0.54)	0.20	0.01	0.00	0.00		0.00	(0.33)
Legal, Governance & HR	(0.41)	0.00	0.00	0.00	0.00		0.00	(0.41)
Strategy	(0.05)	0.00	0.00	0.03	0.00		0.02	(0.00)
Inclusive Growth	(1.34)	0.00	0.00	0.11	0.00		0.00	(1.23)
Community Solutions	(12.63)	1.30	1.65	2.01	0.00		2.49	(5.17)
My Place	(0.29)	0.00	0.29	0.00	0.00		0.00	0.00
Collection Fund Reserves	0.00	0.00	0.00	0.00	0.00		0.00	0.00
Sub total Non-ringfenced	**(21.17)**	**1.50**	**1.95**	**2.31**	**0.00**	**0.00**	**3.88**	**(11.53)**
IAS & Capital Reserves								
Investment Reserves	(16.17)	0.00	1.13	0.00	0.00		0.00	(15.03)
Mueller Reserve	(12.00)	0.00	0.00	0.00	0.00	10.39	0.00	(1.61)
CR27 Hotel Deal reserve	(5.50)	0.00	(0.57)	0.00	0.00		0.00	(6.07)
Isle of Dogs Travelodge Reserve	(5.50)	0.00	(0.57)	0.00	0.00		0.00	(6.07)
IAS Reserve	(3.78)	0.00	0.00	0.00	0.00		0.00	(3.78)
Sub total IAS Reserves	**(42.95)**	**0.00**	**0.00**	**0.00**	**0.00**	**10.39**	**0.00**	**(32.56)**
Total	**(147.29)**	**15.01**	**(0.20)**	**7.07**	**(2.33)**	**10.39**	**7.44**	**(109.91)**

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

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

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

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

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

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

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

19.13. Since the Cabinet endorsed the proposals at its meeting on 19 February, the following updates have been made:

- Final Local Government Finance Settlement resulted in an additional £36k but not changing Assembly paper as too insignificant and would be lost in rounding.

- Note that additional Public Health grant of £0.392m for 2024/25 has now been announced. Uplift has been allocated to 0-19 Healthy Child programme and the Council's Public Health priorities and will be included in the base budget.

- The HRA budget was approved by Cabinet in January 2024. Since the budget was approved, My Place Directorate has agreed to pay fleet costs for BDMS worth £1.384m, which was not factored into the original budget.

20. Budget Consultation

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

20.2 An engagement survey and a quiz were created and published on the Council's website on 20 December 2023 and closed on 21 January 2024. The survey was promoted via a range of channels including:

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

- Articles in staff newsletters

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

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

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

20.5 This report was considered and endorsed by the Cabinet at its meeting on 19 February 2024.

21. Financial Implications

Implications completed by: Nurul Alom, Finance Manager

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

22. Legal Implications

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

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

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

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

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

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

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

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

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

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

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

23. Other Implications

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

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

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

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

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

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

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

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

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

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

Public Background Papers Used in the Preparation of the Report

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

List of appendices

- Appendix A – MTFS Summary
- Appendix B - Savings and Growth Detail List
- Appendix C – Reserves Summary
- Appendix D - Council Tax Requirement 2024/25
- Appendix E - Calculation of the Proposed Council Tax for 2024/25
- Appendix F - Budget proposals consultation feedback for 2024/25
- Appendix G -Capital Budget 2024/25
- Appendix H - Section 25 Statement
- Appendix I - Strategy for the Flexible Use of Capital Receipts
- Appendix J - Cumulative Equalities Impact Assessment

APPENDIX A

Medium Term Financial Plan (MTFP) Summary 2024-27

	2024/25 Forecast £'000	2025/26 Forecast £'000	2026/27 Forecast £'000
Net Cost of Services	**194.460**	**221.745**	**233.989**
Changes to Prior Year Budget			
Savings - Existing (Feb 20233)	(0.571)	(0.272)	(0.150)
Pre-agreed Growth (Feb 2023)	6.549	3.872	4.386
Savings- New	(15.024)	(0.826)	(0.834)
Growth - New	0.578	0.770	0.834
Growth - Base Budget Pressure	39.130		
Inflation	7.872	8.700	8.800
Budget Re-allocation (from Core Funding)*	(11.249)		
Net Budget Requirement	**221.745**	**233.989**	**247.025**
Core Funding			
Revenue Support Grant	(22.258)	(22.926)	(23.293)
NDR	(22.872)	(23.302)	(23.675)
NDR Top Up & S31 Grants	(38.575)	(62.421)	(63.420)
S31 Grants and Other Admin Grants	(15.796)		
BRR Pooling	(1.000)	(1.000)	(1.000)
2023/24 Top Adjustment	(0.072)		
Council Tax	(84.096)	(88.462)	(94.135)
(Surplus)/Deficit on Collection Fund	(0.042)		
Market Sustainability & Fair Cost of Care Grant	(3.995)	(3.995)	(3.995)
Services Grant	(0.367)	(0.367)	(0.367)
Social Care Support Grant	(19.823)	(19.823)	(19.823)
Additional Social Care Support Grant	(1.900)		
New Homes Bonus	(2.140)		
Total Core Funding	**(212.936)**	**(222.296)**	**(229.708)**
Cumulative Budget Deficit/(Surplus) Before Reserve	**8.809**	**11.693**	**17.317**
Contribution To Reserve / (Drawdown From Reserve)	(8.809)		
Cumulative Budget Deficit/(Surplus) After Use of Reserve	**0.000**	**11.693**	**17.317**

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

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APPENDIX B

SAVINGS - NEW

*negative values (in brackets) are savings			2024/25 £'000	2025/26 £'000	2026/27 £'000
	New Savings				
TYPE	Service Area	Saving Proposal			
Savings - New	Community Solutions	Everyone Everyday Contribution	(50)		
Savings - New	Community Solutions	Review capacity in smaller and under-utilised Community Hub locations	(350)		
Savings - New	Community Solutions	Review Participation and Engagement Function	(160)		
Savings - New	Community Solutions	Review Mental Health and Vocational Support Service	(181)		
Savings - New	Community Solutions	Consultancy budget	(100)		
Savings - New	Community Solutions	Review Homes and Money Hub Service	(84)		
Savings - New	Community Solutions	Review Business Rates collection Service	(60)		
Savings - New	Community Solutions	Review of Service and staff resources	(303)		
Savings - New	Law & Governance	Review and merge Community Safety and CCTV & Security	(90)		
Savings - New	Law & Governance	Member Development Budget	(15)		
Savings - New	Law & Governance	Delete vacant Deputy Head of Legal	(118)		
Savings - New	Law & Governance	Enforcement Support Review	(219)		
Savings - New	My Place	Option to lease an unused section of BTH commercially to Care City	(15)		
Savings - New	My Place	Barking Town Hall - Energy related income Broadway Theatre (Barking College)	(60)		
Savings - New	My Place	Town Hall Franking Machine - contract savings	(7)		
Savings - New	My Place	Review Town Hall facilities management	(71)		
Savings - New	My Place	Review Depot Facilities Management Team	(29)	(10)	
Savings - New	My Place	Transfer of facilites help desk cost to BDTP contract from 2023.24	(120)		
Savings - New	My Place	Street PCN income	(892)		
Savings - New	My Place	CCTV PCNs	(525)		
Savings - New	My Place	My Place review	(205)		
Savings - New	My Place	Change of Mowing regimes in parks to support biodiversity	(65)		
Savings - New	My Place	Cemetery Fees and Charges 10% Increase (above CPI of 6.7%)	(60)		
Savings - New	My Place	Passenger Transport (PTS) deletion of 1.73 FTE vacancies	(63)		
Savings - New	My Place	Review Pest Control Service	(45)		
Savings - New	My Place	Street Cleansing Post Reduction	(48)		
Savings - New	My Place	Waste pre-agreed budget growth amendment	(726)		
Savings - New	People and Resilience	ASC Double Handed Care Review	(1,018)		
Savings - New	People and Resilience	Enhance Reablement offer	(283)		
Savings - New	People and Resilience	Increase Continuning Health Care contributions	(45)	(147)	(147)

Savings - New	People and Resilience	Review of adults social care in house provision	(448)		
Savings - New	People and Resilience	2023-24 Direct payment returns	(500)		
Savings - New	People and Resilience	2023-24 Reduce SW agency spend	(300)		
Savings - New	People and Resilience	ASC Safeguarding Q & A & Implementation Team - delay recruitment	(100)		
Savings - New	People and Resilience	Service Manager review - delay recruitment	(93)		
Savings - New	People and Resilience	ASC Head of Adults Disabilities - delay recruitment	(82)		
Savings - New	People and Resilience	2023-24 Direct payment returns	500		
Savings - New	People and Resilience	2023-24 Reduce SW agency spend	300		
Savings - New	People and Resilience	ASC Safeguarding Q & A & Implementation Team - delay recruitment	100		
Savings - New	People and Resilience	Service Manager review - delay recruitment	93		
Savings - New	People and Resilience	ASC Head of Adults Disabilities - delay recruitment	82		
Savings - New	People and Resilience	CSC Care Leaver Housing	(5)	(35)	
Savings - New	People and Resilience	CSC in house Expert Assessment Centre	(204)		
Savings - New	People and Resilience	CSC Adolescent Support Pathway	(139)	(687)	(687)
Savings - New	People and Resilience	Rationalise Business Support - phase 1	(112)		
Savings - New	People and Resilience	Brokerage improvements	(45)		
Savings - New	People and Resilience	CSC CARES academy	(75)	(80)	
Savings - New	Resources	Review HR/OD Service Management Team	(79)		
Savings - New	Resources	Review HR/OD functions	(19)		
Savings - New	Resources	Delete Learning Development Officer vacancy	(19)		
Savings - New	Resources	Azure CSP	(29)	(67)	
Savings - New	Resources	Remove Eset and move to Defender	(6)		
Savings - New	Resources	Docusign cancellation	(24)		
Savings - New	Resources	Reduction of MFD printer leases	(12)		
Savings - New	Resources	Cancel SOCITM subscription	(2)		
Savings - New	Resources	Duplicate Growth Bid for Security	(105)		
Savings - New	Resources	IT Service Restructure and review	(443)		
Savings - New	Resources	Reduce Print and Post costs - channel shift to more email use	(100)		
Savings - New	Resources	Reduction in Daisy licences for mobile SIMS	(24)		
Savings - New	Resources	Reduction in number of Microsoft E3 licences	(70)		
Savings - New	Resources	Reduction in low usage 8*8 licences	(51)		
Savings - New	Strategy	Scale back community events	(150)		
Savings - New	Strategy	Income from commercial events	(200)	200	
Savings - New	Strategy	Review Events Service Team	(69)		
Savings - New	Strategy	Review Communications Service	(13)		
Savings - New	Strategy	Return of Digitised growth funding	(306)		
Savings - New	Strategy	Merge core data and change teams into a single function	(200)		
Savings - New	Strategy	Subscription: New Local Government Network	(13)		
Savings - New	Strategy	Subscription review	(3)		

Savings - New	People and Resilience	Reallocation of Public Health Grant to support prevention and early help services	(800)		
Savings - New	People and Resilience	Develop options for integrated, joint-funded commissioning function	(250)		
Savings - New	People and Resilience	Develop options for third-party delivery of Short Breaks provision.	(50)		
Savings - New	People and Resilience	Develop options for third-party delivery of Family Hubs and Children's Centres.	(50)		
Savings - New	People and Resilience	Commission LGA Review of LD Services.	(250)		
Savings - New	People and Resilience	Commission LGA Peer Challenge and Review on use of Public Health Grant Resources	(250)		
Savings - New	People and Resilience	Operational Management Restructures	(400)		
Savings - New	People and Resilience	Review of Contractual Pipeline (Part I)	(525)		
Savings - New	People and Resilience	Review of Contractual Pipeline (Part II)	(200)		
Savings - New	People and Resilience	Review of Contractual Pipeline (Part III)	(300)		
Savings - New	People and Resilience	Cessation of CSC Programme (and replace with localised offer).	(150)		
Savings - New	People and Resilience	Foresnic Review of CWD Care Packages.	(250)		
Savings - New	People and Resilience	Review Home to School Tranport Policy and reduce discretionary elements.	(100)		
Savings - New	People and Resilience	Recommissioning of Community Solutions and Redesign of Adults' Front Door (MASH)	(500)		
Savings - New	People and Resilience	Complex Brokerage of LD Placements (reducing social worker spot-purchasing in this area).	(75)		
Savings - New	Community Solutions	Staffing structure reductions	(281)		
Savings - New	Law & Governance	Staffing structure reductions	(279)		
Savings - New	Inclusive Growth	Staffing structure reductions	(246)		
Savings - New	People and Resilience	Staffing structure reductions	(357)		
Savings - New	Resources	Staffing structure reductions	(132)		
Savings - New	Strategy	Staffing structure reductions	(141)		
Savings - New	My Place	Service Restructure	(466)		
Total	**Total**		**(15,024)**	**(826)**	**(834)**

GROWTH - NEW

*negative values (in brackets) are growth reversals			2024/25 £'000	2025/26 £'000	2026/27 £'000
	New Growth				
TYPE	Service Area	Saving Proposal			
Growth - New	Resources	Demand Pressure	500		
Growth - New	Resources	Insurance	100		
Growth - New	Corporate	MRP	730		400
Growth - New	Strategy	Adjustment in provision for concessionary fares	(784)	190	956
Growth - New	Resources	Audit Fees	331		
Growth - New	Enforcement	PRPL scheme ends	1,256		
Growth - New	Corporate	Debt & Affordable Credit (2 years funding)	1,000		
Growth - New	People and Resilience	ASC Fews Lodge Extension to Kallar Lodge	13	(100)	(4)
Growth - New	People and Resilience	Early Help Investment reprofile (Reversal of pre-agreed growth)	(500)		
Growth - New	Corporate	Council Tax Reduction Scheme (CTRS) (Reversal of pre-agreed growth)	(2,072)	(503)	(518)
Growth - New	*Inclusive Growth*	Leisure fee income reprofiled	4	1,183	
Total	**Total**		**578**	**770**	**834**

			2024/25 £'000	2025/26 £'000	2026/27 £'000
	New Growth				
TYPE	Service Area	Saving Proposal			
Growth - Base Budget Pressure	My Place	CSS gap	1,056		
Growth - Base Budget Pressure	Community Solutions	Homelessness recharge to be reviewed	2,100		
Growth - Base Budget Pressure	Community Solutions	HAM Hub Reserve/GF Correction	390		
Growth - Base Budget Pressure	Community Solutions	Revs&Bens Blueprint Reserve/GF Correction	915		
Growth - Base Budget Pressure	People and Resilience	passport ILF grant to ASC	448		
Growth - Base Budget Pressure	Resources	Reversal of HR Savings	577		
Growth - Base Budget Pressure	People and Resilience	Core Base Budget Correction	20,000		
Growth - Base Budget Pressure	Inclusive Growth	Parks and Events Income Target	133		
Growth - Base Budget Pressure	Corporate	2023/24 Reserve GF shortfall - Removal of Budget created	8,944		
Growth - Base Budget Pressure	Corporate	2023/24 cover NNDR/CTAX Collection Fund Reserve - Removal of Budget created	4,567		
Total	**Total**		**39,130**		

TYPE	Service Area	Saving Proposal	2024/25 £'000	2025/26 £'000	2026/27 £'000
	Revised Inflation and Demographic				
Inflation	Central	Staff Pay Award and Capacity Building - 3%, 2%, 2%	3,700	2,500	2,500
Inflation	Central	Non Staff Inflation	4,172	1,600	1,500
Inflation	Central	Contingency		4,600	4,800
Total	**Total**		**7,872**	**8,700**	**8,800**

*negative values (in brackets) are savings

TYPE	Service Area	Saving Proposal	2024/25 £'000	2025/26 £'000	2026/27 £'000
	Savings Approved in previous years				
Savings - Pre-agreed	Community Solutions	EVERYONE EVERY DAY - Reduce contribution	(150)		
Savings - Pre-agreed	Core	Streamline IT Procurement	(56)	(50)	
Savings - Pre-agreed	My Place	Parking Services Income	(150)	(150)	(150)
Savings - Pre-agreed	My Place	Property Management & Capital Delivery	(65)	(72)	
Savings - Pre-agreed	Strategy	Single customer access function	(150)		
Total	**Total**		**(571)**	**(272)**	**(150)**

*negative values (in brackets) are growth reversals

TYPE	Service Area	Saving Proposal	2024/25 £'000	2025/26 £'000	2026/27 £'000
	Growth Approved in previous years				
Growth - Pre-agreed	*Inclusive Growth*	Leisure fee income reprofiled	(567)	(620)	
Growth - Pre-agreed	Central	Impact of Adult Social Care Charging Reforms (Legislative Change) - Fair Cost of Care and Cap on Care - Market Cost	100	1,500	100
Growth - Pre-agreed	Central	Inflationary Impact Modelling (Contracted Expenditure)	1,205		
Growth - Pre-agreed	Central	ELWA			3,000
Growth - Pre-agreed	Central	ELWA Levy	800	800	800
Growth - Pre-agreed	Strategy	Adjustment in provision for concessionary fares	2,050	840	
Growth - Pre-agreed	Inclusive Growth	New Town Culture	5	7	1
Growth - Pre-agreed	Inclusive Growth	New Town Culture	33		(33)
Growth - Pre-agreed	Community Solutions	Debt & Affordable Credit (2 years funding)	(420)		
Growth - Pre-agreed	Core	MPLS Replacement	115		
Growth - Pre-agreed	Inclusive Growth	Parks	500		
Growth - Pre-agreed	Community Solutions	Youth Zone (3 year funding agreement).		(200)	
Growth - Pre-agreed	Community Solutions	Community Hubs (2 years funding)	(70)		

Growth - Pre-agreed	Core	Inclusive Workplace	(100)		
Growth - Pre-agreed	PIR	One off costs in Commissioning - Programme and Projects	(279)		
Growth - Pre-agreed	PIR	One off costs in ASC operations	(344)		
Growth - Pre-agreed	Community Solutions	Revenue Officers	42	42	
Growth - Pre-agreed	Corporate Funding	Council Tax Reduction Scheme (CTRS)	2,072	503	518
Growth - Pre-agreed	Community Solutions	Additional financial support for low income working age households through enhanced support within the Council Tax Reduction Scheme	(163)		
Growth - Pre-agreed	Central	Movement of growth for Fair Cost of Care	(2,283)		
Growth - Pre-agreed	Central	Market Sustainability & Fair Cost of Care Grant	2,283		
Growth - Pre-agreed	PIR	Early Help Investment deferral into 2024-25	500		
Growth - Pre-agreed	My Place - Waste & Recycling	New year on year pressure of £2,295k by 2025/26 to implement the National Waste Strategy, including weekly food collection, free Green Garden Waste and weekly recycling.	1,000	1,000	
Growth - Pre-agreed	PIR	Adults' Care and Support and Commissioning posts following CPG approval (Legislative Change and Demography)	70		
Total	**Total**		**6,549**	**3,872**	**4,386**

APPENDIX C

Reserve Summary

	Opening Balance	Budgeted Drawdown 23-24	In Year Inter Reserve Transaction s 23-24	Planned Movement in Reserve (P9)	Release to BSR - pending transfer	Reserve Balance (before overspend)	Drawdown for P9 overspend (Indicative)	Planned Drawdown 2024/25	Forecast Reserve balance
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
General Reserves	(17.03)	0.00	0.00	0.00	0.00	(17.03)		5.00	(12.03)
Budget Support Reserve	(16.84)	13.51	(3.15)	0.00	(6.92)	(13.39)	9.34	3.81	(0.25)
Sub total	**(33.87)**	**13.51**	**(3.15)**	**0.00**	**(6.92)**	**(30.42)**	**9.34**	**8.81**	**(12.28)**
Ring-fenced Reserves	(28.91)	0.00	1.00	5.99	0.00	(21.92)			(21.92)
PFI Reserves	(14.28)	0.00	0.00	0.00	0.00	(14.28)			(14.28)
Levy Funding Reserve	(6.11)	0.00	0.00	0.00	0.00	(6.11)			(6.11)
Sub total	**(49.30)**	**0.00**	**1.00**	**5.99**	**0.00**	**(42.31)**	**0.00**	**0.00**	**(42.31)**
Non Ring-Fenced Reserves									
Corporate Reserves	(5.91)	0.00	0.00	1.53	0.00	(4.39)			(4.39)
People & Resilience	(0.54)	0.20	0.01	0.00	0.00	(0.33)			(0.33)
Legal, Governance & HR	(0.41)	0.00	0.00	0.00	0.00	(0.41)			(0.41)
Strategy	(0.05)	0.00	0.00	0.05	0.00	(0.00)			(0.00)
Inclusive Growth	(1.34)	0.00	0.00	0.11	0.00	(1.23)			(1.23)
Community Solutions	(12.63)	1.31	1.65	4.50	3.92	(1.26)			(1.26)
My Place	(0.29)	0.00	0.29	0.00	0.00	0.00			0.00
Collection Fund Reserves	0.00	0.00	0.00	0.00	0.00	0.00			0.00
Sub total Non-ringfenced	**(21.17)**	**1.50**	**1.95**	**6.19**	**3.92**	**(7.62)**	**0.00**	**0.00**	**(7.62)**
IAS & Capital Reserves									
Investment Reserves	(16.17)	0.00	1.14	0.00	0.00	(15.03)			(15.03)
Mueller Reserve	(12.00)	0.00	0.00	10.39	0.00	(1.61)			(1.61)
CR27 Hotel Deal reserve	(5.50)	0.00	(0.57)	0.00	0.00	(6.07)			(6.07)
Isle of Dogs Travelodge Reserve	(5.50)	0.00	(0.57)	0.00	0.00	(6.07)			(6.07)
IAS Reserve	(3.78)	0.00	0.00	0.00	3.00	(0.78)			(0.78)
Sub total IAS Reserves	**(42.95)**	**0.00**	**0.00**	**10.39**	**3.00**	**(29.56)**	**0.00**	**0.00**	**(29.56)**
Total	**(147.29)**	**15.01**	**(0.20)**	**22.57**	**0.00**	**(109.91)**	**9.34**	**8.81**	**(91.77)**

Appendix D

STATUTORY BUDGET DETERMINATIONS

SETTING THE AMOUNT OF COUNCIL TAX FOR THE LONDON BOROUGH OF BARKING AND DAGENHAM 2024/25

1. At its meeting on 23 January 2024 the Council's Cabinet approved the Council Tax Base 2024/25 calculation for the whole Council area as 54,916.54 [Item T in the formula in Section 31B (3) of the Local Government Finance Act 1992, as amended ("the Act")].

2. The following amounts have been calculated by the Council for the year 2024/25 in accordance with Sections 31 to 36 of the Act.

(a)	£569,327,258	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£485,230,814	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£84,096,589	being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year (i.e. Item R in the formula in Section 31A(4) of the Act).
(d)	£ 1,531.35	being the amount at 2(c) above (i.e. "Item R), divided by Item T (shown at 1 above), calculated by the Council, in accordance with Section 31B(1) of the Act as the basic amount of its Council Tax for the year. Refer below for further detail.

Valuation Bands

A	B	C	D	E	F	G	H
£1,020.90	£1,191.05	£1,361.20	£1,531.35	£1,871.66	£2,211.96	£2,552.25	£3,062.70

being the amounts given by multiplying the amount at 2(d) above by the number which, in the proportion set out in Section 5(2) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band 'D' calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

3. That it be noted that for the year 2024/25 the Greater London Authority has indicated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwellings shown below:

Precepting Authority: Greater London Authority

Valuation Bands

A	B	C	D	E	F	G	H
£314.27	£366.64	£419.02	£471.40	£576.16	£680.91	£785.67	£942.80

4. That, having calculated the aggregate in each case of the amounts at 2 and 3 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2024/25 for each of the categories of dwellings shown below:

Valuation Bands

A	B	C	D	E	F	G	H
£1,335.17	£1,557.69	£1,780.22	£2,002.75	£2,447.82	£2,892.87	£3,337.92	£4,005.50

Appendix E

Calculation of the Proposed Council Tax for 2024/25

		£'000
Revised 2024/25 Budget before Reserves Usage		**194,460**
New MTFS items	21,307	
Approved Savings	-571	
Approved Growth	6,549	
Total Adjustments		27,285
Base Budget Requirement for 2024/25		**221,745**
Funded by:		
Retained Business Rates Income	22,872	
Revenue Support Grant	22,258	
Business rates Top up Grant	38,648	
S31 Grants	15,796	
BRR Pooling	1,000	
Specific Grants	26,085	
New Homes Bonus	2,140	
Collection Fund Deficit	41	
Transfer From Reserve	8,809	
Total Funding		137,649
Council Tax Requirement		**84,096**
Council Tax Base (Equivalent Band D Properties)		54,216.54
Council Tax:		
London Borough of Barking and Dagenham		1,531.35
Greater London Authority		471.4
Overall Council tax – Band D equivalent		**2,002.75**

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Budget Consultation 2024/25

SURVEY RESPONSE REPORT

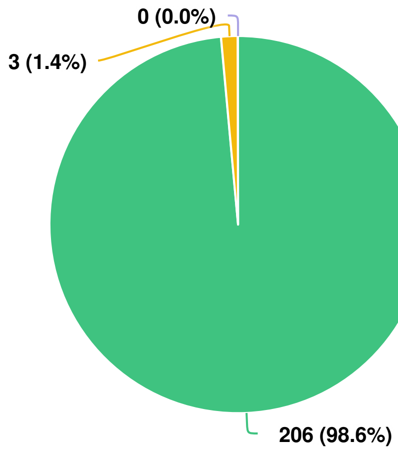
19 December 2023 - 22 January 2024

PROJECT NAME:
Barking and Dagenham Council's Budget Consultation 2024/25

BANG THE TABLE engagementHQ

SURVEY QUESTIONS

Q1 Are you completing this survey as a resident, business, or as a representative of an organisation?



Question options

Resident · Representative of an organisation · A business that pays business rates in Barking and Dagenham

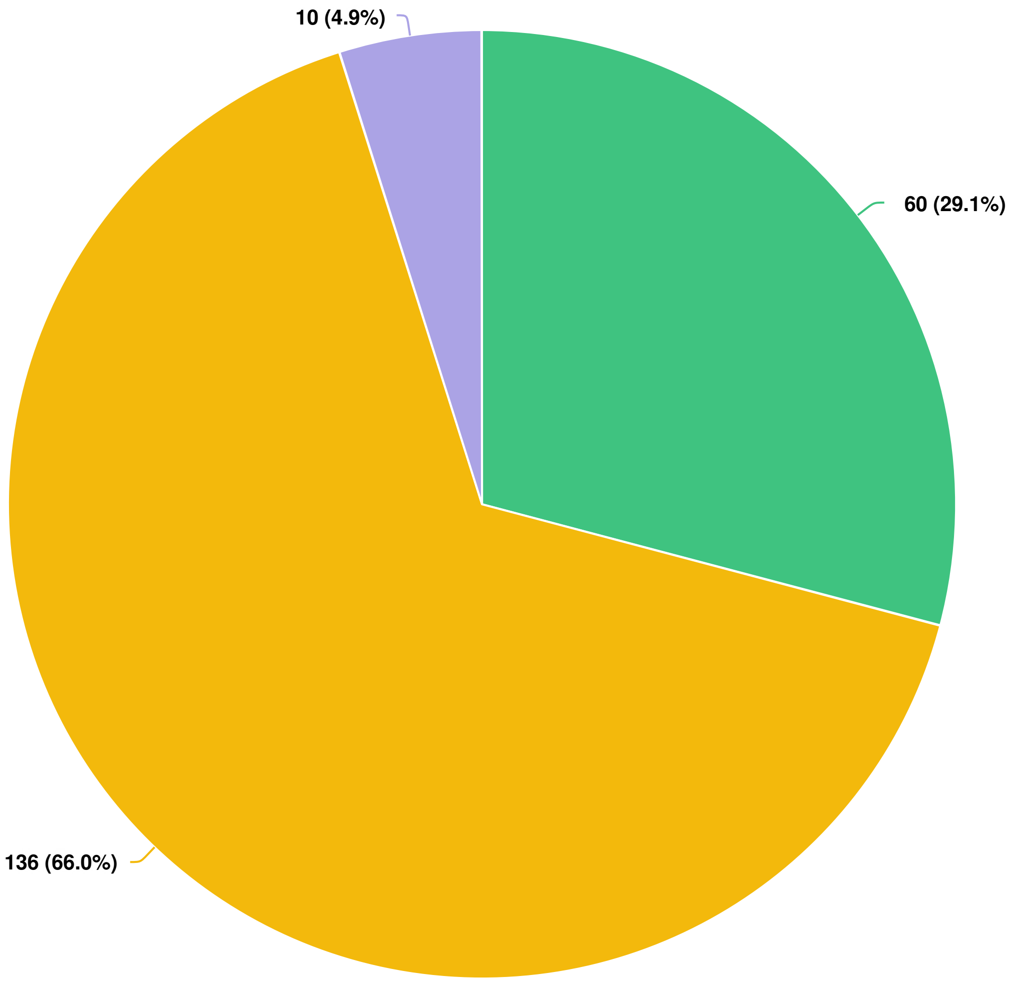
Optional question (209 response(s), 0 skipped)
Question type: Radio Button Question

Q2 With limited resources available, which service areas do you think the council should be prioritising? Please rank in order of importance, with 1 being the most important.

OPTIONS	AVG. RANK
Giving all children the best start in life.	3.08
Supporting older people and adults with disabilities.	3.77
Keeping the streets clean and collecting waste.	4.17
Reducing Anti-Social behaviour.	4.38
Providing more affordable housing.	5.74
Promoting economic development and jobs.	6.09
Working to reduce debt for our residents.	6.53
Providing opportunities for everyone to participate in leisure, culture and community activities.	6.86
Better engagement with our residents as citizens, voters and customers.	6.97
Improving private rented housing.	7.06
Carbon reduction and moving towards net zero.	8.64

Optional question (202 response(s), 7 skipped)
Question type: Ranking Question

Q3 In order to protect the services you value the most, the Council suggests raising the council tax by 2.99% (excluding GLA and Adult Social Care precept). This would help meet rising demand for our services and plug some of the gap left by the cont...

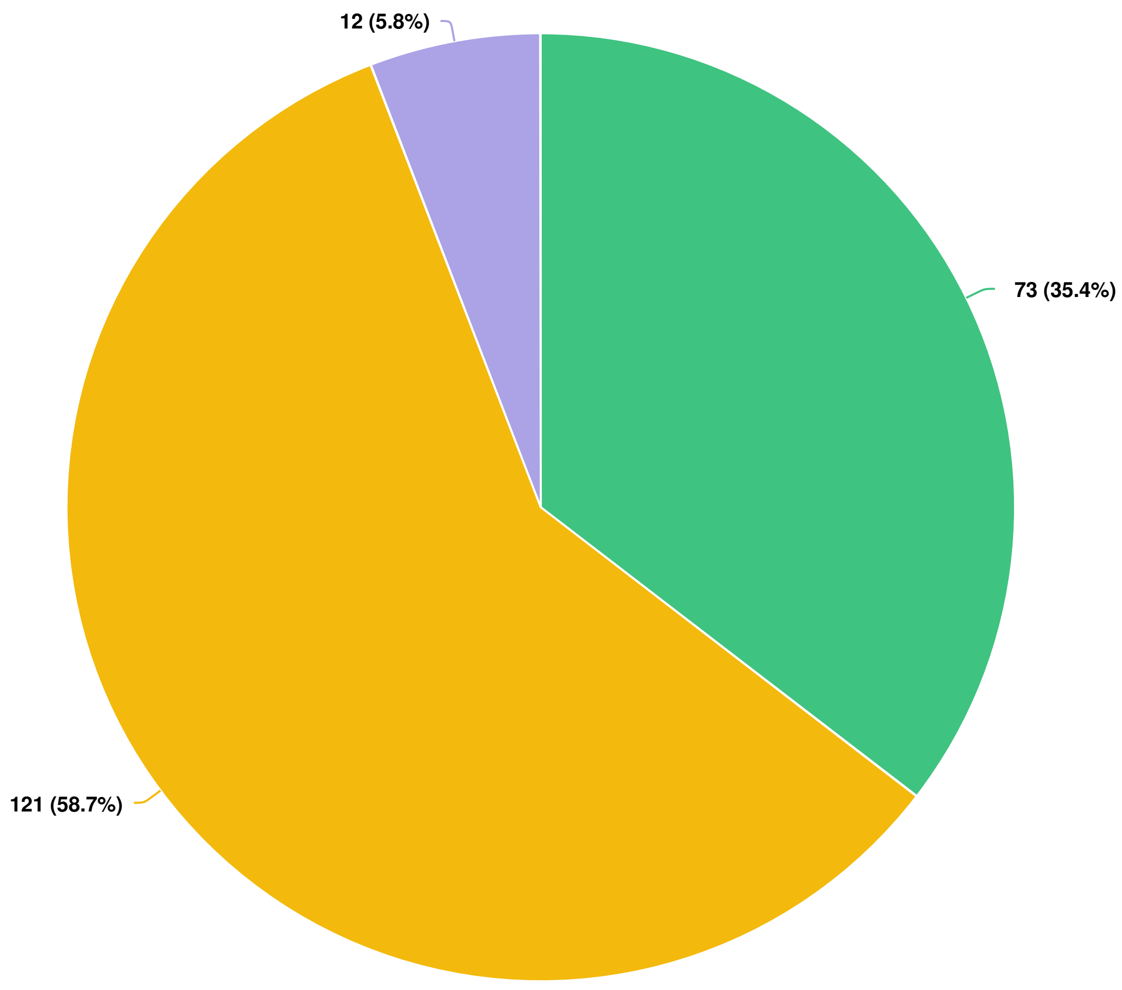


Question options

- I support increasing the council tax precept by 2.99% which would mean an increase of £45.07 per year for a typical band D property taking the total LBBD Council Tax to £1,531.35 (excluding GLA).
- I do not support an increase. (This means we would have to find a further £2.5m of spending reductions to balance the budget).
- I don't know.

Optional question (206 response(s), 3 skipped)
Question type: Radio Button Question

Q4 The Council is consulting residents on increasing council tax by a further 1.99% known as the Adult Social Care Precept. This would raise £1.52m for the Council and would be strictly ringfenced to pay for Adult Social Care services only.



Question options

- I support the proposed 1.99% council tax increase for Adult Social Care which would mean an additional annual increase of £27.72 for a typical band D property.
- I do not support an increase. (This means the Council would lose an additional income of £1.52m from council tax to support the most vulnerable residents).
- I don't know.

Optional question (206 response(s), 3 skipped)
Question type: Radio Button Question

Appendix G – Capital Programme 2023/24 to 2026/27

Project Code	Project Name	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	Total All Years	Borrowing All Years	Total Other Source Funding
General Fund								
C00100	AIDS & ADAPTATIONS	1,079	1,000	0	0	2,079	0	2,079
C00106	DISABLED FACILITIES GRANT-PRVT	2,023	1,857	0	0	3,880	0	3,880
C05125	FAMILY HUBS	117	61	0	0	178	0	178
C05127	Care Tech	500	0	0	0	500	0	500
CAP01	**GF - CARE & SUPPORT**	**3,719**	**2,918**	**0**	**0**	**6,637**	**0**	**6,637**
C03028	CORPORATE RETROFIT	2,881	0	0	0	2,881	2,881	0
C03099	ABBEY GREEN & BTC CONS HLF	277	0	0	0	277	177	100
C05114	UK SHARED PROSPERITY FUND	236	611	0	0	847	0	847
C05136	Local Authority Delivery Ph 3	2,461	0	0	0	2,461	0	2,461
C05137	Home Upgrade Grant Ph 1	519	0	0	0	519	0	519
CAP02	**GF - INCLUSIVE GROWTH**	**6,373**	**611**	**0**	**0**	**6,985**	**3,058**	**3,927**
C05028	BOX UP CRIME	455	0	0	0	455	300	155
C05029	WOMEN’S MUSEUM	210	0	0	0	210	0	210
C05062	LITTER IN PARKS (CIL)	96	0	0	0	96	0	96
CAP03	**GF - CIL**	**761**	**0**	**0**	**0**	**761**	**300**	**461**
C02898	LOCAL TRANSPORT PLANS	310	0	0	0	310	0	310
C05052	HEATHWAY HEALTHY STREETS	330	0	0	0	330	0	330
C05055	ROAD SAFETY AND ACCESS	422	0	0	0	422	0	422
C05058	TFL MINOR WORKS - VARIOUS LOCS	155	0	0	0	155	0	155
C05079	CYCLE ROUTE CFR10	507	0	0	0	507	0	507
C05080	LOW TRAFFIC NEIGHBOURHOODS	241	0	0	0	241	0	241
C05083	BUS PRIORITY	1,765	0	0	0	1,765	0	1,765

C05056	VALANCE AVENUE HEALTHY STREETS	43	0	0	0	43	0	43
C05128	Porters Avenue Healthy Streets	105	0	0	0	105	0	105
C05129	Dagenham Road Healthy Streets	172	0	0	0	172	0	172
C05130	High Road Healthy Streets	100	0	0	0	100	0	100
24-25-003	TFL LIP		2,200	2,200	0	4,400	0	4,400
C05131	Gascoigne Healthy Streets	77	0	0	0	77	0	77
CAP04	**GF - TFL**	**4,226**	**2,200**	**2,200**	**0**	**8,626**	**0**	**8,626**
C04042	COMMUNITY HALLS	6	0	0	0	6	6	0
CAP05	**GF - COMMUNITY SOLUTIONS**	**6**	**0**	**0**	**0**	**6**	**6**	**0**
C03052	KEEP THE LIGHTS ON	575	0	0	0	575	303	272
C03068	ICT END USER COMPUTING	12	0	0	0	12	12	0
C05132	Laptop Replacement Programme	2,698	200	200	200	3,298	2,700	598
24-25-08	Hardware - laptops		150	210	0	360	360	0
24-25-09	Oracle R12		0	225	0	225	225	0
24-25-10	KTLO		700	700	0	1,400	1,400	0
24-25-11	ERP Upgrade		0	520	0	520	520	0
24-25-12	Single Property View (My Place)		150	150	0	300	50	250
C05088	ERP Phase 2	330	0	0	0	330	330	0
CAP06	**GF - IT**	**3,615**	**1,200**	**2,005**	**200**	**7,020**	**5,900**	**1,120**
C04031	RE IMAGINING EASTBURY	4	0	0	0	4	4	0
C04033	REDRESSING VALENCE	211	0	0	0	211	211	0
C04043	THE ABBEY: UNLOCKING BARKING	347	0	0	0	347	212	135
C05115	WOODWARD ARTS & CULTURE Ctr	266	0	0	0	266	0	266
C05138	MEND Valence House	294	294	294	0	881	0	881
CAP07	**GF - CULTURE & HERITAGE**	**1,121**	**294**	**294**	**0**	**1,709**	**427**	**1,282**
C03032	PARSLOES PARK (CIL)	8,501	0	0	0	8,501	5,996	2,505
C04080	CHILDREN’S PLAY SPCS & FAC (CIL)	94	0	0	0	94	0	94
C04081	PARKS & OPEN SPCS STRAT 17 (CIL)	169	0	0	0	169	167	2
C05060	SAFER PARKS (CIL)	52	0	0	0	52	0	52
C05061	B & D LOCAL FOOTBALL FACILITY (CIL)	157	0	0	0	157	0	157

C03090	LAKES	437	0	0	0	437	437	0
C04013	PARK INFRASTRUCTURE ENHNCMTS	2	0	0	0	2	2	0
C04017	FIXED PLAY FACILITIES	73	0	0	0	73	73	0
C04018	PARK BUILDINGS – BLDNG SUR	62	0	0	0	62	62	0
C04084	CENTRAL PARK MASTERPLAN IMP	716	0	0	0	716	716	0
C05089	DE-CONTAMINATION AT ECP	1,897	0	0	0	1,897	0	1,897
C05113	OLD DAGENHAM PARK LEVELLING UP	48	0	0	0	48	0	48
C05122	CENTRAL PARK PAVILION	175	0	0	0	175	175	0
C05123	TENNIS COURT DEVELOPMENT	403	0	0	0	403	0	403
C05126	GREATFIELDS PARK PLAY	90	0	0	0	90	0	90
24-25-006	Bridges In Parks		83	58	0	141	141	0
24-25-007	Dagenham Tree H&S		70	25	0	95	95	0
C05142	OLD DAGENHAM PARK PLAY EQUIPT	50	0	0	0	50	0	50
CAP11	**GF - PARKS COMMISSIONING**	**12,925**	**153**	**83**	**0**	**13,161**	**7,865**	**5,296**
C04015	ENFORCEMENT EQUIPMENT	173	0	0	0	173	173	0
24-25-12	ENFORCEMENT System		330	330	0	660	660	0
CAP08	**GF - ENFORCEMENT**	**173**	**330**	**330**	**0**	**833**	**833**	**0**
C02811	WARD CAPITAL BUDGETS	787	0	0	0	787	787	0
C05018	STOCK CONDITION SURVEY	1,693	0	0	0	1,693	1,693	0
C05038	82A AND 82B OVAL ROAD SOUTH	271	0	0	0	271	271	0
C05077	DISPERSED WORKING	471	0	0	0	471	471	0
C04032	HABITAT FOR HUMANITY	356	0	0	0	356	356	0
C05140	MULTI-FAITH CHAD HEATH CEM.CIL	341	9	0	0	350	0	350
24-25-004	Stock Investment Corp Portfolio		1,000	1,000	0	2,000	2,000	0
24-25-005	Capita Open Housing		425	0	0	425	68	357
C03027	EST ENERGY SUPPLY CO (ESCO)	0	0	0	0	0	0	0
CAP09	**GF - MY PLACE**	**3,919**	**1,434**	**1,000**	**0**	**6,353**	**5,646**	**707**
C04012	PARKS BINS RATIONALISATION	27	0	0	0	27	27	0
C04070	VEHICLE FLEET REPLACEMENT	1,023	0	0	0	1,023	1,023	0
C03083	CHADWELL HEATH CEMETERY EXT	83	0	0	0	83	83	0

C05048	PROCURING IN CAB TECH	171	0	0	0	171	171	0
C04016	ON-VEHICLE BIN WEIGHING SYS	0	0	0	0	0	0	0
C02982	CONTROLLED PARKING ZONES	1,979	0	0	0	1,979	1,979	0
C03011	STRUCT REP'S & MAINTCE-BRIDGES	27	0	0	0	27	27	0
C03065	HIGHWAYS INV PROG	3,860	0	0	0	3,860	3,504	356
C04019	REPLACEMENT OF WINTER EQUIP	3	0	0	0	3	3	0
C04029	ENGINEERING WORKS (RD SAFETY)	0	0	0	0	0	0	0
C04063	FLOOD SURVEY	141	0	0	0	141	131	10
C04064	BRIDGES AND STRUCTURES	826	0	0	0	826	826	0
24-25-001	Highways Imp Programme		4,900	4,900	0	9,800	6,400	3,400
24-25-002	Bridges & Structures		387	387	0	774	774	0
C05117	HEALTHY STREETS	369	200	0	0	569	0	569
CAP10	**GF - PUBLIC REALM**	**8,510**	**5,487**	**5,287**	**0**	**19,284**	**14,948**	**4,335**
C03020	DAGENHAM PARK	77	0	0	0	77	0	77
C03022	GREATFIELD SECONDARY SCH (NEW)	500	0	0	0	500	0	500
C03053	GASCOIGNE PRMRY - 5FE TO 4FE	34	0	0	0	34	0	34
C03054	LYMINGTON FIELDS SCHOOL 2016	6	0	0	0	6	0	6
C04052	SEND 2018-21	0	0	0	0	0	0	0
C04058	MARKS GATE INFS & JNRS 18-20	55	0	0	0	55	0	55
C04059	CHADWELL HEATH ADDI CAPACITY	0	0	7,000	0	7,000	0	7,000
C04072	SCHOOL CONDITION ALCTNS 18-19	0	0	0	0	0	0	0
C04087	SCA 2019/20 (A)	0	0	0	0	0	0	0
C04098	RIPPLE PRIMARY SUFFOLK ROAD	5	0	0	0	5	0	5
C05033	SCA PRIORITY WORKS 20/22	0	0	0	0	0	0	0
C05034	SCHOOLS EXPANSION PROG 20/22	750	600	493	0	1,844	0	1,844
C05040	HEALTHY SCHOOL	121	0	0	0	121	0	121
C05069	SCA 20-21	400	413	0	0	813	0	813
C05078	GREATFIELDS PRIMARY	7,500	2,746	0	0	10,246	0	10,246
C05098	SCA 21-22	600	381	0	0	981	0	981
C05099	SEND 21	728	0	0	0	728	0	728

C05105	BASIC NEEDS 21/22	600	722	0	0	1,322	0	1,322
C05107	SCA 22-23	1,500	800	322	0	2,622	0	2,622
C05118	MAYESBROOK ADDITIONAL CLASSROOM	400	0	0	0	400	0	400
C05119	SPECIAL SCHOOL FEASIBILITY STUDIES	50	50	0	0	100	0	100
C05120	MONTEAGLE DINING HALL EXTENSION	500	700	0	0	1,200	0	1,200
C05141	SCA 23-24	600	1,000	3,650	0	5,250	0	5,250
C05139	Padnall Hall (Youth Inv Fund)	827	1,148	0	0	1,975	0	1,975
CAP20	**GF - EDUCATION, YOUTH & CHILD**	**15,254**	**8,559**	**11,466**	**0**	**35,279**	**0**	**35,279**
C05135	Salix Projects	130	0	0	0	130	0	130
CAP55	**SALIX SCHEMES**	**130**	**0**	**0**	**0**	**130**	**0**	**130**
	GF TOTAL	**60,732**	**23,186**	**22,664**	**200**	**106,783**	**38,983**	**67,800**
HRA								
C02933	CAPITAL VOIDS	1,500				1,500	0	1,500
C04002	LIFT REPLACEMENT	504				504	0	504
C04003	DOMESTIC HEATING	260				260	0	260
C04006	MINOR WORKS & REPLACEMENTS	200				200	0	200
C05000	DH INTERNAL	900				900	0	900
C05002	EXTERNALS 1 - HOUSES & BLOCKS	2,062				2,062	0	2,062
C05003	EXTERNALS 2 - HOUSES & BLOCKS	2,112				2,112	0	2,112
C05004	DOOR ENTRY SYSTEMS	550				550	0	550
C05005	COMPLIANCE	210				210	0	210
C05006	FIRE SAFETY WORKS	200				200	0	200
C05007	FIRE DOORS	961				961	0	961
C05009	ELECTRICAL PROGRAMMES	200				200	0	200
C05011	COMMUNAL BOILERS	2				2	0	2
C05014	ENERGY EFFICIENCY	1,930				1,930	0	1,930
C05015	FEES and CONTINGENCY	1,178				1,178	0	1,178
C05068	ADAPTATIONS AND EXTENSIONS	92				92	0	92
C05116	ESTATE IMPROVEMENT	113				113	0	113
C05121	COLNE & MERSEA	1,026				1,026	0	1,026

24-25-HRA-001	Internal Works		4,058	5,587	7,552	17,197	0	17,197
24-25-HRA-002	External Works		5,072	6,983	9,440	21,495	4,759	16,736
24-25-HRA-003	Compliance / Communal		4,666	6,425	8,685	19,776	0	19,776
24-25-HRA-004	Estate Environs		2,029	2,793	3,776	8,598	0	8,598
24-25-HRA-005	Landlord Works		2,029	2,793	3,776	8,598	0	8,598
24-25-HRA-006	Other		2,435	3,352	4,531	10,318	0	10,318
CAP30	**HRA STOCK INVESTMENT**	**14,000**	**20,289**	**27,933**	**37,760**	**99,982**	**4,759**	**95,223**
C02820	ESTATE RENEWAL	4,000	4,400	0	0	8,400	0	8,400
CAP31	**HRA ESTATE RENEWAL**	**4,000**	**4,400**	**0**	**0**	**8,400**	**0**	**8,400**
C05102	MELLISH CLOSE - AUSTIN HOUSE	544	0	0	0	544	0	544
CAP32	**HRA NEW BUILD SCHEMES**	**544**	**0**	**0**	**0**	**544**	**0**	**544**
	HRA TOTAL	**18,544**	**24,688**	**27,933**	**37,760**	**108,926**	**4,759**	**104,167**
IAS								
C03072	PURCHASE OF SACRED HEART CONT	116	0	0	0	116	116	0
C03080	ACQSTN OF ROYAL BRITISH LEGION	28	0	0	0	28	28	0
C03084	SEBASTIAN COURT - REDEVELOP	353	0	0	0	353	353	0
C03086	LAND AT BEC - LIVE WORK SCHEME	131	0	0	0	131	-119	250
C03089	BECONTREE HEATH NEW BUILD	328	0	0	0	328	328	0
C04062	GASCOIGNE EAST PH2	-11,300	0	0	0	-11,300	-11,300	0
C04065	200 BECONTREE AVE	66	0	0	0	66	66	0
C04066	ROXWELL RD	12,919	10,394	1,085	403	24,801	14,196	10,605
C04067	12 THAMES RD	20,549	5,127	994	0	26,670	12,650	14,020
C04068	OXLOW LNE	9,417	295	0	0	9,712	3,793	5,919
C04069	CROWN HOUSE	1,796	0	0	0	1,796	-2,632	4,428
C04077	WEIGHBRIDGE	0	0	0	0	0	0	0
C04099	GASCOIGNE WEST P1	1,109	0	0	0	1,109	669	440
C05020	WOODWARD ROAD	3,803	2,254	742	0	6,798	-1,879	8,677
C05025	GASCOIGNE WEST PHASE 2	40,227	1,640	0	0	41,867	22,477	19,390

C05026	GASCOIGNE EAST PHASE 3A	15,212	617	0	0	15,829	6,349	9,480
C05035	PADNALL LAKE PHASE 1	5,970	194	218	0	6,381	6,381	0
C05041	TRANSPORT HOUSE	20,929	13,395	505	0	34,828	28,945	5,884
C05047	GASCOIGNE WEST PHASE 3	1,567	0	0	0	1,567	1,567	0
C05065	CHEQUERS LANE	317	0	0	0	317	317	0
C05066	BEAM PARK Phase 6	44,593	49,223	54,571	7,202	155,589	112,732	42,857
C05071	BROCKLEBANK LODGE	0	0	0	0	0	0	0
C05073	GASCOIGNE EAST 3B	33,937	62,571	51,913	10,453	158,874	95,687	63,187
C05076	GASCOIGNE EAST PHASE 2 (E1)	2,416	0	0	0	2,416	2,416	0
C05082	TROCOLL HOUSE	582	199	120	649	1,551	1,551	0
C05090	GASCOIGNE EAST 3A - BLOCK I	28,155	2,133	597	0	30,885	12,217	18,668
C05091	GASCOIGNE EAST PHASE 2 F	20,898	3,408	0	0	24,306	5,071	19,235
C05092	GASCOIGNE EAST PHASE 2 E2	4,938	-456	10	0	4,493	3,233	1,260
C05093	PADNALL LAKE PHASE 2	5,597	812	384	0	6,793	-3,587	10,380
C05094	PADNALL LAKE PHASE 3	29	0	0	0	29	29	0
C05100	BARKING RIVERSIDE HEALTH	7	0	0	0	7	7	0
C05103	TOWN QUAY WHARF	10,497	5,687	560	0	16,744	12,508	4,236
C05106	GASCOIGNE ROAD	0	0	0	0	0	-200	200
CAP40	**IAS RESIDENTIAL**	**275,182**	**157,493**	**111,699**	**18,708**	**563,082**	**323,966**	**239,117**
C03088	14-16 Thames Road	1	0	0	0	1	1	0
C04091	PURCHASE OF WELBECK WHARF	11	0	0	0	11	11	0
C04104	1-4 Riverside Industrial	133	0	0	0	133	133	0
C05023	3 GALLIONS CLOSE	34	0	0	0	34	34	0
C05024	FILM STUDIOS	54	0	0	0	54	54	0
C05042	26 THAMES RD	1,021	0	0	0	1,021	1,021	0
C05043	47 THAMES RD	70	0	0	0	70	70	0
C05046	11-12 RIVERSIDE INDUSTRIAL	1	0	0	0	1	1	0
C05067	DAGENHAM HEATHWAY	523	0	0	0	523	523	0
C05070	23 THAMES ROAD	1	0	0	0	1	1	0
C05072	INDUSTRIA	2,924	1,096	0	0	4,020	4,020	0

C05074	BARKING BUSINESS CENTRE	203	0	0	0	203	203	0
C05110	Purchase of Maritime House	1,153	0	0	0	1,153	1,153	0
C05112	Purchase of Edwards Waste Site	8,845	0	0	0	8,845	8,845	0
C05133	Dagenham Trades Hall	1,472	0	0	0	1,472	1,472	0
TBC	Unallocated		3,000	2,000	1,000	6,000	6,000	0
CAP42	**IAS COMMERCIAL**	**16,446**	**4,096**	**2,000**	**1,000**	**23,542**	**23,542**	**0**
	IAS TOTAL	**291,628**	**161,588**	**113,699**	**19,708**	**586,624**	**347,508**	**239,117**
	TOTAL CAPITAL PROGRAMME	**370,904**	**209,462**	**164,296**	**57,668**	**802,333**	**391,250**	**411,084**

Appendix H

Section 25 Statement of the Section 151 Officer (DRAFT)

1. Introduction

The Chief Financial Officer is required to make a statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under Section 25 of the 2003 Local Government Act which states the following:

a) Where an authority to which Section 32 or 43 of the Local Government Finance Act 1992 (billing or major precepting authority) or Section 85 of the Greater London Authority Act 1999 (c.29) (Great London Authority) applies is making calculations in accordance with that section, the Chief Finance Officer of the authority must report to it on the following matters:

- The robustness of the estimates made for the purposes of the calculations, and
- The adequacy of the proposed financial reserves.

b) authority to which a report under this section is made shall have regard to the report when making decisions about the calculations in connection with which it is made. This includes reporting and considering:

- The key assumptions in the proposed budget and to give a view on the robustness of those assumptions.
- The key risk areas in the budget and to assess the adequacy of the Council's reserves when reviewing the potential financial impact of these risk areas on the finances of the Council. This should be accompanied by a Reserves Strategy.

In 2019 CIPFA published a new Financial Management Code. One of the 17 standards included in the new Code is 'the budget report includes a statement by the chief financial officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.' The first full year of compliance with the new FM Code was 2021/22.

This statement must be considered and approved by full Council as part of the budget approval and Council Tax setting process.

This assurance statement covers both the General Fund and HRA revenue and capital budgets.

2. Assurance Statement of the Council's Section 151 Officer

The following are the summary assurances and recommendations of the Council's Section 151 Officer (currently the Strategic Director, Resources).

2.1 **Robustness of General Fund revenue and capital budget proposals**

2.1.1 In my assessment of the robustness of the General Fund budget proposals for 20024/25 I have considered the following key factors:

- Overarching approach to the budget setting process and the rigour that has been applied;
- The financial impact of those significant financial risks which have a higher degree of likelihood of materialising over the next 12 months;
- The extent to which I believe risk mitigations will be effective;
- Degree of engagement and assurance from the Executive Team and council more widely;
- Any other factors specific to the following financial year.

2.1.2 Taking each of these factors into consideration, I have set out below my assessment of each of these to arrive at an overall conclusion.

2.1.3 An incremental approach to budget setting for 2024/25 has been followed whereby the budgets for the previous year are rolled forward and adjusted for growth or savings items. Whilst this is a generally adopted practice, this could mean that errors or inadequacies in the 2023/24 base budgets are merely rolled forward.

2.1.4 However, during 2023/24 there has been an intense scrutiny of the base budgets and a number of legacy budget issues identified and now addressed in the proposed budgets for 2024/25.

2.1.5 Where financial management has been identified as weak in some areas, a targeted, risk-based approach has been taken to improve knowledge and understanding of budgets, activity and key cost drivers. Robust financial models have now been put in place for high risk, demand-led budgets. Experienced finance staffing resources have been brought in with specialist knowledge of services where necessary to help support the Council's senior leadership team.

2.1.6 A Debt Steering Group has been established to provide greater scrutiny of the Council's debt and income collection performances which has been supplemented by external advisors for targeted areas. Levels of bad debt provision have also been subject to additional scrutiny which have previously had a budgetary impact.

2.1.7 Detailed budget scrutiny sessions were undertaken during September 2023 with the Chief Executive and Cabinet Member for Finance in attendance. These allowed for forensic analysis and challenge of directorate budgets as well as growth and savings items.

2.1.8 In terms of the General Fund capital budgets, a capital bids process was undertaken to identify capital investment needs, and these were subject to scrutiny by the Capital and Assets Board, using pre-determined criteria. Capital bids were considered and prioritised considering health and safety and other critical aspects. The amount of capital investment required over the MTFS period was identified to accommodate a modest increase in borrowing costs budgets which was deemed affordable within the General Fund budget proposals.

2.1.9 Of the financial risks that have been identified in the main body of the report, my assessment of those risks which are more likely than not to materialise and/or have the greatest financial impact are:

Inability to deliver savings

2.1.10 The General Fund revenue budget proposals including £15.60m of savings of which £4.8m are still at a high-level stage of development.

2.1.11 More specifically savings of £4.1m identified in the People & Resources Directorate have only been identified at a late stage in the process and require more granular levels of detail to be able to form a clear assessment of their robustness.

2.1.12 However, there are certain additional factors to be considered in the assessment. Firstly, the savings are underpinned by a change of internal staffing structures and reporting lines which are within the direct control of the Council and plans are already in place. Secondly, the high-level plans have been supported by external, specialist support and review provided by the Local Government Association and following best practice in other local authorities.

2.1.13 The Strategic Director, People & Resilience has also articulated those plans well in discussions that were held with both the Chief Executive, myself and relevant Cabinet Members and so there is wider understanding and assurance around those plans.

2.1.14 In addition, permanent options for the proposed budget gap of £8.809m for 2024/25 are already being considered and are likely to deliver additional savings earlier than 2025/26.

2.1.15 The Chief Executive is also establishing a Finance Scrutiny Board which will meet monthly to scrutinise and challenge Directorate financial performance and progress on savings delivery and alternative plans.

2.1.16 For the first time this year, all Strategic Directors are being asked to provide an assurance statement in acceptance of their budgets which states that they will operate within their approved budget envelope and find alternative savings where delivery of identified ones is at risk.

Growth is insufficient

2.1.17 A total of £54.12m of growth has been added to the 2023/24 budgets in setting the revenue budgets for next year. This is a significant amount of growth and £25.62m of this relates to 2023/24 base budget pressures. This should ensure that the base budgets for 2024/25 are more robust, based on current demand and activity.

2.1.18 However, growth for any other factors e.g. general contract inflation or demand has been kept to an absolute minimum. Instead, two central contingency budgets have been established which will be released to offset demand or inflationary pressures subject to my approval.

2.1.19 With the demand-led budgets there is the inherent risk in the budget proposals that they are insufficient to cope with increases in demand, particularly in adult and children's social care or temporary accommodation pressures. However, an assessment at this time is that a reasonable maximum exposure for 2024/25 based on trends would be less than £10m. As demand management plans are being put in place and a central contingency has been established then there are risk mitigations in place. In an extreme situation, this could always be accommodated within the General Fund balance currently maintained at £12m.

Backlog of audited accounts

2.1.20 The Council's external auditors, BDO have still not concluded their audit of the 2019/20 accounts and have now given a further revised forecast timeline for conclusion of 31 August 2024.

2.1.21 Without a formal audit opinion, this does introduce the potential for material misstatements to be identified on conclusion of their audit and which have a financial impact on the Council's General Fund. However, the audit has been substantially completed with many key risk areas reviewed and signed off. A number of material adjustments have been identified from the conclusion of this work, but these have already been adjusted for as appropriate.

2.1.22 Given the delays to the 2019/20 accounts it is inevitable that later years to 2022/23 will be subject to the new arrangements being considered by the government to deal with the audit backlog and not subject to a full audit.

2.1.23 Grant Thornton have been appointed for as the Council's external audit for 2023/24 and have provided assurance that this would be undertaken on a timely basis (subject to any matters beyond their control). There is a risk that material matters are identified during 2024/25, given that this will be the first full audit for the Council in over three years.

2.1.24 However, a new, experienced Chief Accountant has joined the Council in 2023 and has undertaken a review of the later years. An external advisor was also commissioned to undertake an independent review of those accounts prior to the previous Chief Accountant leaving. I, therefore, have a degree of confidence that there will be no significant matters arising from the audit backlog that will have a significant financial impact on the Council's General Fund budgets in 2024/25.

Investment and Acquisition Strategy

2.1.25 The Council's Investment and Acquisition Strategy (IAS) was established to fund investment in housing and regeneration schemes across the borough and was approved on the basis that it would be both self-financing and generate a target rate of return if possible.

2.1.26 The IAS forms the basis for the Council's Annual Investment Strategy (AIS), included within the TMSS, which sets out the Council's approach to non-treasury investments. The AIS is based on investment in income-generating residential and commercial assets. All schemes are funded through borrowing but the costs of which should be met through revenue flows either from assets owned directly or under lease/loan arrangements within the Council's subsidiary (Reside).

2.1.27 The Treasury Management Strategy Statement sets out the impact of the IAS borrowing. By the end of 2023/24 the Council will have borrowed £880m to fund the IAS with a further £170m planned over the MTFS period.

2.1.28 The Council's General Fund revenue budgets contain both IAS interest payable and interest receivable budgets and the key matter for my consideration is whether the revenue flows will cover the borrowing costs for 2024/25 and beyond.

2.1.29 For 2024/25, I am satisfied that this will be the case and in this respect the budget proposals are robust. However, there are a significant number of financial risks which have begun to materialise and these are detailed within the Treasury Management Strategy Statement, mainly relating to increased interest rates, decreases in operational returns and decreases in overall net surpluses.

2.1.30 There are ongoing problems e.g. voids, all of which have a financial impact.

2.1.31 The Council currently has a number of workstreams underway and is strengthening its governance and oversight arrangements of the IAS. External support is also being given to ensure that the governance and assurance framework is robust. The Council will also be seeking to de-risk the IAS portfolio where appropriate. It will be important that all work is concluded at pace in this calendar year in readiness for the following year's budget setting.

2.1.32 In 2023/24 the Council also has an income core budget of £5m to be achieved through an overall net return on the IAS. This has been reduced to £4m and forecasts included within the Treasury Management Strategy demonstrate that this is achievable. However, the ability for the IAS to generate this overall net return on an ongoing basis will be need to considered, once the IAS work above is completed.

2.1.33 The Council also has pipeline regeneration schemes for which significant costs of c£16m have already been incurred but for which scheme viability is proving challenging. A solution will need to be found to progress these schemes otherwise there is the potential for these schemes to become a revenue charge in future years in the event of a scheme being aborted. These costs would need to be funded from the Council's General Fund revenue budgets or the IAS reserves (see below).

2.1.34 The Council's subsidiary structures and financial interactions with the Council are complex. The Council's 2023/24 base budget has a dividend income budget of £10.3m and this has been rolled forward into 2024/25. Removing this budget would have increased the budget gap. Strategic discussions are currently taking place between the Council and its subsidiary in terms of the dividends that will be declared in 2024/25. Any shortfall in income will need to be met through the IAS reserves (see below).

2.1.35 The Council will also need to address the dividend income budget that is embedded in its base to ensure that reserves are not needed to fund this budget from 2025/26 onwards.

Overall, my conclusion is that the Council's General Fund budget proposals for 2024/25 are robust

2.2 Adequacy of the Council's Reserves

2.2.1 The forecast reserve balances at 31 March 2025 take into account the potential use of reserves to balance the 2023/24 financial year as well as the planned use to bridge the budget gap for 2024/25.

2.2.2 The Council ended 2022/23 with an earmarked Budget Smoothing Reserve (BSR) of £16.84m, set aside to smooth the delivery of savings over the medium term. However, £13.51m of was used in setting the budget for 2023/24 reducing the reserve to £3.33m.

2.2.3 A review of all other earmarked reserves was undertaken during 2023/24 to ensure that reserves set aside were still needed for the intended purposes or whether they could be released to enhance the Budget Smoothing reserve. This increased the BSR during 2023/24 but this will now be fully utilised in setting the 2024/25 budget and balancing the current financial year.

2.2.4 Therefore, there is no longer a specific earmarked reserve which could be called upon should savings not be delivered. However, as noted above, Strategic Directors have provided assurance statements that savings will be delivered, or alternative plans put in place. Permanent savings for 2025/26 are already being worked up and should deliver savings earlier to mitigate this risk further.

2.2.5 However, the Council will need to continue to find additional and/or accelerated savings to enable the Budget Smoothing reserve to be replenished. Going forward, it is recommended that the Council seeks to create an annual budget to transfer funds to this or another reserve to create an additional contingency to act as a buffer for managing demand cost pressures.

2.2.6 In balancing 2024/25, the General Fund general reserve will be reduced to the minimum balance of £12m to be maintained under the approved Reserves Policy, This will represent approximately 5% of the Council's net revenue budget. I consider this to be a reasonable percentage.

2.2.7 The Council does have general fund earmarked reserves of £29.56m that have been generated through returns on the Investment & Acquisition Strategy (IAS). However, as highlighted above, and in the Treasury Management Statement, there are significant financial risks within the delivery of the IAS.

2.2.8 It is important, therefore, that the IAS reserves are retained and continue to be ringfenced to mitigate risks with schemes revenue flows into the Council not meeting the related borrowing costs, the overall £5m net return required not being achievable or any shortfall in subsidiary dividend income.

2.2.9 However, my assessment at this stage is that the IAS reserves are sufficient to cover the related IAS financial risks for 2024/25.

2.2.10 My residual question in my assessment of the adequacy of reserves is how any potential overspend in 2024/25 would be funded given that the remaining forecast earmarked reserves are either ring-fenced or committed as set out above.

2.2.11 Given that: there is provision within the General Fund budgets by way of contingency, that there are plans to accelerate savings and manage demand and considerable growth has been given in 2024/25, the risk of an overspend has been reduced. Should that situation arise, then it would be possible to utilise a small amount of the IAS reserves, but this approach should only be taken as a last resort.

Overall, my conclusion is that the Council's forecast General Fund reserves are adequate for the risks that it is facing in the forthcoming financial year. However, the Council will need to seek to replenish General Fund reserves over the MTFS period.

2.3 HRA Revenue and Capital budgets and Reserves

2.3.1 The Housing Revenue Account (HRA) 2024/25 budget was developed through collaboration between Finance, colleagues in My Place and the Council subsidiaries to arrive at the best estimates of cost and income required for managing and maintaining the HRA stock in 2024/25.

2.3.2 This considered prior and current year activities, data from suppliers and insights from ongoing contract procurement processes and relevant government regulation.

2.3.3 The capital investments in the existing stock captured in the HRA capital budget reflect estimates developed from stock condition surveys on the investment need of the stock and provides funding for what can be realistically achieved in the 2024/25 while capping future years to funding generated within the HRA excluding borrowing.

2.3.4 Inflation and interest rate assumptions used to develop the budgets are based on current prices while future forecasts are informed by Bank of England (BOE) inflation and interest rate forecasts and takes into consideration the BOE' inflating targeting policy.

2.3.5 These estimates have also been used to produce a draft 30-year HRA business plan.

2.3.6 In developing the business plan, the Council has set a minimum HRA reserve balance of 10% of the total revenue for the year. The reserve balance enables the Council to maintain adequate reserves to help cushion the Council against unexpected future challenges while facilitating better planning on how to use income generated above the minimum reserves levels to fund the management and maintenance of the HRA stock and develop new affordable housing.

2.3.7 Sensitivity analysis was undertaken to determine the affordability of the 2024/25 revenue and capital budgets over the short and medium term of the HRA business plan. The final budget proposal being the budget estimates that delivers the longest period of viability for the HRA.

2.3.8 While a capital budget has been proposed for the HRA, this has been achieved by capping capital investment to the level of funding generated within the HRA excluding borrowing. The underfunding of the existing stock's maintenance requirement has been flagged as a risk and the Council has set a strategic objective to work towards delivering efficiency savings within the HRA to generate more resources to increase investment in the existing stock and tackle decarbonization.

Overall, my conclusion is that the Council's HRA budgets are robust for 2024/25 and reserves are adequate for the shorter-term risks that it is facing. However, the Council will need to continue its work on the securing the longer-term viability of the HRA and the ability to afford the required levels of capital investment.

Appendix I

Strategy for the Flexible Use of Capital Receipts 2024/25

Background

Capital receipts can only be used for specific purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure. The use of capital receipts to support revenue expenditure is not permitted by the regulations.

However, the Secretary of State is empowered to issue Directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a Direction is made, the specified expenditure can then be funded from capital receipts under the Regulations.

For a number of years, the local government sector has been lobbying central government to provide councils with greater freedoms and flexibilities in relation to the use of Capital Receipts to support the delivery of savings and efficiencies. In 2013, the Local Government Association argued that freedoms should be given to Councils to "*release value currently residing on council's balance sheets without the need for further funding from taxation; the sale of assets generates economic activity, as does transformational revenue expenditure*".

In response, the Secretary of State for Communities and Local Government issued guidance in March 2016, giving local authorities greater freedoms in relation to how capital receipts can be used to finance expenditure. This Direction allowed for the following expenditure to be treated as capital:

> *"expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners."*

This was extended in an amended direction in December 2017 by a further three years up to and including 2021/22 to allow the continued flexible use of capital receipts for the above purposes. Further updated statutory guidance was issued by the Department for Levelling Up, Housing and Communities (DLUHC) in August 2022 which extended the scheme for the financial years 2022/23, 2023/24 and 2024/25.

To benefit from this dispensation and comply with the Direction, the Council must consider the statutory guidance issued by the Secretary of State. This Guidance requires authorities to prepare, publish and maintain a 'Flexible Use of Capital Receipts Strategy'.

The guidance also requires that each authority should disclose the individual projects that will be funded or part-funded through capital receipts flexibility to full Council (the Assembly). It goes on to say that this requirement can be satisfied as part of the annual budget setting process, through the Medium-Term Financial Plan or equivalent, or for those authorities that sign up to a four-year settlement deal, as part of the required Efficiency Plan.

There is no prescribed format for the Strategy. The underlying principle is to support local authorities to deliver more efficient and sustainable services by extending the use of capital receipts to support the revenue costs of reform projects.

The Statutory Guidance for the Flexible Use of Capital Receipts Strategy states that the Strategy should include a list of each project where it is intended capital receipts will be used, together with the expected savings that the project will deliver. The Strategy should also include the impact of this flexibility on the affordability of borrowing by including updated Prudential Indicators.

The Secretary of State has extended the scheme further to cover the financial years 2022/23, 2023/24 and 2024/25 with clear requirements to use this flexibility.

1. A strategy for the flexible use of Capital Receipts is published and approved by the Local Authority.

2. A submission of this strategy is made to DLUHC.

The direction also includes a new requirement to submit the planned use of the flexibility in advance of use for each financial year. This condition can be met by sending the authority’s own strategy documents provided they contain the detail asked for in the direction. This is not an approval process, and authorities can still freely use the flexibility as before, but the information must be sent to ensure transparency and allow proper monitoring by central government.

The recent detailed guidance clearly outlines that ongoing savings or increased income must be forecast because of the project funded by flexible use of capital receipts. This is a tightening of the guidance.

The Flexible Use of Capital Receipts Strategy for Barking and Dagenham for 2024/25 is set out below.

Flexible Use of Capital Receipts Strategy 2024/25

The Council welcomes the Government’s “Flexible Use of Capital Receipts” dispensation and believes that if it is used judiciously and prudently, it can help the authority deliver savings while protecting revenue budgets and reserves. Working in this way will help to protect jobs and shield the taxpayer.

Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is:

“Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.”

It has been clarified that ongoing savings or income must be forecast as a direct result of the project funded by the strategy. Within the revenue budget proposals for 2024/25 there are a significant number of savings to be delivered, of which a number are underpinned by four corporate transformation programmes. Target operating models will be revised as well as staffing structures underpinning those new operating models.

Investment resources have currently been identified within the Council’s revenue budget and earmarked reserves and utilising capital receipts instead will mean that these resources will then be available to assist in protecting the Council’s financial sustainability.

The details around, the quantum of capital receipts that it is proposed will be used under this strategy and the resulting ongoing savings, is currently worked up by way of robust business cases. Once business cases have been presented, these will be presented to Full Council for approval in 2024/25 in line with statutory reporting requirements and timelines.

Impact on Prudential Indicators

The guidance requires that the impact on the Council’s Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy. The impact will be assessed and reported in the report that is presented to Full Council for approval.

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Appendix J

Cumulative Equality Impact Assessment

Budget Savings Proposals 2024/25

1. Purpose of Report

This report assesses the equalities impacts of the savings proposals set out in the Council's Budget for 2024-25. It provides an assessment of the likely cumulative impacts of the suite of budget savings proposals on residents with protected characteristics as defined by the Equality Act 2010, and the actions to reduce or mitigate any identified negative impacts.

There are significantly more savings proposals this year, due to the significant medium-term budget gap. When setting this budget, we have been mindful of the need to continue protecting those in greatest need or at most risk from cuts. Where possible, savings focus on optimising efficiencies in service delivery. However, some difficult decisions are being made.

This cumulative impact assessment focuses on the impact of savings proposals on residents. Impacts relating to staff as a result of the savings proposals e.g., deletion of vacancies, changes to "back office" staffing and risk of redundancies are assessed through HR processes, including Workforce Board.

2. Our legal responsibility – the Equality Act 2010

The Public Sector Equality Duty, set out in the Equality Act 2010, requires public bodies to pay due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by the Equality Act
- advance equality of opportunity between people who share a characteristic and those who do not
- foster good relations between people who share a characteristic and those who do not.

The nine protected characteristics are:

- age
- disability
- gender reassignment
- pregnancy and maternity status
- marriage and civil partnership
- race
- religion or belief
- sex
- sexual orientation

An Equality Impact Assessment is not a legal requirement in England, but it is an established and credible tool for demonstrating and evidencing due regard to the Public Sector Equality Duty, which is required by law.

We need to understand the effect and impact of our policies and practices, service delivery and decision-making. Although the Council is not legally obligated to reject savings or growth proposals that could have negative impacts on any groups, it must consider the impact of its proposals on the Public Sector Equality Duty, take a reasonable and proportionate view about the overall impact on particular groups, and seek to mitigate potential negative impacts where possible.

3. Context

3.1 Barking and Dagenham population statistics

Having a deep understanding of the borough's population is essential in effectively assessing the impact of our decisions on our residents. Since 2001 there has been significant change in the make-up and characteristics of the population. The latest Census and Joint Strategic Needs Assessment reveal the following about our residents:

The population has grown significantly faster than other places

- The population size (on Census Day) was 218,900. This had grown by 17.7% since 2011 – the third highest growth rate in England and Wales.
- The population is expected to grow another 42% to 309,000 by 2041.

…Barking and Dagenham is one of the most ethnically and culturally diverse communities

- The borough has seen the greatest increase in ethnic diversity between 2011 and 2021 with the percentage of non-White British residents rising by 18.6 percentage points over that decade.
- Two in five residents were born outside of the UK. Nigeria (4.31%), Romania (4.30%) and Bangladesh (4.24%) were the three countries outside of England where most foreign-born residents were born.
- 16% of the population are Black African – the highest proportion in England and Wales.
- 10% of residents are Asian Bangladeshi – the fourth highest proportion in England and Wales.
- The most common language of residents whose main language is not English is Romanian (4.8%) followed by Bengali (3.1%).
- Islamic faith has grown in the borough since 2001 – the percentage of Muslim residents has increased by 20 percentage points. Nearly a quarter of residents are Muslim.
- 45.4% of residents are Christian, down from 56% in 2011.

...and one of the youngest, with many young families

- 57,100 (26.1%) of residents were aged under 16 on Census Day – the highest proportion in England and Wales.

- There are 9,400 (12.8%) lone parent households with dependent children – the highest proportion in England and Wales
- Average household size is 2.96 – the fourth highest average household size in England and Wales

Our community is also diverse in terms of sexual orientation and gender identity

- Barking and Dagenham is the local authority with the highest proportion of trans women (0.25%) and the third highest proportion of trans men (0.24%) in England and Wales.
- 2.3% of the population identified as LGB+ (those who described their sexual orientation as something other than heterosexual).

Residents experience some of the highest levels of deprivation in the country

- 46,100 (62.4%) households in the borough have at least one measure of deprivation – the highest proportion in England and Wales
- 46% of children are estimated to live in poverty - the third highest rate in England and Wales

The self-reported health of the population is worse than most places in England and Wales and we have one of the highest levels of disability in London.

- 29.8% of households have at least one person who identifies as disabled – the highest proportion in London.
- 4.8% of residents reported that they consider themselves to be in "bad" or "very bad" health. After standardising for age, this is higher than average for London and England

To find out more about the borough and its people, visit: https://www.lbbd.gov.uk/about-borough

3.1. LBBD Corporate Plan priorities and Equality Objectives

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

There are seven strategic priorities by which this vision will be achieved:

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

To support our priorities a set of principles have been developed to be applied to our work across the whole Council. These principles, together with our values and culture, will drive service delivery, performance, and innovation:

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

Developed alongside the seven strategic priorities as part of the Council's Corporate Plan 2023-26 are our Equality Objectives. As a public sector organisation, we are obligated through the Public Sector Equality Duty to publish Equality Objectives at least every four years.

The Council's Equality Objectives for this period are:

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

3.2. MTFS budget gap

The Council is facing a significant shortfall in its budget to reach a balanced budget for 2024/25 which has predominantly arisen because of significant cost pressures arising from high inflation, increases in interest rates, continued challenges of cost-of-living crisis, increases in demand and/or change in the needs of existing service users and uncertainty about public sector finances.

The updated MTFS identifies a 2024/25 budget deficit of £8.809m, after allowing for savings proposals totalling £15.595m and growth proposals totalling £54.129m. The cumulative budget deficit increases to £17.317m by 2026/27. This EIA is concerned with the current, well-developed proposed savings for 2024/25. Officers and members are continuing to work together to identify further potential areas for budget savings.

It is crucial that savings are delivered. Failure to deliver savings will result in an overspend in 2024/25.

3.4 Local government funding

The financial sustainability of the whole of Local Government is under stress and this has been seen by a number of Local Authorities issuing a Section 114 notice, effectively signifying their inability to deliver a balanced budget. However, what is different now is that the reason for these notices is purely that increases in funding have not kept pace with expenditure.

There has been a significant reduction in funding from Central Government, with the key measure of Core Spending Power, continuing to show reduced level of funding since 2010. The 2023/24 financial year saw an average increase of 9.2% in core spending power (CSP) – the government's measure of overall core funding – for London boroughs from £8.01bn to £8.75bn. However, despite the overall increase, CSP for London Boroughs will remain 18% below 2010 levels in real terms. For every £1 we received 10 years ago, we now receive just 63p.

3.3. Inflation and increasing costs

Macroeconomic factors have impacted the Council's finances considerably with inflation causing cost rises and increase in interest rates slowing down development activity. This in turn has resulted in negative impact on the Council's wholly owned companies which in turn have impacted on the Council's ability, via its General Fund, to obtain projected returns.

3.4. Cost-of-Living Crisis

We are experiencing the biggest Cost-of-Living crisis in over 30 years. Rising inflation and increasing costs have significantly impact on our residents – costs of food and bills have risen at rates that many residents cannot keep up with. Our residents are more vulnerable than most to this, due to the existing level of deprivation and the residual effects of the Covid-19 pandemic. We recognise the enormity of this crisis for our residents – which is why we made supporting them through the crisis one of the Council's seven corporate priorities for 2023-26.

Building on progress and success of our combined response to the Covid-19 pandemic, the Cost-of-Living Alliance brings together the Council, community and faith groups, and invited businesses in the borough to provide effective and holistic help for those in need at the earliest opportunity.

There is an extensive range of support available to residents during this challenging time, including:

- BD Money - BD Money is a local website here to help residents manage their money including maximising income, benefit entitlement, access to grants and debt advice.
- Credit Union partnership - BD Money has partnered with Leeds Credit Union to provide access to a range of loan and saving products to those who live and work in Barking and Dagenham.
- Warm Spaces - Together with local partners, we've created a network of warm spaces across the borough for residents, including in some of our Community Hubs, to meet other people and have a cup of tea to stay warm, without having to put on the heating at home as much.

- Cosy Homes scheme - we're continuing to work with E.ON to offer free cavity, external wall and loft insulation. More than 2000 households in Barking and Dagenham have received free measures since 2020.
- Food banks – across the borough can provide emergency food parcels if a resident is temporarily unable to provide for themselves.
- Community Food Clubs - Community Food Clubs led by community and voluntary sector partners offer free and discounted meals, food packages, food supplies and household goods.
- Free holiday activities for young people eligible for free school meals
- Council Tax Support - Eligible residents aged over 18 can get up to 25 per cent discount on their council tax bill depending on their income, savings, household and circumstances.
- Hardship schemes: Funds to support vulnerable households most in need of help with the rising living and energy costs such as gas, electric, water and food costs. Additional support also includes white goods, winter clothing, essentials for work related costs such as travel and broadband.

Further information about how the Cost-of-Living Alliance and the Council are supporting residents can be found here.

4. Equality Impact Assessment Process

Where a savings proposal has a direct or indirect impact on residents, an Equality Impact Assessment has been completed. These assessments have outlined the proposal and the purpose of the change, identified the potential positive and negative impacts of the proposal and outlined steps that will be taken to maximise positive impact and mitigate or minimise negative impacts, where possible.

There are 78 savings proposals as part of this year's budget report. Of this 78, 23 of them were initially assessed as having potential impact on residents, the way that they access or experience services, or their outcomes, with an additional 7 requiring further development before it is clear whether the proposal will impact on residents. The other savings proposals were focused on optimising efficiencies in service delivery or changes to staffing (the impacts of which are dealt with through HR processes).

Of these 23 proposals, nine EIA screening tools have been completed and eight full EIAs. The other budget proposals (13) are put forward for a decision, subject to the proposal being further worked up, including consultation and a full consideration of the impact on residents with protected characteristics by services, in collaboration with the Strategy and Equalities Team. These will be presented for decision at a future point in time when the proposals have been further developed taking into account the results of the consultation and the equalities impact assessment.

5. Consultation

An online consultation, consisting of a budget quiz and a survey, was open between 20 December 2023 and 21 January 2024. The survey received 209 responses and 115 people took part in the budget quiz. 98.6% of the respondents were residents of the borough.

There was a budget Facebook Live Q&A on Tuesday 16 January 2024 with Cllr Rodwell, Leader of the Council, and Cllr Twomey, Deputy Leader and Cabinet Member for Finance, Growth and Core services. It had 892 views.

55 local businesses were consulted on 2024/25 budget proposals at the Barking and Dagenham Business Forum conference on 24 January.

The results of the consultation are included in the budget report (Appendix F).

6. Cumulative Equality Impact of Budget Savings Proposal

The individual Equality Impact Assessments and screening tools have been collated and assessed for the cumulative impact on people with protected characteristics.

Many of the Equality Impact Assessments and screening tools found that the proposals would have either positive impacts on people with protected characteristics, or no material impact, due to the changes being proposed not changing the services that residents would receive, or how they access or experience a service, or their outcomes as a result.

Despite this, the overall cumulative assessment is that there is a **potential negative impact** because of the budget savings proposals for 2024/25. However, where potential negative impacts have been identified because of the savings proposed, there are actions outlined that will mitigate or minimise the negative impacts, as much as possible. Officers have considered how residents will be able to continue to access alternative support and services.

In light of the extremely challenging fiscal situation and the need for services to remain financially sustainable, the conclusion is that the Council’s proposals for achieving savings are considered reasonable and have shown due regard to the Public Sector Equality Duty.

7. Summary of impacts by protected characteristic

Based on individual Equalities Impact Assessments the following protected characteristics are potentially impacted negatively by one or more of the savings proposals for 2024/25:

Age

- **Reduce/adjust care packages for adults in receipt of double-handed care at home (Adults Social Care - 24 2 25 P&R S02)** The proposal to reduce or adjust care packages for adults in receipt of double-handed care at home may cause stress and anxiety. To minimise/mitigate this impact, the service will provide individual assessments to identify and provide alternative care to meet their needs. Alternative care will only be provided where it is safe to do so. There will be ongoing communication and support through the changes to reduce stress and anxiety.

- **Close Gascoigne Road Care Home (Adults Social Care- 24 2 25 P&R S06)** The residents who currently reside at this care home will have to move. For people under 65, there can be limited options and services available to meet their needs. Alternative provisions may be out of borough.

Reassessment of needs and alternative placements sought to meet individual needs, with every effort made to keep people in the borough.

- **Reducing community events programme – Barking Folk Festival and Eid at Eastbury (Strategy - 24 2 25 STR S01)** Barking Folk Festival attracts relatively small numbers of residents, but as one of our free community events, there will be some families who now miss out. However, the Council will continue to stage some free community event across the summer to minimise this impact.

Disability

- **Reduce/adjust care packages for adults in receipt of double-handed care at home (Adults Social Care- 24 2 25 P&R S02)**
  The proposal to reduce or adjust care packages for adults in receipt of double-handed care at home may cause stress and anxiety. To minimise/mitigate this impact, the service will provide individual assessments to identify and provide alternative care to meet their needs. Alternative care will only be provided where it is safe to do so. There will be ongoing communication and support through the changes to reduce stress and anxiety.

- **Close Gascoigne Road Care Home (Adults Social Care- 24 2 25 P&R S06)** The residents who currently reside at this care home will have to move. For people under 65, there can be limited options and services available to meet their needs. Alternative provisions may be out of borough. Reassessment of needs and alternative placements sought to meet individual needs, with every effort made to keep people in the borough.

- **Deletion of the Mental Health Vocational Support Service (Community Solutions - 24 2 25COMSOL S07)** The service has an active workload of 200 residents, with secondary mental health conditions, who benefit from a targeted support offer informed by individual needs, strengths and vulnerabilities – they are unlikely to make best use of a generic service. To support these people, there will be a well-planned transition to alternative support services and a decommissioning plan to provide assurance and coordinate the process.

Race

- **Reducing community events programme – Barking Folk Festival and Eid at Eastbury (Strategy - 24 2 25 STR S01)** The Barking Folk Festival has sought to celebrate a range of cultures, so there will be a reduction in the number of opportunities the borough has to promote community cohesion via this event. However, the Council will continue to stage some free community events across the summer and support community cohesion through other activities.

Religion or Belief

- **Reducing community events programme – Barking Folk Festival and Eid at Eastbury (Strategy - 24 2 25 STR S01)** The Council will no longer be supporting the Eid at Eastbury event. In 2023, this amounted to a high per-head subsidy for those who attended the event. However, the Muslim community staged multiple other Eid events without Council support. Al Madina mosque is able to organise its own Eid event.

- **Review the Participation and Engagement Function (Community Solutions - 24 2 25COMSOL S04)** The Participation and Engagement Team work closely with and coordinate, build and maintain relationships with faith leaders, including supporting the Faith Leaders Network. The proposed service review reduces capacity in this team, and risks loss of local knowledge and relationships with the faith communities. The negative impacts could be minimised by ensuring the retained function adapts a work plan that prioritises limited resource and capacity to be targeted most effectively.

Socio-economic disadvantage[i]

- **Reducing community events programme – Barking Folk Festival and Eid at Eastbury (Strategy - 24 2 25 STR S01)** Barking Folk Festival attracts relatively small numbers of residents, but as one of our free community events, there will be some families who now miss out. However, the Council will continue to stage some free community event across the summer to minimise this impact.

- **Deletion of the Mental Health Vocational Support Service (Community Solutions - 24 2 25COMSOL S07)** This proposal results in a reduction of support to help residents get closer to the job market. To support people who would have benefitted from this service, there will be a well-planned transition to alternative support services and a decommissioning plan to provide assurance and coordinate the process.

- **Controlled Parking Zones and proposed increases to parking permits (My Place - 24 2 25 MY PLACE S01, 23 2 25 MY PLACE S01 and 24 2 25 MY PLACE S02)** There is acknowledgement that increases in prices will affect those with socio-economic disadvantage more than others. However, there is no proposed increase in residents permits (which have stayed the same since 2016), and benchmarking with neighbouring boroughs show the changes to charges are relatively low and intended to ensure environmental improvements to the community.

- **Cemetery Fees and Charges (My Place – 24 2 25 MY PLACE S08)** Given that Barking and Dagenham is one of the most deprived areas in the country, and we are experiencing a national cost-of-living crisis. This means that rising costs will impact on people experiencing socio-economic disadvantage more than those not. This is the reason that fees have only been increased by 10% and not in line with surrounding local burial authorities, which are still more expensive.

There are no disproportionate impacts relating to:

- Gender Reassignment
- Marriage and Civil Partnership
- Pregnancy and maternity
- Sex
- Sexual Orientation

8. Monitoring

The lead officer for each proposal will be responsible for ensuring that the equality considerations remain at the forefront of decision making as each of these proposals are progressed and implemented. This will include monitoring impact as these proposals are developed and implemented. Equality Impact Assessments should be live documents which are updated as more information becomes available and therefore services will ensure the impact is closely monitored.

[i] Socio-economic disadvantage is not a Protected Characteristic as defined by the Equality Act 2010. LBBD considers the impact of decisions on people with socio-economic disadvantage as best practice given the levels of deprivation experienced in our borough.

ASSEMBLY

28 February 2024

Title: Treasury Management Strategy Statement 2024/25 and Capital Strategy 2024/25 to 2026/27	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	**For Decision**
Wards Affected: None	**Key Decision:** Yes
Report Author: David Dickinson, Investment Fund Manager	**Contact Details:** Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk
Accountable Executive Team Director: Jo Moore, Interim Strategic Director, Resources (S151 Officer)	

Summary

This report presents the annual Treasury Management Strategy Statement (TMSS), Treasury and Prudential Indicators, Annual Investment Strategy (AIS) and Capital Strategy for approval, in compliance with Section 15(1)(a) of the Local Government Act 2003 (LGA 2003).

The production and approval each year of a TMSS, AIS and Capital Strategy are requirements of the Council under Section 15(1) of the Local Government Act 2003. It is also a requirement of the Act to set an authorised borrowing limit for the forthcoming financial year. The LGA 2003 also requires the Council to have regard to the Prudential Code and to set prudential indicators which consider the Council's capital investment plans and borrowing requirements for the next three years.

CIPFA published the updated Treasury Management and Prudential Codes on 20 December 2021 and stated that Local Authorities are expected to fully implement the required reporting changes within their TMSS/AIS reports from 2023/24. This report complies with these reporting requirements.

The Capital Strategy sets out an overview of how the Council's capital investment contributes to the provision of local public services and considers the financing of that and whether it is prudent, affordable and sustainable.

The Annual Investment Strategy sets out the Council's plans and approach to non-treasury and commercial investments. This is currently largely driven by the Council's Investment and Acquisition Strategy, (IAS) which will be revised and presented to Cabinet in April 2024. The Capital Strategy is included as Appendix 4 to this report.

The Treasury Management Strategy includes the Council's borrowing strategy. As at 30 November 2023, the Council had an external debt balance of £1.260bn, split into £296m for the HRA, £689m of long-term borrowing and £275m of short-term borrowing. Most of the long-term borrowing is for the IAS. Without any asset disposals and related capital receipts, then the total external debt is forecast to increase to £1.55bn by 2025/26 to fund

the approved IAS schemes, with a total debt position of £1.81bn if leases and PFI schemes are added. Currently £190.3m of this debt is serviced by on-lending to Reside.

The Council's Capital Financing Requirement (CFR), which is the measure of the Councils level of underlying need to borrow to fund past and proposed capital expenditure. This is forecast to increase to over £2bn by 31 March 2025, with a peak of £2.11bn by 31 March 2026 unless1 additional capital schemes are agreed. The difference between the CFR and actual external debt is due to the use of internal cash resources known as "internal borrowing".

This report sets out the Council's treasury and debt position, borrowing strategy and CFR, as well as the risks related to the IAS and the General Fund.

The Cabinet considered and endorsed this report at its meeting on 19 February 2024.

Recommendation(s)

The Assembly is recommended to approve the Treasury Management Strategy Statement for 2024/25 and, in doing so, to:

(i) Note the current treasury position for 2024/25 and prospects for interest rates, as referred to in sections 4 and 8 of the report;

(ii) Approve the Annual Investment Strategy 2024/25 outlining the investments that the Council may use for the prudent management of its investment balances, as set out in Appendix 1 to the report;

(iii) Approve the Council's Borrowing Strategy 2024/25 to 2026/27, as set out in Appendix 2 to the report;

(iv) Approve the Capital Prudential and Treasury Indicators 2024/25 to 2026/27, as set out in Appendix 3 to the report;

(v) Approve the Operational Boundary Limit of £1.9bn and the Authorised Borrowing Limit of £2.0bn for 2024/25, representing the statutory limit determined by the Council pursuant to section 3(1) of the Local Government Act 2003, as referred to in Appendix 3 to the report;

(vi) Approve the Capital Strategy, including the Capital Programme for 2024/25 to 2026/27, as set out in Appendix 4 to the report;

(vii) Approve the revised Minimum Revenue Provision Policy Statement for 2024/25, the Council's policy on repayment of debt, as set out in Appendix 5 to the report;

(viii) Note that changes made to the Prudential Code and Treasury Management code, published in December 2021, have been fully implemented for the 2024/25 TMSS;

(ix) Approve the Liability Benchmark data in section 11, including the impact of schemes agreed in 2022 but also the impact of pipeline schemes on the amount of borrowing required by the Council;

(x) Delegate authority to the Strategic Director, Resources, in consultation with the Cabinet Member for Finance, Growth and Core Services, to proportionally amend the counterparty lending limits agreed within the Treasury Management Strategy Statement to consider the increase in short-term cash held from borrowing;

(xi) Note the economic, development and operational risks for the IAS schemes as outlined in section 8 and within the IAS and Borrowing reports;

(xii) Note the Council's total borrowing is £1.260bn, split into £296m for the HRA, £689m of long-term borrowing and £275m of short-term borrowing;

(xiii) Approve the CFR projections of £2.022bn for 2024/25, £2.11bn for 2025/26 and £2.02bn for 2026/27; and

(xiv) Note that the Investment and Acquisitions Strategy shall be updated and presented for approval in April 2024.

Reason(s)
To enable the Council to accord with the requirements of the Local Government Act 2003

1. Introduction and Background

1.1 The Council is required to operate a balanced budget, with cash raised during the year sufficient to meet the Council's cash expenditure. Treasury management supports the Council by seeking to ensure its cash flow is adequately planned, with cash being available when it is needed. Surplus cash is invested in counterparties or instruments commensurate with the Council's risk appetite, providing adequate security and liquidity while also considering the investment return.

1.2 A second function of treasury management is funding the Council's capital plans and investment requirements and to ensure that investments are affordable and sustainable. The capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer term cash flow surpluses.

1.3 The Council is responsible for its treasury decisions, activity, and risk appetite. The successful identification, monitoring and control of risk are integral elements of treasury management, including credit and counterparty risk, liquidity risk, market risk, interest risk, refinancing risk and legal and regulatory risk. The Council is statutorily required to approve the Treasury Management Strategy Statement (TMSS) prior to the new financial year.

1.4 CIPFA published the updated Treasury Management and Prudential Codes on 20 December 2021 and stated that Local Authorities are expected to fully implement the required reporting changes within their TMSS/AIS reports from 2023/24. The main objective of the Codes was to respond to the expansion of local authority investment activity over the past few years into the purchase of non-financial investments, particularly property. The Codes require an authority to ensure that it:

- defines its risk appetite and its governance processes for managing risk.

- sets out its investment policy in relation to environmental, social and governance.
- adopts a liability benchmark treasury indicator to support the financing risk management of the capital financing requirement; with material differences between the liability benchmark and actual loans to be explained.
- does not borrow to finance capital spend to invest primarily for commercial return
- increases in the CFR and borrowing are solely for purposes directly and primarily related to the functions of the authority. Where any financial returns are related to the financial viability of the project, they should be incidental to its primary purpose.
- has an annual review conducted to evaluate if commercial investments should be sold to release funds to finance new capital expenditure or refinance or repay maturing debt.
- capital plans and investment plans are affordable and proportionate.
- all borrowing/other long-term liabilities are within prudent and sustainable levels.
- commercial investments risks are proportionate to overall financial capacity.
- treasury management decisions are in accordance with good professional practice.
- reporting to members is monthly through the budget monitoring process, including updates of prudential indicators.
- should assess the risks and rewards of significant investments over the long term, to ensure the long-term financial sustainability of the authority.
- has access to the appropriate level of expertise to be able to operate safely in all areas of investment and capital expenditure, and to involve members adequately in making properly informed decisions on such investments.

1.5 This report covers the above points, outlining the key risks, borrowing requirement, assets invested in and the pipeline schemes. The Council's IAS has a long-term view of over 50 years and this report will outline the forecast income and expenditure over this time frame. However, there will be a focus on the next three years as the likely performance and cashflows are more relevant and are more accurate and to align with the Council's Medium Term Financial Strategy. Longer term forecasts based on several assumptions and estimates have an inherent risk of uncertainty.

2. Treasury Management Reporting Requirements

2.1 The Council is required to receive and approve at least three main treasury reports each year. These reports are required to be adequately scrutinised by Cabinet before being recommended to the Council. In addition, monthly treasury and IAS monitoring is taken to Cabinet as part of the budget monitoring report. The three main treasury reports are:

i. **The Treasury Management Strategy Statement (TMSS)** is the most important report and considers the impact of the Council's proposed Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected treasury position, the Prudential Indicators (PIs), the outlook for interest rates and current market conditions.

ii. **A Mid-Year Treasury Management Report** to update Members on the progress of the capital position, amending PIs and investment strategy as necessary.

iii. **An Annual Treasury Report** - outlines the actual Prudential Indicators, treasury indicators and treasury operations compared to the estimates within the strategy.

2.2 The Council is responsible for social and affordable housing within the HRA so PIs for capital expenditure, financing costs and the Capital Financing Requirement (CFR) are split between the HRA and the General Fund (GF). The impact of new capital investment decisions on housing rents is also considered. This report provides an explanation of the key elements of the Council's TMSS, its Minimum Revenue Provision (MRP) Policy, Annual Investment Strategy (AIS), Capital Strategy and Borrowing Strategy, as set out in detail in the appendices attached to this report.

3. Treasury Management Strategy Statement for 2024/25

3.1 The strategy for 2024/25 covers two main areas, including Treasury Management and Capital Strategy Reporting issues. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Ministry of Housing, Communities and Local Government's (MHCLG)[Now DLUHC) MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

3.2 Treasury Management Matters

- Current portfolio position at 30 November 2023 (section 4);
- Medium Term Capital Finance Programme to 2026/27 and capital budget for 2024/25 (section 5);
- Treasury position as at 30 November 2023 together with forward projections 2024/25 (section 6);
- Economic update (Appendix 6) and interest rates forecast (section 7);
- Investment and borrowing rates (section 8);
- The Council's Capital Expenditure Programme 2024/25 to 2026/27 (section 9);
- Liability Benchmarks and loan repayments (section 10)
- Treasury Management Advisors report(section 11);
- Minimum Revenue Provision Policy Statement (section 12);
- Appendix 1 – Annual Investment Strategy 2024/25;
- Appendix 2 - Borrowing Strategy 2024/25 to 2026/27;
- Appendix 3 – The Capital Prudential and Treasury Indicators 2024/25 to 2026/27;
- Appendix 4 – Capital Strategy and Capital Programme 2024/25 to 2026/27
- Appendix 5 – Minimum Revenue Provision Policy Statement 2024/25;
- Appendix 6 - Economic Background; and
- Appendix 7 – Scheme of Delegation and Section 151 Officer Responsibilities

3.3 Capital Strategy Reporting Requirements

3.3.1 The CIPFA revised 2017and 2021 Prudential and TM Codes require all local authorities to prepare an additional report, a Capital Strategy Report (CSR), which provides: a high-level long-term overview of how capital expenditure, capital financing and TM activity contribute to the provision of services; an overview of how the associated risk is managed; and the implications for future financial sustainability.

3.3.2 The aim of this CSR (Appendix 4) is to ensure that Members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

3.3.3 In November 2016, Cabinet approved the establishment of an Investment and Acquisition Strategy (IAS). The purpose of the IAS is to support the Borough's growth opportunities and to ensure the Council, and future generations, benefit by increasing the Council's ownership of long-term income producing assets. The IAS is reviewed annually by Cabinet, with the next review due to be presented to Cabinet in April 2024. Given the length of time since the IAS was approved and the significant amount of borrowing that the Council has undertaken under this strategy, external advisors have been commissioned to undertake a review of the IAS and associated asset portfolio.

3.3.4 The IAS had an annual income target of delivering £5.2m for 2024/25 to 2026/27, including hotel deals. The IAS is delivered primarily by the Council's development vehicle, Be First, and through its property companies, Reside. The strategy has resulted in the delivery of around 1,300 homes with another 2,000 in construction. It has also helped progress the land assembly and subsequent sale of the Film Studio at Dagenham East, letting of Welbeck Wharf Studios and the sale of the Muller site.

3.3.5 The CSR references the Borrowing Strategy (Appendix 2) and MRP Policy (Appendix 5) that include additional details on the borrowing and debt repayment. These documents provide details of the CSR and includes:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

3.3.6 Where a physical asset is bought, details of market research, advisers used, (and their monitoring), ongoing costs, investment requirements and credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

3.3.7 Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG (now DLUHC) Investment Guidance and CIPFA Prudential Code have not been adhered to. In addition, Investment Management Practices (IMPs) for non-treasury investments are required by the 2021 CIPFA Codes.

3.3.8 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Strategy. To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

3.3.9 On 20 December 2021, updates to the Prudential Code and Treasury Code were published, effective from the publication date, and includes borrowing purely for yield (profit), which is now no longer allowed. The implementation of the changes is incorporated in the 2024/25 TMSS. Overall, the impact of the changes will require additional reporting but the impact on the Council will be limited as the Council does not invest purely for yield, with commercial purchases part of in-borough regeneration.

4. Current portfolio position at 30 November 2023

4.1 Table 1 shows the Council's investments, loans and borrowing at 31/12/2022 and 30/11/2023 to show annual comparators, including average life and average return.

Table 1: Treasury Position at 31 December 2022 and 30 November 2023

	As at 31 December 2022			As at 30 November 2023		
	Principal £000s	Return %	Average Life (yr)	Principal £000s	Return %	Average Life (yr)
General Fund Fixed Rate Long Term Borrowing						
PWLB	617,887	1.91%	28.59	600,692	1.91%	28.00
European Invest. Bank	74,220	2.21%	20.35	71,563	2.21%	20.35
L1 RENEWABLES	6,752	3.44%	22.85	6,711	3.44%	22.85
DEXIA BANK LOBO	10,000	3.98%	53.62	10,000	3.98%	53.62
Total GF Debt	**708,859**	**1.99%**	**28.02**	**688,967**	**1.99%**	**27.53**
General Fund Fixed Rate ST Borrowing						
Local Authority ST	**146,228**	**2.99%**	**- 0.79**	**254,980**	**4.77%**	**0.19**
GF Medium Term Borrowing	**30,000**	**0.77%**	**0.72**	**20,000**	**2.43%**	**1.46**
Total GF ST / MT Borrowing	**176,228**	**2.61**	**0.38**	**274,980**	**4.60%**	**0.28**
Total GF Debt	**784,382**	**1.85**	**26.83**	**963,946**	**2.73%**	**19.75**
HRA Borrowing						
PWLB Fixed Rate	265,912	3.50%	32.14	265,912	3.50%	32.14
Market Loans Fixed Rate	30,000	4.03%	42.07	30,000	4.03%	42.07
HRA Internal Borrowing Variable Rate				10,704	4.73%	-
Total HRA Debt	**295,912**	**3.55%**	**33.15**	**306,616**	**3.43%**	**31.99**
Total Borrowing	1,180,999	2.47%	25.04	**1,270,562**	**2.90%**	**22.71**
General Investments						
MMF / Cash	9,600	2.80%	0.11	3,200	5.39%	-
Local Authority Deposit	45,250	1.63%	0.59	10,000	1.00%	0.11
Bank Deposit	12,000	1.69%	0.15	2,000	5.14%	-
Loans	177,223	3.93%	29.17	251,956	3.74%	41.33
HRA Internal Borrowing Variable Rate				**10,704**	**4.73%**	
Total Treasuy Investments and Loans	**244,073**	**3.35%**	**21.08**			
HRA Cash	**18,386**	**3.50%**	**32.14**	**18,386**	**3.65%**	**-**
Total Investments and Cash	244,073	**3.35%**	**21.08**	**277,860**	**3.66%**	**35.84**
Muller Equity	23,349			23,349		
Total Investments with Equity	**267,422**			**290,505**		

4.2 The Council holds cash balances from its income form operational activities, which are offset by expenditure to run services. If the timing of these cash flows results in surplus cash this is then invested and conversely, if it results in a deficit, borrowing will be required. Cash balances are also affected by working capital, the short-term funding required to maintain sufficient cash to meet short term debts arising from operational activities. These balances are made up of the following sources of cash:

- Capital grants and Section 106 funds received in advance of expenditure;
- General Fund, HRA and School cash balances;
- Earmarked reserves, provisions, capital receipts and working capital;
- Borrowing (financial Institutions and Publics Works Loan Board - PWLB).

4.3 Over the past year the key changes in the treasury position were:

i. Short and medium-term borrowing increased by £98m to £275m to fund the Council's commercial holdings but also new developments.
ii. Interest rates increased significantly, with the average short-term borrowing rate increasing from 2.99% to 4.77%, with short-term borrowing rates in December 2023 between 5.3% to 5.7%.
iii. Long-term borrowing rates remained the same, but the Council's long-term debt decreased by £20m as annuity and equal Instalment repayments reduced the balance.
iv. Cash holdings continued to reduce, from £67m at 31 December 2022 to £15m at 30 November 2023.
v. Loans, especially loans to Reside, increased from £177m to £252m.

5. Medium Term Capital Finance Programme and 2024/25 Capital Budget

5.1 A key part of the Council's medium term financial strategy is the medium-term capital finance budget shown in Table 2. It is a statutory requirement that the level of borrowing is kept under review and is affordable.

5.2 The **interest payable** forecast and budget shows a significant increase to 2026/27. This increase reflects the increased borrowing required and increased interest rates. Interest rates are currently around 5% for borrowing and therefore **for each additional £100m of borrowing required, £5m of interest will be required**. The interest payable largely covers the current IAS and GF borrowing requirement.

5.3 **Interest Receivable** also increases significantly as several schemes become operational and start to pay interest to the Council from Reside. The interest rates are largely fixed and reflect the agreed rate at the time of construction. Assumptions for new schemes such as Roxwell, Beam and Gascoigne East 3b include higher on-lending rates to reflect the current higher borrowing costs. MRP will also start to increase against the IAS schemes, but this is covered by principal repayments from Reside and from commercial schemes as part of the debt repayment.

5.4 Surpluses from Residential schemes could be higher than currently forecast but most schemes are either still under construction or only recently become operational. Improvement in returns could come from reducing operational costs, improved lettings and from increased rents. Deficits from commercial are based on a medium-term hold position and based on current lettings forecast. Potentially lettings, including the rates, could improve.

5.5 Borrowing costs for the IAS are capitalised against each project during the construction phase. Capitalisation of interest costs aligns with the CIPFA's Code of Practice to charge borrowing costs towards from the time an asset is at practical completion. As schemes are completed, capitalised interest stops and is replaced by a loan to Reside or through net operational surpluses from the asset class: commercial or residential schemes. As a result, the capitalised interest amount will reduce over time and the interest receivable will increase, with interest receivable ending up higher than the interest payable for the IAS. Overall the IAS is self-financing based on current interest rate forecasts, borrowing to date and for the schemes that have currently been agreed.

5.6 Table 2 below includes the MRP budget, IAS and HRA interest costs, including splitting the budgets into Residential and Commercial.

Table 2: Medium Term Capital and Treasury Budget 2024/25 to 2026/27

	2024/25 Budget £'000	2025/26 Budget £'000	2026/27 Budget £'000
General Fund			
Interest Payable	10,139	10,139	10,139
Interest Receivable	-6,503	-6,503	-6,503
Property Charges Income	-600	-600	-600
MRP	10,792	10,792	11,192
GF Sub-total	**13,828**	**13,828**	**14,228**
IAS			
Residential Interest Payable	9,870	13,736	20,550
Residential Interest Receivable	-18,346	-19,166	-25,748
IAS Residential MRP	825	2,859	2,938
Reside principal repayments	-2,000	-4,340	-4,692
IAS Residential Sub-total	**-9,651**	**-6,911**	**-6,952**
Commercial Interest Payable	10,840	10,028	7,872
Commercial Interest Receivable	-780	-3,669	-2,029
IAS Commercial MRP	1,438	1,481	1,755
Commercial	-5,908	-4,990	-4,707
IAS Commercial Sub-total	**5,590**	**2,850**	**2,891**
Net IAS Budget	**-4,061**	**-4,061**	**-4,061**
Hotel Lease and Lease Back	-1,176	-1,176	-1,176
Net IAS Budget Including Hotels	**-5,237**	**-5,237**	**-5,237**
HRA			
HRA Interest Payable	**10,059**	**10,059**	**10,059**

5.7 The IAS has an overall net income budget to achieve in the Council's General Fund revenue budgets. This overall surplus (after meeting IAS borrowing costs) is ei used as part of the Council's funding for its base budgets.

5.8 The IAS and treasury returns are currently difficult to accurately forecast as there is significant volatility within the interest rate market and currently many schemes have recently completed or will complete over the coming months. Reside now has a full-time Chief Finance Officer who is working with the Council on more accurate scheme forecasting. In the interim, the following assumptions have been used:

- New Borrowing Rate is modelled at 4.75% in 2024/25, 4.5% in 2025/26 and 4.0% in 2026/27;
- Assumed use of Council general reserves in 2024/25 is £40m and in 2025/26 it is £30m, which will reduce the amount of internal borrowing available;
- Borrowing based on current schemes, pipeline to be agreed at higher rates;
- Reside loans are agreed as per the Cabinet /IP agreement;
- No interest income assumed for loans to BDPT Group for LEUK for 2024/25 and 2025/26;
- £2m additional provision per year for interest rate risk;
- Drawdown of BD Energy loan and London Road loan as per current schedule;
- Refinancing of £22m per year requiring £580k additional borrowing costs per year at 5% in 2024/25 and 4.5% in 2026/27.

5.9 As schemes become operational, there are assumptions around how quickly schemes are let or sold that have a significant impact on the net returns from the IAS, especially where borrowing is high, such as for Private Rents (PRS) and Shared Ownership (SO), where there is no grant available to reduce borrowing. Where schemes remain unlet or unsold, interest costs are still incurred and cannot be capitalised, this puts a significant pressure on the IAS and treasury returns. The table below shows the net IAS returns since 2020/21 to 2022/23:

Table 3: IAS and Treasury Returns 2020/21 to 2022/23

GF Treasury and IAS Returns	Borrowing costs £000s	Interest Income £000s	IAS Income £000s	Net IAS & Interest Cost £000s
2020/21 Actual	7,730	-8,817	-6,919	**-8,006**
2020/21 Budget	13,069	-6,503	-6,637	**-71**
Variance	-5,339	-2,314	-282	**-7,935**
2021/22 Actual	8,370	-9,156	-5,434	**-6,220**
2021/22 Budget	14,121	-6,503	-6,782	**836**
Variance	-5,751	-2,653	1,348	**-7,056**
2022/23 Actual	6,687	-9,111	-5,575	**-7,999**
2022/23 Budget	11,681	-6,503	-6,077	**-899**
Variance	-4,994	-2,608	502	**-7,100**

5.10 The above returns do not include the dividend contributions from subsidiaries or the returns from the sale of Muller and from the two hotel deals, which have contributed a further £60m to the Council. Over the past 4 years the IAS and Treasury will have contributed nearly £24m in surplus returns compared to the budget set and a total of £84m. These additional returns have been saved to the IAS reserve or contributed to covering shortfalls in subsidiary dividend income. Given the volatility, highlighted above, in delivering the £5m net return required it is imperative that adequate IAS reserves are maintained IAS to provide protection against adverse market conditions – either increased costs of schemes, reduced net returns from non-residential asset classes or higher interest rates.

The Council has also received additional income from New Homes Bonus attributable to new housing supply under the IAS, income from the sale of land held within LEUK and from the sale of the film studio land has also contributed.

5.11 However currently there are three large pressures that are impacting both the IAS and Treasury, namely:

i. high scheme build costs;
ii. significant underperformance in the operational management of the recently completed schemes such as slow lets of PRS; and
iii. high interest rates directly affecting refinancing and borrowing costs.

High interest rates have largely been contained through increasing the rates modelled for new schemes, which has restricted the number of schemes to only those that are financially viable at higher interest rates.

5.12 MRP budgets includes charges arising from the IAS but these costs are offset through loan repayments from Reside.

5.13 Based on current forecasts the IAS is self-financing, with sufficient income being generated from the property investments to cover associated costs.

6. Treasury Position Forward Projections to 2026/27

6.1 The Council's treasury forward projections are summarised in Table 4. The table shows the estimated external debt against the underlying Capital Financing Requirement (CFR), highlighting any over or under borrowing. The CFR and gross debt includes a significant increase in borrowing to fund the IAS. To ensure borrowing is only for a capital purpose Gross Debt should, except in the short term, be below the CFR over the period and the table shows that the Council will be compliant with this rule.

Table 4: Treasury Position for 2024/25 to 2026/27

Gross Debt Movement 2024/25 to 2026/27	2024/25	2025/26	2026/27
	Estimate	Estimate	Estimate
External Debt	**£000s**	**£000s**	**£000s**
Debt at 1 April	1,350,000	1,450,000	1,550,000
Expected Change in Debt	100,000	100,000	-50,000
Finance Lease and PFI	266,444	261,557	256,333
Gross Debt at 31 March	**1,716,444**	**1,811,557**	**1,756,333**
CFR	2,022,307	2,108,306	2,015,383
Under / (Over) Borrowing	**305,862**	**296,748**	**259,050**

7. Interest rate forecast

7.1 The Authority has appointed Link Group (LG) as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. LG provided the following forecasts on 5 February 2024 following the 01 February 2024 MPC meeting. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	05.02.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

- LAS central forecast for interest rates was previously updated on 7 November and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least second half of 2024. LG expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and when there is a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months (although most recent GDP releases have surprised with their on-going robustness).
- Timing will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- In the upcoming months, LG's forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and in the Middle East.

PWLB RATES

- The gilt curve saw significant falls in yields throughout November and December but has given up some of that ground since. Initially markets priced in several reductions in Bank Rate through 2024 and 2025, reflecting market confidence in inflation falling back swiftly. However, more recently, concern over the stickiness of services and wage inflation has seen yields rise a little. At the time of writing there is c50 basis points difference between the 5- and 50-year parts of the curve.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is even.

Downside risks to current forecasts for UK gilt yields and PWLB rates include:

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).
- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a bout of weaker growth, potentially recession, than LG's currently anticipate.
- **Geopolitical risks,** for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates:

- Despite the tightening in Bank Rate to 5.25%, the **Bank of England allows inflationary pressures to remain elevated** for a long period within the UK economy, which then necessitates Bank Rate staying higher for longer than LG's currently project.
- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, which may prove inflationary, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Projected **gilt issuance, inclusive of natural maturities and QT,** could be too much for the markets to comfortably digest without higher yields compensating.

LG FORECASTS

LAS expect the MPC will keep Bank Rate at 5.25% until the second half of 2024, to combat inflationary and wage pressures, even if they have dampened somewhat of late. LG's do not think that the MPC will increase Bank Rate above 5.25%.

Gilt yields and PWLB rates: The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of LG's forecasts, as inflation continues to fall through 2024.

Our target borrowing rates are set **two years forward** (as LG's expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below:

PWLB debt	Current borrowing rate as at 05.02.24 p.m.	Target borrowing rate now (end of Q4 2025)	Target borrowing rate previous (end of Q4 2025)
5 years	4.71%	3.70%	3.70%
10 years	4.82%	3.90%	3.90%
25 years	5.36%	4.20%	4.20%
50 years	5.16%	4.00%	4.00%

Borrowing advice: LG's long-term (beyond 10 years) forecast for Bank Rate remains at 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA

monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to factor in Bank Rate reductions for 2024 and later.
Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are set out below:

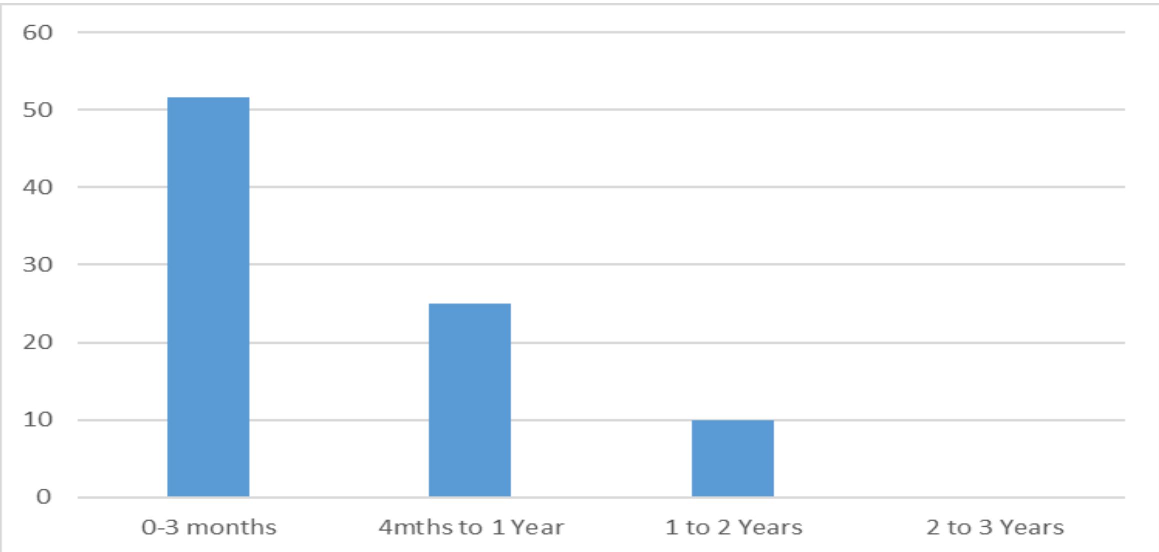
Average earnings in each year	Now	Previously
2023/24 (residual)	5.30%	5.30%
2024/25	4.55%	4.55%
2025/26	3.10%	3.10%
2026/27	3.00%	3.00%
2027/28	3.25%	3.25%
2028/29	3.25%	3.25%
Years 6 to 10	3.25%	3.25%
Years 10+	3.25%	3.25%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, LG's continue to monitor events and will update LG's forecasts as and when appropriate.

8. Treasury Investment Returns

Investment returns are expected to remain elevated in 2024/25, with an average return expected of around 4% but on a much-reduced cash balance of approximately £30m to £50m. The maturity profile of the Council's treasury investments is below:



8.1 **Return Target 2024/25 to 2026/27**

8.1.1 To achieve the interest receivable budget, the following returns need to be achieved:

2024/25 4.75% on an average cash balance of £30m
2025/26 4.50% on an average cash balance of £30m
2026/27 4.00% on an average cash balance of £30m

8.1.2 The return reflects the current investment positions but if opportunities are available to secure competitive rates, further investments will be made. The core treasury interest receivable budget should be achievable but there are pressures from loans to third parties, including the Council's subsidiaries but also on interest rates, however if returns from interest receivable are lower due to lower rates, then there should be reduced borrowing costs reported against the income payable budget.

8.2 **HRA Investments**

8.2.1 Cash balances held by the HRA will be invested as part of the Council's overall treasury strategy. Cash balances will generally earn the average short-term rate of the Council's investments, which will be calculated at the financial year end. Where there is agreement by the S151 Officer, individual investments can be ring-fenced for the HRA, with the allocations made within the Council's overall treasury strategy requirements. For further details please refer to the HRA Business Plan.

9. The Capital Expenditure Plans 2024/25 – 2026/27

9.1 The Council's HRA and GF capital expenditure plans, together with cash balances and reserves, are the key drivers of treasury management activity. The estimates for capital expenditure, and its funding based on current proposed revenue budget for 2024/25 and three-year capital programmes, are reflected in prudential indicators, which are designed to assist Member's overview and confirm capital expenditure plans. The Prudential Indicators are included in Appendix 3.

Table 5 below shows the proposed CFR to 2026/27. The Prudential Code requires Councils to ensure that capital expenditure remains within sustainable limits and to consider the impact on Council Tax and, for the HRA, housing rent levels.

Table 5: Proposed Capital Expenditure 2023/24 to 2026/27

Capital Expenditure	*2023/24 Estimate*	*2024/25 Estimate*	*2025/26 Estimate*	*2026/27 Estimate*
	£000s	£000s	£000s	£000s
Opening CFR as at 1 April	**1,706,996**	**1,936,511**	**2,022,307**	**2,108,306**
Change in Year – General Fund	229,515	85,796	85,999	-97,682
Change in Year – Housing	0	0	0	4,759
Net movement in CFR	**229,515**	**85,796**	**85,999**	**-92,923**
Total CFR as at 31 March	**1,936,511**	**2,022,307**	**2,108,306**	**2,015,383**
Net financing need for the year	**248,547**	**98,959**	**101,106**	**-77,080**
Less: MRP*	-11,333	-13,163	-15,107	-15,843
Less: Capital Receipts	-7,700	0	0	0
Movement in CFR	**229,515**	**85,796**	**85,999**	**-92,923**

9.2 A portion of the net financing requirement has already been borrowed to fund properties held by Reside. The increased financing need reflects IAS borrowing requirement.

9.3 Headroom has been included within the Authorised Limit on external borrowing to ensure that any major capital investment projects resulting from the IAS are not restricted by this statutory limit. The limit also covers any short-term borrowing for cash flow purposes and long-term borrowing for capital projects, finance leases, PFI and any unforeseen incidences where expected capital receipts are not forthcoming due to unexpected economic factors.

10. Treasury Management Advisors

10.1 The Council uses LG, Treasury solutions as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times But, given the complexity and scale of the Council's debt position users external, professional advice to provide assurance to both the Council's Section 151 Officer and Members

10.2 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review by the Council's Section 151 Officer.

11. Minimum Revenue Provision Policy Statement

11.1 In accordance with Statutory Instrument 2008 number 414 and new guidance issued by the Government under section 21 (1A) of the Local Government Act 2003 a statement on the Council's policy for its annual Minimum Revenue Provision (MRP) needs to be approved before the start of the financial year.

11.2 The Council are asked to approve the Minimum Revenue Provision Statement set out in Appendix 5.

11.3 However, it should be noted that the Section 151 Officer is currently seeking external assurance on the Council's MRP Statement to ensure that it remains compliance with the changes that have been to the Prudential Code in recent years. In addition, there is currently a consultation on revised MRP policies for 2024/25 that may introduce changes to the way MRP is charged. Members will be updated and presented with any proposed revisions once that work has been completed.

12. Environmental, Social & Governance (ESG) Considerations

12.1 ESG is becoming a more and more important, with around two thirds of councils declaring a "climate emergency" to date but not translating this into the incorporation of something more formal within their treasury-related Annual Investment Strategy. Changes to the CIPFA TM Code 2021 will see ESG incorporated into Treasury Management Practice 1 (TMP), with the Code stating:

"The organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level." and

"ESG issues are increasingly significant for investors and investment managers. This is better developed in equity and bond markets than for short-term cash deposits, and there is a diversity of market approaches to ESG classification and analysis. This means that a consistent and developed approach to ESG for public service organisations is currently difficult. Organisations are therefore recommended to consider their credit and counterparty policies in light of ESG information and develop their own ESG investment policies and treasury management practices consistent with their organisation's own relevant policies, such as environmental and climate change policies."

12.2 ESG is currently not a factor in agreeing if a deposit or loan is with a certain counterparty but this will be reviewed as part of a review of the TMP.

13. Financial Implications

Implications completed by: Nurul Alom, Finance Manager FPA

13.1 The financial implications are discussed in detail in this report.

13.2 The numbers within the report have been checked against the main budget report to ensure accuracy and consistency.

14. Legal Implications

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

14.1 It is a statutory requirement under the Local Government Finance Act 1992 for the Council to set out what the Council has to base its budget calculations upon. Furthermore, it is a legal requirement for the Council to set a balanced budget with regard to the advice of its Chief Finance Officer. However, what is meant by 'balanced' is not defined in law and this has means that the Council must rely upon the professional judgement of its finance team to ensure that the local authority's budget is robust and sustainable.

14.2 The Local Government Act 2003 (the "Act") requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. The Council must 'have regard to' the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out its functions under the Act.

14.3 The Act requires the Council to each year set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments these to be approved before the next municipal financial year.

15. Other Implications

15.1 **Risk Management:** This report has risk management issues for the Council, primarily that a counterparty could cease trading or risk that interest rates would rise adversely. The mitigation of these is contained in this report.

15.2 **Corporate Policy and Equality Impact -** The TMSS seeks to support the Council's investment aims to unlock regeneration and economic growth opportunities within the borough. There are no equality or diversity implications arising from this report.

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

List of appendices:

- **Appendix 1:** Annual Investment Strategy 2024/25
- **Appendix 2:** Borrowing Strategy 2024/25 to 2026/27
- **Appendix 3:** The Capital Prudential and Treasury Indicators 2024/25 to 2026/27
- **Appendix 4:** Capital Strategy and Capital Programme 2024/25 to 2026/27
- **Appendix 5:** Minimum Revenue Provision Policy Statement 2024/25
- **Appendix 6:** Economic Background
- **Appendix 7:** Scheme of Delegation and Section 151 Officer Responsibilities

Appendix 1

Annual Investment Strategy 2024/25

1. Investment Policy

1.1 The Council's investment policy has regard to the following:

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018 and 2021

The Council's investment priorities are security first, liquidity second and then yield/return. CIPFA and the Department for Levelling Up, Housing & Communities (DLUHC) have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Investment and Acquisition Strategy (IAS) - a separate report.

The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **Other information**: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on potential counterparties.

1.2 This authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists under the categories of 'specified' and 'non-specified' investments.

- **Specified investments** have a high level of credit quality and subject to a maturity limit of one year.

- **Non-specified investments** have a less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration before being authorised for use.

1.3 Over the coming years the Council will significantly increase its investments in property as part of its IAS. Financial risks, including the loss of capital, the loss of forecast income and the revenue effect of changing interest rates will be significant. The successful identification, monitoring and control of investment risk are therefore central to the Council's Treasury strategy.

1.4 Borrowing risks also forms a key part of the TMSS, where a holistic approach to borrowing is outlined, considering opportunities when interest rates are low, cash flow needs and a range of borrowing options available. The strategy also outlines the need to avoid more complex forms of financing, especially where derivatives are involved or where there is significant backloading of capital repayment.

1.5 In accordance with the DLUHC Guidance, the Council will be asked to approve a revised TMSS should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large, unexpected change in interest rates or in the Council's capital programme.

1.6 Accounting Changes

International Financial Reporting Standard (IFRS) 9 requires investments to be held at either amortised cost, fair value through profit or loss (FVPL) or Fair Value through Other Comprehensive Income. For those pooled funds that are held at FVPL there is currently the statutory override, which will be in place until March 2025. As a result, the changes in the value of these investments will impact the authority's General Fund. Currently the Council has very limited exposure to these investments but would have exposure on impaired loans.

Similarly, the standard introduces a forward-looking 'expected loss' model for the impairment of financial assets. This approach is likely to result in an increase in the impairment allowance and will require authorities to recognise impairment losses earlier. The DLUHC enacted a statutory over-ride from 1 April 2018 for a five-year period until 31 March 2023 following the introduction of IFRS 9 over the requirement for any unrealised capital gains or losses on marketable pooled funds to be chargeable in year. This has now been extended to 31 March 2025 and this has the effect of allowing any unrealised capital gains or losses arising from qualifying investments to be held on the balance sheet until 31 March 2025: this will enable councils to initiate an orderly withdrawal of funds if required. In addition, IFRS9 impacts the write-down in the valuation of impaired loans.

IFRS 16 - leasing, a new lease accounting standard has been further delayed and is being adopted for 2024/25. This will result in more lease liabilities on the balance sheet (previously classed as operating leases), and in turn an impact on some of the prudential indicators such as CFR, Authorised Limit and Operational Boundary. An adjustment to the Council's CFR and Authorised and Operational Boundaries has been made to reflect this.

1.7 This authority has engaged with its external advisors, Link Group (LAS), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

2. Annual Investment Strategy

2.1 The key requirements of the Code and investment guidance are to set an annual investment strategy covering the identification and approval of the following:

i. The strategy guidelines for choosing and placing investments, particularly non-specified investments.

ii. The principles to be used to determine the maximum duration for investments.

iii. Specified investments that the Council will use. These are high security and high liquidity investments in sterling and with a maturity of no more than a year.

iv. Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall number of various categories that can be held at any time.

v. An additional consideration is the variable cash position the Council will have because of Council's Investment & Acquisition Strategy. The investment strategy will mean that the Council will be making significant borrowing and investment decisions, and these may result in period where the Council has a significant allocation to a counterparty or duration. It is also likely that the Council will have a much-reduced cash position over the next year and liquidity and cost of carry will be a key consideration for investment decisions.

2.2 The Council's AIS continues to consider credit rating of financial institutions it invests with, but ratings are not the sole determinant of the quality of an institution. The strategy looks to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment takes account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps".

2.3 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector to establish the most robust scrutiny process on the suitability of potential investment counterparties. Investment instruments identified for use in the financial year are listed in this appendix under the 'specified' and 'non-specified' investments categories.

2.4 In addition to the Council's cash investments, which have historically been the focus of the AIS, an additional section on property investments has been included. Although property investments will be agreed individually by Cabinet following scrutiny by the Investment Panel (chaired by the Section 151 Officer), the way these investments will be reported, how interest and profit will be recorded and how these investments will be held is outlined in section 3 of the AIS.

3. Creditworthiness policy

3.1 This Council uses an adapted version of the creditworthiness approach used by the Council's advisors. This service employs a modelling approach utilising credit rating from the three main credit rating agencies (Fitch, Moody's & Standard and Poor's). This approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. The Council uses the following colour codes to determine the suggested duration for investments:

Yellow	5 years
Dark pink	5 years for Ultra-Short Dated Bond Funds, credit score of 1.25
Light pink	5 years for Ultra-Short Dated Bond Funds, credit score of 1.5
Purple	2 years
Orange/Red	1 year
Green	100 days
No colour	not to be used

3.2 The Council uses a one year limit for red colour ratings, which differs from the model used by LAS, which sets a limit of 6 months. This difference reflects a different risk appetite to the standard limits recommended by LAS.

3.3 Typically, the minimum credit ratings criteria the Council use will be a Short-Term rating (Fitch or equivalents) of **F1** and a Long-Term rating of **A-.** There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

3.4 All credit ratings will be monitored weekly, with specific regard for counterparties the Council has exposure to. The Council is alerted to changes to ratings of all three agencies through its use of LAS creditworthiness service. If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately. If required new counterparties which meet the criteria will be added to the list.

3.5 In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

3.6 Sole reliance will not be placed on the use of this external service. In addition, this Council will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government.

4. Investment Advisers and Monitoring of Investment Counterparties

4.1 The Council uses LAS for treasury advice but is ultimately responsibility for all treasury management decisions and will ensure that undue reliance is not placed on the external advisors. The Council recognises that there is value in receiving advice from external treasury advisors to acquire access to specialist skills and resources and will ensure that the terms of their appointment and the methods by which their value will be assessed are documented and regularily review.

5. Use of External Cash Manager(s)

5.1 The Council does not use an external cash manager (ECM), with all investments and borrowing managed in-house. Were the Council to use an ECM in the future there would be a requirement for the ECM to comply with the AIS. Any agreement between the Council and the ECM will stipulate guidelines, durations and other limits to contain and control risk. An extensive background in cash management will be a prerequisite, alongside Financial Conduct Authority accreditation. The requirement to tender includes both for lending to a third party to invest and appointing an ECM.

6. Use of additional information other than credit ratings

6.1 Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision. This additional market information (e.g. CDSs, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

7. Credit Quality Criteria and Allowable Financial Instruments

7.1 The table on the following page sets out the credit quality criteria for counterparties and allowable financial instruments for Council investments. These are split into Specified and Non-specified investments.

7.2 Specified Investments**:** Sterling investments of less than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months. These are considered minimal risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Govt. (UK Treasury Bills, Gilts with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. Pooled investment vehicles. (AAA Money Market Funds).
5. A body (i.e. bank of building society), meeting the LAS Methodology (3.1).

7.3 Non-Specified Investments**:** Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

Non Specified Investment Category (maturity greater than one year)	
a.	**Supranational Bonds** **(a) Multilateral development bank bonds** These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.). **(b) A financial institution that is guaranteed by the UK Government** The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt-edged securities. However, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.
b.	**Gilt edged securities**. Government bonds which provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.
c.	**The Council's own bank** if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible. The Council's current bankers are Lloyds Banking Group.
d.	**Any bank or building society** that has a minimum long-term credit rating of A or equivalent, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).
e.	**Share capital or loan capital** in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. There is a higher risk of loss with these types of instruments.
f.	**Pooled property or bond funds** – normally deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies.

Within categories c and d, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies which will be invested in these bodies. These criteria is set out in section 11.3 in the body of the report. In respect of categories e and f, these will only be considered after obtaining external advice and subsequent Member approval.

Specified Investments and Non-Specified Investments Limits and Criteria for 2024/25

Counterparty / Financial Instrument	Minimum Credit Rating Criteria / Colour Band	Specified Investments		Non-Specified Investments	
		Maximum Duration	Counterparty Limit £m	Maximum Duration	Counterparty Limit £m
Council's Bank (currently Lloyds Baking Group) – Deposit Account. *Cash balances held with Lloyds over £50m will be as a result of delays between taking long term borrowing and maturity of short-term borrowing positions. Limits will be agreed by the S151 officer.*	A	T+1	£50m	N/A	N/A
Lloyds Banking Group SIBA (Call) Accounts Term Deposits, CDs, Structured Deposits, Corporate Bonds	A	Up to 1 year	£50m	1 to 3 years	£50m
Other UK Banks & Building Societies SIBA (Call) Accounts Term Deposits, CDs, Structured Deposits, Corporate Bond	Yellow Purple Orange/Red Green No Colour	N/A N/A Up to 1 year Up to 3 mths Not for use	£30m per counterparty	1 to 5 years 1 to 2 years N/A N/A N/A	£30m per counterparty
Bond Funds - Corporate Bonds	Short-term F2, Long Term A	Up to 1 year	£20m	1 to 2 years	£20m
Local Authorities: Term Deposits	Not credit rated	Up to 1 year	£30m per authority	1 to 4 years	£30m per authority
UK Government - Treasury Bills, Gilts DMADF	UK Sovereign Rating	Up to 1 year	£50m	1 to 5 years	£20m
Money Market Funds CNAV	**AAA**	T+1	£50m per Manager	N/A	N/A
Money Market Funds LVNAV	**AAA**	T+1	£50m per Manager	N/A	N/A
Money Market Funds VNAV	**AAA**	T+1	£50m per Manager	N/A	N/A
Property Funds	N/A	N/A		N/A	£50m

7.4 Non-Treasury Investments

Although not classed as treasury management activities and so not covered by the CIPFA Code or the Guidance, the Council can purchase property for investment and regeneration purposes and make loans and investments for service purposes, e.g., loans to partner organisations or the Council subsidiaries.

Such loans and investments will be subject to the Council's normal approval processes and need not comply with the TMSS. However, there are varying degrees of risks associated with such asset classes and this needs comprehensive appreciation. It is not just credit risk that needs to be understood, but liquidity and interest rate / market risk as well, although these can often be intertwined. Any option in which an investor hopes to generate an elevated rate of return will almost always introduce a level of risk. By carefully considering and understanding the nature of these risks, an informed decision can be taken.

8. Investing with Local Authorities

All loans made to other LAs are based on the Local Government Act (LGA) 2003 s13, which outlines that the credit risk attached to English, Welsh and Scottish local authorities is an acceptable one, as provided below:

1) Except as provided by subsection (3), a LA may not mortgage or charge any of its property as security for money it has borrowed or which it otherwise owes.

2) Security given in breach of subsection (1) shall be unenforceable.

3) All money borrowed by a local authority (whether before or after the coming into force of this section), together with any interest on the money borrowed, shall be charged indifferently on all the revenues of the authority.

4) All securities created by a local authority shall rank equally without any priority.

5) The High Court may appoint a receiver on application by a person entitled to principal or interest due in respect of any borrowing by a local authority if the amount due remains unpaid for a period of two months after demand in writing.

6) The High Court may appoint a receiver under subsection (5) on such terms, and confer on him such powers, as it thinks fit.

7) The High Court may confer on a receiver appointed under subsection (5) any powers which the local authority has in relation to:

   (a) collecting, receiving or recovering the revenues of the LA,
   (b) issuing levies or precepts, or
   (c) setting, collecting or recovering council tax.

(8) No application under subsection (5) may be made unless the sum due in respect of the borrowing concerned amounts to not less than £10,000.

(9) The Secretary of State may by order substitute a different sum for the one for the time being specified in subsection (8).

9. Use of Multilateral Development Banks

S15 of the LGA Act 2003 SI 2004 no. 534 amended provides regulations to clarify that investments in multilateral development banks were not to be treated as being capital expenditure. Should the Council invest in such institutions then only such institutions with AA credit rating and government backing would be invested in consultation with the Council's treasury adviser and the S151 Officer.

10. Use of Brokers

The Council deals with most of its counterparties directly but from time to time the Council will use the services of brokers to act as agents between the Council and its counterparties when lending or borrowing. However, no one broker will be favoured by the Council. The Council will ensure that sufficient quotes are obtained before investment or borrowing decisions are made via brokers.

11. Country limits and Use of Foreign Banks

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- (excluding the United Kingdom) from Fitch. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy. This will ensure that the Council's investments are not concentrated in too few counterparties or countries.

Given the strength of some foreign banks the Council will invest in strong non UK foreign banks whose soverign and individual ratings meet its AA- minimum criteria.

Approved countries for investments (Credit Rating at 31 December 2023)

The list below is based on those countries which have sovereign ratings of AA or higher (below is the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above.

AAA	AAA	AA+	AA	AA-
Australia	Norway	Canada	Abu Dhabi, UAE	Belgium
Denmark	Singapore	Finland		Hong Kong
Germany	Sweden	United States		Qatar
Luxembourg	Switzerland			France
Netherlands				**U.K.**

12. Provisions for Credit-related losses

12.1 If any of the Council's investments appeared at risk of loss due to default, (i.e. a credit-related loss and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount. Where there is a loss of the principal amount borrowed due to the collapse of the institution, the Council will seek legal and investment advice.

12.2 Where the Council holds a non-financial investment, such as property, it will have a physical asset that can be realised to recoup the capital invested. The Council will consider whether the asset retains sufficient value to provide security of investment using the fair value model in IAS 40: Investment Property. Where the fair value of non-financial investments is sufficient to provide security against loss, a fair value assessment will be made stating that a valuation has been made within the past twelve months, and that the underlying assets provide security for capital investment.

12.3 Where the fair value of non-financial investments is no longer sufficient to provide security against loss, the AIS will provide detail of the mitigating actions that the Council is taking or proposes to take to protect the capital invested.

12.4 Where the Council must impair a non-financial asset held for investment purposes as part of the year end accounts preparation and audit process, an updated AIS should be presented to full council detailing the impact of the impairment on the security of investments and any revenue consequences arising therefrom.

12.5 This above approach is reasonable and a prudent approach to investing should help to negate this impact. However, a significant market correction, more complicated investment structures (including via equity rather than debt) and a default on any of the Council's loans would leave the Council exposed to an impairment on assets. The impact of the impairment will have a greater impact as the council increases its investment portfolio and third-party loans.

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

Lease and Lease Back Funding (income strips) are forward funding deals where the Council provides a guaranteed income stream to a funder, usually a pension fund, while subleasing the building to an operator.

The Council commits to the development by agreeing to take possession, on practical completion being achieved, tied into a long lease for usually between 35 and 50 years on a non-assignable basis. Rents are fixed and subject to annual increases linked to RPI, often with a cap and collar arrangement. Apart from schemes already agreed, this method of financing is not allowed as a funding option and requires agreement by Assembly, following specific training on this investment type, before it can be agreed for future investments.

13. End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Outturn Report.

14. Policy on Use of Derivatives

14.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

14.2 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

14.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

15. Investment Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.

- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download.

A Member briefing for all Members was held on 23 March 2023 covering:

i. Investment and Acquisition Strategy (IAS)
ii. IAS Governance and Controls
iii. Investment Objectives
iv. IAS Structure
v. Borrowing Strategy
vi. IAS Income
vii. IAS Tenures and Schemes
viii. Key Risks and Strengths of the IAS
ix. Protection From Downturn in Market

Further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed. A formal record of the training received by officers central to the Treasury function will be maintained by the S151 officer. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by IFM.

16. Investment of Money Borrowed in Advance of Need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism. Although there are risks involved, securing low rates (rates below forecast) for long term borrowing is a key part of reducing the risk for the Council's IAS.

Appendix 2

Borrowing Strategy 2024/25 -2026/27

1. Background

1.1 Historically the Council has either been debt free or has had a very low-level of debt. This changed significantly in 2012 when, as part of the HRA reform, £265.9m of debt was transferred to the Council's HRA.

1.2 In January 2015, £89m was borrowed for the Council's General Fund (GF) from the European Investment Bank (EIB) to fund the regeneration of Abbey Road 2 and Gascoigne East (Weavers). Both schemes are now operational, bringing in sufficient income to cover the management and maintenance, lifecycle, capital, and interest costs, as well as generating income for the Council.

1.3 In November 2016, Cabinet approved the establishment of an Investment and Acquisition Strategy (IAS). The purpose of the IAS is to support the Borough's growth opportunities and to ensure that the Council, and future generations, benefit by increasing the Council's ownership of long-term income producing assets. The IAS is reviewed annually by Cabinet, with the next review to be taken to the April 2024 Cabinet. The IAS has an income target of delivering between £6.6m to £7.0m per year from 2020/21. This has been revised down for 2024/25 to 2026/27 to £5.2m. The IAS will be delivered primarily by the Council's development vehicle, Be First, and through its property companies, Reside.

1.4 The Council will ensure that all its investments are covered in the IAS and will set out, where relevant, it's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management. The Council will set out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the Council's risk exposure.

1.5 To-date the Council has secured cheap long-term borrowing for current agreed IAS schemes (excluding Beam and 3b). There is still a £70m funding requirement for current schemes and £156m still required for Beam and GE3b. In addition, there remains refinancing for borrowing that has an annuity or equal instalment repayments. This will put a pressure on the interest rate budget and on lending rates as the current rate of around 5.0% is higher than the 2.0% average rate for long-term borrowing for the IAS. Short-term borrowing is higher than expected due to Welbeck and Pondfield not being sold (£75m), delays in taking long-term borrowing due to high interest rates and a lack of progress with Thames Road.

1.6 The refinancing is a risk to the Council but it should be noted that the average rate of the current long-term borrowing decreases over time, on a reduced balance and so the impact of higher refinancing is mitigated but not eliminated. The borrowing below is ringfenced for agreed schemes. Future borrowing for Beam, 3b and other schemes will have individual borrowing strategies to ensure the target rates (these are rates which are required to fund agreed schemes that the Council has not yet borrowed for) and borrowing profile can be linked.

1.7 In addition to borrowing, the Council has exposure to repayments through several leases, including Weavers Quarter (£85m), two leases linked to CPI (with cap & collars) for out-of-borough Hotels deals (£156m) and Trocoll (tbc).

Table 1: LBBD Historic Borrowing & Current Forecast (excl new schemes)

As at Date	General Fund LT Borrowing M's	General Fund ST Borrowing M's	Total GF Borrowing M's	HRA Borrowing M's	Total Borrowing M's	Cash M's	Total Net Borrowing M's
31/12/2011	- 40	- 10	- 50	-	- 50	92	42
31/12/2012	- 40	- 10	- 50	- 266	- 316	135	- 181
31/12/2013	- 50	- 12	- 62	- 266	- 328	108	- 220
31/12/2014	- 50	- 20	- 70	- 266	- 336	138	- 198
31/12/2015	- 129	- 66	- 195	- 266	- 461	258	- 203
31/12/2016	- 179	- 129	- 308	- 276	- 584	293	- 291
31/12/2017	- 268	- 121	- 389	- 276	- 665	301	- 364
31/12/2018	- 417	- 133	- 550	- 276	- 826	354	- 472
31/12/2019	- 506	- 141	- 647	- 276	- 923	335	- 588
31/12/2020	- 609	- 92	- 701	- 296	- 997	256	- 741
31/12/2021	- 729	- 55	- 784	- 296	- 1,080	225	- 855
31/12/2022	- 739	- 146	- 885	- 296	- 1,181	87	- 1,094
30/06/2023	- 755	- 143	- 898	- 300	- 1,198	46	- 1,152
31/12/2024	- 900	- 150	- 1,050	- 305	- 1,355	50	- 1,305
31/12/2025	- 1,000	- 100	- 1,100	- 305	- 1,405	50	- 1,355
31/12/2026	- 1,100	- 100	- 1,200	- 305	- 1,505	50	- 1,455

1.8 <u>Key Borrowing Risks</u>

Up to the end of 2021 cheap borrowing was absorbing most of the IAS scheme pressures caused by high build costs and low rent increases. In 2022 this trend ended suddenly with interest rates increasing in a short period of time, driven by inflation, which increased UK gilts, against which most of the Council's borrowing is linked to. This has continued into 2023 off the back of 14 consecutive base rate increases by the Bank of England in August 2023 to 5.25%. These pressures have been contained as the Council had already borrowed for the agreed IAS schemes and had a significant cash position. However, there are several key risks, both unavoidable and avoidable risks and these are outlined below:

1. **High Interest Rates** – interest rates have increased over the past two years. The 25-year gilts rate has increased from 0.95% in November 2021 to 4.12% in December 2022 and peaked at 5.2% in October 2023. PWLB rates are based on Gilts plus 0.8%, meaning rates have increased from 1.75% to nearly 6% for borrowing over a 25-year period. Rates have come off in November and December 2023 to around 4.1% but have subsequently increased in January 2024. The interest rate movements are highlighted in chart 1 below.

Chart 1: 25 Year Gilt Rates from 2011 to 2024

2. **Pipeline Schemes:** interest rate increases impacted on the agreed schemes, with the modelled borrowing rates for each proposed development increased to a peak of 6%. The impact of this has been to reduce the number of developments that can be agreed. Two large schemes with significant spend already incurred and where higher interest rates could be absorbed, were agreed in 2023/24, which increased borrowing but the rates that need to be borrowed at have also increased to cover the higher cost of borrowing.

   i. **Beam Park**

   In 2022 Beam Park was agreed by Cabinet. Increased build costs and further modelled interest rate increases, to 4.5% and 5%, made this scheme unviable in mid-2023. To make the scheme viable again required a change in tenure mix and the allocation of a significant amount of Right to Buy receipts. In addition, the commercial units in the proposal were removed. This enabled Beam to be agreed by Cabinet in September 2023 but has impacted the ability to use Right to Buy receipts for future schemes. Beam Park requires net borrowing of £114m, with £85m still required over the next two years.

   ii. **Gascoigne East Phase 3B (GE3b)**

   GE3b was agreed by Cabinet in October 2022 despite the scheme being unviable. The main reasons for the scheme being unviable was the provision of several large, social housing units, that are particularly difficult to make viable and increased interest rates. Several options to improve viability were recommended, including tenure changes, charging for service charges, using capital receipts for Realm and agreeing an improvement in operational costs. These were agreed and, in September 2023, Cabinet agreed the scheme. An interest rate of between 3% and 3.5% was used for the modelling GE3b, which is a challenging rate and will likely require cross subsidy from other schemes. GE3b requires net borrowing of £96m, with £71m still required over the next two years.

3. **Remaining Pipeline and Pre-Gateway 4 schemes**

   Several schemes have not been agreed but have had some work completed on them. There are currently viability issues with these schemes, but these are being addressed and there is the potential for these schemes to come to Cabinet in 2024 for agreement. These schemes are provided below and will require over three hundred million of funding:

1. Gascoigne East Phase 2 Block E1	4. Jervis Court
2. Padnall Lake Phase 3	5. Gascoigne West Phase 3
3. Brocklebank	6. Church Street.

While interest rates are high, to ensure agreed schemes are modelled prudently, a cost of borrowing level of between 5% to 6% will be required, which will make viability extremely difficult. Options around sales, joint ventures and tenure changes will also be reviewed.

1.9 <u>Capitalisation of Development Interest</u>

The Council's IAS has increased the Council's interest payment costs. Were the Council to borrow a billion pounds at 5.0% (the current long-term debt rate) then the interest costs would be £50m per year, although this would decrease as debt is repaid. This will be funded by rental income from the various schemes. The rate of 5.0% is more than double the average borrowing rate the Council has managed to secure for current, agreed schemes and represents a significant viability hurdle.

During the construction stage there is a cost of carry as there is no income generated from the scheme. Interest incurred during the construction phase is capitalised against developments that cost over £10m and that take in excess of two years to build. Capitalisation of interest starts from when the development has been agreed at Gateway 2. Where land has been purchased as part of land assembly the capitalisation of interest will be from the later date of the either the completion date of the purchase or the date of this accounting policy. Interest will be capitalised quarterly and is based on the weighted average borrowing costs. Cessation of capitalisation will occur when the scheme is operational.

As part of the Treasury outturn report, an outturn figure for interest that was capitalised for the year, is provided to Members.

2. The Council's Borrowing Strategy

2.1 The decision to borrow is a treasury management decision and is taken by the Investment Fund Manager (IFM), after agreement by the S151 Officer under delegated powers of the Council's constitution. The key objective of the Council's borrowing strategy is to secure long-term funding for capital projects and IAS at borrowing rates that are as low as possible.

2.2 Currently the Council has a hollistic approach to borrowing, taking into account cashflow, borrowing costs and investment and loan returns to drive the net cost of borrowing down, while keeping the borrowing transparent and simple.

2.3 The Council can borrow funds from the PWLB, capital markets, bond issuance and other local authorities. The Council borrows for several purposes, including:

(i) *Short term temporary* borrowing for day-to-day cash flow purposes.
(ii) *Medium term borrowing* to cover construction and development costs.
(iii) *Long-term borrowing* to finance the capital and IAS programme.

2.4 The IFM will monitor interest rates and will recommend borrowing decisions when rates are low, while taking into account the Council's debt repayment profile and cashflow requirements. The Council's borrowing strategy will give consideration to the following when deciding to take-up new loans:

- Use internal cash balances;
- Short-term borrowing from other Local Authorities;
- Using PWLB, the EIB or financial Institutions;
- Ensure new borrowings are drawn at suitable rates and periods;
- Consider the impact of grant and sales on long term borrowing; and
- Consider the issue of stocks and bonds if appropriate.

2.5 Based on current agreed schemes, 2024/25 to 2026/27 a significant amount of borrowing is still required, with the main borrowing required to fund the IAS but also as part of refinancing annuity and Equal Instalment Repayments, short-term borrowing, as well as the reduced cash position if reserves are used to fund Council shortfalls.

2.6 Currently new borrowing is short-term to keep the average long-term borrowing rate low. Most new borrowing is to fund the IAS and therfore the increased borrowing cost is currently capitalised against the various projects. This has resulted in an increase in the scheme costs but has not been a charge to revenue, but it will have a greater impact, if rates remain high, when schemes are completed and the captialsied interest ends and is replaced by a loan to Reside.

2.7 Officers are closely monitoring the cost of borrowing and have increased the scheme financial models to include higher borrowing costs during the development period as well as on-lending rates.

2.8 A summary of the borrowing required for IAS to for 2023/24 to 2026/27 is below:

IAS (net costs)	2023/24	2024/25	2025/26	2026/27	Total
	£000s	£000s	£000s	£000s	£ms
Residential	275,182	157,493	111,699	18,708	563,082
Commercial	16,446	4,096	2,000	1,000	23,542
Section 106 / CIL	0	0	-1,500	-1,762	-3,262
Capital Receipt	-64,434	-64,031	-12,863	-94,527	-235,855
Total IAS Borrowing	**227,195**	**97,557**	**99,337**	**-76,581**	**347,507**

2.9 Excluding pipeline schemes, the borrowing required will take the Councils total CFR to over £2bn by 2025/26. Although the assets being purchased and built with this borrowing are in-borough and mainly residential, this exposure, especially considering the decline in investment returns and increase in cost of borrowing, needs to be reviewed from both a risk exposure but also capacity.

2.10 Capacity issues have already been experienced with recent handovers, with letting and management of the assets underperforming assumptions and benchmarks. It is also important for Members to be aware that there are assumptions in the financial models, around costs, rent collection, maintenance and lifecycle costs that are challenging and need to be achieved for the schemes to provide a return and if these are not met then returns will be lower than forecast, with current forecasts already marginal.

3. Council's Current Debt

3.1 The Council currently (at 30/11/2023) has £1.27bn of debt at an average rate of 2.90% and average duration of 22.7 years. The Council's General Fund (GF) debt is £963.9m at an average rate of 2.73% and an average duration of 19.75 years. This is broken down as follows, with the comparator figures as at 31 December 2022:

	Principal £000s	Return %	Average Life (yr)	Principal £000s	Return %	Average Life (yr)
General Fund Fixed Rate Long Term Borrowing						
PWLB	617,887	1.91%	28.59	600,692	1.91%	28.00
European Invest. Bank	74,220	2.21%	20.35	71,563	2.21%	20.35
L1 RENEWABLES	6,752	3.44%	22.85	6,711	3.44%	22.85
DEXIA BANK LOBO	10,000	3.98%	53.62	10,000	3.98%	53.62
Total GF Debt	**708,859**	**1.99%**	**28.02**	**688,967**	**1.99%**	**27.53**
General Fund Fixed Rate ST Borrowing						
Local Authority ST	**146,228**	**2.99%**	**- 0.79**	**254,980**	**4.77%**	**0.19**
GF Medium Term Borrowing	**30,000**	**0.77%**	**0.72**	**20,000**	**2.43%**	**1.46**
Total GF ST / MT Borrowing	**176,228**	**2.61**	**0.38**	**274,980**	**4.60%**	**0.28**
Total GF Debt	**784,382**	**1.85**	**26.83**	**963,946**	**2.73%**	**19.75**
HRA Borrowing						
PWLB Fixed Rate	265,912	3.50%	32.14	265,912	3.50%	32.14
Market Loans Fixed Rate	30,000	4.03%	42.07	30,000	4.03%	42.07
HRA Internal Borrowing Variable Rate				10,704	4.73%	-
Total HRA Debt	**295,912**	**3.55%**	**33.15**	**306,616**	**3.43%**	**31.99**
Total Borrowing	1,180,999	2.47%	25.04	**1,270,562**	**2.90%**	**22.71**

3.2 <u>General Fund Debt</u>

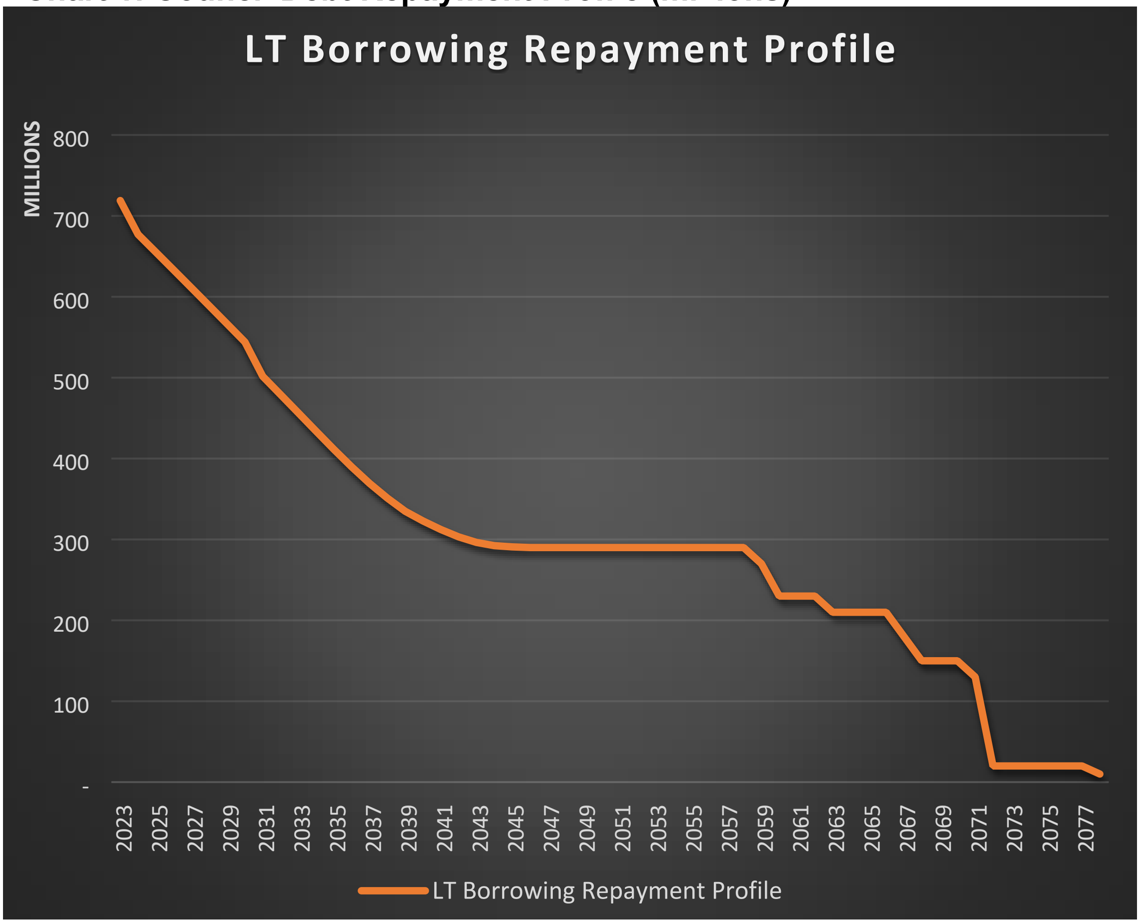
The GF debt can be split into short and long-term borrowing. Short-term borrowing is used to manage the Council's daily cash requirements and allows treasury to make strategic, longer term borrowing decisions while keeping the cost of carry low. It is also used to fund short-term commercial holdings. Annual long-term borrowing amounts are summarised below:

Year	Amount	Reason for Borrowing
Pre-2015	10	Capital Expenditure
2015	89	Abbey Road 2 & Gascoigne East Regen
2016	60	Film Studio Land
2017	120	Borrowing for Street Purchases and IAS
2018	150	IAS
2019	140	IAS
2020	60	IAS

2021	140	IAS
2022	176	IAS - mainly short and medium term
2023	80	IAS - mainly short term
Various	-61	Borrowing Repaid
Total	**964**	

Although the borrowing is long-term, a part of the Council's debt is repaid each year through annuity or equal instalment repayment. As a result, the Councils debt repayment profile is relatively smooth, as outlined in the chart below. Future borrowing will be mapped against this repayment profile and the forecast cashflows to help refinancing risk but also allow for a steady reduction in the Council's debt exposure. The chart below also shows the Council's borrowing repayment profile for long-term borrowing as at 30 November 2023:

Chart 1: Council Debt Repayment Profile (millions)



3.3 General Fund Interest Costs

Currently the average long-term interest rate on GF borrowing is 1.99% for £708.9m borrowed. This rate drops steadily to 1.64% in 2070 but on a reduced balance, as borrowing is repaid. The average rate for the duration is 1.92%.

3.4 Borrowing from Financial Institutions

Treasury officers will generally borrow from the PWLB when rates are low. However, where cheaper or more appropriate borrowing is available from other financial institutions then this is used as an additional source of financing. With the PWLB margin 0.8% above Gilts, this provides an excellent source of finance to support the Council regeneration strategy.

Currently the following loans have been borrowed from financial institutions:

i. European Investment Bank (EIB) Borrowing: In 2014/15 Cabinet agreed to borrow £89m from the European Investment Bank (EIB) as outlined below:

- £66m from the EIB to finance the Gascoigne Estate (East) Phase 1;
- £23m from the EIB to finance Abbey Road Phase 2.

The drawdown of the full £89m was completed on 30 January 2015 at a rate of 2.207% and currently the balance owed is £71.6m. The EIB loan does contain financial covenants that restrict to the Council's overall investment strategy. In 2021/22 discussions were held with the EIB to increase the financial covenants of the EIB loan. These discussions have resulted in a significant increase in the covenant limits, as outlined below but also resulted in the interest rate from the EIB increasing by 1 basis point to 2.217% and a fee of £27,597.86 was payable:

i. the Total Debt shall not exceed 150% of Operating Revenues;
ii. Financing Costs shall not exceed 10% of Operating Revenues;
iii. Liquid Assets should be at least 1.2 times Short-term debt; and
iv. Debt Service shall not exceed 10% (ten percent) of Operating Revenue.

ii. Green Investment Bank (GIB) Borrowing (now L1 Renewables)

At its meeting on 2 December 2015 the Council agreed to borrow £7.5m from the GIB to finance the Low Energy Street Light Replacement Programme via the UK GIB Green Loan. On 15 December 2016, a loan of £7.0m was borrowed from the GIB at a rate of 3.44% for a duration of 30 years. The borrowing drawdown period will be over a two-and-a-half-year period and will match the forecast expenditure. The repayment of the loan has been structured to best match the cashflows expected to be generated from the energy savings.

3.5 HRA Self Financing

The Council uses a two loans pool approach for long-term debt. The £265.9m of PWLB is from the HRA reform in 2012, with an additional £30m of borrowing transferred to the HRA in 2016 and 2020 to finance HRA new builds. The HRA previously had a debt cap of £291.60 but this was removed in 2018. A breakdown of the HRA borrowing is provided in table 5 below:

Loan Type	Loan Amount	Maturity profile	Interest Rate
	£'000s	Yrs.	%
PWLB	50,000	24	3.51
PWLB	50,000	34	3.52
PWLB	50,000	42	3.49
PWLB	50,000	43	3.48
PWLB	65,912	44	3.48
Barclays	10,000	60	3.98
Phoenix Life	20,000	40	4.05
Total	**295,912**		

4. Repayment of Borrowing

As short term borrowing rates are usually cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, any savings will need to be based on the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy; and
- enhance the balance of the portfolio (amend the maturity profile).

Internal borrowing can also be reduced by generating capital receipts, which will replenish cash balances and in accounting terms be used for financing historic spend rather than for new capital projects.

5. Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

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The Capital Prudential and Treasury Indicators 2024/25 – 2026/27

The Local Government Act 2003 requires a Council to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the Council's capital investment plans are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. It is also essential that, within the Council, there is an understanding of the risks involved and there is sufficient risk management undertaken for each investment undertaken.

The Prudential Code was revised in 2017 with the main changes being the inclusion of the Capital Strategy requirements and the removal of some indicators. To demonstrate the Council has met these objectives, the Prudential Code sets out a number of indicators that are monitored each year. These indicators are outlined in this report.

CIPFA published the updated Treasury Management and Prudential Codes on 20 December 2021. Local Authorities were expected to fully implement the Codes reporting changes within their TMSS/AIS reports from 2023/24.

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the Prudential Indicators, which are designed to assist members overview and confirm capital expenditure plans. Capital expenditure is a summary of the Council's capital expenditure plans, both agreed previously and those forming part of this budget cycle. The capital expenditure forecasts are included in the first part of Table 1.

1. The Council's borrowing requirement (CFR)

1.1 The Council's CFR is the historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's underlying borrowing need. Any capital expenditure which has not immediately been paid for will increase the CFR. The CFR does not increase indefinitely, as MRP, a statutory revenue charge, reduces the borrowing need in line with each asset's life. The CFR also includes other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, they include a borrowing facility and so the Council is not required to separately borrow for these schemes. Table 1 sets out the CFR until 2026/27 and are cumulative.

Table 1: Capital Expenditure Forecast Net Financing 2023/24 to 2026/27

Capital Expenditure	*2023/24 Estimate*	*2024/25 Estimate*	*2025/26 Estimate*	*2026/27 Estimate*
	£000s	*£000s*	*£000s*	*£000s*
General Fund				
Gf - Adults Care & Support	*3,719*	*2,918*	*0*	*0*
Gf - Inclusive Growth	*6,373*	*611*	*0*	*0*
Gf - CIL	*761*	*0*	*0*	*0*
Gf - TfL	*4,226*	*2,200*	*2,200*	*0*
Gf - IT	*3,615*	*1,200*	*2,005*	*200*
Gf - Parks Commissioning	*12,925*	*153*	*83*	*0*

Gf - Culture and Heritage	*1,121*	*294*	*294*	*0*
Gf - Enforcement	*173*	*330*	*330*	*0*
Gf - My Place	*3,919*	*1,434*	*1,000*	*0*
Gf - Public Realm	*8,510*	*5,487*	*5,287*	*0*
Gf - Education, Youth & Child	*15,254*	*8,559*	*11,466*	*0*
Gf - Other	*136*	*0*	*0*	*0*
Transformation	*0*	*0*	*0*	*0*
Total GF Capital Expenditure	***60,732***	***23,186***	***22,664***	***200***
IAS Residential	*275,184*	*157,492*	*111,699*	*18,708*
IAS Commercial	*16,446*	*4,096*	*2,000*	*1,000*
Total IAS	***291,630***	***161,588***	***113,699***	***19,708***
HRA Stock Investment	*14,000*	*20,288*	*27,934*	*37,760*
HRA Estate Renewal	*4,000*	*4,400*	*0*	
HRA New Build Schemes	*544*	*0*	*0*	
HRA Total	***18,544***	***24,688***	***27,934***	***37,760***
Total Gross Capital Programme	***370,905***	***209,462***	***164,298***	***57,668***
Financed by:				
HRA/MRR	*-20,123*	*-26,170*	*-27,827*	*-29,774*
CIL/S106	*-1,372*	*-9*	*0*	
CIL/S106 - IAS		*0*	*-1,500*	*-1,762*
Revenue	*-1,132*	*-1,700*	*-1,500*	*0*
Capital Receipts	*0*	*0*	*-232*	*-3,226*
Self-Financing (excluding IAS)	*-1,979*	*0*	*0*	*0*
Other Grant	*-28,826*	*-13,782*	*-14,159*	*0*
IAS Grants (RtB, GLA) and sales	*-64,434*	*-64,031*	*-12,863*	*-94,527*
Total Financing	***-117,865***	***-105,692***	***-58,081***	***-129,289***
Financed by Borrowing	***253,040***	***103,770***	***106,217***	***-71,621***
PFI / Finance Lease Add. & Repay.	*-4,492*	*-4,811*	*-5,111*	*-5,459*
Net financing need for the year	***248,547***	***98,959***	***101,106***	***-77,080***

2. Treasury Indicators: Limits to Borrowing Activity

2.1 **The Operational Boundary -** this is the limit beyond which external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR (within table 2) but may be lower or higher depending on the levels of actual borrowing.

2.2 **The Authorised Limit for external borrowing:** represents a control on the maximum level of borrowing, with a limit set, beyond which external borrowing is prohibited. This limit must be set or revised by the full Council. The limit set includes an additional margin for borrowing to fund the Council's IAS.

It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is also a statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The drop in operational boundary is due to the uncertainty and delays for pipeline scheme. There is the potential for the operational boundary to increase if new schemes are agreed. The Council is asked to approve the Operational Boundary and Authorised Limits below:

Table2: Capital Expenditure Forecast and Council's CFR 2023/24 – 2026/27

Capital Expenditure	*2023/24 Estimate* £000s	*2024/25 Estimate* £000s	*2025/26 Estimate* £000s	*2026/27 Estimate* £000s
Capital Financing Requirement				
Opening CFR as at 1 April	**1,707,121**	**1,936,636**	**2,022,432**	**2,108,431**
Change in Year – General Fund	229,515	85,796	85,999	-97,682
Change in Year – Housing	0	0	0	4,759
Net movement in CFR	**229,515**	**85,796**	**85,999**	**-92,923**
Total CFR as at 31 March	**1,936,636**	**2,022,432**	**2,108,431**	**2,015,508**
Net financing need for the year	**248,547**	**98,959**	**101,106**	**-77,080**
Less: MRP*	-11,333	-13,163	-15,107	-15,843
Less: Capital Receipts	-7,700	0	0	0
Movement in CFR	**229,515**	**85,796**	**85,999**	**-92,923**
Long & Short-Term Borrowing	1,350,000	1,450,000	1,550,000	1,500,000
PFI and finance lease liabilities	271,068	266,444	261,557	256,333
Total debt 31 March	**1,621,068**	**1,716,444**	**1,811,557**	**1,756,333**
Under / (Over) Borrowing	**315,567**	**305,987**	**296,873**	**259,175**
Operational Boundary	**1,850,000**	**1,900,000**	**2,000,000**	**1,850,000**
Authorised Limit	**1,950,000**	**2,000,000**	**2,100,000**	**1,950,000**

** MRP is estimated, based on when schemes will be operational and start repaying capital*

2.3 The CFR includes gross capital spend on schemes where there is GLA grant as the spend is still picked up in the CFR calculation, but the Council has received the GLA grant. The CFR will reduce by £86.5m, which will reduce the under borrowed position.

The under borrowed position is likely to reduce over time as the Council's reserves are reduced to fund shortfalls in the Council's funding. The use of reserves will result in a reduction in internal borrowing, which will also reduce the Council's cash balances, requiring the Council to borrow to closer to the CFR level.

3. Affordability prudential indicators

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

3.2 Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of General Fund Capital expenditure against the net revenue stream. MRP is net of self-financing, which includes the investment strategy and leases. MRP will be much higher but will be funded from the income streams generated from rent. The interest budget will also change significantly with a large increase in interest payable and receivable. The net budget has been used but there is an expectation that interest costs will be lower than the net budget.

General Fund Cost of Capital	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£000s	£000s	£000s	£000s
Net Cost of Services	**194,460**	**221,745**	**233,990**	**247,026**
Cost of Capital				
GF Interest Payable	10,139	30,849	33,903	38,561
GF Interest receivable	-6,503	-25,629	-29,338	-34,280
MRP (excluding leases)	11,216	10,792	10,792	11,034
Investment Strategy & Other Income	-5,816	-6,245	-5,590	-5,306
Total Net Budget	**9,036**	**9,767**	**9,767**	**10,009**
Financing Cost to Net Revenue	**4.65%**	**4.40%**	**4.17%**	**4.05%**

Excluding investment income, the cost of capital is higher at between 7.64% and 6.20%, as outlined in the table below:

General Fund Cost of Capital	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£000s	£000s	£000s	£000s
Net Cost of Services	**194,460**	**221,745**	**233,990**	**247,026**
Cost of Capital				
GF Interest Payable	10,139	30,849	33,903	38,561
GF Interest receivable	-6,503	-25,629	-29,338	-34,280
MRP (excluding leases)	11,216	10,792	10,792	11,034
Total Net Budget	**14,852**	**16,012**	**15,357**	**15,315**
Financing Cost to Net Revenue	**7.64%**	**7.22%**	**6.56%**	**6.20%**

4. Treasury indicator and limit for investments greater than 365 days.

4.1 The limit is set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment. They are based on the availability of funds at yearend. The maximum principal sums invested greater than 364 days has been reduced as the capital programme reduces and there is a reduced need to hold cash outside of liquidity requirements. If significant asset sales were to occur over the next few years then levels will be reviewed. The Council is asked to approve the treasury indicator and limit:

£'000s	2023/24	2024/25	2025/26	2026/27
Max. principal sums invested>364 days	50,000	50,000	50,000	50,000

5. Treasury Indicators: Limits to Borrowing Activity

5.1 There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive, they will impair the opportunities to reduce costs / improve performance. These are no longer required as PIs but are included as a local indicator. The indicators are:

- Upper limits on variable interest rate exposure: identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure: is similar to the previous indicator and covers a maximum limit on fixed interest rates; and
- Maturity structure of borrowing: gross limits to reduce the Council's exposure to large fixed rate sums requiring refinancing.

The Council is asked to approve the following treasury indicators and limits:

Interest rate exposures	2024/25	2025/26	2026/27
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	70%	70%	70%
Limits on fixed interest rates:			
• ***Debt only***	100%	100%	100%
• ***Investments only***	90%	90%	90%
Limits on variable interest rates			
• ***Debt only***	70%	70%	70%
• ***Investments only***	80%	80%	80%

Maturity structure of fixed interest rate borrowing 2024/25		
	Lower	Upper
Under 12 months	0%	50%
12 months to 2 years	0%	60%
2 years to 5 years	0%	70%
5 years to 10 years	0%	70%
10 years and above	0%	100%

Maturity structure of variable interest rate borrowing 2024/25		
	Lower	Upper
Under 12 months	0%	40%
12 months to 2 years	0%	40%
2 years to 5 years	0%	70%
5 years to 10 years	0%	70%
10 years and above	0%	80%

5.2 HRA CFR Forecast

HRA Debt £'000s	2023/24 Approved	2024/25 Estimate	2025/26 Estimate	2025/26 Estimate
Total	**310,628**	**310,628**	**310,628**	**310,628**

6. Liability Benchmark Treasury Indicator

6.1 There are four components to the liability benchmark:

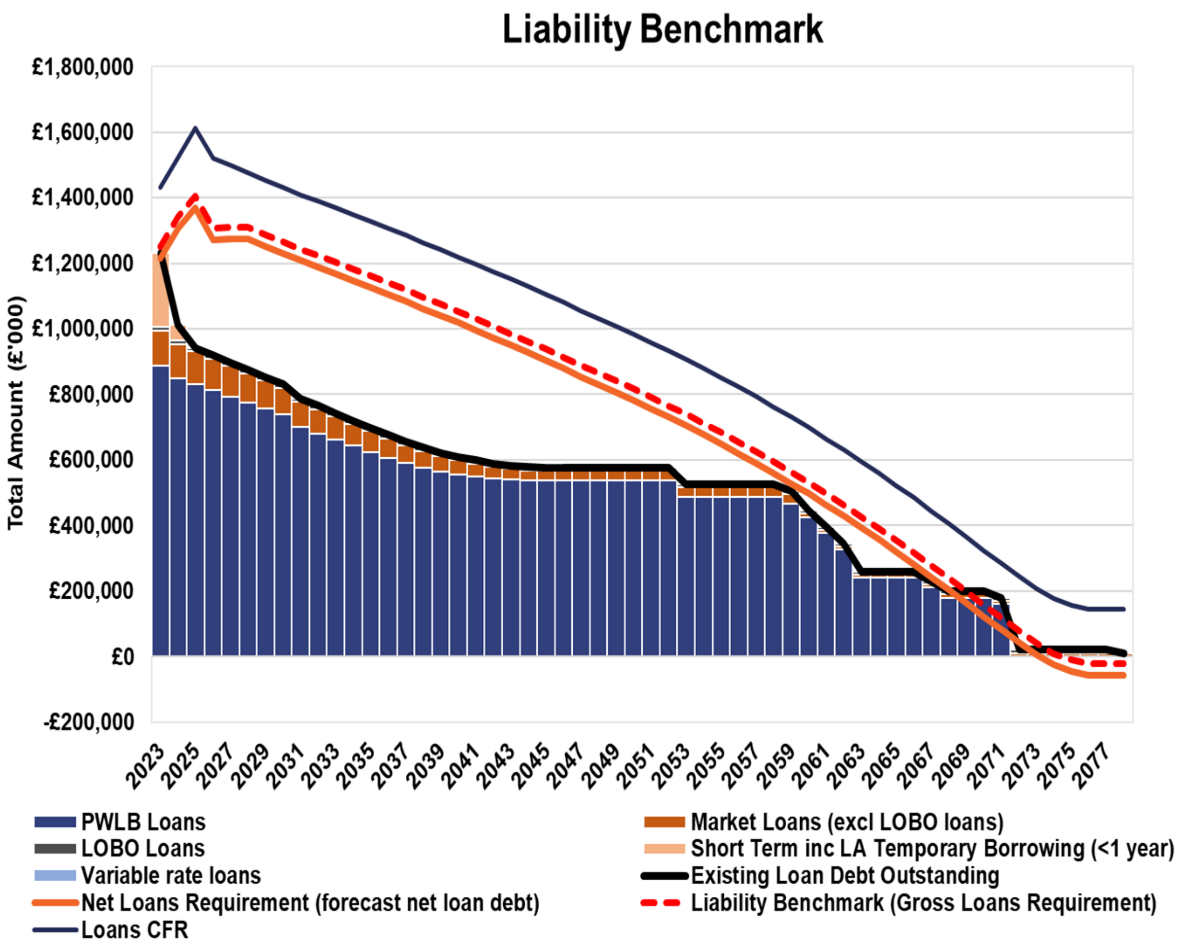
i. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.

ii. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.

iii. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

iv. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

6.2 The liability benchmark shows the Council's liabilities, excluding PFI and finance leases over time. It shows how much has been borrowed, how much needs to be borrowed and the repayment profile.



6.3 The liability benchmark shows there is a significant borrowing requirement for both completion of the current capital programme but also to refinance borrowing, including the current significant short-term borrowing position. It is important to note that the borrowing requirement is lower than in past years as the capital programme has reduced. To reduce the gap will require borrowing or the sale of assets and both options are being looked at. A liquidity allowance has been included in the chart at £30m.

6.4 As outlined in section 2.3, the CFR and loans CFR is higher than would be expected due to the GLA grant of £86.5m not been used, yet, to reduce the CFR.

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Appendix 4

Capital Strategy and Capital Programme 2024/25 to 2026/27

1. Introduction

1.1 Under the Prudential Code the Council is required to have a Capital Strategy which sets out the long-term context in which capital expenditure and investment decisions are made. The strategy should consider how capital investment is aligned with corporate priorities. Capital plans must also be affordable and sustainable.

1.2 Capital expenditure is where the Council spends money on assets, such as property or vehicles that will deliver an economic benefit for more than one year. In local government this could include expenditure on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure.

1.3 The Council has a wide range of capital resources which it uses to both deliver its services and meet strategic objectives. It is important that where these are physical assets that they are maintained in an acceptable state of repair to enable them to continue to be used and/or maintain their value. For Barking & Dagenham capital investment will be in four main areas:

- Corporate - e.g. on-lending to subsidiaries or equity stakes
- Corporate assets - e.g. office space
- Directorate - to enable service delivery e.g. operational assets
- Economic growth - to facilitate regeneration in the borough

1.4 For corporate and operational assets investment, this should be underpinned by Asset Management Strategies and plans which, among other things, looks at the value-for-money aspect of investment needs. Often changes in law and compliance with regulations means that some assets are no longer economic to maintain and/or efficient to use in service delivery. Consideration may need to be given to asset disposal.

1.5 As well as providing the overarching framework to support capital investment in the Council's proposed capital programme, the Capital Strategy should consider the financing of those investment plans. By their nature, capital investment has financial consequences for many years into the future and it is important to consider the impact on future council taxpayers when considering the affordability and sustainability of the Council's plans.

1.6 Funding for capital investment is derived from:

- Capital grants from central government or other bodies e.g. TFL
- General Fund revenue contributions
- Capital receipts (excluding HRA right-to-buy receipts) from asset disposal
- Reserves (revenue reserves can be used)
- S106/CIL funds
- Debt (borrowing, leasing, PFIs)

1.7 Where borrowing is undertaken, the Council is required to set aside amounts each year in its General Fund revenue budgets to meet Minimum Revenue Provision (MRP) costs in line with its approved MRP Policy (see Appendix 5). Charging MRP each year to the Council's revenue budget is a way of setting aside funds to repay the borrowing that has been undertaken.

1.8 An important consideration in formulating capital investment plans is, therefore, how much will need to be funded through borrowing and what is affordable in the Council's proposed revenue budgets.

1.9 Capital investment impacts the prudential indicators which are required under the 2020 Prudential Code, and these are outlined in Appendix 3. One of those indicators demonstrates net financing costs as a percentage of the Council's net revenue budget. Consideration will need to be given to any proposed significant increases in this indicator as this may give an indication as to affordability.

1.10 High inflation and increased interest rates have had a significant impact on the Council's capital strategy particularly in relation to its Investment & Acquisition Strategy (see below). Whilst a number of schemes are still progress and assets under construction, viability of new schemes has been severely impacted with many pipeline schemes now stalled pending appropriate solutions being found to viability.

1.11 The Capital Programme sets out the strategic direction for the Council's capital management and investment plans and is an integral part of the medium to long term financial and service planning and budget setting process.

1.12 The Local Government Act 2003 Section 25 sets a specific duty on an Authority's Chief Financial Officer (S151 Officer) to make a report to the authority for full Council to consider when it is considering its budget and funding for the forthcoming year. The Capital Programme forms part of the budget and funding for 2024/25 to 2026/27.

1.13 This report sets out the Capital Programme for 2024-27 for the Council's General Fund (GF), Investment and Acquisition Strategy (IAS) and HRA.

2. The Council's Strategy

2.1 The Council is undertaking a comprehensive review of its core operational and commercial assets and a revised Asset Management Strategy and plan will be presented to Members in the next financial year.

2.2 This review will look at its current assets, whether they are currently meeting service needs and, if so, what investment is needed and when. To ensure that any investment delivers value-for-money over the revised MTFS, any capital investment has therefore been limited to that investment which meets either Health & Safety priorities or compliance with changes in regulations.

2.3 Capital bids have been subject to scrutiny by the Capital & Assets Board and investment kept to essential investment only pending the revised Asset Management Strategy. A capital bidding process was completed towards the end of 2023 and the recommended projects are included for agreement in section 4.

2.4 A project is underway to identify any assets which could be earmarked for disposal based on a business case basis and any proposals for disposal will be presented to Members in due course.

2.5 Any capital receipts generated could be used to provide additional funding to reduce MRP charges or could be used to fund revenue transformation fund costs providing that the Council has approved the flexible capital receipts policy. This must be approved annually and is a specific recommendation in the Council's General Fund Revenue Budget for 2024/25.

2.6 Historically the Council has either been debt free or has had a very low-level of debt with most of the Council's capital spend being funded from cash balances or from its revenue budget.

2.7 However, in November 2016, Cabinet approved the establishment of an Investment & Acquisition Strategy (IAS). The purpose of the IAS is to support the Borough's growth opportunities and to ensure that the Council, and future generations, benefit by increasing the Council's ownership of long-term income producing assets.

2.8 This changed significantly in 2012 when, as part of the HRA reform, £265.9m of debt was transferred to the Council's HRA. Subsequently, in January 2015, £89m was borrowed for the Council's General Fund (GF) from the European Investment Bank (EIB) to fund the regeneration of Abbey Road 2 and Gascoigne East (Weavers).

2.9 Since then, the Council has continued to deliver significant housing supply in the borough with a significant number of housing units planned to be delivered in the capital programme as proposed.

2.10 Investment and Acquisition Strategy (IAS) schemes are self-financing and are partly funded by grant and sales, with borrowing funded by rental income expected to pay for the borrowing costs and provide an income stream to the Council. Under the arrangements, loan and lease agreements are entered into with the Reside Group with fixed interest payable to the Council and a principal repayment under an annuity method.

2.11 The Council continues to deliver significant capital investment across the borough, both through the General Fund and through the IAS, which will provide much needed growth within the borough, as well as improvements to facilities and infrastructure, whilst ensuring the impact on debt costs within the revenue budget is managed.

3. Capital Programme including Investment and IAS 2023/24 to 2026/27

3.1 Given the current pressures on the General Fund revenue budget and the lack of previously accumulated General Fund capital receipts, the main resource available to meet future capital demands is prudential borrowing for 2024/25, limiting any new capital schemes which are not externally funded.

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

3.3 The Council's Indicative GF Capital Programme 2023/24 to 2026/27 is set out below. The capital programme is only set out for three years pending the revised Asset Management Strategy. Slippage from the IAS could well move spend into 2027/28 but currently there is no certainty over the capital budgets beyond three years.

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

Table 1: Capital Programme 2023/24 to 2026/27

Capital Expenditure	2023/24 Estimate £000s	2024/25 Estimate £000s	2025/26 Estimate £000s	2026/27 Estimate £000s
General Fund				
Gf - Adults Care & Support	3,719	2,918	0	0
Gf - Inclusive Growth	6,373	611	0	0
Gf - CIL	761	0	0	0
Gf - TfL	4,226	2,200	2,200	0
Gf - IT	3,615	1,200	2,005	200
Gf - Parks Commissioning	12,925	153	83	0
Gf - Culture and Heritage	1,121	294	294	0
Gf - Enforcement	173	330	330	0
Gf - My Place	3,919	1,434	1,000	0
Gf - Public Realm	8,510	5,487	5,287	0
Gf - Education, Youth & Child	15,254	8,559	11,466	0
Gf - Other	136	0	0	0
Transformation	0	0	0	0
Total GF Capital Expenditure	**60,732**	**23,186**	**22,665**	**200**
IAS Residential	275,182	157,493	111,699	18,708
IAS Commercial	16,446	4,096	2,000	1,000
Total IAS	**291,628**	**161,588**	**113,699**	**19,708**
HRA Stock Investment	14,000	20,288	27,934	37,760
HRA Estate Renewal	4,000	4,400	0	
HRA New Build Schemes	544	0	0	
HRA Total	**18,544**	**24,688**	**27,934**	**37,760**
Total Gross Capital Programme	***370,905***	***209,462***	***164,298***	***57,668***
Financed by:				
HRA/MRR	(20,123)	(26,170)	(27,827)	(29,774)
CIL/S106	(1,372)	(9)		
CIL/S106 - IAS			(1,500)	(1,762)
Revenue	(1,132)	(1,700)	(1,500)	
Capital Receipts			(232)	(3,226)
Self-Financing (excluding IAS)	(1,979)			
Other Grant	(28,826)	(13,782)	(14,159)	

IAS Grants (RtB, GLA) sales	(64,434)	(64,031)	(12,863)	(94,527)
Total Financing	**(117,866)**	**(105,692)**	**(58,081)**	**(129,289)**
Financed by Borrowing	**253,040**	**103,770**	**106,217**	**(71,621)**
PFI / Finance Lease Add. & Repay.	(4,492)	(4,811)	(5,111)	(5,459)
Net financing need for the year	**248,548**	**98,959**	**101,106**	**(77,080)**

4. Investment and Acquisition Strategy

4.1 The IAS has increased the Council's borrowing requirement as well as its capital programme, with the IAS requiring over £2 billion of spend, before financing, for nearly 60 schemes, including residential and commercial. MRP for IAS properties is charged after a two-year stabilisation period and then for 50 years based on an annuity repayment schedule for residential properties. The stabilisation period allows schemes to be fully let and/or sold before MRP is charged.

4.2 The budgets include estimates of IAS roll-forwards budgets from 2023/24 and are indicative with possibility of further slippages and changes to budget at year end.

4.3 Over the past two years several regeneration schemes have become unviable and have been put on hold and/or reviewed. The schemes that are on hold have been removed from the capital programme. Members are asked to note that in-year movements to the IAS budgets will occur if viability improves for these schemes and they are added back to the capital programme. If this is required, this will require full Council approval. Members are asked to approve the capital expenditure forecasts included in table 1.

4.4 A breakdown of the IAS gross forecast spend is in Table 2.

Table 2: IAS Gross Expenditure Forecast 2023/24 to 2026/27

IAS Schemes 2023/24 to 2026/27 Forecast £000s	23/24 Forecast £000s	24/25 Budget £000s	25/26 Budget £000s	2026/27 Budget £000s
Becontree Avenue 200	65.6	-	-	-
Becontree Heath GW5	327.5	-	-	-
Chequers Lane	316.8	-	-	-
Crown House	1,795.6	-	-	-
Gascoigne East Phase 2 Block C	-11,300.0	-	-	-
Gascoigne East Phase 2 Block E2	4,938.5	-455.5	10.3	-
Gascoigne East Phase 2 Block F	20,897.7	3,408.5	-	-
Gascoigne West Phase 1	1,108.7	-	-	-
Gascoigne West Phase 2	40,227.2	1,639.7	-	-
House for Artists	130.7	-	-	-
Sacred Heart	115.5	-	-	-
Sebastian Court	352.5	-	-	-
Completed & Handed Over at 31/12/2023	**58,976.4**	**4,592.7**	**10.3**	**0.0**
12 Thames Road	20,549.0	5,127.1	993.7	-
Beam Park Phase 6	44,592.8	49,223.2	54,571.1	7,201.8
Gascoigne East 3B	33,936.9	62,570.7	51,913.3	10,453.5
Gascoigne East Phase 3A Plot I	28,154.6	2,133.1	597.4	-
Gascoigne East Phase 3A Plot J	15,211.8	617.2	-	-

Oxlow Lane	9,417.1	294.6	-	-
Padnall Lake Phase 1	5,969.5	193.5	218.3	-
Padnall Lake Phase 2	5,597.4	811.5	384.4	-
Roxwell Road	12,918.8	10,393.7	1,085.4	403.3
Town Quay Wharf	10,497.4	5,687.1	559.6	-
Transport House	20,928.6	13,395.2	504.6	-
Trocoll House	582.0	199.4	119.9	649.3
Woodward Road	3,802.8	2,253.8	741.5	-
On-Site (Post-G4)	**212,158.5**	**152,900.1**	**111,689.2**	**18,707.8**
Barking Riverside Health & Leisure	6.6	-	-	-
Brocklebank Lodge	-	-	-	-
Gascoigne East Phase 2 Block E1	2,416.5	-	-	-
Gascoigne West Phase 3	1,566.5	-	-	-
Jervis Court	28.4	-	-	-
Padnall Lake Phase 3	29.2	-	-	-
IP Approved (Pre-G4)	**4,047.2**	**-**	**-**	**-**
DAGENHAM HEATHWAY	523.5	-	-	-
Dagenham Trades Hall	1,471.7	-	-	-
FILM STUDIOS	53.9	-	-	-
INDUSTRIA	2,924.1	1,095.7	-	-
Purchase of Edwards Waste Site	8,844.9	-	-	-
Purchase of Maritime House	1,152.6	-	-	-
WELBECK WHARF	10.9	-	-	-
Thames Road	1,464.5			
Unallocated	-	3,000.0	2,000.0	1,000.0
Total Commercial	**16,446.0**	**4,095.7**	**2,000.0**	**1,000.0**
Total IAS Expenditure	**291,628.1**	**161,588.5**	**113,699.4**	**19,707.8**

5. Capital Bids 2024/25 and 2025/26

5.1 The MTFS includes provision of £730k for 2024/25 and £819k for 2025/26 to fund a corporate capital programme of £16.699m of new capital schemes for 2024/25 to 2025/26. This budget is split between interest and Minimum Revenue Provision and follows a bidding round held towards the end of 2023.

5.2 As highlighted above, a review of the bids was carried out by Assets and Capital Board, and further clarification was requested for some of the bids. Bids for 2025/26 will be reviewed again as part of the 2025/26 budget-setting process and the revised Capital Strategy incorporating the revised Asset Management Strategy.

5.3 The commitments for General Fund financing costs of the proposed new schemes can be summarised as follows:

Scheme Name	Description	Net cost 24/25	Net cost 25/26	Finance 24/25	Finance 25/26
		£'000	£'000	£'000	£'000
Highways Improvement Programme	Planned maintenance programme for highways to address the roads assessed as 'poor condition' by surveys to allow them to safely operate and meet our statutory obligations.	**3,172**	**3,372**	244	259
Bridges and Structures	Funding is essential to undertake our Statutory Duty of Bi-annual inspections of the 48 Designated Structures (24 per annum) and intrusive Principal Structural inspections every 6 years, equating to 8 per annum, plus undertake the visual inspections of our over line footbridges.	**387**	**387**	30	30
Stock Investment - Corporate Portfolio	The existing 4 year funding to replace major components and capital works associated with the corporate portfolio, ends in 2024/25 . This capital budget is used for major works including replacement of Mech & Elec plant (boilers, ventilation systems, security etc), roofs, windows, external repairs and compliance works (fire doors, electrical systems).	**1,000**	**1,000**	67	67
Bridges in parks - Backlog Inspection & Repair	Following inspections of park bridges in November 2023, it is anticipated that the associated reports will identify a backlog of urgent health and safety related repairs and essential maintenance. This bid seeks funding to delivery of this work.	**83**	**58**	8	5
Dagenham Corridor - Tree and Woodland Asset Health & Safety	In order to meet our health and safety standards, to comply with relevant legal and regulatory requirements, and secure stakeholder confidence and trust, we need to ensure that the tree and woodland stock throughout the Dagenham Corridor is managed and maintained. Priority 1 works required in 24/25 (urgent public safety work posing imminent danger to people or property, storm damaged trees posing safety risk, large limbs snapped and hung up over areas of high vehicular and pedestrian flow). Priority 2 works required within 1-2 years to avoid safety issues developing (especially trees in high pedestrian and traffic flow areas).	**70**	**25**	4	1
Housing (Capita Open Housing)	To implement additional functionality within the Capita Open Housing system (see linked sheet for details)	**425**	**-**	15	-
Hardware - Laptops and peripherals	ICT need to have the ability to purchase laptop and supporting equipment to enable officers across the organisation to perform their duties. This is an estimate based on previous years	**150**	**210**	42	59
Oracle R12 ERP System	Oracle R12 was replaced in April 2022 and contains legacy data from 2014 which must be retained for legal/compliance/retention requirements and historical reference until at least 2030. Oracle R12 EBS ERP will need to be transitioned from its hosting arrangement with Brent due to their migration off of Oracle R12 in the next 18 months.	**-**	**225**	-	38

Keep The Lights On (KTLO)	There is an annual need for IT Services to maintain the Council's Networks, Infrastructure, Software and Security products. These tend to be driven more by the 3rd party suppliers upgrading their products. We have just reviewed the known requirements for 2024/25 it is estimated circa 700k and for 25/26 circa 700k. The key projects: Move away from LGFL, Firewall replacements, Cyber Assessments, Patching software, Replacement of Zscaler, Review of AVD, Azure , DBA and Sharepoint services as well as WAN procurement	**700**	**700**	159	159
ERP inc E5 upgrade and MHR upgrade	25/26 - Project team to support E5 and MHR upgrades 26/27 (£480k required in future bidding round) - Driving efficiencies from self-service, automation and BPM, will require BPR and digital service design to re-design processes to maximise efficiencies, automation.	**-**	**520**	-	118
ICT - Single property view for My Place	My Place require a single view of homes & asset management. This would be a 'virtual' read-only view with data being fed from the following systems: Open Housing; Total Compliance. Currently the data for homes and property assets are held in a number of business applications.	**150**	**150**	6	6
Enforcement system	A replacement of the enforcement system that is currently used for services within the following areas: - Environmental Health, Trading Standards, Licensing, Health and Safety, Private Sector Housing, ASB team and Community Safety, Environmental Protection & Enforcement services.	**330**	**330**	75	75
	Total	**6,467**	**6,977**	**650**	**819**

Annex A – Capital Programme 2023/24 to 2026/27

Project Code	Project Name	P9 Budget	Forecast P9	Forecast Slippage/ Accelerate	2024/25 Initial Budget	2024/25 Total Budget (with slippage)	2025/26 Budget	2026/27 Budget	Total All Years	Borrowing All Years	Total Other Source Funding
General Fund											
C00100	AIDS & ADAPTATIONS	1,079	1,079	0	1,000	1,000	0	0	2,079	0	2,079
C00106	DISABLED FACILITIES GRANT-PRVT	2,023	1,861	162	1,857	2,019	0	0	3,880	0	3,880
C05125	FAMILY HUBS	117	117	0	61	61	0	0	178	0	178
C05127	Care Tech	500	500	0	0	0	0	0	500	0	500
CAP01	**GF - CARE & SUPPORT**	**3,719**	**3,557**	**162**	**2,918**	**3,080**	**0**	**0**	**6,637**	**0**	**6,637**
C03028	CORPORATE RETROFIT	2,881	2,551	330	0	330	0	0	2,881	2,881	0
C03099	ABBEY GREEN & BTC CONS HLF	277	80	197	0	197	0	0	277	177	100
C05084	DECARBONISATION	0	0	0	0	0	0	0	0	0	0
C05114	UK SHARED PROSPERITY FUND	236	348	-111	611	500	0	0	847	0	847
C05136	Local Authority Delivery Ph 3	2,461	2,461	-0	0	-0	0	0	2,461	0	2,461
C05137	Home Upgrade Grant Ph 1	519	457	61	0	61	0	0	519	0	519
CAP02	**GF - INCLUSIVE GROWTH**	**6,373**	**5,897**	**476**	**611**	**1,087**	**0**	**0**	**6,985**	**3,058**	**3,927**
C05028	BOX UP CRIME	455	455	-0	0	-0	0	0	455	300	155
C05029	WOMEN'S MUSEUM	210	175	35	0	35	0	0	210	0	210
C05062	LITTER IN PARKS (CIL)	96	96	0	0	0	0	0	96	0	96
CAP03	**GF - CIL**	**761**	**726**	**35**	**0**	**35**	**0**	**0**	**761**	**300**	**461**
C02898	LOCAL TRANSPORT PLANS	310	224	86	0	86	0	0	310	0	310
C05052	HEATHWAY HEALTHY STREETS	330	330	0	0	0	0	0	330	0	330
C05055	ROAD SAFETY AND ACCESS	422	422	-0	0	-0	0	0	422	0	422
C05058	TFL MINOR WORKS - VARIOUS LOCS	155	155	0	0	0	0	0	155	0	155
C05079	CYCLE ROUTE CFR10	507	500	7	0	7	0	0	507	0	507
C05080	LOW TRAFFIC NEIGHBOURHOODS	241	241	0	0	0	0	0	241	0	241
C05083	BUS PRIORITY	1,765	852	913	0	913	0	0	1,765	0	1,765
C05056	VALANCE AVENUE HEALTHY STREETS	43	43	0	0	0	0	0	43	0	43
C05128	Porters Avenue Healthy Streets	105	105	0	0	0	0	0	105	0	105
C05129	Dagenham Road Healthy Streets	172	172	0	0	0	0	0	172	0	172
C05130	High Road Healthy Streets	100	100	0	0	0	0	0	100	0	100
24-25-003	TFL LIP			0	2,200	2,200	2,200	0	4,400	0	4,400
C05131	Gascoigne Healthy Streets	77	77	0	0	0	0	0	77	0	77

CAP04	**GF - TFL**	**4,226**	**3,221**	**1,005**	**2,200**	**3,205**	**2,200**	**0**	**8,626**	**0**	**8,626**
C04042	COMMUNITY HALLS	6	6	0	0	0	0	0	6	6	0
CAP05	**GF - COMMUNITY SOLUTIONS**	**6**	**6**	**0**	**0**	**0**	**0**	**0**	**6**	**6**	**0**
C03052	KEEP THE LIGHTS ON	575	575	0	0	0	0	0	575	303	272
C03068	ICT END USER COMPUTING	12	0	12	0	12	0	0	12	12	0
C05132	Laptop Replacement Programme	2,698	2,687	11	200	211	200	200	3,298	2,700	598
24-25-08	Hardware - laptops			0	150	150	210	0	360	360	0
24-25-09	Oracle R12			0	0	0	225	0	225	225	0
24-25-10	KTLO			0	700	700	700	0	1,400	1,400	0
24-25-11	ERP Upgrade			0	0	0	520	0	520	520	0
24-25-12	Single Property View (My Place)			0	150	150	150	0	300	50	250
C05088	ERP Phase 2	330	300	30	0	30	0	0	330	330	0
CAP06	**GF - IT**	**3,615**	**3,561**	**53**	**1,200**	**1,253**	**2,005**	**200**	**7,020**	**5,900**	**1,120**
C04031	RE IMAGINING EASTBURY	4	4	0	0	0	0	0	4	4	0
C04033	REDRESSING VALENCE	211	70	141	0	141	0	0	211	211	0
C04043	THE ABBEY: UNLOCKING BARKING	347	26	321	0	321	0	0	347	212	135
C05115	WOODWARD ARTS & CULTURE Ctr	266	266	-0	0	-0	0	0	266	0	266
C05138	MEND Valence House	294	162	132	294	425	294	0	881	0	881
CAP07	**GF - CULTURE & HERITAGE**	**1,121**	**527**	**594**	**294**	**888**	**294**	**0**	**1,709**	**427**	**1,282**
C03032	PARSLOES PARK (CIL)	8,501	8,501	-0	0	-0	0	0	8,501	5,996	2,505
C04080	CHILDREN'S PLAY SPCS & FAC (CIL)	94	94	0	0	0	0	0	94	0	94
C04081	PARKS & OPEN SPCS STRAT 17 (CIL)	169	169	-0	0	-0	0	0	169	167	2
C05060	SAFER PARKS (CIL)	52	52	0	0	0	0	0	52	0	52
C05061	B & D LOCAL FOOTBALL FACILITY (CIL)	157	0	157	0	157	0	0	157	0	157
C03090	LAKES	437	150	287	0	287	0	0	437	437	0
C04013	PARK INFRASTRUCTURE ENHNCMTS	2	2	0	0	0	0	0	2	2	0
C04017	FIXED PLAY FACILITIES	73	73	0	0	0	0	0	73	73	0
C04018	PARK BUILDINGS – BLDNG SUR	62	62	-0	0	-0	0	0	62	62	0
C04084	CENTRAL PARK MASTERPLAN IMP	716	716	0	0	0	0	0	716	716	0
C05089	DE-CONTAMINATION AT ECP	1,897	500	1,397	0	1,397	0	0	1,897	0	1,897
C05113	OLD DAGENHAM PARK LEVELLING UP	48	48	0	0	0	0	0	48	0	48
C05122	CENTRAL PARK PAVILION	175	11	164	0	164	0	0	175	175	0
C05123	TENNIS COURT DEVELOPMENT	403	403	-0	0	-0	0	0	403	0	403

C05126	GREATFIELDS PARK PLAY	90	90	0	0	0	0	0	90	0	90
24-25-006	Bridges In Parks			0	83	83	58	0	141	141	0
24-25-007	Dagenham Tree H&S			0	70	70	25	0	95	95	0
C05142	OLD DAGENHAM PARK PLAY EQUIPT	50	50	0	0	0	0	0	50	0	50
CAP11	**GF - PARKS COMMISSIONING**	**12,925**	**10,921**	**2,004**	**153**	**2,157**	**83**	**0**	**13,161**	**7,865**	**5,296**
C04015	ENFORCEMENT EQUIPMENT	173	173	0	0	0	0	0	173	173	0
24-25-12	ENFORCEMENT System			0	330	330	330	0	660	660	0
CAP08	**GF - ENFORCEMENT**	**173**	**173**	**0**	**330**	**330**	**330**	**0**	**833**	**833**	**0**
C02811	WARD CAPITAL BUDGETS	787	787	-0	0	-0	0	0	787	787	0
C05018	STOCK CONDITION SURVEY	1,693	700	993	0	993	0	0	1,693	1,693	0
C05038	82A AND 82B OVAL ROAD SOUTH	271	0	271	0	271	0	0	271	271	0
C05077	DISPERSED WORKING	471	270	201	0	201	0	0	471	471	0
C04032	HABITAT FOR HUMANITY	356	300	56	0	56	0	0	356	356	0
C05140	MULTI-FAITH CHAD HEATH CEM.CIL	341	341	-0	9	9	0	0	350	0	350
24-25-004	Stock Investment Corp Portfolio			0	1,000	1,000	1,000	0	2,000	2,000	0
24-25-005	Capita Open Housing			0	425	425	0	0	425	68	357
C03027	EST ENERGY SUPPLY CO (ESCO)	0	0	0	0	0	0	0	0	0	0
CAP09	**GF - MY PLACE**	**3,919**	**2,398**	**1,521**	**1,434**	**2,955**	**1,000**	**0**	**6,353**	**5,646**	**707**
C04012	PARKS BINS RATIONALISATION	27	27	0	0	0	0	0	27	27	0
C04070	VEHICLE FLEET REPLACEMENT	1,023	110	913	0	913	0	0	1,023	1,023	0
C03083	CHADWELL HEATH CEMETERY EXT	83	83	0	0	0	0	0	83	83	0
C05048	PROCURING IN CAB TECH	171	171	0	0	0	0	0	171	171	0
C04016	ON-VEHICLE BIN WEIGHING SYS	0	0	0	0	0	0	0	0	0	0
C02982	CONTROLLED PARKING ZONES	1,979	325	1,654	0	1,654	0	0	1,979	1,979	0
C03011	STRUCT REP'S & MAINTCE-BRIDGES	27	0	27	0	27	0	0	27	27	0
C03065	HIGHWAYS INV PROG	3,860	4,100	-240	0	-240	0	0	3,860	3,504	356
C04019	REPLACEMENT OF WINTER EQUIP	3	3	0	0	0	0	0	3	3	0
C04029	ENGINEERING WORKS (RD SAFETY)	0	0	0	0	0	0	0	0	0	0
C04063	FLOOD SURVEY	141	141	0	0	0	0	0	141	131	10
C04064	BRIDGES AND STRUCTURES	826	350	476	0	476	0	0	826	826	0
24-25-001	Highways Imp Programme			0	4,900	4,900	4,900	0	9,800	6,400	3,400
24-25-002	Bridges & Structures			0	387	387	387	0	774	774	0
C05117	HEALTHY STREETS	369	369	0	200	200	0	0	569	0	569

CAP10	**GF - PUBLIC REALM**	**8,510**	**5,680**	**2,830**	**5,487**	**8,317**	**5,287**	**0**	**19,284**	**14,948**	**4,335**
C03020	DAGENHAM PARK	77	77	-0	0	-0	0	0	77	0	77
C03022	GREATFIELD SECONDARY SCH (NEW)	500	500	-0	0	-0	0	0	500	0	500
C03053	GASCOIGNE PRMRY - 5FE TO 4FE	34	34	0	0	0	0	0	34	0	34
C03054	LYMINGTON FIELDS SCHOOL 2016	6	6	-0	0	-0	0	0	6	0	6
C04052	SEND 2018-21	0	0	0	0	0	0	0	0	0	0
C04058	MARKS GATE INFS & JNRS 18-20	55	55	0	0	0	0	0	55	0	55
C04059	CHADWELL HEATH ADDI CAPACITY	0	0	0	0	0	7,000	0	7,000	0	7,000
C04072	SCHOOL CONDITION ALCTNS 18-19	0	0	0	0	0	0	0	0	0	0
C04087	SCA 2019/20 (A)	0	0	0	0	0	0	0	0	0	0
C04098	RIPPLE PRIMARY SUFFOLK ROAD	5	5	-0	0	-0	0	0	5	0	5
C05033	SCA PRIORITY WORKS 20/22	0	0	0	0	0	0	0	0	0	0
C05034	SCHOOLS EXPANSION PROG 20/22	750	750	0	600	600	493	0	1,844	0	1,844
C05040	HEALTHY SCHOOL	121	0	121	0	121	0	0	121	0	121
C05069	SCA 20-21	400	400	0	413	413	0	0	813	0	813
C05078	GREATFIELDS PRIMARY	7,500	7,500	-0	2,746	2,746	0	0	10,246	0	10,246
C05098	SCA 21-22	600	600	0	381	381	0	0	981	0	981
C05099	SEND 21	728	728	0	0	0	0	0	728	0	728
C05105	BASIC NEEDS 21/22	600	100	500	722	1,222	0	0	1,322	0	1,322
C05107	SCA 22-23	1,500	3,500	-2,000	800	-1,200	322	0	2,622	0	2,622
C05118	MAYESBROOK ADDITIONAL CLASSROOM	400	25	375	0	375	0	0	400	0	400
C05119	SPECIAL SCHOOL FEASIBILITY STUDIES	50	10	40	50	90	0	0	100	0	100
C05120	MONTEAGLE DINING HALL EXTENSION	500	250	250	700	950	0	0	1,200	0	1,200
C05141	SCA 23-24	600	1,200	-600	1,000	400	3,650	0	5,250	0	5,250
C05139	Padnall Hall (Youth Inv Fund)	827	827	-0	1,148	1,148	0	0	1,975	0	1,975
CAP20	**GF - EDUCATION, YOUTH & CHILD**	**15,254**	**16,567**	**-1,313**	**8,559**	**7,246**	**11,466**	**0**	**35,279**	**0**	**35,279**
C05135	Salix Projects	130	130	-0	0	-0	0	0	130	0	130
CAP55	**SALIX SCHEMES**	**130**	**130**	**-0**	**0**	**-0**	**0**	**0**	**130**	**0**	**130**
	GF TOTAL	**60,732**	**53,365**	**7,368**	**23,186**	**30,553**	**22,664**	**200**	**106,783**	**38,983**	**67,800**

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HRA											
C02933	CAPITAL VOIDS	1,500	1,500	0		0			1,500	0	1,500
C04002	LIFT REPLACEMENT	504	504	0		0			504	0	504
C04003	DOMESTIC HEATING	260	260	0		0			260	0	260
C04006	MINOR WORKS & REPLACEMENTS	200	200	0		0			200	0	200
C05000	DH INTERNAL	900	900	-0		-0			900	0	900
C05002	EXTERNALS 1 - HOUSES & BLOCKS	2,062	2,062	0		0			2,062	0	2,062
C05003	EXTERNALS 2 - HOUSES & BLOCKS	2,112	2,112	-0		-0			2,112	0	2,112
C05004	DOOR ENTRY SYSTEMS	550	550	0		0			550	0	550
C05005	COMPLIANCE	210	210	0		0			210	0	210
C05006	FIRE SAFETY WORKS	200	200	0		0			200	0	200
C05007	FIRE DOORS	961	961	0		0			961	0	961
C05009	ELECTRICAL PROGRAMMES	200	200	0		0			200	0	200
C05011	COMMUNAL BOILERS	2	2	0		0			2	0	2
C05014	ENERGY EFFICIENCY	1,930	1,930	0		0			1,930	0	1,930
C05015	FEES and CONTINGENCY	1,178	1,804	-626		0			1,178	0	1,178
C05068	ADAPTATIONS AND EXTENSIONS	92	92	0		0			92	0	92
C05116	ESTATE IMPROVEMENT	113	113	0		0			113	0	113
C05121	COLNE & MERSEA	1,026	400	626		0			1,026	0	1,026
24-25-HRA-001	Internal Works				4,058	4,058	5,587	7,552	17,197	0	17,197
24-25-HRA-002	External Works				5,072	5,072	6,983	9,440	21,495	4,759	16,736
24-25-HRA-003	Compliance / Communal				4,666	4,666	6,425	8,685	19,776	0	19,776
24-25-HRA-004	Estate Environs				2,029	2,029	2,793	3,776	8,598	0	8,598
24-25-HRA-005	Landlord Works				2,029	2,029	2,793	3,776	8,598	0	8,598
24-25-HRA-006	Other				2,435	2,435	3,352	4,531	10,318	0	10,318
CAP30	**HRA STOCK INVESTMENT**	**14,000**	**14,000**	**-0**	**20,289**	**20,289**	**27,933**	**37,760**	**99,982**	**4,759**	**95,223**
C02820	ESTATE RENEWAL	4,000	4,000	0	4,400	4,400	0	0	8,400	0	8,400
CAP31	**HRA ESTATE RENEWAL**	**4,000**	**4,000**	**0**	**4,400**	**4,400**	**0**	**0**	**8,400**	**0**	**8,400**
C05102	MELLISH CLOSE - AUSTIN HOUSE	544	820	-276	0	-276	0	0	544	0	544
CAP32	**HRA NEW BUILD SCHEMES**	**544**	**820**	**-276**	**0**	**-276**	**0**	**0**	**544**	**0**	**544**
	HRA TOTAL	**18,544**	**18,820**	**-276**	**24,689**	**24,413**	**27,933**	**37,760**	**108,926**	**4,759**	**104,167**

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IAS											
C03072	PURCHASE OF SACRED HEART CONT	125	116	9	-9	0	0	0	116	116	0
C03080	ACQSTN OF ROYAL BRITISH LEGION	36	28	7	-7	0	0	0	28	28	0
C03084	SEBASTIAN COURT - REDEVELOP	350	353	-3	3	0	0	0	353	353	0
C03086	LAND AT BEC - LIVE WORK SCHEME	131	131	0	0	0	0	0	131	-119	250
C03089	BECONTREE HEATH NEW BUILD	328	328	0	0	0	0	0	328	328	0
C04062	GASCOIGNE EAST PH2	-11,300	-11,300	0	-0	0	0	0	-11,300	-11,300	0
C04065	200 BECONTREE AVE	75	66	9	-9	0	0	0	66	66	0
C04066	ROXWELL RD	11,565	12,919	-1,353	11,747	10,394	1,085	403	24,801	14,196	10,605
C04067	12 THAMES RD	17,166	20,549	-3,383	8,510	5,127	994	0	26,670	12,650	14,020
C04068	OXLOW LNE	8,907	9,417	-510	804	295	0	0	9,712	3,793	5,919
C04069	CROWN HOUSE	2,355	1,796	559	-559	0	0	0	1,796	-2,632	4,428
C04077	WEIGHBRIDGE	143	0	143	-143	0	0	0	0	0	0
C04099	GASCOIGNE WEST P1	1,109	1,109	0	-0	0	0	0	1,109	669	440
C05020	WOODWARD ROAD	5,518	3,803	1,715	539	2,254	742	0	6,798	-1,879	8,677
C05025	GASCOIGNE WEST PHASE 2	32,829	40,227	-7,398	9,038	1,640	0	0	41,867	22,477	19,390
C05026	GASCOIGNE EAST PHASE 3A	16,933	15,212	1,722	-1,104	617	0	0	15,829	6,349	9,480
C05035	PADNALL LAKE PHASE 1	5,452	5,970	-518	712	194	218	0	6,381	6,381	0
C05041	TRANSPORT HOUSE	18,719	20,929	-2,210	15,605	13,395	505	0	34,828	28,945	5,884
C05047	GASCOIGNE WEST PHASE 3	1,994	1,567	427	-427	0	0	0	1,567	1,567	0
C05065	CHEQUERS LANE	317	317	-0	0	0	0	0	317	317	0
C05066	BEAM PARK Phase 6	40,005	44,593	-4,588	53,811	49,223	54,571	7,202	155,589	112,732	42,857
C05071	BROCKLEBANK LODGE	20	0	20	-20	0	0	0	0	0	0
C05073	GASCOIGNE EAST 3B	8,041	33,937	-25,896	88,467	62,571	51,913	10,453	158,874	95,687	63,187
C05076	GASCOIGNE EAST PHASE 2 (E1)	2,386	2,416	-30	30	0	0	0	2,416	2,416	0
C05082	TROCOLL HOUSE	584	582	2	198	199	120	649	1,551	1,551	0
C05090	GASCOIGNE EAST 3A - BLOCK I	27,339	28,155	-816	2,949	2,133	597	0	30,885	12,217	18,668
C05091	GASCOIGNE EAST PHASE 2 F	28,981	20,898	8,083	-4,675	3,408	0	0	24,306	5,071	19,235
C05092	GASCOIGNE EAST PHASE 2 E2	8,432	4,938	3,493	-3,949	-456	10	0	4,493	3,233	1,260
C05093	PADNALL LAKE PHASE 2	4,561	5,597	-1,037	1,848	812	384	0	6,793	-3,587	10,380
C05094	PADNALL LAKE PHASE 3	259	29	230	-230	0	0	0	29	29	0
C05100	BARKING RIVERSIDE HEALTH	7	7	0	-0	0	0	0	7	7	0
C05103	TOWN QUAY WHARF	8,904	10,497	-1,594	7,281	5,687	560	0	16,744	12,508	4,236

C05106	GASCOIGNE ROAD	30	0	30	-30	0	0	0	0	-200	200
CAP40	**IAS RESIDENTIAL**	**242,297**	**275,182**	**-32,885**	**190,378**	**157,493**	**111,699**	**18,708**	**563,082**	**323,966**	**239,117**
C03088	14-16 Thames Road	0	1	-1	1	0	0	0	1	1	0
C04091	PURCHASE OF WELBECK WHARF	0	11	-11	11	0	0	0	11	11	0
C04104	1-4 Riverside Industrial	223	133	90	-90	0	0	0	133	133	0
C05023	3 GALLIONS CLOSE	30	34	-4	4	0	0	0	34	34	0
C05024	FILM STUDIOS	46	54	-8	8	0	0	0	54	54	0
C05042	26 THAMES RD	1,020	1,021	-1	1	0	0	0	1,021	1,021	0
C05043	47 THAMES RD	70	70	0	0	0	0	0	70	70	0
C05046	11-12 RIVERSIDE INDUSTRIAL	1	1	0	-0	0	0	0	1	1	0
C05067	DAGENHAM HEATHWAY	426	523	-97	97	0	0	0	523	523	0
C05070	23 THAMES ROAD	0	1	-1	1	0	0	0	1	1	0
C05072	INDUSTRIA	4,019	2,924	1,095	0	1,096	0	0	4,020	4,020	0
C05074	BARKING BUSINESS CENTRE	200	203	-3	3	0	0	0	203	203	0
C05110	Purchase of Maritime House	1,069	1,153	-84	84	0	0	0	1,153	1,153	0
C05112	Purchase of Edwards Waste Site	8,844	8,845	-1	1	0	0	0	8,845	8,845	0
C05133	Dagenham Trades Hall	1,502	1,472	30	-30	0	0	0	1,472	1,472	0
	Unallocated			0	3,000	3,000	2,000	1,000	6,000	6,000	0
CAP42	**IAS COMMERCIAL**	**17,450**	**16,446**	**1,004**	**3,092**	**4,096**	**2,000**	**1,000**	**23,542**	**23,542**	**0**
	IAS TOTAL	**259,747**	**291,628**	**-31,881**	**193,469**	**161,588**	**113,699**	**19,708**	**586,624**	**347,507**	**239,117**
	TOTAL CAPITAL PROGRAMME	**339,024**	**363,813**	**-24,789**	**241,344**	**216,555**	**164,297**	**57,668**	**802,333**	**391,249**	**411,084**

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Appendix 5

Minimum Revenue Provision Policy Statement 2024/25

Background

1. Minimum Revenue Provision (MRP) is statutory requirement for a Council to make a charge to its General Fund to make provision for the repayment of the Council's past capital debt and other credit liabilities. The Council is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP). MRP does not need to be set aside for the Housing Revenue Account (HRA).

2. The scheme of MRP was set out in former regulations 27, 28 and 29 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. This system was radically revised by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008.

3. The Council is under a statutory duty "to determine for the current financial year an amount of MRP which it considers to be prudent". Local authorities are asked by the Secretary of State "to prepare an annual statement of their policy on making MRP for submission to their full Council". This forms part of the Treasury Management Strategy (TMSS) approved by full council at least annually.

4. In determining a prudent level of MRP the Council is under a statutory duty to have regard to statutory guidance on MRP issued by the Secretary of State. The Guidance provides four options which can be used by the Council when determining its MRP policy and a prudent amount of MRP. The Council however can depart from the Guidance if it has good reason to do so. This policy is consistent with the Guidance. The options do not change the total MRP the council must pay over the remaining life of the capital expenditure; however, they do vary the timing of the MRP payment. MRP adjustments and policies are subject to annual review by external audit.

5. The S151 Officer has delegated responsibility for implementing the Annual MRP Statement. The S151 Officer also has executive, managerial, operational and financial discretion to determine MRP and any practical interpretation issues.

6. A prudent level of MRP on any significant asset or expenditure may be assessed on its own merits or in relation to its financing characteristics in the interest of affordability or financial flexibility.

7. The S151 Officer may make additional revenue provisions, above those set out, and set aside capital receipts, balances or reserves to discharge financing liabilities for the proper management of the financial affairs of the HRA or the general fund. The S151 Officer may make a capital provision in place of any revenue MRP provision.

8. This MRP Policy Statement takes into consideration the Council's investment strategy, which requires the use of MRP to be outlined in more detail, as well as to agree additional MRP options that are available for long-term property investments.

9. DLUHC is conducting a consultation on draft regs and statutory guidance changes which may require a revised MRP Policy to be brought back in 2024/25.

10. Issues will relate to loans to 3rd parties, use of capital receipts and not excluding specific elements of the CFR from the requirement to make MRP.

General Fund Supported Capital Expenditure or Capital Expenditure incurred before 1 April 2008

11. In relation to capital expenditure for which support forms part of the calculation of revenue grant by the government or any capital expenditure incurred before 1 April 2008, the MRP shall be calculated in accordance with the Local Authorities CFR Regulations 2003 as if it had not been revoked. In arriving at that calculation, the CFR shall be adjusted as described in the guidance.

12. In addition, the calculation method and the rate or the period of amortisation referred to in the guidance may be varied by the S151 Officer in the interest of affordability.

13. The methodology applied to pre-2008 debt remains the same and is an approximate 4% reduction in the borrowing need (CFR) each year.

General Fund Self- Financed Capital Expenditure from 1 April 2008

14. Where capital expenditure incurred from 1 April 2008 is on an asset financed wholly or partly by self-funded borrowing, the MRP has previously been made in instalments over the life of the asset, with the calculation method and the rate or the period of amortisation determined by the S151 Officer.

15. From 1 April 2019 MRP for capital expenditure incurred from 1 April 2008 have been calculated using the annuity method. All balances as at 31 March 2019 were carried at the same value and the same remaining life of the asset but a revised MRP calculation was completed using the annuity method of MRP for 2019/20 and onwards. The annuity method is also used for the IAS assets.

16. The S151 Officer shall determine how much and which capital expenditure is funded from borrowing and which from other sources. Where expenditure is only temporarily funded from borrowing in any one financial year and it is intended that its funding be replaced with other sources by the following year, no MRP shall apply. Nor shall any annual MRP apply where spend is anticipated to be funded from capital receipts or grants due in the future but is in the meantime funded from borrowing, subject to a maximum of three years or the year the receipt or grant is received, if sooner.

17. The asset life method shall be applied to borrowing to meet expenditure from 1 April 2008 which is treated as capital expenditure by either a direction under section 16(2) of the 2003 Act or regulation 25(1) of the 2003 Regulations. The S151 Officer shall determine the asset life. When borrowing to construct an asset, the asset life may be treated as commencing two years after the asset first becomes operational and postpone MRP until that year. Where capital expenditure involves repayable loans or grants to third parties no MRP is required where the loan or grant is repayable. By exception, based on a business case and risk assessment, this approach may be amended by the S151 Officer.

18. Where capital expenditure involves a variety of works and assets, the period over which the overall expenditure is judged to have benefit over shall be considered as the life for MRP purposes. Expenditure arising from or incidental to major elements of a capital project may be treated as having the same asset life for MRP purposes as the

major element itself. An estimate of the life of capital expenditure may also be made by reference to a collection or grouping of expenditure type or types.

Capital Loans to Companies

19. As part of its IAS, the Council will use several companies to manage and / or hold its property regeneration schemes. This requires the Council to borrow to provide funding to the companies and to repay the loan based on the cashflow forecast to be generated from the properties.

20. MRP using the annuity method will be charged over a period of 50 years for each scheme. An MRP period of 40 years will be used for modular / prefabricated properties. The MRP will reflect the repayment profile of each scheme.

21. For each IAS scheme a set two-year stabilisation period will be used, although this can be extended, with the agreement of the S151 Officer, to three years in cases where there are significant pressures on a scheme's cashflow. A stabilisation period for each scheme is required to:

- allow sufficient funds to cover any additional costs;
- allow the property to be fully let; and
- cover any initial letting and management costs.

22. The MRP annuity method makes provision for an annual charge to the General Fund which takes account of the time value of money (whereby paying £100 in 10 years' time is less of a burden than paying £100 now). The annuity method also matches the repayment profile to how the benefits of the asset financed by borrowing are consumed over its useful life (i.e. the method reflects the fact that asset deterioration is slower in the early years of an asset and accelerates towards the latter years). This re-profiling of MRP therefore conforms to the DCLG "Meaning of Prudent Provision" which provide that "*debt [should be] repaid over a period that is reasonably commensurate with that which the capital expenditure provides benefits*".

23. Where the Council has provided loan(s) to a third party to support capital expenditure which is due to be repaid in full under the terms of the contractual agreements, the loan repayments are classed as a capital receipt. Any principal sum repaid will be set aside to reduce the increase in the CFR which relates to any such loan(s) provided.

MRP on Commercial Purchases and Land Assembly

24. As part of the Council's IAS, commercial property purchased as part of land assembly will have MRP charged based on the asset life and in the year after the property is operational. MRP will not be set aside where a Gateway 2 proposal to develop or sell the land has been agreed.

25. Where commercial property is purchased, and it is not for immediate regeneration purposes, MRP will be charged based on the commercial properties' useful asset life.

PFI, Leases and Lease and Lease Back (income strips)

26. In the case of finance leases, on balance sheet private finance initiative contracts or other credit arrangements, MRP shall be the sum that writes down the balance sheet liability. These are being written down over the PFI and lease contract terms.

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Appendix 6

Economic Background

The first half of 2023/24 saw:

- Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.

- Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.

- CPI inflation falling from 8.7% in April to 6.7% in September, its lowest rate since February 2022, but still the highest in the G7.

- Core CPI inflation declining to 6.1% in September from 7.1% in April and May, a then 31 years high.

- A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose by 7.8% for the period June to August, excluding bonuses).

- The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.

- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.7 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0% q/q rise in real GDP in the period July to September, being followed by a contraction in the next couple of quarters.

- The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.

- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of- living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

- However the cooling in labour market conditions still has not fed through to an easing in wage growth. The headline 3myy rate rose 7.8% for the period June to August, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular annual average total pay growth for the private sector was 7.1% in June to August 2023, for the public sector this was 12.5% and is the highest total pay annual growth rate since comparable records began in 2001. However, this is affected by the NHS and civil service one-off non-consolidated payments made in June, July and August 2023. The Bank of England's prediction was for private sector wage growth to fall to 6.9% in September.

- CPI inflation declined from 6.8% in July to 6.7% in August and September, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.1%. That reverses all the rise since March.

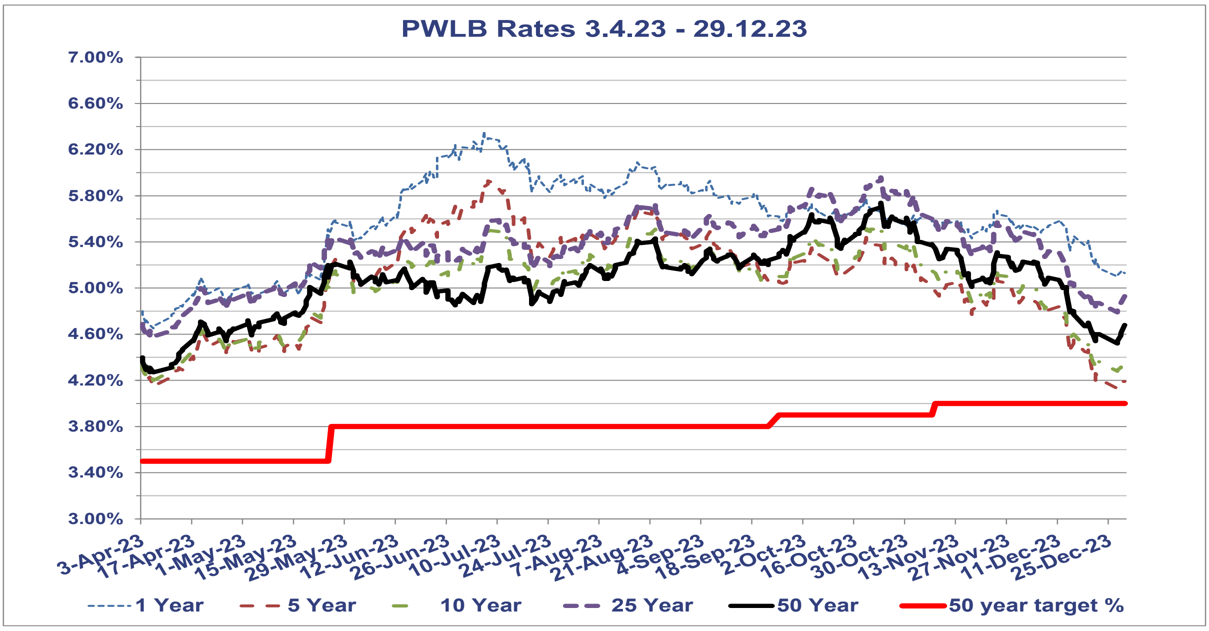
- In its latest monetary policy meeting on 06 November, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation.

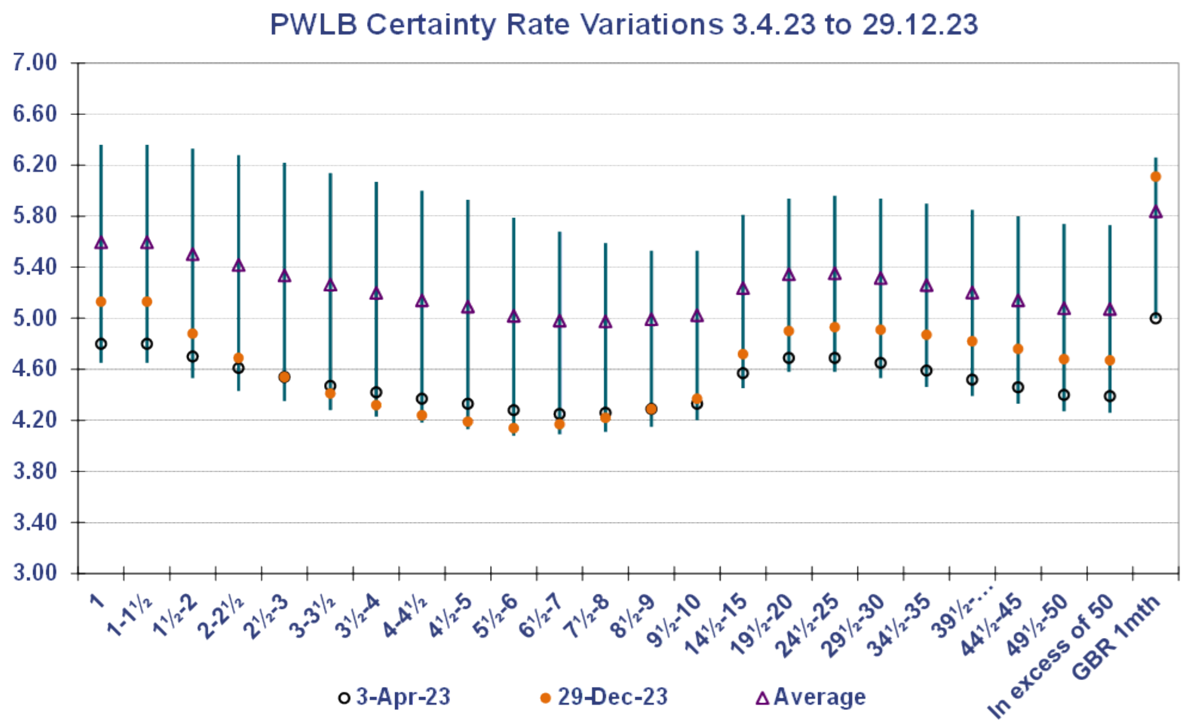
- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. In terms of messaging, the Bank once again said that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures", citing the rise in global bond yields and the upside risks to inflation from "energy prices given events in the Middle East". So, like the Fed, the Bank is keeping the door open to the possibility of further rate hikes. However, it also repeated the phrase that policy will be "sufficiently restrictive for sufficiently long" and that the "MPC's projections indicate that monetary policy is likely to need to be restrictive for an extended period of time". Indeed, Governor Bailey was at pains in his press conference to drum home to markets that the Bank means business in squeezing inflation out of the economy.

- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates in the future.

In the table below, the rise in gilt yields across the curve as a whole in 2023/24, and therein PWLB rates, is clear to see.

PWLB RATES 3.4.23 - 29.12.23





HIGH/LOW/AVERAGE PWLB RATES FOR 3.4.23 – 29.12.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries.

The S&P 500 and FTSE 100 have struggled to make much ground through 2023.

CENTRAL BANK CONCERNS

Currently, the Fed has pushed up US rates to a range of 5.25% to 5.5%, whilst the MPC followed by raising Bank Rate to 5.25%. EZ rates have also increased to 4% with further tightening a possibility.

Ultimately, however, from a UK perspective it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

APPENDIX 7

Scheme of Delegation and Section 151 Officer Responsibilities

Treasury management scheme of delegation

(i) Full board/council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Boards/committees/council/responsible body

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Body/person(s) with responsibility for scrutiny

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

The treasury management role of the section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit; and
- recommending the appointment of external service providers.

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ASSEMBLY

28 February 2024

Title: Overview and Scrutiny Committee Annual Report 2022/23	
Report of the Chair of Overview and Scrutiny Committee	
Open Report	**For Information**
Wards Affected: None	**Key Decision:** No
Report Author: Leanna McPherson, Principal Governance Officer and Statutory Scrutiny Officer	**Contact Details:** Tel: 020 8227 2852 E-mail: leanna.mcpherson@lbbd.gov.uk

Summary

The four principles of good public scrutiny as described by the Centre for Governance and Scrutiny are:

1. Provide a constructive “critical friend” challenge;
2. Amplify the voice and concerns of the public;
3. Be led by independent people who take responsibility for their role; and
4. Drive improvement in public services.

This report outlines the work of the Overview and Scrutiny Committee, which can be found at Appendix A.

Recommendation(s)

The Cabinet is recommended to note the Overview and Scrutiny Committee Annual Report 2022/23, as set out at Appendix A to the report.

Reason(s)

It is good practice for the Assembly to be made aware of the work of the Scrutiny Committees during the last municipal year.

1. Introduction and Background

1.1 Following a review of the Council’s governance arrangements in 2018 (Minute 56 refers), the Overview and Scrutiny Committee has been successfully operating for four years.

1.2 The Committee has looked at various issues throughout the municipal year, which are referred to in Appendix A.

1.3 There have been no referrals, call-ins or petitions to the Committee over the past year.

2. Financial Implications

Implications completed by: Sandra Pillinger, Finance Manager

2.1 This report outlines the work of the Scrutiny Committee and has no direct financial implications.

3. Legal Implications

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

3.1 As the content of the report explains there is a legal requirement for councils which establish executive governance (this includes Leader and Cabinet, our model) to establish scrutiny and overview committees under the Local Government Act 2000. The precise arrangements are a matter for local determination and an amendment to the Act to require the appointment of a statutory scrutiny officer has given that role a specific duty to promote the scrutiny and overview function and provide support for the committee(s) and members. The Council's arrangements are to operate an Overview and Scrutiny Committee and a Health Scrutiny Committee. The division of responsibility is that the Overview and Scrutiny Committee is the lead Scrutiny Committee except for heath matters.

3.2 The Overview and Scrutiny Committee is a committee established under Section 21 of the Local Government Act 2000, as amended by the Localism Act 2011. Its functions are set out by law and also determined locally. It is responsible for addressing any Call-in/Councillor Call For Action that is received, except where the subject primarily relates to health matters in which case it will be dealt with by the Health Scrutiny Committee.

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

List of appendices:

- **Appendix A:** Overview and Scrutiny Committee (OSC) Annual Report 2022/23

Overview and Scrutiny Committee (OSC) Annual Report 2022/23

Chair's Foreword

"2022/23 had proved to be a busy year for the Overview and Scrutiny Committee as is evident from within this report. I wish to express my gratitude to all staff, partners, and Cabinet members for their continued support to the Committee and scrutiny. I would also like to take this opportunity to express my gratitude to the Barking and Dagenham Youth Forum whose invaluable attendance at these meetings have provided a voice for the young people of Borough, they have certainly contributed some very challenging questions.

The Committee reviewed a variety of items which were community focused such as *Young People's Covenant & Employment for Young People with Special Educational Needs and Disabilities (SEND)* and *Working with Faith Communities in Barking and Dagenham.* It was fantastic to see throughout the reports that different services were working together to deliver a valuable and much needed resource back into our Borough and Communities.

The Committee reviewed the *Budget Strategy 2023/24 to 2026/27,* and in doing so, assisted the Cabinet Member in developing a robust strategy for the Council.

The Committee had also been very grateful to receive a number of wide-range and insightful presentations from a number of our partners which included the Metropolitan Police, Barking and Dagenham Trading Partnership (BDTP), and Barking and Dagenham School Improvement Partnership (BDSIP). We look forward to continuing to work closely with these organisations, as well as with our Council colleagues, to continuously improve services for the benefit of all our residents."

Cllr G Paddle
Chair, Overview and Scrutiny Committee 2022-2024

Membership

The OSC membership consisted of ten Councillors, two co-opted church representatives, two parent governors' representatives and two co-opted youth representatives from the Barking and Dagenham Youth Forum.

- Cllr Glenda Paddle (Chair)
- Cllr Dorothy Akwaboah (Deputy Chair)
- Cllr Andrew Achilleos
- Cllr Donna Lumsden
- Cllr Fatuma Nalule
- Cllr Ingrid Robinson
- Cllr Paul Robinson
- Cllr Muazzam Sandhu
- Cllr Phil Waker
- Cllr Mukhtar Yusuf
- Richard Hopkins Church Representative (Church of England)

• Glenda Spencer	Church Representative (Roman Catholic)
• Sarfraz Akram	Parent Governor (Secondary)
• Sajjad Ali	Parent Governor (Primary)
• Millie Kiseke	Youth Representative
• Humayra Uddin	Youth Representative

The Committee received invaluable support throughout the year from Masuma Ahmed, Principal Governance Officer and Claudia Wakefield, Senior Governance Officer.

Early Help Improvement Progress Report

Members received an update on the journey of improvement to the Council's Targeted Early Help Service (TEHS), addressing the challenges faced and the actions implemented to resolve them.

The Commissioning Director for Care and Support was confident that the Service would receive the upper end of the 'requires Improvement' rating, in the event of an OFSTED inspection. Reasons for this included the Service's unprecedented demand where caseloads per staff member remained extremely high, cost-of-living related challenges and the unique demographic of the Borough. Additionally, the infrastructure required for the Start for Life family support hubs created delays for the completion of improvement programmes for the Service. These factors would impose challenges in receiving a 'Good' OFSTED rating by Spring 2023, although an Independent Review evidenced that the Service had improved. Moreover, the inflated agency market was a massive challenge for the Council. The Council's active investment in the Service encouraged a new recruitment programme through which 80% of posts were aimed at retaining staff. Benefits including an enhanced management layer in place, alongside good supervision, support, training and development opportunities were offered through apprenticeships to attract staff. Commissioning Innovate Children and Young People (CYP) was a temporary measure as a rapid response to meet the surge in demand for the Service. Integration between the TEHS and other Council services was seen as a prerequisite for its effectiveness, ensuring that families were well-supported. As a result, reintroducing TEHS from Community Solutions to children's services was essential to provide targeted support to those most in need.

Fees and Charges 2022

The Committee received a report on the 2022 Council fees and charges, which provided the opportunity to review and provide feedback to be considered for the 2023 fees and charges by Cabinet in November. Several points were addressed by the Strategic Director, Finance and Investment bringing to light the impact of complications including Covid-19 and high inflation from the rising cost-of-living.

Examples included changes to parking charges on standard staff permits during Covid-19 when staff worked from home; the promotion of Borough libraries and football pitches at a reduced cost; the charging policy for School visits to museums within the Borough; and the feasibility of parking charges based on vehicle emission categories against DVLA records. Additional issues were raised, such as restricting increased charges relating to the Right-To-Buy scheme, Houses in Multiple Occupation (HMO), Selective Licenses, gambling and casino fees; and arrangement for Street Works Permits, the Flooding and Drainage Service, Low Risk Pest Control services, Bulky Waste and Graffiti and Jet Washing services. Another point to consider for fees and charges was the merits associated with increasing non-essential service fees to subsidise essential services for residents. Members were reassured that the Council would try to reduce costs for staff, although some of these costs were unavoidable. Statutory fee increases and cost recovery fees, for example, could not be reduced. However, fee increases that were negligible would be considered as a means to balance and reduce costs for staff overall.

Barking & Dagenham Trading Partnership: Repairs & Maintenance

Members received a report on repairs and maintenance undertaken by the Barking and Dagenham Trading Partnership (BDTP). The general performance, information across repairs, disrepairs and voids, and current concerns and their associated improvements were outlined.

It was recognised that the impact of Covid-19 exacerbated the repairs backlog. Factors such as staff members contracting Covid-19, labour and materials costs, and the underreporting of repair issues during the pandemic resulted in high demand for service as the consequences of the pandemic improved. The Council’s collaborative approach to support BDMS (Barking and Dagenham Management Services) contractual obligations could confront the issues that both the Council and its customers were facing. Furthermore, a focus on proactive repairs instead of reactive repairs for long-run cost-efficiency was necessary. The Acuserve system was useful to collect robust data and inform its future plans; a 30-year asset management plan would provide a clearer understanding of the Council’s stock and inform residents of when their works would be undertaken. The importance of surveyors was highlighted in devising a realistic strategic plan which was achievable and monitorable, to contribute to a good level of performance. Investing in upskilling and introducing apprenticeships to improve the capacity to deliver within the Borough’s sufficient budget was highlighted. The value of staff members’ opinions, understanding and the issues they faced when carrying out repair services around the Borough all contributed to a compromised quality of work. Factors such as previous redundancies, the removal of the bonus scheme for workers and the inability for repairs to be undertaken during the weekend were mentioned. The Committee requested the possibility for more qualified surveyors to find the root cause of issues for quicker repairs and more effective communication improved between workers and surveyors.

Housing Regeneration

Members received a presentation on housing regeneration since April 2019. Housing regeneration schemes reflected the relationship between Be First (BF), who acquired several 'turnkey' property units; and other developers, who had built the units. The involvement of developers allowed for a cheaper alternative to the greater costs that would apply to Be First, therefore enabling the success of these schemes.

A Community Infrastructure Levy could potentially be used to support local infrastructure; however, developers were not required to pay the charge if they committed to affordable housing. The Council and Be First had an Infrastructure Delivery Plan outlining different infrastructures to be included in the expected developments, such as convenience, access to education, healthcare, transport and Community and Family Hubs. The Council and BF's placemaking strategy explored the design of developments considering planning and building control regulations. Further, interactions with Reside focused on the affordability and viability of developments in the current economic climate, alongside discussions on the Council's potential in receiving more grants for construction with the Greater London Authority. The need to deliver more fit-for-purpose 3 and 4-bedroom units was as part of the 'Homes for Everyone' review. Moreover, the Mayor of London's borough-specific planning policy targets which had not been historically met by the Borough, were increasing possible as housing schemes were more successful. A five-year housing plan outlined how it would action its target. Commitments to environmental change were prioritised as part of the housing developments. The Local Plan induced flood risk assessments, whilst 'car light' and 'car-free' developments were part of the London Plan. Resultantly, transport and cycle infrastructure were promoted by the Council and Transport for London. Further, efforts for sustainable living encouraged "Passivhaus" (buildings created to very high energy efficient design standards so that they sustained a mostly constant temperature all year round), ultimately benefitting residents with lower prices from B&D Energy.

Economic Infrastructure

The Committee received a presentation on the economic infrastructure that was being delivered in the Borough, as part of the Be First mission. Economic infrastructure included Dagenham East, Eastbrook Studios and Dagenham Dock and the Factory District. Improvements to Barking Station and the Barking Town Centre Regeneration Strategy 2020-2030 were also mentioned.

The Transport Growth Programme which aligned with the Local Plan was introduced, outlining the potential of growth through transport facilities such as Electric Vehicle charging points, cycle training and improved bus lanes for the Borough. Successes such as the Barking Riverside Overground Station and Barking Riverside Pier were mentioned. Issues surrounded TfL bus delays, and the need to improve issues at Barking Station as the Council and Be First pushed for better services towards east London. Opportunities to procure a bike rental scheme with neighbouring boroughs was also suggested, as TfL would not extend its cycle hire scheme that it ran in the centre of London. Moreover, engagement with schools was prioritised to promote future career pathways and job opportunities because of investment within the Borough. The introduction of warm spaces across the Borough were mentioned as an intervention to deal with the cost-of-living pressures for residents. Further, the ‘Healthy Streets’ initiative was aimed at improving outcomes for residents in relation to long-term health conditions and environmental damage. Road safety was highlighted by the road improvements in Heathway and Be First’s work around the A13 to divert traffic and limit the impact of lorry traffic on smaller streets. Additionally, the School Streets programme enforced low traffic neighbourhoods, by investing £200,000 of the funding to implement cameras and monitoring technology. Additional funding was bid for via the Good Food Economy, to promote healthy eating and proper infrastructure for children, young people and families.

Young People’s Covenant & Employment for Young People with Special Educational Needs and Disabilities (SEND)

Members received a presentation on the Young People's Covenant & Employment for Young People with Special Educational Needs and Disabilities (SEND), which detailed the current initiatives promoting young people’s employability and future initiatives such as the Careers Hub East which formed in line with the national guidance for SEND employability. Practical initiatives to promote employability were mentioned such as film-focused careers events, the Taste Festival and the SEND REACH programme, alongside the Council’s internal framework to understand and provide the correct guidance and support for young people, including individuals with SEND.

Following the presentation, a Care Leaver’s Covenant was suggested, similar to the Council’s Armed Forced Covenant, where all young care leavers’ (including SEND individuals) employability prospects were improved with guaranteed interviews for Council job posts. This could contribute to the ongoing and future regeneration in the Borough, through upskilling opportunities which would reduce the skills shortage. It could be suggested that employers provide ongoing support to such an initiative by part-funding for the continual growth of a workforce from the Borough. The Council’s efforts could encourage young people to remain in education until the age of 25. Job opportunities were also available for SEND individuals as part of Inclusive Growth pledges, although it was highlighted that more support could be available by engaging with local employers. It was recognised, however, that graduate opportunities needed to be improved as more young people enter higher education, with the opening of the Film Studios, UCL PEARL research and data centre and the relocation of the Billingsgate, Smithfield and New Spitalfields markets into the Borough.

Customer Services (Contact Centre)

The Committee received a presentation on the Customer Services Contact Centre, detailing how it was configured and used, and its current performance and challenges. There was a focus on improving the quality and scale of the service overall.

The use of technology for online payments through *My B&D* and Chatbox functions, the quality of calls, the supply of staff to meet customer needs and removing siloes for cross-departmental working were all interventions in place for a better customer access and experience. The Shared Service Model Strategy as a first point of contact through Community Hubs was also highlighted. The functionality for the Contact Centre was emphasised; where it should be monitored for effectiveness and conversations should be saved for a fixed period to avoid customers repeating long-term issues. Ensuring accessibility was necessary, where Contact Centre opening hours of 8am-6pm would be helpful, alongside Saturday morning availability for resident who work full time. Resultantly, Contact Centre Officers would benefit from flexible working hours suited to their needs. It was noted that the Housing Repairs team were without a fit-for-purpose repairs diagnostic tool for the last two and a half years which hugely contributed to extensive telephone queries for Customer Services Officers. January 2023 would see a new, improved diagnostic tool. Customer satisfaction was prioritised, and residents' high rate of response to surveys suggested positive change. Furthermore, the changes to the *My B&D* platform enabled smoother, more trustworthy payments for customers. A multi-channel approach through Live Chat, online forms, call monitoring, informative complaints investigations and face-to-face Community Hubs, all contributed to improving the service and worked to free up resources.

Controlled Parking Zone (CPZ) Project Update

Members received a presentation updating the Committee on the Controlled Parking Zone (CPZ) Project.

Issues surrounding parking restrictions in Dagenham due to the CPZ project were stated due to the danger of isolating residents who had fewer transport links compared to Barking as the use of different modes of transport to reduce the number of cars per dwelling, was prioritised. Lobbying efforts would continue for Dagenham East, Dagenham Heathway and Dagenham Dock stations. Members were interested in the introduction of a loading bay at Farr Avenue in the Thames View area. There had been prior engagement with local businesses, and officers ensured that a period of free parking was available for users in different locations, with extended times for an additional fee. The 24-hour CPZ in the Thames View area due to parking and emergency accessibility issues was highlighted due to difficulties for residents to access their estate without getting a Penalty Charge Notice. Moreover, the new School Streets initiative was brought forward by Members who recognised issues such as irresponsible parking during school runs and the displaced parking on non-CPZ roads. However, enforcement action did have an impact through Civil Enforcement Officers, which would be rolled out with new CPZ schemes going forward. Issues surrounding inaccessibility of hybrid or electric vehicle charging points was mentioned. The sustainability of policies around lower charges for EV owners was questioned with the impact of increasing EV charging infrastructure considering potential energy, power shortage and future demand. Members were assured that a parking specialist customer service operator was now available to support customer queries and received positive feedback from users.

Budget Strategy 2023/24 to 2026/27

The Committee received a report on the Budget Strategy 2023/24 to 2026/27. The remaining 2022/23 financial gap and its potential implications for services and Council Taxpayers in the Borough, were outlined. The provisional Local Government Finance Settlement for 2023/24 was published on 19 December 2022, regarding the allocation of funding from Government for each borough. The Government provided a policy statement setting out their direction of travel for 2024/25; however, there was still significant uncertainty surrounding funding for future years. Decisions were made against a backdrop of unprecedented uncertainty and several very significant events over the last 15 years, including a banking crisis, Brexit, Covid-19, the war in Ukraine, and the cost-of-living crisis.

The 2022/23 savings target of £6.219m was agreed, where £3.600m of these savings had been fully achieved or expected to be achieved in-year. £2.354m were at high risk of not being achieved at all, with the remaining £0.265m being uncertain or only part achieved in year. The Council’s 2023/24 growth bids reduced to £14.3m from £24m, which highlighted the scale of growth needed to provide a level of service for residents and the importance of ‘future proofing’ budgets. The Council considered pressures like the pay award and increased energy costs into its forecasts and plans with a 4% inflation increase. The social care sector experienced a staff shortage; higher salaries presented a 3.3% public sector wage inflation, above the 2% inflation target. Regarding support for residents in the cost-of-living crisis, the Council offered a £4.5m cost of living fund to support the most vulnerable, alongside the Government Housing Support Fund. Interventions such as family hubs, support from energy companies and charities were available. Council Tax support through the Citizen’s Advice Bureau and lower rents on Reside properties also provided support to eligible residents. Lower cost services such as online ‘chat box’ functions could resolve simple queries so complex ones could be handled with human assistance, to reduce cost pressures.

Community Safety Partnership Plan 2023-26

The Committee received a presentation on the Community Safety Partnership (CSP) Plan 2023-26. Both residents and professional opinion engaged in the Plan.

The CSP Board included responsible authorities such as the Metropolitan Police, the Council, Health partners, Housing, Probation and the Voluntary Sector. The Council closely engaged with the Police, and received data on crimes, offences and trends. Reporting crimes fluctuated, as such, reporting statistics were not always a true indication of crime. The CSP launched a ‘Safe Haven’ alongside Barking Station, the Heathway and other businesses to provide women with accessible spaces if they felt uncomfortable. To support this, the Council and Police issued closure orders for premises with anti-social behaviour (ASB). Furthermore, the Police visited schools to educate the youth on violence against women, alongside Victim Advisory Groups, women's charities, the British Transport Police and the community hubs involved. The Council was also funding a ten-officer Police team, to address ASB issues in the community with other support measures such as the Borough Command Unit (BCU) which prioritised addressing drug use through 'stop and search' practices, ultimately to shape its Local Policing Plan. Problems with rogue landlords engaging in criminal behaviour were monitored with the Borough-wide licensing scheme; the Metropolitan Police also helped to prosecute and issue financial penalty notices to raided properties which operated as cannabis factories and brothels. Regulations on vapes were a Trading Standards issue which the Council engaged with to educate young people. The Council had set up a community voluntary sector fund, which could be applied for on its website, providing £100,000 pounds in 2023 for local community groups that worked to address the community safety priorities.

Working with Faith Communities in Barking and Dagenham

Members received a report highlighting the rich diversity of faiths and beliefs in the Borough, engagement, and work with faith communities to date, and issues and challenges behind faith-based work.

The Council sought to ensure spaces were available for religious worship where possible on Fridays and Sundays when a community centre was leased from the Council itself to a community organisation for broad use of the whole community. Challenges were faced with Friday prayers and schools, and the Team liaised with planners to ensure that any new schools were designed to facilitate a space for Friday prayers. Moreover, suggestions were made for spaces to be used 20% of the time for religious worship as part of their leases. Through leasing for broader community use, fees would not be charged at commercial rate which would occur if spaces were for religious worship only. Cooperation with faith organisations was also discussed in relation to noise level and worshipping with respect to residents who lived around premises. Dispensations where appropriate, such as Ramadan, were made. The engagement of the community was prioritised, so they could benefit from initiatives such as food banks in churches. A good level of engagement would support open, transparent conversations with faith leaders, ultimately reducing the possibility of community tensions. The Standing Advisory Council on Religious Education (SACRE) also provided extensive support to schools during these times. The Church Representative (Church of England) Co-optee praised the Faith Builds policy and its alignment with the Church of England's 'National Vision for Education' document. He enquired about the Council's work with schools on faith communities, whereby the SACRE in Barking and Dagenham was actively reviewing schools' syllabuses, specifically around PSHE education. Other initiatives included school visits to faith communities during Interfaith Week, as well as the 'Votes for Schools' programme which enabled live conversations around different community topics.

OFSTED Inspection Readiness: Update Report

The Committee received an update on the Council's Children's Social Care OFSTED Inspection Readiness. The continuous journey of improvement of Children's Social Care took place since the last OFSTED Inspection and two OFSTED focused assurance visits in the intervening period were highlighted, as well as the exacerbated pressures from Covid-19, the cost-of-living crisis and population growth.

Areas for future improvement included consistency in the quality of services and meeting national demand for children in care placements. Previous OFSTED ratings of 'Requires Improvement' in 2019, progressed to 'Inadequate' or closer to 'Good' because of improvements over the past four years. The Inspection focused on Early Help services as part of the 'Health and Protection' section and its improvements resulted from an Independent Review of the service. Improvements to Early Help allocation times were recognised. Demand for Adults' and Children's Social Care was impacted by increased migration in the Borough, resulting in financial pressures on the need to provide good quality and consistent practice. To monitor the standard of service and risks to young people, the Council's comprehensive quality assurance function, Independent Reviewing Officers and Child Protection Conference chairs. An upcoming joint OFSTED and CQC Inspection for Children with Special Educational Needs and Disabilities (SEND) were in place. Extensive work was focused on recruitment and retention by the Council, particularly around agency staff rates and aims for a stable workforce. Recruitment packages included competitive pay for social workers, professional development, flexibility and support and training through the Continuing Professional Development (CPD) programme. Family support work apprenticeships were also available, further to global recruitment campaigns from South Africa and Canada to attract high quality, experienced individuals. Key worker housing offers were also in consideration as a financial incentive within the Borough.

Pre-Scrutiny Briefing: CQC Inspection

Members received an update on the Care Quality Commission (CQC Inspection). This was a new national inspection regime, with the CQC looking to begin its inspections of Adult Social Care Services in 20 local authorities from April 2023.The CQC would be assessing how the Council met its obligations under the Care Act, and how they worked alongside their respective Integrated Care System (ICS) partners. The inspection would assess Adult Social Care Services alongside departments such as Housing, Community Solutions, Employment and Public Health, with a focus on four areas that local authorities needed to deliver on.

A project group was currently in place to consider current practices and to complete the Council's Self-Evaluation for Adult Social Care. The Council also commissioned independent reviews on potential issues in services and looked at aspects such as providing assurance around services, despite historical underinvestment. Joint working practises would also be developed. Further information on the inspection process and updates would be presented by the CM and CDCS to the Committee following the completion of the Council's Self-Evaluation.It was noted that the report mentioned preventing social care to shift the Council's resources on providing additional support as a preventative measure before people need to progress to statutory social care services. Concerns surrounding the upcoming CQC inspection were highlighted as local authorities were still due to receive components of the framework and guidance for inspections. Although it was confirmed that Children's Social Care would not be assessed during these inspections, the CQC did not provide a timescale for which they would give their ratings, which added to concerns around lack of preparation.

Metropolitan Police Service Turnaround Plan 2023-25 and Baroness Casey Review Final Report

The Committee received a presentation on the Metropolitan Police Service Turnaround Plan 2023-25 and the Baroness Casey Review Final Report. The Review was commissioned by the Metropolitan Police to review its culture, standards and practice following the Sarah Everard murder by a serving Police Officer in London in 2021. Details on the processes, data, influencing factors and the Metropolitan Police's stance on improving outcomes were outlined. A focus on the safety of women and children had already experienced some positive progress. Further, the Metropolitan Police Turnaround Plan 2023-25 was outlined and link to the Review, to identify focus areas for improvement, such as tailored policing and safeguarding in partnership. Positive work was presented through the Borough Neighbourhood Superintendents and Police Community Support Officers in London.

Issues of profiling within the BAME community and raising concerns to the Police with confidence, were raised. A community based on localised connections and close partnership-working was crucial to make progress, through Ward Panels to share intelligence and community information, seek advice and discuss priorities. 60 'walk and talks' with Police Officers were conducted to understand women's safety in town centres and hotspot areas; so far, these had taken place in Dagenham town centres, alongside public space protection orders and fines for the harassment of women in Redbridge were desired to be replicated in Barking and Dagenham. Rebuilding trust amongst the community was important for the Police. Police abstractions were irregular where Officers were drafted to support other areas; abstractions happened around 2-3 times a month to support emergency response teams, and to Central London functions, which the Metropolitan Police Commissioner would continue to reduce. Welfare hubs for support across East London were accessible for Officers who had been assaulted or dealt with a traumatic incident. Moreover, mental health and financial support were to be offered. Recruitment processes needed to ensure policing was an attractive profession, with empty vacancies despite Outreach teams in place.

Pre-Scrutiny Briefing: The Development of the Corporate Plan 2023-27, 4 April 2023

Members received an update on the development of the Corporate Plan 2023-27. This detailed the context behind the former Corporate Plan and the impact of changes such as Covid-19 and the cost-of-living crisis; the principles envisioned behind the Corporate Plan in addressing organisational challenges; leadership development and the approach and priorities to best support residents across the Borough.

The need for better relationships between officers and Councillors was highlighted as an essential contributor in resolving issues Council-wide. Collaboration would ensure that officers were not dismissive of issues which were not department specific. Working alongside Councillors would also contribute to decision-making capabilities for staff. The new Performance Framework which would effectively gather concise intelligence, information and data to monitor performance against the objectives. Further, data on the delivery and effectiveness on individual services and transparency for Cabinet Members would be included in service plans. A framework would be developed whereby this data would be reported to Cabinet and Assembly, alongside reports to present a well-functioning system. Moreover, a responsible, empowered workforce based on accountability and collaboration was recognised to be impactful for service performance. Following on from this, the importance of equalities, diversity, fairness and inclusion was outlined as part of service delivery, in consideration of the communities needs and the impact they received.

Contact
For further information on the Overview and Scrutiny Committee or the Council's scrutiny arrangements in general, please contact:

Leanna McPherson
Principal Governance Officer

0208 227 2852
leanna.mcpherson@lbbd.gov.uk

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ASSEMBLY

28 February 2024

Title: Reactivation of Uphill and Waters Education Foundation	
Report of the Cabinet Member for Educational Attainment & School Improvement	
Open Report	**For Decision**
Wards Affected: None	**Key Decision:** No
Report Author: Erik Sein – Head of Participation, Opportunity and Wellbeing	**Contact Details:** Tel: 07772229185 E-mail: erik.stein@lbbd.gov.uk
Accountable Director: Jane Hargreaves, Commissioning Director, Education	
Accountable Executive Team Director: Elaine Allegretti, Strategic Director, Children and Adults	

Summary

The Council is seeking to re-active a dormant trust fund that can be used to support young people's education and entry into employment in the borough. The Uphill and Waters Education Foundation has been inactive for many years. Reactivation of the Foundation according to the terms laid out in its constitution will enable it to work with the Council to continue to provide resources for our young people.

The Foundation will also allow us to build on the work that has been begun through use of the Colin Pond Trust over the past three years, which has already had a demonstrable impact on retaining our schools' top performing GCSE students at in-borough institutions. Around £90,000 is available, which would be invested in order to sustain the fund over many years.

Recommendation(s)

The Assembly is asked to:

(i) Support the proposal to reactive the Uphill and Waters Educational Foundation to provide additional resources to disadvantaged young people in the Borough;

(ii) Appoint Councillors Kangethe and Jones and Jane Hargreaves, Commissioning Director, Education, to serve as Council-appointed Trustees to the Foundation;

(iii) Note that the London Borough of Redbridge shall be asked to appoint a Redbridge Councillor as a Trustee to the Foundation; and

(iv) Delegate authority to the Commissioning Director, Education, to appoint a member of the local clergy as the ex-officio Trustee to the Foundation.

Reason(s)

Approval to reactivate the Uphill and Waters Educational Foundation will provide additional resources to disadvantaged young people in the borough. It will support them to achieve their aspirations, particularly around employment and higher education, contributing to the Council's wider priorities.

1. Introduction and Background

What is the Uphill and Waters Education Foundation?

1.1 Richard Uphill (died 26 February 1717) and Thomas Waters (died 6 March 1756) were the founders of the Uphill and Waters Educational Foundation. Historically, both Richard Uphill and Thomas Waters had separate foundations. Richard's foundation was used for educational purposes, or other assistance to children starting work. Thomas's foundation was established and educated girls. It was also used for the Sunday school and for the payment of evening school fees.

1.2 As these foundations were used for similar purposes, the Trustees applied to the then Department of Education and Science for the provision of a new scheme combining both foundations under one body of Trustees. The new scheme received the official seal on 23 October 1968 and the registered charity was formed, namely the Uphill and Waters Education Foundation (the 'Foundation'). A copy of the scheme is attached as Appendix 1. On 15 October 1980, clarification was given to the trust scheme by the Charity Commissioners with respect to part of the London Borough of Barking & Dagenham which was transferred by a boundary change with the London Borough of Redbridge. The document is attached as Appendix 2.

What did the charitable foundation do?

1.3 The Charity funded:

- Exhibitions at any secondary school, college of education, university or other institution of further education approved by the Trustees.

- Financial assistance, outfits, clothing, tools, instruments or books to enable students to prepare for, or to assist their entry into professions or trades.

1.4 Applicants for the grants had to be residents in the London Borough of Barking and Dagenham or part of London Borough of Redbridge that was formally part of the Borough of Dagenham until 1968. The applicant could not be older than 25 to apply for the grants.

1.5 The Trustees of the Charity in 1995 were:

- Mr Blackburn
- Mr Dodd
- Mr Rusha
- Mrs J Foster
- Mr D O'Leary
- Mr A New

- Mrs S Hillsden *(Honorary Clerk to the Trustees)*

1.6 The Foundation was deregistered by the Charities Commission in 2009, due to a lack of activity.

Financial records of the Uphill and Waters Educational Foundation

1.7 The current value of the Educational Foundation is as follows:

Bank / Company	Account / Ref Number	Shares / Units	Value	As at date
Values known to date				
Natwest Reserve Account	47304456		£37,557.33	14/09/2007
Natwest Current Account	14975408		£17,518.73	13/07/2007
M & G Account – (Charibond)	0024005412	216 Shares	£259.90	14/09/2007
Total			**£55,335.96**	

Bank / Company	Account / Ref Number	Shares / Units	Value	As at date
Values to be confirmed				
M & G Account – (Charifund)	0024011621	136 units	£2,191.25	31/12/2006
M & G Account - (Charibond)	9440619 A			
M & G Account – (Charifund)	78992601			
CCLA Investment	444580001T	1,863.12 units	£14,132.32	31/12/2002
CCLA Investment	444580002T	2404.47 units	£18,238.63	31/12/2002
Total			**£34,562.20**	

2. Proposal and Issues

2.1 It is proposed to reactive the Foundation. Reactivation of the Foundation would provide access to additional funding to support young people to achieve in education and employment. It has been confirmed through specialist legal advice, that a fresh application would need to be made to the Charities Commission as the Foundation cannot access its original registration number without evidence of some activity.

2.2 It is envisaged the Foundation will operate in a similar way to which the Colin Pond Trust has been used (Colin Pond Foundation - Barking & Dagenham / Witten-Club (barking-dagenham.de)) and we would look to run Uphill and Waters in parallel. The Colin Pond Trust has supported a high-profile scholarship programme over the past seven years, which has sought to reward our top achieving GCSE students who choose to continue their studies at a borough institution. Not only has this impacted positively on the reputation of our schools, it has had a demonstrable impact on the retention rates more widely of our high achieving GSCE cohort, who are prone to being 'poached' by out-of-borough institutions. This has resulted in retaining top talent within the borough. Schools and young people have greatly valued the impact of the Colin Pond Scholarships, although it is uncertain how much longer the Scholarships can be sustained.

2.3 In order to reactivate the Foundation, a fresh application would need to be made to the Charities Commission. The opportunity for a Trustee to be appointed from London Borough of Redbridge would be offered, as part of what is now the London Borough of Redbridge was formally in the Borough of Dagenham at the time the

Foundation was established. Other Trustees can be invited from local churches in line with the historical links with the charity. A local member of the Clergy has previously expressed an interest in being a Trustee. Other Trustees could include Council Members Cllr Kangethe and Cllr Jones and the Commissioning Director for Education, as this mirrors the composition of the board of Trustees for Colin Pond.

2.4 The funding associated with Uphill and Waters will be invested to ensure that the distribution of grants to residents is sustainable and that the fund can last long into the future.

Appointment of Trustees

2.5 The 1968 scheme documentation requires that the appointment of trustees be made by the Council and by Redbridge Council for the Redbridge Member. Clause 3 provides:

> *ONE Ex Officio Trustee, being the Vicar for the time being of Dagenham; FOUR Representative Trustees, to be appointed: Three by the Council of the London Borough of Barking; One by the Council of the London Borough of Redbridge; and THREE Co-optative Trustees, to be appointed by resolution of the other Trustees.*

2.6 As the trust is dormant and bereft of trustees, the trustee Membership will have to be built-up by the Council(s) and the Vicar for the time being. As the quorum for a meeting is three trustees, the appointment of 3 Members from Barking and Dagenham and Redbridge, and the Vicar will establish a functioning trust.

2.7 Taking into account that two Cabinet Members serve as Trustees to the Colin Pond Higher Education Trust Fund it would be recommended that the same Members be invited to serve as Trustees to the Uphill and Waters Foundation due to their experience and the fact that both Trusts will have a similar aims and objective (and will need to be aligned).

3. Options Appraisal

3.1 The options available are either to dissolve, reactive the Foundation, or leave dormant.

3.2 Reactivation of the Foundation.

Advantages	Risks
As per LBBD Community Priorities - Providing better education and learning for all.	We will need to seek legal advice, in order to re-establish the charity, this could have cost implications.
Raise the profile of the Council	Appoint new Trustees
Individuals will benefit from the grants	Establish administration and financial support for trustees

3.3 Dissolve/ leave dormant the Foundation.

Advantages	Risks
No requirement to appoint trustees and administrator or specialist advisors	Residents could be disadvantaged if the charity is dissolved.

No need to establish administration and financial support for trustees	Reputational damage given that the LA has the opportunity to access additional funding.
	If government funding for this area ceases or is reduced members of the public will not have this resource available to them.

3.4 Continuation of the Foundation is the preferred option, to provide additional financial assistance to disadvantaged young people seeking to access to Higher Education and/ or employment. This is particularly in light of potential further government austerity and the challenging financial circumstances many of our families face post-COVID.

3.5 It is proposed that young people aged 16-25 who are socio-economically disadvantaged and have Learning Difficulties and Disabilities (LDD) could form a target cohort for this Fund, given that our outcomes are poor in relation to LDD entry into employment.

4. Consultation

4.1 There has been consultation with Members to date via Cllr Kangethe and Councillor Jones as they are Trustees for the Colin Pond Trust, which has similar aims and objectives. Initial contact has been made with Redbridge Council in order to invite a Council member to participate, which is to be followed up.

5. Financial Implications

Implications completed by: Kofi Adu, Group Accountant

5.1 This proposal is to active a defunct charity which was deregistered by the Charities Commission in 2009, due to a lack of activity. Activating the charity will incur additional cost and the use council resources i.e. staff time will be required to prepare administrative papers, however once the Trustees are appointed, the charity will become an arm's length organisation from the council. Annual accounts will have to be prepared for submission to the Charity commission and audited by independent Examiners. It is anticipated that the cost of activating the Charity and any running expenses thereafter will be met from the charities accounts and there will be no impact on the council's general funds.

6. Legal Implications

Implications completed by: Dr Paul Feild, Principal Governance Solicitor

6.1 Contact has been made with the Charity Commissions, requesting their agreement to re-activate the Charitable trust. They have responded and said a fresh application will need to be made.

6.2 Clause 2.4 sets out the Trustee Appointments. It is not necessary to appoint the full number of permissible trustees, but the key elements should be address by the appointment of the elected Members and the ex-offico clergy trustee. The Trust scheme as approved by the Secretary of State requires that the appointment of specified Trustees be carried out by the Council. The Council's Constitution states that making appointments to outside bodies is an Assembly function (see Part 2 Chapter 4 (ix)).

6.3 As mentioned in the body of the report, the Foundation requires a Redbridge Member and a Member of the clergy 'Vicar of Dagenham'. Contact will be made with Redbridge Council to invite them to appoint a Member to the foundation.

7. Other Implications

7.1 **Risk Management -** As the reactivation of the fund will require registration with the Charities Commission, any risks will be minimised due to the governance and accountability measures required.

7.2 **Staffing Issues -** Some administrative support to manage the fund and its associated governance structure will be required. However, this can be mainstreamed into existing roles within the Council.

7.3 **Corporate Policy and Equality Impact -** The reactivation of the fund will provide additional resources to socio-economically disadvantaged young people to enter the workplace and/ or higher education. This will therefore impact positively on some of our more vulnerable young residents.

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

List of appendices

- Appendix 1 – Original registration document from 1968
- Appendix 2 – Original Charities Commission registration document form 1980

APPENDIX 1

Sealed 23rd October 1968.

No. 6374 P.

Stamp 10s.

London Boroughs - BARKING. REDBRIDGE.

Foundations - (1) The Richard Uphill Educational.
(2) The Richard Uphill Apprenticing.
(3) Thomas Waters.

Scheme.

SCHEME MADE BY THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE UNDER SECTION 18 OF THE CHARITIES ACT 1960.

Foundations

1. This Scheme relates to the following Foundations, in the London Boroughs of Barking and Redbridge:-

(1) The Richard Uphill Educational Foundation, regulated by a Scheme made by the Charity Commissioners on 2nd May 1911:

(2) The Richard Uphill Apprenticing Foundation, regulated by the said Scheme of 2nd May 1911; and

(3) The Foundation of Thomas Waters, regulated by a Scheme made by the Board of Education on 25th May 1909.

Administration and Title

2. The Foundations to which this Scheme relates and their endowments (including the particulars specified in the Schedule to this Scheme) shall be amalgamated to form one Foundation which shall be administered in conformity with the provisions of this Scheme under the name of THE UPHILL AND WATERS EDUCATIONAL FOUNDATION (hereinafter called "the Foundation").

Trustees

3. (1) The body of trustees of the Foundation shall, when complete, and except as in this clause provided, consist of eight persons, as follows:-

ONE Ex Officio Trustee, being the Vicar for the time being of Dagenham;
FOUR Representative Trustees, to be appointed: Three by the Council of the London Borough of Barking; One by the Council of the London Borough of Redbridge; and
THREE Co-optative Trustees, to be appointed by resolution of the other Trustees.

(2) A Representative Trustee need not be a member of the appointing body.

(3) Every Representative Trustee shall be appointed for a term of office ending on the date of the appointment of his successor which may be made at any time after the ordinary day of retirement of London Borough councillors next after his appointment. The Co-optative Trustees shall be appointed each for a term of three years.

(4) The constitution of the body of trustees, as specified in this clause, may on the application of the Trustees by altered from time to time by Order of the Secretary of State for Education and Science (hereinafter called "the Secretary of State").

First Trustees and Meeting

4. (1) The first Representative Trustees shall be appointed as soon as possible after the date of this Scheme and their names shall be notified to Mr. A.F. Brown, Education Offices, Town Hall, Barking, on behalf of the Trustees.

(2) The first meeting of the Trustees under this Scheme shall be summoned by Mr. Brown as soon as conveniently may be after the date of this Scheme or, if he fails to summon a meeting for two months after that date, by any two Trustees.

Declaration by Trustees

5. No person shall be entitled to act as a trustee whether on a first or subsequent entry into office until he has signed a declaration of acceptance and of willingness to act in the trusts of this Scheme.

Trustees not to be personally interested in the Foundation

6. Except in special circumstances, with the approval in writing of the Secretary of State, no Trustee shall take or hold any interest in any property belonging to the Foundation, otherwise than as a trustee for the purposes thereof, or receive any remuneration, or be interested in the supply of work or goods at the cost of the Foundation.

Determination of Trusteeship

7. Any Representative or Co-optative Trustee who is absent from all meetings of the Trustees during a period of one year (except for a reason approved by the Trustees), and any Trustee who is adjudicated a bankrupt, or who is in the opinion of the remaining Trustees incapacitated from acting, or who communicates in writing to the Trustees a wish to resign, shall thereupon cease to be a trustee.

Vacancies

8. (1) Every vacancy in the office of Representative or Co-optative Trustee shall, as soon as possible, be notified to the proper appointing body or filled by the Trustees as the case requires, and any competent Trustee may be reappointed.

(2) A Representative Trustee appointed to fill a casual vacancy shall hold office only for the unexpired term of office of the trustee in whose place he is appointed.

Meetings of Trustees

9. The Trustees shall hold ordinary meetings at least twice in each year. A special meeting may at any time be summoned by any two Trustees upon four clear days' notice (excluding Sundays and Bank Holidays) being given to the other Trustees of the matters to be discussed.

Quorum and Voting

10. (1) There shall be a quorum when three Trustees are present at a meeting. Every matter shall be determined by a majority of Trustees present and voting on the question.

(2) In case of equality of votes, the chairman of the meeting shall have a second or casting vote.

General Power to make Rules

11. Within the limits prescribed by this Scheme, the Trustees shall have full power to make rules for the management of the Foundation and for the conduct of their business, including the summoning and chairmanship of meetings, the deposit of money at a bank, the custody of documents, and the appointment as Clerk or Secretary (holding office at their pleasure) of one of themselves without salary, or of some other fit person at such salary, if any, as may be approved by the Secretary of State.

Minutes and Accounts

12. The Trustees shall provide and keep a Minute book and books of account, and proper accounts in relation to the Foundation shall in each year be made out and certified in such form as the Secretary of State may require and copi sent to the Department of Education and Science.

Application of Income

13. (1) After payment of any expenses of administration, the net yearly income of the Foundation shall be applied by the Trustees in one or more of the following ways for the benefit of young persons who have not attained the age of 25 years and who or whose parents or guardians are resident in the former Borough of Dagenham, and who, in the opinion of the Trustees, are in need of financial assistance (such persons being hereinafter referred to as "beneficiaries"):-

(a) exhibitions tenable at any secondary school, college of education, university, or other institution of further (including professional and technical) education approved by the Trustees, to be awarded under any rules to be made by the Trustees, including rules as to the value and period of tenure of the exhibitions, and the qualifications and method of ascertainment and selection of beneficiaries;

(b) financial assistance, outfits, clothing, tools, instruments or books to enable beneficiaries on leaving school, university or other educational establishment to prepare for, or to assist their entry into, a profession, trade or calling;

(c) otherwise promoting the education (including social and physical training) of beneficiaries;

(d) assisting beneficiaries to become apprenticed to some useful trade or occupation.

(2) The Trustees shall consult the appropriate Local Education Authority as to their general action under this clause and, if occasion requires, as to the educational qualifications of candidates for benefit.

Surplus Cash

14. Any sum of cash at any time belonging to the Foundation and not needed as a balance for working purposes shall (unless otherwise directed by the Secretary of State) be invested.

Investments

15. The Trustees and all other persons capable of being bound by this Scheme shall, unless the Secretary of State otherwise in writing directs, do all such acts as may be necessary to transfer to the Official Custodian for Charities all stocks, shares, funds and securities at any time belonging to the Foundation.

Questions under Scheme

16. If any question arises as to the construction of this Scheme, or as to the regularity or the validity of any acts done or about to be done under this Scheme, it shall be determined by the Secretary of State on such application made to him for the purpose as he thinks sufficient, and such determination shall be binding on the Trustees and all persons claiming under the trusts of this Scheme.

Interpretation

17. The Interpretation Act 1889 shall apply for the interpretation of this Scheme as it applies for the interpretation of an Act of Parliament.

Date of Scheme

18. The date of this Scheme shall be the day on which it is established by an Order of the Secretary of State.

SCHEDULE

Richard Uphill Educational Foundation

Description	Persons in whose name invested	Gross yearly income £	s.	d.
521 Shares vested in Charities Official Investment fund.	Official Custodian for Charities.		-	
£50 6½ per cent. London Borough of Barking Mortgage	do.		-	

Richard Uphill Apprenticing Foundation

Description	Persons in whose name invested	£	s.	d.
3,366 Shares vested in Charities Official Investment Fund.	Official Custodian for Charities.		-	

Foundation of Thomas Waters

Description	Persons in whose name invested	£	s.	d.
£150 2½ per cent.Consolidated Stock.	Official Custodian for Charities.		-	
£75 5 per cent. National Development Bond.	do.		-	
£57 10s 1d. Balance in Post Office Savings Bank.	do.			

This Schedule is made up to 23rd September 1968.

The Secretary of State for Education and Science orders that the foregoing Scheme be established.

Giver under the Official Seal of the Secretary of State for Education and Scie. , on 23rd October 1968.

(L.S.)

L 2068 - 8/68 - 70   10/68 - 70

Sealed 15th October 1980

509(S)
80.

Greater London.
London Boroughs) – Barking and Dagenham. Redbridge.
Former Borough) – Dagenham.
Charity – The Uphill and Waters Educational Foundation.

L2.
312,264 A/2.

Scheme.

C H A R I T Y   C O M M I S S I O N.

In the matter of the Charity called The Uphill and Waters Educational Foundation, in the former Borough of Dagenham, in the London Boroughs of Barking and Dagenham and Redbridge, regulated by a Scheme made by the Secretary of State for Education and Science on the 23rd October 1968; and
In the matter of the Charities Act, 1960.

THE CHARITY COMMISSIONERS FOR ENGLAND AND WALES HEREBY ORDER that the following Scheme be approved and established:-

S C H E M E.

In clause 13(1) of the above-mentioned Scheme made on the 23rd October 1968 for the words "former Borough of Dagenham" there are substituted the words "London Borough of Barking and Dagenham and that part of the London Borough of Redbridge which was formerly in the Borough of Dagenham".

Sealed by Order of the Commissioners this 15th day

of October 1980.

L.S.
1366-17-6-80

ASSEMBLY

28 February 2024

Title: Pay Policy Statement 2024/25	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	**For Decision**
Wards Affected: None	**Key Decision:** No
Report Author: Gail Clark, Director of Workforce Change	**Contact Details:** E-mail: gail.clark@lbbd.gov.uk
Accountable Executive Team Director: Fiona Taylor, Chief Executive	
Summary Under the terms of the Localism Act 2011 the Council must agree, before the start of the new financial year, a pay policy statement relating to the remuneration of its chief officers and the remuneration of its other employees. The Act also sets out the matters which must be covered in the statement. The Council's draft Pay Policy Statement for 2024/25, attached at Appendix A, sets out the expected position at 1 April 2024. The Cabinet considered and endorsed this report at its meeting on 19 February 2024.	
Recommendation(s) The Assembly is recommended to approve the Pay Policy Statement for the London Borough of Barking and Dagenham for 2024/25 as set out at Appendix A to the report, for publication on the Council's website with effect from April 2024.	
Reason(s) Under the terms of the Localism Act 2011 the Council must agree a pay policy statement in advance of the start of each financial year	

1. Introduction and Background

1.1 Section 38(1) of The Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement for senior officers (Chief Officers) to be agreed by all councillors at an Assembly meeting before the beginning of each financial year. This policy is timetabled to go to the Assembly on 28 February 2024.

1.2 The Council produced its first Pay Policy Statement for the 2012/13 financial year in accordance with the Localism Act 2011. The definition of Chief Officer covers the Chief Executive, Strategic Leadership Directors, Commissioning and Operational

Directors. The matters that must be included in the pay policy statement are as follows:

- The level and elements of remuneration for each Chief Officer.
- The remuneration of its lowest paid employees (together with its definition of 'lowest paid employee' and the reasons for adopting that definition).
- The relationship between the remuneration of its Chief Officers and other officers.
- Other specific aspects of chief officer's remuneration: remuneration on recruitment, increase and additions to remuneration, use of performance related pay and bonuses, termination payments and transparency.
- The Localism Act defines remuneration widely to include not just pay but also charges, fees, allowances, benefits in kind.
- Enhancements of pension entitlement and termination payments.

1.3 The Pay Policy statement:

- Must be approved by the full council (Assembly).
- Must be approved by the end of March each year.
- Can be amended in-year.
- Must be published on the Council's website (and in any other way the Council chooses).
- Must be complied with when the Council sets the terms and conditions for a chief officer

2. Proposal and Issues

2.1 Attached at Appendix A is the draft Pay Policy Statement which reflects the expected position at 1 April 2024.

3. Options Appraisal

3.1 The Council is required to publish its pay policy and there is no alternative option to be appraised.

4. Consultation

4.1 The proposals in this report were considered and endorsed by the Workforce Board on 10 January 2024 and by the Cabinet on 19 February 2024.

5. Financial Implications

Implications completed by: Nurul Alom, Finance Manager

5.1 There are no financial implication arising from this report which simply sets out the Council's pay policy. Staffing costs are a significant part of the Council's budget and ensuring that there are sufficient resources to meet them is dealt with through our Medium Term Financial Plan and budget strategy.

6. Legal Implications

Implications completed by Mehzabeen Patel, Employment Lawyer

6.1 The Pay Policy Statement sets out clearly and concisely the Authority's approach to Pay. There are no legal implications in publishing the same, as this is a statutory requirement as detailed in 1.1 of this report. In the interest of openness and accountability, the approach taken in the statement is both clear and transparent.

7. Other Implications

7.1 **Contractual Issues -** This makes no changes to employee's contractual position.

7.2 **Staffing Issues -** The staffing issues are fully explored within the main body of the report. There is no requirement to consult with the trade unions on this policy.

7.3 **Corporate Policy and Equality Impact -** The Council's approach to pay is based on the use of established job evaluation processes to determine the salary for individual roles, eliminating the potential for bias in the process.

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

List of appendices:

- **Appendix A** – Pay Policy Statement 2024/25

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APPENDIX A

LONDON BOROUGH OF BARKING AND DAGENHAM

PAY POLICY STATEMENT 2024/25

1. Introduction – Requirement for Council Pay Policy Statement

1.1 Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement to be agreed by Members before the beginning of each financial year. The Act does not apply to local authority schools. This document meets the requirements of the Act for the London Borough of Barking and Dagenham. This Pay Policy Statement presents the expected position at 1 April 2024.

1.2 The provisions of the "Act" require that councils are more open about their own local policies and how their local decisions are made. The Code of Recommended Practice for Local Authorities on Data Transparency enshrines the principles of transparency and asks councils to follow three principles when publishing data they hold: responding to public demand, releasing data in open formats available for re-use, and releasing data in a timely way. This includes data on senior salaries and the structure of the workforce.

2. Organisational Context

2.1 The Council continues to recognise that if it is to serve its communities well and deliver the agreed vision and objectives, it needs to attract and retain talented people at all levels of the organisation.

2.2 The Council continues to ensure that its Leadership Team is structured in a manner that enables it to deliver the Borough manifesto and Corporate Plan.

3. Pay and Reward Principles

3.1 The approach to pay and reward continues to be based on the following principles:

- The Council can demonstrate fairness and equity in what it pays people at different levels and in different parts of the Council;
- Pay is set at levels which enable the Council to recruit and retain the quality of staff needed to help achieve its objectives at a time of financial hardship; and
- Pay levels are competitive and affordable for the Council.

3.2 Pay levels are determined through "job evaluation". For staff at PO6 and below, the Council uses the Greater London Provincial Council job evaluation system. For posts at PO7 and above, the HAY job evaluation system is used. In 2023, the Council implemented the PricewaterhouseCoopers (PwC) job evaluation system for Heads of Service and Chief Officers.

3.3 Each system assesses the relative "size" of the role against a range of criteria, relating to its complexity, the number of resources managed, and the knowledge required to undertake the role.

3.4 Pay rates are generally set against the national pay spine agreed by the National Joint Council, although there are local pay points at the top of the LBBD pay scale. The Council has committed to pay no less than the "London Living Wage" to its own staff or agency workers working with the Council and became a Living Wage Foundation accredited employer in 2022. The Council implemented the London Living Wage (LLW) increase from £11.95 to £13.15 from October 2023. The Council continues to ensure that it pays its employees and apprentices at or above the London Living Wage.

4. Defining "Chief Officers"

4.1 At the start of the 2024/25 financial year, the Council expects to have within its structure the following Chief Officer posts:

- Chief Executive (Head of Paid Service & Health Place Lead)
- Strategic Director, Resources (S151 Officer)
- Strategic Director, Children and Adults
- Strategic Director, My Place
- Strategic Director, Inclusive Growth
- Director of Strategy
- Director of Workforce Change
- Director of Public Realm
- Director of Public Health
- Operational Director, Enforcement and Community Safety
- Operational Director, Children's Care and Support
- Operational Director, Adults Care and Support
- Commissioning Director, Education
- Commissioning Director, Care and Support
- Director of Care, Community and Health Integration (fixed term)
- Director of Community, Participation & Prevention
- Director of Support & Collections
- Director of Homes & Assets

4.2 The number of JNC officers has reduced by three from the previous year.

5. Accountability for Chief Officers Pay

5.1 The pay arrangements for chief officers are overseen by the JNC Appointments, Salaries and Structures Panel, appointed by the Council's Assembly.

6. Current Pay Policy and Base Pay Rates

6.1 Setting Salary Levels

6.1.1 Chief Officer roles are currently evaluated using the PwC job evaluation system. There is a commitment to review salary levels on average every three years. PwC were appointed to undertake an external review of senior pay including Chief Officers, which commenced in May 2022.

6.1.2 The current salary benchmarking information comes from the London Councils' Chief Officers Salary Survey. The latest information held is from 2023. There were 29 responses to this survey among London Boroughs. The median rates of pay for roles in London, based on the information from the survey, were as follows:

	Median
Head of Paid Service / Chief Executive	£205,133
Tier 1 Managers	£162,420
Tier 2 Managers	£108,543

(Note: This benchmark data is based upon basic pay plus additional payments such as performance related pay or bonus payments.)

6.1.3 The Council is contractually obliged to apply nationally agreed pay awards for Chief Officer grades.

6.2 **Chief Executive**

6.2.1 The salary for the Chief Executive, agreed at appointment in May 2023, was £184,557. The PwC senior salary pay review increased this to £190,000 with effect from 1 June 2023 and which, in line with nationally negotiated pay awards, has increased to £196,650.

6.3 **Chief Officer Pay Range**

6.3.1 The Chief Officer pay structure was reviewed as part of the external review undertaken by PwC as outlined in paragraph 6.1.1 above.

6.3.2 It is appropriate for there to be differentiation in pay levels at Chief Officer level because of the differing risk and responsibility being carried out.

6.3.3 The table below sets out the salaries of the chief officer posts referred to in paragraph 4.1 above:

Position	Grade	Grade Band	Salary Range
Chief Executive	CEX	Spot Salary	£196,650
Strategic Directors	Strategic Director	Learning	£126,063
		Competent	£129,209 - £145,728
		Discretionary	£151,234 - £157,527
Directors	Director	Learning	£105,363
		Competent	£107,474 - £118,559
		Discretionary	£122,254 - £126,477

6.3.4 All appointments are made at the Learning rate of pay but are subject to experience as determined by the JNC panel.

7. Contingent Pay

7.1 The Council pays its Chief Officers a spot salary. There is no element of performance pay, nor are any bonuses paid. No overtime is paid to Chief Officers. There are no lease car arrangements or private health benefits.

7.2 The Strategic Director, Children and Adults receives a market supplement of £34,161 per annum. This was reviewed as part of the Senior Pay Review referred to at paragraph 6.1.1 above.

7.3 No other additional payments are made.

8. Pensions

8.1 All Council employees are eligible to join the Local Government Pension Scheme. The Council does not enhance pensionable service for its employees either at the recruitment stage or on leaving the service, except in certain cases of retirement on grounds of permanent ill-health where the strict guidelines specified within the pension regulations are followed.

9. Other Terms and Conditions

9.1 Employment conditions and any subsequent amendments are incorporated into employees' contracts of employment. Chief Officer contracts state:

"Your terms and conditions of employment are as set out in the Joint Negotiating Committee for Chief Officers of Local Authorities handbook, as adopted by the Authority, unless otherwise indicated in this statement.

From time to time, variations in terms and conditions of employment will be negotiated and agreed at national or local level with the union or unions recognised by the Authority as representing that employment group. Where these are adopted by the Authority, they will, within a period of 28 days from the date of the change, be separately notified to you or otherwise incorporated in the documents to which you have reference."

9.2 The Council's employment policies and procedures and terms and conditions are reviewed on a regular basis in the light of service delivery needs and any changes in legislation.

10. Election Expenses

10.1 The fees paid to Council employees for undertaking election duties vary according to the type of election they participate in and the nature of the duties and responsibilities they undertake. All election fees paid are additional to Council salary and are subject to normal deductions of tax.

10.2 Returning Officer duties (and those of the Deputy Returning Officer) are contractual requirements but fees paid to them for national elections / referendums are paid in accordance with the appropriate Statutory Fees and Charges Order.

11. Termination / Severance Payments

11.1 Employees who leave the Council, including the Chief Executive and Chief Officers, are not entitled to receive any non-contractual payments from the Council, except in the case of redundancy, retirement or where there is a business case for doing so in the form of a settlement agreement as indicated below.

12. Retirement

12.1 Employees who contribute to the Local Government Pension Scheme who elect to retire or who are retired on redundancy or efficiency grounds over age of 55 are entitled to receive immediate payment of their pension benefits in accordance with the Scheme. Early retirement on the grounds of permanent ill health with immediate payment of pension benefits may be considered by the Council at any age.

12.2 The Council will consider applications for flexible retirement from employees aged 55 or over on their individual merits and in the light of service delivery needs.

13. Redundancy

13.1 Employees who are made redundant are entitled to receive statutory redundancy pay as set out in legislation calculated on their actual salary. The standard London Borough of Barking and Dagenham redundancy scheme applies to all officers. The scheme has redundancy multipliers which provide for a maximum of 30 week's pay for staff whose continuous service date is after 1 January 2007 and a maximum of 45 weeks' pay for staff with a continuous service date of prior to 1 January 2007. Both multipliers are based upon length of service.

14. Settlement Agreements

14.1 Where an employee leaves the Council's service in circumstances which are, or would be likely to, give rise to an action seeking redress through the Courts from the Council about the nature of the employee's departure from the Council's employment, or where an existing employee has an employment dispute with the Council which may give rise to litigation, the Council may settle such claims by way of a settlement agreement where it is in the Council's interests to do so within the context of the best value duty. The amount to be paid in any such instance may include an amount of compensation, which is appropriate in all the circumstances of the individual case. Legal advice will be sought in all cases.

14.2 As of May 2022, new arrangements were put in place relating to "Special Severance Payments" following the Governments published "Statutory guidance on the making and disclosure of Special Payments by local authorities in England" issued under section 26 of the Local Government Act 1999. This has had an impact on Settlement Agreements as they relate to payments outside of statutory, contractual or other requirements when people leave employment in public services. They should only be made in circumstances where there is a clear, evidenced justification for doing so.

14.3 Under this statutory guidance there is now a three-tier system of approval for termination payments which is set out as follows:

(i) Payments of £100,000 and above must be approved by a vote of Full Council.

(ii) Payments of £20,000 and above, but below £100,000, must be personally approved and signed off by the Head of Paid Service, with a clear record of the Leader's approval and that of any others who have signed off the payment; and

(iii) Payments below £20,000 must be approved according to the local authority's scheme of delegation.

15. Fairness and Equality - Pay Ratios

15.1 It was agreed that as of 1 January 2013, no permanent employee should be paid less than the London Living Wage. This supports the Council's ambition to raise average local household incomes and reflects its commitment to pay fairness. The Council has also agreed that this should apply to all agency staff working on Council assignments.

15.2 Based on this figure, the Council's pay multiple in April 2023, the ratio between the highest and lowest paid employee, was 1:8.1. This means that the Chief Executive was paid 8.1 times more than the lowest salary. This is lower than the previous year.

15.3 The median annual salary for all employees on 1 April 2023 was £38,364 per annum, with the average salary being £40,653. Both median and average salaries referenced are full time equivalent and are adjusted according to individual contractual arrangements.

15.4 The ratio between the Chief Executive's salary level as of 1 April 2023 and the median salary figure as at the same date including the increase in the LLW, as detailed in paragraph 3.3 above, was 1:4.8. Across London, the average ratio between the highest and median salaries was 1:5, based on a Chief Executive's average salary of £205,133 (taken from London Councils' 2023 Senior Staff Pay Data survey).

16. Any Additional Reward Arrangements

16.1 No additional reward arrangements are in place.