

## Public Document Pack

# Public Accounts Select Committee Agenda

Thursday, 5 February 2015

**7.00 pm**

Committee Rooms 1 & 2

Civic Suite

Lewisham Town Hall

London SE6 4RU

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### Part 1

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# Public Accounts Select Committee Members

Members of the committee, listed below, are summoned to attend the meeting to be held on Thursday, 5 February 2015.

Barry Quirk, Chief Executive  
Tuesday, 27 January 2015

Councillor Jamie Milne (Chair)	
Councillor Mark Ingleby (Vice-Chair)	
Councillor Abdeslam Amrani	
Councillor Chris Barnham	
Councillor Ami Ibitson	
Councillor Roy Kennedy	
Councillor Helen Klier	
Councillor Jim Mallory	
Councillor John Muldoon	
Councillor Crada Onuegbu	
Councillor Alan Hall (ex-Officio)	
Councillor Gareth Siddorn (ex-Officio)	

## MINUTES OF THE PUBLIC ACCOUNTS SELECT COMMITTEE

Wednesday, 10 December 2014 at 7.00 pm

PRESENT: Councillors Jamie Milne (Chair), Mark Ingleby (Vice-Chair), Roy Kennedy, Helen Klier, Jim Mallory, John Muldoon and Crada Onuegbu

APOLOGIES: Councillors Abdeslam Amrani and Chris Barnham

ALSO PRESENT: Andrew Hagger (Scrutiny Manager), Joan Hutton (Interim Head of Adult Assessment & Care Management), Robert Mellors (Finance Manager, Community Services and Adult Social Care), Martin O'Brien (Sustainable Resources Group Manager), Justine Roberts (Change and Innovation Manager), Jon Rowney (Strategic Lead: Finance, Performance & Procurement, London Councils), Henry St Clair Miller (Manager, No Recourse to Public Funds Network), Tim Thompson (Head of Corporate Asset Services) and Ralph Wilkinson (Head of Public Services)

### 1. Minutes of the meeting held on 5 November 2014

#### Resolved:

The Committee agreed the minutes of the meeting held on 5 November 2014.

### 2. Declarations of interest

- 2.1 Councillor John Muldoon declared an interest as member of the South London and Maudsley NHS Mental Health Trust.
- 2.2 Councillor Crada Onuegbu declared an interest as member of the South London and Maudsley NHS Mental Health Trust.

### 3. No Recourse to Public Funds Review - Evidence session

- 3.1 Henry St-Clair Miller (Manager, NRPF Network) spoke to the Committee and highlighted the following key points:

- The NRPF Network looks at the implications of NRPF for local government and aims to influence local and central government on this issue.
- The NRPF Network works with the Home Office on NRPF Connect, a database that collates information on NRPF cases including costs, case types, immigration status and the status of children. This information is shared with local government and the Home Office.
- 28 local authorities are using NRPF Connect, which represents a significant proportion of the NRPF caseload.
- The NRPF Network is hosted by Islington Council. Islington had a high asylum population at the end of the 1990s and kept their asylum team to assist with adults with health needs. It then evolved to deal with NRPF. The NRPF Network is supported through commission based training, as well as some other sources of funding. Lewisham is part of the NRPF Network.
- The NRPF Network also maintains is a collective dataset that provides evidence of trends on immigration policy.
- The aim is to provide evidence on the true situation with NRPF and draw them into partnership.

- Leaving people with NRPF in limbo with no decision on their immigration status isn't good and represents a significant cost burden for the local authority. The NRPF Network wants to help tackle decision making beyond local authority control, such as leave to remain and removals.
- The NRPF Network has been working the Department for Communities and Local Government (DCLG) over the caseload burden assessment.
- The NRPF Steering Group monitors the effectiveness of NRPF approaches.

3.2 In response to questions from the Committee, Henry St.Clair-Miller provided the following information:

- There are a number of factors behind the increase in NRPF, including the economic downturn as well as the shift from asylum to managed immigration with associated issues not being picked up.
- Because the UK does not carry out 'amnesties' for large numbers of people who have been in the UK for a long time, many people have been in the country for a long time without having a firm decision or action taken over their status.
- The Home Office is currently pursuing a policy approach of creating a harsher environment for those in the country illegally, such as restricting access to driving licenses and bank accounts. The aim is that this harsh environment will force people to leave the country as their lives will not be sustainable. From a Home Office perspective this will reduce the need for costly deportations and discourage future migrants.
- However, if this approach does not work there could be an increase in NRPF referrals coming through to local authorities. This could be particularly challenging given the strong responsibilities for local authorities on providing support for children.
- Lewisham has taken a stringent approach to NRPF which based on data based and uses evidence.
- A good approach to NRPF is about having the right people to deal with it, which is not necessarily the social care front end.
- Arguing with the Home Office about funding is difficult as they are resistant to providing funding, especially as social services are local authority responsibilities. Therefore a strong evidence base is needed, which NRPF Network aims to provide with NRPF Connect.
- The issue of fraud is important and as guardians of public money steps must be taken to prevent fraud. However there is little evidence of extensive fraud amongst NRPF claimants in the datasets. Local authorities need to be careful about talking about fraud, so they do not stigmatise the client group.
- NRPF Connect aims to provide a solid evidence base, with data to enable them to negotiate with the Home Office on the issue of NRPF and also to hold them to account on their performance.
- One of the recommendations to central government has been around not rechecking the status of families. The Home Office often questions the initial assessment of NRPF families even though they are rigorously done, meaning that checks have to be carried out again which causes delays. The recommendation was to take the local authority's word on it.
- There are a high proportion of Jamaican and Nigerian NRPF claimants, which matches Lewisham's population and would explain the high numbers in Lewisham. For Islington the cost issue comes from expensive private sector housing.

- The understanding of NRPF has increased recently. This is partly because of tightened budgets which has emphasised the critical nature of the issue and brought to the fore.
- There are referrals to Adult Social Care around NRPF, but the majority of cases are families.
- Many NRPF cases involve people that have been in the country for a very long time, which strengthens the case for regularising their stay.
- The key to management of NRPF is early identification, thorough assessment and then active management of cases.
- The NRPF Network is getting to a critical mass where it is gathering a lot of information and evidence. There will be 35 local authorities involved by the end of the 2014/15, including major authorities outside London such as Manchester.
- However, other local authorities do not always have the staffing resource to support data collection around NRPF, while others such as Birmingham have carried a review looking at NRPF but are not involved in the NRPF Network.
- There will be different issues for different members of the NRPF Network, for some it might be EEA migrants or asylum related, rather than visa overstayers which is more typical in London.

3.3 Jon Rowney (Strategic Lead: Finance, Performance & Procurement, London Councils) spoke to the Committee and highlighted the following key points:

- London Councils are responding to concerns from local authorities across London on the issue of NRPF.
- At the start of 2014 the DCLG and Home Office took part in a round table discussion, which included service and finance pressures as well as caseload and demand, including the need to secure additional funding for local authorities. The DCLG and Home Office challenged back on the costs, highlighting the need to reduce costs and processes.
- London Councils is looking at how local authorities and the Home Office can work together, including clarifying roles and responsibilities and looking at best practice for service delivery.
- Local authorities need to put the case for costs being faced and justify any extra funding, with more work required on this.
- The NRPF Steering Group discusses strategic issues and some of the operational issues.
- London Council's role is facilitating increased understanding on the issue of NRPF. They can apply pressure to the DCLG and Home Office via the steering group and talk about future questions about how and where to apply political pressure. For example, London Councils have been speaking to the LGA about how to lobby and influence on this issue.
- The evidence base around NRPF is not as strong as it could be and the DCLG have looked at the evidence base around NRPF as an extra burden on local authorities and felt that more evidence is needed, especially around the overall national picture on NRPF.
- London Councils is currently developing a new burden template to identify key issues that local authorities need to look at.
- After 2015 there is likely to be a review of spending, with the potential to address local government funding. Therefore we need an evidence base to support any political decisions and negotiations that take place.

- The lack of resolution on leave to remain is a key aggravating factor around NRPF. Data from Compass, who have been working on the Eurocities project, highlights that systems are not working well. There is also a backlog on asylum applications which is not likely to be cleared as the Home Office believes the hostile environment approach will drive people away.

3.4 Justine Roberts (Change and Innovation Manager) then highlighted the following information:

- Lewisham is keen to keep working with the NRPF Network and is putting data into the NRPF Connect database.
- Funding from the DCLG has been for joint service delivery involving other boroughs in South east London. This is a positive step.
- Lewisham recently carried out a 'Policy School' on NRPF with the Cabinet Office, which is another way of talking about NRPF and raising its profile.

3.5 The Committee then discussed the following points:

- The concern about what will happen if the hostile environment approach doesn't work, as this would not relieve the burden on local authorities and could increase it.
- Local authorities have been effective at tackling service delivery while incurring huge cuts in funding. This means that central government is happy to then pass on cuts knowing that local authorities will manage effectively.
- The pessimism that local authorities will get funding for NRPF, as the suspicion is that central government will always ask for more evidence.

## **4. Annual Complaints Report**

4.1 Ralph Wilkinson (Head of Public Services) introduced the report and highlighted the following key points:

- There has been a 10% increase in complaints, which was expected given the elections in 2014 and the reductions in budgets.
- The Customer Services received the largest number of complaints and has the most direct interaction with the public.
- The top three issues with complainants were Council Tax, Lewisham Homes Property Services and Lewisham Homes Housing Management.
- The increase in Council Tax complaints was expected due to the introduction of the Council Tax Reduction Scheme, which introduced 24 000 extra billings and meant taking a lot more action.
- Complaints are used to drive improvements in service delivery and there has been improved web content and information provided.
- The Independent Adjudicator's feedback was largely positive, acknowledging the context to the increase in complaints and that Lewisham is helpful in resolving complaints.

4.2 In response to questions from the Committee, Ralph Wilkinson provided the following information:

- Officers are reviewing the use of iCasework and may move to an internally developed CRM system. The iCasework system has flaws and officers are aware of this. The system is being upgraded now and there is confidence that most complaints go through iCasework, although some complaints will

inevitable slip through. Any responses from Executive Directors to complaints will be entered into iCasework.

- Temporary accommodation is a big issue and the Council can sometimes struggle to procure it. There is a lot of work taking place in the Housing Options team to improve this.
- There are issues in the difference in quality and time of response between Lewisham Council and Lewisham Homes, with the accuracy and quality of responses a concern. Officers will be meeting with Lewisham Homes to discuss this.

**Resolved:**

That the Committee should receive a written briefing from the relevant Cabinet Member about improvements to the efficiency of iCasework.

**5. Asset management update**

5.1 Tim Thompson (Manager, Operational Asset Management) and Martin O'Brien (Sustainable Resources Group Manager) introduced the report and highlighted the following key points:

- The report contains more detail on the breadth and depth of what has happened and what will happen with regard to asset management.
- The Asset management and accommodation strategy covers effective management of assets, an accommodation strategy for the operational estate, compliance and risk and the commercial estate. There is also a section that details how these will be delivered.
- Lewisham has a much firmer grasp on what it owns and the data associated with those assets thanks to the development of the asset register.
- A key will be to take the current estate and divide it into commercial and operational, so we are clear on what we want to do with our assets.
- The Strategic Asset Management Plan is a working strategic document that contains enough detail to set out how the key priorities will be achieved. It deliberately links in and supports other key corporate programmes and strategies.
- Lewisham is fortunate to own a diverse asset base which can be used to create income in lieu of lesser government funds.

5.2 In response to questions from the Committee, Tim Thompson and Martin O'Brien provided the following information:

- Officers are working through what on the asset register can be put in the public domain. There is a balance to be made here and no final decision has been taken on this yet.
- Officers are working through unregistered properties to pull them all together. The first phase of the asset register involved going through what was owned by Lewisham, the second phase is to go through the unregistered properties, identify them and think about how they can best be used.
- Asset data is crucial to making business decisions and there has been a lot of work carried out to make sure this was done properly. It will take time to secure development partners for major developments. For example, the Catford regeneration is a 10 year programme and officers would prefer to under promise and over deliver.

- There are no plans to sell off assets, assets will be used to generate revenue.
- There is an achievable 7 year programme set out. It could be possible to borrow against income from the commercial properties in order to get this done earlier.
- Officers in Economic Development are working to develop the Town Hall and opportunities there for creative industries.
- Officers are also having conversations with Goldsmiths University about their accommodation needs in the short, medium and long term.
- The proposed income levels will be made up of one third efficiencies and two thirds new income with a net new position of £10m.
- Work is being carried out with Community Services around community centres and how to make best use of them. At the moment some centres are not up to the standard required and there is inconsistency in the charging rates for buildings. Some groups will pay little or nothing for use, while others will pay full rates. The strategy agrees in principle a review of community centres as part of the wider asset optimisation process.
- The most benefit from solar panels or energy efficiency improvements would come from operational buildings that Lewisham pays the bills for and will be using in the long term. Once decisions have been on long-term operational use then improvements to those buildings, including energy efficiency, can take place.

## **6. Funding and Financial Management of Adult Social Care Review - Update**

- 6.1 Joan Hutton (Head of Assessment and Care Management) and Robert Mellors (Group Finance Manager, Community Services) introduced the update and in response to questions from the Committee provided the following information:
- The rate currently being paid currently is the London Living Wage as set in November 2013, with a new rate introduced in April 2015 to reflect the November 2014 rate.
  - Officers have wanted to test the market to see what is possible. There are examples of different approaches to domiciliary care that exist in the country, such as in Kent and Wiltshire.
  - The Healthier Communities Select Committee will carry out further scrutiny of how to shape and develop the market for supplying Adult Social Care services.
  - Embedding a different approach to assessment needs supply from market that supports personalisation.

## **7. Select Committee work programme**

- 7.1 The Committee discussed the work programme.

### **Resolved:**

The Committee agreed the work programme.

## **8. Referrals to Mayor and Cabinet**

- 8.1 There were none.



The meeting ended at 9.25 pm

Chair:

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Date:

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# Agenda Item 2

<b>Committee</b>	Public Accounts Select Committee	<b>Item No.</b>	2
<b>Title</b>	Declarations of Interest		
<b>Wards</b>			
<b>Contributors</b>	Chief Executive		
<b>Class</b>	Part 1	<b>Date</b>	5 February 2015

## Declaration of interests

Members are asked to declare any personal interest they have in any item on the agenda.

### 1 Personal interests

There are three types of personal interest referred to in the Council's Member Code of Conduct:-

- (1) Disclosable pecuniary interests
- (2) Other registerable interests
- (3) Non-registerable interests

### 2 Disclosable pecuniary interests are defined by regulation as:-

- (a) Employment, trade, profession or vocation of a relevant person\* for profit or gain
- (b) Sponsorship –payment or provision of any other financial benefit (other than by the Council) within the 12 months prior to giving notice for inclusion in the register in respect of expenses incurred by you in carrying out duties as a member or towards your election expenses (including payment or financial benefit from a Trade Union).
- (c) Undischarged contracts between a relevant person\* (or a firm in which they are a partner or a body corporate in which they are a director, or in the securities of which they have a beneficial interest) and the Council for goods, services or works.
- (d) Beneficial interests in land in the borough.
- (e) Licence to occupy land in the borough for one month or more.
- (f) Corporate tenancies – any tenancy, where to the member's knowledge, the Council is landlord and the tenant is a firm in which the relevant person\* is a partner, a body corporate in which they are a director, or in the securities of which they have a beneficial interest.
- (g) Beneficial interest in securities of a body where:-
  - (a) that body to the member's knowledge has a place of business or land in the borough; and

- (b) either
- (i) the total nominal value of the securities exceeds £25,000 or 1/100 of the total issued share capital of that body; or
  - (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person\* has a beneficial interest exceeds 1/100 of the total issued share capital of that class.

\*A relevant person is the member, their spouse or civil partner, or a person with whom they live as spouse or civil partner.

### (3) Other registerable interests

The Lewisham Member Code of Conduct requires members also to register the following interests:-

- (a) Membership or position of control or management in a body to which you were appointed or nominated by the Council
- (b) Any body exercising functions of a public nature or directed to charitable purposes, or whose principal purposes include the influence of public opinion or policy, including any political party
- (c) Any person from whom you have received a gift or hospitality with an estimated value of at least £25

### (4) Non registerable interests

Occasions may arise when a matter under consideration would or would be likely to affect the wellbeing of a member, their family, friend or close associate more than it would affect the wellbeing of those in the local area generally, but which is not required to be registered in the Register of Members' Interests (for example a matter concerning the closure of a school at which a Member's child attends).

### (5) Declaration and Impact of interest on member's participation

- (a) Where a member has any registerable interest in a matter and they are present at a meeting at which that matter is to be discussed, they must declare the nature of the interest at the earliest opportunity and in any event before the matter is considered. The declaration will be recorded in the minutes of the meeting. If the matter is a disclosable pecuniary interest the member must take no part in consideration of the matter and withdraw from the room before it is considered. They must not seek improperly to influence the decision in any way. **Failure to declare such an interest which has not already been entered in the Register of Members' Interests, or participation where such an interest exists, is liable to prosecution and on conviction carries a fine of up to £5000**
- (b) Where a member has a registerable interest which falls short of a disclosable pecuniary interest they must still declare the nature of the interest to the

meeting at the earliest opportunity and in any event before the matter is considered, but they may stay in the room, participate in consideration of the matter and vote on it unless paragraph (c) below applies.

- (c) Where a member has a registerable interest which falls short of a disclosable pecuniary interest, the member must consider whether a reasonable member of the public in possession of the facts would think that their interest is so significant that it would be likely to impair the member's judgement of the public interest. If so, the member must withdraw and take no part in consideration of the matter nor seek to influence the outcome improperly.
- (d) If a non-registerable interest arises which affects the wellbeing of a member, their, family, friend or close associate more than it would affect those in the local area generally, then the provisions relating to the declarations of interest and withdrawal apply as if it were a registerable interest.
- (e) Decisions relating to declarations of interests are for the member's personal judgement, though in cases of doubt they may wish to seek the advice of the Monitoring Officer.

## **(6) Sensitive information**

There are special provisions relating to sensitive interests. These are interests the disclosure of which would be likely to expose the member to risk of violence or intimidation where the Monitoring Officer has agreed that such interest need not be registered. Members with such an interest are referred to the Code and advised to seek advice from the Monitoring Officer in advance.

## **(7) Exempt categories**

There are exemptions to these provisions allowing members to participate in decisions notwithstanding interests that would otherwise prevent them doing so. These include:-

- (a) Housing – holding a tenancy or lease with the Council unless the matter relates to your particular tenancy or lease; (subject to arrears exception)
- (b) School meals, school transport and travelling expenses; if you are a parent or guardian of a child in full time education, or a school governor unless the matter relates particularly to the school your child attends or of which you are a governor;
- (c) Statutory sick pay; if you are in receipt
- (d) Allowances, payment or indemnity for members
- (e) Ceremonial honours for members
- (f) Setting Council Tax or precept (subject to arrears exception)

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# Agenda Item 3

Public Accounts Select Committee			
Title	2015/16 Budget report		
Contributor	Scrutiny Manager	Item	3
Class	Part 1 (open)	05 February 2015	

The following reports are included under this item:

- DRAFT 2015/16 Budget (including appendices W1 – Z5)
- Lewisham Future Programme 2015/16 Revenue Budget Savings Report (**to follow**)
- Final report and recommendations of the Public Health Working Group
- Final report and recommendations of the Youth Service Working Group
- Referrals from Select Committees on the savings proposals (Referral from the Sustainable Development Select Committee attached. **More referrals may follow.**)

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## MAYOR & CABINET

<b>REPORT TITLE</b>	DRAFT 2015/16 Budget		
<b>KEY DECISION</b>	Yes	<b>Item No.</b>	
<b>WARD</b>	All		
<b>CONTRIBUTORS</b>	Executive Director for Resources & Regeneration		
<b>CLASS</b>	Part 1	<b>Date</b>	11 February 2015

### 1. EXECUTIVE SUMMARY

1.1 This report sets out the range of budget assumptions which Council is required to agree to enable it to set a balanced budget for 2015/16. These include the following:

- The proposed Capital Programme (General Fund and Housing Revenue Account) budget for 2015/16 to 2018/19 of £424.3m, of which £132.7m is for 2015/16;
- The proposed rent increase of 2.61% (an average of £2.51 per week) in respect of dwelling rents, 2.2% (average £1.50 per week) in respect of hostels, and a range of other proposed changes to service charges. The proposed annual expenditure for the Housing Revenue Account is £130.9m for 2015/16;
- The provisional Dedicated Schools Grant allocation of £275.8m and a separate Pupil Premium allocation of £18.2m for 2015/16.
- In respect of the General Fund, the assumed net revenue expenditure budget of £245.5m. This is made up of provisional Settlement Funding from government of £159.3m (grant and business rates), forecast Council Tax receipts, and a surplus on collection of Council Tax in previous years from the Collection Fund.
- The changes to the prior year General Fund position to meet the 2015/16 net revenue budget of £245.5 are proposed on the basis of the following assumptions:
  - £26.9m of revenue budget savings are proposed for 2015/16;
  - £1.5m of revenue budget savings have been previously agreed for 2015/16;
  - £7.5m is provided for budget pressures in 2015/16 of which it is being recommended that £4.3m of specific identified budget pressures be funded now and £3.2m be set aside for identified, but as yet un-quantified risks;
  - £5.0m use of the New Homes Bonus reserve for revenue purposes for one year with the position to be reviewed for 2016/17;
  - An assumed 0% increase in Council Tax for Lewisham's services for 2015/16 and in so doing, receive the Government's freeze grant of £1.0m; and
  - A combination of once-off reserves and provisions be used to fund the current savings shortfall of £5.4m for 2015/16 to balance the budget, pending further proposals from the Lewisham Future Programme in 2016/17 to make this up.

- 1.2 The report also looks to the medium term financial outlook and notes the prospects for the budget in 2016/17, savings required, and work of the Lewisham Future Programme to meet identified potential budget shortfalls in future years.
- 1.3 In addition, the report updates the Council's Treasury Management strategy for both borrowing and investments. No fundamental changes are proposed to the approach or levels of risk the Council takes in its treasury functions.

## **2. PURPOSE**

- 2.1 The purpose of this report is to set out the overall financial position of the Council in relation to 2014/15 and to set the Budget for 2015/16. This report allows for the Council Tax to be agreed and housing rents to be set for 2015/16. It sets the Capital Programme for the next four years and the Council's Treasury Strategy.
- 2.2 The report also provides summary information on the revenue budget savings proposals that were presented at Mayor & Cabinet on 12 November 2014. The approval and successful delivery of these savings are required in order to help balance the budget for 2015/16 and to address the budget requirement for 2016/17.

## **3. RECOMMENDATIONS**

- 3.1 It is recommended that the Mayor considers the comments of the Public Accounts Select Committee of 5 February 2015, which incorporate the views of the respective select committees on the revenue budget savings proposals for 2015/16.
- 3.2 That, having considered the views of those consulted on the budget, and subject to consideration of the outcome of consultation with business ratepayers, and subject to proper process and consultation, as required, the Mayor:

### **Capital Programme**

- 3.3 notes the 2014/15 Quarter 3 Capital Programme monitoring position as set out in section 5 of this report;
- 3.4 recommends that Council approves the 2015/16 to 2018/19 Capital Programme of £424.3m, there are two new proposed major capital projects for 2015/16 and it includes an allocation of £90,000 of capital to Phoenix Housing in respect of their proposals for developing the Fellowship Inn, as set out in section 5 of this report and attached at Appendices W1 and W2;

### **Housing Revenue Account**

- 3.5 notes and asks that the Council note the consultation report on service charges to tenants' and leaseholders in the Brockley area, presented to area panel members on 11<sup>th</sup> December 2014, as attached at Appendix X3;
- 3.6 notes and asks that the Council note the consultation report on service charges to tenants' and leaseholders and the Lewisham Homes budget strategy presented to area panel members on 15<sup>th</sup> December 2014, as attached at Appendix X4;

- 3.7 recommends that Council sets an increase in dwelling rents of 2.61% (an average of £2.51 per week) – option B as presented in section 6 of this report, in accordance with current Housing Revenue Account financial strategy;
- 3.8 recommends that Council sets an increase in the hostels accommodation charge by 2.20% (or £1.50 per week), in accordance with the Rent Restructuring formula;
- 3.9 recommends that Council approves the following average weekly increases for dwellings for:
- 3.9.1 service charges to non-Lewisham Homes managed dwellings (Brockley);
- caretaking 2.20% (£0.07)
  - grounds 2.20% (£0.04)
  - communal lighting 2.20% (£0.01)
  - bulk waste collection 2.20% (£0.02)
  - window cleaning 0.00% (£0.00)
  - tenants' levy No increase
- 3.9.2 service charges to Lewisham Homes managed dwellings:
- caretaking No increase
  - grounds No increase
  - window cleaning No increase
  - communal lighting 40.70% (£0.35)
  - block pest control 5.16% (£0.08)
  - waste collection No change
  - heating & hot water -18.93% (-£1.87) decrease
  - tenants' levy No increase
- 3.10 recommends that Council approves the following average weekly percentage increases for hostels and shared temporary units for;
- service charges (hostels) – caretaking etc.; 4.08% (£2.77)
  - no energy cost increases for heat, light & power; 0.0% (£0.00)
  - water charges increase; 5.88% (£0.01)
- 3.11 recommends that Council approves an increase in garage rents by Retail Price Inflation (RPI) of 2.3% (£0.20 per week) for Brockley residents and 2.3% (£0.27 per week) for Lewisham Homes residents;
- 3.12 notes and asks Council to note that the budgeted expenditure for the Housing Revenue Account (HRA) for 2015/16 is £130.9m;
- 3.13 agrees and asks Council to endorse the HRA budget strategy savings proposals in order to achieve a balanced budget in 2015/16, as attached at Appendix X1;
- 3.14 agrees to write off 20 cases of Former Tenants' Arrears as set out in section 6 and Appendix X6, totalling £265,843.81;

## **Dedicated Schools Grant and Pupil Premium**

- 3.15 agrees to recommend to Council, subject to final confirmation of the allocation, that the provisional Dedicated Schools Grant allocation of £275.8m be the Schools' Budget for 2015/16; and
- Agree the changes to the funding arrangements for High Needs Pupils as set out in paragraph 7.12;
  - Note the level of pupil premium anticipated for 2015/16 of £18.2m

## **General Fund Revenue Budget**

- 3.16 notes and asks Council to note the projected overall variance against the agreed 2014/15 revenue budget as set out in section 8 of this report and that any year-end overspend will have to be met from reserves;
- 3.17 endorses and asks Council to endorse the previously approved revenue budget savings of £1.48m for 2015/16 and delegated budget savings proposals as per the Mayor and Cabinet meeting of the 12 November 2014, as set out in section 8 of the report and summarised in Appendix Y1;
- 3.18 notes that the revenue budget savings presented at this meeting under a separate report and as summarised in Appendices Y1 and Y2 will be used to balance the budget;
- 3.19 agrees and asks Council to agree the transfer of £5.0m in 2015/16 from the New Homes Bonus reserve to the General Fund for one year to meet funding shortfalls and that the position be reviewed again for 2016/17;
- 3.20 agrees the use of £5.4m reserves to fill the budget gap in 2015/16;
- 3.21 recommends to Council that it agrees to create a fund in respect of quantified revenue budget pressures in the sum of £4.3m in 2015/16, allowing the Executive Director for Resources & Regeneration to hold these resources corporately until such time that these pressures emerge during the year, and authorises the Executive Director for Resources and Regeneration to allocate these funds to meet pressures when satisfied that those pressures cannot be contained within the Directorates' cash limits;
- 3.22 recommends to Council that it agrees to create a fund in respect of as yet un-quantified revenue budget risks in the sum of £3.2m in 2015/16, allowing the Executive Director for Resources & Regeneration to hold these resources corporately in case these pressures emerge during the year, and authorises the Executive Director for Resources and Regeneration to allocate these funds to meet such pressures when satisfied that those pressures cannot be contained within the Directorates' cash limits;
- 3.23 agrees to recommend to Council that a General Fund Budget Requirement of £245.5m for 2015/16 be approved, based on a 0% increase in Lewisham's Council Tax element and the 1% Council Tax freeze grant of £1.0m being accepted. This will result in a Band D equivalent Council Tax level of £1,060.35 for Lewisham's services and £1,355.35 overall. This represents an overall decrease in Council Tax for 2014/15 of 0.3% and is subject to the GLA precept for 2014/15 being reduced by 1.3% from its existing 2014/15 level, in line with the GLA's draft proposal;

- 3.24 notes the Council Tax Ready Reckoner which for illustrative purposes sets out the Band D equivalent Council Tax at various levels of increase. This is explained in section 8 of the report and set out in more detail in Appendix Y3;
- 3.25 asks that the Executive Director for Resources & Regeneration issues cash limits to all Directorates once the 2015/16 Revenue Budget is agreed;
- 3.26 agrees to recommend to Council the draft Chief Financial Officer's Section 25 Statement, as attached at Appendix Y4;
- 3.27 agrees the draft statutory calculations for 2015/16 as set out at Appendix Y5;
- 3.28 notes the prospects for the revenue budget for 2016/17 and future years as set out in section 9;
- 3.29 agrees that officers continue to develop firm proposals as part of the Lewisham Future Programme to help meet the forecast budget shortfalls in 2015/16 and for future years;

#### **Other Grants (within the General Fund)**

- 3.30 notes the adjustments to and impact of various specific grants for 2015/16 on the General Fund as set out in section 8 of this report;

#### **Treasury Management Strategy**

- 3.31 recommends that Council approves the prudential indicators and treasury limits, as set out in section 10 of this report;
- 3.32 recommends that Council approve the 2015/16 treasury strategy, including the investment strategy and the credit worthiness policy, as set out at Appendix Z3;
- 3.33 recommends that Council agrees to delegate to the Executive Director for Resources & Regeneration authority during 2015/16 to make amendments to borrowing and investment strategies provided there is no change to the Council's authorised limit for borrowing;
- 3.34 recommends that Council agrees the Minimum Revenue Provision (MRP) policy as set out in section 10 of this report.
- 3.35 recommends that Council agrees the credit and counterparty risk management criteria, as set out at Appendix Z3, the proposed countries for investment at Appendix Z4, and that it formally delegates responsibility for managing transactions with those institutions which meet the criteria to the Executive Director for Resources & Regeneration;
- 3.36 recommends that Council agrees to decrease the maximum deposit limits with the part nationalised banks from £65m to £40m for each of Lloyds Banking Group and Royal Bank of Scotland (RBS) Group;
- 3.37 notes that there was one incidence of a breach of the investment policy in November 2014 when an investment with an approved counter party was made for 12 months which should have been limited to 6 months; and

3.38 notes the development of the Municipal Bond Agency

#### 4. STRUCTURE OF THE REPORT, POLICY CONTEXT AND BACKGROUND

4.1 The 2015/16 Budget Report is structured as follows:

Section 1	Executive Summary
Section 2	Purpose
Section 3	Recommendations
Section 4	Structure of the Report, Policy Context and Background
Section 5	Capital Programme
Section 6	Housing Revenue Account
Section 7	Dedicated Schools Grant and Pupil Premium
Section 8	General Fund Revenue Budget and Council Tax
Section 9	Other Grants and Future Years' Budget Strategy
Section 10	Treasury Management Strategy
Section 11	Consultation on the Budget
Section 12	Financial Implications
Section 13	Legal Implications
Section 14	Human Resources Implications
Section 15	Crime and Disorder Implications
Section 16	Equalities Implications
Section 17	Environmental Implications
Section 18	Conclusion
Section 19	Background Documents and Further Information
Section 20	Appendices

#### POLICY CONTEXT

4.2 The Council's strategy and priorities drive the Budget with changes in resource allocation determined in accordance with policies and strategy. The Council's vision "together, we will make Lewisham the best place in London to live, work and learn" was adopted by the Lewisham Strategic Partnership as part of the Sustainable Community Strategy, along with six over-arching priorities:

##### Sustainable Community Strategy

- **Ambitious and achieving:** where people are inspired and supported to their potential.
- **Safer:** where people feel safe and live free from crime, antisocial behaviour and abuse.
- **Empowered and responsible:** where people are actively involved in their local area and contribute to supportive communities.
- **Clean, green and liveable:** where people live in high quality housing and can care for and enjoy their environment.

- **Healthy, active and enjoyable:** where people can actively participate in maintaining and improving their health and well-being.
- **Dynamic and prosperous:** where people are part of vibrant communities and town centres, well connected to London and beyond.

### Corporate Priorities

The Council's ten 'enduring' priorities were agreed by full Council and are the principal mechanism through which the Council's performance is reported and through which the impact of saving and spending decisions are assessed. The Council's priorities also describe the Council's contribution to the delivery of Lewisham's Sustainable Community Strategy priorities.

- **Community Leadership and Empowerment:** developing opportunities for the active participation and engagement of people in the life of the community.
- **Young people's achievement and involvement:** raising educational attainment and improving facilities for young people through partnership working.
- **Clean, green and liveable:** improving environmental management, the cleanliness and care for roads and pavements, and promoting a sustainable environment.
- **Safety, security and a visible presence:** partnership working with the police and others to further reduce crime levels and using Council powers to combat anti-social behaviour.
- **Strengthening the local economy:** gaining resources to regenerate key localities, strengthen employment skills and promote public transport.
- **Decent Homes for all:** investment in social and affordable housing to achieve the decent homes standard, tackle homelessness and supply key worker housing.
- **Protection of children:** better safeguarding and joined up services for children at risk.
- **Caring for adults and older people:** working with health services to support older people and adults in need of care.
- **Active, healthy citizens:** leisure, sporting, learning and creative activities for everyone.
- **Inspiring efficiency, effectiveness and equity:** ensuring efficiency and equity in the delivery of excellent services to meet the needs of the community.

### Values

4.2 Values are critical to the Council's role as an employer, regulator, securer of services and steward of public funds. The council's values shape interactions and behaviours across the organisational hierarchy, between officers, and members, between the council and partners and between the council and citizens. In taking forward the Council's Budget Strategy, we are guided by the Council's four core values:

- We put service to the public first.
- We respect all people and all communities.
- We invest in employees.
- We are open, honest and fair in all we do.

- 4.3 A strong and resilient framework for prioritising action has served the organisation well in the face of austerity and on-going cuts to local government spending. This has meant, that even in the face of the most daunting financial challenges facing the Council and its partners, we continue to work alongside our communities to achieve more than we could by simply working alone. This joint endeavour continues to secure massive investment in the borough: new homes, school improvements, regenerating town centres, new and renewed leisure opportunities and improvement in the wider environment, including award winning work on our river corridors. This work has done much to improve life chances and life opportunities across the borough through improved education opportunities, skills development and employment. And there is still much more that can be done to realise our ambitions for the future of the borough, ranging from our work to bring the Bakerloo Line extension here, with other transport improvements through to our nationally recognised programmes of care and support to some of our most vulnerable and troubled families.
- 4.4 However, it is clear that the Council cannot do all that it once did, nor meet all those expectations that might once have been met, for we are in a very different financial position than just a few years ago. Very severe financial constraints have been imposed on Council services, with cuts to be made year on year on year, and this on-going pressure is addressed here in this report, proposing further budget savings for 2015/16.

## **BACKGROUND**

- 4.5 The requirement to rebalance the public finances and the financial outlook for the Council and the public sector as a whole remains extremely challenging.
- 4.6 The Office for Budget Responsibility (OBR) provides independent analysis of the UK's public finances. The most recent forecasts, released in December 2014, are for the period to 2018/19. They show that the UK economy has grown more in 2014 than originally predicted in March 2014. This has resulted in Gross Domestic Product (GDP) being revised up to 3.0% from 2.7% and forecasts for 2015 also being revised upwards from 2.3% to 2.4%. Inflation forecasts have been revised downwards due to lower than expected outturns in recent data and the effects of lower oil and food prices. It is expected that Consumer Price Index (CPI) inflation will remain below the Bank of England's 2% target until 2017.
- 4.7 The OBR expect Public Sector net borrowing to fall by 0.6% of GDP in 2014/15, reaching 5.0% of GDP – half the peak it reached in 2009/10. Looking further ahead, the OBR expects the deficit to fall each year and to reach a small surplus by 2018/19.
- 4.8 In the Autumn Statement, the Chancellor of the Exchequer announced further efficiency savings of £10bn for the public sector. It is expected that this will have a further detrimental effect on the Council's funding in the years to come.
- 4.9 The Council has already made savings of £93m to meet its revenue budget requirements since May 2010 and is proposing further savings of £28.9m (£26.9m of new proposals, £0.5m of additional Council Tax collected, and £1.5m of previously agreed savings) for 2015/16.
- 4.10 The Medium Term Financial Strategy was reported to Mayor & Cabinet in July 2014. This set out that an estimated £85m of savings are required from 2015/16 to 2017/18.



The Lewisham Future Programme Board was established to progress cross-cutting and thematic reviews to deliver these savings.

- 4.11 The provisional Local Government Finance Settlement was announced on 18 December 2014, with the final settlement expected in early February 2014. Leaving all other previous assumptions unchanged, the provisional estimate is that the forecast savings required in 2015/16 remains at £40m.
- 4.12 This report sets out the position of the financial settlements as they impact on the Council's overall resources:
- Capital Programme for 2015/16 to 2018/19;
  - Housing Revenue Account and level of rents for 2015/16;
  - Dedicated Schools Grant for 2015/16;
  - General Fund Revenue Budget for 2015/16;
  - Other Grants for 2015/16;
  - Council Tax level for 2015/16; and
  - Treasury Management Strategy for 2015/16.

## **5 CAPITAL PROGRAMME**

- 5.1 In considering the Council's overall financial position, the Capital Programme is considered first. This is to ensure that any revenue implications of capital decisions are taken into account. The Capital Programme budget for 2015/16 to 2018/19 is proposed at £424.3m, of which £132.7m is for 2015/16.
- 5.2 This section of the report is structured as follows:
- Update on 2014/15 Capital Programme
  - Proposed Capital Programme 2015/16 to 2018/19

### **Update on 2014/15 Capital Programme**

- 5.3 Progress in delivering the 2014/15 Capital Programme has been reported to Mayor & Cabinet and the Public Accounts Select Committee regularly throughout the year. The latest forecast projection is that £137.3m (93%) of the revised budget allocated for the year of £147.4m, and reported to Mayor and Cabinet on 12<sup>th</sup> November 2014, will be delivered this year. At this stage, the slippage of £10.1m has been re-phased to 2015/16.
- 5.4 The capital programme for 2014/15 has seen a number of schemes progress well with the main areas of capital spend involving the provision of school places and housing.
- 5.5 The Council has pursued an ambitious programme to transform the borough's schools and create state-of-the art facilities which would have a positive impact on children's education. Over £300m - a combination of central government and council money - has been spend on rebuilding or refurbishing schools over the last ten years. Drumbeat is a brand new school over two sites, catering specifically for children identified as having Autistic Spectrum Disorder. Brent Knoll School and Sydenham School are the last two schools being either rebuilt or refurbished as part of the Building Schools for the Future programme, with ongoing works due for completion in 2015/16.

- 5.6 The school places programme has resulted in an additional 645 Reception places being provided enabling the Council to offer a school place to all children whose families requested one and the Schools Minor Works Programme has successfully delivered building improvements to the primary schools estate. Delivered across 11 schools with a £1.5m budget, the programme has led to improvements to the building fabric, roof structures and heating systems. These works will improve the energy efficiency of the schools and help reduce on-going maintenance issues.
- 5.7 The borough's first council housing development in 30 years was completed in January 2015. These homes are the first of 500 new council homes that are pledged to be built by 2018. These properties are part of the New Homes, Better Places programme that includes investment in social housing and housing for older people and working with developers to build more homes for Lewisham people at affordable prices. Six new homes near Mercator Road in Lee are now being advertised so prospective tenants can bid for them. As part of this programme, Lewisham Homes and Roof off will also seek to provide high quality employment, training and business opportunities.
- 5.8 In terms of housing the "New Homes, Better Places Programme" has led to six new homes that are nearing completion with 74 awaiting planning permission and a further 124 homes in process. In addition the hostels acquisition & conversion programme is also in progress with the acquisition of Hamilton Lodge and Canonbie Road now completed. When ready these will help alleviate some of the pressure on nightly paid accommodation. In addition, the proposed construction of the Ladywell pop-up village will also enable the Council to provide accommodation on a temporary basis as an alternative to nightly paid accommodation. Significant expenditure has also been incurred as part of the ongoing decent homes programme of works.
- 5.9 Other notable areas of capital project management and expenditure include:
- **Lewisham Gateway** - the largest regeneration scheme within Lewisham Town Centre, incorporating homes, retail space, Confluence Park, new pedestrian routes to Lewisham Station and revised a road layout.
  - **Catford Stadium** - comprising 589 residential units, commercial floor space, a community centre, plus landscaping, including river naturalisation and creation of a public plaza between Catford and Catford Bridge Stations. Construction is now underway, and expected to continue through to June 2018.
  - **Catford Broadway** - a £2.1 million makeover is complete, including a brand new level 'shared' surface to improve accessibility, new lighting and seating, plus better facilities for the market and means of attracting new market traders.
  - **Marine Wharf West** - delivering new homes, shops and businesses and landscaping along the 30m wide former route of the Surrey Canal. Construction is nearing completion on the second and third phases, which include 78 units provided as an 'extra care' facility.
  - **Cannon Wharf** - including a purpose-built business centre which is expected to create at least 80 new jobs on the site (25% more than previously), a children's nursery, and landscaping along the former route of the Surrey Canal. The first Business Centre and first tranche of commercial units will be ready for occupation in June 2015.
  - **Beckenham Place Park** - awarded around £300k from the Heritage Lottery Fund (HLF) and the Big Lottery to further develop proposals to restore many of heritage features and make it more attractive to a wide range of local and regional visitors. Further HLF/Big Lottery funding, totalling £4.6 million, has been ring-fenced for the

delivery of the finalised plans. As this funding can be used for park-wide restoration works, gardens, visitor centres or recreational features, it is likely to see the reinstatement of the original lake and the introduction of numerous play features and an events space.

### Proposed Capital Programme 2015/16 to 2018/19

- 5.10 The Council's proposed Capital Programme for 2015/16 to 2018/19 is currently £424.3m, as set out in Table A1:

**Table A1: Proposed Capital Programme for 2015/16 to 2018/19**

	<b>14/15</b>	<b>15/16</b>	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>	<b>4 Year Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>General Fund</b>						
Building Schools for the Future	22.0	6.2	1.2	0.0	0.0	<b>7.4</b>
Schools – Primary Places and other Capital Works	32.7	17.2	12.4	1.2	1.2	<b>32.0</b>
Highways, Footways and Bridges	6.7	5.5	5.5	3.5	3.5	<b>18.0</b>
Major Regeneration Schemes	5.0	24.6	6.9	2.7	0	<b>34.2</b>
Town Centres and High Street Improvements	0.9	0.0	3.6	0.0	0.0	<b>3.6</b>
Asset Management Programme	2.4	2.5	2.5	2.5	2.5	<b>10.0</b>
Other Schemes	15.1	6.5	4.1	2.4	2.4	<b>15.4</b>
	<b>84.8</b>	<b>62.5</b>	<b>36.3</b>	<b>12.3</b>	<b>9.6</b>	<b>120.6</b>
<b>Housing Revenue Account</b>	<b>52.5</b>	<b>70.2</b>	<b>76.8</b>	<b>104.5</b>	<b>52.2</b>	<b>303.7</b>
<b>Total Programme</b>	<b>137.3</b>	<b>132.7</b>	<b>113.1</b>	<b>116.8</b>	<b>61.8</b>	<b>424.3</b>

- 5.11 The resources available to finance the proposed Capital Programme are as set out in Table A2 below:

**Table A2: Proposed Capital Programme Resources for 2015/16 to 2018/19**

	<b>14/15</b>	<b>15/16</b>	<b>16/17</b>	<b>17/18</b>	<b>18/19</b>	<b>4 Year Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>General Fund</b>						
Prudential Borrowing	4.0	22.9	10.7	0.0	0.0	<b>33.6</b>
Grants and Contributions	55.8	25.1	13.2	0.5	0.5	<b>39.3</b>
Specific Capital Receipts	6.9	4.5	2.0	2.7	0.0	<b>9.2</b>
General Capital Receipts / Reserves / Revenue	18.1	10.0	10.3	9.1	9.1	<b>38.5</b>
	<b>84.8</b>	<b>62.5</b>	<b>36.3</b>	<b>12.3</b>	<b>9.6</b>	<b>120.6</b>
<b>Housing Revenue Account</b>						
Prudential Borrowing	0.0	0.0	0.0	35.1	2.3	<b>37.4</b>
Grants	36.2	0.0	2.7	3.2	0.0	<b>5.9</b>
Specific Capital Receipts	3.7	10.5	7.6	13.3	14.3	<b>45.7</b>
Reserves / Revenue	12.6	59.7	66.5	52.9	35.6	<b>214.7</b>
	<b>52.5</b>	<b>70.2</b>	<b>76.8</b>	<b>104.5</b>	<b>52.2</b>	<b>303.7</b>
<b>Total Resources</b>	<b>137.3</b>	<b>132.7</b>	<b>113.1</b>	<b>116.8</b>	<b>61.8</b>	<b>424.3</b>

- 5.12 Members will note that the General Fund resources available to finance capital projects decrease over the term of the Programme. This reflects the Council's prudent approach to long-term planning, with grants for later years not taken into account until they have been confirmed, and capital receipts only being taken into account when they have been received or are reasonably certain of being received. The Council prudently avoids entering into long-term expenditure commitments until there is more certainty as to how they can be financed.
- 5.13 The Highways and Footways programme of £3.5m per year, agreed by Mayor & Cabinet, has been included. A full list of changes to the Programme is shown in Appendix W2.
- 5.14 The two larger additions to the programme for 2015/16, both in the General Fund, are the agreement to loan up to £20m to Lewisham Homes to acquire street properties to help address the on-going nightly paid accommodation pressures and an anticipated £1.8m of borrowing for works to provide additional primary school places.
- 5.15 No changes are proposed at this stage to the existing General Fund revenue contributions to capital (CERA) of £2.0m per year from General Fund and £1.2m per year contribution from schools. The revenue funding line also includes amounts transferred to reserves in previous years for schemes which at that time, had not been delivered.
- 5.16 The Capital Programme will be further updated to include future grants, once these are known and will also include the year-end outturn expenditure and resourcing. This is expected to be reported to Members before the summer recess and will not impact on delivery of the Programme for 2015/16.

- 5.17 A significant amount of the future planned prudential borrowing is within the Housing Revenue Account, which is the available headroom within the self-financing settlements.

### Summary

- 5.18 The proposed 2015/16 to 2018/19 Capital Programme totals £424.3m (General Fund £120.6m and HRA £303.7m) and includes all the Council's capital projects. It sets out the key priorities for the Council over the four year period and will be reviewed regularly. The Capital Programme is set out in more detail in Appendices W1 and W2.

## **6. HOUSING REVENUE ACCOUNT**

- 6.1 This section of the report considers the Housing Revenue Account (HRA). The budgeted expenditure for the HRA in 2015/16 is £130.9m

- 6.2 It is structured as follows:

- Update on the HRA financial position for 2014/15
- Update on the HRA Business Plan
- Future Years' Forecast

### **Update on the HRA financial position for 2014/15**

- 6.3 The HRA is budgeted to spend £104.0m in 2014/15. The latest forecast on the HRA for 2014/15, is that net expenditure can be contained within budget by the year end. There are currently minimal reported pressures, which can, if necessary, be mitigated by the use of once off contingencies, reserves and revenue working balances. Expenditure against repairs & maintenance budgets is expected to be contained within the sums allocated.

### **Update on the HRA Business Plan**

- 6.4 The Housing self-financing system was implemented on 1 April 2012 when the HRA subsidy scheme was abolished. A 30 year financial model has been developed based on current management arrangements, updated for efficiency savings and cost pressures. In addition, policy objectives such as sheltered housing and new build plans are incorporated into the modelling.
- 6.5 The plan is due to have a major revision following the undertaking of detailed stock surveys to complete Decent Homes and other investment programmes over the next few years. This includes assumptions on future liabilities, programmes, savings and other requirements. These assumptions will be used to inform the resource need and identify potential gaps in funding and opportunities for additional income and grants.
- 6.6 In addition, the Council received in January the results of the bidding process to the GLA for additional Decent Homes backlog grant funding. This confirmed that the Council is one of two boroughs not to receive any additional Decent Homes monies.
- 6.7 The plan has also been recently updated with costs associated with new build units and a target of 500 additional units by the end of the Mayor's current term.

- 6.8 The Council continually considers how best to respond to the challenges and opportunities of the HRA self-financing system. The combination of the new system and the significant housing pressures may, in due course, cause the Council to adopt new management arrangements in order to optimise delivery of policy objectives.

### **Future Years' Forecast**

- 6.9 The key purpose of the proposed HRA budget is to ensure that there are sufficient resources to support lifecycle works, repairs and maintenance, the Decent Homes programme and delivery of new homes in the borough. The reduction in management costs is also expected to continue.
- 6.10 The HRA is budgeted to spend £130.9m in 2015/16. Officers have examined budgets to identify savings opportunities to deliver services for improved value for money. These savings are included in the proposed budget for 2015/16. Overall Savings of £0.346m for 2015/16 were identified and put before Tenants Panels in December 2014. An explanation of the savings and options to achieve them are set out in more detail in Appendix X1. The feedback from the consultation is set out in Appendix X2. Should all of these proposals be agreed for 2015/16, they could be used for investment needs currently identified by the HRA Business Plan, or to off-set reductions in the proposed rent increase.
- 6.11 Under these proposals, the Lewisham Homes management fee would move from its current level of £18.676m in 2014/15 to £18.673m in 2015/16. This is after inflation allowances increases and a reduction for stock loss. However, this represents an overall increase of 1.52% in the fee per property compared to 2014/15.
- 6.12 Separate reports which set out in detail the proposals relating to service charges for Brockley and Lewisham Homes residents are attached at Appendix X3 and Appendix X4, respectively.

### Rental Income and allowances

- 6.13 The average weekly rent is currently £95.97 in 2014/15.
- 6.14 In October 2013, Government consulted with Local Authorities on the implementation of a new social rent policy, proposing to move from annual increases of RPI + 0.5% (+£2 convergence where necessary) to CPI + 1%. This policy was confirmed by Government in May 2014 as its preferred method for rent increases for a 10 year period from 2015/16. In addition, the Government also assumed that the majority, if not all, Local Authority stock would or should be at its formula level as there had 'been more than enough time' to have moved rents to this level.
- 6.15 However, this is not the case in Lewisham as approximately 29% of stock has not yet reached its rent convergence level. The majority of London boroughs have also reported that their stock is not yet at the rent convergence levels.
- 6.16 The forecast increase in actual tenants' rents, using the Government's rent policy guidance of limiting actual increases to CPI at September 2014 of 1.20% + 1.0% is 2.20%, which equates to an average rise of £2.10pw. However, this would leave the HRA with an annual shortfall in rent of £693k against the business plan assumptions. In addition, the loss over the remaining life of the 30 year plan, assuming increases only in line with CPI + 1%, would be £26.3m.

6.17 In view of the change in policy, and the potential rental income shortfall against the HRA business plan assumptions, officers provided four illustrations of potential 2015/16 rent rises for consideration by residents and Mayor & Cabinet. These include following: A) Government guidance; B) continuation of Rent convergence until all units have reached their formula rent; and C) capped D) uncapped increases.

6.18 The table below provides the illustrations of various rent increases consulted on, and its impact on moving units to it's formula or target level and the shortfall in income compared to the business planning assumptions for the HRA. It should be noted that illustration A assumes that convergence will not continue, whilst illustration's B to D will continue with convergence. For example, a rise in line with the previous convergence formula will generate £1.89m in additional rental income. A rent rise lower than this is likely to result in additional lost resources in the HRA. For example, a rent rise of CPI plus 1% would generate £1.58m in additional rental income, a reduction of £311k or £0.41 per dwelling per week.

<b>Illustration</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
CPI 1.2% RPI 2.3%	CPI + 1%	RPI + 0.5% + £2	Overall 3% increase capped to £10pw	Overall 3% Increase not capped
*Limit Rent	£98.92	£98.92	£98.92	£98.92
Continue Convergence	No	Yes	Yes	Yes
Rent Rise £	£2.10	£2.51	£2.77	£2.87
<b>Rent Rise %</b>	<b>2.20%</b>	<b>2.61%</b>	<b>2.88%</b>	<b>3.00%</b>
New Average rent	£98.01	£98.42	£98.68	£98.78
Units On Formula	10,264	13,031	14,079	14,241
Units not on Formula	4,266	1,499	451	289
Highest Rise £	£3.92	£6.61	£10.00	£20.92
Highest rise %	2.20%	6.49%	18.50%	13.71%
Lowest Rise £	£1.19	£1.44	£1.44	£1.44
Lowest rise %	2.20%	2.20%	2.20%	2.20%
Rent rise value	£1,583,970	£1,894,761	£2,089,886	£2,170,690
Additional rent	-	£310,791	£505,916	£586,720
Shortfall against business plan	-£613k	-£302k	-£107k	-
Long-term shortfall	£24.6m	£0.90m	£0.107m	-
Convergence (Yr's)	-	8	5	-

- 6.19 The table also shows the impact of the various increases in terms of new average rent and average increases. It also shows the effect on the number of units not currently at its convergence or formula rent
- 6.20 The illustrated proposals all show a reduction against the assumptions in the current HRA financial model, with fewer resources available to the HRA business plan. It would therefore be likely that additional savings/efficiencies would be required to make up for any lost resources.
- 6.21 A rent rise higher than the limit rent calculation will result in additional recharges to the HRA via the Housing Benefit (HB) subsidy limitation charges. Any rise above this level will be lost through additional limitation recharges and therefore result in no benefit to the HRA.
- 6.22 The table below shows increased proposed or being consulted on by other providers in London:

<b>Councils</b>	<b>Indicative average increase</b>	<b>Proposed increase Methodology</b>
Barking and Dagenham	4.00%	Convergence in 5 years
Camden		CPI+1%+£2 (2.2% + £2)
Croydon	2.20%	
Greenwich	2.20%	
Hackney	3.02%	
Hillingdon	2.20%	
Kensington and Chelsea	2.20%	
Lambeth	2.90%	
Newham/Havering	9.00%	
Redbridge	2.20%	
Southwark	2.20%	
Tower Hamlets		RPI + 0.5% + £2
Westminster	2.26%	
Phoenix	2.20%	

- 6.23 Tenants were asked to provide comments and feedback on the illustrations for inclusion in the Mayor & Cabinet budget report at meetings held with Brockley PFI and Lewisham Homes tenants. There was a strong expression of concern raised relating to options B, C and D. The greatest concern was for the impact of the rent rise on working tenants, particularly in the cases of options C and D, as the proposals were significantly higher than pay awards over the last five years. The comment was made that last year's rise was also significantly higher than increases in pay.
- 6.24 Tenants of both Brockley and Lewisham Homes overwhelmingly favoured option A, although some sympathy was shown to option B. Options C and D were considered unacceptable by all tenants in attendance.



- 6.25 The three responses received from Excalibur tenants expressed a consistent stance that the rents on that estate should not be increased due to the poor standards of the properties and the lack of Council investment in the estate.
- 6.26 Further details of the consultation results can be found in appendix X2
- 6.27 Details of the options for the rent rise for 2015/16 were presented to the Housing Select Committee on 17<sup>th</sup> December 2014. Members indicated that they favoured option B, allowing the council to stick to its current plans.
- 6.28 Having regard to the consultation held in December 2014, the Mayor is asked to make a recommendation to full Council that a rent increase be agreed to accord with one of the options A, B, C or D. The range of new average rents are between £98.01 to £98.78 with officers proposed option being option B with an average rent of £98.42.

#### Other Associated Charges

- 6.29 There are a range of other associated charges. These include: garage rents, tenants levy, hostels, linkline, private sector leasing, heating and hot water. These charges and any proposed changes to them for 2015/16 have been set out in detail in Appendix X5.

#### Summary

- 6.30 The gross budgeted expenditure for the HRA in 2015/16 is £130.9m. The Mayor is asked to make a recommendation to full Council for a rent increase having considered tenants feedback following consultation on rent illustrations A to D, held in December 2014. The current average weekly rent is £95.97 in 2014/15. The illustrations provided are within a band of average rents of between £98.01 to £98.78 with the officers proposed option being option B with an average rent of £98.42.

#### Former Tenants' Arrears Write Offs

- 6.31 The HRA self-financing of 2012 means that the Council now has considerably greater control over the long term planning of its Housing Revenue Account, and this longer term focus has allowed excellent progress to be made in delivering investment into new Council homes for the first time in 30 years.
- 6.32 As part of the annual review of the HRA and the setting of associated budgets, this long term focus also requires officers to review both the assumptions that underpin long term plans and the operational performance of delivering that plan. In that regard it is important for officers to consider at this time the likelihood of recovering all of the income to which the Council is due.
- 6.33 Lewisham Homes has substantially improved the way its income collection processes work and has addressed the majority of historic arrears cases. The percentage of rent collected in 2013/14 was 97.86% and at the latest update, 99.65% had been collected in the current financial year. This high income collection rate strengthens the performance of the HRA and enables greater levels of investment for both existing residents and to build the new Council homes Lewisham so desperately needs.
- 6.34 However, there remains a limited number of historic bad debt cases in which Lewisham Homes, despite exhausting all possible options, has been unable to collect. In total there are 20 such cases, some of which date back nearly a decade, which in total

constitute outstanding arrears of £265,843.81. A summary of these cases is set out at Appendix X6.

- 6.35 Lewisham Homes advises officers that in all of these cases it has exhausted all possible recovery options and now as such these debts as unrecoverable. In order to remove unrecoverable debt from the Council's portfolio, the Mayor is recommended to agree that for each of these cases the historic debt be written off.

## **7. DEDICATED SCHOOLS GRANT AND PUPIL PREMIUM**

7.1 This section of the report considers the Dedicated Schools' Grant (DSG) and level of Pupil Premium for 2015/16. This grant is formula based, calculated by the Government with the Council passing it onto schools. The respective budgets for 2015/16 are £275.8m and £18.2m.

7.2 It is structured as follows:

- Update on 2014/15 Dedicated Schools' Grant
- Dedicated Schools' Grant for 2015/16
- Pupil Premium

### **Update on 2014/15 Dedicated Schools' Grant**

7.3 The level of the Dedicated Schools' Grant (DSG) for 2014/15 is £268.6m. This will be revised later to take account of the pupil count which for early years children is undertaken in January 2015.

7.4 The only current budget pressure in the DSG arises from children with SEN statements / Education, Care and Health plans within the High Needs block of the grant. As this can be met from a previous year carry forward, the grant is expected to be balanced at the year end.

### **Dedicated Schools' Grant for 2015/16**

7.5 The DSG for 2015/16 has provisionally been set by the Department for Education (DfE) at £275.8m, although this will change during the year to reflect updated pupil numbers. This is the first year that the DSG has been bigger than the Councils Net General Fund budget. It is now £30m larger than the Net General Fund for 2015/16.

7.6 In comparison with last year, there is a £7.2m increase (2.7%) in the DSG. This increase is due to the following:

- some £8.1m relates to the inclusion in the settlement for Academy schools not included previously. The funding will be recouped by the Education Funding Agency later in the year. All Academies are now included in the DSG. The inclusion of Academies in the DSG will demonstrate the base funding for all schools within the Borough is on a comparable basis. The EFA then provide additional funds to reflect Academies additional responsibilities.
- A funding adjustment for part recoupment academies that were included in the funding settlement for 2014/15. The extra funding is £0.7m

- Although the amount per pupil has been frozen in cash terms there is an increase of £4.8m driven by the estimated increase in pupil numbers, largely in the primary age group.
- The funding for two year olds has been excluded from the settlement. The funding for two year olds will be announced in June 2015. The funding excluded is estimated, based on current projections, at £6.7m.
- A new pupil premium for early years children, £0.3m

- 7.7 Once inflation of 2.5% for the year is taken into account, this funding represents a real terms reduction in funding of 1.0%
- 7.8 Individual Schools' Budgets (ISBs) vary year on year mainly due to changes to pupil numbers. The Schools' Minimum Funding Guarantee (MFG) has been set at a negative figure of minus 1.5%, which relates to the funding level per pupil (i.e. the per pupil funding in a school cannot fall by more than 1.5%).
- 7.9 The Schools Forum considered the Dedicated Schools Budget on 11 December 2014. The Forum has legal responsibilities to decide some budgets, while for others their role is to take a view.
- 7.10 Under the regulations the Forum decides:
- Whether some elements of funding given to schools should no longer be delegated but instead managed centrally. This includes contingency funds, the administration of free meals, supply cover and insurance.
  - The budget level of central spend which includes growth funds, early years expenditure, admissions and capital expenditure from revenue. The budget of the later, under the funding regulations, is capped at the 2013/14 level.
- 7.11 The Council has to consult the Schools Forum on arrangements for Special Educational Needs (SEN) children. The Forum's powers extend to giving a view but the final decision lies with the Council.
- 7.12 The projection for 2015/16 is an overspend of £2.1m on the High Needs Block if no action is taken. The Schools Forum has agreed and recommended an approach to manage this shortfall in 2015/16 by reducing the top-up to schools budgets for High Needs Pupils (£1.8m) and reducing the funding given to school collaboratives (£0.3m). The task group set up by the Schools Forum to manage the High Needs Pupils costs in 2014/15 has agreed to continue to meet.
- 7.13 The Forum recommended that, as the Dedicated Schools Grant was cash frozen, the funding rates used to calculate ISBs should stay at the same level as 2014/15.
- 7.14 The Schools Forum on 25 September 2014 considered the proposed increase in charges in the Council services that are traded with them. The School Forum supported the proposal that the General Fund of the Council should not subsidise school activities and noted the increase in prices proposed. At their meeting of 11 December 2014 detailed consideration was given to the Public Health services that will be traded with schools in 2015/16 and asked that the Service Level Agreement offer be developed further.

## Pupil Premium

- 7.15 In addition to the DSG, schools will continue to receive the pupil premium. The pupil premium in 2014/15 was allocated to schools on the basis of the number of children who were entitled to a free school meal in the past six years. At the start of each year, the DfE provide a forecast of the numbers of pupils on roll. This is subsequently revised to an actual number later in the year.
- 7.16 In 2014/15, the rate of funding was £1,300 per primary child, £935 per secondary child and £1,900 per child in Looked After Care. The only change for 2015/16 is to the primary rate which rises by £20 to £1,320k. The current overall estimated levels of funding for the pupil premium in Lewisham are summarised in Table B1.

**Table B1 – Pupil Premium**

Sector	2014/15		2015/16	
	No. of Children	Funding	No. of Children	Funding
Primary	8,640	£11.2m	9,333	£12.3m
Secondary	5,690	£5.3m	5,369	£5.0m
Looked after Children	390	£0.8m	390	£0.7m
Adopted From Care			85	£0.2m
<b>Total</b>		<b>£17.3m</b>		<b>£18.2m</b>

## 8 GENERAL FUND REVENUE BUDGET AND COUNCIL TAX

- 8.1 This section considers the General Fund revenue budget and Council Tax. The General Fund budget for 2015/16, assuming a Council Tax increase of 0%, is £245.5m. Details of the savings anticipated for 2015/16 are provided at Appendices Y1 and Y2
- 8.2 It is structured as follows:
- Update on 2014/15 Revenue Budget
  - The Budget Model
  - Council Tax for 2015/16
  - Overall Budget Position for 2015/16.

### Update on 2014/15 Revenue Budget

- 8.3 The Council's revenue budget for 2014/15 was agreed at Council on 29 February 2014. The budget requirement was set at £268.1m.
- 8.4 During the financial year, monthly monitoring is undertaken by officers and these monitoring reports have been presented quarterly to Mayor & Cabinet and scrutinised by the Public Accounts Select Committee. Significant attention continues to be directed towards volatile budget areas. Volatile areas are those where small changes in activity levels can drive large cost implications. These include, for example; Looked After Children, No Recourse to Public Funds; Nightly Paid Accommodation; and Adult Social Care. These areas of activity are also informed by risk assessments which are continually reviewed.

- 8.5 Budget holders have been challenged to maintain tight control on spending throughout the year through the continuation and strengthening of Directorate Expenditure Panels (DEPs). In addition to this, a Corporate Expenditure Panel (CEP) was introduced in late October 2014. The Chief Executive and the Executive Director for Resources and Regeneration sit on this panel and it has served to provide an additional layer of scrutiny and challenge to existing DEPs.
- 8.6 The initial projected overspend of £11.2m was reported at the end of May 2014. Even since this position was first reported back in the spring, the scale of the projected overspend had suggested that the Council would be facing budget pressures of a different order to those of previous years. A series of measures and management actions have been employed over the course of the financial year and this has helped to alleviate some of the pressure with the latest projected forecast of £9.9m being reported to the end of November 2014. This is still a significant overspending projection, although there are now signs that the various management actions will continue to help bring the projected overspend down.
- 8.7 The forecast variances by Directorate are set out in Table C1 below.

#### Directorates

- 8.8 Table C1 sets out the latest forecast budget variances on the General Fund by Directorate.

**Table C1: Forecast outturn for 2014/15 as at end of November 2014**

DIRECTORATE	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over / (under) spend	Variance
	£m	£m	£m	£m	%
CYP	74.3	(20.4)	53.9	8.7	16.1%
Community Services	168.0	(58.0)	110.0	(0.3)	-0.3%
Customer Services	100.3	(63.1)	37.2	2.3	6.2%
Resources & Regeneration	44.5	(12.2)	32.3	(0.8)	-2.5%
<b>Directorate total</b>	<b>387.1</b>	<b>(153.7)</b>	<b>233.4</b>	<b>9.9</b>	<b>4.2%</b>
<b>Corporate items</b>	34.7	0.0	34.7	0.0	
<b>Budget requirement</b>	<b>421.8</b>	<b>(153.7)</b>	<b>268.1</b>	<b>9.9</b>	

#### Corporate Financial Provisions

- 8.9 Corporate Financial Provisions are budgets that are held centrally for corporate purposes, which do not form part of the controllable expenditure of the service directorates. They include Capital Expenditure charged to the Revenue Account (CERA), Treasury Management budgets such as Interest on Revenue Balances (IRB) and Debt Charges, Corporate Working Balances and various provisions for items such as early retirement and voluntary severance. The spend on Corporate Financial Provisions is expected to be contained within budget by the year-end.
- 8.10 Consideration is now being given to employing the use of corporate measures to balance the budget at year end. It is proposed to meet any 2014/15 budget overspend from reserves.

## The Budget Model

8.11 This section of the report sets out the construction of the 2015/16 base budget. This section is structured as follows:

- Budget assumptions, including: Savings, Council Tax, and Inflation
- Budget pressures to be funded
- Risks and other potential budget pressures to be managed

### Budget assumptions, including: Savings, Council Tax and Inflation

8.12 The Council has made substantial reductions to its expenditure over the last four years. On all credible economic forecasts, it will continue to need to make further reductions for at least the next three to five years. This section of the report summarises a series of proposals that would enable the Council to set a balanced budget for 2015/16 as part of a sustainable financial strategy to 2018/19.

### Savings

8.13 On the 12 November the Mayor:

- Endorsed previously agreed savings proposals from the 2014/15 budget of £1.48m for 2015/16;
- Delegated £11.83m of savings proposals of which £8.56m were for 2015/16 to Executive Directors to agree and implement;
- Rejected the 2015/16 Option 2 savings proposal for the Youth Service of £1.75m
- Agreed for consultation and further work to proceed on £26.75m of savings proposals, of which £18.87m are for 2015/16. The results of this work are presented in the separate savings report to accompany this report for the Mayor's decision.

8.14 The Medium Term Financial Strategy in July 2014 identified the need for further work on the potential use of reserves and provisions. The proposals are to use:

- £5.0m of New Homes Bonus reserve in 2015/16 to cover part of the shortfall in revenue balances.

8.15 In total the above means a shortfall of £5.4m is required to balance the 2015/16 budget, if all the new savings proposals of £26.9m put forward for 2015/16 are agreed.

8.16 Following the provisional Local Government Finance Settlement in December 2014, the Executive Director for Resources & Regeneration has been considering options to bridge the budget shortfall in order to balance the budget for 2015/16. The options include using of a mixture of on-going and once-off resources. This is explained in more detail towards the end of this section.

8.17 Estimates for 2016/17 to 2017/18 are less certain, particularly as the local government finance settlement only contains details up to 2015/16. In the Autumn statement, the Chancellor of the Exchequer implied further cuts in public spending of around £10bn. Therefore, it would be reasonable to assume that the Council will continue to need to make significant savings over the medium-term. It is estimated that further savings against the General Fund resources of between £40m to £50m will be required over the course of 2016/17 to 2017/18. The prospects for future years' budgets are set out in more detail in section 9 of this report.

### Council Tax

- 8.18 The assumption used in the model for preparing the budget for 2015/16, subject to confirmation by Council, is for a 0% Council Tax increase and receipt of the 1% Council Tax freeze grant from Government. If Council choose to set a different Council Tax increase they will need to be mindful that any increase in Council Tax of 2% or more would require support in a local referendum. The limit being set by the Secretary of State. Further information on the options for Council when setting the Council Tax is set out towards the end of this section.

### Inflation

- 8.19 The Government's inflation target for the United Kingdom is defined in terms of the Consumer Price Index (CPI) measure of inflation which excludes mortgage interest payments. Since April 2011, the CPI has also been used for the indexation of benefits, tax credits and public service pensions.
- 8.20 On 16 December 2014, the Office for National Statistics (ONS) reported that the rate of CPI inflation in the UK stood at 1.0% in November, down from 1.3% in October. This is a 12 year low, the last time the rate was as low as 1.0% was September 2002. It is well below the 2.0% target set by the Government, and is expected to fall below 1.0% in early 2015.
- 8.21 For financial planning purposes, the Council has previously assumed an average pay inflation of 1.0% per annum, which equates to approximately £1.1m. In November 2014, a pay award of 2.2% was agreed for 2015/16 by the National Joint Council for Local Government Services (NJC). This equates to approximately £2.6m to be provided for in 2015/16.
- 8.22 The Council currently applies a non-pay inflation rate of 2.5% per annum. This equates to approximately £2.5m per annum. This figure has been put forward as an efficiency saving for three years starting from 2015/16.

### New Homes Bonus

- 8.23 The New Homes Bonus (NHB) sits alongside the Council's planning system and is designed to create a fiscal incentive to encourage housing growth. The Department for Communities and Local Government is paying the NHB as an un-ringfenced grant to enable local authorities to decide how to spend the funding. The scheme design sets some guidance about the priorities that spend should be focused on, in that it is being provided to 'help deliver the vision and objectives of the community and the spatial strategy for the area and in line with local community wishes'.
- 8.24 The NHB is paid each year for six years, with the last year being 2016/17. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes.
- 8.25 The provisional allocation for 2015/16 in Lewisham, including on-going payments, is £7.842m with the allocation for Year 5 (2015/16) delivery being £1.399m.

- 8.26 The Autumn Statement 2013 announced that in London, £70 million of New Homes Bonus would be pooled in 2015/16 in support of the London Growth Deal prepared by London's Local Enterprise Partnership (LEP).
- 8.27 The Government has not yet confirmed the amounts each authority will contribute to the £70m London LEP top slice in 2015/16, however it has outlined how it intends to calculate this, and has published provisional allocations. Lewisham's provisional contribution is £2.218m, which leaves a revised allocation of £5.624m for Lewisham's own use.
- 8.28 The cumulative nature of the NHB is set out in summary in Table C6 below.

**Table C6 – New Homes Bonus Allocation Profile**

	2011/12	2012/13	2013/14	2014/15	2015/16
Yr 1	0.706	0.706	0.706	0.706	0.706
Yr 2		0.958	0.958	0.958	0.958
Yr 3			2.150	2.150	2.150
Yr 4				2.629	2.629
Yr 5					1.399
<b>Total Allocation</b>	<b>0.706</b>	<b>1.664</b>	<b>3.814</b>	<b>6.443</b>	<b>7.842</b>
<b>Less London LEP Top slice</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2.218</b>
<b>Lewisham Total</b>	<b>0.706</b>	<b>1.664</b>	<b>3.814</b>	<b>6.443</b>	<b>5.624</b>

- 8.29 Officers have established a cross-departmental NHB working party. The group was initially formed in order to review the empty homes data and reduce long term empty properties in the Borough. Since the group formed, the number of empty properties within the borough has decreased.
- 8.30 The Council produces an Annual Monitoring Report (AMR) which assesses the level of development which has taken place and reviews the performance on plan making and related steps being undertaken to progress the regeneration of the borough.
- 8.31 The majority of planned growth for the borough is yet to come. The AMR provides an update on the progress of strategic sites within the regeneration and growth areas, including Deptford and New Cross, Lewisham Town Centre and Catford Town Centre. Overall, strategic sites are progressing well and are generally being constructed within anticipated timescales, with no significant barriers or major blockages to delay the development of these sites in the future. The AMR also provides a housing trajectory and identifies the anticipated amount of residential development over the next 14 years to 2028/29.
- 8.32 In view of the planned growth in housing and associated infrastructure in the borough in future years it was agreed to commit £0.65m of the NHB allocation per annum to provide delivery support for this. This represents a significant year-on-year commitment for the Council. Given the planned growth in the Lewisham over the next 14 years, the funding would be used to improve the borough's town centres, increase the number of jobs in the borough, provide improved transport links to the rest of London and build upon the necessary infrastructure such as schools, health facilities and open spaces.



8.33 While initially being held with a view to funding future capital works, a review of the NHB has been conducted and, given the pressures on the overall budget, it is now proposed to use some of the NHB for revenue funding shortfalls. This will be effected by releasing £5.0m of the accumulated reserve balance from the NHB scheme to the General Fund in 2015/16 only. We have not projected to spend any NHB beyond that as there is some uncertainty around the future of the scheme beyond 2015/16. We will review the position again in 2016/17.

### **Budget Pressures to be funded**

8.34 As in previous years, £7.5m of funds are set aside in the budget model to meet specific identified budget pressures and identified potential budget risks.

8.35 In addition, from 2014/15 the unallocated amount of risk fund was £3.9m. In respect of this budget as it is carried into 2015/16, it is now recommended that a number of specific identified pressures be funded now.

8.36 For 2015/16, this means the risk fund will be £11.4m (£7.5m + £3.9m). The budget pressures anticipated in 2015/16 have been reviewed by the Executive Director for Resources & Regeneration and it is recommended that a number of these specific identified pressures are funded now.

8.37 In terms of accounting for these, consistent with prior years, it is proposed that the Executive Director for Resources & Regeneration hold these funds corporately until such time that these pressures emerge within Directorate budgets and it has been determined that they cannot be contained within Directorates' cash limits during the year.

8.38 Table C2 provides a summary of the Corporate budget pressures that are being recommended to be funded.

**Table C2: Summary of 2015/16 budget pressures to be funded**

Description	£m	£m
Pressures set against 2014/15 unallocated budget		
• No Recourse to Public Funds	2.90	
• Nightly Paid Accommodation	1.00	
		3.90
Pressures to be set against 2015/16 risk budget		
• Actuarial Valuation	1.00	
• London Living Wage & Travel Time	2.20	
• Highways and footways pressure	0.35	
• Environment – Waste Disposal	0.30	
• Concessionary Fares	0.43	
		4.28
<b>Total - pressures recommended to be funded</b>		<b>8.18</b>

#### **No Recourse to Public Funds – £2.90m**

8.39 These are families who have made an application to remain in the country and are waiting to be dealt with by the Home Office. These clients are not seeking asylum but are people to whom the local authority owes a duty of care. This has emerged as a

significant budget pressure since 2013/14 and reported to the Public Accounts Select Committee regularly as part of the financial monitoring report.

- 8.40 Action is being taken to manage this risk. In 2014/15 a dedicated pilot was run to look at the families concerned to ensure that they are entitled to payment. The impact of this work has been to reduce the number of cases accepted. In addition, with the support of a seconded officer from the Home Office Border Agency, work is underway to re-assess the support arrangements for those already accepted. The impact of this work is starting to see the level of spend in this area decline.
- 8.41 It is estimated that over time this work will reduce to an ongoing level of just over £3m. It is therefore proposed to allocate £2.9m to the existing base budget at this time and hold the remaining risk against the unallocated risk fund.

Housing Needs – £1.00m

- 8.42 An increase in the number of homelessness applications has led to a significant increase in the number of people placed in nightly paid accommodation. The shortage of housing in London has also impacted on the situation. Limited new supply has meant that the movement in re-lets and new housing opportunities has reduced. The increase in demand for nightly paid accommodation has also meant that prices have increased faster than the benefit cap. A number of measures are being considered to ease the pressure but the impact will continue into the next financial year.
- 8.43 The annual cost pressure in this area is estimated at £2.0m in 2014/15 against an annual budget of £0.5m, with the effect of recent cost saving measures starting to be felt. For this reason it is proposed to set aside £1.0m in 2015/16 from the risk fund to address this anticipated continuing pressure.

Actuarial Valuation – £1.00m

- 8.44 An actuarial valuation of the Pension Fund was carried out as at 31 March 2013. This calculated the funding level at 71.4% and set employer's contribution rates until 31 March 2017. This represents a deterioration of 5.3% from the position at the 2010 valuation which assessed the funding level at 75.4%. The deterioration is attributable to changes in the Fund's portfolio along with other financial and demographic changes.
- 8.45 The actuary has applied a stabilisation mechanism which restricts movements in employers contributions within a 1% increase and 2% decrease range to recognise both affordability issues and the potential improvement in investment returns in the inter-valuation period from 2014 to 2017. Additional stabilisation funding of £1.0m will be provided for 2015/16.

Adults' Social Care – Care Provider Terms & Conditions, including the London Living Wage and Travel Time - £2.20m

- 8.46 Firstly, there has been an increase of almost 4% in London Living Wage (LLW) and the current domiciliary care contracts have just been extended. Providers have been offered 1% for an extension until October 2015 when new contracts will be in place. There is also a need to increase direct payment rates by a minimum of 3% to honour the LLW commitment. LLW has not been built into residential/nursing block contracts yet, but there is some pressure to do so. Requirement to enrol staff in pension schemes will be a further cost pressure.

- 8.47 Secondly, there is an expectation under the Care Act that Home Care workers are paid reasonably for travelling between visits. Current domiciliary care contracts are not clear on this so payment of travelling time would probably require increased funding from the Council.
- 8.48 To support the work to bring all the Council's care contracts in line with the above terms and conditions and wages it is proposed to provide additional funding of £2.2m from 2015/16.

Highways and Footways pressure – £0.35m

- 8.49 The ten year investment programme for the resurfacing of highways and footways in the Borough has come to an end and future funding arrangements need to be established. In 2014/15 it was agreed that an ongoing highways resurfacing budget of £3.0m be established over a ten year period. In the first year, this was funded by a combination of pressures funding, reserves and the release of existing prudential borrowing budgets as debt is repaid.
- 8.50 Corporate funding of £0.3m for 2015/16 will be provided with an additional £0.3m being added to the budget until 2020/21 and a balance of £0.1m in 2021/22. Therefore, the total allocation over the period is £2.2m, although this will eventually be offset by £0.8m of released budget arising from repaid prudential borrowing over the period 2024/25 to 2033/34.
- 8.51 It was also agreed in 2014/15 to create an ongoing budget of £0.5m for the replacement of footways over a ten year period 2014/15 until 2023/24. For 2015/16, a budget allocation of £0.05m will be needed with an additional £0.05m being added to the budget for each of the years to 2023/24.
- 8.52 As part of the Capital Programme set out in section five of this report, capital investment for highways and footways of £3.5m per year has been included for 2014/15 onwards.

Environment Waste Disposal – £0.30m

- 8.53 Disposal tonnages have been increasing during 2014/15. To date, the associated increased costs are being contained within the environment budget. There is a further risk on increases in gate fees for recycling and an above inflation increase in the SELCHP gate fee. If the tonnages stay at current levels or increase further and the fee increases materialise, there will be a pressure on the budget of approximately £0.3m in 2015/16.

Concessionary Fares – £0.43m

- 8.54 London Councils have advised of Lewisham's Freedom Pass costs for 2015/16. The figure is £0.43m higher than 2014/15.

**Risks and other potential budget pressures to be managed**

- 8.55 Following the review of budget pressures within Directorates, there are a number of other risks and issues which, although difficult to quantify with absolute certainty, could prove significant should they materialise.

8.56 Officers continue to undertake work to fully assess and monitor these risks. These risks and other potential budget pressures are discussed in more detail below:

- Demographic Pressures
- Looked After Children
- Business Rate appeals
- Child Sexual Exploitation
- Redundancy
- Unachieved savings

#### Demographic pressures

8.57 There is an increase in the transfer of high cost packages and placements for young people with a learning disability from the Children & Young People's directorate to Adult Social Care. Increases in other client groups are lower, but the number of the most elderly in the borough appears to be increasing too along with their needs. Additional provision also has to be made for a few new physical disability placements a year (brain injuries and other accidents).

#### Looked After Children

8.58 The Looked after Children service provides social work support to all the children who are looked after by the London Borough of Lewisham. It performs all the statutory functions, including care planning and ensuring that their health and education needs are met. At the start of 2010, the number of Looked After Children peaked and then they started to decline. This continued until the summer of 2011 from when numbers were fairly stable. However, the numbers started to rise again in April 2013. Even though the budget pressure is being managed down in 2014/15 through effective and economic placement decisions, overall there remains a risk.

8.59 The current demographics indicate that the pupil population is growing by 2.5% which, all other things being equal, roughly projects to an increase in the Looked After Children of one a month creating a potential budget pressure.

#### Business Rate appeals

8.60 The Valuation Office continues to hear appeals on valuations from the 2010 list. Any of these that are upheld will require the Council to return the backdated overpayment and reduce the ongoing level of rates to be collected. This cost can be amortised over five years. At the same time new businesses may be starting and additional rates collected. Given these uncertainties it is not possible to fully evaluate the risk at this time.

#### Child Sexual Exploitation

8.61 This is a risk area across London which may, if the number of cases locally grows significantly, become a pressure in the future. At present the service is managing this risk by refocusing existing resources within their current budget and expect to be able to do through 2015/16. Given these uncertainties it is not possible to fully evaluate the risk at this time.

### Redundancy

- 8.62 The Council will seek to minimise the impact of savings on services and jobs. However, a significant proportion of the Council's budget goes on staff salaries and wages, so it will not be possible to make savings of £85m over the next three years without an impact on jobs. The cost of redundancy depends on age, seniority and length of service of the individuals affected, and it is not possible to calculate the overall financial impact at this stage.

### Unachieved savings

- 8.63 For those savings agreed there is a risk, as the detailed work to implement them progresses, of delay or changes to the proposals in response to consultations or other factors. These changes may impact the value of the saving that can be achieved, either in total or more often in terms of achieving a full year's financial impact.
- 8.64 Such pressures cannot be easily quantified at this stage, although it is estimated that it could be up to £4.0m on the current proposals of £26.9m for 2015/16. Should these pressures arise in the year and not be able to be contained with Directorate budgets, they could be met from the risk fund or become an additional call on reserves.

### Summary of Budget Pressures

- 8.65 There are some pressures to be funded (paragraphs 8.34 to 8.54), which can be quantified within a reasonable range. There are also a number of other risks and potential budget pressures (paragraphs 8.55 to 8.63) to consider which are less easy to quantify with any certainty.
- 8.66 In conclusion, it is a matter of good budgeting to make a general allowance for risk and uncertainty, particularly at such a time of rapid change in the local government sector.
- 8.67 After allowing for allocations of £8.2m, as summarised in Table C2 above, an unallocated balance of £3.2m would remain. It is proposed that the Executive Director for Resources & Regeneration hold this fund corporately. This fund would be used to allocate resources to fund emergent budget pressures during the year, which at this moment in time, cannot be quantified with any certainty.

### **Council Tax for 2015/16**

- 8.68 In setting the Council's annual budget, Members need to make decisions in respect of the Council Tax.

### Collection Fund

- 8.69 Collection Fund surpluses or deficits reflect whether the Council over or under achieves its Council Tax collection targets. Therefore, this requires a calculation to be made of how much the Council has already received for the Council Tax in the current and past years and how much of the outstanding debt it expects to collect.
- 8.70 A calculation was carried out on 15 January 2015, which is the date prescribed by the relevant statutory instrument. This calculation showed there is an estimated surplus on the Collection Fund in respect of Council Tax, for the years 1993/94 to 2014/15 of £6.236m.

- 8.71 This surplus is shared with the precepting authority, the Greater London Authority (GLA), in proportion to relative shares of budgeted Council Tax income in the current financial year. This means that £4.864m of the £6.236m surplus has to be included in the calculation of Lewisham's Council Tax. The remaining balance of £1.372m will be allocated to the GLA. Work continues on the continuation of the Council Tax collection improvement pilot scheme which commenced in 2013/14 which will require once off resources of £0.15m in 2015/16.
- 8.72 Members should note that Council agreed on the 21 January 2015 to pass on the percentage reduction in 2014/15 settlement funding assessment and reduce the Council Tax Reduction Scheme (CTRS) accordingly. The impact of this for the Council, subject to collection and the contribution owing to the GLA, is estimated at £2.0m in 2015/16.

### Council Tax Levels

- 8.73 The current position is that Council Tax may not be increased by 2% or more (inclusive of levies) without a referendum. A referendum cannot reasonably be held before the Council Tax is set for 2015/16. The Government has indicated that if an authority sets its basic amount of Council Tax (i.e. its Band D Council Tax) in 2015/16 at a level which is no more than its basic amount of Council Tax in 2014/15, it will receive a grant equivalent to a one per cent increase on the 2014/15 figure in 2015/16.
- 8.74 For the purposes of this report and understanding the long-term financial position, Members should be mindful that the impact of every 1% in Council Tax rise would be to reduce the savings requirement for that year and each subsequent year by approximately £0.8m.
- 8.75 In considering savings proposals and the level of Council Tax, Members make political judgements, balancing these with their specific legal responsibilities to set a balanced budget for 2015/16 and their general responsibilities to steward the Council's finances over the medium term.
- 8.76 In 2014/15, the Band D Council Tax in Lewisham is £1,359.35 on a base of 75,526 Band D equivalent properties. Of this, £299 relates to the activities of the GLA which the Council pays over to them on collection. The GLA is consulting on a precept of £295 for 2015/16, a reduction of £4 or 1.3% and a final decision is expected from them after the 14 February 2015. Table C3 below shows, for illustrative purposes, the Council Tax payable by a resident in a Band D property in 2015/16 under a range of possible Council Tax increases, and the financial implications of this for the Council.
- 8.77 Whilst a freeze is recommended it should be noted that Council has the option to consider a decrease or increase in Council Tax should it so wish. A full Council Tax Ready Reckoner is attached at Appendix Y3.

**Table C3 – Band D Council Tax Levels for 2015/16**

Change in Council Tax	Amounts payable by residents				Extra income *
	Lewisham element	GLA element	Total	Change in total	
	£	£	£	%	
Council Tax Freeze	1,060.35	295.00	1,355.35	-0.29%	0.978

Change in Council Tax	Amounts payable by residents			Change in total	Extra income *
	Lewisham element	GLA element	Total		
0.50% increase	1,065.65	295.00	1,360.65	0.10%	0.400
1.00% increase	1,070.95	295.00	1,365.95	0.48%	0.801
1.50% increase	1,076.26	295.00	1,371.26	0.87%	1.201
1.75% increase	1,078.91	295.00	1,373.91	1.07%	1.601

\* - for a freeze the extra income is received as a one-off freeze grant; all other figures are shown as additional council tax income per year from 2015/16 onwards. The Government has indicated that the funding for 2014/15 freeze grant should be built into the spending review baseline. This is still subject to formal confirmation.

- 8.78 Were Council to agree a Council Tax freeze, the Council will gain the one-off freeze grant of £1.0m (£0.978m to be precise) for 2015/16. This figure of £1.0m is the indicative figure of the Council Tax freeze grant for 2015/16 provided in the provisional local government settlement 2015/16. It has been estimated by assuming the historic growth rate in the local authority tax base continues and that there is 100% take up of the grant.
- 8.79 The amount shown above for Council Tax Freeze grant is slightly higher than if the Council increased Council Tax by 1%. This is because the Council Tax base figure used to calculate the freeze grant is the taxbase before applying the CTRS.

#### Overall Budget Position for 2015/16

- 8.80 For 2015/16, the overall budget position for the Council is an assumed General Fund Budget Requirement of £245.5m, as set out in Table C4 below.

**Table C4 - Overall Budget Position for 2014/15**

Detail	Expenditure/ (Income) £m	Expenditure/ (Income) £m
Settlement Funding Assessment (SFA) for 2015/16	(159.339)	
Council Tax 2015/16 at 0% increase	(80.084)	
SFA: Adjustment 2015/16*	(1.259)	
Surplus on Collection Fund	(4.864)	
<b>Assumed Budget Requirement for 2015/16</b>		<b>(245.546)</b>
<b>Total Resources available for 2015/16</b>		
Base Budget for 2014/15	268.062	
<b>Plus:</b> Reversal of reserves drawn in 14/15 (once off)	3.000	
<b>Plus:</b> Pay inflation	1.503	
<b>Plus:</b> Non-pay Inflation	3.417	
<b>Plus:</b> Grant adjustments for changes 14/15 to 15/16	0.911	
<b>Plus:</b> Budget pressures to be funded from 15/16 fund	4.280	
<b>Plus:</b> Risks and other potential budget pressures	3.220	
<b>Less:</b> Previously agreed savings for 2015/16	(1.480)	
<b>Less:</b> New savings for 2015/16	(26.929)	
<b>Less:</b> Use of New Homes Bonus reserve for five yrs.	(5.000)	
<b>Less:</b> Once off use of provisions and reserves	(5.438)	
<b>Total</b>		<b>245.546</b>

\*Estimated value of Section 31 grants to compensate local authorities for the cost of capping the business rates multiplier in 15/16 announced in the Autumn Statement 2013.

### Use of Provisions and Reserves

- 8.81 Should all the above proposals be agreed, then this would leave a remaining gap of some £5.4m to be funded by the once off use of reserves in 2015/16. This has been set out in the Table C4 above.
- 8.82 If the need should arise to balance the budget for any in-year pressures using reserves, the Executive Director for Resources & Regeneration advises that on going measures should be identified to rectify this position as quickly as possible and in any event, by the following year. The use of once off resources is therefore just delaying the need to make an equivalent level of saving in the following year.

## **9 OTHER GRANTS AND FUTURE YEARS' BUDGET STRATEGY**

- 9.1 This section of the report considers three other funding streams which the Council currently receives. These are the Public Health Grant, the Better Care Fund and the New Homes Bonus. This section of the report is structured as follows:

- Better Care Fund 2015/16
- Various other grants 2015/16 – reduced with net impact £0.9m
- Future Years' Budget Strategy 2015/16 onwards

### **Better Care Fund**

- 9.2 The £3.8 billion national Better Care Fund (BCF) was announced by the Government in the June 2013 Spending Round, to support transformation and integration of health and social care services to ensure local people receive better care. The BCF is a pooled budget that shifts resources into social care and community services for the benefit of the NHS and local government. The Better Care Fund does not represent an increase in funding but rather a realignment of existing funding streams with new conditions attached/ risks.
- 9.3 For Lewisham the value in 2015/16 is £21.842m. Our local plan has been approved by NHS England subject to the following standard conditions which apply to all BCF plans (1) The Fund must be used in accordance with our final approved plan and through a section 75 pooled fund agreement which is being developed and will be operational by 1st April 2015; and (2) the full value of the element of the Fund linked to non-elective admissions reduction target will be paid over to Lewisham Clinical Commissioning Group (CCG) at the start of the financial year. However the CCG may only release the full value of this funding into the pool if the proposed admissions reduction target is met/. If the target is not met, the CCG may only release into the pool a part of that funding proportionate to the partial achievement of the target. Any part of this funding that is not released into the pool due to the target not being met must be dealt with in accordance with NHS England requirements. We are developing contingency arrangements to address this risk.

### **Other Grants and Levies**

- 9.4 Certain specific grants have been reduced or stopped in 2015/16 reducing funding by approximately £0.9m. The main change is in respect of the Education Support Grant



that has been reduced by 20% to £3.9m. The other various smaller changes include: Council Tax Scheme new burden funding, Adoption reform grant, and SEN reform grant.

- 9.5 From October 2015/16 the work of public health visitors for the 0-5 year old population will transfer to Local Authorities. The six month grant for their work will be £3.79m.
- 9.6 It is expected that, as the funding on specific grants reduces, the related cost of service provision will also reduce as the Directorates manage their activities within their allocated resources.
- 9.7 The Council is also required to levy monies totalling in the region of £1.6m for other bodies, in addition to the Council Tax collected on behalf of the GLA (see Collection Fund). These bodies are the London Pension Fund Agency, Lee Valley Regional Park, and Environment Agency. At present the final amounts for 2015/16 have yet to be confirmed and it is therefore assumed these will stay at their 2014/15 levels which are set out in Appendix Y5.

### **Future Years' Budget Strategy 2015/16 onwards**

#### Revenue Budget

- 9.8 The Medium Term Financial Strategy was reported to Mayor & Cabinet in July 2014. This set out that an estimated £85m of savings is required from 2015/16 to 2017/18 over and above savings already agreed. The profile for these savings is broadly;
- £40m for 2015/16,
  - £25m for 2016/17, and
  - £20m for 2017/18.
- 9.9 Since then we have received the provisional local settlement in December but for one year only – 2015/16. The estimate of overall savings required to 2017/18 remains at £85m with £40m for 2015/16. However, the back drop is one where the savings requirement may increase for the additional public spending cuts of £10 billion identified nationally to balance the budget by 2017/18.
- 9.10 The Lewisham Future Programme (LFP) was established to carry out cross-cutting and thematic reviews to deliver these savings. The savings report received by the Mayor in November 2014 and the separate savings report taken alongside this budget report presents the LFP work to date. This continues and further savings proposals will be brought forward in 2015/16.

## **10. TREASURY MANAGEMENT STRATEGY**

- 10.1 This section sets out the Council's Treasury Management Strategy for 2015/16 and is structured as follows:
- Capital Investment Plans
  - Prudential Indicators
  - Minimum Revenue Provision (MRP) Policy
  - Borrowing Strategy including Treasury Indicators
  - Debt Rescheduling
  - Annual Investment Strategy
  - Credit Worthiness Policy
  - Prospects for Investment Returns

- 10.2 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Department for Communities and Local Government guidance on Minimum Revenue Provision (MRP) and Investments and the CIPFA Treasury Management Code. The Council uses Capita Asset Services as its external treasury management advisors. The Council recognises that responsibility for Treasury Management decisions remain with the Council at all times and will ensure that undue reliance is not placed upon external service providers.

#### Current borrowing portfolio position

#### **Capital Investment Plans**

- 10.3 The Treasury Management Strategy for 2014/15 incorporates the capital plans of the Council, as set out in section 5 of this report.
- 10.4 The Council's cash position is organised in accordance with the relevant professional codes to ensure that sufficient funds are available to meet its obligations. This involves both the organisation of the cash flow and, where capital plans require, the arrangement of appropriate borrowing facilities.
- 10.5 The Council's expected treasury portfolio position at 31 March 2015, with forward projections is summarised below. Table D1 compares the actual external debt against the Capital Financing Requirement (CFR) which is the underlying capital borrowing need. This table illustrates over/(under) borrowing.

**Table D1 – External Debt Projections**

	<b>2013/14 Actual £m</b>	<b>2014/15 Expected £m</b>	<b>2015/16 Forecast £m</b>	<b>2016/17 Forecast £m</b>	<b>2017/18 Forecast £m</b>
Expected External Debt at 1 April	198.4	195.4	190.4	191.3	195.9
Expected Change in Ext Debt	(3.0)	(5.0)	0.9	9.6	21.0
Other Long-Term Liabilities	253.0	254.6	252.2	245.8	238.2
<b>Gross Debt at 31 March</b>	<b>448.4</b>	<b>445.0</b>	<b>443.5</b>	<b>446.7</b>	<b>460.1</b>
<b>Capital Financing Requirement*</b>	<b>488.8</b>	<b>487.8</b>	<b>487.3</b>	<b>486.7</b>	<b>501.7</b>
<b>Borrowing – over / (under)</b>	<b>(40.4)</b>	<b>(42.8)</b>	<b>(43.8)</b>	<b>(40.0)</b>	<b>(41.6)</b>

\*The Capital Financing Requirement includes the prudential borrowing figures shown in Table A2 of Section 5 - Capital Programme.

#### **Prudential Indicators**

- 10.6 The prudential indicators comprise two parameters of external debt, the operational boundary and authorised limits, which ensure that the Council operates its activities within well defined limits. The Council needs to ensure that its gross debt does not exceed the total of the CFR in the preceding year, plus the estimates of any additional CFR for the current and following two financial years. This allows some flexibility for limited early borrowing for future years and ensures that borrowing is not undertaken for revenue purposes.
- 10.7 The Executive Director for Resources and Regeneration reports that the Council has

complied with this prudential indicator in the current year to date and does not envisage any difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report. The operational boundary and the authorised limits for external debt are described in further detail in the following paragraphs.

#### The Operational Boundary for External debt

- 10.8 This is the limit which external debt is not normally expected to exceed. In most cases this would be a similar figure to the CFR, but may be lower depending on the levels of actual gross debt anticipated. The Council's operational boundary is set out in Table D2.

**Table D2: Operational Boundary**

	2014/15 Expected £m	2015/16 Forecast £m	2016/17 Forecast £m	2017/18 Forecast £m
Maximum External Debt at 31 March	195.7	204.5	214.1	238.7
Other Long-Term Liabilities	254.6	252.3	245.8	238.2
<b>Operational Boundary for Year</b>	<b>450.3</b>	<b>456.8</b>	<b>459.9</b>	<b>476.9</b>

#### The Authorised Limit for External Debt

- 10.9 This key prudential indicator represents a constraint on the maximum level of borrowing and is a statutory limit determined under Section 3(1) of the Local Government Act 2003. The Government retains the power to control either the total of all Councils' plans, or those of a specific Council.
- 10.10 This is the limit beyond which external debt is prohibited and needs to be set by full Council. It represents the level of external debt which, while not desired, could be afforded in the short-term (i.e. up to one month), but is not sustainable in the longer term. The Council is asked to approve the following authorised limits as set out in Table D3.

**Table D3 – Authorised Limits**

	2014/15 Expected £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
<b>Operational Boundary for Year</b>	<b>450.3</b>	<b>456.8</b>	<b>459.9</b>	<b>476.9</b>
Provision for Non Receipt of Expected Income	46.0	51.0	51.0	51.0
<b>Authorised Limit for Year</b>	<b>496.3</b>	<b>507.8</b>	<b>510.9</b>	<b>527.9</b>

- 10.11 In addition, the Council is also limited to a maximum Housing Revenue Account (HRA) CFR by the DCLG through the self-financing regime. Table D4 sets out this limit:

**Table D4 – HRA Debt Limit**

	<b>2014/15 Expected £m</b>	<b>2015/16 Estimate £m</b>	<b>2016/17 Estimate £m</b>	<b>2017/18 Estimate £m</b>
HRA Debt Cap (Statutory)	127.3	127.3	127.3	127.3
HRA Debt (CFR) at 31 March	(83.6)	(83.6)	(83.6)	(103.7)
HRA Headroom	43.7	43.7	43.7	23.6

**Minimum Revenue Provision (MRP) Policy**

- 10.12 A proportion of the Council's capital expenditure is not immediately financed from its own resources. This results in a debt liability which must be charged to the Council Tax over a period of time. This repayment, the Minimum Revenue Provision (MRP) must be determined by the Council as being a prudent provision having regard to the CIPFA Prudential Code for Capital Finance.
- 10.13 The MRP is the amount the Council charges to the revenue account and does not correspond to the actual amount of debt repaid, which is determined by treasury related issues. The Council applies a consistent MRP policy which comprises prudential borrowing being repaid over the useful life of the asset concerned and previous borrowing being repaid at the rate of 4% of the outstanding balance.

**Borrowing Strategy**

- 10.14 The Council's external debt as at 31 March 2015, gross borrowing plus long term liabilities, is expected to be £445m. During 2014/15 the Council has repaid £5.9m of PWLB loans. The Council's borrowing strategy is consistent with last year's strategy. The Council is currently maintaining an under-borrowed position in that the CFR is not been fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow has been used as an alternative funding measure. In the current economic climate, this strategy is considered prudent while investment returns are low, counterparty risk is higher than historic averages, and borrowing rates are still relatively high.
- 10.15 However, it is possible that in 2015/16 the Council may need to borrow £11m to fund the Housing Strategy. It is likely that this borrowing will be funded from Council balances, however the Council will seek advice before making a final decision.
- 10.16 The Executive Director for Resources and Regeneration will continue to monitor interest rates in the financial markets and adopt a pragmatic and cautious approach to changing circumstances. For instance, if it was felt that there was a significant risk of a sharp fall in medium to long-term interest rates (e.g. due to a marked increase of risks around a relapse into recession or risks of deflation in the economy), then long term borrowings will be postponed and potential rescheduling from fixed rate funding into short-term borrowing considered. Any such decisions would be reported to Mayor & Cabinet and subsequently Council, at the next available opportunity.
- 10.17 Alternatively, if it was felt that there was a significant risk of a sharp rise in medium to long-term interest rates than currently forecast (perhaps arising from a greater than expected increase in the anticipated rate to US tapering of asset purchases or in world economic activity driving inflation up), then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn, whilst interest rates are still lower

than forecast. Once again, any such decisions would be reported to Mayor & Cabinet and subsequently Council, at the next available opportunity.

10.18 Members should note that the Council's policy is not to 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 the 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.

### Treasury Indicators

10.19 There are three debt related treasury activity limits which restrain the activity of the treasury function within certain limits. The purpose of these is to manage risk and reduce the impact of any adverse movement in interest rates. These limits need to be balanced against the requirement for the treasury function to retain some flexibility to enable it to respond quickly to opportunities to reduce costs and improve performance.

10.20 The debt related indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

10.21 Council is asked to approve the following treasury indicators and limits:

**Table D5: Treasury Indicators and Limits**

<b>Interest rate exposures</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates:</b>			
• Debt only	100%	100%	100%
• Investments only	75%	75%	75%
<b>Limits on variable interest rates</b>			
• Debt only	15%	15%	15%
• Investments only	75%	75%	75%
<b>Maturity structure of fixed interest rate borrowing 2014/15</b>			
		<b>Lower</b>	<b>Upper</b>
Under 12 months		0%	0%
12 months to 2 years		0%	15%
2 years to 5 years		0%	11%
5 years to 10 years		0%	3%
10 years to 20 years		0%	17%
20 years to 30 years		0%	7%
30 years to 40 years		0%	18%
40 years to 50 years		0%	30%

Interest rate exposures	2014/15	2015/16	2016/17
<b>Maturity structure of variable interest rate borrowing 2014/15</b>			
		<b>Lower</b>	<b>Upper</b>
Under 12 months		0%	100%

*The maturity structure guidance for Lender Option Borrower Option (LOBO) loan defines the maturity date as being the next call date.*

## **Debt Rescheduling**

- 10.22 In the current economic environment and for the foreseeable future, shorter term borrowing rates are expected to be lower than longer term fixed interest rates. As a result, there may be potential opportunities to generate savings by switching debt from long term to shorter term. However, any such savings need to be considered in the light of the current treasury position and the cost of debt repayment.
- 10.23 The Council has £112 m of LOBO loans (Lender's Option Borrower's Option) of which £65m will be in their call period in 2015/16. In the event that the lender exercises the option to change the rate or terms of the loan, the Council will consider the terms being provided and also the option of repayment of the loan without penalty.
- 10.24 Consideration will be given to the potential for making savings by running down investment balances to repay debt prematurely while short-term rates on investments are likely to be lower than the rates paid on current debt. Any proposed rescheduling of debt will be reported to Mayor & Cabinet and subsequently to Council at the earliest meeting following its action.

## **Annual Investment Strategy**

### **Introduction: changes to credit rating methodology**

- 10.25 The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. More recently, in response to the evolving regulatory regime, the agencies have indicated they may remove these "uplifts". This process may commence during 2014/15 and / or 2015/16. The actual timing of the changes is still subject to discussion, but this does mean immediate changes to the credit methodology are required.
- 10.26 It is important to stress that the rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the implied level of sovereign support that has been built into ratings through the financial crisis. The eventual removal of implied sovereign support will only take place when the regulatory and economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis.
- 10.27 Both Fitch and Moody's provide "standalone" credit ratings for financial institutions. For Fitch, it is the Viability Rating, while Moody's has the Financial Strength Rating. Due to the future removal of sovereign support from institution assessments, both agencies have suggested going forward that these will be in line with their respective Long Term ratings. As such, there is no point monitoring both Long Term and these "standalone" ratings.

- 10.28 Furthermore, Fitch has already begun assessing its Support ratings, with a clear expectation that these will be lowered to 5, which is defined as “A bank for which there is a possibility of external support, but it cannot be relied upon.” With all institutions likely to drop to these levels, there is little to no differentiation to be had by assessing Support ratings.
- 10.29 As a result of these rating agency changes, the credit element of our future methodology will focus solely on the Short and Long Term ratings of an institution. Rating Watch and Outlook information will continue to be assessed where it relates to these categories. This is the same process for Standard & Poor’s that we have always taken, but a change to the use of Fitch and Moody’s ratings. Furthermore, we will continue to utilise Certificate of Deposit (CD) prices as an overlay to ratings in our new methodology.
- 10.30 The Council’s investment priorities will be security first, liquidity second, and then return. Investment instruments identified for use in the financial year are listed in Appendix Z3, under the ‘specified’ and ‘non-specified’ investments categories. The proposed counterparty limits for 2015/16 are presented to Council for approval in this same appendix.
- 10.31 In accordance with guidance from the Department for Communities and Local Government and CIPFA, and in order to minimise the risk to investments, officers have clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. This has been set out at Appendix Z3. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published information by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency.
- 10.32 Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only. Viability, Financial Strength and Support Ratings previously applied will effectively become redundant. This change does not reflect deterioration in the credit environment but rather a change of method in response to regulatory changes
- 10.33 Furthermore, officers recognise that ratings should not be the sole determinant of the quality of an institution and that 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. Officers continue to engage with the Council’s treasury management advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors in producing its colour codings which show the varying degrees of suggested institution creditworthiness. This has been set out in more detail at Appendix Z3.
- 10.34 Other information sources used 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 the suitability of potential investment counterparties.
- 10.35 The aim of the strategy is to generate a list of highly creditworthy counterparties which

will also enable diversification and thus avoid a concentration of risk.

### **Creditworthiness policy**

10.36 The Council's Treasury Management Team applies the creditworthiness service provided by its treasury management advisors Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies, Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

10.37 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 1 year
- Pink 1 year
- Purple 1 year
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Council's creditworthiness policy has been set out at Appendix Z3.

### Country limits

10.38 The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA from Fitch (or equivalent). The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix Z4. This list will be added to, or deducted from, by officers should country ratings change in accordance with this policy.

### Part nationalised banks

10.39 In the 2013/14 mid year strategy it was agreed that the maximum deposit limits with part nationalised banks be increased to £65m from £50m. It is now proposed that from April 2015, the Council's maximum deposit limits with part nationalised banks is decreased to £40m for each of the Lloyds Banking Group and Royal Bank of Scotland (RBS) Group.

10.40 This scale back is as a result of the following recent events:

- The results of the 2014 Bank of England (BoE) Stress tests
- The Government's intention to sell more of its shareholding in Lloyds Banking Group.

10.41 Banks are required to have a core capital ratio of at least 4.5% as part of the BoE stress test. The results showed that the British banks with the "lowest pass" came from The



Royal Bank of Scotland (at 5.2%) and Lloyds plc (at 5.3%). The report judged that both bank's capital position needed to be strengthened further. The results demonstrated that they remain susceptible to a severe economic downturn. However, the report also acknowledges the measures being taken by the banks to augment capital and the BoE did not request the banks to submit a revised capital plan.

- 10.42 On 17<sup>th</sup> December 2014, UKFI announced that it intended to sell part of Her Majesty's Treasury's shareholding in Lloyds Banking Group plc over the next six months through a pre-arranged trading plan. The trading plan will terminate no later than 30 June 2015. A maximum of 15% of the share holding will be sold. If the maximum amount of shareholding is sold, this will result in a Government shareholding of 9.9%. There are no immediate intentions to sell shareholding in RBS, but they will be embarking on a further period of restructuring.
- 10.43 The Council feels that although both banks are showing very good improvements; are still state backed; and have positive feedback from our Treasury Management advisors; it would be beneficial to take a more prudent approach. Therefore the Council will begin to reduce the deposit limits for the part nationalised banks.

#### Investment Policy

- 10.44 Investments will be made with reference to the core balances and cashflow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). In order to maintain sufficient liquidity, the Council will seek to utilise its instant access call accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest. The remainder of its investments will be placed in fixed term deposits of up to 12 months to generate maximum return. The Council will not invest in any fixed term deposit facility exceeding 365 days. This policy is set with regard to the Council's liquidity requirements and to reduce the risk of a forced sub-optimal early sale of an investment.
- 10.45 The Executive Director for Resources and Regeneration reports one occasion in 2014/15 where approved limits set out in the Annual Investment Strategy was breached. This breach was with regards to the duration of an investment. The Counterparty was an approved counterparty and the value of the investment was also within the set limits. However, the investment was taken out for one year as opposed to the six months limit as set out in the Annual Investment Strategy. Tighter review and approval procedures have been put into place to mitigate the risk of such an incident occurring in the future.

#### **Municipal Bond Agency**

- 10.46 Members should also note it is likely that the Municipal Bond Agency currently in the process of being set up, will be offering loans to local authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority is a shareholder of the MBA and may make use of this new source of borrowing as and when appropriate.

#### **Prospects for Investment Returns**

- 10.47 The Bank of England base rate is currently forecast to remain unchanged at 0.5% before starting to rise from quarter four of 2015. The rate forecasts for financial year-ends are:
- 2015/16 0.75%

- 2016/17 1.25%
- 2017/18 2.00%

10.48 There are downside risks to these forecasts (i.e. start of increases in Bank Rate occurs later) if economic growth weakens. However, should the pace of growth quicken, there could be an upside risk.

10.49 The suggested budgeted investment earnings rates for returns on investments placed for periods of up to 100 days during each financial year for the next eight years are as follows:

- 2015/16 0.60%
- 2016/17 1.25%
- 2017/18 1.75%
- 2018/19 2.25%
- 2019/20 2.75%
- 2020/21 3.00%
- 2021/22 3.25%
- 2022/23 3.25%
- Later years 3.50%

10.50 A more extensive table of interest rate forecasts for 2015/16, including Public Works Loan Board (PWLB) borrowing rate forecasts is set out in Appendix Z1.

#### Summary

10.51 At the end of the financial year, the officers will report to the Council on investment activity for the year as part of its Annual Treasury Report (included in the Council's outturn report).

## **11 CONSULTATION ON THE BUDGET**

11.1 In setting the various budgets, it is important to have extensive engagement with citizens to consider the overarching challenge facing public services in Lewisham over the next few years. To this end, the Council has undertaken a range of engagement and specific consultation exercises. The specific consultation exercises were:

#### Rent Setting and Housing Panel

11.2 As in previous years, tenants' consultation was in line with Residents' Compact arrangements. This provided tenant representatives of Lewisham Homes with an opportunity in December 2014 at the joint Housing Panel meeting to consider the positions and to feedback any views to Mayor & Cabinet. Tenant representative of Brockley convened their Brockley Residents' Board in December 2014 to hear the proposals and fed back.

11.3 Details of comments from the residents' meetings have been set out in Appendix X2.

#### Business Ratepayers

11.4 Representatives of business ratepayers were consulted online on Council's outline budget between 19 January and 2 February 2015. The results of this consultation will

be made available in the Budget Report Update presented to Mayor & Cabinet on 18 February 2015.

## **12. FINANCIAL IMPLICATIONS**

- 12.1 This entire report deals with the Council's Budget. Therefore, the financial implications are explained throughout.

## **13. LEGAL IMPLICATIONS**

- 13.1 Many legal implications are referred to in the body of the report. Particular attention is drawn to the following:

### **Capital Programme**

- 13.2 Generally, only expenditure relating to tangible assets (e.g. roads, buildings or other structures, plant, machinery, apparatus and vehicles) can be regarded as capital expenditure. (Section 16 Local Government Act 2003 and regulations made under it).
- 13.3 The Local Government Act 2003 introduced a prudential system of financial control, replacing a system of credit approvals with a system whereby local authorities are free to borrow or invest so long as their capital spending plans are affordable, prudent and sustainable. Authorities are required to determine and keep under review how much they can afford to borrow having regard to CIPFA's Prudential Code of Capital Finance in Local Authorities. The Code requires that in making borrowing and investment decisions, the Council is to take account of affordability, prudence and sustainability, value for money, stewardship of assets, service objectives and practicality.
- 13.4 Section 11 Local Government Act 2003 allows for regulations to be made requiring an amount equal to the whole or any part of a capital receipt to be paid to the Secretary of State. Since April 2013 there has been no requirement to set aside capital receipts on housing land (SI2013/476). For right to buy receipts, the Council can retain 25% of the net receipt (after taking off transaction costs) and is then entitled to enter an agreement with the Secretary of State to fund replacement homes with the balance. Conditions on the use of the balance of the receipts are that spending has to happen within three years and that 70% of the funding needs to come from Council revenue or borrowing. If the funding is not used within three years, it has to be paid to the Department for Communities for Local Government, with interest.

### **Housing Revenue Account**

- 13.5 Section 24 of the Housing Act 1985 provides that a local authority may make such reasonable charges as they determine for the tenancy or occupation of their houses. The Council must review rents from time to time and make such charges as circumstances require.
- 13.6 Under the Local Government and Housing Act 1989, the Council is obliged to maintain a separate HRA (Section 74) and by Section 76 must prevent a debit balance on that account. Rents must therefore be set to avoid such a debit.
- 13.7 By Schedule 4 of the same Act where benefits or amenities arising out of a housing authority functions are provided for persons housed by the authority but are shared by

the community, the Authority must make such contribution to the HRA from their other revenues to properly reflect the community's share of the benefits/amenities.

- 13.8 The process for varying the terms of a secure tenancy is set out in Sections 102 and 103 of the Housing Act 1985. It requires the Council to serve notice of variation at least 4 weeks before the effective date; the provision of sufficient information to explain the variation; and an opportunity for the tenant to serve a Notice to Quit ending their tenancy.
- 13.9 Where the outcome of the rent setting process involves significant changes to housing management practice or policy, further consultation may be required with the tenants' affected in accordance with section 105 of the Housing Act 1985.
- 13.10 Part 7 of the Localism Act 2011 abolished HRA subsidy and moved to a system of self financing in which Councils are allowed to keep the rents received locally to support their housing stock. Section 174 of the same Act provides for agreements between the Secretary of State and Councils to allow Councils not to have to pay a proportion of their capital receipts to the Secretary of State if he/she approves the purpose to which it would be put.

### **Balanced Budget**

- 13.11 Members have a duty to ensure that the Council acts lawfully. It must set and maintain a balanced budget each year. The Council must take steps to deal with any projected overspends and identify savings or other measures to bring the budget under control. If the Capital Programme is overspending, this may be brought back into line through savings, slippage or contributions from revenue. The proposals in this report are designed to produce a balanced budget in 2015/16.
- 13.12 In this context, Members are reminded of their fiduciary duty to the Council Tax payer, effectively to act as trustee of the Council's resources and to ensure proper custodianship of Council funds.

### An annual budget

- 13.13 By law, the setting of the Council's budget is an annual process. However, to enable meaningful planning, a number of savings proposals for this year, 2015/16, were anticipated in the course of the budget process. They were the subject of full report at that time and they are now listed in Appendix Y1. Members are asked now to approve and endorse those reductions for this year. This report is predicated on taking all of the agreed and proposed savings. If not, any shortfall will have to be met through adjustments to the annual budget in this report.
- 13.14 The body of the report refers to the various consultation (for example with tenants' and business) which the Council has carried out/is carrying out in accordance with statutory requirements relating to this budget process. The Mayor must consider the outcome of that consultation with an open mind before reaching a decision about his final proposals to Council. It is noted that the outcome of consultation with business rate payers will only be available from the 3 February 2015 and any decisions about the Mayor's proposals on the budget are subject to consideration of that consultation response.

## Referendum

- 13.15 Sections 72 of the Localism Act 2011 and Schedules 5 to 7 amended the provisions governing the calculation of Council Tax. They provide that if a Council seeks to impose a Council Tax increase in excess of limits fixed by the Secretary of State, then a Council Tax referendum must be held, the results of which are binding. The Council may not implement an increase which exceeds the Secretary of State's limits without holding the referendum. Were the Council to seek to exceed the threshold, substitute calculations which do not exceed the threshold would also have to be drawn up. These would apply in the event that the result of the referendum is not to approve the "excessive" rise in Council Tax.
- 13.16 In relation to each year the Council, as billing authority, must calculate the Council Tax requirement and basic amount of tax as set out in Section 31A and 31B of the Local Government Finance Act 1992. These statutory calculations appear Appendix Y5.

## Robustness of estimates and adequacy of reserves

- 13.17 Section 25 of the Local Government Act 2003 requires, when the authority is making its calculations under s32 of the Local Government Finance Act 1992, the Chief Finance Officer to report to it on:-
- (a) the robustness of the estimates made for the purposes of the Calculations; and
  - (b) the adequacy of the proposed financial reserves.
- 13.18 The Chief Financial Officer's section 25 statement will be appended to the Budget Report update to Mayor & Cabinet on 18 February 2015.

## **Treasury Strategy**

- 13.19 Authorities are also required to produce and keep under review for the forthcoming year a range of indicators based on actual figures. These are set out in the report. The CIPFA Treasury Management Code of Practice says that movement may be made between the various indicators during the year by an Authority's Chief Finance Officer as long as the indicators for the total Authorised Limit and the total Operational Boundary for external debt remain unchanged. Any such changes are to be reported to the next meeting of the Council.
- 13.20 Under Section 5 of the 2003 Act, the prudential indicator for the total Authorised Limit for external debt is deemed to be increased by an amount of any unforeseen payment which becomes due to the Authority within the period to which the limit relates which would include for example additional external funding becoming available but not taken into account by the Authority when determining the Authorised Limit. Where Section 5 of the Act is relied upon to borrow above the Authorised Limit, the Code requires that this fact is reported to the next meeting of the Council.
- 13.21 Authority is delegated to the Executive Director for Resources & Regeneration to make amendments to the limits on the Council's counterparty list and to undertake Treasury Management in accordance with the CIPFA Treasury Management Code of Practice and the Council's Treasury Policy Statement.

### Constitutional provisions

- 13.22 Legislation provides that it is the responsibility of the full Council to set the Council's budget. Once the budget has been set, save for those decisions which he is precluded from, it is for the Mayor to make decisions in accordance with the statutory policy framework and that are not wholly inconsistent with the budget. It is for the Mayor to have overall responsibility for preparing the draft budget for submission to the Council to consider. If the Council does not accept the Mayor's proposals it may object to them and ask him to reconsider. The Mayor must then reconsider and submit proposals (amended or unamended) back to the Council which may only overturn them by a two-thirds majority.
- 13.23 For these purposes the term "budget" means the "budget requirement (as provided for in the Local Government Finance Act 1992) all the components of the budgetary allocations to different services and projects, proposed taxation levels, contingency funds (reserves and balances) and any plan or strategy for the control of the local authority's borrowing or capital expenditure." (Chapter 2 statutory guidance).
- 13.24 Authorities are advised by the statutory guidance to adopt an inclusive approach to preparing the draft budget, to ensure that councillors in general have the opportunity to be involved in the process. However it is clear that it is for the Mayor to take the lead in that process and proposals to be considered should come from him. The preparation of the proposals in this report has involved the Council's select committees and the Public Accounts Select Committee in particular, thereby complying with the statutory guidance.

### Statutory duties and powers

- 13.25 The Council has a number of statutory duties which it must fulfil by law. It cannot lawfully decide not to carry out those duties. However, even where there is a statutory duty, the Council often has discretion about the level of service provision. Where a service is provided by virtue of a Council power rather than a duty, the Council is not bound to carry out those activities, though decisions about them must be taken in accordance with the decision making requirements of administrative law. In so far as this report deals with reductions in service provision in relation to a specific service, this has been dealt with in the separate savings report that accompanies this budget report.

### Reasonableness and proper process

- 13.26 Decisions must be made reasonably taking into account all relevant considerations and ignoring irrelevancies. Members will see that in relation to the proposed savings there is a separate report and a summary at Appendix Y2. If the Mayor decides that the budget for that service must be reduced, the Council's reorganisation procedure applies. Staff consultation in accordance with that procedure will be conducted and in accordance with normal Council practice, the final decision would be made by the relevant Executive Director under delegated authority.

### Staff consultation

- 13.27 Where proposals, if accepted, would result in 100 redundancies or more within a 90 day period, an employer is required by Section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 as amended, to consult with the representatives of those who may be affected by the proposals. The consultation period is at least 45 days. Where the number is 20 or more, but 99 or less the consultation period is 30 days. This

requirement is in addition to the consultation with individuals affected by redundancy and/or reorganisation under the Council's own procedure.

## Equalities

- 13.28 The Equality Act 2010 (the Act) introduced a new public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 13.29 In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
  - advance equality of opportunity between people who share a protected characteristic and those who do not.
  - foster good relations between people who share a protected characteristic and those who do not.
- 13.30 The duty continues to be a "have regard duty", and the weight to be attached to it is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations. Assessing the potential impact on equality of proposed changes to policies, procedures and practices is one of the key ways in which the Council can demonstrate that they have had 'due regard'.
- 13.31 The Equality and Human Rights Commission has recently issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled "Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice". The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at: <http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-act-codes-of-practice-and-technical-guidance/>
- 13.32 The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:
1. The essential guide to the public sector equality duty
  2. Meeting the equality duty in policy and decision-making
  3. Engagement and the equality duty
  4. Equality objectives and the equality duty
  5. Equality information and the equality duty
- 13.33 The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available

at: <http://www.equalityhumanrights.com/advice-and-guidance/public-sector-equality-duty/guidance-on-the-equality-duty/>

- 13.34 The EHRC has also issued Guidance entitled “Making Fair Financial Decisions”. It appears at Appendix Y6 and attention is drawn to its contents.
- 13.35 Assessing impact on equality is not an end to itself and it should be tailored to, and be proportionate to, the decision being made. Whether it is proportionate for the Council to conduct an Equalities Analysis Assessment of the impact on equality of a financial decision or not depends on its relevance to the Authority’s particular function and its likely impact on people from protected groups, including staff.
- 13.36 Where savings proposals are anticipated to have an impact on staffing levels, it will be subject to consultation as stipulated within the Council’s Employment/Change Management policies, and services will be required to undertake an Equalities Analysis Assessment (EAA) as part of their restructuring process.
- 13.37 It is also important to note that the Council is subject to the Human Rights Act, and should therefore, also consider the potential impact their particular decisions could have on human rights. Where particular savings have such implications, they are dealt with in relation to those particular reports.

#### Crime and Disorder

- 13.38 Section 17 of the Crime and Disorder Act 1998 requires the Council when it exercises its functions to have regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area.
- 13.39 There are no specific crime and disorder implications arising from this report.

#### Best Value

- 13.40 Under section 3 of the Local Government Act 1999, the Council is under a best value duty to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. It must have regard to this duty in making decisions in relation to this report.

#### Environmental Implications

- 13.41 Section 40 of the Natural Environment and Rural Communities Act 2006 states that: ‘every public authority must, in exercising its functions, have regard, so far as is consistent with the proper exercise of those functions, to the purpose of conserving biodiversity’. No such implications have been identified in relation to the reductions proposals.
- 13.42 There are no specific environmental implications arising from this report.

#### Integration with health

- 13.43 Members are reminded that provisions under the Health and Social Care Act 2012 require local authorities in the exercise of their functions to have regard to the need to integrate their services with health.



## 14 HUMAN RESOURCES IMPLICATIONS

- 14.1 There are no specific human resources implications arising from this report. Any such implications were considered as part of the revenue budget savings proposals presented to Mayor & Cabinet on 12 November 2014 and the accompanying savings report to Mayor & Cabinet on the 11 February. A summary of the savings proposals are attached at Appendix Y1 to this report.

## 15. CONCLUSION

- 18.1 This report sets out the information necessary for the Council to set the 2015/16 budget. Updates will be made to this report at Mayor & Cabinet on 18 February 2015. Final decisions will be taken at the meeting of full Council on 25 February 2015.

## 16. BACKGROUND DOCUMENTS AND FURTHER INFORMATION

Short Title of	Date	Location	Contact
Medium Term Financial Strategy	16 July 2014 (M&C)	5th Floor Laurence House	David Austin
Savings Proposals for 2015/16	12 November 2014 (M&C) 11 February 2015 (M&C)	5th Floor Laurence House	David Austin
Setting the Council Tax Base & Discounts for Second Homes and Empty Properties	21 January 2015 (Council)	5th Floor Laurence House	David Austin

### For further information on this report, please contact:

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Executive Director for Resources & Regeneration on 020 8314 8013

David Austin  
Head of Corporate Resources on 020 8314 9114

Shola Ojo  
Principal Accountant, Strategic Finance on 020 8314 7778

## 17. APPENDICES

### Capital Programme

W1 Capital Programme 2014/15 to 2018/19 – Major Projects  
W2 Proposed Capital Programme – Original to latest Budget

### Housing Revenue Account

X1 Proposed Housing Revenue Account Savings 2015/16  
X2 Tenants rent consultation 2015/16  
X3 Leasehold and Tenants charges consultation 2015/16  
X4 Leasehold and Tenants charges and Lewisham Homes Budget Strategy 2015/16  
X5 Other associated housing charges for 2015/16

X6 Summary of 20 historic housing debt cases proposed for write off

**General Fund**

- Y1 Summary of previously agreed budget savings for 2015/16
- Y2 Summary of Proposed Revenue Budget savings 2015/16 to 2017/18
- Y3 Ready Reckoner for Council Tax 2015/16
- Y4 Chief Financial Officer's Section 25 Statement – *To follow M&C 18<sup>th</sup> February 2015*
- Y5 Council Tax And Statutory Calculations
- Y6 Making Fair Financial Decisions

**Treasury Management**

- Z1 Interest Rate Forecasts 2015 – 2018
- Z2 Economic Background
- Z3 Credit Worthiness Policy (Linked to Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management)
- Z4 Approved countries for investments
- Z5 Requirement of the CIPFA Management Code of Practice

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APPENDIX W1

2014 / 2015 TO 2018 / 2019 CAPITAL PROGRAMME - MAJOR PROJECTS

Major Projects over £2m	2014/15	2015/16	2016/17	2017/18	2018/19	Total
	£m	£m	£m	£m	£m	£m
<b>GENERAL FUND</b>						
BSF - Sydenham (D&B)	11.9	4.7	1.2			17.8
BSF - Brent Knoll (D&B)	6.8					6.8
Schools - Primary Places Programme	25.6	15.7	11.2			52.5
Schools - Other Capital Works	7.1	1.5	1.2	1.2	1.2	12.2
Highways & Bridges - TfL	2.8	2.0	2.0			6.8
Highways & Bridges - LBL	3.9	3.5	3.5	3.5	3.5	17.9
Catford TC (inc Broadway & Milford Towers) Regeneration	0.6	0.1	8.5			9.2
Asset Management Programme - Non Schools	2.4	2.5	2.5	2.5	2.5	12.4
ICT - Tech Refresh	0.3	0.5	0.5	0.5	0.5	2.3
Kender and Excalibur Regeneration	2.0	0.8	0.6	1.1		4.5
Heathside & Lethbridge Regeneration						
Property Acquisition – Hamilton Lodge/Canonbie Rd	3.0	3.7	1.5	1.6		9.8
Acquisition – Hostels Programme	3.1					3.1
Lewisham Homes – Property Acquisition	1.5	2.8				4.3
Disabled Facilities Grant	0.0	20.0				20.0
Private Sector Grants and Loans	1.0	0.7	0.7	0.7	0.7	3.8
Aids, Adaptations, Disabilities	0.8	0.6	0.6	0.6	0.6	3.2
Other Schemes	0.5	0.4	0.4	0.4	0.4	2.1
	11.5	3.0	1.8	0.2	0.2	16.7
	<b>84.8</b>	<b>62.5</b>	<b>36.3</b>	<b>12.3</b>	<b>9.6</b>	<b>205.5</b>
<b>HOUSING REVENUE ACCOUNT</b>						
Customer Services	5.5	22.3	40.4	44.5	24.5	137.1
Lewisham Homes	47.0	47.9	36.4	60.1	27.7	219.1
	<b>52.5</b>	<b>70.2</b>	<b>76.8</b>	<b>104.5</b>	<b>52.2</b>	<b>356.2</b>
<b>TOTAL PROGRAMME</b>	<b>137.3</b>	<b>132.7</b>	<b>113.1</b>	<b>116.8</b>	<b>61.8</b>	<b>561.7</b>

## APPENDIX W2

### PROPOSED CAPITAL PROGRAMME - ORIGINAL TO LATEST BUDGET

	Total £000	Total £000
<b>GENERAL FUND</b>		
<b>Original Budget (Feb 2014)</b>		<b>137,853</b>
<b>New Schemes during the year</b>		
Tfl – Highways Programme ( 14/15 – 16/17)	6,863	
Lewisham Homes – Property Acquisition	20,000	
Hostels Programme – Acquisitions	4,290	
Property Acquisition – Canonbie Road/ Hamilton Lodge	335	
Education Catering Investment (UFSM)	1,000	
CPZ Programme (14/15 – 16/17)	1,534	
BSF ICT - Sydenham	1,208	
BSF ICT – Brent Knoll	224	
Tackling Empty Homes Scheme – Rounds one and Two	900	
Developing 2 Year old Childcare Provision	1,022	
Drumbeat 6 <sup>th</sup> Form School (Brockley site) – Phase 3	938	
Green Travel Corridor – ( Brockley Rise/Brockley Road)	240	
Baring School – Emergency Works	229	
Surrey Canal - NLL	206	
Folkstone Garden Improvements	199	
Calabash Centre Day Service – Refurbishment Project	111	
Outdoor Gyms – Deptford Park and Mayow Park	100	
Fellowship Inn Project ( Phoenix)	90	
Bellingham Leisure and Lifestyle Centre	40	
Home Park Frontage Improvements	15	<b>39,544</b>
<b>18/19 Rolling Programmes</b>		
Aids & Adaptations	400	
ICT – Tech Refresh	500	
LBL Highways	3,500	
Asset Management Programme	2,500	
Schools AMP	1,200	
Disabled Facilities Grant	700	
Private Sector Loans & Grants	600	

Cash Incentive Scheme	<u>200</u>	<b>9,600</b>
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**Approved variations on existing schemes**

13/14 Underspends on various schemes	10,775	
Primary Places Programme – Targeted Basic Needs funded	4,250	
Primary Places Programme – Additional funding	1,874	
Abbotshall Playing Fields Pavillion – Extra Grant allocations notified	304	
Ladywell Specialist Dementia Day Service Centre – Additional funding	43	
Excalibur – Phase 3 – Additional Funding	72	
Other Variations	<u>1,099</u>	<b>18,417</b>

<b>Latest Budget</b>		<u><b>205,414</b></u>
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**HOUSING REVENUE ACCOUNT**

<b>Original Budget (Feb 2014)</b>		<b>248,060</b>
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Re-phasing Budgets and addition of 18/19 Budgets		
- Lewisham Homes	43,660	
- Other HRA schemes including Housing Matters Programme	<u>64,488</u>	<b>108,148</b>

<b>Latest Budget</b>		<u><b>356,208</b></u>
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<b>Overall Budget</b>		<u><b>561,622</b></u>
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## APPENDIX X1: Proposed Housing Revenue Account Savings 2015/16

### HRA Efficiencies/Savings & Growth proposals 2014/15

Item	Area	Proposals 2014/15 £'000
	<b>Savings/Efficiencies</b>	
1.	*Lewisham Homes Fee	-284
2.	Nil Inflation Increase for Repairs & Maintenance	-413
3.	Nil Inflation Increase for Energy Costs (now on 3 year fixed contract)	-304
4.	Nil Inflation on Internal Support Costs	-46
	<b>Savings/Efficiencies total</b>	<b>-763</b>
	<b>Increased costs/income reduction</b>	
5.	Reduction in Income on Communal Heating Systems	141
6.	Increased Property Insurance Costs	110
7.	Reduction in income forecast for tenants & leasehold service charges	166
	<b>Total increase in costs/income reduction</b>	<b>417</b>
	<b>Net effect of proposals</b>	<b>-346</b>

\* Already included in business plan

#### Savings/Efficiencies

##### Item 1 Lewisham Homes management fee

The initial fee proposal for 2015/16 after allowing an inflationary increase of 1% on salaries and 2.5% on running costs is £18,957m. However a reduction of £284k for stock loss through right to buy sales' and regeneration schemes is also being made and will reduce the 2015/16 proposed fee to £18.673m.

The net effect, if the saving is taken, will be a management fee of £18.673m in 2015/16, against the fee for 2014/15 of £18.676m. This reflects an overall increase of 1.52% in the fee per property managed compared to 2014/15.

Savings of £284k can be achieved through efficiencies with no impact on service provision.

## **Item 2 No Inflationary increase to Repairs & Maintenance budgets**

It has been proposed by Lewisham Homes that the forecast inflationary increase to the Repairs & Maintenance budget of 2.5% is removed, producing a saving or cost reduction of £413k.

This proposal will have an impact on Lewisham Homes trading account and M&E budgets. However, the Repairs Trading Account, operated by Lewisham Homes, made surpluses in both 2012/13 and 2013/14 respectively and is forecast to do so again in 2015/16. It is felt that this proposal can be accommodated without any impact on service provision, or reduction in repairs undertaken, due to improvements in efficiency.

## **Item 4 Nil Inflation on Internal Support Costs**

No inflationary increase has been included for Internal support costs. This is due to cost efficiencies in the general fund being passed down to the HRA. Savings of £46k can be achieved with no impact on service provision.

## **Item 5 Reduction in Income on Communal Heating Systems**

Lewisham Homes are proposing a reduction in the communal heating & hot water charge £1.87pw (18.93%). This will move the current charge down from £9.88pw to £8.01pw

The decrease is due to regular meter readings from the current supplier which has reduced the number of bills based on estimated readings. Consumption rates have also slightly decreased which has an effect on the 3 year average usage calculation.

## **Item 6 Increased Property Insurance Costs**

The recharge to the HRA for property insurance will increase due to the recent revaluation of the stock and other council property effecting the charges received from the insurance brokers. The current forecast is for an increase in recharges of £110k.

## **Item 7 Reduction in tenants & leaseholders service charge income**

The HRA financial model makes assessments regarding inflationary increases to both costs and income on annual basis. These need to be adjusted once firm proposals and inflationary data has been received.

It has been assessed that, following the proposals to reduce the average service charge levied to both tenants and leaseholders by Lewisham Homes, a shortfall of £166k against the model income assumptions for these areas is likely to arise.

## APPENDIX X2: Tenants' Rent consultation 2015/16

The Tenants' rent consultation meeting took place on 11<sup>th</sup> December 2014 with Brockley tenants and on 15<sup>th</sup> December 2014 with Lewisham Homes managed tenants. Excalibur tenants consultation took place via letters to residents and a report sent to the committee in December 2014.

Views of representatives on rent rise & savings proposals			
	<b>Lewisham Homes</b>	<b>Brockley PFI</b>	<b>Excalibur TMO</b>
No of representatives (excl Cllrs)/responses	14	3	3
<b>Rent Rise</b>			
Illustration A	Strongly In favour	Strongly In favour	Strongly against
Illustration B	Limited support	Against	Strongly against
Illustration C	Strongly against	Strongly against	Strongly against
Illustration D	Strongly against	Strongly against	Strongly against
<b>Savings Proposals:-</b>			
1. Lewisham Homes Fee	No comments	No comments	n/a
2. R&M Inflation	No comments	No comments	n/a
3. Energy Inflation	No comments	No comments	No comments
4. Support Costs Inflation	No comments	No comments	No comments
5. Communal Heating	No comments	No comments	No comments
6. Property Insurance	No comments	No comments	No comments
7. Service Charges	No comments	No comments	No comments
Service Charges inc:	No comments	No comments	n/a
Heating & Hot Water Charges	No comments	No comments	No comments
Garage Rents	No comments	No comments	No comments
Tenants Fund	No comments	No comments	No comments



Summary of other comments made by representatives	
Lewisham Homes Panel	<p><b>Rent rise:</b></p> <p>Strong concerns were raised relating to options B, C and D. with regard for the impact of the rent rise on working tenants as the proposals were significantly higher than pay awards over the last 5 years. The comment was made that last year's rise was also significantly higher than increases in pay.</p> <p>Tenants also requested that the council look at ways of mitigating the effect on those affected by the highest rent rises if options C or D were adopted.</p> <p>Concerns were raised that arrears and evictions may increase as a result of higher rent rises. Lewisham Homes responded by advising the panel that rent arrears and evictions were falling.</p> <p>Those present overwhelmingly supported option A, although one tenant added that they would have some support for option B.</p>
Brockley PFI Area	<p><b>Rent Rise:</b></p> <p>Tenants unanimously favoured option A in light of the difficult economic times.</p>

Excalibur TMO Committee and Tenants

**Rent Rise:**

The three responses received from tenants on the estate all presented the view that any rent increase would be unfair on residence as no investment had been made in the properties for some time and that accommodation standards were poor.

The view was also expressed that anything other than the lowest option would discriminate against those that pay their rent in full, i.e. tenants not in receipt of benefits.

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## APPENDIX X3: Leasehold and Tenants Charges Consultation 2015/16

Committee	<b>Brockley Residents Board</b>	Item No	
Report Title	<b>Leasehold and Tenant Charges Consultation</b>		
Contributor	<b>Regenter Brockley Operations Manager</b>		
Class	<b>Decision</b>	Date	<b>11<sup>th</sup> December 2014</b>

### 1 Summary

- 1.1 The report sets out proposals to increase service charges to ensure full cost recovery in line with Lewisham Council's budget strategy.
- 1.2 The report requests Brockley Residents Board members to consider the proposals to increase service charges based on an uplift of 2.2% for 2015/16 on specific elements. This is based on full cost recovery in line with previous years' proposals.

### 2 Policy Context

- 2.1 The policy context for leasehold and tenant service charges is a mixture of statutory and Council Policy.
- 2.2 The Council's Housing Revenue Account is a ring-fenced revenue account. The account is required to contain only those charges directly related to the management of the Council's Housing stock. This requires that leaseholder charges reflect the true cost of maintaining their properties where the provision of their lease allows. This prevents the situation occurring where tenants are subsidising the cost of leaseholders who have purchased their properties.

### 3. Recommendations

- 3.1 The Brockley Residents Board is requested to consider and comment on the proposals contained in this report and the feedback from the residents will be presented to Mayor and Cabinet as part of the wider rent setting report.

### 4. Purpose

- 4.1 The purpose of the report is to:
  - outline the proposals for increases in service charges in line with the contract arrangements for leaseholders and tenants to recover costs incurred for providing these services

## **5. Housing Revenue Account Charges**

- 5.1 There are a number of charges made to residents which are not covered through rents. These charges are principally:
- Leasehold Service Charges
  - Tenant Service Charges
- 5.2 A service charge levy is applied to Tenants for caretaking, grounds maintenance, communal lighting, bulk waste collection and window cleaning. Tenants also pay a Tenants Fund Levy which is passed onto the Tenants Fund as a grant.
- 5.3 The key principles that should be considered when setting service charges are that:
- The charge should be fair and be no more or less than the cost of providing the service
  - The charge can be easily explained
  - The charge represents value for money
  - The charging basis allocates costs fairly amongst those receiving the service
  - The charge to all residents living in a block will be the same
- 5.4 The principle of full cost recovery ensures that residents pay for services consumed and minimises any pressures in the Housing Revenue Account in providing these services. This is in line with the current budget strategy.
- 5.5 In the current economic environment it must however be recognised that for some residents this may represent a significant financial strain. Those in receipt of housing benefit will receive housing benefit on increased service charges. Approximately 60% of council tenants are in receipt of housing benefit.

## **6. Analysis of full cost recovery**

- 6.1 The following section provides analysis on the impact on individuals of increasing charges to the level required to ensure full cost recovery. The tables indicate the overall level of increases.

### **Leasehold service charges**

- 6.2 The basis of the leasehold management charge has been reviewed and externally audited this summer to reflect the actual cost of the service. In line with best practice in the sector this is now a fixed cost rather than a variable cost. The management charge is £42.50 for street properties and £105.50 for blocks.

6.3 The uplift in leaseholder charges should reflect full cost recovery for the type of service undertaken. It is proposed that any uplift is applied at 2.2% (CPI (September 2014) + 1%).

6.4 The following table sets out the average weekly increase for the current services provided by Regenter Brockley:

Service	Leasehold No.	Current Weekly Charge	New Weekly	Weekly Increase	% Increase
Caretaking	366	£3.55	£3.63	£0.07	2.20%
Grounds Maintenance	363	£2.00	£2.04	£0.04	2.20%
Lighting	384	£0.74	£0.76	£0.01	2.20%
Bulk Waste	357	£1.21	£1.24	£0.02	2.20%
Window Cleaning	216	£0.09	£0.09	£-	0.00%
Resident Involvement	525	£0.24	£0.25	£0.01	0.000%
Customer Services	525	£0.35	£0.36	£0.01	0.0%
Ground Rent	525	£0.19	£0.19	£-	0.00%
General Repairs	232	£0.54	£0.55	£0.01	2.20%
Technical Repairs	395	£0.32	£0.33	£0.01	2.20%
Entry Phone	137	£0.05	£0.05	£-	0.00%
Lift	234	£0.30	£0.31	£0.01	0.00%
Management Fee	525	£1.65	£1.69	£0.03	2.20%
<b>Total</b>		<b>£11.23</b>	<b>£11.49</b>		

### Tenant service charges

6.5 Tenant service charges were separated out from rent (unpooled) in 2003/04, and have been increased by inflation since then. RB3 took over the provision of the caretaking and grounds maintenance services in 2007/08. Both tenants and leaseholders pay caretaking, grounds maintenance, communal lighting, bulk waste collection and window cleaning service charges.

6.6 In addition, tenants pay a contribution of £0.13pw to the Lewisham Tenants Fund. At present there are no plans to increase the Tenants Fund charges.

6.7 In order to ensure full cost recovery, tenant's service charges for caretaking, grounds maintenance and other services should be increased in line with the percentage increase applied to leaseholder service charges. Overall, charges are suggested to be increased by an

average of £0.10pw which would move the current average weekly charge from £5.13 to £5.23.

- 6.8 The effect of increases in tenant service charges to a level that covers the full cost of providing the service is set out in the table below.

<b>Service</b>	<b>Current Weekly Charge</b>	<b>New Weekly Charge</b>	<b>Weekly Increase</b>	<b>% increase</b>
<b>Current</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>%</b>
Caretaking	2.78	2.84	0.06	2.20%
Grounds	1.30	1.32	0.02	2.20%
Lighting	0.71	0.72	0.01	2.20%
Bulk Waste	0.20	0.20	0.01	2.20%
Window Cleaning	0.02	0.02	0.00	0.0%
Tenants fund	0.13	0.13	0.00	0.0%
<b>Total</b>	<b>5.13</b>	<b>5.23</b>	<b>0.10</b>	<b>1.94%</b>

- 6.9 The RB3 Board are asked for their views on these charges from 2015/16. Results of the consultation will be presented to Mayor and Cabinet for approval in February 2015.

## **7. Financial implications**

The main financial implications are set out in the body of the report.

## **8. Legal implications**

- 8.1. Section 24 of the Housing Act 1985 provides that a local housing authority may make such reasonable charges as they determine for the tenancy or occupation of their houses. The Authority must review rents from time to time and make such changes as circumstances require. Within this discretion there is no one lawful option and any reasonable option may be looked at. The consequences of each option must be explained fully so that Members understand the implications of their decisions.
- 8.2 Section 76 of the Local Government and Housing Act 1989 provides that local housing authorities are under a duty to prevent a debit balance in the HRA. Rents must therefore be set to avoid such a debit.
- 8.3 Section 103 of the Housing Act 1985 sets out the terms under which secure tenancies may be varied. This requires –
- the Council to serve a Notice of Variation at least 4 weeks before the effective date;
  - the provision of sufficient information to explain the variation;

- an opportunity for the tenant to serve a Notice to Quit terminating their tenancy.
- 8.4 The timetable for the consideration of the 2014/15 rent levels provides an adequate period to ensure that legislative requirements are met.
- 8.5 Part III of Schedule 4 of the Local Government and Housing Act 1989 provides that where benefits or amenities arising out of the exercise of a Housing Authority's functions, are provided for persons housed by the authority, but are shared by the community as a whole, the authority shall make such contribution to their HRA from their other revenue accounts to properly reflect the community's share of the benefits or amenities.
- 8.6 Where as an outcome of the rent setting process, there are to be significant changes in housing management practice or policy, further consultation may be required with the tenants affected in accordance with section 105 of the Housing Act 1985.

**9. Crime and disorder implications**

There are no specific crime and disorder implications in respect of this report paragraph.

**10. Equalities implications**

The general principle of ensuring that residents pay the same charge for the same service is promoting the principle that services are provided to residents in a fair and equal manner.

**11. Environmental implications**

There are no specific environmental implications in respect of this report.

**12. Conclusion**

- 12.1 Revising the level of charges ensures that the charges are fair and residents are paying for the services they use.
- 12.2 The additional resources generated will relieve some of the current pressures within Housing Revenue Account and will contribute to the funding of the PFI contract which is contained within the authorities Housing Revenue Account.

If you require any further information on this report please contact

**Maxeene McFarlane on 0207 635 1208 or  
Maxeene.mcfarlane@pinnacle-psg.com**

**APPENDIX X4: Leasehold and Tenants Charges and Lewisham Homes Budget Strategy 2015/16**

Meeting	Combined Area Panel		Item No.	7
Report Title	Lewisham Homes Budget Strategy and Leasehold/Tenant Service Charge 2015/16			
Report Of	Director of Resources – Adam Barrett			
Class	Decision	Date	15 <sup>th</sup> December 2014	

**1. Purpose of the Report**

- 1.1 This report sets out proposals to change existing service charges for residents in 2015/16 and updates the Area Panel on the Lewisham Homes budget position for 2015/16.

**2. Recommendations**

That the Area Panel:

- 2.1 Comments on the proposed service charges for 2015/16.
- 2.2 Notes the average changes, from 2014/15, in the tenanted and leasehold service charges:
- Tenants - decrease of £0.01 (-0.13%)
  - Leaseholders - decrease of £0.09 (-0.65%)
- 2.3 Note the RPI for September 2014 is 2.3%.
- 2.4 Note that Lewisham's service charges remain below the average charge for London Boroughs.

**3. Background of the Report**

- 3.1 The Council's Housing Revenue Account is a ring fenced account. The account can only contain those charges directly related to the management of the Council's housing stock. As a result, leaseholders must be charged the true cost of maintaining their properties, where the provision of their lease allows. This prevents tenants subsidising the cost to leaseholders.
- 3.2 The Lewisham Homes budget process has identified net efficiency savings, of £0.559m for 2015/16. These have been passed on to residents and contributed to the proposed changes for 2015/16.



- 3.3 Charges for both leaseholders and tenants have reduced. The proposed 2015/16 average service charge for tenants is £7.71. This is an average decrease of -0.13%, on the current charges of £7.72, though 70% of tenants are to receive an increase of 1.99% which is below the rate of inflation. Leaseholders average charge has reduced by -0.65%, on the current charges of £13.89 with 77% to receive an increase of 1.54%.
- 3.4 The tenant charges decrease is less than the leasehold decrease as they are not charged for services such as Entry Phone, the charge for which has reduced by 25% (-0.09) in 2015/16.
- 3.5 The proposed 2015/16 average service charge for tenants, at £7.71, is below the London average charge of £9.19 for 2013/14.

Lewisham Homes aims to provide services that are affordable to residents and that represent value for money.

#### 4. Tenant and Leasehold service charges 2015/16

- 4.1 Table 1 below sets out the proposed changes between the current 2014/15 average charge and the 2015/16 proposed charge.

**Table 1**

Existing Service	Tenant (T) / Leaseholders (LH)	Estimate (per week charge)		Change		
		2014/15	2015/16			
		£	£		£	%
Caretaking	T & LH	5.93	5.93	no change	0.00	0.00%
Ground Maintenance	T & LH	0.97	0.97	no change	0.00	0.00%
Anti Social Behaviour	LH	0.31	0.38	increase	0.07	22.58%
Customer Services	LH	0.05	0.06	increase	0.01	20.00%
Resident Involvement	LH	0.42	0.43	increase	0.01	2.38%
Repairs and Maintenance - Building	LH	1.56	1.56	no change	0.00	0.00%
Repairs and Maintenance Technical	LH	1.06	1.06	no change	0.00	0.00%
Lifts	LH	2.65	2.65	no change	0.00	0.00%
Entry Phone	LH	0.36	0.27	decrease	-0.09	25.00%
Block Pest Control	T & LH	1.55	1.63	increase	0.08	5.16%
Ground Rent	LH	0.19	0.19	no change	0.00	0.00%
Sweeping	LH	0.87	0.88	increase	0.01	1.15%
Management	LH	2.47	2.47	no change	0.00	0.00%

Window Cleaning	T & LH	0.06	0.06	no change	0.00	0.00%
Bulky House Hold Waste Collection Service	T & LH	0.48	0.48	no change	0.00	0.00%
Insurance	LH	0.87	0.87	no change	0.00	0.00%
Communal Lighting	T & LH	0.86	1.21	increase	0.35	40.70%
Communal Heating and Hot Water	T & LH	9.88	8.01	decrease	-1.87	-18.93%
<b>Grand Total</b>		<b>30.54</b>	<b>29.11</b>		<b>-1.43</b>	<b>-4.68%</b>

T & LH - Services Charges to both Tenant and Leaseholders , LH - Services Charges to Leaseholders only

## 5. Analysis of impact due to changes in Service Charges for Tenants

- 5.1 There is an overall decrease of -0.13% for the service charge for tenants, from £7.72 to £7.71 per week. This decrease is a result of a decrease in communal hot water and heating of -18.93%. The decrease in communal hot water and heating is due to a consistent drop in energy usage and stable purchase price over the last 3 years. The decrease in energy usage has been due to the relatively mild winters that we have had.
- 5.2 Communal lighting and block pest control charges have increased by 40.70% and 5.16% respectively. The increase in communal lighting charge is due to higher energy prices. Block Pest Control has increased as there are more infestation treatments on the 2015-16 programme.
- 5.3 Table 2, below sets out the impact of the changes for current services for Tenants. The average decrease is 0.13%, with 70% receiving an increase of 1.99%, which is below inflation at 2.3% (September RPI).

**Table 2**

<b>Bands of Decrease / Increase</b>	<b>Number of Tenants</b>	<b>% of Total</b>	<b>Average decrease / increase</b>
<b>Dec. £3.00 plus</b>	<b>598</b>	<b>4.46%</b>	<b>-26.12%</b>
<b>Dec £2.01 to £3.00</b>	<b>439</b>	<b>3.28%</b>	<b>-18.67%</b>
<b>Dec - £1.01 to £2.00</b>	<b>1,126</b>	<b>8.40%</b>	<b>-11.66%</b>
<b>Dec - 0 to 1.00</b>	<b>1,502</b>	<b>11.21%</b>	<b>-4.30%</b>
<b>Inc - 0 to 1.00</b>	<b>9,311</b>	<b>69.50%</b>	<b>1.99%</b>
<b>Inc - £1.01 to £2.00</b>	<b>230</b>	<b>1.72%</b>	<b>16.86%</b>
<b>Inc - £2.01 to £3.00</b>	<b>115</b>	<b>0.86%</b>	<b>23.01%</b>
<b>Inc – 3.00 plus</b>	<b>77</b>	<b>0.57%</b>	<b>167.17%</b>
<b>Grand Total</b>	<b>13,398</b>	<b>100.00%</b>	<b>-0.13%</b>

Dec – Decrease , Inc - Increase

## 6. Analysis of Impact due to changes in Service Charges for Leaseholders

- 6.1 Charges for leaseholders have reduced by -0.65%, i.e. from £13.89 to £13.80 per week. This is mainly due to reduction in communal heating and hot water, and entry phone charges.

**Table 3**

<b>Bands of Decrease / Increase</b>	<b>Number in Band</b>	<b>% of Total</b>	<b>Average decrease / increase</b>
Dec - 3.00 plus	86	1.83%	-31.00%
Dec - £2.01 to £3.00	59	1.25%	-11.58%
Dec - £1.01 to £2.00	325	6.91%	-8.05%
Dec - 0 to 1.00	528	11.22%	-2.02%
Inc - 0 to 1.00	3,624	77.02%	1.54%
Inc - £1.01 to £2.00	66	1.40%	7.73%
Inc - £2.01 to £3.00	16	0.34%	13.37%
Inc - 3.00 plus	1	0.02%	901.85%
<b>Grand Total</b>	<b>4,705</b>	<b>100.00%</b>	<b>-1.54%</b>

Dec – Decrease , Inc - Increase

## 7. Tenant Service Charge Benchmarking

- 7.1 The benchmarking data for 2014/15 is not currently available. As a result, the data for 2013/14 has been used to benchmark the service charge.

As Table 4 below shows the proposed average service charge for tenants for 2015/16 still remains below the average service charge for all London Boroughs in 2013/14 .

### **Average charges per week for London Boroughs for tenanted Service Charges 2013/14.**

**Table 4**

<b>Borough</b>	<b>£</b>
Haringey	17.25
Hackney	12.15
Ealing	11.60
Camden	10.11
Islington	9.78
Brent	9.38
Tower Hamlets	8.63
Barnet	8.04
<b>Lewisham proposed charge 15/16</b>	<b>7.71</b>
Redbridge	7.64

Hillingdon	7.33
Southwark	7.01
Newham	6.79
Harrow	3.78
<b>Average (excluding Lewisham)</b>	<b>9.19</b>

Source - CIPFA Rent and Service Charge data April 2014.

## 8. Lewisham Homes Budget Proposals for 2015/16

### 8.1 Company Budget and the Fee

- 8.2 The fee and budget that Lewisham Homes is proposing for 2015/16 is £18.671m. This assumes inflation at 1% for staff pay and 2.5% for non-pay costs (1.5% effective rate). The changes to the management fee from 2014/15 to 2015/16 are set out in Table 5 below.

**Table 5**

	<b>Proposed Fee/budget £'000</b>
2014/15 fee	<b>18,676</b>
Inflation	277
Stock loss	(282)
<b>2015-16 Fee</b>	<b>18,671</b>

- 8.3 The proposed fee includes savings of £-0.936 and growth pressures from service areas of £0.337 resulting in a net saving of £-0.559.
- 8.4 The savings and growth with explanations are set out below

**Savings Table**

<b>Description</b>	<b>£'000</b>
Corporate Savings	-444
Operational Budgets	-492
<b>Total</b>	<b>-936</b>

### **Corporate Savings - £-0.444m**

- 8.5 Corporate savings have been identified through savings on inflation provisions that have not been used in 2014/15. This is due to the effective and efficient delivery of services removing the need for increased budget provision.

### **Service improvements and Pressures £0.337m**

<b>Description</b>	<b>£'000</b>
Increase in SLA charges as a result of Town Hall move	100
Additional staff to support residents through welfare reform changes	154
Caretakers Enhanced Weekend Working	60
Additional staff resources to support the community engagement team	63
<b>Total</b>	<b>377</b>

### **Town Hall Property Move £0.100m**

- 8.6 The relocation of all our core operations to one site office has resulted in an increase in property related costs by £100,000. However, the Council will be offering rent free periods in the first two years of occupancy thereby reducing the growth requirement in property related costs for these periods.

### **Income and Revenue £0.154m**

- 8.7 A total growth requirement of £154,000 has been identified in the Income and Revenue service, 50% of this is to cover two roles to mitigate the impact of Welfare Reforms. These two roles are currently funded on an ad hoc basis from company reserves and are now considered as mainstream requirements. The other 50% is to cover an increase in court fees.

### **Caretakers Enhanced Weekend Working \$£0.060m**

- 8.8 A total growth requirement of £60,000 has been identified in the Estate services. This is to cover the cost of enhanced weekend working by caretakers.

### **Head of Community Engagement £0.063m**

- 8.9 A new post of Head of Community engagement which has been funded from reserves in 2014/15 is now proposed to be part of core mainstream budgets at a cost of £63,000.

**If you require further information on this report please contact Adam Barrett on 020 8613 7697 or email [adam.barrett@lewishamhomes.org.uk](mailto:adam.barrett@lewishamhomes.org.uk)**

## **APPENDIX X5: Other Associated Housing Charges for 2015/16**

### **Garage Rents**

1. Allowance has been made for a 2.3% inflationary increase to garage rents in the Brockley area, based on the RPI rate at September 2014. This equates to an increase of £0.20 per week and raises the average basic charge from £8.49 to £8.69 per week.
2. Garage rents for the Lewisham Homes managed area are also proposed to rise in line with RPI inflation as at September 2014. This equates to an increase of £0.27 per week and would raise the average basic charge from £11.67 per week to £11.94 per week.

### **Tenants Levy**

3. As part of the budget and rent setting proposals for 2005/6, a sum of £0.13 per week was 'unpooled' from rent as a tenants service charge in respect of the Lewisham Tenants Fund. There was no increase in charges for the period 2009/10 to 2013/14 following consultation with Housing Panels.
4. Lewisham Tenants Fund (LTF) put forward proposals to leave the levy at £0.13 for 2014/15. These were submitted to Housing Panels and agreed. Therefore, the levy for 2014/15 remains at £0.13 per property per week.

### **Hostel charges**

5. Hostel accommodation charges are set based on rent restructuring rules and will rise by around 2.20% (£1.50 per week) under the rent restructuring formula.
6. Hostel services charges are set to achieve full cost recovery, following the implementation of self-financing. For 2015/16, the charge for Caretaking/management and Grounds Maintenance are proposed to be increase by 4.08% or £2.77 per week to reflect inflationary increases. This will move the average charge from £68.00 per unit per week to £70.77 per unit per week.
7. In addition, the charge levied for Heat, Light & Power (Energy) and Water Charges will not be increased due to further analysis on consumption patterns and communal area assumptions, which is now included within the service charge value noted in item 6 above. The charge for Heat, Light & Power will therefore remain the same at £5.24pw. Water charges will increase from £0.17 to £0.18 an increase £0.01pw. The charge for Council Tax will be based on the total

recharged received from Council Tax section. All charges will be based on the total number of hostel units after being reconfigured resulting in a small increase in the total number of units.

8. Hostel residents were consulted on these proposals via individual letters. Officers also invited hostel residents to meet them to discuss the changes and how these may affect them. However, no comments or representations were received.
9. There are no proposals to increase support charges, as it has been assumed that Supporting People grant will not receive an inflationary increase for 2015/16. The charge for Sheltered Housing tenants will be held at £10.66 per week. The charge for Very Sheltered Housing tenants will be held at £94.53 per week. There are approximately 312 sheltered housing tenants and 37 Very Sheltered Housing tenants.

### Linkline Charges

10. It is proposed to increase Linkline charges for 2015/16 by 2.5%. Charges will increase to £5.30 per week for line rental and £0.93 per week for maintenance from the current charge of £5.16 and £0.91 per week, respectively.

### Private Sector Leasing (PSL)

11. Rent income for properties used in the Private Sector Leasing (PSL) scheme is a General Fund resource. Following consultation, the Department for Work and Pensions (DWP) announced that the threshold for 2015/16 for housing benefits subsidy allowances will be based on the January 2011 Local Housing Allowance, less 10%, plus a management fee of £40 per property, subject to a maximum capped amount of £500 per week. It is recommended that rents for private sector leased properties are kept within the 2011/12 weekly threshold, as set out in Table B3 below.

**Table B3 - Local Housing Allowances for 2015/16 (used for PSL purposes)**

• Bed Size	• Total LHA Inner Lewisham	• Total LHA Outer Lewisham
• 1 Bed	• £211.34	• £180.19
• 2 Bed	• £268.47	• £211.34
• 3 Bed	• £310.00	• £246.66
• 4 Bed	• £413.84	• £310.00
• 5 Bed	• £500.00	• £393.08

## Heating & Hot Water Charges

12. As part of last year's rent setting process the Mayor agreed to continue with the current formula methodology for calculating increases in Heating & Hot Water charges to tenants and leaseholders. This formula was originally approved by Mayor & Cabinet in December 2004.
13. The current charging methodology allows a limited inflationary price increase plus a maximum of £2 per week per property increase on the previous years charge. Consumption levels are also updated and included in the formula calculation.
14. A new corporate contract for the supply of electricity and gas was re-let on 1<sup>st</sup> January 2014. This was a fixed price contract for a 3 year term. Consumption patterns remain under review and form part of the variable element of the contract.
15. The proposal for 2015/16 is for an decrease of 18.93% or -£1.87 per week for energy usage for communal heating. The decrease is a result of a consistent drop in energy consumption/usage and stable purchase prices. This will move the current average charge from £9.88pw to £8.01pw.
16. The proposal for communal lighting is an increase of 40.0% or £0.35 per week. This will move the current average charge from £0.86pw to £0.1.21pw. The increase is due to higher energy prices. Officers will review the costs and actual energy usage in 2014/15 as part of the monitoring regime for 2015/16 financial year and recommendations brought forward as part of the 2016/17 budget setting process.



## Appendix X6 - Summary of 20 historic housing debt cases proposed for write off

A summary of the 20 historic debt cases proposed for write off is set out below. In each case any information that might be identifiable to a certain individual or property has been removed.

### 1. Former Tenant Arrears cases over £10k and prepared for write off

#### Arrears over £10k at Jan 07 (4)

Reference	Balance Including Court Costs	Tenancy Start Date	Tenancy End Date	Case Notes
CASE 1	£10,820.61	15-Jul-02	02-May-04	This is a historic case and no information is available to demonstrate how the debt was accrued.
CASE 2	£12,973.48	08-May-95	06-Nov-05	This is a historic case and no information is available to demonstrate how the debt was accrued.
CASE 3	£18,359.35	22-Jul-02	23-Sep-07	This is a historic case and no information is available to demonstrate how the debt was accrued.
CASE 4	£14,598.34	14-Jul-03	20-Jan-08	This is a historic case and there is only limited information available to demonstrate how the debt was accrued. This is insufficient to allow for recovery procedures to take place.
<b>Total</b>	<b>£56,751.78</b>			

**Cases ended Pre July 2010 (10)**

<b>Address</b>	<b>Balance Including Court Costs</b>	<b>Tenancy Start Date</b>	<b>Tenancy End Date</b>	<b>Case Notes</b>
CASE 5	£10,578.23	25-Feb-85	22-Jun-08	This is a historic case and there is only limited information available to demonstrate how the debt was accrued. This is insufficient to allow for recovery procedures to take place.
CASE 6	£11,903.62	23-Aug-04	05-Oct-08	There is insufficient information available to allow for recovery procedures to take place.
CASE 7	£11,856.23	07-Aug-00	21-Dec-08	There is insufficient information available to allow for recovery procedures to take place.
CASE 8	£13,994.69	11-Dec-06	22-Mar-09	There is insufficient information available to allow for recovery procedures to take place.
CASE 9	£13,206.05	28-Feb-00	26-Jul-09	There is insufficient information available to allow for recovery procedures to take place.
CASE 10	£12,723.40	06-Mar-06	13-Sep-09	There is insufficient information available to allow for recovery procedures to take place.
CASE 11	£10,792.96	15-Oct-07	01-Nov-09	This is a hugely complex case with very limited likelihood of there being a successful recovery action
CASE 12	£10,345.70	14-Aug-06	15-Nov-09	There is insufficient information available to allow for recovery procedures to take place.
CASE 13	£13,445.82	02-Feb-09	25-Apr-10	There is insufficient information available to allow for recovery procedures to take place.
CASE 14	£10,616.87	10-Apr-95	25-Apr-10	There is insufficient information available to allow for recovery procedures to take place.
<b>Total</b>	<b>£119,463.57</b>			

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**Cases ended post July 2010 (6)**

<b>Address</b>	<b>Balance Including Court Costs</b>	<b>Tenancy Start Date</b>	<b>Tenancy End Date</b>	<b>Case Notes</b>
CASE 15	£11,777.09	03-Feb-03	04-Jul-10	Unauthorised occupant, rent charges backdated, repossession delayed due to a stay hearing.
CASE 16	£12,052.32	26-May-08	09-Oct-11	Arrears are from two tenancies. Tenant transferred from one LH property with £6k arrears and accrued £5k of arrears on the second LH property. There is a very limited likelihood of there being a successful recovery action
CASE 17	£10,154.73	14-Nov-05	20-Nov-11	Suspected abandonment and possession proceedings started, however unsuccessful in proving abandonment and legal action had to be re-started. Case further delayed by a 9 month wait for an eviction date.
CASE 18	£10,204.43	06-Apr-09	08-Jul-12	Stay hearing delayed 4 times as judge accepted tenants delay in applying for HB due to husbands visa issues and their child's poor health. Two further stay hearings then granted before eviction was successful.
CASE 19	£26,778.35	28-Nov-94	13-Jan-13	Both tenants deceased, no estate, arrears due to HB overpayment claw-back as tenants believed to be abroad when claiming HB. LH unsuccessfully appealed against HB overpayment.
CASE 20	£18,661.54	13-May-85	02-Dec-12	Tenant passed away but the family did not inform HB or LH and relatives became unauthorised occupants. HB overpayment created as HB was paid after tenants death. LH unsuccessfully appealed against HB overpayment.
<b>Total</b>	<b>£89,628.46</b>			

<b>Total all cases</b>	<b>£265,843.81</b>
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## APPENDIX Y1 – 2015/16 Previously Agreed Revenue Budget Savings

### 2015/16 SAVINGS SUMMARY - DIRECTORATE

DIRECTORATE	LEWISHAM FUTURE WORKSTRAND	2015/16 Agreed Savings £'000s
<b>CHILDREN &amp; YOUNG PEOPLE</b>		<b>475.0</b>
Business support placements & procurement	Safeguarding & Early Intervention (Q)	50.0
Looked after children, leaving care & adoption service	Safeguarding & Early Intervention (Q)	100.0
Contact	Safeguarding & Early Intervention (Q)	50.0
Attendance to welfare services	Safeguarding & Early Intervention (Q)	200.0
Services to schools	School Effectiveness (J)	75.0
<b>COMMUNITY SERVICES</b>		<b>50.0</b>
Sports development & leisure centres	Culture & Community (L)	50.0
<b>CUSTOMER SERVICES</b>		<b>375.0</b>
Green scene	Environmental Services (N)	250.0
Service Point – emergency hours	Public Services (O)	100.0
Service Point	Public Services (O)	25.0
<b>RESOURCES &amp; REGENERATION</b>		<b>579.5</b>
Transport	Asset Optimisation (E)	47.0
Technology & Operations	Management & Corporate Overheads (I)	500.0
Policy & Partnerships	Management & Corporate Overheads (I)	32.5
<b>TOTAL - REVENUE BUDGET SAVINGS AGREED</b>		<b>1,479.5</b>

## APPENDIX Y2 – 2015/16 Revenue Budget Savings

### Saving Proposals delegated on 12 November 2014 - Summary by Thematic Review

Ref	Description	Amount £'000		
		15/16	16/17	17/18
A5	Charging for Adult Social Care Services.	275	0	0
A7	Mental Health provision	250	0	0
A10	Proposal in respect of recouping health costs	600	0	0
E2	Efficiencies in the current facilities management contracts and optimising the current operational estate (reduction in the quantum of office accommodation).	150	305	670
E3	New ways in generating income from assets.	0	0	200
E4	Generating increased income, based on up-to-date market rates, better use of properties and effective rent collection. Also includes the transfer of commercial assets from the HRA to the GF.	50	445	100
E5	Energy efficiency measures	109	10	15
F1	Establishment of a centrally located, corporate business support service which combines a general support function with specialist service hubs.	900	0	1,000
G1a	Reviewing charges to our School Service Level Agreements (SLAs), and reviewing the Council's current investment strategy.	450	0	0
G1b	Improving Council Tax debt collection.	500		
I1	Savings in management overheads, commissioning, and professional services budgets covering Finance, Legal Services, Audit and Risk, Human Resources and IMT.	2,090	0	0
J1	The proposal to increase the income from the Service Level Agreement which will increase the costs for schools which will need to be paid for from the Individual Schools Budget block of the DSG.	751	0	0

Ref	Description	Amount £'000		
		15/16	16/17	17/18
K1	The Prevention and Inclusion service will be tendering a number of services to increase efficiencies while reducing and targeting provision such as residential rehabilitation.	574	30	0
K3	Withdraw funding from the case mgt/support team element of the Integrated Offender Management Service.	200	0	0
L2	Libraries staff reorganisation.	280	0	0
M1	Transfer of non-housing stock from the HRA to the General Fund.	700	200	100
O2	Review Parking Contract Client Team.	50	0	0
O3	Set up an internal 'enforcement agency' (bailiff) service to collect Council Tax and other debts. The internal bailiff service will generate income from the statutory fees charged to debtors. The 'saving' is the net surplus income once operational costs have been taken into account.	400	200	0
P1	Restructure of planning service and Cutting funding for legal locum to deal with s106 agreements that is no longer required	229	0	0
	<b>Total proposed savings</b>	<b>8,558</b>	<b>1,190</b>	<b>2,085</b>
	<b>Less: G1b Council Tax collection savings achieved via Collection Fund surplus</b>	<b>-500</b>	<b>0</b>	<b>0</b>
	<b>Total proposed savings towards 15/16 General Fund budget requirement</b>	<b>8,058</b>	<b>1,190</b>	<b>2,085</b>

## Saving Proposals returning to Mayor & Cabinet following 12 November 2014 - Summary by Thematic Review

Ref	Description	Amount £'000		
		15/16	16/17	17/18
A1	This proposal will ensure that a consistent approach is taken in meeting care and support needs in the most cost effective way. This may result in some community based packages of care ending or being reduced where needs can be met in different and more cost effective ways.	2,680	0	0
A2	The majority of this savings proposal (£900k) represents a negotiated reduction in 24 hour individual prices of care packages.£550K of saving relates to pathway clarification and redesign. The final £50 relates to the extension of charging to people using supported living services.	1,500	0	0
A3	Reconfiguring sensory services provision.	150	0	0
A4	Remodelling building based day services and associated transport costs.	1,300	0	0
A6	Public Health programme review (I)	1,500	0	0
A8	Public Health programme review (II)	1,154	0	0
A9	Review of services to support people to live at home	250	0	0
B1	Efficiency savings through reduced contract values while maintaining capacity, reductions in service capacity, service closures, a review of mental health services across the board lends itself to changes in what is currently commissioned via the SP programme, and a complete reconfiguration and re-procurement of all remaining floating support services.	1,349	1,174	0
D1	In setting the 2014/15 budget the decision was agreed to effect this efficiency saving by means of holding back an annual amount of £2.5m of non-pay inflation when setting service budgets. It is anticipated that this approach will continue for the remainder of the programme (i.e. to 2017/18). This assumption will be re-proposed for agreement as part of setting the Council's annual budget in February each year.	2,500	2,500	2,500
E1	Structural re-organisation of the Regeneration & Asset Management Division.	600	0	0

Ref	Description	Amount £'000		
		15/16	16/17	17/18
G1c	Blue Badge administration fee	24	0	0
H1	Restructuring of enforcement and regulatory services	800	0	0
K2	Restructure of YOS service and changes in interventions and reduction in some contracts.	200	0	0
L1	Review of VCS grants programme.	1,125	375	0
N1	To close and cease to maintain a number of small parks, highways enclosures and closed churchyards and reduce management and management support posts	340	0	0
N2	Reduction in street cleansing frequencies and cleansing management costs.	400	0	0
O1	Discretionary Freedom Pass scheme.	200	0	0
Q1	These proposals involve a re-alignment of the Early Intervention and Social Care Referral and Assessment functions to create a new approach to our front door and triage for access to services.	3,208 <u>973</u> 4,181	1,223	111
Q2	Review of Youth Services – Option 1.	1,406	0	0
	<b>Total proposed savings</b>	<b>21,599</b>	<b>5,272</b>	<b>2,611</b>
	<b>Less: Q1 Non LFP element relating to resetting 14/15 Children's budgets</b>	-3,208	0	0
	<b>Total proposed savings towards 15/16 General Fund budget requirement</b>	<b>18,391</b>	<b>5,272</b>	<b>2,611</b>



### NEW Saving Proposals for Mayor & Cabinet on 11 February - Summary by Thematic Review

Ref	Description	Amount £'000		
		15/16	16/17	17/18
L3	Reduction in a number of development budgets, an increase in income and the deletion of two vacant posts.	240	0	0
L4	Reduction in the operating period of the Broadway Theatre.	180	0	0
	<b>Total proposed savings</b>	<b>420</b>	<b>0</b>	<b>0</b>
	<b>Less:</b>	0	0	0
	<b>Total proposed savings towards 15/16 General Fund budget requirement</b>	<b>420</b>	<b>0</b>	<b>0</b>

### Summary of Saving Proposals contributing to the General Fund Budget

Ref	Description	Amount £'000		
		15/16	16/17	17/18
All	Previously agreed for 2015/16	1,480	0	0
	<b>Sub Total</b>	<b>1,480</b>	<b>0</b>	<b>0</b>
All	Delegated to officers on 12 November 2014	8,058	1,190	2,085
All	Returning to M&C in February 2015 for decision	18,391	5,272	2,611
All	New for M&C in February 2015 for decision	420	0	0
	<b>Sub Total</b>	<b>26,929</b>	<b>6,462</b>	<b>4,696</b>
	<b>Total proposed savings towards 15/16 General Fund budget requirement</b>	<b>28,409</b>	<b>6,462</b>	<b>4,696</b>

APPENDIX Y3

Ready Reckoner for Council Tax 2015/16						
Budget Requirement	Council Tax (Band D)	Increase / Decrease	GLA Precept (Band D)	Total Council Tax (Band D)	Increase / Decrease	
£'M	£	%	£	£	%	
2014/15	268.062	1,060.35	299.00	1,359.35		
	244.344	1,044.44	-1.50%	295.00	1,339.44	-1.46%
	244.745	1,049.75	-1.00%	295.00	1,344.75	-1.07%
	245.146	1,055.05	-0.50%	295.00	1,350.05	-0.68%
<b>Recommended</b>	<b>245.546</b>	<b>1,060.35</b>	<b>0.00</b>	<b>295.00</b>	<b>1,355.35</b>	<b>-0.29%</b>
	245.946	1,065.65	0.50%	295.00	1,360.65	0.10%
	246.347	1,070.95	1.00%	295.00	1,365.95	0.48%
	246.748	1,076.26	1.50%	295.00	1,371.26	0.87%
	246.948	1,078.91	1.75%	295.00	1,373.91	1.07%

**APPENDIX Y4: Chief Financial Officer’s Section 25 Statement**

CHIEF FINANCIAL OFFICER’S STATEMENT REQUIRED UNDER SECTION 25 OF THE LOCAL GOVERNMENT ACT

To follow for Mayor & Cabinet 18<sup>th</sup> February 2014

DRAFT

## APPENDIX Y5

### COUNCIL TAX AND STATUTORY CALCULATIONS

#### Council Tax Calculation

As part of the Localism Act 2011, any Council Tax increases that exceed 2% in 2015/16 will trigger an automatic referendum of all registered electors in the borough. The statutory calculation for whether the Council is required to hold a referendum is based upon the 'relevant basic' amount of Council Tax, which under accounting regulations, includes levies. Any final recommendations on Council Tax levels will need to meet statutory requirements.

To date, Lewisham has not received estimations of its levies for 2015/16, it is assumed they will not change. Formal notifications are expected to be received week commencing 16 February 2015.

#### Council Tax and Levies

<b>'Relevant Basic' Amount of Council Tax</b>	<b>2014/15</b>	<b>2015/16</b>
Council Tax Base	73,941	75,526
Council Tax Requirement with Levy (£)	78,403,552	79,178,445
Basic Amount of Council Tax (£)	1,060.35	1,060.35
<b>Increase in basic amount of Council Tax (%)</b>		<b>0%</b>

<b>Levy bodies for Lewisham</b>	<b>2014/15 £</b>	<b>2015/16 £</b>
LPFA (estimated)	1,243,426	1,243,426
Lee Valley Regional Park (estimated)	232,766	232,766
Environment Agency (estimated)	170,425	170,425
<b>Total Levies</b>	<b>1,646,617</b>	<b>1,646,617</b>

*The term "relevant basic amount of council tax" is defined in section 52ZX of the 1992 Act (inserted as above and amended by section 41(1) and (9) to (13) of the **Local Audit and Accountability Act 2014**).*

## Statutory Calculations

- 1) It be noted that at its meeting on 21 January 2015, the Council calculated the number of 75,526.1 as its Council Tax base for 2015/16 in accordance with the Local Authorities (Calculation of Taxbase) Regulations;
- 2) The following amounts be now calculated by the Council for the year 2015/16 in accordance with the Local Government Finance Act 1992:
  - a. **£1,040,469,544** being the aggregate of the amounts which the Council estimates for gross expenditure, calculated in accordance with Section 32(2)A of the Act;
  - b. **£794,923,465** being the aggregate of the amounts which the Council estimates for income, calculated in accordance with Section 32(3)A of the Act;
  - c. **£245,546,079** being the amount by which the aggregate of 2(a) above exceeds the aggregate of 2(b) above, calculated by the Council, in accordance with Section 32A(4) of the Act, as its General Fund budget requirement for the year;
  - d. **£160,598,382** being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of the Settlement Funding Assessment. This includes a Settlement Funding Assessment adjustment of **£1,259,461**;
  - e. **£84,948,100** being the residual amount required to be collected from Council Tax payers. This includes the surplus on the Council's Collection Fund of **£4,864,000**.
  - f. **£1,060.35** being the residual sum at (e) above (less the surplus on the Collection Fund), divided by the Council Tax base of **75,526.1** which is Lewisham's precept on the Collection Fund for 2014/15 at the level of Band D;

<b>Band</b>	<b>Council Tax (LBL)</b>
	<b>£</b>
A	706.90
B	824.72
C	942.53
<b>D</b>	<b>1,060.35</b>
E	1,295.98
F	1,531.62
G	1,767.25
H	2,120.70

Being the amounts given by multiplying the amount at (f) above by the number which, in proportion set out in Section 5(1) 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) It be noted that for the year 2015/16, the Greater London Authority is currently consulting on the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 (as amended), for each of the categories of dwellings shown below:-

<b>Band</b>	<b>GLA Precept £</b>
A	196.67
B	229.44
C	262.22
<b>D</b>	<b>295.00</b>
E	360.56
F	426.11
G	491.67
H	590.00

4) Having calculated the estimated aggregate amount in each case of the amounts at 2) (f) and 3) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, assumed the following amounts as the amounts of Council Tax for the year 2015/16 for each of the categories of dwellings shown below:-

<b>Band</b>	<b>Total Council Tax (LBL &amp; GLA) £</b>
A	903.57
B	1,054.16
C	1,204.75
<b>D</b>	<b>1,355.35</b>
E	1,656.54
F	1,957.73
G	2,258.92
H	2,710.70

## Appendix Y6 - Making Fair Financial Decisions



**This guidance has been updated to reflect the new equality duty which came into force on 5 April 2011. It provides advice about the general equality duty.**

### 0B Introduction

With major reductions in public spending, public authorities in Britain are being required to make difficult financial decisions. This guide sets out what is expected of you as a decision-maker or leader of a public authority responsible for delivering key services at a national, regional and/or local level, in order to make such decisions as fair as possible.

The new public sector equality duty (the equality duty) does not prevent you from making difficult decisions such as reorganisations and relocations, redundancies, and service reductions, nor does it stop you from making decisions which may affect one group more than another group. The equality duty enables you to demonstrate that you are making financial decisions in a fair, transparent and accountable way, considering the needs and the rights of different members of your community. This is achieved through assessing the impact that changes to policies, procedures and practices could have on different protected groups (or protected characteristics under the Equality Act 2010).

Assessing the impact on equality of proposed changes to policies, procedures and practices is not just something that the law requires, it is a positive opportunity for you as a public authority leader to ensure you make better decisions based on robust evidence.

### 1B What the law requires

Under the equality duty (set out in the Equality Act 2010), public authorities must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not.

The protected groups covered by the equality duty are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The duty also covers marriage and civil partnerships, but only in respect of eliminating unlawful discrimination.

The law requires that public authorities demonstrate that they have had 'due regard' to the aims of the equality duty in their decision-making. Assessing the

potential impact on equality of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can demonstrate that they have had 'due regard'.

It is also important to note that public authorities subject to the equality duty are also likely to be subject to the Human Rights Act. We would therefore recommend that public authorities consider the potential impact their decisions could have on human rights.

## **2BAim of this guide**

This guide aims to assist decision-makers in ensuring that:

- The process they follow to assess the impact on equality of financial proposals is robust, and
- The impact that financial proposals could have on protected groups is thoroughly considered before any decisions are arrived at.

We have also produced detailed guidance for those responsible for assessing the impact on equality of their policies, which is available on our website:

[http://www.equalityhumanrights.com/uploaded\\_files/EqualityAct/PSED/equality\\_analysis\\_guidance.pdf](http://www.equalityhumanrights.com/uploaded_files/EqualityAct/PSED/equality_analysis_guidance.pdf)

## **3BThe benefits of assessing the impact on equality**

By law, your assessments of impact on equality must:

- Contain enough information to enable a public authority to demonstrate it has had 'due regard' to the aims of the equality duty in its decision-making
- Consider ways of mitigating or avoiding any adverse impacts.

Such assessments do not have to take the form of a document called an equality impact assessment. If you choose not to develop a document of this type, then some alternative approach which systematically assesses any adverse impacts of a change in policy, procedure or practice will be required.

Assessing impact on equality is not an end in itself and it should be tailored to, and be proportionate to, the decision that is being made.

Whether it is proportionate for an authority to conduct an assessment of the impact on equality of a financial decision or not depends on its relevance to the authority's particular function and its likely impact on people from the protected groups.

We recommend that you document your assessment of the impact on equality when developing financial proposals. This will help you to:

- **Ensure you have a written record of the equality considerations** you have taken into account.



- **Ensure that your decision includes a consideration of the actions that would help to avoid or mitigate any impacts on particular protected groups.** Individual decisions should also be informed by the wider context of decisions in your own and other relevant public authorities, so that particular groups are not unduly affected by the cumulative effects of different decisions.

- **Make your decisions based on evidence:** a decision which is informed by relevant local and national information about equality is a better quality decision. Assessments of impact on equality provide a clear and systematic way to collect, assess and put forward relevant evidence.

- **Make the decision-making process more transparent:** a process which involves those likely to be affected by the policy, and which is based on evidence, is much more open and transparent. This should also help you secure better public understanding of the difficult decisions you will be making in the coming months.

- **Comply with the law:** a written record can be used to demonstrate that due regard has been had. Failure to meet the equality duty may result in authorities being exposed to costly, time-consuming and reputation-damaging legal challenges.

#### **4B When should your assessments be carried out?**

Assessments of the impact on equality must be carried out at a **formative stage** so that the assessment is an integral part of the development of a proposed policy, not a later justification of a policy that has already been adopted. Financial proposals which are relevant to equality, such as those likely to impact on equality in your workforce and/or for your community, should always be subject to a thorough assessment. This includes proposals to outsource or procure any of the functions of your organisation. The assessment should form part of the proposal, and you should consider it carefully **before** making your decision.

If you are presented with a proposal that has not been assessed for its impact on equality, you should question whether this enables you to consider fully the proposed changes and its likely impact. Decisions not to assess the impact on equality should be fully documented, along with the reasons and the evidence used to come to this conclusion. This is important as authorities may need to rely on this documentation if the decision is challenged.

It is also important to remember that the potential impact is not just about numbers. Evidence of a serious impact on a small number of individuals is just as important as something that will impact on many people.

#### **5B What should I be looking for in my assessments?**

Assessments of impact on equality need to be based on relevant information and enable the decision-maker to understand the equality implications of a decision and any alternative options or proposals.

As with everything, proportionality is a key principle. Assessing the impact on equality of a major financial proposal is likely to need significantly more effort and resources dedicated to ensuring effective engagement, than a simple assessment of a proposal to save money by changing staff travel arrangements.

There is no prescribed format for assessing the impact on equality, but the following questions and answers provide guidance to assist you in determining whether you consider that an assessment is robust enough to rely on:

• **Is the purpose of the financial proposal clearly set out?**

A robust assessment will set out the reasons for the change; how this change can impact on protected groups, as well as whom it is intended to benefit; and the intended outcome. You should also think about how individual financial proposals might relate to one another. This is because a series of changes to different policies or services could have a severe impact on particular protected groups.

Joint working with your public authority partners will also help you to consider thoroughly the impact of your joint decisions on the people you collectively serve.

**Example:** A local authority takes separate decisions to limit the eligibility criteria for community care services; increase charges for respite services; scale back its accessible housing programme; and cut concessionary travel. Each separate decision may have a significant effect on the lives of disabled residents, and the cumulative impact of these decisions may be considerable. This combined impact would not be apparent if the decisions were considered in isolation.

• **Has the assessment considered available evidence?**

Public authorities should consider the information and research already available locally and nationally. The assessment of impact on equality should be underpinned by up-to-date and reliable information about the different protected groups that the proposal is likely to have an impact on. A lack of information is not a sufficient reason to conclude that there is no impact.

• **Have those likely to be affected by the proposal been engaged?**

Engagement is crucial to assessing the impact on equality. There is no explicit requirement to engage people under the equality duty, but it will help you to improve the equality information that you use to understand the possible impact on your policy on different protected groups. No-one can give you a better insight into how proposed changes will have an impact on, for example, disabled people, than disabled people themselves.

• **Have potential positive and negative impacts been identified?**

It is not enough to state simply that a policy will impact on everyone equally; there should be a more in-depth consideration of available evidence to see if particular protected groups are more likely to be affected than others. Equal treatment does not always produce equal outcomes; sometimes authorities will have to take particular steps for certain groups to address an existing disadvantage or to meet differing needs.

• **What course of action does the assessment suggest that I take? Is it justifiable?**

The assessment should clearly identify the option(s) chosen, and their potential impacts, and document the reasons for this decision. There are four possible outcomes of an assessment of the impact on equality, and more than one may apply to a single proposal:

**Outcome 1: No major change required** when the assessment has not identified any potential for discrimination or adverse impact and all opportunities to advance equality have been taken.

**Outcome 2: Adjustments to remove barriers identified by the assessment or to better advance equality.** Are you satisfied that the proposed adjustments will remove the barriers identified?

**Outcome 3: Continue despite having identified some potential for adverse impacts or missed opportunities to advance equality.** In this case, the justification should be included in the assessment and should be in line with the duty to have 'due regard'. For the most important relevant policies, compelling reasons will be needed. You should consider whether there are sufficient plans to reduce the negative impact and/or plans to monitor the actual impact, as discussed below.

**Outcome 4: Stop and rethink** when an assessment shows actual or potential unlawful discrimination.

• **Are there plans to alleviate any negative impacts?**

Where the assessment indicates a potential negative impact, consideration should be given to means of reducing or mitigating this impact. This will in practice be supported by the development of an action plan to reduce impacts. This should identify the responsibility for delivering each action and the associated timescales for implementation. Considering what action you could take to avoid any negative impact is crucial, to reduce the likelihood that the difficult decisions you will have to take in the near future do not create or perpetuate inequality.

**Example:** A University decides to close down its childcare facility to save money, particularly given that it is currently being under-used. It identifies that doing so will have a negative impact on women and individuals from different racial groups, both staff and students.

In order to mitigate such impacts, the University designs an action plan to ensure relevant information on childcare facilities in the area is disseminated to staff and students in a timely manner. This will help to improve partnership working with the local authority and to ensure that sufficient and affordable childcare remains accessible to its students and staff.

• **Are there plans to monitor the actual impact of the proposal?**

Although assessments of impact on equality will help to anticipate a proposal's likely effect on different communities and groups, in reality the full impact of a decision will only be known once it is introduced. It is therefore important to set out

arrangements for reviewing the actual impact of the proposals once they have been implemented.

### **6B What happens if you don't properly assess the impact on equality of relevant decisions?**

If you have not carried out an assessment of impact on equality of the proposal, or have not done so thoroughly, you risk leaving yourself open to legal challenges, which are both costly and time-consuming. Recent legal cases have shown what can happen when authorities do not consider their equality duties when making decisions.

**Example:** A court recently overturned a decision by Haringey Council to consent to a large-scale building redevelopment in Wards Corner in Tottenham, on the basis that the council had not considered the impact of the proposal on different racial groups before granting planning permission.

However, the result can often be far more fundamental than a legal challenge. If people feel that an authority is acting high-handedly or without properly involving its service users or employees, or listening to their concerns, they are likely to become disillusioned with you.

Above all, authorities which fail to carry out robust assessments of the impact on equality risk making poor and unfair decisions that could discriminate against particular protected groups and perpetuate or worsen inequality.

As part of its regulatory role to ensure compliance with the equality duty, the Commission will monitor financial decisions with a view to ensuring that these have been taken in compliance with the equality duty and have taken into account the need to mitigate negative impacts where possible.

[www.equality.humanrights.com](http://www.equality.humanrights.com)

## APPENDIX Z1: Interest Rate Forecasts 2015 - 2018

The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Capita's central view.

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar 2015	0.50	2.20	3.40	3.40
Jun 2015	0.50	2.20	3.50	3.50
Sep 2015	0.50	2.30	3.70	3.70
Dec 2015	0.75	2.50	3.80	3.80
Mar 2016	0.75	2.60	4.00	4.00
Jun 2016	1.00	2.80	4.20	4.20
Sep 2016	1.00	2.90	4.30	4.30
Dec 2016	1.25	3.00	4.40	4.40
Mar 2017	1.25	3.20	4.50	4.50
Jun 2017	1.50	3.30	4.60	4.60
Sep 2017	1.75	3.40	4.70	4.70
Dec 2017	1.75	3.50	4.70	4.70
Mar 2018	2.00	3.60	4.80	4.80

## **APPENDIX Z2: Economic Background**

### **The UK. Economy**

#### Growth Performance

UK. After strong UK GDP growth in 2013 at an annual rate of 2.7%, and then in 2014 0.7% in Q1, 0.9% in Q2 2014 (annual rate 3.2% in Q2), Q3 has seen growth fall back to 0.7% in the quarter and to an annual rate of 2.6%. It therefore appears that growth has eased since the surge in the first half of 2014 leading to a downward revision of forecasts for 2015 and 2016, albeit that growth will still remain strong by UK standards. For this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance.

#### Employment and wages

This overall strong growth has resulted in unemployment falling much faster than expected. The MPC is now focusing on how quickly slack in the economy is being used up. It is also particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back significantly above the level of inflation in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity, which has languished at dismal levels since 2008, to support increases in pay rates.

Unemployment is expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in wage growth at some point during the next three years. However, just how much those future increases in pay rates will counteract the depressive effect of increases in Bank Rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, are areas that will need to be kept under regular review.

#### Inflation

Also encouraging has been the sharp fall in inflation (CPI), reaching 1.0% in November 2014, the lowest rate since September 2002. Forward indications are that inflation is likely to remain around or under 1% for the best part of a year. The return to strong growth has helped lower forecasts for the increase in Government debt over the last year but monthly public sector deficit figures during 2014 have disappointed until November. The autumn statement, therefore, had to revise the speed with which the deficit is forecast to be eliminated.

## **The Eurozone**

### Growth and inflation

The Eurozone is facing an increasing threat from weak or negative growth and from deflation. In November 2014, the inflation rate fell further, to reach a low of 0.3%. However, this is an average for all EZ countries and includes some countries with negative rates of inflation. Accordingly, the ECB took some rather limited action in June and September 2014 to loosen monetary policy in order to promote growth. It now appears likely that the ECB will embark on full quantitative easing (purchase of EZ country sovereign debt) in early 2015.

### Sovereign debt

Concern in financial markets for the Eurozone subsided considerably after the prolonged crisis during 2011-2013. However, sovereign debt difficulties have not gone away and major issues could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy, (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise for some countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed.

The ECB's pledge in 2012 to buy unlimited amounts of bonds of countries which ask for a bailout has provided heavily indebted countries with a strong defence against market forces. This has bought them time to make progress with their economies to return to growth or to reduce the degree of recession. However, debt to GDP ratios (2013 figures) of Greece 180%, Italy 133%, Portugal 129%, Ireland 124% and Cyprus 112%, remain a cause of concern, especially as some of these countries are experiencing continuing rates of increase in debt in excess of their rate of economic growth i.e. these debt ratios are likely to continue to deteriorate.

Any sharp downturn in economic growth would make these countries particularly vulnerable to a new bout of sovereign debt crisis. It should also be noted that Italy has the third biggest debt mountain in the world behind Japan and the US.

### Greece

The general election due to take place on 25 January 2015 is likely to bring a political party to power which is anti EU and anti austerity. However, if this eventually results in Greece leaving the Euro, it is unlikely that this will directly destabilise the Eurozone as the EU has put in place adequate firewalls to contain the immediate fallout to just Greece

## **USA**

The U.S. Federal Reserve ended its monthly asset purchases in October 2014. GDP growth rates (annualised) for Q2 and Q3 of 4.6% and 5.0% have been stunning and

hold great promise for strong growth going forward. It is therefore confidently forecast that the first increase in the Fed. rate will occur by the middle of 2015.

## **China**

Government action in 2014 to stimulate the economy appeared to be putting the target of 7.5% growth within achievable reach but recent data has indicated a marginally lower outturn for 2014, which would be the lowest rate of growth for many years.

## **Japan**

Japan is causing considerable concern as the increase in sales tax in April 2014 has suppressed consumer expenditure and growth to the extent that it has slipped back into recession in Q2 and Q3. The Japanese government already has the highest debt to GDP ratio in the world.

### **Capita Asset Services Forward View**

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data transpires over 2015. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

The overall longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.



## **APPENDIX Z3: Credit Worthiness Policy (Linked to Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management)**

### **Annual Investment Strategy**

The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of the following:

- The strategy guidelines for choosing and placing investments
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified or non-specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.

**Specified Investments:** These investments are sterling investments of not more 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 if it wishes. These are considered low 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 Government (such as the Debt Management Account deposit facility, UK treasury bills, or a gilt 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 (such as money market funds) that have been awarded a high credit rating (AAA) by a credit rating agency.
5. A body that is considered of a high credit quality (such as a bank or building society)

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. This criteria is as described below.

**Non-Specified Investments:** These are any investments which do not meet the specified investment criteria. The Council does not currently invest in non-specified investments.

This Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;

- CDS spreads to give early warning of likely changes in credit ratings; and
- sovereign ratings to select counterparties from only the most creditworthy countries.

These factors are weighted and combined with an overlay of Credit Default Swap CDS spreads. The end product is a series of ratings (colour coded) to indicate the relative creditworthiness of counterparties. These ratings are used by the Council to determine the suggested duration for investments.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	<b>Minimum credit criteria / colour band</b>	<b>Max % of total investment s/ £ limit per institution</b>	<b>Max. maturity period</b>
DMADF – UK Government	N/A	100%	6 months
UK Government gilts	UK sovereign rating	£20m	1 year
UK Government Treasury bills	UK sovereign rating	£60m	6 months
Money market funds	AAA	£30m	Liquid
Local authorities	N/A	£10m	1 year
Term deposits with banks and building societies	Yellow* Purple Blue Orange Red Green*** No Colour	£30m £25m £40m £20m £15m £10m 0	Up to 1 year Up to 1 years Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use
Call accounts and notice accounts	Yellow Purple Blue Orange Red Green No Colour	In line with the above	Liquid

*\*for UK Government debt, or its equivalent, constant net asset value money market funds and collateralised deposits where the collateral is UK Government debt*

**The monitoring of investment counterparties** - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Capita Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Executive Director of Resources and Regeneration, and if required new counterparties which meet the criteria will be added to the list. Any fixed term investment held at the time of the downgrade will be left to mature as such investments cannot be broken mid term.

**Accounting treatment of investments.** The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

DRAFT

## APPENDIX Z4: Approved countries for investments

Based on lowest available rating

### AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Norway
- Singapore
- Sweden
- Switzerland

### AA+

- Finland
- Hong Kong
- Netherlands
- U.K.
- U.S.A.

### AA

- Abu Dhabi (UAE)
- France
- Qatar

DRAFT

## **APPENDIX Z5: Requirement of the CIPFA Management Code of Practice**

### **Treasury management scheme of delegation**

#### **(i) Full Council**

- budget consideration and approval;
- approval of annual strategy.
- approval of/amendments to the organisation's treasury management policy statement

#### **(ii) Public Accounts Committee**

- receiving and reviewing reports on treasury management policies, practices and activities;

### **The treasury management role of the section 151 officer**

#### **The S151 (responsible) officer**

- Recommending treasury management policy 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;
- approval of the division of responsibilities;
- approving the organisation's treasury management practices;

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# Overview and Scrutiny

## Public Health Working Group

January 2015

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### Membership of the Public Health Working Group

**Councillor Stella Jeffrey (Chair)**

**Councillor Ami Ibitson**

**Councillor David Michael**

**Councillor John Muldoon**

**Councillor Jacq Paschoud**

**Councillor J J Walsh**

**Councillor Alan Hall (ex-officio)**

**Councillor Gareth Siddorn (ex-officio)**

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## Chair's Introduction

The transfer of responsibility for public health to local councils in 2013 was an opportunity for all council services to work more closely to reduce the health inequalities which affect too many of our residents. The budget allocated to public health (around £20 million) is ring-fenced until 2016 and can only be spent on services which have clear public health outcomes. The allocation of public health funding to support free swimming for over 60s and under 16s began the process of using a less restrictive interpretation of how outcomes may be achieved and we look forward to further imaginative initiatives in the future.



The Working Group wanted to be sure that even before any reinvestment was considered that the proposed savings were fully scrutinised. In our two meetings we were able to benefit from the contributions of the Director of Public Health and his team, the Executive Director for Community Services and her staff, the Lewisham Clinical Commissioning Group who provided their comments on the proposed savings and mitigations and the Co-Chief Executive of Lewisham Citizens Advice Bureau and we appreciate the time they gave us.

We hope that the Health and Wellbeing Board, the Safer Stronger Select Committee and the Healthier Communities Select Committee will take note of the recommendations we make in relation to them.

Lewisham's motto, *Salus populi suprema lex*, could not be more appropriate, the health of the people is the highest law.

Councillor Stella Jeffrey  
Chair of the Public Health Working Group

## **Executive summary**

The Lewisham Future Programme is the Council's approach to making the transformational changes necessary to reposition itself strongly for the future, whilst living within the financial resources at its disposal. The savings proposals relating to public health that have been put forward as part of this programme, are cross-cutting and significant, and it was agreed by Council that a working group should be set up to look at these proposals in more depth.

The working group has examined the proposals in detail and the impact that they might have on service improvement; health protection; and health improvement.

In relation to this, the Working Group is particularly concerned that the achievement of UNICEF/WHO baby friendly status in 2015 might be put at risk by the renegotiation of contracts relating to breastfeeding cafes; and feels that the steps that will be taken to avoid this must be clearly set out. The impact of the reduction in funding on Voluntary and Community Sector (VCS) organisations also needs to be monitored.

It is clear that further scrutiny on the impact of the proposals is required, and in particular, on the options for reinvesting the savings made in other activities with positive public health outcomes. It is for this reason that many of the working group's recommendations involve suggestions for further member involvement.

Specifically, the working group expects the Healthier Communities Select Committee, which has the statutory responsibility under the Health & Social Care Act 2012 to consider significant changes in provision by relevant health bodies, including the Council itself in relation to public health services, to be kept abreast of any ongoing work in this area.

## **Recommendations**

The Committee would like to make the following recommendations:

### **Public Health at Lewisham**

1. The Working Group notes that the staffing arrangements in Public Health are due to be reviewed with a restructure effective from April 2015. The Working Group would like the Healthier Communities Select Committee to be updated on the new staffing structure once this is in place.

### **Mitigation**

2. The Working Group supports the concerns raised by the Lewisham Clinical Commissioning Group that the achievement of UNICEF/WHO baby friendly status in 2015 might be put at risk by the renegotiation of contracts relating to breastfeeding cafes. Mayor and Cabinet should be provided with a list of the steps that will be taken by officers to ensure that this does not happen.
3. The integration of services via the neighbourhood model is crucial to achieving the required savings and further integration is clearly required. The Healthier Communities Select Committee should continue to receive updates on the integration programme including information on the savings being achieved via the programme.
4. The Health and Wellbeing Board will need to satisfy itself that the approach being taken in relation to the neighbourhood model involves a high degree of risk management and continuous review.
5. The impact of the reduction in funding on VCS organisations needs to be monitored and it is suggested that the Safer Stronger Select Committee reviews this at the end of September 2015.

### **Reinvesting savings**

6. The Healthier Communities Select Committee should have the opportunity to comment on and scrutinise the proposed use of the savings resulting from the implementation of the 2015/16 public health savings proposals. A full breakdown of the use of the savings resulting from the proposals should be provided to the Healthier Communities Select Committee once this has been agreed.

## **Purpose and structure of review**

1. As part of the Council's 2015/16 Revenue Budget Savings, two savings proposals relating to public health were put forward. These were considered by the Overview and Scrutiny Committee on 29 September 2014 and each of the Select Committees in October and early November, before being submitted to Mayor and Cabinet on 12 November 2014. The Mayor then authorised officers to carry out the required public/stakeholder/ staff consultation in relation to the proposals.
2. The Overview & Scrutiny Business Panel requested that a working group on public health be established, as the public health changes being proposed might have an impact across the whole council and the panel wanted the group to consider, in particular, whether any alternative application of public health funding would fulfil public health outcomes.
3. At its meeting on 26 November 2014, Council agreed to set up a time limited Public Health Working Group to operate until the end of February 2015 to consider the proposals to change public health services being proposed as part of the Council's budget process for 2015/16.

## **Terms of Reference**

4. It is acknowledged that the Healthier Communities Select Committee has the statutory responsibility under the Health & Social Care Act 2012 in relation to significant changes in provision by relevant health bodies (including the Council itself in relation to public health services). It is also acknowledged that it is the Healthier Communities Select Committee which has the duty to review and scrutinise health service matters by virtue of regulations made under Section 244 NHS Act 2006. The establishment of the Public Health Working Group was not intended to detract from the statutory or other remit of the Healthier Communities Select Committee in any way. Rather it was intended to make a contribution to the Council's debate about the future of public health services in Lewisham.
5. The terms of reference agreed for the working group were:

"Without prejudice to the remit of the Healthier Communities Select Committee, to consider any proposals to change public health services being proposed as part of the Council's budget process for 2015/16. To make any comments it considers appropriate about those proposals to the Council's Public Accounts Committee (PAC) prior to any submissions PAC may decide to make to the Mayor in February 2015 in relation to budget proposals for 2015/16. The Working Group will consist of 6 members (7 if the councillor outside the majority party wishes to sit on the Group) and will cease to exist at the end of February 2015".

## **Scope**

6. The working group had two formal meetings to consider the following:

### **First meeting (15 December 2014)**

- (1) Receiving a written report providing information on:

**The context:**

- (i) The Council's public health responsibilities
- (ii) The nature of the ring-fenced budget
- (iii) How public health is structured at Lewisham in terms of staffing (structure and reporting lines) and governance (the role of the Healthier Communities Select Committee, the Health and Wellbeing Board etc.) and how this compares to other local authorities.

**The proposals:**

- (i) The savings being proposed (including any alternative services that exist/will be put in place to replace reduced or stopped services)
- (ii) Options for redirecting the savings made to other activities with a public health outcome.

- (2) Questioning officers on the written report.

**Second meeting (13 January 2015)**

To consider and agree a final report presenting all the evidence taken and to agree recommendations for submission to the Public Accounts Select Committee on 5 February 2015 (and on to Mayor & Cabinet on 11 February 2015).

- 7. Informal work took place between the two formal meetings to ensure that the working group collated all the evidence it needed for this report. The working group also received the results of the consultation with Lewisham Clinical Commissioning Group on the savings proposals, attached at Appendix C.

## The context

### The Council's public health responsibilities

8. The 2012 Health and Social Care Act provided the legal basis for the transfer of public health functions from the NHS to local authorities. On 1 April 2013 the Council assumed responsibility for the provision of most public health functions, with the remaining functions provided by Public Health England and NHS England.
9. The Health and Social Care Act 2012 places a duty on local authorities and their partner clinical commissioning groups to prepare and publish joint health and wellbeing strategies to meet needs identified in their joint strategic needs assessments (JSNAs).
10. In line with the Health and Social Care Act, the Council has three overarching responsibilities in relation to public health<sup>1</sup>:
  - 1) To deliver its statutory duties to take such steps as it considers appropriate for improving the health of people in its area, and to plan for and respond to emergencies involving a risk to public health.
  - 2) To deliver the key public health outcomes in the National Public Health Outcomes Framework.
  - 3) To deliver a Joint Strategic Needs Assessment (providing officers and elected members with appropriate advice, based on a rigorous appreciation of patterns of local health need, what works and potential for improving health) and a Health & Wellbeing Strategy for the borough.
11. These overarching functions encompass the three domains of public health: service improvement; health protection; and health improvement.
12. The Council is mandated to provide public health commissioning advice based on quality population-level analysis of health data and needs assessment at no cost to the Lewisham Clinical Commissioning Group. Official Department of Health guidance on the proportion of time and resource spent by Local Authorities on public health commissioning advice for the CCG is around 40% of the specialist public health function.
13. The key elements of public health advice and support to clinical commissioners includes: assessing needs and strategic planning; reviewing service provision; deciding priorities; service re-design and planning; managing performance; supporting patient choice and seeking public and patient views; and maintaining workforce expertise.

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<sup>1</sup> Public Health in Local Government: The new public health role of local authorities, DH 2012

### *Health protection*

14. The Council, and the Director of Public Health (DPH) acting on its behalf, has a mandatory duty to protect the health of the population, both in terms of helping to prevent threats arising and in ensuring appropriate responses when things go wrong. The Council needs to have available the appropriate specialist health protection skills to carry out these functions.
15. The Council, through the DPH, has a duty to ensure plans are in place to protect the population including screening and immunisation. It provides assurance and challenge regarding the plans of NHS England, Public Health England and providers. The DPH needs to assure the council that the combined plans of all these organisations, when delivered in Lewisham, will deliver effective screening and immunisation programmes to the population. There are a large number of screening and immunisation programmes including: cervical, bowel and breast cancer screening; ante natal and neo-natal screening; abdominal aortic aneurysm screening; routine immunisation of children and influenza immunization; and diabetic retinopathy screening.

### *Health Improvement*

16. The Council has specific responsibilities, supported by its ring fenced public health grant (see next section), for commissioning public health services and initiatives<sup>2</sup>. Some of these functions are mandatory and the Council is obliged to deliver the defined function, others are discretionary and the Council can determine the level of provision, guided by the Public Health Outcomes Framework, the local joint strategic needs assessment and the joint health and wellbeing strategy<sup>2</sup>. These responsibilities are:.

#### Mandatory commissioning responsibilities:

- National Child Measurement Programme
- NHS Health Check assessments
- Comprehensive sexual health services (including testing and treatment for sexually transmitted infections, contraception outside of the GP contract and sexual health promotion and disease prevention)

#### Locally determined commissioning responsibilities:

- Tobacco control and smoking cessation services
- Alcohol and drug misuse services
- Public health services for children and young people aged 5-19 (in longer term all public health services for children and young people)
- Interventions to tackle obesity such as community lifestyle and weight management services
- Locally-led nutrition initiatives
- Increasing levels of physical activity in the local population
- Public mental health services

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<sup>2</sup> Public Health in Local Government: Commissioning responsibilities, DH 2012

- Dental public health services
- Accident injury prevention
- Local initiatives on workplace health
- Local initiatives to reduce excess deaths as a result of seasonal mortality
- Population level interventions to reduce and prevent birth defects
- Behavioural and lifestyle campaigns to prevent cancer and long-term conditions
- Supporting, reviewing and challenging delivery of key public health funded and NHS delivered services such as immunisation and screening programmes
- Local authority role in dealing with health protection incidents, outbreaks and emergencies
- Public health aspects of promotion of community safety, violence prevention and response
- Public health aspects of local initiatives to tackle social exclusion
- Local initiatives that reduce public health impacts of environmental risks

17. Information on the impact of the Council's public health activity since responsibility moved to the local authority in April 2013 can be found at **Appendix A**.

### The Public Health Budget

18. The public health budget is ring fenced until at least the end of 2015/2016. The Council is required to file annual accounts to Public Health England on how the Council's public health allocation is spent against pre-determined spending categories linked to public health outcomes and mandatory functions. A copy of the latest statement was provided to the working group following its meeting on 15 December 2014.

19. The following chart itemises budget allocations against each programme area:

Function		2014/15 Budget Allocation £	Spend Commitments 2014/15* £
Sexual Health	Sexual Health Services: STI Testing & Treatment	2,753,834	2,728,834
	Sexual Health Services: Contraception	3,902,467	3,933,027
	Sexual Health Services: Advice, Prevention & Promotion (including HIV prevention)	480,500	480,500
NHS Health Check Programme	NHS Health Check Programme	558,200	522,057
Health Protection	Health Protection	288,586	259,769
National Child Measurement Programme	School Nursing	1,600,000	1,600,000
Public Health	Public Health Advice to CCG	543,500	490,900



Advice			
Promoting Healthy Weight & Obesity	Obesity: Adults	297,100	241,100
	Obesity: Children	504,100	490,275
Physical Activity	Physical Activity: Adults	370,000	355,000
	Physical Activity: Children	70,000	20,000
Substance Misuse	DAAT-Adults Substance Misuse Service	3,580,700	3,580,700
	DAAT-Alcohol Service	419,000	419,000
	DAAT-Young Persons Substance Misuse	232,000	232,000
	DAAT-Drug Intervention Programme	369,000	369,000
	DAAT-Adult Rehab Placements	300,000	300,000
Smoking and Tobacco	Stop Smoking Service	706,811	670,711
	Smoking and Tobacco: Wider Tobacco Control, including prevention of uptake, tackling illegal sales and smoke free homes	226,000	116,000
Children 5-19 Public Health Programmes	Children 5-19 PH Programmes	150,700	120,878
Other Public Health Services	Other Public Health Services: Administration £104,200, Prescribing Costs £718,000,	822,200	822,200
	Other Public Health Services - Reducing Health Inequalities & Addressing Wider Determinants of Health: Area Based Initiatives - £90,000, Library Services - £15,375, Lewisham Refugee & Migrant Network - £21,500, Federation of Refugees from Vietnam in Lewisham - £29,000, Community Health Improvement Service - £1,065,941, North Lewisham Plan - £99,000; Warm Homes - £75,000; Health Assessments for Housing Eligibility - £28,000 Money Advice (Citizens Advice Bureau) - £148,000	1,571,816	1,559,816
		20,053,514	19,311,767

\*The expenditure is less than the budget due to efficiency savings being implemented in some areas within year 2014/15.

## Public Health at Lewisham

20. The current staffing structure of the Council's public health department, including vacant posts, is shown in Appendix B. The total staff employed currently is 28, equating to 24.4 whole time equivalents. The total staff budget is £1.475m, but because of staff vacancies and secondments forecast expenditure for 2014/15 is £1,300,278. At its meeting on 15 December 2014, the working group considered the structure chart for the public health department, noting that the DPH worked for 2.5 days a week and line managed 13 people, something that would change post a restructure effective from April 2015. A restructure was thought necessary as it was clear that the role of the public health workforce within local government was continuing to evolve as councils' understanding of their new responsibilities matured and as they become more adept at incorporating public health into the full range of their activities and commissioned services. Therefore the current staffing arrangement and functional responsibilities would be reviewed as part of a wider review of council arrangements.
21. In line with most other London boroughs, the DPH at Lewisham is line managed by the Executive Director for Community Services. He also has a 'dotted line' to the Chief Executive and Mayor in view of his advisory responsibilities. The reporting arrangements for public health in Lewisham reflect the most common arrangement across London boroughs. This in turn reflects the London-wide integration programme which is bringing synergies between acute health providers, community and primary care based services, adult social care and public health. It is usually the equivalent of the Community Services Directorate which carries the local authority role for liaison with health. However, nationally some local authorities have adopted alternative models, with the DPH reporting directly to the Chief Executive, or the DPH role being combined with other council responsibilities such as environmental health (e.g. Halton Borough Council), housing, and joint commissioning of health and social care services (e.g. West Sussex County Council).
22. In relation to the role that public health specialists play in discharging a council's public health responsibilities, a few London councils have moved towards a model in which public health professionals provide an 'expert-led' advisory service with public health commissioning undertaken elsewhere (e.g. Lambeth and Newham). However, the majority have maintained or are increasing the commissioning remit of their public health specialist workforce. In Lewisham public health strategic commissioning is discharged by the appropriate commissioning unit, but overseen by the public health service.
23. The DPH manages the public health department and has budget management responsibilities for the ring fenced grant with the exception of the drugs and alcohol budget, which is managed by the head of crime reduction and supporting people. The current DPH works for 2.5 days a week as he is seconded half time to King's College London Department of Primary Care and Public Health Sciences and to the School of Medical Education.

24. In addition to the DPH (0.5 WTE<sup>3</sup>), there are 3.3 WTE Consultants in Public Health in the Public Health Division Senior Management Team. The Faculty of Public Health previously recommended an average consultant in public health complement of 4.3 WTE for a population of 270,000, with greater capacity for populations with greater health need such as Lewisham's. It was noted by the Working Group that, to assure themselves of the continuing competence of their Consultants in Public Health, local authorities should ensure that they are registered with the GMC or the UK Public Health Register; undertake a continuing professional development programme that meets the requirements of the Faculty of Public Health; maintain a programme of personal professional development to ensure competence in professional delivery; and undertake appropriate annual professional appraisal in order to ensure revalidation and fitness to practise.
25. The Consultants in Public Health have responsibility for key portfolios including Children and Young People, Sexual Health, Health Protection, Tobacco Control, Mental Health, Cardiovascular Disease, Cancer and Health Intelligence. They have also been given a lead responsibility for liaising with the four Council Directorates (Resources and Regeneration, Customer Services, Children and Young People and Community Services), and for providing public health advice to the Lewisham Clinical Commissioning Group (CCG). The working group observed that a number of senior public health officers did not have line management responsibilities but were specialists managing specialist programmes of work.

**Recommendation 1:** The Working Group notes that the staffing arrangements in Public Health are due to be reviewed with a restructure effective from April 2015. The Working Group would like the Healthier Communities Select Committee to be updated on the new staffing structure once this is in place.

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<sup>3</sup> Whole Time Equivalent.

## Findings

### The Savings Proposals:

26. Lewisham Council has to make savings of £85m over the next 3 years. The public health budget is ring fenced until at least the end of 2015/2016. Where savings have been identified from the current ring fenced public health budget these will be used to support public health outcomes in other areas of the Council. The working group was informed that the guiding principle for the re-investment would be to support areas where reductions in council spend would have an adverse impact on public health outcomes.
27. The approach to identifying savings has been:
  - 1) To identify any duplication with aspects of other council roles which can therefore be combined or streamlined.
  - 2) To identify any service which should more appropriately be carried out by other health partners.
  - 3) To stop providing service level agreements or incentive payments to individual GP practices and develop those services more efficiently and equitably across the four GP neighbourhood clusters where appropriate.
  - 4) To gain greater efficiency through contract pricing where applicable.
  - 5) To integrate public health grants to the voluntary sector into the Council's mainstream grant aid programme.
28. The working group was informed that the Public Health programmes which transferred to Lewisham Council in April 2013 had all been reviewed. The review identified an initial £1.5M of savings which could be delivered largely through efficiencies and using the uplift applied to the public health budget in 2014/15. A further disinvestment of £1.15M was also identified, although it was acknowledged that this was likely to have some negative impact unless the service delivery models were re-configured; subsequent savings identified in provider overheads and on costs; and there was a commitment from schools to both engage in health improvement programmes and contribute financially.
29. At its meeting held on 15 December 2014, the working group was informed by the Executive Director for Community Services that the first set of proposals (£1.5m) would have a minimal impact on outcomes; and whilst the second set of proposals (£1.15m) might have a more significant impact, this would be mitigated by a reconfiguration of services at a neighbourhood level, in alignment with the development of integrated services.
30. The programmes where savings are proposed include the following:
  - Dental Public Health

- Health Inequalities
- Mental Health (adults and children)
- Health Protection
- Maternal and Child Health
- NHS Health Checks
- Obesity/Physical Activity
- Sexual Health
- Smoking and Tobacco Control
- Training and Education.

31. The savings proposals are presented in the table below. The working group noted that the Council, as the commissioner of these services, would work closely with the provider of services on planned service re-configuration, in order to mitigate the impact of any service changes, maximise the efficiency and effectiveness in service delivery and to optimise value for money.

**Table 1 – Savings Public Health Savings Proposals**

Public Health Programme Area	Total Budget	Total Saving	Proposals	Service re-design where applicable	Risk & Mitigation
Sexual Health	£7,158,727	£321,600	<ol style="list-style-type: none"> <li>1. Re-negotiation of costs for sexually transmitted infection testing with LGT in 2015/16, including application of a standard 1.5% deflator to the contract value as an efficiency saving, and inclusion of laboratory costs in the overall contract (£275.6k).</li> <li>2. Reduce sex and relationships (SRE) funding and develop a health improvement package that schools can purchase that includes SRE co-ordinated and supported by school nursing (£20k)</li> <li>3. Remove incentive funding for chlamydia and gonorrhoea screening in GP practices (£26k)</li> </ol>	<p>In the short to medium term the development of a neighbourhood model of sexual health provision will lead to improved services. In the longer term a London wide sexual health transformation programme is being developed in partnership with 20 boroughs, which is expected to deliver greater benefit at reduced costs.</p>	<p>The risk would be that LGT cannot deliver the same level of service within reduced funding, and GPs disengage with sexual health. Mitigation includes work with primary care to deliver sexual health services in pharmacy &amp; GP practices, and free training given to GPs and practice nurses.</p> <p>The risk is that SRE is not delivered in schools. Mitigation includes developing a health improvement package that schools can purchase that includes SRE, and work with school nursing to support schools to provide quality SRE.</p>
NHS Health checks	£551,300	£157,800	<ol style="list-style-type: none"> <li>1. Removing Health checks facilitator post</li> <li>2. Pre- diabetes intervention will not be rolled out</li> <li>3. Reduced budget for blood tests due to lower take up for health checks than previously assumed</li> <li>4. Reducing GP advisor time to the programme</li> <li>5. Reduction in funding available to support IT infrastructure for NHS health checks</li> </ol>	<p>An essential component of the NHS Healthchecks programme is delivered through the Community Health Improvement Service. See proposed re-commissioning and service re-design under 'health inequalities'</p>	<p>Missed opportunity to prevent diabetes and for early diagnosis of diabetes.</p> <p>IT system not able to deliver requirements of the programme.</p> <p>Future plans to align commissioning of NHS Health Checks with Neighbourhoods will help to optimise the efficiency and</p>

				below.	effectiveness of resources and may identify more people at risk earlier.
Health Protection	£35,300	£12,500	Stop sending the recall letter for childhood immunisations (as this is already done via GPs)		Minimal as impact of letter on uptake appears to be low.  Uptake of childhood immunisations continues to be monitored.
Public Health Advice to CCG	£79,200	£19,200	Decommissioning diabetes and cancer GP champion posts.		These posts will be commissioned by the CCG in future.
Obesity/ physical activity	£650,000	£173,400	<ol style="list-style-type: none"> <li>1. Decommission Hoops4health (£27,400)</li> <li>2. Changing delivery of Let's Get Moving GP &amp; Community physical activity training (£5,000)</li> <li>3. Decommissioning Physical Activity in Primary Schools (£50,000)</li> <li>4. Reduce funding for community development nutritionist (£30k)</li> <li>5. Remove funding for obesity/ healthy eating resources (£10K)</li> <li>6. Withdraw of funding for clinical support to Downham Nutritional Project (£9k)</li> <li>7. Efficiency savings from child weight management programmes. (£12k)</li> <li>8. Reduce physical activity for health checks programme (£20k)</li> </ol>		<p>There is a risk of reduction of physical activity in schools.</p> <p>Mitigation includes Schools being encouraged to use their physical activity premium to continue programmes selected from a recommended menu of evidence based activities.</p> <p>The risk is a reduction in support to voluntary sector healthy eating and nutrition programmes.</p> <p>Mitigation includes organisations being encouraged to build delivery into their mainstream funding programme.</p>
Dental public health	£64,500	£44,500	Release funding from dental public health programmes	Dental public health services commissioned by NHS England	Sufficient resource retained to assure dental infection control function.

Mental Health	£93,400	£59,200	<ol style="list-style-type: none"> <li>1. Withdraw funding for clinical input to Sydenham Gardens.</li> <li>2. Reduce funding available for mental health promotion and wellbeing initiatives (including training).</li> </ol>		<p>The risk is that Sydenham Gardens is unable to sustain clinical input from grant funding, but it is agreed to direct them to alternative funding sources.</p> <p>The risk is a reduction in mental health awareness training across the borough.</p> <p>Mitigation includes pooling resources with neighbouring boroughs for delivery of training and work closely with voluntary sector and SLAM to deliver mental health awareness training and campaigns.</p>
Health Improvement Training	£88,000	£58,000	<ol style="list-style-type: none"> <li>1. Decommission Health Promotion library service.</li> <li>2. Limit health improvement training offer to those areas which support mandatory public health services.</li> </ol>		<p>The risk is reduced capacity to develop a workforce across partner organisations which contributes to public health outcomes.</p> <p>Mitigation includes working with CEL to develop new models of delivery for essential public health training.</p>
Health inequalities	£1,460,019	£581,500	<ol style="list-style-type: none"> <li>1. Reconfiguring LRMN Health Access services to deliver efficiencies (£21,500)</li> <li>2. Remove separate public health funding stream to VAL (£28,000)</li> <li>3. Decommissioning FORVIL Vietnamese Health Project (£29,000)</li> </ol>	It is proposed to integrate a number of community based health improvement programmes, including those funded by the GLA (e.g. Bellingham	<p>The risk is reduced capacity across the system to tackle health inequalities, and a reduction in service for the most vulnerable.</p> <p>Mitigation includes working with the Adult integrated Care Programme</p>



			<ol style="list-style-type: none"> <li>4. Reducing funding for Area Based Programmes (£40,000)</li> <li>5. Decommissioning CAB Money Advice in 12 GP surgeries (£148,000)</li> <li>6. Reduce the contract value for community health improvement service with LGT by limiting service to support mandatory Public health programmes such as NHS Health Checks only and reduce other health inequalities activity. (£270k)</li> <li>7. Further reduce funding for area based public health initiatives which are focused on geographical areas of poor health with in the borough. (£20k)</li> <li>8. Reduce funding for 'warm homes' (£25K)</li> </ol>	<p>Well London) with the health and social care activities currently being developed in these neighbourhoods by the Community Connections team, District Nurses, Community Health Improvement Service, Social Workers and GPs. There is also a plan to develop a stronger partnership working with Registered Social Landlords as well as any local regeneration projects in each of these neighbourhoods.</p>	<p>to deliver a neighbourhood model for health inequalities work, and develop local capacity.</p> <p>It is anticipated that basing these services directly in the community and with greater integration will accommodate the funding reduction.</p> <p>Voluntary organisations will have an opportunity to continue some of this work in a different way through the grant aid programme.</p>
smoking and tobacco control	£860,300	£348,500	<ol style="list-style-type: none"> <li>1. Reduce contract value for stop smoking service at LGT by £250k (30%)</li> <li>2. Stop most schools and young people's tobacco awareness programmes</li> <li>3. Decommission work to stop illegal sales</li> </ol>	<p>There are proposals to re-configure the stop smoking service as part of the neighbourhood developments described under 'health inequalities' above.</p>	<p>There is a risk of a reduction in number of people able to access stop smoking support and an increase in young people starting smoking if services are not – reconfigured appropriately.</p> <p>Mitigation includes optimising efficiencies in the delivery of the SSS and reducing the length of time smokers are supported from 12 to 6 weeks to release capacity. Schools will be able to fund some of the peer education non-smoking programmes as part of the menu of</p>

					<p>programmes.</p> <p>The restructuring of enforcement services is likely to allow tackling illegal sales of tobacco in a more integrated way with the same outcomes and prevent young people having access to illegal tobacco.</p>
Maternal and child health	£187,677	£68,400	<ol style="list-style-type: none"> <li>1. Reducing sessional funding commitment for Designated Consultant for Child Death Review</li> <li>2. Reduce capacity for child death review process by reducing sessional commitment of child death liaison nurse.</li> <li>3. Removal of budget for school nursing input into TNG</li> <li>4. Reduce capacity/funding for breast feeding peer support programme &amp; breast feeding cafes.</li> </ol>		<p>There may be less opportunity to learn from and improve services for families which have been bereaved, but this is not the purpose of the panel and there will be no impact on prevention of child deaths.</p> <p>The school nursing service received grant funding of £250k in 2014/15 which has not been reduced, and the service will be able to accommodate input into TNG.</p> <p>There is a risk that women will be less well supported to breast feed and Lewisham may not achieve UNICEF/WHO Baby Friendly status in 2015.</p> <p>Mitigation will include re-negotiating support through the maternity services contract, although this may not be achievable in time for 2015 contracts. Baby café licences may be re-negotiated.</p>

Department efficiencies		£262,200	To be identified through a staff restructure in 2015. At this point public health staff terms and conditions and pay scales are to be harmonised with council staff terms and conditions and pay scales.		
2014/2015 Uplift (uncommitted)		£547,000			
<b>TOTAL</b>	<b>£14,995,000</b>	<b>£2,653,800</b>			

## Mitigation

32. One of the aims of the working group in relation to the savings being proposed, was to consider any alternative services that existed or would be put in place to replace reduced or stopped services. The working group considered the table above and the column listing the risks and mitigation associated with each element of the savings proposals. In response to questions from Members of the group, the following points were noted:

- Savings proposals relating to breastfeeding services had the potential to affect the achievement of UNICEF/WHO baby friendly status in 2015, so steps would be taken to ensure the renegotiation of contracts relating to breastfeeding cafes would not jeopardise the Council's chances of achieving the status.
- The new neighbourhood model was largely in place in terms of management infrastructure, although geographic co-location was still to be achieved. Further integration was also required in terms of integrating more services and extending networks (with mental health, the voluntary and community sector, pharmacies etc.). However, the Community Connections programme was now firmly established in the neighbourhoods.
- South East London had chosen to retain infection control nurses rather than devolve the relevant budgets to NHS England and this had given the boroughs an advantage in terms of ensuring adequate health protection activity.
- In terms of work with specific communities, such communities would now only receive specific targeted interventions if there was clinical need (e.g. if a particular illness was prevalent in a certain community); and that in terms of access to services, a broader picture would be considered and efforts made to ensure everyone had access to services.

**Recommendation 2:** The Working Group supports the concerns raised by the Lewisham Clinical Commissioning Group that the achievement of UNICEF/WHO baby friendly status in 2015 might be put at risk by the renegotiation of contracts relating to breastfeeding cafes. Mayor and Cabinet should be provided with a list of the steps that will be taken by officers to ensure that this does not happen.

**Recommendation 3:** The integration of services via the neighbourhood model is crucial to achieving the required savings and further integration is clearly required. The Healthier Communities Select Committee should continue to receive updates on the integration programme including information on the savings being achieved via the programme.

**Recommendation 4:** The Health and Wellbeing Board will need to satisfy itself that the approach being taken in relation to the neighbourhood model involves a high degree of risk management and continuous review.

33. The working group was reassured to hear that the impact of a cut in funding of 50% to the national HIV prevention programme in England would not be that significant in Lewisham as the borough had never relied on the national programme but had done a lot of locally based work. However, it was accepted that late diagnosis was an issue in the borough and officers were working with Lewisham CCG to address this within the existing budget. A further area for improvement was the local sexual health clinics. Financing improvement was difficult because central Genito-Urinary Medicine (GUM) services (that were more expensive than local services) were taking a lot of the available budget by re-charging the borough for working with Lewisham patients. However, officers were trying to drive down costs, working at a London level.
34. Rachel Braverman, the Co-Chief Executive of Lewisham Citizens Advice Bureau addressed the working group at its meeting on 15 December 2014. She made the point that advisory services had a huge impact and were income-generating and that, in short, cuts here would not deliver required savings. She also spoke of the links between debt and mental health and how good debt advice would reduce health expenditure. The Executive Director for Community Services made the following points in response:
- The importance of the advice sector was recognised, the borough funded the advice sector very heavily and the main grants programme had a specific strand relating to advice and information.
  - Lewisham Citizens Advice Bureau was providing advice in 12 GP surgeries and the intention was to provide access to advice for vulnerable people, via referrals, at every surgery via the neighbourhood model.
  - A health and social care information and advice website was being developed to ensure compliance with the Care Act and it was expected that the voluntary and community sector would contribute content to this.
  - Library staff would be providing non-specialist advice from next year.
  - Specialist debt advice would be commissioned.
35. The working group considered whether a one off transitional fund might help advice organisations manage the reduction in funding and identify alternative sources of funding.
36. At the meeting held on 13 January 2015, the Working Group was informed that the Grant Aid programme would not be administered until July 2015 and that organisations would be told by the end of March 2015 what the new level

of funding was and what the expectations attached to it were, so they had, in effect, three months of transitional funding.

**Recommendation 5:** The impact of the reduction in funding on VCS organisations needs to be monitored and it is suggested that the Safer Stronger Select Committee reviews this at the end of September 2015.

### **Measuring impact**

37. The working group was keen to consider how the impact of services could be measured to help it assess the impact of the cuts and the impact that alternative service provision might have. The DPH outlined the difficulties in quantifying benefits and reported that academic research indicated that the most sensible way of measuring the success of services was probably to list the different types of benefits they brought in words (and numbers where possible), compare these to the costs and make a value judgement. It was noted that in the case of the savings proposals that had been put forward, officers had made a value judgement about the benefits provided by the services under consideration for savings, versus their costs. It was accepted that, ideally, the options for spending the money saved would be considered at the same time but it was noted that this would not be done until the summer of 2015. However, the assumption was that the new areas of spend would produce the same level, or increased, public health benefits and there was every indication that using the money to reduce the level of required cuts next year would produce increased public health benefits.

### **Reinvesting savings**

38. One of the aims of the working group was to consider options for redirecting the savings that would result from the proposals to other activities with a public health outcome. However, as specific options would not be considered until the summer of 2015, scrutiny of the options for spending any savings made could not yet take place. The working group noted that the savings resulting from the proposals would be put towards next years' savings requirement and used to maintain activity in areas where cuts were proposed, where the activity had a positive public health outcome. It was further noted that, in addition to using the funding to mitigate 2016/17 savings proposals, the savings could be used, if appropriate, to assist with any 2015/16 savings proposals that were not delivered. However, any re-allocation in other areas of council spend must have an equal or greater public health impact.
39. The working group considered which areas of council spend might benefit from the re-allocation and the following areas were mentioned: Supporting People; housing and environmental services. The DPH commented that scrutiny could assist in the prioritisation process and in helping him come to an assessment about the cost effectiveness of budget spend for the annual submission to Public Health England.

**Recommendation 6:** The Healthier Communities Select Committee should have the opportunity to comment on and scrutinise the proposed use of the savings resulting from the implementation of the 2015/16 public health savings proposals. A full breakdown of the use of the savings resulting from the proposals should be provided to the Healthier Communities Select Committee once this has been agreed.

## **Appendices**

**Appendix A: The impact of public health activity**

**Appendix B: Current Public Health Structure Chart**

**Appendix C: Results of the Consultation with the Lewisham CCG**



## Appendix A: The impact of public health activity

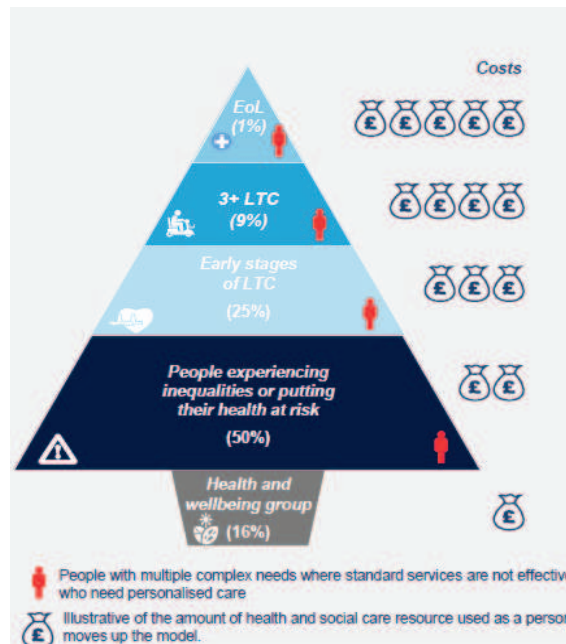
1. A dynamic Joint Strategic Needs Assessment (JSNA), supported by a Public Health data portal, has been developed and is accessible online ([www.lewishmjsna.org.uk](http://www.lewishmjsna.org.uk)). The Health and Well Being Board is established and a ten year Health and Well Being Strategy has been developed.
2. The activity of the Health and Wellbeing Board is focused on delivering the strategic vision for Lewisham as established in Shaping our Future – Lewisham’s Sustainable Community Strategy, and in Lewisham’s Health and Wellbeing Strategy. Lewisham’s Health and Wellbeing Strategy was published in 2013.
3. Using the JSNA evidence and focusing on improving health, care and efficiency, the Health and Well Being Strategy was informed by the following considerations:
  - 1) Analysis of those areas which collectively are able to make the biggest difference to health and wellbeing at all levels of our health and social care system, from empowering people to make healthy choices to prevent ill health, through early intervention to prevent deterioration in health and wellbeing, to targeted care and support, right through to complex care for people with long term health problems;
  - 2) listening to the voice of Lewisham people and local communities, the voluntary and community sector, about the issues that affect their health and wellbeing;
  - 3) Analysis and prioritisation of those areas and actions that will enable transformative system level change and integration across social care, primary and community care, and hospital care;
  - 4) Identification of those areas where early action now, for example by addressing the ‘causes of the causes’ of ill health and inequalities, particularly in the early years, or intervening to prevent dependency, will improve quality and length of life in the future, and reduce the need for additional health and social care interventions later on.
4. Contributing to the objectives of Lewisham’s Sustainable Community Strategy to reduce inequality and informed by the Marmot Review<sup>4</sup>, the strategy has identified nine priority areas for action over the next ten years.
  - Achieving a Healthy Weight
  - Increasing the number of people who survive colorectal, breast and lung cancer for 1 and 5 years
  - Improving Immunisation Uptake

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<sup>4</sup> Marmot et al, Fair Society, Fair Lives, Strategic Review of health Inequalities, 2010

- Reducing Alcohol Harm
- Preventing the uptake of smoking among children and young people and reducing the numbers of people smoking
- Improving mental health and wellbeing
- Improving sexual health
- Delaying and reducing the need for long term care and support
- Reducing the number of emergency admissions for people with long term conditions

5. The diagram below illustrates the scale of the health improvement challenge. It is estimated that in South East London, only around 16% of the population are not adversely affected by inequalities and do not put their health at significant risk. This emphasizes the need to ensure that all organizations and partners across the borough take a holistic approach to promoting the health and wellbeing of their residents, clients, patients and their own staff, so that ‘every contact counts’.



6. In order to maximise the impact of public health in making every contact count and supporting the delivery of the health and wellbeing strategy priorities, effort and resources have been focused on delivering those public health functions which are mandatory or that have been identified as a priority in the strategy.

7. The following section describes the programmes, performance and challenges in relation to these key public health functions:

- National Child Measurement Programme
- NHS Health Checks assessments
- Comprehensive sexual health services
- Tobacco Control and smoking cessation services

- Alcohol and drug misuse services
- Public health services for children and young people aged 5-19
- Interventions to tackle obesity such as community lifestyle and weight management services
- Locally-led nutrition initiatives
- Increasing levels of physical activity in the local population
- Local initiatives to reduce excess deaths as a result of seasonal mortality
- Public mental health services
- Behavioural and lifestyle campaigns to prevent cancer and long-term conditions
- Supporting, reviewing and challenging delivery of key public health funded and NHS delivered services such as immunisation and screening programmes
- Local authority role in dealing with health protection incidents, outbreaks and emergencies
- Public health advice and support to clinical commissioners

#### National Child Measurement Programme

8. The school nursing team of Lewisham and Greenwich NHS Trust (LGT) is commissioned to deliver the National Child Measurement Programme (NCMP). The National Child Measurement programme involves the annual height and weight measurement of all children in reception year and Year 6 in schools. The School Nursing Service has recently been expanded to enable it to increase its focus on health improvement including promoting healthy weight.
9. In 2012/13 over 6,000 children were measured (3,565 in Reception and 2,442 in Year 6). The participation rate in Lewisham of 92% (national target 85%) means that robust data are collected.
10. In Lewisham childhood obesity rates remain significantly higher than the England rate. In 2012/13 Lewisham remains in the top quintile of Local Authority obesity prevalence rates for Year 6. Reception year performance has improved and Lewisham is now in the second quintile. In 2012/13, 10.7% of Reception children were at risk of obesity and this rose to 23.3% in Year 6. The target set for the school year 2012/13 for obesity in Reception (12.2%) and Year 6 (24%) was achieved.
11. There is a small increase in obesity rates in both reception year and Year 6. This is similar to the national picture that shows that the proportion of children who were either overweight and obese or obese was higher for both Reception and Year 6 in 2013/14 compared to the previous year.
12. By deprivation: Results for Lewisham show obesity levels similar or lower to those seen in the most deprived decile. (The obesity prevalence among reception year children attending schools in areas in the most

deprived decile was 12.0% compared with 6.6% among those attending schools in areas in the least deprived decile and 24.7% compared to 13.1% in Year 6.)

13. The most significant challenges are to support families with young children and pregnant mothers to reduce their dietary intake of sugars, energy rich and processed foods in order to achieve a healthy weight for babies and children that will persist through the life course. This is especially challenging in the face of an obesogenic environment that normalises and encourages excessive consumption.

#### NHS Health Check assessments

14. This service aims to improve health outcomes and quality of life amongst Lewisham residents by identifying individuals at an earlier stage of vascular change, and to provide opportunities to empower them to substantially reduce their risk of cardiovascular morbidity or mortality. A NHS Health Check is offered to 20% of the eligible population every year as part of a 5 year rolling programme with an uptake level of 50-75%.
15. The 30 minute risk assessment involves a series of simple questions about lifestyle (smoking, alcohol, diet and physical activity) and family history, measuring blood pressure and cholesterol and recording weight, height and waist measurements in order to assess someone’s risk of developing cardiovascular disease. This large programme is co-ordinated and commissioned by LBL Public Health and provided by GPs, pharmacists and an outreach team, currently based with the Community Health Improvement Service, within Lewisham and Greenwich Health Trust.
16. A new Lifestyle Referral Hub service has been launched offering a “one-stop shop” for people who have received a NHS Health Check, have been identified as at high risk, and are referred to local lifestyle services.
17. The London Borough of Lewisham NHS Health Check team won “Team of the Year” at the Heart UK national awards in November 2014.

#### Performance:

	2013/14	April- Sep 2014/15
Number of health checks offered	18,543 people	9,271 people
% eligible population	27%	N/A
Number of health checks received	7,075	3,128
% uptake	38%	N/A

% identified with high or very high risk	8%	7%
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18. Referrals to lifestyle services have steadily increased as a result of the establishment of the Lifestyle Hub, apart from smokers to the Stop smoking Service.

Referrals	2013/14	April – Sept 2014/15
Referral to Stop Smoking Service	302	109
Weight Management services	539	347
Alcohol Services	27	23
Physical Activity	678	449

19. The most significant challenge is to increase the proportion of those people identified as having a high (>20%) risk of a cardiovascular event in the next ten years who are successfully referred for treatment or public health intervention and whose risk is reduced. A recent audit showed that only 11% of those identified by the health checks programme as at high risk had received any further GP follow up. A further audit of community outreach Healthchecks found 21% of people were at very high risk of Diabetes.

Comprehensive sexual health services (including testing and treatment for sexually transmitted infections, contraception outside of the GP contract and sexual health promotion and disease prevention)

20. Lewisham experiences very high levels of abortion, teenage pregnancy, HIV infection and chlamydia and gonorrhoea infection. Sexual health is worse in young people, men who have sex with men and in some BME groups.
21. Lewisham Council entered into a partnership agreement with Lambeth and Southwark Councils in April 2013 to oversee the commissioning of sexual health services across the 3 boroughs. This commissioning function is provided by Lambeth.
22. Sexual health services are delivered through specialist genito-urinary clinics (GUM), community contraception and sexual health clinics (provided by Lewisham and Greenwich NHS Trust), GPs, pharmacists, voluntary sector organisations and an online laboratory service.

23. In 2014 a new Lambeth, Southwark and Lewisham Sexual Health strategy (see appendix 2) was developed, following extensive stakeholder consultation and an updated public health needs assessment.
24. Lewisham had an increase in the teenage pregnancy in 2012 compared to the previous year. This was the worst rate in London and made it one of the few boroughs nationally not to see a sustained decrease in rates. Chlamydia screening rates have remained high (4<sup>th</sup> highest detection rate in London). Late diagnosis of HIV remains a problem in Lewisham with 47% of all diagnoses made “late” as defined in the public health outcomes indicators. Lewisham has the 3<sup>rd</sup> highest rate of repeat abortion in under 25 year olds in London with 36.9% of all abortions in this age group being repeats.
25. Lewisham services see around 30,000 people a year, and a further 8,000 patients choose to access services outside of the borough. Demand for sexual health services has been increasing across London, with many clinics often having to close early to manage demand for services.
26. Lewisham’s growing “young” population will further increase the demand for sexual health services. Currently around 44% of diagnosed STIs are in the under 25s. A critical challenge for the future will be to better support individuals to self manage their sexual health through prevention of poor sexual health and improving access to services by delivering care in alternative settings such as pharmacies, GP practices and online screening and using longer acting contraception methods which require fewer visits to clinics. There is also a challenge to meet the needs of those who may have difficulty accessing services due to cultural or language barriers, a lack of awareness about sexual health more broadly and available services. These are addressed in the LSL Sexual Strategy and will form the basis of the implementation plan and future commissioning intentions.

#### Tobacco control and smoking cessation services

27. Key elements of the Lewisham Smokefree Future Delivery plan are:
  - Preventing the uptake of smoking among young people through a peer education programme in schools with pupils from Year 8 and a targeted approach to reducing the supply of illegal and illicit tobacco.
  - Motivating and assisting smokers to quit through commissioning a Stop Smoking Service (people trying to stop smoking are 4 times more likely to succeed with treatment which combines behavioural support and medication than if they ‘go it alone’). This service currently costs £670,000, includes: targeting smokers most at risk from smoking for intensive and specialist support to stop (including one-to one and group support) ; recruiting smokers proactively into



the service; managing service level agreements with GP practices and pharmacies to provide services in primary care; training all stop smoking advisors to provide evidence-based interventions.

- Promoting smoke free environments, including homes and cars.
28. A dedicated enforcement post, with the support of a sniffer dog, has enabled increased focus on illegal and underage sales and large quantities of illegal tobacco seized, including the biggest UK local authority seizure.
  29. More than 2000 young people aged 12 to 13 were reached through a Tobacco Control Peer Education Programme to prevent the uptake of smoking by young people and 61 pupils (selected by their peers) trained as peer educators.
  30. The number of smoking quitters (1712) in 2013/14 was lower than previous years and not meeting the target of 1800, but the rate per 100,000 is higher than London and England. 461 smokers quit with the Stop Smoking Service from April to September 2014.
  31. The Stop Smoking Service is very successful in reaching heavily addicted smokers such as pregnant women and people with mental health problems, with an increasing number of smokers quitting from more deprived wards.
  32. A key achievement has been embedding very brief smoking interventions and the automatic referral of smokers to the Stop Smoking Service in all Lewisham Hospital services.
  33. The biggest challenge is to ensure that, as part of the integration of health and social care and the transformation of community based care through the development of new neighbourhood teams, supporting people to quit smoking becomes everybody's business as part of 'Every Contact Counts'.

#### Alcohol and drug misuse services

34. The council commissions a large integrated service which delivers interventions for adults aged 18 and over. It provides support, treatment and rehabilitation programmes that promote recovery and encourage individuals to maintain their recovery through engagement in positive activities such as employment and training.
35. The service provides: prescriptions for substitute medications such as Methadone; community alcohol detoxification; and manages the interface with all health services including GPs, hospitals, and pharmacies, and with the Criminal Justice System; interventions for young people aged 10-21, with much of the work carried out in satellite

sites around the borough including schools, colleges, youth centres, housing providers and clients' homes.

36. The Director of Public Health has recently become a Responsible Authority for health, to help the licensing authority exercise its functions regarding licensing policy.
37. Lewisham's Drug and Alcohol services performed well in 2013/14 and continue to do so this year. A benchmarking exercise for the first three quarters of 2013/14 showed the services out performed comparator boroughs. Lewisham had the highest percentage of successful completions across all drug types. Successful completion means that clients have left treatment free from their drug(s) of dependency and have no requirement for any substitute prescribing. This is the main PHE performance indicator for treatment services. These results have been achieved despite lower investment per head.
38. Following the benchmarking period the services have continued to perform well with the latest performance figures showing that Lewisham continues to see growth in opiate users who successfully complete treatment and do not represent (9.9%) ahead of the national average (7.7%). Rates for non-opiate users have fallen slightly (47.8%), but remain ahead of national average (38.4%) and within top quartile.
39. There has been a rise in the number of dependent drinkers successfully completing treatment since 2013/14 (40.8%), ahead of the national average (39.53%).
40. More than 250 front line workers from a were trained to deliver identification and brief advice on alcohol and 8,152 people have been screened for alcohol risk through the health check programme, with 1,032 identified with excess alcohol intake.
41. Despite a generally positive picture drug and alcohol services continue to face challenges. An in-depth services review in 2014 highlighted a number of groups that do not access/benefit from services as well as others. These include individuals who:
  - have an alcohol problem
  - have a long term opiate addiction
  - do not wish to enter a large treatment service and would prefer to access service in primary care or other community settings
  - are under 25
  - are in contact the criminal justice system
42. It is also expected that demand for alcohol services will rise over the coming years as awareness regarding the harms caused by drinking increases and there is likely to be a need for greater focus of so called 'legal highs' that are increasingly used by young people.



43. The implementation of a new model of provision as part of a re-commissioning exercise will require careful management if the anticipated improvements in performance are to be achieved.

Public health services for children and young people aged 5-19

44. The Promoting Healthy Weight in Children and Families strategy encompasses prevention and treatment of overweight and obesity for children and families based on the triangle of need. To deliver the strategy there are two action plans:
- Universal Action Plans (promotion of healthy weight for all children) which are multi-component, involve partnership working and takes a life-course approach.
  - A Delivery Plan for the local obesity care pathway for children and young people (targeted and specialist services).
45. The London Borough of Lewisham and its partners were successful in bidding for £500,000 from the Big Lottery Fund to improve emotional wellbeing and increase resilience in 10-14 year olds as part of the Head Start programme.
46. The existing School Aged Nursing Service (SANS) in Lewisham is well-established, fully recruited and has a high level of advanced skills; many of the nurses are qualified Public Health Practitioners and hold additional qualifications in sexual and reproductive health allowing them to deliver on the following priorities:
- Developing school based Healthy Child teams
  - Developing early intervention support for emotional health and well-being.
  - Support for children and young people with increased vulnerability around healthy lifestyle and ensuring access to health checks immunisations etc.
  - Increasing access to support (in school)
  - Increasing access to support (out of school)
47. Performance in tackling childhood obesity is described elsewhere (see National Child Measurement Programme above and Interventions to tackle obesity such as community lifestyle and weight management services below).
48. Lewisham SANS has faced significant challenges since April 2013, particularly in relation to an increasing workload relating to Safeguarding and because of the introduction of a major new immunisation programme in schools.

49. The biggest challenge in addressing the public health needs of this age group is to develop a more holistic 'menu', of quality assured and evidence based public health interventions across a range of health issues including sex and relationships, healthy weight, physical activity, smoking and mental health that can be commissioned on behalf of schools and purchased by schools.

#### Interventions to tackle obesity such as community lifestyle and weight management services

50. An improved range of weight management programmes and support is now available for both children and adults. These include Weight Watchers, Shape-Up and dietetic support for adults and New Mum New You, Mend and Boost programmes for families. All services are accessible in a variety of venues across the borough.
51. Since the services have become fully operational 840 families have accessed the services. Nearly 300 families have completed the programmes, with positive outcomes on weight, physical activity and dietary behaviours. All services continue to offer on-going support for families for 12 months to help sustain lifestyle changes.
52. In 2013 there were over 1800 referrals to the adult weight management services with the majority of those completing the programmes achieving a weight loss, with 50% achieving at least a 5% weight loss.
53. The same challenges described under the National Child Measurement Programme above - namely to reduce their dietary intake of sugars, energy rich and processed foods in the face of an obesogenic environment that normalises and encourages excessive consumption - applies equally to all adults.

#### Locally-led nutrition initiatives

54. Increasing breastfeeding rates and the proportion exclusively breastfeeding at 6-8 weeks is a key priority for Lewisham, working towards achieving UNICEF Baby Friendly accreditation.
55. Universal Vitamin D provision for women and infants was launched in partnership with the Clinical Commissioning Group in November 2013 to help prevent the growing number of cases of vitamin D deficiency and rickets in children. The scheme enables all pregnant and postnatal women (for 12 months) and children under 4 to be eligible for Healthy Start vitamins. The vitamins are now easily accessible with over 60 distribution points including 46 community pharmacies, health centres and children's centres.
56. Since November 2013, a borough-wide cooking & eating programme, *Easy Quick & Tasty* (a 5 week cookery club) has been successfully running at different venues across Lewisham (total of 22 cookery clubs

to date), providing healthy eating recipes and knowledge when cooking on a budget for targeted families / individuals on low income and /or with poor cooking skills.

57. Lewisham recently adopted a Planning Policy on hot food take-away shops to prevent the establishment of new hot food takeaway shops, as part of the Development Management Local Plan. Lewisham is one of the local authorities with the most hot food take-aways per head of population (13th).
58. The stage two UNICEF Baby Friendly community award was achieved in February 2014 and the maternity award in August 2014. Both services are working towards the stage 3 assessment, planned for July 2015, achieving this will result in full accreditation.
59. Since the launch of the vitamin D scheme, over 6,700 bottles of women's tablets and nearly 11,500 bottles of children's drops have been issued. The scheme is reaching 20-30% of eligible women and 50% of infants.
60. The *Easy, Quick & Tasty* initiative has had a high response with over 80% beneficiaries completing the courses and with over 200 individuals taking part. Post course evaluation shows that 77% of participants have reported other changes to their lifestyle apart from diet as a result of coming to cookery clubs. Some participants have successfully completed accredited training and some are now employed in delivering some of the Easy Quick & Tasty cookery clubs.
61. The Planning Inspector, at a recent examination of the Lewisham Development Local Plan, found the policy 'sound'. The GLA wish to include this as a Case Study in their forthcoming Social Infrastructure Supplementary Planning Guidance for the London Plan.
62. The most significant challenges are in finding ways to deliver locally-led nutrition initiatives such as the baby friendly and the community cooking programmes to scale, so that they achieve a population level impact. The new planning policy will not reduce the number of existing unhealthy fast food take aways, and the challenge will be to encourage these existing outlets to adopt healthier catering commitments, and to encourage new, healthier retailers to enter the market.

#### Increasing levels of physical activity in the local population

63. Public Health commissions specific programmes to promote the increase of physical activity including: The Get Moving physical activity programme, part of the NHS Health Check, which provides free and discounted exercise sessions to people who are identified as inactive at their NHS Health Check; A Healthy Walks programme; a Let's Get Moving Physical Activity Pathway training programme; and a road safety/cycling training programme.

64. The Council also provides free swimming to all residents under 16 and over 60 years of age.
65. Four hundred and twenty people attended the Get Moving activity sessions between October 2013 – March 2014. From April – November 2014 there have been two Get Moving programmes and 274 participants have attended the activity sessions so date.
66. In 2013/14 the total numbers of those aged under 16 who accessed free swimming was 9,487. They made a total of 28,930 visits, an average of three visits per user per year. For the same period there were 2,293 people aged 60 and over who access free swimming. They made a total of 26,068 visits, an average of 11 visits per user per year.
67. In 2013 – 14 2,434 adults participated in regular walks (on average one walk per week). There were 237 new walkers recorded and 87% of those subsequently reported doing more physical activity.
68. In 2013 -14, 152 primary care staff were trained to deliver physical activity brief advice. From April – November 2014 225 staff received the motivational training. This included primary care staff and community groups in North Lewisham and Well London Bellingham.
69. The road safety/cycling training programme is being delivered to 40 schools and has booked 1877 primary school age children in years 5 and 6 to attend the training.
70. The challenge is to increase awareness of the benefits of physical activity and the independent risks of inactivity and the need to address this through incorporating increased physical activity in the daily routine. Promoting physical activity will also need to become everybody's business as part of every contact counts.

#### Local initiatives to reduce excess deaths as a result of seasonal mortality

71. Lewisham's Warm Homes Healthy People (WHHP) project is now in its 3rd year and continues to provide help to residents vulnerable to the effects of living in cold housing. In 2013/14 & 14/15 has been funded by Public Health, led by the Council's Sustainable Resources Group and delivered in partnership with a range of public, private and community sector organisations. The main focus of the project was to alleviate the negative impacts of cold weather, reduce hospital admissions and help the most vulnerable people in our borough stay warm and well and feel more comfortable in their homes over the coldest months of the year.
72. In 2013/14 495 Warm Homes referrals were received from 30 different organisations working with residents likely to be vulnerable to fuel poverty and cold weather. 437 vulnerable households received a home visit and winter warm pack. 4300 free measures were provided to

vulnerable households to keep warm and save money on their fuel bills. There were 710 onward referrals to other relevant related services. 89 vulnerable households received advice on switching energy tariff identifying savings of up to £17,800 a year<sup>1</sup> (combined total). 199 referrals were made to the Warm Homes Discount which represents £25,870 a year benefit for Lewisham residents. 16 vulnerable households received heating improvements and/or insulation, bringing in £10,500 external funding and training was provided for 160 front line professionals on fuel poverty and health awareness.

73. A key challenge will be in implementing 'Every Contact Counts' systematically across the whole system to ensure that front line workers identify people at risk and ensure they are referred to the Warm Homes service.

#### Public mental health services

74. Public Mental Health is defined by the Chief Medical Officer as describing the 3 overlapping areas of mental health promotion, mental illness prevention and treatment and rehabilitation.
75. The Public Mental Health budget is very small, and generally has funded mental health awareness training and courses for front line workers in any public facing public or voluntary sector organisation to support them to manage clients who present with symptoms of mental illness (Mental Health First Aid).
76. Historically this budget has also funded projects and voluntary sector organisations with mental health outcomes. Most recently, some of this funding has been used to provide match funding for the Big Lottery "HeadStart" programme which is designed to improve resilience and emotional wellbeing in 10-14 year olds.
77. The main public health outcome measure of public mental health is self reported wellbeing. Lewisham ranks 31 of 33 London Boroughs for self reported wellbeing. The proportion of people with a low satisfaction with their life score increased from 7.2% to 8.7% between 2011/12 and 2012/13. When compared to other boroughs with a similar level of deprivation overall Lewisham has a worse outcome for this indicator.
78. Demand for mental illness services is high. Supporting people with mental illness to recover and access employment and secure housing is an important part of recovery but challenging in the current economic climate. The welfare reforms implemented as part of the austerity measures in response to the economic crisis are thought to have had a detrimental effect on mental health.
79. Lewisham has got through to the second stage of the Big Lottery's HeadStart programme. It is anticipated that this programme will build

resilience in this population, but continuation and expansion of this will be dependent on being successful in the final stage of the process in 2015.

Behavioural and lifestyle campaigns to prevent cancer and long-term conditions

80. Public health has provided leadership and match funding to the Bellingham Well London Programme Phase 2, funded by the Big Lottery. It has effectively involved the community and enabled the delivery of lifestyle activities aimed at promoting healthy eating, physical activity and mental wellbeing.
81. The North Lewisham Health Improvement Programme (NLHIP) is a five-year plan that developed as part of the Health Inequalities Strategy for Lewisham, covering New Cross and Evelyn wards in the north of the Borough. The scope of the programme is wide-ranging and includes many inter-related projects and initiatives, such as community health projects; primary care interventions; health promotion initiatives; participatory budgeting and small grants to community groups; social marketing; needs assessments and health impact assessments.
82. The public health department delivers and commissions a programme of health improvement training to enhance the skills of those in Lewisham who have health promotion roles, whether paid or unpaid. The programme delivers across a range of topics selected to support delivery of the Health & Wellbeing Strategy.
83. Approximately 3,160 people participated in Bellingham Well London healthy lifestyle activities from April 2013 to April 2014. An external evaluation shows a 16% increase in respondents reporting that they do enough physical activity to keep fit, 13% reporting they feel very or quite happy with life in general, 14% increase in those that feel their eating habits are very or quite healthy. Bellingham has been cited by University of East London as one of the Well London areas that has demonstrated outstanding performance and has currently been named as one of three candidate areas for Phase 3 Well London scheduled to start in mid-2015.
84. The North Lewisham Health Improvement Programme has funded 53 community groups and 656 people accessed community health activities organised as a result of the Participatory Funding. 330 reported improved mental wellbeing, 129 reported eating more than 3 portions of fruit a day following attendance of healthy eating promotion activities compared with 175 participants reported eating less than 3 portions of fruit a day at the start and 219 participants reported that they had increased their levels of physical activity. In addition over 40 volunteers have been engaged. More than 400 people recently attended a community awareness event at Deptford Lounge including community lifestyle activities.



85. 407 front line workers across partner organisations have attended health improvement training courses since October 2013.
86. The main challenge is to ensure that these campaigns are successfully embedded within the new emerging neighbourhood teams and re-commissioning of the voluntary sector aligned to health and social care integration.

Supporting, reviewing and challenging delivery of key public health funded and NHS delivered services such as immunisation and screening programmes

87. Over the past two years, the public health team has worked with the CCG, Lewisham & Greenwich Healthcare NHS Trust, NHS England, PHE and with local general practitioners, to increase the uptake of childhood and flu immunisations in Lewisham, and to maximise the uptake of the national cancer screening programmes for example for breast, cervical and bowel cancer screening. The public health team has also worked closely with the school nursing service to encourage schools to support the Human Papilloma Virus immunisation Programme to protect girls against cervical cancer.
88. Despite continuing support at local level, and some improvement in uptake of vaccines as a result, significant challenges remain. Although significant improvement in the uptake of the first dose of MMR has been achieved (Lewisham's performance increased by ten percentage points and the borough was identified as the most improved in London), this has been difficult to sustain. In addition, uptake of the second dose of MMR and the uptake of preschool booster remain at unacceptably low levels and amongst the worst in London.
89. After two very successful years in increasing and maintaining high levels of uptake of Human Papilloma Virus vaccine in schoolgirls, uptake of this vaccine has fallen backwards in the most recent school year; despite this fall, Lewisham remains in the top third of London Boroughs in relation to this vaccine.
90. Uptake of Flu vaccine increased in 2013/2104, and in some subgroups, uptake in Lewisham was amongst the best in SE London.
91. There has been little change in the coverage of breast screening in Lewisham over the past six years despite a range of initiatives to promote uptake. To support an increase in coverage of breast screening NHS England have negotiated with the screening provider the following: when a woman does not attend their appointment they will be sent another invitation with a timed appointment, reminder letters are sent to women and they will be sent a text of their appointment time.

92. The latest data for bowel screening uptake is for May 2014, uptake was 43.5% below that of the national target of 60%. To support an increase in uptake in bowel cancer screening the Health Promotion Specialist based at the screening centre held a range of promotion sessions in the community and attended the Lewisham GP Neighbourhood Forums to inform and promote bowel screening.
93. The coverage of the cervical screening programme in Lewisham improved in 2012-13, although Lewisham does not meet the national target of 80% coverage.
94. With the transfer of immunisation and screening responsibilities to NHS England, the challenge is to ensure effective partnership working and performance management, particularly in primary care where performance is variable, and to support the development of new co-commissioning arrangements between the CCG, NHS England and the council.

#### Local authority role in dealing with health protection incidents, outbreaks and emergencies

95. Local authorities have a new health protection duty to provide information and advice to certain persons and bodies, with a view to promoting the preparation of appropriate health protection arrangements. In practice this means that the DPH must ensure that NHS England (London) and PHE (London) have appropriate plans in place. NHS England will provide the assurance that NHS organisations have appropriate emergency plans in place. The assurance will be through the London Health Resilience Partnership. A Health Protection Committee, chaired by the DPH, reports to the Borough Resilience Forum and to the Health & Wellbeing Board.
96. Incidents and outbreaks are reported to or detected, and managed by the Health Protection Teams in Public Health England.
97. The Council's public health function includes an infection control nurse who: facilitates Health Protection Committee meetings including the production of an annual health protection report for the Health & Wellbeing Board; promotes good antibiotic prescribing and infection control in primary care as part of the department's support to the CCG; monitors MRSA bacteraemia and C. Difficile cases and investigates those that are community acquired, again as part of the support to the CCG.
98. Public Health has provided a lead role in ensuring that accurate and timely advice on Ebola has been communicated to all relevant partners in the borough, including GPs, schools and the Police.



99. Whilst health protection is an issue relevant to all working and living in the borough of Lewisham, issues such as TB and sexually transmitted infections disproportionately affect some local minority groups and higher rates of these infections exist in areas of higher deprivation.
100. Public Anxiety about Ebola has abated, but efforts to address such anxiety are likely to be necessary for some time. The rising incidence of community acquired C. Difficile infections is a challenge, as is the poor air quality in Lewisham.

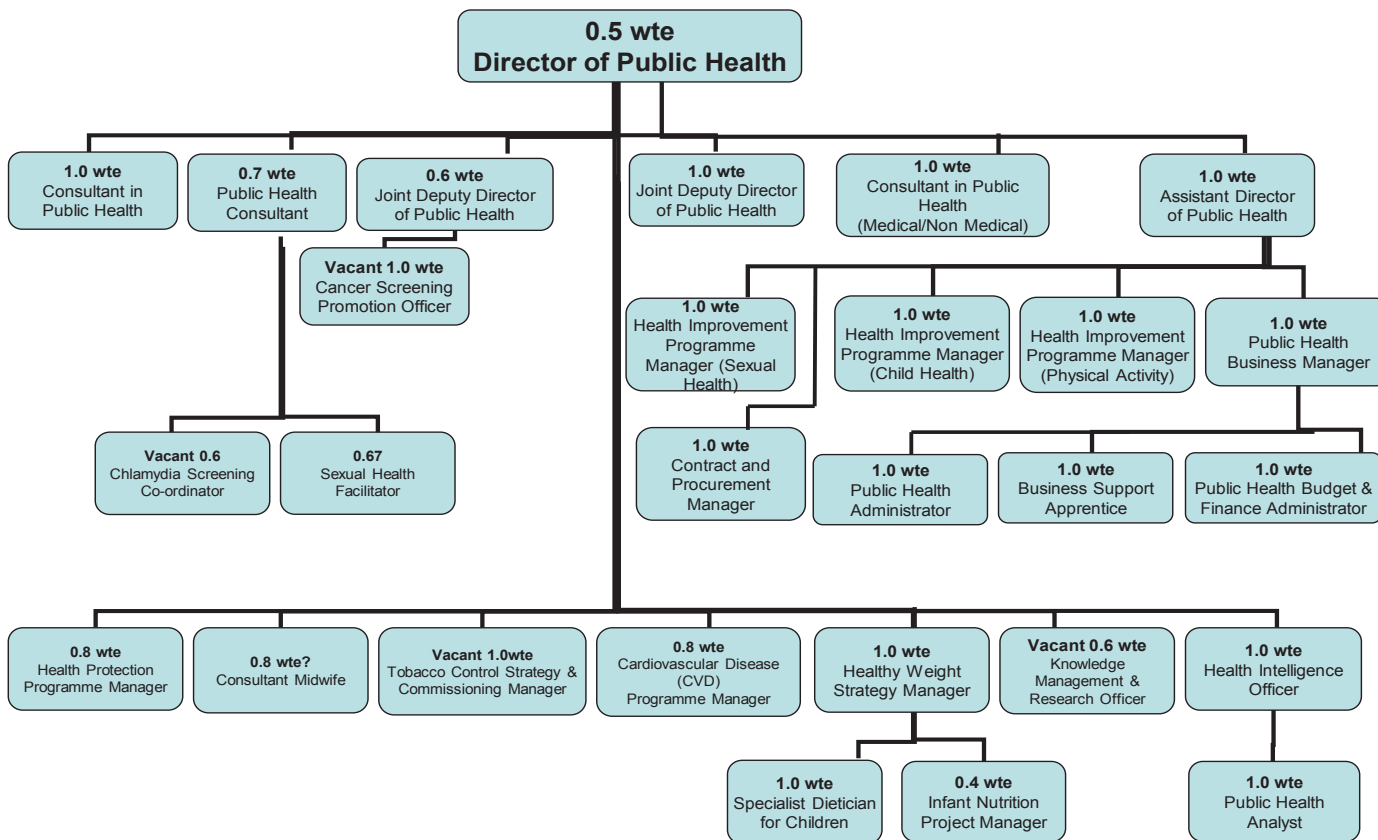
#### Public health advice and support to clinical commissioners

101. Public Health has worked in partnership with Lewisham CCG and trained seventy pharmacy counter assistants as part of the Healthy Living Pharmacy initiative. A total of 70 pharmacy staff across Lewisham have now qualified as healthy living champions and are able to assist the people of Lewisham with stopping smoking, accessing vitamin D and treatment for minor illness helping to relieve pressure on other local services.
102. Since March 2013 Public Health worked in partnership with NHS Lewisham Clinical Commissioning Group and Diabetes UK and recruited and trained 15 volunteers from the community to be Diabetes Community Champions. Their role is to raise awareness of diabetes in their communities and help prevent people developing the condition. To date the Diabetes Community Champions have organised a total of 16 diabetes awareness events in their communities. A diabetes JSNA has also been completed.
103. Through a bid led by a public health consultant, the CCG secured funding from Macmillan to fund a two year "An End of Life Transformation Programme" and has appointed a GP lead for cancer.
104. Neighbourhood Profiles of health need have been produced for the CCG Members Forum and will be used to inform the development of neighbourhood based primary care networks and integrated health and social care neighbourhood teams. In addition a borough wide needs analysis has informed the development of the CCG Commissioning Strategy 2013-2018.
105. The public health team also undertook an audit of childhood asthma admissions in Lewisham and made a number of recommendations for improvement in the pathway for the management of asthma in primary and secondary care.

## Structure Chart

## Appendix B

### Appendix 1: Public Health Organisational Structure – October 2014



**Results of the consultation with the Clinical Commissioning Group**

- 1.1 The Working Group was updated on the response to the consultation with the LCCG on the public health savings proposals. The consultation was with Lewisham CCG and was not a public consultation. The CCG received the consultation document by email and was given 2 weeks to respond on the Public Health savings proposals.
- 1.2 The Working Group noted that the responses to the consultation were being reported to the Healthier Communities Select Committee which would oversee the consultation process, and to the Health & Wellbeing Board. Both the response to the consultation and subsequent responses by the Healthier Communities Select Committee and the Health & Wellbeing Board would then be considered by Mayor & Cabinet in February 2015.

**Lewisham CCG Response with Commentary by the Director of Public Health**

- 1.3 Lewisham CCG responded to the consultation on the Public Health savings proposals on 29<sup>th</sup> December 2014 (see Appendix 1). In doing so, the CCG considered the impact of the proposals on its own plans and against a number of overarching criteria:
- Commissioning that is population-based
  - Equitable access
  - Tackling health inequalities
  - The aims or goals of our joint commissioning intentions
  - Stronger communities for adult integrated care and for children and young people
- 1.4 The CCG highlighted a number of general issues and then commented specifically on each public health programme in relation to the savings proposals. Both the general and specific responses are reported below, with a commentary by the Director of Public Health on each response.

**Highlighted Issues**

- 1.5 The CCG responded - “Given the importance of health improvement and prevention, and its prominence in our local Health and Wellbeing Strategy and nationally in the NHS ‘Five Year Forward View’, we are concerned that money is being taken away from the current public health budget priorities without a comprehensive assessment of the implications on health outcomes and inequalities.”

- 1.6 DPH commentary – the proposed disinvestments in current public health initiatives were prioritised for disinvestment on the basis that these initiatives would result in the least loss of public health benefit per pound spent when compared across all current public health investments. In this way the likelihood that re-investment in other areas of current council spend will result in equal or greater public health outcome and reduction in inequalities is maximised; however, it is acknowledged that a full and comprehensive assessment of the implications of this re-allocation of funds cannot be undertaken until the areas for investment have been identified.
- 1.7 The CCG responded – “In reviewing the proposals our response on their impact is necessarily restricted by the absence of details from the council of how monies will be reinvested.”
- 1.8 DPH commentary – this is covered in the above DPH response.
- 1.9 The CCG responded – “Overall we would expect that the savings proposals are accompanied by redesign of services so that they will achieve positive health impacts, and that any changes are monitored accordingly to ensure that the expected benefits are realised. “
- 1.10 DPH commentary – Much of the mitigation of potential negative impacts on public health outcomes arising from the proposed savings is predicated on successful re-design and re-configuration of commissioned services. The council public health department intends to monitor closely the changes and fully expects to be asked to provide regular update reports to the relevant scrutiny committees and the Health & Wellbeing Board.
- 1.11 The CCG responded – “The need for voluntary organisations that previously accessed public health grants to be supported to access the council’s mainstream grant programme.”
- 1.12 DPH commentary – the council has already ensured that those voluntary organisations that previously accessed public health grants can now access the council’s mainstream grant programme.
- 1.13 The CCG responded – “The criteria that you will use to identify substantial development or variation in service should be made available as soon as possible.”
- 1.14 DPH commentary – the council agrees with this response.
- 1.15 The CCG responded – “Assessments of equalities implications should be carried out and made available at the outset of the savings programme.”
- 1.16 DPH commentary – the council has already undertaken an initial equalities assessment and these are described in the savings

proposal; however, as has been acknowledged above a comprehensive assessment can only be carried out once the re-investment plans and the impact of service re-configurations are known.

- 1.17 The CCG responded – “The areas of greatest concern are proposals that have negative impacts on smoking reduction and health inequalities.”
- 1.18 DPH commentary – the DPH shares these concerns. Smoking is still the single largest cause of health inequalities within Lewisham and between Lewisham and the England average for premature mortality. The proposals as they stand look to re-configure how smoking services are organised. They will essentially be integrated into the neighbourhood model of working which should give a more comprehensive use of staff resources and reduce the current level of overhead costs. If however, these proposals were not successfully implemented then consideration would need to be given to re-instating this level of funding. The DPH will be monitoring the progress of these proposals and will be able to provide a further progress report. The illegal tobacco sales work has been supported by public health funding and consideration will need to be given by the new enforcement service as to how this work should be continued. Smoking cessation will continue to be a priority for public health and new funding sources will be pursued to test new initiatives.
- 1.19 Lewisham’s Community Outreach NHS Checks team, commissioned from the Lewisham & Greenwich Trust Community Health Improvement Service, won the Heart UK Team of the Year award in 2014. It is envisaged that these services will be reconfigured with less overheads as part of the neighbourhood working but again this needs to be monitored.
- 1.20 Area based health improvement programmes have been shown locally to improve health outcomes and have been identified as an example of best practice by the GLA Well London Programme. The council has successfully leveraged extra resources, including from the GLA, to extend the work that has been shown to be effective in Bellingham and North Lewisham to Lewisham Central and Downham.

### **Service specific responses**

- 1.21 Sexual Health: the CCG responded – “As the lead commissioner the CCG will advise the council as its agent in the proposed contract renegotiation with LGT. Public Health will be fully involved in the appropriate contracting forum. Further detail is required about how sexual health services will be delivered through a neighbourhood model. The CCG would seek assurance that the health improvement package will be taken up by schools if the SRE funding is reduced. Where some services have been provided on a limited pilot basis we

support the move to enable a wider population coverage. Where incentive funding is withdrawn from GP practices we need to take into account the total impact from all the proposed changes. The CCG Medicines Management team can provide professional advice in the further development of pharmacy needs assessment .”

- 1.22 DPH commentary – the council acknowledges and appreciates the CCG’s role as lead commissioner with LGT, and its desire to involve public health fully in the contracting process. The CCG will be kept fully appraised of sexual health service re-configuration within the neighbourhood model as plans emerge. The council would welcome the CCG’s help and support to influence and persuade schools of the benefits of taking up the health improvement packages, in particular SRE. The council would also welcome the CCG’s support in jointly assessing the impact of any funding withdrawal from GP practices, and the continued support of the Medicines Management Team in the pharmacy needs assessment.
- 1.23 NHS Health Checks: the CCG responded – “We agree with the highlighted risks concerning the pre-diabetes intervention. This may have an impact on the CCG’s plans for long-term conditions, for risk stratification and around variation in primary care. The removal of the Health Checks facilitator post and reduction of GP advisor time may mean that the focus is on maintenance rather than the continuing development of the programme We support the continuing integration of the pharmacy into the neighbourhood resources to deliver the health checks programme. Further detail is required about how health checks will be delivered through a neighbourhood model to achieve efficiency and effectiveness.”
- 1.24 DPH commentary – the council would welcome the CCG’s financial support to invest in diabetes prevention alongside public health investment in the NHS Health Checks programme in line with NHS England’s recently published five year forward view operational plan for 2015-16. The CCG will be kept fully appraised of the NHS Health Checks service re-configuration within the neighbourhood model as plans emerge.
- 1.25 Health Protection: the CCG responded – “We acknowledge that this service has not been proven to be a cost effective intervention. “
- 1.26 DPH commentary – the council welcomes the CCG’s acknowledgement.
- 1.27 Public Health Advice to CCG: the CCG responded – “We will adopt responsibility for the Diabetes and cancer GP champion posts from April 2015.”
- 1.28 DPH commentary – the council welcomes the CCG’s adoption of this responsibility.

- 1.29 Obesity / Physical Activity: the CCG responded – “This area is a Health & Wellbeing Board priority. As with the reduced SRE funding, we would seek assurance that the health improvement package will be taken up by schools, and where some services have been provided on a limited pilot basis we support the move to enable a wider population coverage. The reduction in funding for the community nutritionist and withdrawal of clinical support may mean that the focus is on maintenance rather than the continuing development of the programme. This is an area that should be part of a whole programme approach to neighbourhood development. “
- 1.30 DPH commentary – please see 6.3.6 and 6.4.2 above.
- 1.31 Dental Public Health: the CCG responded – “This may represent a missed developmental opportunity to improve dental health particularly for children and young people.”
- 1.32 DPH commentary – the DPH shares this concern, but the reality is that this budget has not been spent for several years prior to the transfer of public health to the local authority, and there has been no expenditure in 2013-14 or 2014-15. The number of decayed, missing and filled teeth at the age of five is one of the few measures of children’s health on which Lewisham has done consistently well. The council will continue to monitor this performance indicator which is based on a national survey.
- 1.33 Mental Health: the CCG responded – “We recognise the potential benefits of pooling resources with other neighbourhoods but need to highlight the potential difficulties inherent in working across multiple organisations and sectors that may make this difficult to achieve.”
- 1.34 DPH commentary – the council also recognises the potential difficulties and challenges of working with other boroughs and organisations but also recognises the need to overcome these challenges.
- 1.35 Health Improvement Training: the CCG responded – “This area has a potential impact on achievement of the ‘Every Contact Counts’ strategy. This will need to be mitigated further through additional development via HESL resourcing, development of neighbourhood teams, and SEL Workforce Supporting Strategy.”
- 1.36 DPH commentary – the council welcomes these suggestions for further mitigation of potential impact on achieving ‘Every Contact Counts’ and would welcome the CCG’s support in leveraging resources from HESL and from the SEL workforce supporting strategy.
- 1.37 Health Inequalities: the CCG responded – “We support the neighbourhood model as an integral part of the integration programme. But investment and implementation requirements should be defined



that support the development of the four hub approach, in particular how they will address health inequalities where services are decommissioned, such as the money advice service which can be an important enabling factor in supporting health improvement. We support changes to a whole neighbourhood approach away from specific groups, and building community capacity to tackle inequalities; again, this may require further resources to ensure continuing support to vulnerable population groups. Where there are proposed changes to the LGT contract these must be assessed for their impact and likely success for linking to the neighbourhood model. We recognise the mitigation in respect of the 'warm homes' funding but seek assurance that this will be strong enough."

- 1.38 DPH commentary – please see 6.3.6, 6.3.8, 6.3.15, and 6.3.16 above.
- 1.39 Smoking & Tobacco Control: the CCG responded – “Both the local and SEL JSNAs identify the impact of smoking on mortality rates, inequalities and QALYs. The CCG has identified smoking quitters as one of its local quality premium outcomes. This is therefore an area of considerable importance for local population health and the CCG. As with other aspects of the LGT contract, the CCG will advise the council as its lead commissioner in the proposed contract renegotiation. Public Health will be fully involved in the appropriate contracting forum. Further detail is required about how efficiencies in the stop smoking service will be achieved without reducing its effectiveness.”
- 1.40 DPH commentary – please see 6.3.14 above.
- 1.41 Maternal & Child Health: the CCG responded – “Recognising that change to the sessional commitments of the child death liaison nurse will not prevent its delivery of the main purpose of the role, there may be an impact on support for bereaved families which may need to be provided or commissioned differently. We have significant concerns about the reduction in support to breastfeeding cafés and peer support and the possible impact on our UNICEF status. This is an identified priority for the CCG and for SEL. While the peer support proposal is actually a reduction in the supporting infrastructure so should not have an impact, the support for the cafés could. But if this can be maintained for a further 6 months and alternative can be put in place this may avoid a negative impact.”
- 1.42 DPH commentary – the council welcomes the CCG’s view that support for bereaved families may need to be provided or commissioned differently. The DPH also shares the CCG’s concerns that disinvestment in breastfeeding peer support and breast feeding cafes may jeopardise Lewisham’s final stage submission to achieve the highly prestigious UNICEF baby friendly status, after successfully completing stages one and two. The council may wish to consider extending funding for these initiatives for at least 6 months, but this



would mean that the level of anticipated savings would not be achieved in 2015-16.

- 1.43 Department Efficiencies: the CCG responded – “We would seek assurance that any revised structures or functions can deliver our agreed memorandum of understanding (MOU) of PH support to the CCG, for instance by freeing up time for PH consultants and intelligence support, and working with us around the commissioning cycle. A clear, agreed work plan will be essential to realise delivery of this service. “
- 1.44 DPH commentary – the council can provide reassurance that any revised structures or functions will be designed to deliver the council’s mandatory responsibilities to provide public health support to CCG commissioning. The council has already advertised for a public health intelligence officer at a higher grade and salary than the equivalent NHS grade and salary of the previous post holder. A clear work plan will be agreed with the CCG for 2015-16.

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# Overview and Scrutiny

## Youth Service Working Group

January 2015

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### **Membership of the Youth Service Working Group:**

**Councillor Liz Johnston-Franklin (Chair)**

**Councillor Alan Till (Vice Chair)**

**Councillor Paul Bell**

**Councillor David Britton**

**Councillor Brenda Dacres**

**Councillor Jim Mallory**

**Councillor Hilary Moore**

**Councillor Pauline Morrison**

**Councillor John Paschoud**

**Councillor Luke Sorba**

**Councillor Alan Hall (ex-officio)**

**Councillor Gareth Siddorn (ex-officio)**

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## Chair's Introduction

Youth work is not just about playing table tennis and kicking a ball. Youth work aims for the social and personal development of young people. It achieves these outcomes through structured, non-formal educational activities that combine challenge and learning and enjoyment. It is a methodology that draws on behavioural and learning theory, psychology, art and creativity, sport and physical education and development and cultural and sociological theory. It is more than just a generic skill and while youth work embraces a specialist skill approach it is by no means rigid. It is about the face to face interaction, individual dialogue, group work and relationship building that focuses directly on the needs and interests of young people. In Lewisham we provide this in partnership with commissioned providers from the private, voluntary and independent sector.



Given the very high budget reductions that the authority is having to find we are now facing a proposal of a £1.4m reduction to the Youth Service delivery across the authority in 2015-16 with a remaining £1.7m being at risk for an even further reduction in future years. In essence we could be faced with no provision except the statutory minimum of providing a database of what activities are on offer for young people in the borough and the tracking of young people who are not in education, employment or training, known as NEET. With an estimated 20,355 children and young people aged between 0-18 living in poverty in Lewisham we cannot lose a vital provision. The Working Group does recognise that as an authority we need to continue to provide a vibrant and relevant service for our young people within these very tight financial parameters.

The Youth Service Working Group was set up to look at the 4 options presented by officers. We met 3 times with input from various senior officers to try to recommend what would be the best option for the youth service's future. Working Group members debated intensely about what would be the most suitable way forward and came to a conclusion that the recommendations would be to further explore all the options including that of a detailed business plan to mutualise the Youth Service but with a proviso not to exclude other options for the future of the Youth Service should the Employee Led Mutual not be viable. Members highlighted the levels of risk in going down the route of an Employee Led Mutual particularly in relation to asset lock, budget availability and pension costs and the importance of the governance model that includes representation from young people, youth work staff, the voluntary sector and the council. The issue of ensuring that the needs and aspirations of our young people and addressing disadvantage and inequality are built into the aims of a possible mutual were discussed at length in order that these objectives would continue throughout the existence of any possible mutual.

I would like to thank officers, Working Group members, the chair of Lewisham's Children & Young People's Forum and colleagues for their attendance, commitment and contributions in how we can continue to provide a Youth Service for our young people in these very difficult financial times.

Councillor Liz Johnston-Franklin

Chair of the Youth Service Working Group

## **Executive summary**

The Lewisham Future Programme is the Council's approach to making the transformational changes necessary to reposition itself strongly for the future, whilst living within the financial resources at its disposal. The savings proposals relating to the Youth Service that have been put forward as part of this programme, are significant, and it was agreed by Council that a working group should be set up to look at these proposals and their implications in more depth.

In terms of the Youth Service savings proposed for 2015/16, the Working Group welcomed the steps being taken by officers to mitigate some of the negative effects of the proposals, and in particular, ensure that alternative provision was provided where council provision was being removed. The Working Group was keen that the relevant ward members be kept updated on progress in terms of finding alternative providers for youth provision at Ladywell Youth Village and Rockbourne Youth Centre.

In terms of the Youth Service savings proposals relating to future years, the Working Group felt that a key outcome of their work should be making recommendations in relation to the development of a detailed plan to mutualise the Youth Service that the Mayor was being asked to authorise. In particular, the Working Group felt that staff and young people must be democratically represented in any mutual; that the plan should investigate achieving the necessary asset locks; and that risks relating to potential LGPS and redundancy liabilities, VAT and Corporation Tax liabilities and funding from the Council being viewed as state aid, should be thoroughly considered.

## Recommendations

The Committee would like to make the following recommendations:

### 2015/16 Base Savings

1. Should the base savings be agreed by Mayor and Cabinet, the Working Group recommends that the ward members for Ladywell and Perry Vale be kept updated on progress in terms of finding alternative providers for youth provision at Ladywell Youth Village and Rockbourne Youth Centre.

### 2016/17 Onwards

2. Should Mayor and Cabinet agree that a detailed plan to mutualise the Youth Service be developed within the next financial year, the Working Group recommends that this plan includes a governance framework that aims to ensure that:
  - The local voluntary sector is involved and represented, possibly via the Voluntary Action Lewisham CYP Forum, in the governance arrangements of the ELM.
  - The governing body of the ELM is represented as a stakeholder in public services, possibly through representation on the CYP Strategic Partnership Board.
  - Staff, Young People and the Council are democratically represented in the ELM.
3. The plan should also cover:
  - Achieving the necessary asset locks.
  - Completing the business planning / preparation of a business case that will be required for a single tender action.
  - Ensuring that the ELM, throughout its existence, serves to meet the needs and aspirations of young people in the London Borough of Lewisham, in particular addressing disadvantage and inequality.
4. The following risks should be fully investigated:
  - Potential LGPS and redundancy liabilities.
  - The ELM's liability for VAT.
  - The ELM's liability for Corporation Tax.
  - Funding from the Council being viewed as state aid.
5. The Working Group notes that the development of a detailed plan to mutualise the Youth Service does not exclude other options for the future of the Youth Service being considered, should the ELM option not prove viable.



## **Purpose and structure of review**

1. As part of the Council's 2015/16 Revenue Budget Savings, savings proposals relating to the Youth Service was put forward. The Revenue Budget Savings proposals were considered by the Overview and Scrutiny Committee on 29 September 2014 and each of the Select Committees in October and early November, before being submitted to Mayor and Cabinet on 12 November 2014. The Mayor authorised officers to carry out consultation on base savings of £1.4m in relation to the current youth service, including:
  - A reduction to youth worker capacity and removal of Council staff from two youth sites
  - A reduction to commissioned provision
  - A reduction to management and business support staff and further efficiency savings
  - A reshaping of youth re-engagement services by re-specifying the specialist 1:1 service and funding it from other sources
  - Re-specifying the Not in Education, Employment or Training (NEET) Programme in accordance with Raising the Participation Age (RPA) and alternatively funding the programme.
2. The Mayor was also asked to consider options for the future of the Youth Service to allow planning to proceed into future years. The options included, but were not limited to: (a) the potential creation of an Employee Led Mutual (ELM) for the Youth Service, and (b) reducing the service to a statutory service only model.
3. The Overview & Scrutiny Business Panel requested that a working group on the Youth Service proposals be established to allow the broadest participation in consideration of the implications of the proposals.
4. At its meeting on 26 November 2014, Council agreed to set up a time limited Youth Service Working Group to operate until the end of February 2015 to consider the proposals with terms of reference as set out below.

### **Terms of reference**

5. Scrutiny of the Youth Service falls within the remit of the Children and Young People Select Committee. The establishment of the Working Group did not remove this function from that Select Committee. The purpose of the Working Group was to assist with deliberations of the savings proposals and ensure that detailed analysis of the Council wide implications of the proposals were taken into account.
6. The terms of reference agreed for the Youth Service Working Group were:
  - Without prejudice to the remit of the Children and Young People Select Committee, to explore any proposals for the future of the Council's Youth Service to be considered in the course of the Council's budget process for 2015/16.

- To make any comments it considers appropriate about those proposals to the Council's Public Accounts Committee (PAC) prior to any submissions PAC may decide to make to the Mayor in February 2015 in relation to budget proposals for 2015/16.
- The Working Group will consist of 10 members (11 if the councillor outside the majority party wishes to sit on the Group) and will cease to exist at the end of February 2015.

## Scope

7. The Working Group had three formal meetings to consider the following:

### **First meeting: 9 December 2014**

- (1) To receive a "scene-setting" report; agree the timetable for the Working Group; discuss the Youth Service savings proposal considered at Mayor and Cabinet on 12 November 2014; and discuss the related consultation process.
- (2) To question officers on the information received.

### **Second meeting: 17 December 2014**

(1) To receive a report providing more detailed information on:

*The 2015/16 savings:* The base savings of £1.4m including (a) information on the impact the reduction in commissioning funding will have on the organisations currently commissioned and the services they provide; (b) proposals for where young people will access youth provision as an alternative to Rockbourne and Ladywell including any proposed alternative provision from those sites; and (c) relevant attendance data for the youth service.

*Options for the Youth Service for 2016-17 onwards:* including information on:

- The advantages and disadvantages of ELMs.
- The different types of governance structures and funding agreements for ELMs and their particular advantages and disadvantages for all stakeholders including the Council and young people
- The potential savings and costs generated by an ELM to the Youth Service Controllable budget and other budgets
- The likely level of annual council funding for an ELM for the first three years
- The options for income generation under an ELM model and how such a model might become self-sustaining
- A timetable for, an outline of, the work that would be undertaken over the course of the next year to develop a plan for the potential mutualisation of the service, if this option was agreed.

(2) To question officers on the written report.

- (3) To receive detailed financial and legal advice on the options available in relation to the potential employee mutualisation of the service, including Implications in relation to TUPE, pension and redundancy liabilities, the transfer of assets etc.

*[The presentation from the Head of Law on some of the legal issues surrounding the options for the future of the Youth Service is attached at Appendix A].*

### **Third meeting: 20 January 2015**

- (1) To receive and comment on the draft Mayor and Cabinet report (scheduled for the Mayor and Cabinet meeting on 11 February 2015), providing a full options appraisal and a summary of the youth service consultation results.
  - (2) To consider and agree a final report presenting all the evidence taken and to agree recommendations for submission to PAC on 5 February 2015 (and then to Mayor & Cabinet on 11 February 2015).
8. David French, the elected chair of Lewisham's Children & Young People's Forum, attended meetings of the Working Group and contributed to the discussions held.

### **Background information**

9. At its second meeting on 17 December 2014, the working group received the following background papers:
  - Various briefing papers on mutuals, including: [Developing a mutual for local authority service delivery](#) (Geldards law firm); [The next stage for public service spin outs](#) (Pioneers Post); and [Information from the Cabinet Office](#)
  - Lewisham Youth Service Needs Analysis
  - Commissioned Youth Provision 2014-15 – Area profiles (Youth Service)
  - Commissioned Youth Provision 2014-15 – Specification (Youth Service).
10. Prior to its final meeting on 20 January 2015 the following background paper was provided to give the working group an understanding of the picture across London:
  - [A review of London Boroughs' Youth Provision](#)

An update on youth service provision across London was also provided at this meeting, following a survey of the London boroughs undertaken by officers.

## The context

### The National and local policy context

#### National policy context

11. Section 507B Education Act 1996 imposes a duty on local authorities, so far as is reasonably practicable to promote the well-being of persons aged 13-19 (and of persons aged up to 25 with learning difficulties) by securing access for them to sufficient educational and recreational leisure-time activities and facilities. A local authority can fulfil this duty by providing activities and facilities, assisting others to do so, or by making other arrangements to facilitate access, which can include the provision of transport, financial assistance or information.
12. Section 68 of the Education and Skills Act 2008 places a duty on local authorities to make available to young people and relevant young adults for whom they are responsible such services as they consider appropriate to encourage, enable or assist them to engage and remain in education or training.
13. Positive for Youth was launched in December 2011 as a broad-ranging strategy detailing the Government's approach to youth provision. The strategy calls for 'a new partnership approach' in local areas – between businesses, charities, public services, the general public and young people – to provide more opportunities and better support to young people. The 2013/14 Youth service restructure was aligned to this strategy (see local policy context below).
14. Positive for Youth promotes early and positive support to reduce the chances of public funds being wasted in holding young people in expensive secure provision or managing the remedial effects of inadequate support and assistance as they reach young adulthood. The key strategic themes contained in Positive for Youth and Lewisham's Children and Young People's Plan are as follows:
  - Helping young people to succeed
  - Promoting youth voice
  - Early intervention
  - Supporting stronger local partnerships
  - Strengthening communities and the voluntary sector.

#### Local policy context

15. In 2013/2014, the Youth Service implemented a significant organisational restructure. The restructure released savings of £1.03m. These savings were achieved primarily by reducing staff headcount by 18.1 FTE, including a 72% reduction in management, removing youth work staff from two youth centres – Grove Park Youth Centre and Oakridge Youth Centre – and generally ensuring more efficient operations across the service.
16. The restructure created a leaner, more efficient service more capable of responding to young people's needs. It also introduced a significantly larger commissioning fund from which voluntary sector and other providers could bid to deliver youth

provision. In the first year post-restructure, the Service has been embedding performance management, income generation and contract management capabilities.

17. The Youth Service provides and facilitates access to a range of activities for young people through a combination of direct delivery, support to access delivery provided by other organisations, and commissioning and partnering with the private, voluntary and independent (PVI) sector. The activities are focused on developing young people's life skills, as agreed in the previous reorganisation of the service.
18. Provision includes positive activities for young people: offering them places to go and things to do, including social and cultural activities, sports and play, and early intervention services. The Youth Service also offers informal education, advice and guidance on career choices and healthier lifestyles, and information concerning the dangers of substance misuse.
19. The Service's specialist support for young people in relation to education, employment and training consists of 9 specialist one-to-one youth workers, each holding a maximum caseload of 15 cases at any one time, with an annual service reach of c.270 young people. Alongside a one-stop 'holistic support' shop, Baseline, in Lewisham town centre and a variety of commissioned providers, the Service provides one-to-one youth work and information, advice and guidance for the Borough's most vulnerable including support to young fathers, young women and those considering their sexuality. Additionally, there is a not in education, employment or training (NEET) Programme. As a part of the 2013/14 restructure this scheme changed to become a 12 week Government-recognised traineeship, in partnership with Bromley College. The programme runs 3 times a year in line with school terms.
20. All of these activities and support systems take place at 7 Council-run youth centres, 5 Council-run adventure playgrounds, via street based work, at Baseline and at a variety of non-council run venues across the Borough.

### **The Vision**

21. The Working Group was informed that the 2013/14 restructure had established a vision for the Youth Service that was currently being embedded throughout the service.

The Youth Service maintains the following aims:

- To encourage the Council and other organisations to deliver a vibrant range of activities for all our young people to enjoy and benefit from, and to recognise that all activities for young people across Lewisham and London are an important part of our youth offer.
- To support young people in Lewisham in need of extra help, to achieve the skills they need to become happy, healthy and successful adults.

These aims bring about the following outcomes for young people:

- Improved life skills
- Increased involvement in education, employment or training
- Staying safe and well, and preventing needs from escalating.

22. The Working Group was informed that the Service's agreed aims and outcomes were not going to change and that the savings proposals put forward related to the model of delivery and how the vision could be achieved within the resources available, not changing the vision. It was suggested, however, that the reduced commissioning fund would require prioritisation to take place; and that this would be based on needs, but also on ensuring the right balance of provision in terms of activities, geography and timing; and taking into account other available provision.

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## Findings

### A: The 2015-16 Base Savings Proposals

23. The current Youth Service budget is £3.46m and the Service employs approximately 85 people. The Working Group heard evidence that the 2015-16 base savings proposals would result in a saving of £1.4m and:
- A reduction in staffing (the deletion of two manager posts and one business officer post; and a reduction in frontline staff including the removal of youth service staff from 2 youth centres – the Ladywell Youth Village and Rockbourne Youth Centre) and a consequent reduction in street-based capacity (although the capability would be retained)
  - A reduction in the commissioning fund of approximately 31%
  - The generation of £100k income
  - The bringing together of the NEET Traineeship and Specialist 1:1 service to form a re-engagement service.
24. Members were told that the general scope of the Service would remain intact with staffing levels reduced to the minimum level believed necessary to operate an ELM (see next section) in the future. The reduction in staff would be equivalent to 10.5 full time equivalents. The redundancy payments that the Council would be liable for would not exceed £154k but the precise figure for this one off payment would not be known until after the proposals had been implemented.
25. The following points were made to the Working Group in relation to the base savings proposals:
- The Service would be required to generate income by renting space to private and community sector users and bidding for relevant, available grants. Based on current projections and the retention of at least 5 youth centres and 5 adventure playgrounds, it was feasible that the Service would generate £100k by the end of 2015/2016<sup>1</sup>.
  - The recommendation as to which two centres would be offered to the voluntary sector or closed was based on factors including location; the potential for the private and voluntary sector to deliver provision from the sites; and the attractiveness of the remaining facilities to generate income.
  - As such, it was proposed to close or find alternative providers for youth provision at Ladywell Youth Village and Rockbourne Youth Centre as both centres already had alternative non-Youth Service provision running from them. (Rockbourne offered short break provision on two weekday evenings and Saturdays, and Ladywell offered short break provision on Saturdays. Rockbourne also hosted a scout group, whilst Ladywell operated as an adult day care centre the majority of the time).

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<sup>1</sup> Following the meeting, the Working Group was informed that the £100k would come almost entirely via space rental and was provided with the following breakdown based on contracts already agreed, expressed interest and estimates of new income: TNG: £30,000; Bellingham: £22,000; Riverside: £20,000; Honor Oak: £22,000; Woodpecker: £8,500; All APGs: £3,000.



- Officers were actively engaging with private and voluntary sector organisations and agencies to see how the sessions vacated by the youth service at Ladywell and Rockbourne might be filled.
- The savings proposals did not in any way relate to building costs. The possibility of reducing building costs via divestments was not being examined as officers did not want to jeopardise non-youth service provision at these sites. In particular, the short break provision at Rockbourne was considered very valuable and the building was one of only a few able to provide such provision. In addition, the Ladywell Village building was a Community Services Directorate asset and not a Children and Young People Directorate building.
- Officers were looking at changing the opening hours of the Ladywell adventure playground so that this provision could potentially fill the gap caused by the removal of youth service sessions from Ladywell village; and were consulting young people on this option.
- Alternatives for the Rockbourne youth service sessions were also being investigated and one organisation had already expressed an interest in taking over the slots.
- The Youth Service's street-based outreach capacity was currently comprised of 3.4 FTE Support Youth Workers. Under the proposals this capacity would be removed in its entirety. Because of current support staff vacancies the outreach service was only operating a limited street-based outreach capacity at the moment and used to inform young people of what the service offers and spur their participation at youth sites. Some of the loss of street-based capacity could be mitigated by the communications work of the Participation and Engagement Officer.
- During the 2013/14 Youth Service restructure, commissioning funds were doubled. A reduction of 31% would still enable the Service to commission an amount greater than what was available in 2012/13.
- Initial appraisal of the impact of services provided through the commissioning fund suggested that 11 or 12 projects were showing some degree of non-performance. However, making required savings by simply not commissioning these services next year would not be possible as a good mix of provision (by type and location) needed to be provided.

### **The new re-engagement service**

26. The Working Group was informed that it was proposed to bring together, more strategically, three elements of the current service to form a youth re-engagement service:
- Specialist 1:1 Service
  - The NEET Programme
  - NEET tracking services
27. **The Specialist 1:1 Service** is an outreach service operated out of Baseline in Lewisham Town Centre. The service works with young people and offers individual support to empower them to become resilient and support themselves through issues and to help them achieve positive life outcomes. The service also supports emergency situations, signposting to others and delivers holistic information, advice and guidance. Currently, the service



supports approximately 250 young people a year. The Working Group was informed that the proposal was to remove the Specialist Support Manager post, then consider the best means to continue delivery, probably re-commissioning the service with Targeted Family Support and funding it via the Troubled Families grant.

28. **The NEET Programme** currently operates out of The New Generation (TNG) and is a 12 week programme that runs 3 times a year with 16 young people on each programme. The Working Group was informed that the Specialist Group Work Coordinator post would be removed and programming costs further reduced. The reduced service would then be re-specified in accordance with Raising the Participation Age requirements and funded via alternative monies from schools, colleges and the Education Funding Agency.
29. The Council has a statutory responsibility to **monitor and track NEETs** and to support vulnerable NEETs. The Working Group was informed that this element of the Youth Service would remain intact, with only minor reductions to the communications budget.
30. The total cost of the re-engagement service would be £705k:
  - £390k for specialist 1:1 support services
  - £115k for NEET Programme
  - £200k for tracking young people who are NEET.

### **Consultation**

31. The Working Group was informed that consultation with young people on the savings proposals (both the base savings and the future savings – see next section) involved (a) providing a summary of the proposals; (b) having ‘family meal’ type events at youth clubs to explain the proposals; (c) consulting the young mayor and his advisers; and (d) using youth workers to explain the proposals to young people in detail and record feedback.

**Recommendation 1:** Should the base savings be agreed by Mayor and Cabinet, the Working Group recommends that the ward members for Ladywell and Perry Vale be kept updated on progress in terms of finding alternative providers for youth provision at Ladywell Youth Village and Rockbourne Youth Centre.

## B: The savings proposals for 2016/17 onwards

32. Officers informed the Working Group that it was important strategically to set out an end option for the Youth Service as further Council funding reductions were required in subsequent years. Annual reductions to the Service would have a detrimental effect on young people, and the frontline staff who served them, making it difficult to involve young people in the face of diminishing provision and motivate and retain talented staff in the face of continuing requirements for redundancies. There were a number of options that could forestall these and other negative implications, although the Mayor had indicated that he did not wish to consult on the first:

1	<p><b>Reducing the service to providing the statutory minimum</b></p> <ul style="list-style-type: none"> <li>• The Council would continue to fulfil its statutory obligation and make significant savings that would contribute to the broader £85m figure.</li> <li>• Youth Service staff and young people would not be subjected to destabilising year-on-year cuts to the Service.</li> <li>• All Council-run youth provision would end, and the Service would no longer commission the voluntary sector to run youth provision.</li> </ul>
2	<p><b>Putting a Youth Service contract out to tender and commissioning from the private or voluntary sector</b></p> <ul style="list-style-type: none"> <li>• A reduced version of the current capabilities and outcomes delivered by the Youth Service would remain in the Borough for at least the duration of a commissioned contract.</li> <li>• Market testing had suggested that providers were not interested in such a large scale contract – interest is confined to partnering with a future mutual or charity, not in bidding for a whole service contract.</li> <li>• Full cost recovery might reduce the savings generated.</li> </ul>
3	<p><b>Dividing the youth centres and adventure playgrounds, incorporating each individually as a charity and trust, mutual and/or social enterprise and commissioning these separately</b></p> <ul style="list-style-type: none"> <li>• Each independent youth site could avail itself of alternative funding (e.g. philanthropy, grants, corporate giving) to supplement council funding.</li> <li>• All economies of scale would be lost, and the sustainability prospects of individual sites could be put at risk.</li> <li>• Service delivery would potentially be piecemeal and disjointed.</li> </ul>
4	<p><b>Retaining a full council-run service</b></p> <ul style="list-style-type: none"> <li>• This wouldn't deliver any savings for 2015/16, necessitating savings in future years - this would reduce Council-run and commissioned youth provision.</li> <li>• This option would prevent the additional fundraising open only to</li> </ul>

	non-council entities.
5	<p><b>Spinning out the Youth Service, establishing a young person and employee-led mutual (ELM), and legally incorporating the enterprise</b></p> <ul style="list-style-type: none"> <li>• This would sustain the youth service with fewer resources but posed a number of risks (see below).</li> </ul>

33. An officer appraisal of the options outlined above favoured the mutual option, although the Working Group was informed that the results of the consultation on the proposals could change the appraisal. It was also noted that, whilst the mutual was currently the preferred option, a full options appraisal would be presented to Mayor and Cabinet on 11 February 2015.

34. At its meeting on 17 December 2014, the Working Group received a presentation from officers from the Children and Young People Directorate which outlined the vision for the mutual. Members were informed that, as an ELM, the organisation would continue to uphold the Council’s vision for youth provision, but would aim to go further – to create an organisational model that could deliver the Council’s vision more effectively and at better value. It was argued that staff would be naturally empowered to own outcomes and deliver best value because they would have a tangible stake in a real social business. The ELM would be an organisation where:

- *Young people have a greater voice in designing the services they use.*
- *An entrepreneurial ethos underpins the organisation, with a culture where staff know what is expected of them and have the freedom to find the best ways to achieve success.*
- *The service-user is at the heart of the organisation and the organisation relies on the ingenuity of young people and staff.*
- *The “arc of mediocrity” is broken by giving staff the freedom to hone their strengths.*
- *Financial surpluses are sought and reinvested in the business to further the mission.*

35. The Working Group was informed that officers felt that the benefits of mutualising the Youth Service included:

- A greater opportunity for the involvement of young people by allowing them to become part owners of the ELM and have an elected place on its board.
- Greater flexibility to strategise, innovate and better meet the needs of end users and stakeholders.
- As an ELM, staff could access grant funding streams, sponsorships and income generation opportunities currently unavailable to local authorities (such as Children In Need funding).
- Maintaining a good level of youth provision in the Borough with reduced or potentially no funding from the Council.

- Influencing positively organisational behaviour, particularly with regard to creating a shared sentiment of staff ownership, minimising sick days and increasing influence over future decisions.
- Allowing staff to play to their strengths.
- Potential 'back office' savings such as ICT.
- Retaining a relationship with a staff group that maintains already-established relationships with young people and community members in the Borough.
- Reducing long-term liabilities to the Council.

### **Planning for a mutual**

36. The Working Group was told that if the ELM option was agreed the Youth Service would immediately enter into the planning and scoping stages of creating an ELM. This would include financial and consultative support from the Cabinet Office Mutuals Support Programme. It was noted that some preparatory work on the ELM proposal had already been carried out (staff had attended Cabinet Office workshops and discussions with staff around the proposal had been held) but there remained a lot of business planning activity to take place if this proposal were to be taken forward. Some staff were cautiously excited about the prospect of a youth and employee led mutual, could see the potential it offered for carrying out work that was not possible at present, but were aware of the risks.
37. The Working Group heard that the Council would need to be clear in the funding agreement setting up the ELM what its core requirements were whilst it continued to provide funds (it was anticipated that funds would need to be provided for three years). However, officers argued that it would be important to secure for the ELM as much freedom as possible during and after the planning stages. Whilst the Council would need to be clear on its expectations over the three years it funded a mutual, the head of the mutual would need to be given the entrepreneurial freedom required to make it self-financing after those three years. At the meeting of the Working Group held on 17 December 2014, the Cabinet Member for Children and Young People commented that a key decision for the Council was whether or not it wanted a self-funding option. If it did, the requirements it could impose would be limited.
38. The Working Group was informed that any remaining staff at the point of transfer to an ELM would be transferred in accordance with TUPE to the ELM. Consideration would need to be given as to how liabilities for the Local Government Pension Scheme could be met. It is unlikely that the ELM would be able to meet these liabilities at the outset. In the two ELMs currently operating (see below), the relevant local authorities had kept the liabilities for transferred staff.
39. The Working Group heard that there were currently two youth service ELMs in operation in England – Epic CIC (formerly Kensington & Chelsea's Youth Service) and Knowsley Youth Mutual (formerly Knowsley's Youth Service). Should Lewisham's Youth Service mutualise, there would be lessons to learn from both organisations as they had gone through the process and were now

operating as independent entities. There would also be learning from other areas of the Council that had followed similar strategies, including Wide Horizons, Education Business Partnerships, Libraries and housing.

40. However, Members were also informed that the two ELMs in operation were still fairly new and it was unclear as to whether they would be able to become completely self-supporting organisations with no funding from “their” Council. Whilst it would be the intention that Lewisham’s ELM would become self-supporting after 3 years, and that the Council could then realise full savings, there was a risk that it would not achieve that aim. In that case, a decision would need to be made as to whether the Council continued to support the ELM financially or not.

### **The legal context**

41. The Head of Law gave a detailed presentation to the Working Group on the potential legal models for an ELM at its meeting held on 17 December 2014. This is attached at Appendix 1.
42. The following key points were made:
- The various mutual models could be differentiated from each other by considering (a) who controlled them; (b) what legal form they took; and (c) their status.
  - The four key features of a mutual were a shared purpose, ownership by members, control by membership (one member, one vote) and stakeholder representation.
  - Models for the delivery of mutual included:
    - Companies limited by shares – where members would own the company
    - Companies limited by guarantee - a common form for mutuals, members would not own the company
    - Community Interest Companies (CICs) – designed for social enterprises, organisation must meet the community interest test, seen as a ‘badge of commendation’
    - Industrial and Provident Societies (IPSSs) – very flexible with light touch regulation, which could take the form of a co-operative society or a community benefit society (which might help attract grant funding)
    - Unincorporated Associations – very flexible but very little protection (members would have personal liability).
  - All of these models could have charitable status but any asset transfers to charities were usually irreversible.
  - Having limited liability status was important.
  - Asset locks could be applied to CICs and community benefit societies.
  - Unless the Council retained the service a contract would need to be entered into following contract law.
  - EU law should not be an issue as draft regulations exempting mutuals were likely to be in force by the time Lewisham’s mutual was

established. The contract, under the Council's constitution, would be a Category A contract, but a single tender action might be possible.

- TUPE would apply to staff transferring to the mutual, staff would keep their terms and conditions and pensions would need to be fully funded at the point of transfer.

43. It was further noted that:

- A mutual would be managed in the same way as any other contract with monitoring, penalties for non-performance, default provisions and exit plans.
- A really clear specification might improve staff performance as everyone would know exactly what they needed to provide.
- Officers would advise against ring-fencing part of the mutual's budget for the voluntary and community sector (VCS) to allow the head of the mutual the entrepreneurial headroom to start an income generating business. That said, it was inconceivable that the mutual would not work solidly with the VCS and commission some provision through them, including specialist provision.

44. The following points were made by members of the Working Group in relation to the ELM option:

- There were lots of risks inherent in forming a mutual but officers were only tending to describe this option in positive terms.
- If the mutual option was to be explored further, a "pull-back" option should also be investigated.
- The impact on the 35 organisations currently commissioned to provide 37 youth projects needed to be considered.

**Recommendations:**

Should Mayor and Cabinet agree that a detailed plan to mutualise the Youth Service be developed within the next financial year, the Working Group recommends that this plan includes a governance framework that aims to ensure that:

- The local voluntary sector is involved and represented, possibly via the Voluntary Action Lewisham CYP Forum, in the governance arrangements of the ELM.
- The governing body of the ELM is represented as a stakeholder in public services, possibly through representation on the CYP Strategic Partnership Board.
- Staff, Young People and the Council are democratically represented in the ELM.

The plan should also cover:

- Achieving the necessary asset locks.
- Completing the business planning / preparation of a business case that

will be required for a single tender action.

- Ensuring that the ELM, throughout its existence, serves to meet the needs and aspirations of young people in the London Borough of Lewisham, in particular addressing disadvantage and inequality.

The following risks should be fully investigated:

- Potential LGPS and redundancy liabilities.
- The ELM's liability for VAT.
- The ELM's liability for Corporation Tax.
- Funding from the Council being viewed as state aid.

The Working Group notes that the development of a detailed plan to mutualise the Youth Service does not exclude other options for the future of the Youth Service being considered, should the ELM option not prove viable.

### **The draft Mayor and Cabinet report**

45. At its meeting held on 17 December 2014, the Working Group discussed the tight timetable for commenting on the savings proposals before the Public Accounts Select Committee on 5 February. It was agreed that the draft Mayor and Cabinet report (scheduled for the Mayor and Cabinet meeting on 11 February 2015), providing a full options appraisal and a summary of the consultation results, would be provided to working group at its third meeting on 20 January 2015.
46. The Working Group discussed the draft report at its meeting on 20 December 2014 prior to making the recommendations contained in this report.



## **Appendices**

### **Appendix A: Presentation by the Head of Law**

Slide 1

Models for mutuals

Kath Nicholson

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Slide 2

Confusion about types of employee led organisations

- Who controls?
- Legal form?
- Status?

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Slide 3

Mutuals – key features

- Shared purpose - for either closed community or more altruistic
- Ownership – by members. Held in common. No-one entitled to share of assets
- Control – One member one vote. No majority shareholder
- Stakeholder representation –e.g. staff, users, external participants

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Slide 4

**Social enterprise**

- A type of venture, not a legal form for delivery vehicle
- Business/service
- Primarily social objectives
- Surpluses ploughed back in
- For community good not profit distribution

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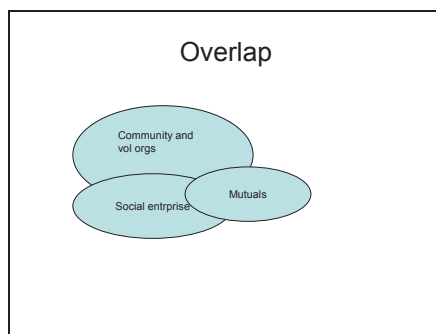
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Slide 5



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Slide 6

**Models for delivery of mutual**

- Company ltd by shares/guarantee
- Community interest company
- IPS – Co-operative models
- Unincorporated associations
- May have charitable status

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Slide 7

**Choosing the right legal model**

- Legal entity needed to hold manage and protect assets, enter contracts, leases etc
- Protection from individual liability for participants
- What degree of flexibility is needed in organisational structure?
- Credibility with well defined purpose and structure

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Slide 8

**Limited companies**

- Corporate body, limited liability, can own assets, contract, borrow money etc in own right
- Types
  - **Cos ltd by guarantee**
  - **Cos ltd by shares**
- **Regulated by Cos House**

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Slide 9

**Companies limited by guarantee**

- **Liability limited on dissolution to value of guarantee usually nominal up to £10**
- **Good for most non profit making activities**
- **Often charities**
- **No share capital**

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Slide 10

**Companies ltd by guarantee**

- Protect members from personal liability
- Can make profit but must plough back...
- Company law regulatory framework
- Transparency – annual accounts, directors' report etc
- Common for mutuals so long as mutual principles in Articles of Association

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Slide 11

**Shares/guarantee?**

Guarantors make company decisions but do not own it.

- Generally, companies limited by shares are owned by shareholders who receive dividends based on any profit. Liability limited to value of shareholding

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Slide 12

**Community interest companies**

- CICs – 2005 – custom made for social enterprise
- Ltd by shares or guarantee
- If ltd by shares – dividend cap
- Bound to use resources, income, profits for good of community served
- "Community Interest Test" – would a reasonable person perceive its activities as in the interests of community
- Community must be sufficiently broad and the company not politically motivated

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Slide 13

**CICs**

- “A badge of commendation”
- More regulation – Cos House and CIC Regulator
- Suitable for mutuals

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Slide 14

**CICs**

- Established like any other company but with Community Interest Statement and must pass Community Interest Test on formation and throughout
- Asset lock – assets (and profits/income) can only be used for good of community so....

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Slide 15

**Asset lock**

- Asset must stay in CIC, or
- Be used for community purposes for which CIC formed, or
- Transfer only if one of the following requirements is satisfied
  - Full consideration
  - To another asset locked body (e.g. CIC, charity) specified in Articles
  - To another asset locked body with consent of Regulator
  - Otherwise for the benefit of community

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Slide 16

**Industrial and Provident Societies**

- IPS origins in co-op movement
- HAs
- Separate legal identity
- Ltd liability for participants
- 2 types
- Co-operative Society and Community Benefit Society

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Slide 17

**IPS**

- Flexibility
- Members actively control org and agree its policies and make its decisions by OMOV.
- Shares - nominal value (£1)
- Members agree rules in constitution registered with FSA
- Duties and powers of board/members highly flexible and matter for IPS rules, so can be tailored
- Light touch regulation

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Slide 18

**Co-operative Society**

- Formed for the benefit of its members rather than society at large
- Can distribute profits to members
- No asset lock
- May not be suitable for PSM.
- Could restrict membership to employees

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Slide 19

**Com Ben Society**

- Pursues wider public good rather than members' interests
- Can't distribute profits to members
- Can't distribute assets to members on dissolution
- May qualify for "exempt" charitable status if meets criteria for charitable status
- Same tax benefits as charity without same regulatory scrutiny
- Can apply asset lock
- Can raise funds by issuing shares without FCA sponsor
- Insolvency procedures aimed at rescue available now

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Slide 20

**LLP**

- LLP – Limited liability partnership – halfway house between incorporation and simple partnership.
- Corporate identity and ltd liability
- Advantages of Co with freedom to agree workings.
- Taxed as partnership
- Must be established to make profit
- Not usual for mutual but possible

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Slide 21

**Unincorporated association**

- Most flexibility, least protection
- Simple, easy to set up
- No regulators
- Personal liability, no corporate status
- Not suitable where employees engaged or assets held or contracts entered into

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Slide 22

**Charitable status**

- Must be established for public benefit;

and

- All purposes must be charitable

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Slide 23

**Charitable status**

- Can be complex to set up
- Exempt from income and corporation tax, but not VAT
- Can hive off revenue making activities to non-charitable subsidiary
- Constraints on use of charitable funds and assets make earlier transfers virtually irreversible
- Effect on funding

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Slide 24

**Charitable purposes**

- Relief of poverty
- Advancement of education, religion, health or saving of lives, citizenship or community development, arts, culture, heritage or science, amateur sport, human rights, conflict resolution or promotion of religious or racial harmony or equality/diversity

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Slide 25

**Charitable purpose**

- Environmental protection or improvement
- Relief of those in need because of youth, ill health, age, disability, financial hardship or other disadvantage
- Advancement of animal welfare
- Promote efficiency of armed forces, police, fire, ambulance
- Other similar purposes

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Slide 26

**So what now?**

- How to provide best possible YS with decreasing funds
- What sort of service do we want
- What are the delivery options, once that is agreed

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Slide 27

**Options**

- 1) Do statutory minimum and none else
- 2) Do more than minimum - do all in house
- 3) Do some in house and some under 1 large contract
- 4) Do some in house and commission several contracts
- 5) Externalise all in one contract
- 6) Externalise all in several contracts
- 7) If 5 or 6, how to identify contractor

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Slide 28

**Some considerations**

Best value duty – to ensure continuing improvement and economy, efficiency and effectiveness – can take into account social value considerations

Procurement process is usual method to demonstrate best value

Contract worth £1.6 million – procurement rules

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Slide 29

**EU law**

- EU current position
- Part B – only requirements are non discriminatory terms and award notice
- EU directive changing soon to require everything to go out to tender in EU but.....
- Draft Directive carves out mutuals from requirement to advertise in Europe – not in force yet
- Draft Regulations to translate into domestic law for contracts < 3 years (Art/Reg 77) - not in force yet. Expected 2015
- EU requirements unlikely to present difficulty

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Slide 30

**Procurement**

- Council's procedure rules
- Category A contract, over £500,000
- Public advert and competitive tender unless exemption applies
- Exemption applies only in exceptional or unforeseen circumstances approved by ED R&R, if

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Slide 31

**Procurement**

- Nature of the market has been investigated and the departure is reasonable; or
- Extreme urgency; or
- Circs are otherwise genuinely exceptional
- And departure allowable in law.

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Slide 32

**The Question**

- “Do these circumstances apply to justify the Council pursuing an exclusive deal without being satisfied on the basis of a normal tender process and evaluation?”
- If so, Council will need to be satisfied it has best value from any contractual arrangement

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Slide 33

**Powers**

Section 1 Localism Act would allow local authority to establish mutual, provided properly applied

- specific outcomes to promote economic environmental and social wellbeing are identified
- not highly speculative
- not just about saving money.

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Slide 34

Contract letting rules still apply

- Even to local authority established mutual
- Level playing field if tendered
- Separation of client and potential contractor role in letting contract to avoid conflict

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Slide 35

TUPE

- Employees wholly or mainly engaged in transferring entity transfer to new contractor
- Terms and conditions intact
- Same or broadly similar pensions
- Heavy burden on contractor reflected in contract price
- Additional Council cost to fully fund pension liability at point of transfer

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Slide 36

Assets

- Council assets may be made available to contractor usually on lease or licence tied to duration of contract
- If in competition, at market rent reflected in contract price

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Slide 37

**Some mutual issues**

- National political commitment
- Assistance from Cab office etc re establishment
- May be highly motivated provider
- Experience of staff can be taken into account on award of contract
- Year on year reduction in price

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Slide 38

**Some mutual issues**

- Clear specification for any contract
- Satisfied as to ability of a newly founded mutual without track record outside the public sector
- Do mutual managers have commercial acumen?
- Sufficient financial backing from start?
- Long term viability of mutual? May look to Council if in financial trouble
- Exit strategy at end or if fails?

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Slide 39

**Conclusion**

- Establishment of a mutual by the Council is a legal possibility.
- The issue is, in letting a contract for YS, what is the best way to do that to achieve the best possible outcome for the youth of Lewisham?

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<b>Public Accounts Select Committee</b>			
<b>Title</b>	Comments of the Sustainable Development Select Committee on the Lewisham Future Programme – 2015/16 Revenue Budget Savings		
<b>Contributors</b>	Sustainable Development Select Committee	<b>Item No.</b>	
<b>Class</b>	Part 1	<b>Date</b>	5 February 2015

## **1. Summary**

- 1.1 This report informs the Public Accounts Select Committee of the comments and views of the Sustainable Development Select Committee on the Lewisham Future Programme – 2015/16 Revenue Budget Savings report.

## **2. Recommendation**

- 2.1 The Public Accounts Select Committee is recommended to note the views of the Sustainable Development Select Committee as set out in this report.

## **3. Sustainable Development Select Committee views**

- 3.1 On 20 January 2015, the Sustainable Development Select Committee considered a report entitled Lewisham Future Programme. They considered four Budget Savings proposals that had been referred back to the Committee after its meeting on 29 October 2014. The four Budget Savings were as follows:

- E1: Structural re-organisation of the Regeneration & Asset Management division
- H1: Restructuring of enforcement & regulatory services
- N1: Reorganise environmental services, close and cease to maintain a number of small parks
- N2: Street sweeping

- 3.2 The Committee resolved to advise the Public Accounts Select Committee of the following:

**N1: Reorganise environmental services, close and cease to maintain a number of small parks**

- a) If the borough's parks are not properly maintained there might be a reduction in play-space.
- b) The risks associated with alternative management options should be considered as part of the consultation.
- c) The results of the consultation should be presented to the Select Committee for further scrutiny.
- d) The consultation should be communicated more widely across the borough. Furthermore, there needs to be broader public engagement, beyond the proposed user groups.

Therefore, the Select Committee recommends that:

- a) The consultation on N1 should be considered by all Local Assemblies, to increase public engagement.
- b) The results of the consultation on N1, plus any proposals derived from the consultation, must be presented to the Select Committee for consideration and scrutiny.
- c) There should be no closure of any of the borough's parks.

#### N2: Street sweeping

- a) An improvement in enforcement in areas such as trade waste could increase revenue for the Council, and lessen the need for budget savings in future years.

### **4. Financial Implications**

- 4.1 Should the Committee's referral result in the budget being changed, this may affect the amount of savings achieved, potentially resulting in a savings shortfall that would mean that alternative proposals would have to be identified and built into the budget planning process. However, as these decisions are ultimately for the Mayor (in recommending his budget), and then the Council, there are no direct or immediate financial implications arising from this report.

### **5. Legal Implications**

- 5.1 The Constitution provides for Select Committees to make recommendations to the Executive or appropriate committee and/or Council arising from the outcome of the scrutiny process.

### **Background papers**

Lewisham Future Programme – 2015/16 Revenue Budget Savings – Officer Report to the Select Committees (October and November 2014)

<http://councilmeetings.lewisham.gov.uk/documents/s31821/03LFP201516RevenueBudgetSavings30102014.pdf>

Sustainable Development Select Committee – Agenda of 20 January 2015

<http://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=136&MId=3447&Ver=4>

If you have any queries on this report, please contact Roger Raymond, Scrutiny Manager (ext. 49976).

# Agenda Item 4

PUBLIC ACCOUNTS SELECT COMMITTEE			
<b>Report Title</b>	<b>Briefing on housing pressures and the use of nightly paid accommodation</b>		
<b>Key Decision</b>	<b>No</b>	<b>Item No.</b>	<b>4</b>
<b>Ward</b>	<b>Borough Wide</b>		
<b>Contributors</b>	<b>Head of Strategic Housing</b>		
<b>Class</b>	<b>Part 1</b>	<b>Date:</b>	<b>5 February 2015</b>

## 1 Summary

- 1.1 This note sets out for Committee the responses to three questions that it had previously raised relating to the Council's use of nightly paid accommodation as a result of the current housing crisis.

## 2 Recommendations

Public Accounts Select Committee is recommended to;

- 2.1 Note the information contained within this report in response to the questions that have previously been raised in relation to the Council's use of nightly paid accommodation for homeless households.

## 3 Questions and responses

*By how much has the use of B&B by the Council increased since the start of 2012/13?*

- 3.1 The table below sets out the level of usage of "bed and breakfast" accommodation – that is short term emergency accommodation paid for on a nightly basis – and how that has increased since 2012/13.

<b>Bed and Breakfast usage</b>	<b>12/13</b>	<b>13/14</b>	<b>14/15 (projected)</b>
Total number in B&B at year end	80	282	579 (at 17 January)

*By how much have costs associated with nightly paid accommodation risen since the start of 2012/12?*

- 3.2 The table on the following page sets out the extent to which the housing crisis, and the subsequent demand for nightly paid accommodation, has led to significant cost pressures for the Council.

<b>Bed and Breakfast Accommodation expenditure</b>	<b>12/13</b>	<b>13/14</b>	<b>14/15 (projected)</b>
Total Expenditure	£1,265,647	£3,601,355	£8,580,000
"Non-reclaimable" expenditure	£222,000	£1,112,000	£2,500,000

- 3.3 The table shows that as a result of the massive increase in demand for nightly paid accommodation the total annual expenditure level has increased more than sevenfold in three years. The main financial impact for the Council is the limit set by Government on the proportion of that expenditure which can be reclaimed by the Council.
- 3.4 There is in practice two limitations on the income that the Council can reclaim in relation to the costs of placing families in nightly paid accommodation. These relate to whether the placement is in either self contained or non self contained accommodation, but they have the same effect, which is to limit the amount that the Council can claim against housing benefits for the placement in question.
- 3.5 The Government set these limits in 2011 and so the amount that can be reclaimed has not kept pace with the market increase in charges as illustrated below.

Type	Daily Charge £	Weekly charge £	HB applicable £	LHA applicable £	Shortfall £
Studio	42.66	298.62		121.00	177.62
2 Bed Studio	80.00	560.00		268.47	291.54
1 Bed Flat	49.73	348.13		211.34	136.78
2 Bed Flat	60.26	421.85		268.47	153.39
2 Bed House	60.50	423.50		268.47	155.04
3 Bed Flat	76.65	536.57		310.00	226.57
3 Bed House	73.46	514.19		310.00	204.19
4 Bed Flat	85.00	595.00		413.84	181.16
4 Bed House	79.27	554.89		413.84	141.05
5 Bed Flat	70.00	490.00		500.00	-10.00
5 Bed House	88.00	616.00		500.00	116.00
1 Single Room	28.89	202.22	190.40		11.82
1 Double Room	35.33	247.28	190.40		56.88
2 Double Rooms	67.50	472.50	190.40		282.10
1 Triple Room	44.41	310.84	190.40		120.44
1 Quad Room	59.48	416.37	190.40		225.97

- 3.6 The table shows that the total costs that cannot be reclaimed has now grown to a projected £2.5m this year. There are two factors affecting this. First, the volume of people placed in nightly paid accommodation means that even a small variance between rents and the amount that can be reclaimed, when multiplied by the nearly 600 placements that are currently being made results in a considerable budget pressure.

- 3.7 The second factor is that the rents charged for these placements are increasingly more expensive than the limitations on what the Council can reclaim, both as a result of rapidly increasing rental growth in the housing market and as a result of the simple fact that the need to obtain such a volume of properties means that officers are forced to use more expensive properties that in other times would not have been used.

*What are the factors behind the rise in numbers, and what action has been taken to reduce the cost for the Council (such as procuring cheaper B&B accommodation, bringing council-run hostel units into service, rules around claiming B&B costs back from central government)?*

- 3.8 The factors behind the rise in homelessness have been reported to Mayor and Cabinet a number of times during the period in which the rapid rise in nightly paid accommodation use has taken place.

- 3.9 The first thing to make clear is that this is a London-wide issue, and Lewisham is not alone in experiencing the current level of demand. A number of factors are driving this increase, and despite these broadly being beyond the control of the Council, nevertheless the Council retains a statutory duty to respond to the problem and also bears the financial pressure associated with it. These factors include property price inflation which continues to hugely out-strip other measures of inflation, and which in turn provides incentives for landlords to seek higher rents than can be afforded by the Council or otherwise to sell their properties and cash out of the housing market while prices are high. It is also caused by on-going shortfalls in the new supply of all forms of housing and in particular affordable housing and by a general fall in the movement of current tenants within and out of existing stock.

- 3.10 In response to this crisis the Council has initiated a wide ranging and assertive programme of interventions in the local housing economy, including:

- the construction of new homes,
- the acquisition of properties for temporary accommodation purposes which provide a more sustainable and better quality alternative to bed and breakfast,
- piloting innovative methods of construction to provide more homes more quickly,
- reducing costs by negotiating with providers of emergency accommodation and landlords and procuring properties at lower cost
- working across London on a sub regional basis and with all London Councils on the Inter Borough Temporary Accommodation Agreement to agree rates with providers to keep costs down
- managing demand by working more intensively to prevent homelessness
- working on a range of policy changes set out below, in order to manage demand to address this crisis.

- 3.11 The construction of the first new Council homes of the 500 that will be delivered by 2018 - funded entirely by the Council and developed on its behalf by Lewisham Homes - will shortly complete and these homes will become available for residents in housing need. Other reports on this agenda set out

further progress in this regard, with more than 200 new homes identified and in the development process.

- 3.12 In February 2014 Mayor and Cabinet approved plans to acquire two large properties which could be converted into hostels in the short term in order to provide the Council with access to additional short term accommodation for 32 homeless families, and which would be of better quality and at a reduced cost compared to bed and breakfast accommodation. In April 2014 Mayor and Cabinet agreed to provide funding of £4.3m to enable the acquisition of a further 50 units of hostel accommodation, based on the same business case and logic as the two prior acquisitions.
- 3.13 In October 2014 Mayor and Cabinet approved plans for an innovative new model of development, whereby “re-deployable” temporary housing could be constructed on vacant sites in the short term, enabling both the use of vacant land in the short term and the provision of cheaper and better alternatives for homeless households at the same time. In total the Council has allocated £7.74m to fund the acquisition of properties, of which £6.725m has been already been allocated and will bring forward an additional 69 units of hostel or other temporary accommodation within the coming year, and the remaining budget is expected to be expended on funding additional purchases early in 2015.
- 3.14 Other policy changes have also been implemented. As an emergency measure 80 per cent of all two and 70 percent of three bed properties which become available for letting are being let to homeless households. Changes to the delivery of front line services, by consolidating office accommodation, introducing on line services to encourage self help and by focussing more on homeless prevention have also been made to help address the problem.
- 3.15 Finally, in January 2015, Mayor and Cabinet agreed that a further property acquisition programme should be undertaken, in this instance led by Lewisham Homes on behalf of the Council. In this case the properties are being bought on the open market by Lewisham Homes and let to households who would otherwise be in more expensive and less appropriate temporary accommodation, while longer term and more sustainable options are sought.

#### 4. Background documents and originator

- 4.1 A full summary of the effects of the housing crisis and the policy and other responses was presented to Mayor and Cabinet on 14 January 2015, as set out below:

Short Title of Document	Date	Location	Contact
Homelessness: Lewisham Homes Property Acquisition	14 January 2014	Available at this <a href="#">link</a>	Jeff Endean 020 8314 6213

- 4.2 If you would like any further information on this report please contact Genevieve Macklin, Head of Housing at [Genevieve.macklin@lewisham.gov.uk](mailto:Genevieve.macklin@lewisham.gov.uk) or on 020 8314 6057.

<b>Public Accounts Select Committee</b>			
<b>Title</b>	No Recourse to Public Funds: Draft report and recommendations	<b>Item No.</b>	5
<b>Contributors</b>	Scrutiny Manager		
<b>Class</b>	Part 1	<b>Date</b>	5 February 2015

## 1. Purpose of paper

- 1.1 As part of the work programme for 2014/15, the Select Committee agreed to carry out a review of No Recourse to Public Funds in Lewisham. The review was scoped in September 2014 and evidence sessions held in November and December 2014.
- 1.2 The attached report presents the evidence received for the review. Members of the Committee are asked to agree the report and suggest recommendations for submission to Mayor and Cabinet.

## 2. Recommendations

Members of the Select Committee are asked to:

- Agree the draft review report
- Consider any recommendations the report should make
- Note that the final report, including the recommendations agreed at this meeting, will be presented to Mayor and Cabinet

## 3. The report and recommendations

The draft report attached at **Appendix 1** presents the written and verbal evidence received by the Committee. The Chair's introduction and the executive summary will be inserted once the draft report has been agreed and the finalised report will be presented to a Mayor and Cabinet meeting at the earliest opportunity.

## 4. Legal implications

The report will be submitted to Mayor and Cabinet, which holds the decision making powers in respect of this matter.

## 5. Financial implications

There are no direct financial implications arising out of this report. However, the financial implications of any specific recommendations will need to be considered in due course.

## **6. Equalities implications**

There are no direct equalities implications arising from the implementation of the recommendations set out in this report. The Council works to eliminate unlawful discrimination and harassment, promote equality of opportunity and good relations between different groups in the community and to recognise and to take account of people's differences.

For more information on this report please contact Charlotte Dale, Interim Overview & Scrutiny Manager on 020 8314 9534.



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# Overview and Scrutiny

## No Recourse to Public Funds Review

### Public Accounts Select Committee

February 2015

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#### Membership of the Public Accounts Select Committee in 2014/15:

**Councillor Jamie Milne (Chair)**

**Councillor Mark Ingleby (Vice-Chair)**

**Councillor Abdeslam Amrani**

**Councillor Chris Barnham**

**Councillor Ami Ibitson**

**Councillor Roy Kennedy**

**Councillor Helen Klier**

**Councillor Jim Mallory**

**Councillor John Muldoon**

**Councillor Crada Onuegbu**

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## Chair's Introduction

To be inserted.



Councillor Jamie Milne  
Chair of the Public Accounts Select Committee

## **Executive summary**

To be inserted

## **Recommendations**

The Committee would like to make the following recommendations:

## Purpose and structure of review

1. At its meeting on 9 July 2014 the Committee decided, as part of its work programme, to carry out an in-depth review into the increasing number of cases of people with no recourse to public funds (NRPF) and their impact on Lewisham Council as both a financial and a service pressure for the organisation.
2. At its 22 September 2014 meeting, the Committee received and agreed a scoping paper that set out the background and key lines of enquiry for the review. The Committee agreed that, given the complexity of NRPF, the Committee should first establish:
  - The national and local context surrounding NRPF
  - Who presents as NRPF in Lewisham and the types of support provided to them
  - The extent of the problem in Lewisham and how Lewisham compares to other local authorities
  - The interventions that have been taken in Lewisham to address the increase in NRPF and effectively manage the number of NRPF cases that Lewisham supports
  - The future NRPF pressures expected for Lewisham (such as changes to the eligibility of EEA nationals) and the potential financial impact of these pressures.
3. Once this information had been provided, the Committee would then consider the following further key lines of enquiry:
  - How effective have the interventions taken to address the growth of NRPF cases been?
  - How will the expenditure on NRPF be managed within the current and future financial pressures for Lewisham Council?
  - What are the impacts of the interventions taken on those presenting as NRPF in the borough and what impacts will further interventions have?
  - What work is Lewisham doing with the groups and agencies that support people who have NRPF and signpost them to the Council?
  - What is Lewisham doing to address projected future NRPF pressures, such as changes to the eligibility of EEA nationals, the Immigration Act and the Care Act?
4. The Committee carried out its first evidence-taking session on 5 November 2014, where members received a report from officers providing information on the background to NRPF, including the national and local context around the rise of NRPF, details about who was presenting as NRPF in Lewisham, comparator information with other local authorities on the levels of NRPF in Lewisham and interventions being taken to address the issue of NRPF within Lewisham. The Committee also heard evidence at this meeting from Barry Quirk (Chief Executive), Kevin Sheehan, (Executive Director for Customer

Services), Ian Smith (Director of Children's Social Care), Justine Roberts (Change & Innovation & Manager) and Shirley Spong (NRPF Manager).

5. The Committee carried out its second evidence-taking session on 10 December 2014, where members heard from external witnesses, including Henry St Clair Miller from NRPF Network and Jon Rowney from London Councils.
6. The Committee concluded its review on 5 February 2015, where it agreed the recommendations and final report for submission to Mayor & Cabinet.

### Legislative background

7. No Recourse to Public Funds (NRPF) refers to people from abroad who are subject to immigration controls and, as a result of this, have no entitlement to welfare benefits, public housing or financial support from the Home Office. It applies, amongst others, to care leavers and those with caring responsibilities for children. Such migrants have usually entered the UK through the labour migration, family or asylum routes.<sup>1</sup> 'Irregular migrants' who have exhausted their lawful stay also have NRPF while EEA nationals who do not meet their conditions of stay may not be able to access public funds. However, individuals with NRPF, whilst not eligible for public funds, might still be eligible for local authority assistance under:
  - **Section 17 of Children Act 1989** – This puts a duty on all local authorities to safeguard the welfare of children in their area and to promote their upbringing by their families. To support this local authorities may provide assistance in kind, accommodation or cash.
  - **Section 21 of the National Assistance Act 1948** – this confers a duty on local authorities to support, with accommodation and subsistence, people who are ill, disabled or an expectant or nursing mother. In the case of people with NRPF, this applies only if their need does not arise because of destitution alone.
8. Assistance under these acts is not defined as 'a public fund', hence why individuals with NRPF are not excluded from these provisions. Local authorities have a duty to provide assistance to individuals under these acts if the following criteria are met:
  - The individual can prove they are the territorial responsibility of the council to which they are applying for assistance.
    - In the case of families, this means that the need which gave rise to the presentation to the local authority occurred within that same local authority (i.e. they became homeless there).
  - They are genuinely destitute with no other means of support available to them.

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<sup>1</sup> Background paper - Local government welfare responses to migrant families who have 'no recourse to public funds' Centre on Migration, Policy and Society (COMPAS), University of Oxford  
[https://www.compas.ox.ac.uk/fileadmin/files/Publications/Research\\_projects/Welfare/No\\_Recourse\\_to\\_Public\\_Funds\\_Summary\\_Paper.pdf](https://www.compas.ox.ac.uk/fileadmin/files/Publications/Research_projects/Welfare/No_Recourse_to_Public_Funds_Summary_Paper.pdf)

- The threshold for destitution is high and is defined as not having the means to provide for accommodation or essential living needs.
  - They are not excluded from support by schedule 3 of the nationality Schedule 3 of the Nationality Immigration and Asylum Act 2002.
    - This includes people with refugee status from abroad, a person who has nationality of another EEA state (unless to exclude them would breach their treaty rights), a failed asylum seeker, a person unlawfully present in the UK (if an individual does not have legal status in the UK but is in the process of seeking to regularise their stay, they are not excluded from support). However, authorities can still be compelled to provide services to individuals excluded by virtue of their immigration status where that refusal would be a breach of their human rights.
  - (In the case of single adults) They meet the Local Authority's care thresholds for support and can show their need did not arise out of destitution alone.
9. For those who meet these criteria, following the completion of the relevant social care assessment, individuals may be provided with accommodation, subsistence and other services assessed as required to meet their needs. Local authorities receive no financial support from central government for this group of service users.

### **Drivers of demand for NRPF**

10. A number of national factors have contributed to rising demand for services around people with NRPF. Whilst some of these are local factors and unique to Lewisham and neighbouring boroughs, the majority are national or international issues relating to government policy and EU case law. The increase in NRPF is the result of a lot of things all coming together at the same time: the economic downturn, private sector rent increases, changing case law and local conditions in SE London.

### Immigration policy and resourcing

11. It is fair to say that, until fairly recently, much of the debate around immigration has been focussed on asylum. This has meant that managed immigration has not really been actively managed, controlled or looked at. Most people presenting to local authorities as a NRPF case first entered the Country in a managed way, but the main focus of immigration resourcing, scrutiny and enforcement has been on asylum and not on the primary route of entry for NRPF cases.
12. In addition, whilst there used to be specialist teams dealing with asylum cases in many other local authorities, including Lewisham, many of these were disbanded when the National Asylum Seeker Service was established in 2000 and picked up the cases being dealt with by local councils. This meant that much of the specialist immigration knowledge in local authorities, which did include knowledge of NRPF cases, was lost.



13. In 2012 there were a couple of changes to immigration policy had a specific impact on NRPF cases. Firstly the charges for someone coming to the UK as a child or spouse were increased, which closed down an affordable route into the country for many people. This increased the number of people who then entered the UK as a visitor and then never left. Secondly, the 7 year old child concession was reinstated, which meant that if someone had been in the country with a child for 7 years it was against the child's rights to remove them if they had not had contact with their home country.
14. It is accepted that there is a significant backlog of cases on immigration applications and appeals; and this has significantly reduced the speed of decision making. This is related in part to the number of appeal stages built into the immigration process. The majority of NRPF cases are supported by local authorities pending the outcome of immigration decisions made by the Home Office. The cost for local authorities of providing support is related to the length of time it takes for the Home Office to resolve the immigration status of individuals and families, as they remain reliant on local authority support during the immigration application process.
15. The UK does not carry out 'amnesties' for large numbers of people who have been in the UK for a long time. Because of this, many people have been in the country for a long time without having a firm decision or action taken over their status. The Home Office is currently pursuing a policy approach of creating a harsher environment for those in the country illegally, such as restricting access to driving licenses and bank accounts. The aim is that this harsh environment will force people to leave the country as their lives will not be sustainable. From a Home Office perspective this will reduce the need for costly deportations and discourage future migrants.<sup>2</sup>
16. The Committee noted that the officers and witnesses contributing to the review's evidence sessions were in agreement that, over the years, the Home Office had not coherently stuck to policy, which had exacerbated matters.

### Recent legal changes

17. Immigration case law surrounding NRPF has developed in the last few years, with a number of key cases that have had a major impact. The Zambrano ruling means that non EEA nationals who are the primary carer of a dependent British child have a right to reside and work if the British child would be otherwise forced to leave, but not to claim benefits. The Clue vs Birmingham case changed case law so that individuals only had to be intending to make an application to the Home Office, rather than having an application registered. In addition, assessment of human rights claims used to have to be submitted and reviewed in one go, however it can now be assessed separately, criteria by criteria, which delays the legal process and introduces more stages.

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<sup>2</sup> Immigration Bill Factsheet  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/249251/Overview\\_Immigration\\_Bill\\_Factsheet.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/249251/Overview_Immigration_Bill_Factsheet.pdf)

18. There is now more limited access to legal aid for immigration appeal work. Legal Aid changes that came into effect in April 2013 mean that some types of case are no longer eligible for public funds, including divorce, child contact, welfare benefits, employment, clinical negligence, and housing law except in very limited circumstances. The changes also reduced the amount of money available for solicitors carrying out Legal Aid work. However, judicial review continues to attract funding, which has meant that the number of judicial reviews being launched has increased as lawyers can generate income challenging decisions. There has been an increase in the use of this mechanism to challenge local authority decisions on whether to support an individual with NRPF under the Children Act or National Assistance Act. The Committee heard that solicitors sometimes gave false hope to families about their ability to access local authority funds which meant that the families were potentially missing out on better and more practical advice.

#### Economic downturn and welfare reform

19. The economic downturn has had an impact on the numbers of people presenting as NRPF. Economic pressures have meant that some of the support networks people were using have fallen away. Many NRPF families that Lewisham is now supporting claim that they had been earning living from jobs in the informal economy but that there had been less of this type of work available since the downturn. Additionally, individuals have presented on the basis that the British citizen who had been supporting them no longer had the financial means of doing so. A factor in this is rising private sector rents as the people supporting the person with NRPF could no longer afford to pay their share of the rent.
20. Changes to the welfare system have increased the pressure on many families. Individuals who might have previously been supported by friends or family in spare rooms no longer have this option available due to the changes introduced under the 'bedroom tax'. The abolition of Council Tax benefit and the launch of the Council Tax Reduction Scheme could also have introduced further financial pressures on families on low incomes<sup>3</sup>. Policy changes affecting EEA nationals' access to JSA and Housing Benefit are also starting to give rise to increasing numbers seeking support.

#### Local factors

21. In addition to national factors, there are some local factors that have contributed to the high numbers of NRPF cases in Lewisham and South East London. One is that Croydon has a hub for face to face contact for immigration applications made to the Home Office, which means that those seeking NRPF support may be in the area. Lewisham's demography is also a factor, with large numbers of Jamaican and Nigerian families who are statistically more likely to present as NRPF. The previous lack of robust systems for checking NRPF

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<sup>3</sup> As part of its wide-ranging changes to the welfare state the Government abolished Council Tax Benefit (CTB) and asked Councils to develop new local Council Tax Reduction Schemes (CTRS) to replace it. However, the Government only provided funding for this scheme at 90% of the expenditure needed to provide CTB so it has been difficult for local authorities to support families at the same level.

eligibility in social care assessment could also have promoted the reputation of Lewisham as a 'soft touch'.

## **The extent of the NRPF problem**

### The national and London-wide situation

22. The NRPF network estimates that there are approximately 1,587 households with NRPF receiving local authority support at an annual cost of £25.5m. They also suggest that 75% of this cost is borne by London councils. However, this is based on evidence from only 23 local authorities nationally and it is not easy to compare spend and caseloads on NRPF across London boroughs. This is because there is no comprehensive reporting on this type of expenditure and most local authorities do not have systems which enable them to robustly record the immigration status of those they are supporting.
23. Over the last six months, Lewisham council has worked closely with colleagues with responsibility for NRPF services in neighbouring boroughs to understand the demand pressures felt by other boroughs and the processes being used to manage these. The intelligence gathered suggests that the NRPF network figure significantly under-estimates the scale of this pressure. Across Lewisham, Lambeth, Southwark, Greenwich and Croydon alone, data suggests that the number of cases being supported is in excess of 1,000 and that costs per case are in line with Lewisham's unit cost of £22k rather than the £16k suggested by the NRPF network report.
24. Furthermore, many of the local authorities Lewisham have spoken to have only just begun to examine this cost pressure in any level of detail and as such, it is likely that once thorough investigation and more accurate recording systems are put in place, reported numbers will rise further. Lewisham is ahead of the curve in this regard, with only a few other authorities having taken action to address NRPF. Wandsworth put a team in place early to deal with NRPF, while Southwark is working to procure properties outside London to address the rising costs. The NRPF Network informed the Committee that it thought that understanding of NRPF had increased recently, partly because of tightened budgets which had emphasised the critical nature of the issue and brought it to the fore. However, local authorities do not always have the staffing resource to support data collection around NRPF, while others, such as Birmingham, have reviewed NRPF but are not involved in the NRPF Network. However, it is clear that different local authorities have different issues in regard to NRPF, for some the main source might be EEA migrants, rather than visa overstayers which are more typical in London.
25. In terms of managing demand, engagement with other London boroughs has identified that the issues experienced by Lewisham in terms of establishing effective assessment and case management for these groups are similar. Issues reported include:
  - Capacity, skills and knowledge gaps amongst social work services to robustly assess eligibility against immigration, destitution and territory criteria.

- Ad-hoc evidence that fraud levels might be high but that robust assessment practices are not well enough established to prove this.
  - IT systems for recording information that do not enable comprehensive recording of immigration status and spend.
  - Difficulties procuring appropriate and affordable properties.
26. In response to these issues, councils have been pursuing a number of strategies including:
- Employing specialist workers located within social care departments.
  - Appointing fraud officers to work directly with social workers.
  - Appointing project leads to conduct more systematic reviews of issues and solutions.
  - Setting up specialist teams (for example Wandsworth have an ineligible cases team dealing with NRPF alongside other ineligible cases resulting from negative housing decisions).
  - Procuring properties outside of London.

### The role of central government

27. As noted in the 'drivers of demand' section of this report, because the Home Office can take a long time to assess cases, people are staying illegally in the UK for a longer period of time upping the chances of them requiring access to NRPF support. The majority of NRPF cases are supported by local authorities pending the outcome of immigration decisions made by the Home Office. Local authorities can become tied to long periods of support if decisions on applications for Leave to Remain (LTR) are not decided expediently or removal processes are delayed.
28. At the evidence sessions, officers highlighted that NRPF is an example of Central Government working in silos. The Home Office has only recently started working with the Department for Communities and Local Government on this issue.
29. Representatives from the NRPF Network and London Councils highlighted that debating funding with the Home Office has proved difficult. At the start of 2014 the DCLG and Home Office took part in a round table discussion on NRPF, which included service and finance pressures as well as caseload and demand, including the need to secure additional funding for local authorities. The DCLG and Home Office challenged back on the costs, highlighting the need to reduce costs and processes. London Councils is looking at how local authorities and the Home Office can work together, including clarifying roles and responsibilities and looking at best practice for service delivery.
30. The DCLG and Home Office have also challenged the evidence base, but the NRPF Network aims to provide a solid evidence base via the NRPF Connect database. This should enable better negotiation with the Home Office on NRPF and also help hold them to account on their performance. The Committee heard that the NRPF Network was getting to a critical mass where it was gathering a lot of information and evidence. 35 local authorities will be involved by the end of the 2014/15, including major authorities outside London such as Manchester.

31. Ultimately the aim of the Network's work is for there to be a recognition from central government that their approach to immigration policy and legislation has contributed to the growth of NRPF claimants presenting to local authorities and for funding to be provided to address this unfunded cost shunt. If it is possible to regularise the stay of people quickly, then they will be entitled to benefits, and costs can be pushed back to the DWP.
32. The Committee also heard that MPs sometimes became involved in NRPF cases without being fully aware of the situation and context surrounding NRPF. Officers in Lewisham have arranged meetings with MP caseworkers to raise awareness and increase their knowledge.

### The situation in Lewisham

33. The Public Accounts Select Committee first became aware of the issue of NRPF in June 2013, when it was brought to the Committee's attention as part the Committee's budget monitoring responsibilities. The Committee discussed the issue, as part of the regular Revenue and Capital Budget Monitoring reports that it receives, on a number of occasions. The Financial Outturn Report 2013/14, reviewed by the Committee in July 2014, highlighted that NRPF clients had created a cost pressure of £4.6m for the year. This was based on the data available within the social care system and relied on the accurate classification as people as NRPF.
34. After this, further analysis was conducted to cleanse the data held in social care systems. As a result of this exercise it was possible to identify further individuals being supported who in fact have NRPF. This, combined with a sharp increase in demand for services in 2013 and 2014, significantly impacted on projected spend in this area. The cost pressure to the local authority at June 2014 stood at £6.2m and the total number of cases being supported was 278.
35. The number of people with NRPF presenting to the local authority seeking support has risen dramatically in the last few years with a particularly sharp increase in 2013 prior to the review of service arrangements:

Date	Number of cases accepted*	Annual cost of new case acceptances	Cumulative number of cases	Cumulative annual cost of cases
Pre 2008	7	£ 154,000	7	£ 154,000
2008	4	£ 88,000	11	£ 242,000
2009	11	£ 242,000	22	£ 484,000
2010	9	£ 198,000	31	£ 682,000
2011	15	£ 330,000	46	£ 1,012,000
2012	56	£ 1,232,000	102	£ 2,244,000
2013	142	£ 3,124,000	244	£ 5,368,000
2014**	34	£ 748,000	<b>278</b>	<b>£ 6,116,000</b>

\*All cases listed were still open at transfer to the pilot team in June 2014

\*\*This only includes cases accepted between January 2014 and June 2014 prior to the NRPF pilot start

36. At its peak in January to March 2013, the Council was accepting approximately 17 cases per month with the average number of acceptances between January 2013 and June 2014 at 9.7 cases per month.
37. If cases had continued to be accepted at this rate (and based on evidence on the infrequency of case closures), spend on this client group could have reached £15.7m by the end of the 2017/8 financial year.

	Projected number of clients	Projected annual cost
By April 2015	365	£ 8,036,600
By April 2016	482	£ 10,597,400
By April 2017	598	£ 13,158,200
By April 2018	715	£ 15,719,000

38. Most NRPf cases were being picked up within social care, which is not best equipped to deal with it. There are a number of reasons for this, including that assessment by social workers prioritises safeguarding (especially after the increase in Child Protection cases in 2012/13) and not NRPf eligibility criteria. NRPf involves complex immigration law, which is not part of social work role and can make the decision making process difficult. Anecdotal evidence suggests that a number of NRPf claims are dubious or fraudulent.
39. Almost all of Lewisham's current NRPf caseload are families where a woman is the primary applicant. The average age of applicants is 36 and the average number of children per family is 2. The majority of NRPf individuals currently being supported by the local authority are Nigerian (43%) or Jamaican (39%). The remaining 18% of cases have nationalities from 24 countries across the world. The majority (66%) of those currently being supported are classified as visa overstayers, with a further 19% having being granted limited leave to remain. The remainder include illegal entrants, failed asylum seekers on reporting restrictions and those whose status is yet to be determined. Many have been in the UK for a number of years and some have been in the UK for so long that they are not clear on their own status and what they are entitled to. Many will also have children who have one British parent. The demographic profile and immigration status of applicants in Lewisham is similar to neighbouring boroughs.

## How Lewisham has addressed the issue

### Assessing the NRPf problem

40. In January 2014, a review of the NRPf assessment and case management process in Lewisham to determine how well the authority was balancing its policy, legislative and financial duties, concluded. The review sought to identify issues and define alternative approaches which could be used to address these to ensure a robust and fair assessment and case management approach was in place.
41. The review made a number of recommendations for improvements to processes and operational structures. The recommendations included:



- Establishing a dedicated NRPF team with responsibility for assessing eligibility for services for all new applications for support.
  - More active engagement with the Home Office to manage cases and seek faster resolution to immigration applications.
  - Greater integration with our fraud service for the investigation of the circumstances of new and existing cases.
  - Establishing dedicated legal capacity for responding to the increasing number of threats of judicial review.
  - Making better use of the specialist housing procurement expertise already established in the council to ensure that when support is provided it is in a manner which is cost effective for the local authority.
42. In June 2014, funding of £350k was agreed for a six month pilot to test the impact of these recommendations on managing demand and cost pressure. The funding was used to:
- Employ a dedicated team of 5 caseworkers and a manager to be responsible for all new assessment and case management.
  - Second a Home Office worker to be embedded within the pilot team to conduct live status checks and ensure prompt liaison on specific cases.
  - Back fill a post within our legal services department to ensure that specialist expertise could be made available to the new pilot team.
  - Fund a fraud prevention officer to work specifically on dealing with investigations arising from the activity of the pilot team.
  - Establish capacity in our housing procurement team to manage the sourcing of emergency and ongoing accommodation for this client group.
43. Alongside the new organisational capacity, the new team was supported by a number of technical and process changes for assessment process including:
- Developing a scripted assessment process that uses anti-fraud techniques including credit checking, accessing council and Home Office information.
  - The use of credit checking facilities to check the financial histories of applicants.
  - A range of new processes for assessment including the use of signed declarations, waivers and more intensive checking of circumstances using data available on applicants from other council systems and Home Office records.
44. New processes were established for ongoing case management including the identification of cases for which there are grounds to ask the Home Office to grant access to public funds and a process for providing transitional support for those whose application is successful. Shared processes were established with the Home Office for dealing with cases where there is no application and the person is therefore excluded from all support, including our own.
45. The focus of the pilot team has been on eligibility for NRPF, with robust and fair processes developed to establish eligibility. Social care need is then assessed outside the pilot team once eligibility has been determined. There has been

dedicated legal support on hand for the pilot team and there has been close working with housing as well as the officer seconded from the Home Office. Officers at the evidence sessions stressed that it had been important to develop a consistent, fair and defensible process for assessing NRPF cases. The organisation can then be confident that decisions have been correctly made and can be stuck by. This is important as support for NRPF can extend over a number of years, so it is vital to get the eligibility process right. In addition there has been an unprecedented degree of challenge to the process. People have re-presented numerous times and other public services such as health have sometimes re-introduced people. The voluntary sector has steered people towards the local authority, while law centres and private practice lawyers have also done so. Despite this, since the start of the pilot project no challenge has been successful, which shows that the eligibility criteria used is correct and evidence based.

### Results of the pilot approach

46. Since the start of the pilot in June 2014, there has been an average of 8 new cases presenting to the local authority for assistance each week (32 per month). In the first 4 ½ months, the pilot saw 145 new cases seeking support. Of these:
- 127 (88%) were refused support at the initial triage assessment on the grounds that they did not meet all of the three eligibility criteria.
  - A further 18 cases (12%) were temporarily supported whilst a more thorough investigation of their circumstances was conducted.
  - 6 cases resulted in support being offered on an ongoing basis. This represents 4% of the total number presenting and is the equivalent of 1.3 acceptances per month.
47. The savings associated with this approach were quantified by comparing the pilot case acceptance rate of 1.3 cases per month against the acceptance rate prior to the pilot of 9.7. Based on an average spend of £22,000 per case, spend commitments relating to new cases have reduced from c. £215,000 to c. £30,000 per month. This is a monthly saving to the authority of c. £185,000 and an annual saving of c. £2.2m.
48. The table below demonstrates what this might mean in terms of committed spend over the next three years:

	pre-pilot process		pilot process	
	annual cost of new cases	cumulative cost of new cases	annual cost of new cases	cumulative cost of new cases
<b>Year1</b>	£ 2,560,800	£ 2,560,800	£ 343,200	£ 343,200
<b>Year 2</b>	£ 2,560,800	£ 5,121,600	£ 343,200	£ 686,400
<b>Year 3</b>	£	£	£	£



	2,560,800	<b>7,682,400</b>	343,200	<b>1,029,600</b>
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49. Those that are not accepted are signposted toward relevant places where they can access help and support.
50. As noted at paragraph 34, a significant amount of work on the part of both social care services and the new pilot team was spent on the case transfer in terms of confirming the number of cases being supported and cleansing the data held on each of these cases in order to ensure that they can be appropriately reassessed for ongoing eligibility. As a result of this analysis, the pilot has identified that the number of NRPF cases was actually much higher than had originally been predicted. At the time of concluding the report in January 2014, the caseload was estimated at 178. The total number of cases, following data cleansing, transferred to the new pilot team by the end of October was 278.
51. There are some cases which are currently being supported, for which it is possible to withdraw support. 27 cases being supported by Lewisham have been granted code 1a status by the Home Office meaning that they can be transitioned away from local authority support to mainstream benefits. 32 cases being supported do not now have a valid application with the Home Office and therefore the local authority must seek to terminate its arrangements for support unless human rights grounds prevent this. Lewisham has been engaging directly with the Home Office family removals team to agree an approach for dealing with these cases.
52. If the local authority can effectively terminate support on these cases and transition either to mainstream benefits or to the control of the Home Office, the full year savings are as follows:

	<b>Number of cases</b>	<b>Saving</b>
<b>Code 1a</b>	27	£ 594,000
<b>No valid application</b>	32	£ 704,000
	<b>Total</b>	£ <b>1,298,000</b>

53. Given the complexities with terminating support, it is likely to be February/ March that savings can be delivered meaning a full year impact will not be felt until the financial year 2015/16.
54. Additionally, Lewisham has conducted 71 reassessments of existing NRPF cases which have been transferred to the pilot team, resulting in a decision to terminate support on 24 cases (approx. 33%). The decision to terminate support on these cases is either because: other sources of income have been identified, the client has been granted recourse to public funds or because their immigration status has been resolved. The full year financial impact for closing these cases is expected to be around £500k. Therefore, the overall estimate is

that the NRPF pilot will result in a plateau of spend for 2014/15, with significant budget reductions starting to be evident from 2015/16 onwards.

55. Following its second evidence session, the Committee was informed that the pilot had been extended for a further six months until June 2015.

#### Lessons learnt from the pilot

56. Lewisham identified the problem of NRPF early on, compared to other local authorities and has worked to fix the 'leaky roof' of increased NRPF cases. Lewisham has improved a lot in regard to NRPF, with neighbouring authorities such as Lambeth and Greenwich only just starting to realise the extent of the problem. A full evaluation of the impact of the NRPF pilot will be compiled in Spring 2014 but some lessons have already been learnt from the pilot.
57. Splitting eligibility assessment and need assessment has been effective as the difficulty balancing both elements of assessment tended to make need outweigh eligibility. This goes some way to explaining the higher number of acceptances prior to the start of the pilot. In addition, conducting robust assessments relies on the collection and collation of a range of complex information and requires skill and expert immigration knowledge which is not necessarily amongst the knowledge base of those carrying out social work assessment. Using a small team for the pilot has been very effective. Previously there were a wide number of people all dealing with applicants, which meant applicants could reapply and be fairly confident they wouldn't see the same person. This is not the case now and the team regularly shares information on those presenting as NRPF.
58. Housing is the main driver for individuals seeking support, with many applicants presenting originally to the Housing Options Centre before being signposted to the NRPF team. Given their immigration status, applicants will not be entitled to access social housing and accommodation must be procured in the private rented sector. Lack of availability of affordable private sector options locally has meant that searches now have to be undertaken of a wider geographical area (including outside London) to ensure that the housing procured continues to be viable for the family beyond local authority support timeframes. The NRPF team have been working more closely with the housing procurement team which has reduced the cost of accommodation through better procurement.
59. The process for putting in place a robust front-door, whilst not easy, has been more straightforward than the process for terminating cases that have already been supported for a number of years. Particularly for cases which have been granted access to benefits, getting in place arrangements for a smooth transition to benefits, including finding suitable accommodation has proved challenging. This is particularly important because, unless suitable alternatives can be put in place, the service risks bouncing individuals from social services support to housing support which merely moves the pressure around the council rather than addressing the root cause. This highlights that the key to management of NRPF is early identification, thorough assessment and then active management of cases. Situations can change and eligibility is a part of

this. Resources can be expended on people that meet the eligibility criteria, but subsequently the changing situation can mean they do not meet the criteria.

## **Future pressures**

60. Throughout the review, the Committee sought to identify future pressures that could impact on NRPF and therefore have a significant impact on Lewisham's financial situation. Some future pressures have already been identified in the report, but this section brings them together.

## Central Government

61. The key role of central government in the issue of NRPF has been identified throughout this report. Changes to policy from central government could have a significant impact on NRPF, with changes to benefits for EEA nationals as well as EU case law potentially increasing numbers.
62. It is likely that demand due to NRPF will increase further as a result of welfare reforms affecting EEA nationals and the Immigration Act. On 1<sup>st</sup> April 2014, the Department for Work and Pensions (DWP) brought in a number of changes affecting the extent to which EEA nationals were able to access benefits in the UK. The key changes introduced were:
- No entitlement to income-based JSA for those in the UK for less than three months.
  - No income-based JSA for EEA migrants after three months (previously six months) unless the DWP assesses that they have a 'genuine prospect of work'.
  - No entitlement to Housing Benefit for EEA jobseekers. DWP figures suggest that London has approximately 177,000 of the 397,000 non-UK national benefit claimants (45% of the total).<sup>4</sup>
63. If the proportion of EEA nationals is the same as non-UK nationals as a whole, then the financial burden for the 32 London local authorities would be between £101m and £169m per annum. This is equivalent to between £3.2m and £5.3m per local authority per annum. It should be noted that it is likely that costs would be at the upper end of the range because of higher accommodation costs in London.
64. The forthcoming Immigration Act, which promotes the 'hostile environment' to immigration mentioned elsewhere in the report, will introduce a number of measures including tightening access to bank accounts, driving licenses and private rented sector accommodation for people who are here illegally. This is likely to increase the number of cases being identified and subsequently presenting to Lewisham Council, although the numbers are unknown. However, the Immigration Act will reduce the number of appeal stages in the current

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<sup>4</sup> DWP Quarterly Statistical Summary – August 2014  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/344650/stats-summary-aug14.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/344650/stats-summary-aug14.pdf)

immigration decision making process from 17 to 4 which should help speed up case-resolution.

65. The Care Act 2014 will reform the provision of care and support to adults, consolidating current legislation and implementing new duties on local authorities. Some changes will come into effect in April 2015 and the rest will be implemented in April 2016. Section 8(1) Care Act 2014 sets out how needs may be met, which includes the provision of “accommodation in a care home or in premises of some other type”. The draft regulations set out a three-stage eligibility test to determine whether a local authority will have a duty to meet a person’s needs. Concerns have been raised by the NRPF Network<sup>5</sup> that the Care Act and draft eligibility regulations do not appear to consider the needs of those people who have no access to mainstream benefits and housing. They highlight that it is unclear whether it will still be the responsibility of the local authority to provide accommodation to asylum seekers and refused asylum seekers who have care needs, who would otherwise be accommodated by the Home Office.

#### Housing costs

66. If greater numbers of migrants with NRPF are able to access accommodation from the local authority, then this would be very costly to local authorities when NRPF service provision is not funded by central government. Housing is by far the biggest subsidy that the local authority has to pay out, bigger than other costs such as subsistence and support. Housing costs within Lewisham, as elsewhere in London, are high and therefore the cost to the local authority is high. In addition, high cost accommodation in London may be unsustainable for the family receiving assistance as it may be unaffordable for them under housing benefit, should their stay be regularised. Increased sustainability in the housing provided is needed and this means accommodation that is not necessarily in London due to the high costs.

#### Dealing with existing caseloads

67. The key to the long term control of NRPF expenditure is to have processes in place for bringing claims to an end, even though there is a certain amount of reliance on the Home Office for this. Due to the large number of cases that Lewisham is already supporting, these need to be dealt with effectively in order to ease the financial pressure and to accommodate future eligible NRPF claimants. Officers at the evidence sessions highlighted that now that the pilot is in place and a robust entrance has been established, there will be a renewed emphasis on dealing with the case review process to seek to reduce existing caseloads by dealing with cases who are no longer eligible for our support. There will also be further focus on seeking to move those who we are likely to be supporting longer term to more affordable accommodation which is

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<sup>5</sup> NRPF Network – response to Department of Health consultation on the Care Act 2014  
<http://www.nrpfnetwork.org.uk/Documents/Care%20Act%20Consultation%20response%20August%202014.pdf>

sustainable in the longer term if families are granted leave to remain and access to benefits.

### Shared delivery

68. There is significant overlap between Lewisham and its neighbouring boroughs in terms of the issues experienced and number of cases being supported. Lewisham, Greenwich, Lambeth and Southwark councils have all been working closely together over the past few months to share approaches and possible solutions. There is an appetite across these other boroughs to implement an approach similar to the Lewisham pilot and to explore opportunities for delivering this service jointly. In particular, this would help to reduce the number of re-presentations between local authorities and improve the richness of data held on individuals presenting, meaning that trends and patterns at a regional level can be more easily identified.
69. The council recently submitted a bid to the DCLG for funding as part of its counter fraud initiative to develop a shared process and system across 5 boroughs (ourselves, Lambeth, Southwark, Greenwich and Bromley) to create a more integrated approach for dealing with NRPF cases. Discussions have been based on developing a model similar to that adopted in Lewisham. The application has been successful and officers are hopeful that they will be able to use this as the basis to explore whether a shared service model could be effective for this type of service.

### **Monitoring and on-going scrutiny**

70. In order to monitor the implementation of the review recommendations, if accepted by the Mayor, the Committee would like a progress update in six months' time.

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# Agenda Item 6

Public Accounts Select Committee			
Title	Select Committee work programme		
Contributor	Scrutiny Manager	Item	6
Class	Part 1 (Open)	5 February 2015	

## 1. Purpose

To advise Members of the proposed work programme for the municipal year 2014/15, and to decide on the agenda items for the next meeting.

## 2. Summary

- 2.1 At the beginning of the new administration, each select committee drew up a draft work programme for submission to the Business Panel for consideration.
- 2.2 The Business Panel considered the proposed work programmes of each of the select committees on 29 July 2014 and agreed a co-ordinated overview and scrutiny work programme. However, the work programme can be reviewed at each Select Committee meeting so that Members are able to include urgent, high priority items and remove items that are no longer a priority.

## 3. Recommendations

### 3.1 The Committee is asked to:

- note the work plan attached at **Appendix B** and discuss any issues arising from the programme;
- specify the information and analysis required in the report for each item on the agenda for the next meeting, based on desired outcomes, so that officers are clear on what they need to provide;
- review all forthcoming key decisions, attached at **Appendix C**, and consider any items for further scrutiny.

## 4. The work programme

### 4.1 The work programme for 2014/15 was agreed at the Committee's meeting on 9 July 2014.

- 4.2 The Committee is asked to consider if any urgent issues have arisen that require scrutiny and if any existing items are no longer a priority and can be removed from the work programme. Before adding additional items, each item should be considered against agreed criteria. The flow chart attached at **Appendix A** may help Members decide if proposed additional items should be added to the work programme. The Committee's work programme needs to be achievable in terms of the amount of meeting time available. If the committee agrees to add additional item(s) because they are urgent and high priority, Members will need to consider

which medium/low priority item(s) should be removed in order to create sufficient capacity for the new item(s).

## 5. The next meeting

5.1 The following reports are scheduled for the meeting on 10 March 2015:

Agenda item	Review type	Link to Corporate Priority	Priority
<b>Financial forecasts 2014/15</b>	Performance monitoring	Inspiring efficiency, effectiveness and equity	High
<b>Management report</b>	Performance monitoring	Inspiring efficiency, effectiveness and equity	Low
<b>Contract monitoring – Street lighting and parking</b>	Performance monitoring	Inspiring efficiency, effectiveness and equity	Medium
<b>Audit Panel Update</b>	Constitutional requirement	Inspiring efficiency, effectiveness and equity	Medium
<b>Income Generation Review – Scoping paper</b>	In-depth review	Inspiring efficiency, effectiveness and equity	Medium

5.2 The Committee is asked to specify the information and analysis it would like to see in the reports for these item, based on the outcomes the committee would like to achieve, so that officers are clear on what they need to provide for the next meeting.

## 6. Financial Implications

6.1 There are no financial implications arising from this report.

## 7. Legal Implications

7.1 In accordance with the Council's Constitution, all scrutiny select committees must devise and submit a work programme to the Business Panel at the start of each municipal year.

## 8. Equalities Implications

8.1 The Equality Act 2010 brought together all previous equality legislation in England, Scotland and Wales. The Act included a new public sector equality duty, replacing the separate duties relating to race, disability and gender equality. The duty came into force on 6 April 2011. It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

8.2 The Council must, in the exercise of its functions, have due regard to the need to:



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

8.3 There may be equalities implications arising from items on the work programme and all activities undertaken by the Select Committee will need to give due consideration to this.

## **9. Date of next meeting**

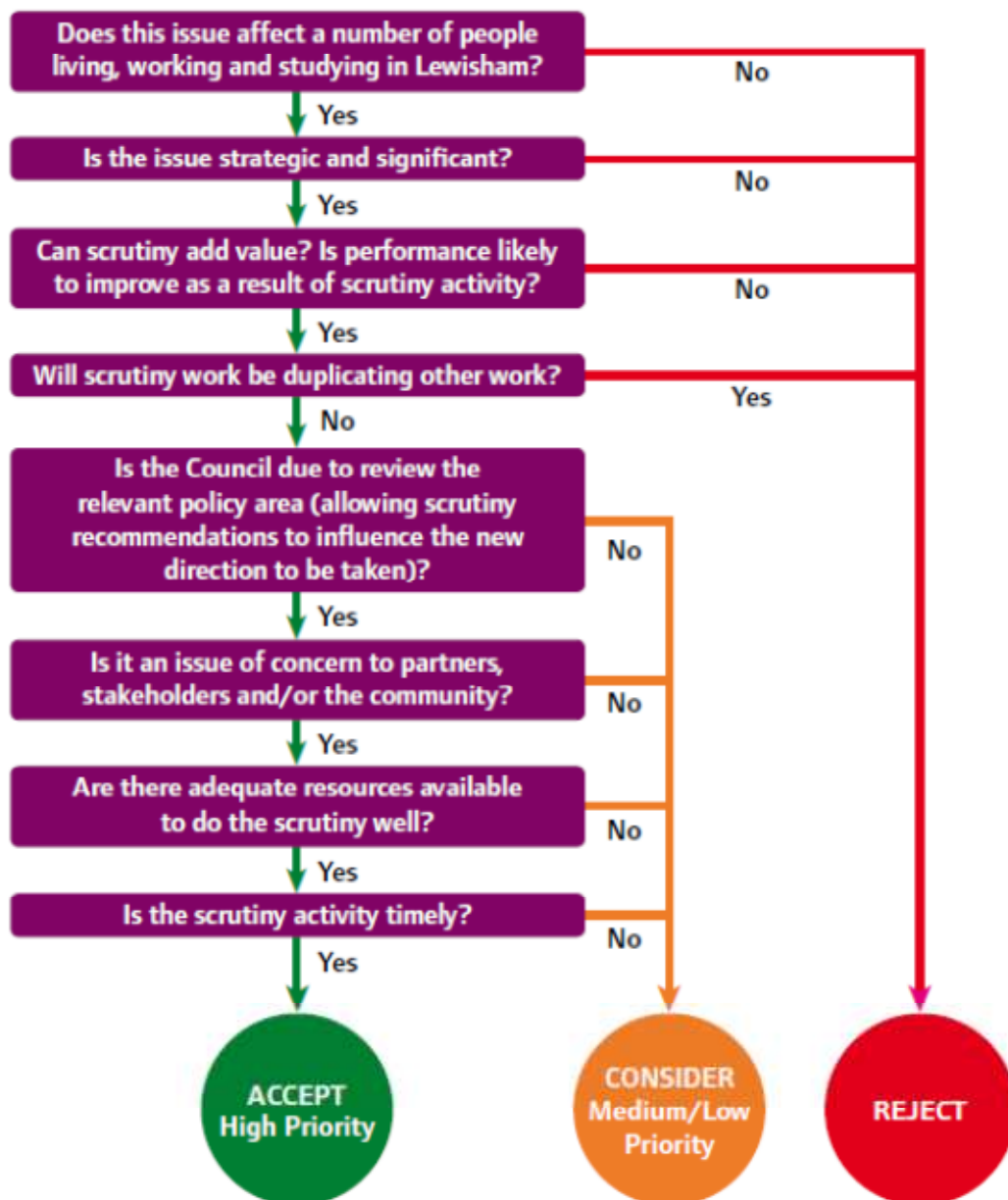
9.1 The date of the next meeting is Tuesday 10 March 2015.

### **Background Documents**

Lewisham Council's Constitution

Centre for Public Scrutiny: the Good Scrutiny Guide

## Scrutiny work programme – prioritisation process



Work Item	Type of review	Priority	Strategic Priority	Delivery deadline	09-Jul	22-Sep	05-Nov	10-Dec	05-Feb	10-Mar
Lewisham Future Programme	TBC	High	CP10	TBC						
Financial forecasts 2014/15	Performance monitoring	Medium	CP10	July						
Management report	Performance monitoring	Low	CP10	July						
Financial outturn 2013/14	Performance monitoring	Medium	CP10	July						
Impact of people with no recourse to public funds in the borough	In-depth review	High	CP10	December		Scope	Evidence	Evidence	Report	
Rapid review (Subject TBC)	Rapid review	Medium	CP10	March						Scope
Collection and usage of Section 106 funds	Standard item	Medium	CP10	September						
Council ICT	Standard item	High	CP10	September						
Mid-year Treasury Management Review	Performance monitoring	Medium	CP10	November						
Annual complaints report	Performance monitoring	Medium	CP10	December						
Asset management update	Standard item	Medium	CP10	December						
Update on Funding and Financial Management of Adult Social Care Review	Information item	Low	CP10	December						
Cost of Bed & Breakfast provision	Standard item	High	CP10	December						
Annual Budget 2015/16 (incl. Lewisham Future Programme)	Standard item	High	CP10	February						
Contract monitoring - street lighting and parking	Performance monitoring	Medium	CP10	March						
Audit Panel update	Constitutional Requirement	Medium	CP10	March						

	Item completed
	Item ongoing
	Item outstanding
	Proposed timeframe

Meeting dates 2014/15			
1)	09/07/2014	4)	10/12/2014
2)	22/09/2014	5)	05/02/2015
3)	05/11/2014	6)	10/03/2015

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## FORWARD PLAN OF KEY DECISIONS

### Forward Plan February 2015 - May 2015

This Forward Plan sets out the key decisions the Council expects to take during the next four months.

Anyone wishing to make representations on a decision should submit them in writing as soon as possible to the relevant contact officer (shown as number (7) in the key overleaf). Any representations made less than 3 days before the meeting should be sent to Kevin Flaherty, the Local Democracy Officer, at the Council Offices or [kevin.flaherty@lewisham.gov.uk](mailto:kevin.flaherty@lewisham.gov.uk). However the deadline will be 4pm on the working day prior to the meeting.

A "key decision"\* means an executive decision which is likely to:

- (a) result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates;
- (b) be significant in terms of its effects on communities living or working in an area comprising two or more wards.

**FORWARD PLAN – KEY DECISIONS**

<b>Date included in forward plan</b>	<b>Description of matter under consideration</b>	<b>Date of Decision Decision maker</b>	<b>Responsible Officers / Portfolios</b>	<b>Consultation Details</b>	<b>Background papers / materials</b>
November 2014	<b>2015-16 Council Tax Base and 2015/16 NNDR Base</b>	Wednesday, 21/01/15 Council	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
November 2014	<b>Council Tax Reduction Scheme Review</b>	Wednesday, 21/01/15 Council	Kevin Sheehan, Executive Director for Customer Services and Councillor Kevin Bonavia, Cabinet Member Resources		
December 2014	<b>Extension of Statutory Public Funerals Contract</b>	Tuesday, 27/01/15 Overview and Scrutiny Business Panel	Aileen Buckton, Executive Director for Community Services and Councillor Chris Best, Cabinet Member Health-Well-Being-Older People		
December 2014	<b>Procurement of the Removals, Storage and Delivery Service</b>	Tuesday, 27/01/15 Overview and Scrutiny Business Panel	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
December 2014	<b>Savings Proposals Delegated to Executive Directors for Community Services, Customer Services and Resources and Regeneration</b>	Tuesday, 27/01/15 Overview and Scrutiny Business Panel	Janet Senior, Executive Director for Resources & Regeneration, Aileen Buckton, Executive Director for Community Services, Frankie Sulke, Executive Director for Children and Young People and Councillor Kevin Bonavia, Cabinet		

<b>FORWARD PLAN – KEY DECISIONS</b>					
<b>Date included in forward plan</b>	<b>Description of matter under consideration</b>	<b>Date of Decision Decision maker</b>	<b>Responsible Officers / Portfolios</b>	<b>Consultation Details</b>	<b>Background papers / materials</b>
			Member Resources		
December 2014	<b>Award of contract for works at Holbeach Primary School</b>	Tuesday, 27/01/15 Overview and Scrutiny Education Business Panel	Janet Senior, Executive Director for Resources & Regeneration and Councillor Paul Maslin, Cabinet Member for Children and Young People		
December 2014	<b>Award of contract for works at Kender Primary School</b>	Tuesday, 27/01/15 Overview and Scrutiny Education Business Panel	Janet Senior, Executive Director for Resources & Regeneration and Councillor Paul Maslin, Cabinet Member for Children and Young People		
December 2014	<b>Contract Award Launcelot Primary school</b>	Tuesday, 27/01/15 Overview and Scrutiny Education Business Panel	Frankie Sulke, Executive Director for Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		
December 2014	<b>Savings Proposals Delegated to Executive Director CYP</b>	Tuesday, 27/01/15 Overview and Scrutiny Education Business Panel	Frankie Sulke, Executive Director for Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		
December 2014	<b>Acquisition of Property</b>	Wednesday, 11/02/15	Kevin Sheehan, Executive Director for		

<b>FORWARD PLAN – KEY DECISIONS</b>					
<b>Date included in forward plan</b>	<b>Description of matter under consideration</b>	<b>Date of Decision Decision maker</b>	<b>Responsible Officers / Portfolios</b>	<b>Consultation Details</b>	<b>Background papers / materials</b>
		Mayor and Cabinet	Customer Services and Councillor Damien Egan, Cabinet Member Housing		
November 2014	<b>Budget 2015-16</b>	Wednesday, 11/02/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
September 2014	<b>Church Grove Custom Build</b>	Wednesday, 11/02/15 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
August 2014	<b>Customer Service centre out of hours switchboard Procurement</b>	Wednesday, 11/02/15 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
December 2014	<b>Day Care Services</b>	Wednesday, 11/02/15 Mayor and Cabinet	Aileen Buckton, Executive Director for Community Services and Councillor Chris Best, Cabinet Member Health-Well-Being-Older People		
September 2014	<b>Deptford Southern Sites Regeneration Project</b>	Wednesday, 11/02/15 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		



<b>FORWARD PLAN – KEY DECISIONS</b>					
<b>Date included in forward plan</b>	<b>Description of matter under consideration</b>	<b>Date of Decision Decision maker</b>	<b>Responsible Officers / Portfolios</b>	<b>Consultation Details</b>	<b>Background papers / materials</b>
January 2015	<b>Local Government Association Peer Challenge</b>	Wednesday, 11/02/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Joe Dromey, Cabinet Member Policy & Performance		
December 2014	<b>Phoenix Community Housing Board</b>	Wednesday, 11/02/15 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
December 2014	<b>Re-configuring Community Based Healthy Eating Initiatives</b>	Wednesday, 11/02/15 Mayor and Cabinet	Aileen Buckton, Executive Director for Community Services and Councillor Chris Best, Cabinet Member Health-Well-Being-Older People		
March 2014	<b>Review of Blackheath Events Policy 2011</b>	Wednesday, 11/02/15 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Rachel Onikosi, Cabinet Member Public Realm		
December 2014	<b>Voluntary Sector Accomodation</b>	Wednesday, 11/02/15 Mayor and Cabinet	Aileen Buckton, Executive Director for Community Services and Councillor Joan Millbank, Cabinet Member Third Sector & Community		
November 2014	<b>Award of Highways Public Realm Contract Coulgate</b>	Wednesday, 11/02/15	Janet Senior, Executive Director for Resources &		

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	<b>Street</b>	Mayor and Cabinet (Contracts)	Regeneration and Councillor Alan Smith, Deputy Mayor		
November 2014	<b>Prevention and Inclusion Team Contract</b>	Wednesday, 11/02/15 Mayor and Cabinet (Contracts)	Aileen Buckton, Executive Director for Community Services and Councillor Joan Millbank, Cabinet Member Third Sector & Community		
November 2014	<b>Procurement of the School Catering Contract service</b>	Wednesday, 11/02/15 Mayor and Cabinet (Contracts)	Frankie Sulke, Executive Director for Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		
December 2014	<b>Savings Proposals Delegated to Executive Directors for Community Services, Customer Services and Resources and Regeneration</b>	Tuesday, 17/02/15 Overview and Scrutiny Business Panel	Janet Senior, Executive Director for Resources & Regeneration, Aileen Buckton, Executive Director for Community Services, Kevin Sheehan, Executive Director for Customer Services and Councillor Kevin Bonavia, Cabinet Member Resources		
December 2014	<b>Savings Proposals Delegated to Executive Director CYP</b>	Tuesday, 17/02/15 Overview and Scrutiny Education Business Panel	Frankie Sulke, Executive Director for Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		

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January 2015	<b>Healthwatch Contract Tender Award</b>	Tuesday 17/02/15 Overview and Scrutiny Business Panel	Aileen Buckton Executive Director for Community Services		
November 2014	<b>Budget Update 2015-16</b>	Wednesday, 18/02/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
January 2015	<b>Community Infrastructure Levy Adoption version</b>	Wednesday, 25/02/15 Council	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
January 2015	<b>Planning Obligations SPD</b>	Wednesday, 25/02/15 Council	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
November 2014	<b>2015/16 Budget Report</b>	Wednesday, 25/02/15 Council	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
January 2015	<b>Lewisham River Corridors Improvement Plan SPD</b>	Wednesday, 25/02/15 Council	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith,		

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			Deputy Mayor		
December 2014	<b>Asset Management Strategy (Highways)</b>	Wednesday, 04/03/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
December 2014	<b>Catford Town Centre CRPL Business Plan 2015/16</b>	Wednesday, 04/03/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
June 2014	<b>Housing Strategy 2015 - 2020</b>	Wednesday, 04/03/15 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
November 2014	<b>Pay Policy Statement</b>	Wednesday, 04/03/15 Mayor and Cabinet	Andreas Ghosh, Head of Personnel & Development and Councillor Kevin Bonavia, Cabinet Member Resources		
September 2014	<b>Strategic Asset Management Plan 2015-2020</b>	Wednesday, 04/03/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
June 2014	<b>Surrey Canal Triangle - Compulsory Purchase Order Resolution</b>	Wednesday, 04/03/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and		

**FORWARD PLAN – KEY DECISIONS**

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			Councillor Alan Smith, Deputy Mayor		
November 2014	<b>Award of Design and Build Contract Phase 1 Grove Park Public Realm Project</b>	Wednesday, 04/03/15 Mayor and Cabinet (Contracts)	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
September 2014	<b>Award of Street Advertising and Bus Shelter Contract</b>	Wednesday, 04/03/15 Mayor and Cabinet (Contracts)	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
September 2014	<b>Prevention and Inclusion Contract Extension and Commissioning Recommendation</b>	Wednesday, 04/03/15 Mayor and Cabinet (Contracts)	Aileen Buckton, Executive Director for Community Services and Councillor Chris Best, Cabinet Member Health-Well-Being-Older People		
September 2014	<b>Prevention and Inclusion Framework Contract Award</b>	Wednesday, 04/03/15 Mayor and Cabinet (Contracts)	Aileen Buckton, Executive Director for Community Services and Councillor Chris Best, Cabinet Member Health-Well-Being-Older People		
November 2014	<b>Procurement of the School Kitchen Maintenance Contract</b>	Wednesday, 04/03/15 Mayor and Cabinet (Contracts)	Frankie Sulke, Executive Director for Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		

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December 2014	<b>Annual Lettings Plan</b>	Wednesday, 25/03/15 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
November 2014	<b>School Admissions 2015-16</b>	Wednesday, 25/03/15 Mayor and Cabinet	Frankie Sulke, Executive Director for Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		
January 2015	<b>Waste Strategy Consultation</b>	Wednesday, 25/03/15 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Rachel Onikosi, Cabinet Member Public Realm		
December 2014	<b>Catford Town Centre CRPL Business Plan 2015/16</b>	Thursday, 26/03/15 Council	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
December 2014	<b>Pay Policy</b>	Thursday 26/03/15	Kevin Sheehan, Executive Director for Customer Services and Councillor Bonavia, Cabinet Member Resources		