

MINUTES OF CABINET

Tuesday, 18 June 2024
(7:00 - 8:25 pm)

Present: Cllr Dominic Twomey (Deputy Chair in the Chair), Cllr Saima Ashraf (Deputy Chair), Cllr Sade Bright, Cllr Syed Ghani and Cllr Jane Jones; Cllr John Dulwich and Cllr Simon Perry

Apologies: Cllr Darren Rodwell, Cllr Cameron Geddes, Cllr Kashif Haroon, Cllr Elizabeth Kangethe and Cllr Maureen Worby

8. Declaration of Members' Interests

There were no declarations of interest.

9. Minutes (21 May 2024)

The minutes of the meeting held on 21 May 2024 were confirmed as correct.

10. Provisional Outturn Report for the Financial Year 2023/24

The Cabinet Member for Finance, Growth and Core Services presented the provisional Revenue and Capital Outturn report for the 2023/24 financial year.

The General Fund provisional revenue outturn for 2023/24 was £199.568m after planned transfers to and from reserves. An over-achievement in income of £2.482m meant that there was a £2.626m overspend at the year-end against the final revised budget of £194.46m. The £2.626m overspend represented an improvement of £3.39m on the period 10 position and the Cabinet Member commended the efforts across the Council to minimise overspends which, at an early stage in the financial year, was projected at over £14m. As a consequence of the overspend position, the General Fund Reserve at 1 April 2024 was £14.404m, above the Council's minimum balance level of £12m.

The provisional Housing Revenue Account (HRA) outturn for 2023/24 showed a £6.06m overspend which would be managed through a reduced revenue contribution to the planned HRA capital reserve transfer within the base budget for 2024/25. The provisional Dedicated Schools Grant (DSG) outturn showed a £2.118m overspend, to be met from the DSG reserve leaving a closing balance of £7.955m.

The 2023/24 Capital Programme expenditure was £334.982m against the final budget of £340.387m and it was noted that the slippage would be carried forward to the 2024/25 Capital Programme.

The Cabinet Member commented that the Council had continued to face significant pressures during 2023/24, primarily due to the high level of inflation on costs and significant increases in demand for social care services. Many of those challenges would continue into 2024/25 and whilst the Council had allocated over £8m from the Budget Support Reserve for 2024/25 to mitigate those known

pressures, the point was made that without a fairer funding allocation from Central Government which reflected the levels of need, deprivation and population growth in the Borough, the Council would continue to face an extremely challenging financial position going forward.

The Cabinet Member also alluded to the achieved and unachieved savings proposals during 2023/24, bad debt provision following a review of recoverable and non-recoverable debt owed to the Council and the position relating to the Investment and Acquisition Strategy (IAS).

Cabinet **resolved** to:

- (i) Note that the General Fund provisional outturn position for 2023/24 was £199.568m which, after a net transfer from reserves, represented an overspend of £2.626m against the revised budget of £194.460m, as detailed in section 2 of the report;
- (ii) Agree the transfer of £2.626m from the General Reserve to achieve a balanced outturn position for 2023/24;
- (iii) Note the Housing Revenue Account provisional outturn position for 2023/24 was an overspend of £6.060m which would be met from a reduced contribution to the HRA Capital Reserve, as detailed in section 4 of the report;
- (iv) Note that the Dedicated Schools Grant provisional outturn position for 2023/24 was an overspend of £2.118m which would be met from the DSG Reserve, as detailed in section 5 of the report;
- (v) Note the performance of the Investment and Acquisition Strategy (IAS) as set out in section 9 of the report;
- (vi) Note that the Capital Programme provisional outturn position for 2023/24 showed an underspend of £5.405m against a revised budget of £340.387m;
- (vii) Approve the carry forwards totalling £3.2m to the Capital Programme 2024/25, as detailed in section 11 and Appendices B and C to the report; increasing the capital budget for 2024/25 from £252.1m to £255.3m; and
- (viii) Note the update on the progress on the year-end accounts and the work still outstanding, as set out in section 12 of the report.

11. Treasury Management Annual Report 2023/24

The Cabinet Member for Finance, Growth and Core Services introduced the Treasury Management Annual Report for 2023/24 which set out the key areas of performance, borrowing levels and other treasury management issues.

Key highlights within the report relating to the 2023/24 activities and performance included:

- Total treasury investments held at 31 March 2024 was £0.0m (2022/23:

£54.0m);

- Total cash held at 31 March 2024 was -£10.1m (2022/23: -£18.4m);
- Total loans lent at 31 March 2024 was £287.4m (2022/23: £192.2m);
- Net General Fund Treasury Outturn for 2023/24 was £10.307m compared to a net expenditure budget of £10.875m, an outperformance of £0.568m;
- Investment from the Council's Investment and Acquisition Strategy (IAS) Residential, Commercial and other IAS portfolio totalled £4.591m for the year compared to a budget of £2.869m, an outperformance of £1.722m;
- The combined General Fund Treasury and IAS return was £5.716m against a budget of £8.006m, an outperformance of £2.29m;
- The Council's average treasury interest return was 4.55%;
- The Council's average return on its property and commercial loans was 2.62% and 8.42% respectively;
- A total of £8.99m was transferred from the IAS Reserve in 2023/24, reducing it from £31.95m to £22.96m;
- Interest payable for 2023/24 totalled £49.6m (2022/23: £40.9m), consisting of £13.7m for Private Finance Initiative (PFI) / finance leases, £10.2m for HRA and £25.7m for General Fund;
- Capitalised interest totalled £12.2m;
- The total long-term borrowing (General Fund and IAS) was £681.8m, comprising of market loans, Public Works Loan Board (PWLB), Local Authority, European Investment Bank and other loans;
- The value of short-term borrowing totalled £343.9m;
- HRA borrowing totalled £295.9m of long-term debt and £10.7m of internal borrowing;
- PFI / finance lease borrowing totalling £271.1m and total Council borrowing at 31 March 2024 (excluding internal HRA borrowing) was £1,592.7m;
- The Council did not breach its 2023/24 Operational Boundary limit of £1.850bn or its Authorised Borrowing Limit of £1.950bn;
- The Council complied with all other set treasury and prudential limits; and
- A loan impairment was made against loans to Barking and Dagenham Trading Partnership (BDTP) of £3.431m in 2023/24, bringing the total provision against BDTP to £15.554m.

The Cabinet Member also referred to issues relating to Barking and Dagenham Reside Limited, the impact of letting delays on the IAS Residential return and the latest position regarding several of the Council's investments.

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

- (i) Note the Treasury Management Annual Report for 2023/24;
- (ii) Note that the Council complied with all 2023/24 treasury management indicators;
- (iii) Approve the actual Prudential and Treasury Indicators for 2023/24, as set out in Appendix 1 to the report; and
- (iv) Note that the Council's total provision against Barking and Dagenham Trading Partnership was £15.6m as at 31 March 2024.

12. Debt Management Performance 2023/24 (Quarter 4) and Updated Debt Management Policy

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

The Cabinet Member commented on the difficulties that many local residents and businesses had experienced during the cost-of-living crisis which, in turn, had impacted on their ability to pay their bills. Although there were signs that the economy was stabilising, many residents and especially those receiving state benefits continued to struggle to make ends meet. Nonetheless, the Council was committed to maximising the income due to it in order to protect the services that it provided to the local community.

Despite the economic position, the Council's debt management service had, in general, been able to maintain collection levels, assisted by a range of new initiatives introduced during 2023/24, and further new initiatives were planned for 2024/25, such as the use of AI systems. The Cabinet Member also referred to his earlier comments in the meeting on the work carried out to write-off unrecoverable debts, which had resulted in bad debt provision decreasing by £7.4m to £56.6m.

Cabinet **resolved** to:

- (i) Note the performance of the debt management function carried out by the Council's Collection service, including the improvements in collection rates and the reduction in arrears since the start of the year;
- (ii) Note the reduction in bad debt provision of £7.4m, primarily due to the write-off of non-recoverable historic debt arrears; and
- (iii) Approve the updated Debt Management Policy 2024, as set out at Appendix A to the report.

13. Draft East London Joint Waste Plan Regulation 18 Consultation

The Cabinet received a report on the draft East London Joint Waste Plan (ELJWP) and the arrangements for public consultation in accordance with Regulation 18 of the Town and Country Planning (Local Planning) (England) Regulations 2012.

The ELJWP would provide the strategic vision and objectives for the sustainable management of waste in east London for the period up to 2041 and help to ensure that there continued to be sufficient capacity to manage waste in East London in the most sustainable way. The evidence base for the ELJWP demonstrated that there was a significant surplus capacity for waste management facilities in east London and it was proposed, therefore, to release five existing waste sites in Barking and Dagenham from safeguarding as a waste use, on the basis that they conflicted with land use policy and the Council's ambitions set out within the draft Local Plan 2037.

Cabinet **resolved** to:

- (i) Agree the publication of the Regulation 18 draft ELJWP at Appendix 1 to the report, its related policies map and supporting information, for a six-week statutory public consultation anticipated to commence in late July 2024;
- (ii) Delegate authority to the Strategic Head of Place and Development, Inclusive Growth (or equivalent) to finalise the draft ELJWP and supporting information, including appendices, related evidence base and topic papers, prior to undertaking the Regulation 18 public consultation;
- (iii) Delegate authority to the Strategic Head of Place and Development, Inclusive Growth (or equivalent) to make the arrangements for statutory public consultation, in accordance with the Consultation Protocol attached at Appendix 2 to the report; and
- (iv) Note the related Draft Integrated Impact Assessment and the Draft Habitats Regulation Assessment attached at Appendices 3 and 4 respectively to the report.

14. Procurement of Hybrid Mail, Digital and Transformational Solutions, Multi-Functional Devices and Print Management Services

The Cabinet received a report on proposals to procure new contracts for the provision of hybrid mail, digital communications and other printing-related services, in light of the expiry of the current contractual arrangements on 30 November 2024.

The report set out the rationale for procuring separate contracts, one relating to hybrid mail and digital and transformational solutions while the second related to multi-functional devices (MFDs) and print management services. Both would be commissioned via existing Crown Commercial Services Frameworks and offered for an initial four-year term, with an option to extend for a further three years.

Cabinet **resolved** to:

- (i) Agree that the Council proceeds with the procurement of contracts for the provision of Hybrid Mail and Digital and Transformational Solutions and Multi-Functional Devices and Print Management Services, in accordance with the strategy set out in the report; and
- (ii) Authorise the Strategic Director, Resources, in consultation with the Cabinet Member for Finance Growth and Core Services and the Head of Legal, to conduct the procurements and award and enter into the contract(s) and all other necessary or ancillary agreements to fully implement and effect the proposals.

15. Procurement of Parking and Traffic Enforcement Camera Services

The Cabinet received a report on proposals relating to the procurement of a new, maximum seven-year contract for the provision and maintenance of a parking and traffic enforcement camera system.

Cabinet **resolved** to:

- (i) Agree that the Council proceeds with the procurement of a five-year contract, with an option to extend for a further two years, for the provision and maintenance of a parking and traffic enforcement camera system, in accordance with the strategy set out in the report; and
- (ii) Authorise the Strategic Director, My Place, in consultation with the Cabinet Member for Enforcement and Community Safety, the Strategic Director, Resources and the Head of Legal, to approve the final procurement strategy, conduct the procurement and award and enter into the contract(s) and all other necessary or ancillary agreements with the successful bidder(s) to fully effect the proposals.

16. Contracts for Street Lighting Maintenance Services

The Cabinet received a report on proposals relating to the procurement of a new, maximum seven-year contract for the provision of street lighting maintenance services commencing 1 January 2025. The report also included plans to directly award a short-term contract to the incumbent service provider, Volker Highways Ltd, to ensure continued service provision pending the commencement of the new long-term contract.

Cabinet **resolved** to:

- (i) Agree the direct award of a short-term, maximum nine-month contract with Volker Highways Ltd for the provision of reactive and planned street lighting maintenance services on the same terms and conditions as the previous contract, including historic defined Social Value outcomes as stipulated in the original contract award, the Living Wage commitments and the Net Zero Carbon Target and Sustainability outcomes as defined in the report;
- (ii) Agree the procurement of a new five-year contract, with an option to extend for a further two years, for the provision of reactive and planned street lighting maintenance services, secured through competitive tendering, complete with a commitment to the Council's Social Values Policy and requirements in accordance with the strategy set out in the report; and
- (iii) Delegate authority to the Strategic Director, My Place, in consultation with the Cabinet Member for Public Realm and Climate Change, the Strategic Director, Resources and the Head of Legal, to conduct the procurement and award and enter into the contracts and all other necessary or ancillary agreements to fully implement and effect the proposals.

17. Contracts for Highway Maintenance Services

The Cabinet received a report on proposals relating to the procurement of a new, maximum seven-year contract for the provision of reactive and planned highway maintenance services commencing 1 January 2025. The report also included plans to directly award a short-term contract to the incumbent service provider, Marlborough Surfacing Ltd, to ensure continued service provision pending the commencement of the new long-term contract.

Cabinet **resolved** to:

- (i) Agree the direct award of a short-term, maximum nine-month with Marlborough Surfacing Ltd for the provision of reactive and planned highway maintenance services on the same terms and conditions as the previous contract, including historic defined Social Value outcomes as stipulated in the original contract award, the Living Wage commitments and the Net Zero Carbon Target and Sustainability outcomes as defined in the report;
- (ii) Agree the procurement of a new five-year contract, with an option to extend for a further two years, for the provision of reactive and planned highway maintenance services, secured through competitive tendering, complete with a commitment to the Council's Social Values Policy and requirements in accordance with the strategy set out in the report; and
- (iii) Delegate authority to the Strategic Director, My Place, in consultation with the Cabinet Member for Public Realm and Climate Change, the Strategic Director, Resources and the Head of Legal, to conduct the procurement and award and enter into the contracts and all other necessary or ancillary agreements to fully implement and effect the proposals.

18. Social Value in Procurement - Impact Report 2023/24

The Cabinet received a report on the progress and impact of the Council's Social Value in Procurement policy during 2023/24.

The policy was launched in October 2020 and established a framework, guidance and process to ensure that Social Value proposals and principles formed part of major contracts let by the Council. The report set out the commitments and outcomes achieved in 2023/24 and the recognition that the Council was receiving for its approach to Social Value.

Cabinet **resolved** to:

- (i) Note the continued positive impact of the Council's Social Value in Procurement policy in terms of suppliers' social value commitments and associated outputs during 2023/24, as detailed in Appendix A to the report; and
- (ii) Note the Council's wider Social Impact across other Inclusive Economy sectors.

19. Redevelopment of Trocoll House, Wakering Road, Barking - Proposed Amendments to Lease Agreement

Further to Minute 97 (16 March 2021), the Cabinet Member for Finance, Growth and Core Services presented a report on a proposal to vary the original Development Agreement with Railpen, a Pension Fund Management Company, for the planned redevelopment of Trocoll House to provide 198 residential units and 650 sqm of commercial space on the site.

The Cabinet Member explained that since the signing of the original Development Agreement, a number of economic factors outside of Railpen's control meant that the original funding terms were no longer viable for them. Railpen had, therefore, submitted an initial proposal to vary the terms of the original Development Agreement through an increase of approximately 21% to the starting annual lease payment. However, following a financial modelling assessment of that proposal and in the context of the Council's Investment and Acquisition Strategy metrics, that offer was rejected by the Council.

In recognition of the key role that the redevelopment scheme would play in the regeneration of the Town Centre and both parties' desire to deliver the project, transparent negotiations took place in order to try and establish a mutually acceptable position. As a consequence, Railpen submitted a revised offer seeking a higher starting lease payment of approximately 15% alongside additional incentives / benefits for the Council.

The Cabinet Member advised, however, that the latest improved offer was still considered to represent too greater level of risk to the Council's General Fund in the future. Officers had therefore drawn up a range of detailed, costed options for the Cabinet to consider, which ranged from not proceeding with the project and the abortive costs associated with that option, to making a counter-offer which would mitigate the Council's level of risk to an acceptable level in order to achieve the development of a major regeneration project in the heart of the Town Centre.

Following detailed discussions on the options available, Cabinet **resolved** to:

- (i) Note that the revised offer from Railpen relating to the proposed terms of an amended Lease Agreement for the redevelopment of Trocoll House would not be financially viable for the Council, as detailed in the report and the financial modelling and options analysis set out at Appendix 1 to the report;
- (ii) Agree a final counter-offer to Railpen as detailed in option 4(b) of Appendix 1 to the report, which represented a circa 9% increase to the original starting annual lease payment while mitigating the Council's level of risk to an acceptable and affordable level, and delegate authority to the Strategic Director, Resources to progress that course of action; and
- (iii) Agree, subject to Railpen accepting the terms of the Council's counter-offer, to delegate authority to the Strategic Director, Resources, in consultation with the Cabinet Member for Finance, Growth and Core Services and the Head of Legal, to enter into all necessary and ancillary agreements to fully implement and effect the proposals.

(Note: During consideration of this item, a resolution to exclude the public and press from the meeting was passed to enable full consideration of the Railpen revised offer and the terms of the Council's proposed counter-offer under the provisions of paragraph 3 of Part 1, Schedule 12A to the Local Government Act 1972 (as amended).)