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Lewisham Council
Members

Members of the committee, listed below, are summoned to attend the meeting to be held on Wednesday, 22 February 2017.

Barry Quirk, Chief Executive
Valentine's Day February 14

Councillor Obajimi Adefiranye	
Councillor Abdeslam Amrani	
Councillor Chris Barnham	
Councillor Paul Bell	
Councillor Peter Bernards	
Councillor Chris Best	
Councillor Kevin Bonavia	
Councillor Andre Bourne	
Councillor David Britton	
Councillor Bill Brown	
Sir Steve Bullock	
Councillor Suzannah Clarke	
Councillor John Coughlin	
Councillor Liam Curran	
Councillor Janet Daby	
Councillor Brenda Dacres	
Councillor Amanda De Ryk	
Councillor Joe Dromey	

Councillor Damien Egan	
Councillor Colin Elliott	
Councillor Alan Hall	
Councillor Carl Handley	
Councillor Maja Hilton	
Councillor Simon Hooks	
Councillor Sue Hordijenko	
Councillor Mark Ingleby	
Councillor Joyce Jacca	
Councillor Stella Jeffrey	
Councillor Liz Johnston-Franklin	
Councillor Roy Kennedy	
Councillor Helen Klier	
Councillor Jim Mallory	
Councillor Paul Maslin	
Councillor Sophie McGeevor	
Councillor David Michael	
Councillor Joan Millbank	
Councillor Jamie Milne	
Councillor Hilary Moore	
Councillor Pauline Morrison	
Councillor John Muldoon	
Councillor Olurotimi Ogunbadewa	
Councillor Rachel Onikosi	
Councillor Jacq Paschoud	
Councillor John Paschoud	
Councillor Pat Raven	
Councillor Joan Reid	

Councillor Gareth Siddorn Councillor Jonathan Slater Councillor Alan Smith Councillor Luke Sorba Councillor Eva Stamirowski Councillor Alan Till Councillor Paul Upex Councillor James-J Walsh Councillor Susan Wise	

Council
Agenda

Wednesday, 22 February 2017
7.30 pm,
Civic Suite
Lewisham Town Hall
London SE6 4RU

For more information contact: Kevin Flaherty 0208 3149327 (Tel: 0208 314 9327)

Part 1

COUNCIL			
Report Title	Declarations of Interests		
Key Decision			Item No. 1
Ward			
Contributors	Chief Executive		
Class	Part 1	Date: February 22 2017	

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 members' 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 not 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)

Agenda Item 2

COUNCIL			
Report Title	Minutes		
Key Decision			Item No.2
Ward			
Contributors	Chief Executive		
Class	Part 1	Date: February 22 2017	

Recommendation

It is recommended that the minutes of the meeting of the Council which was open to the press and public, held on January 18 2017 be confirmed and signed (copy previously circulated).

COUNCIL			
Report Title	Petitions		
Key Decision	no		Item No.
Ward	n/a		
Contributors	Chief Executive (Head of Business & Committee)		
Class	Part 1	Date: February 22 2017	

1. The Council is invited to receive petitions (if any) from members of the Council or the public. There is no requirement for Councillors to give prior notice of any petitions that might be presented.

2. The Council welcomes petitions from the public and recognises that petitions are one way in which people can let us know their concerns. All petitions sent or presented to the Council will receive an acknowledgement from the Council within 14 days of receipt. This acknowledgement will set out what we plan to do with the petition.

3. Paper petitions can be sent to :-

   Governance Support, Town Hall, Catford, SE6 4RU

   Or be created, signed and submitted on line by following this link

   http://lewisham-consult.limehouse.co.uk/portal/petitions

4. Petitions can also be presented to a meeting of the Council. Anyone who would like to present a petition at a Council meeting, or would like a Councillor to present it on their behalf, should contact the Governance Support Unit on 0208 3149327 at least 5 working days before the meeting.

5. Public petitions that meet the conditions described in the Council's published petitions scheme and which have been notified in advance, will be accepted and may be presented from the public gallery at the meeting.

6. Petitions for the Council have been notified by the following:

Agenda Item 4

COUNCIL			
Report Title	Announcements or Communications		
Key Decision			Item No.
Ward			
Contributors	Chief Executive		
Class	Part 1	Date: February 22 2017	

Recommendation

The Council is invited to receive any announcements or communications from the Mayor or the Chief Executive.

LGBT Month

Angela Eagle M.P has accepted an invitation to address the Council on LGBT month.

Velvetina Francis RIP

The Council was informed of the death of Velvetina Francis in January.

Tina, (as she was known), was mother to Gerry Francis who died as a result of the New Cross Fire in 1981. She is survived by her husband George who continues to Chair the New Cross Fire Parents' Committee.

The funeral will take place on Thursday 16th February at Our Lady & St. Philip Neri R.C. Church, 208 Sydenham Road SE26 5SE at 12 Noon, followed by a burial at Hither Green Cemetery, Verdant Lane SE6 at 2p.m.

COUNCIL			
Report Title	Public Questions		
Key Decision			Item No.
Ward			
Contributors	Chief Executive (Head of Business & Committee)		
Class	Part 1	Date: February 22 2017	

. The Council has received questions from members of the public in the order shown in the table below. Written responses will be provided to the questioners prior to the Council meeting and they will be entitled to attend and ask a supplementary question should they wish to.

Question	**Questioner**
1.	Mr R Woolford
2.	Gina Raggett
3.	Mr Roy McNally
4.	Mrs Richardson
5.	Trina Lynskey
6.	Martin Allen
7.	Mr Richardson
8.	Cheryl Coyne
9.	David Da Silva Pereira
10.	John Hamilton
11.	Mr R Woolford
12.	Gina Raggett
13.	Mrs Richardson
14.	Trina Lynskey
15.	Martin Allen
16.	Mr Richardson
17.	David Da Silva Pereira
18.	Mr R Woolford
19.	Mrs Richardson
20.	David Da Silva Pereira
21.	David Da Silva Pereira
22.	David Da Silva Pereira

Question

Q

Time

PUBLIC QUESTION NO 1.

Priority 1

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: Mr Woolford

Member to reply: Deputy Mayor

Question

Brookmill Park has just received new signage to highlight ban on dogs, and yet Deptford Schools are still without a single sign to highlight school awareness to increasing number of lorries pouring into the areas developments and since Lewisham People Before Profit launched the campaign reported in the South London Press, 2 local residents have been hospitalised.

When will basic school safety signs be installed at Deptford Schools?

Reply

Schools in the borough will generally have children crossing warning signs on the approach to them warning all drivers. Through the school travel plan programme the majority of schools report any issues in and around the schools location to us. If this is a request for a simple school sign we arrange to have this installed as soon as possible. If there is a particular school approach that does not have the signs or that the signs are damaged please do report this to us so we can investigate.

PUBLIC QUESTION NO 2.

Priority 1

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: Gina Raggett

Member to reply: Councillor Best

Question

In 2011 Lewisham Council, in return for a donation of **£200K** of ratepayers' money, entered into an agreement with Age Exchange Ltd (AE) in Blackheath to provide 53 hours of library opening times per week. As of January 2017, AE have unilaterally decided to reduce opening times to 48 hours per week.

1 - What is the Council doing to ensure that AE keeps to the original agreement and restores the 5 hours during which the premises are now closed?

2 - What is the Council doing to ensure that AE does not continue to cut opening hours until the library disappears altogether?

3- As a council officer has assured me that the cut in hours is not a cost-cutting measure, it has to be assumed that AE is unable to find enough volunteers to man the premises. In view of this, will the Council now admit that the "Lewisham Model" of using volunteers to run libraries is not a viable option?

Reply

1. The original agreement is based on the provisions agreed by Mayor and Cabinet on 11 May 2011 http://councilmeetings.lewisham.gov.uk/mgConvert2PDF.aspx?ID=3023).

   At that meeting, Age Exchange was granted a contribution to support the Reminiscence Centre's development. This took the form of a one-off sum of £200,000, matching ca. £600k of money that the Trustees of the organisation had raised.

   The contribution expressed the council's support towards transitional costs, including the provision of a temporary library facility at the Reminiscence Centre pending completion of the capital work.

   Age Exchange also committed to providing the community library facilities from their own, refurbished premises and did not benefit from the asset transfer process that applied to four other library buildings (i.e. Crofton Park, Grove Park, New Cross, and Sydenham).

   In May 2011, the council-run Blackheath Library was open 31 hours per week. Upon receipt of the council contribution, Age Exchange committed to providing access to library services for a minimum of 41 hours per week.

   The council appreciates the efforts that Age Exchange has put in for the last six years in sustaining the 53 hours per week opening, and concludes that the proposed 48 hours per week exceed the existing contractual commitment and align with the terms that the council imposed at the time.

2. The council maintains regular contact with partner organisations engaged in promoting the love of books and reading across the borough, particularly in the community libraries. There is no indication that Age Exchange are planning a further reduction in opening hours.

3. The "Lewisham Model" is an integral part of the public library service provision to Lewisham residents, and reflects and adapts to the needs of local communities. Following the reorganisation in October 2016, the Service further increased opening hours to an unprecedented level in line with the continued growth in resident population.

   Even with the reduction in opening hours at Blackheath, public libraries are open much more now than before the "Lewisham Model" was introduced in 2011 (+24.2%) and substantially more than ten years ago (+67.8%).

   The increased service availability is not reflected in an increase in costs. And Lewisham continues to move against the national trends by attracting over two million visitors per year. These (and other indicators) may reasonably support the conclusion that the Model is effective and efficient.

PUBLIC QUESTION NO 3.

Priority 1

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: Mr Roy McNally

Member to reply: Cllr Onikosi

Question

Following on from the very sad incident in November 2016 at Mountsfield Park leading to the death of a 5 year old boy, please could I have more information about how the Council will be making sure that children visiting the park will be made safer? Do you agree, since our park keeper service was reduced from full time to 2 days per week children and adults have been made less safe? Are you aware, for most of the week there has been no park keeper available to assist when there has been criminal or antisocial behaviour in the park, and to lock the park up at the end of the day? Can you ensure the safety of accompanied and unaccompanied young children that visit Mountsfield Park during the day until late in the evening is considered more fully?

Do you accept, if the park had been locked by a park keeper at dusk, it would have been less likely that the incident that occurred at Mountsfield Park on 20th November 2016 would have occurred?

Reply

I was very sorry and saddened to hear about the incident that occurred in Mountsfield Park in November 2016 and the Council's crime enforcement team have

worked very closely with the police during the thorough investigation. However, I do not believe that changes to the Park Keeper Service made in April 2015 had any relation to the incident.
I also do not consider that children and adults have been made less safe since the introduction of the changes.

Park Keepers are a visible presence that help deter antisocial behaviour, however they are not on site to directly deal with criminal activity as this is the responsibility of the Police Service. Lewisham has many parks that remain open 24 hours a day, however, locked parks such as Mountsfield Park are unlocked at dawn and locked at dusk each day by a mobile turnkey.
In addition to the Park Keeper there are also daily mobile park patrols and regular visits by cleansing and grounds maintenance staff.
Mountsfield Park also has the added benefit of the presence of the Glendale management team who are based within the park lodge, Monday to Friday, within close proximity to the children's play area and community garden.
Council officers have also listened to the concerns of the Friends of Mountsfield Park and have introduced additional Park Keeper cover when available during the summer of 2016.

PUBLIC QUESTION NO 4.

Priority 1

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: Mrs Richardson

Member to reply: Councillor Smith

Question

The recent publicity covering the Millwall development scheme gave prominence to the suggestion that £500,000 awarded by Lewisham Council to Surrey Canal Sports Federation, could have been a "misallocation." Is this the case? Will the Council be able to retrieve this amount on behalf of its local council tax-payers? When other budgets, e.g. the statutory public library and information service for all residents, suffer cuts of nearly £2m from 2011/16, how was this considered appropriate?

Reply

The decision to pledge £500,000 of funding to the Surrey Canal Sports Foundation was made by Mayor & Cabinet on the 25 June 2014. This funding was subject to (i) the terms of a funding agreement being negotiated and agreed, and (ii) that the funding agreement would be reported back to Mayor & Cabinet for approval.
The conditions listed above have not been met and therefore no funds have been paid to the Surrey Canal Sports Foundation.

PUBLIC QUESTION NO 5.

Priority 1

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: Trina Lynskey

Member to reply: Councillor Smith

Question

In May 2016 an application (DC/16/096613) was submitted for the alterations and conversion of vacant commercial units at The Arches Childers Street SE8 5PL into 2 one bedroom and 7 two bedroom self-contained flats, together with the provision of 4 car parking and 18 cycle spaces.

The statutory expiry date for this application was Monday 10 Oct 2016 but the Planning Portal still records the outcome as "unknown".

What is the outcome of this planning application?

Has there been correspondence between Lewisham Planning and the Proposer regarding the outcome of this proposed development?

Reply

Planning application DC/16/096613 was received by the Council on 11 May 2016 and was subsequently made valid 11 August 2016.

Officers assessed the application and raised concerns in relation to the proposed standard of the residential accommodation, justification for the loss of employment floor space and potential flood risk. Based upon the information submitted, Officers advised the applicant that the proposed development was considered to be unacceptable and therefore the application was unlikely to be supported. The applicant is currently considering whether or not to proceed with the application and no decision has therefore been made in relation to the application to date.

PUBLIC QUESTION NO 6.

Priority 1

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: Martin Allen

Member to reply: Councillor Egan

Question

How many of the intended 500 new council homes, as publicised in 2015, have been built to date? Are you aware that LPBP is very supportive of plans to build new council homes?

Reply

The Council's Housing Strategy commits it to help residents at this time of severe and urgent housing need. The scale of the housing crisis in London is demonstrated most acutely by the increase in the number of homeless households living in temporary accommodation. There are now over 50,000 such households in London, and over 1,800 in Lewisham – an 89% increase since 2011.

The Council has taken decisive action to ensure that the homes our residents need are built. Under the London Plan, the borough has a target of 1,105 new homes per year of all tenures. Lewisham regularly exceeds this target and in the past ten years Lewisham delivered 2,765 homes over and above the target for that period.

Of course, it's also important that we deliver the absolute maximum possible amount of new affordable homes for our residents. The Council is working closely with housing partners to deliver 2,000 affordable homes within this administration. Lewisham has a strong track record of delivering the affordable homes our residents need - Lewisham was the only London borough to exceed all its affordable housing targets over the past three years.

An important part of the Council's strategy for delivering new homes is its own programme of building the first Council homes in a generation. This programme is now well under way and a number of schemes have been approved by Mayor and Cabinet over the past year. In addition to the nine that have been completed, there are a further 126 new homes on-site and a further 60 have planning consent and are due to start imminently. This means that a total of 195 new social rented homes are now underway. There are a further 19 projects current at the design stage, a number of which will be considered at planning committees during 2017. In total these 19 projects have the capacity for a further 330 council homes.

In addition to these permanent council homes, the Council has also sought to meet the demand for emergency housing for homeless households by increasing its supply of temporary accommodation. This includes the 24 new homes at PLACE/Ladywell as well as a further 48 emergency housing units provided by converting the former care home Hamilton Lodge and long term empty office block Kelvin House.

As well as increasing the supply of homes in the borough, these projects also mean that homeless families can be moved out of unsuitable nightly-paid accommodation and into better quality and more stable temporary accommodation until more permanent housing can be found.

I am very grateful to all those who are supportive of the Council's plans to build he homes our residents need.

PUBLIC QUESTION NO 7.

Priority 1

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: Mr Richardson

Member to reply: Councillor Millbank

Question

Small Grant figures for several organisations are currently available on the Council's website. The figures detail those granted in the 2016/17 budget and those suggested for the financial years 2017/18 and 2018/19.
Where are the same details available for these groups for the years 2010/11; 2011/12; 2012/13; 2013/14; 2014/15 and 2015/16 and may we have them?

Reply

The figures that are being referred to are for the Council's Main Grants programme, and relate to the organisations currently funded and their proposed allocations for 2017/18 and 2018/19 which were agreed by the Mayor at Mayor and Cabinet Contracts on 7 December 2016.
Details for funding allocations of the Main Grants programme in the previous years requested can be found in Mayor & Cabinet Contracts reports as follows:

2010/11 - http://councilmeetings.lewisham.gov.uk/mgAi.aspx?ID=1866

2011/12 –
http://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=199&MId=2145&Ver=4

2012/13 -
http://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=199&MId=2478&Ver=4

2014/15 -
http://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=199&MId=3037

2015/16 -
http://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=199&MId=3725&Ver=4

PUBLIC QUESTION NO 8.

Priority 1

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: Cheryl Coyne

Member to reply: Councillor Best

Question

Has any member of the Council, or staff member, whether current or in the past, had any connections to V22, the potential partner for privatised Library services in Lewisham, that could possibly be construed as a conflict of interest in negotiations?

Reply

Lewisham councillors are required to declare any registerable interests they have in the Register of Members' Interests, which is publicly available. The Council's senior officers are under a similar duty to declare such interests. None have registered any interests with V22. I have no cause to believe that there is any connection between Council members or officers with V22.

PUBLIC QUESTION NO 9.

Priority 1

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: David Da Silva Pereira

Member to reply: Councillor Onikosi

Question

When is the Council going to tackle and deter the ongoing fly tipping issues in Evelyn Ward?

Reply

The Council's street cleansing enforcement team work extremely hard to tackle issues of fly-tipping.

During the past 2 years the Council has taken the following action in relation to waste offences in Evelyn ward:

1. Investigated 55 reports of fly-tipping
2. Issued 56 enforcement notices
3. Issued 47 fixed penalty notices

The Council is also undertaking a pilot project in the south of the borough in order to ascertain how best residents can help with the prevention and reporting of fly-tipping. On conclusion of the pilot I will identify whether such a scheme could be rolled out borough-wide.

PUBLIC QUESTION NO 10.

Priority 1

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: John Hamilton

Member to reply: Councillor Egan

Question

What is the approximate number of people being housed in emergency and in temporary accommodation by the Council?

How many new council homes were built and completed by the Council since 1979?

How many new council homes are in the process of being constructed in the borough? (physical work actually taking place on site)

How many former council homes have been bought back from their owners by the Council and what is the rough global price paid for these?

Is it your intention to stick to the pledge made by the Mayor to build 250 new council homes by this year?

Is there a plan to fulfil the pledge to build 500 new Council homes by 2018, quoted in the South London Press in January 2015?

Is the Besson Street Triangle, empty for ten years, now being considered for 250 Council homes for rent, or is the plan still to enter into a joint venture to build 250

homes for the private rented sector of which approximately one third would be available at a lower rent than the market level?

Have you read the report by John Healey, Shadow Housing Minister, entitled "high aspirations, sound foundations: a discussion report on the centre-ground case for building 100,000 new public homes"

Reply

Yes, I have read the publication by the Shadow Housing Minster, John Healey, and agree with the recommendations he makes, which include:

- Give councils the freedom to borrow against their assets, just as businesses are able to do
- Tighten the obligations of commercial developers to fund more new social homes through the planning system, reconfiguring the 'viability review' policy
- Reform right-to-buy to actually deliver one-for-one replacements
- Use the power of the government balance sheet to bring down the cost of finance for housing associations by extending the guarantee scheme
- Fund a significant HCA grant programme to allow councils and housing associations to build at scale, and lever in private finance

However these are all recommendations which needs to be taken by Central Government to enable Councils to deliver greater numbers. In the absence of action by Central Government, Councils will need to pursue the sort of approach which Lewisham is undertaking to increase the supply of new housing in the borough and help residents at this time of severe and urgent housing need. The Council has a track record of delivering – Lewisham was the only London borough to meet or exceed all its targets for new affordable homes over the past three years.

The housing crisis in Lewisham is demonstrated most starkly by the 89% increase in homeless households living in temporary accommodation over the past five years. At the beginning of February, there were 1,814 Lewisham households placed in temporary accommodation by the Council.

To help address this unmet housing need, the Council is building Council Homes again for the first time in a generation, following changes in legislation which allow us to do this. This programme is now well under way and a number of schemes have been approved by Mayor and Cabinet over the past year. In addition to the nine that have been completed, there are a further 126 new homes on-site and a further 60 have planning consent and are due to start imminently. This means that a total of 195 new social rented homes are now underway. There are a further 19 projects current at the design stage, a number of which will be considered at planning committees during 2017. In total these 19 projects have the capacity for a further 330 council homes. The Council is therefore on course to meet its target of starting 500 new Council Homes by 2018.

In addition to these permanent council homes, the Council has also sought to meet the demand for emergency housing for homeless households by increasing its

supply of temporary accommodation. This includes the 24 new homes at PLACE/Ladywell as well as a further 48 emergency housing units provided by converting the former care home Hamilton Lodge and long term empty office block Kelvin House.

The council also acquires properties where there is a clear value for money case for doing so. This includes buying back properties in order to facilitate estate regeneration so that even more new homes can be built. The Council also has a programme of acquiring properties on the open market so they can be used as temporary accommodation for homeless households.

It's also important to recognise that the problems for our residents in terms of housing are not just limited to the level of new supply. There are also issues of quality and security, particularly for those who rent or share in the private rented sector.

This is the context for our proposals at Besson Street: to create a new type of landlord and a new type of development, first and foremost to improve conditions in the private rented sector. We want to help shape the standards against which others our judged on crucial things like tenancy length, standards of repairs and management, and lettings fees. We also want to provide an offer to lower income local people who simply have no alternative to renting privately, other than moving away from London.

At Besson Street we will therefore deliver another 230 homes in addition to the 500 Council homes, we will create a new type of tenure for people who would otherwise be unable to access any form of affordable housing locally, and at the same time we will be able to attract long term and sustainable investment into Lewisham.

PUBLIC QUESTION NO 11.

Priority 2

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: Mr Woolford

Member to reply: Deputy Mayor

Question

In light of a Lewisham Councillor stating her concerns about the Millwall planning applications, and the general widespread community concern, what is Lewisham doing to insure that these planning proposals by former senior Labour Party & council employees are open and above board? And would it not be better for public confidence for an independent body to review these plans?

Reply

There are no current planning applications for the New Bermondsey site.

The planning application for the new Bermondsey scheme was approved in 2012 with an amendment in 2015. Both applications were subject to formal consultation in accordance with statutory requirements and the decisions were made by the Council's Strategic Planning Committee in accordance with the Council's published policies. As with all schemes of this scale, the original scheme was also referred to the Mayor of London who has the power to call-in decisions for his own consideration.

The Council consider that existing processes are transparent and have appropriate checks and balances.

There is an item on the agenda for Council meeting on 22 February 2017 about the establishment of an independent Inquiry into matters related to the CPO process.

PUBLIC QUESTION NO 12.

Priority 2

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: Gina Raggett

Member to reply: Councillor Dromey

Question

Can anything be done to improve communication between the electorate and councillors in Blackheath Ward? Do you agree residents have not been adequately informed about issues such as library closures, the streetlight dimming programme and planning issues relating to Lewisham Gateway and the Tesco car parks.

Are you aware no free newspapers have been delivered to Pagoda Gardens estate where I live for over 13 years? Do you agree that Lewisham Life magazine studiously ignores the more important issues? Are you aware the Blackheath Assembly attracts around 50 attendees on a good day and, as the agenda is fixed by the council, there is little opportunity to raise matters they do not wish to discuss? Why when Lewisham council boasts of its "digital by default" agenda, there is not even the option of signing up for online newsletters?

Is it true that it is thought to be "too expensive" to reintroduce the regular newsletters while the Blackheath Assembly appears to have adequate funds? Has anyone actually costed this? Would you consider a folded A4 sheet delivered with either the Assembly leaflets or Lewisham Life would not involve distribution costs and would reassure residents that we do still live in a democracy?

Reply

Thank you for your 9 questions.

If you are referring to Lewisham Life, I am sorry if this has not been delivered to your estate. The council's communications team have contacted distributors of Lewisham Life to ensure every household in Pagoda Gardens receives a copy of our quarterly magazine.

There is a digital version of *Lewisham Life*. It goes out to nearly 40,000 residents. There are prominent links on our website that you can use to register to receive the weekly email: http://www.lewisham.gov.uk/news/email-newsletters/Pages/default.aspx

Our website has detailed information about all regeneration projects in our borough including the Lewisham Gateway and Conington Road schemes here: http://www.lewisham.gov.uk/inmyarea/regeneration/lewishamtowncentre/pages/lewisham-gateway.aspx If you contacted your Councillors, whose details are on our website, I'm sure they'd be happy to discuss these with you.

I do not agree that Lewisham Life ignores important issues. It regularly highlights the cuts in funding that the council has faced, and the difficult decisions we are having to make as a result. In the next issue of Lewisham Life magazine, distributed in late February, there will be an editorial feature about changes in library services.

Local assemblies are run for the benefit of the community so I would suggest that you contact your local ward councillors to let them know about items you would wish to be considered at the meeting. You can find their details here: http://councilmeetings.lewisham.gov.uk/mgMemberIndex.aspx

PUBLIC QUESTION NO 13.

Priority 2

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: Mrs Richardson

Member to reply: Councillor Smith

Question

Since the installation of the new street lighting under the control of the Skanska contract, we in Manor Lane Terrace have objected to the unnecessary number of lamp posts, the brilliance of the lighting - intruding into people's homes, gardens and the environment and the inability to negotiate change. Only one out of 6 luminaires' brilliance was reduced, microscopically. Recently it has come to light that Skanska has been reducing the brilliance of its street lighting scheme. Would the Council please confirm this? Where in the borough has it occurred? At what times does it occur? If this is the case, why is it OK to do it now, but not over 2 years ago? Is this a money saving policy?

Reply

Lewisham's borough lighting is managed by Skanska UK under a PFI Contract which started in August 2011. Over the first five years of the contract, as part of the core investment programme, Skanska replaced the majority of the borough's street lighting stock.

The replacement programme required a specific lighting design for each road. The contract required that lighting met the British Standards for lighting, BS5489. This

design standard takes into consideration many factors such as road width, traffic flow, adjoining roads and crime rates.

The design process required that each road was surveyed recording all aspects of the street. The details of the survey are then cross examined against the requirements of the British Standards and this determines the lighting class. The lighting class then determines the light levels required for that street. The design team then produced a design to match the requirements of the British Standard lighting class. This was then reviewed by a separate team for verification before the works commenced.

The new street lighting stock contains technology, Central Management System, which allows all the street lights to be managed and monitored from one source. This system enables Skanska to centrally adjust lighting levels, varying levels depending on local characteristics. As the Contract requires lighting to the British Standard any adjustment to levels required a policy change and therefore Mayor and Cabinet approval.

Last winter a trial was carried out in 54 randomly selected roads in the borough. The trial received no negative feedback and in September last year, approaching completion of the implementation phase and full deployment of the Central Management System, a report was presented to Mayor and Cabinet recommending variable lighting levels across the borough. The report was approved and soon after the new policy introduced. Lighting level changes and their timings vary depending on road class. In residential roads, Manor Lane Terrace comes under this class, lighting levels are lowered by 50% between 7pm and 5:30am.

The report also highlighted benefits of a change in lighting levels these included a reduction in energy costs and carbon emissions associated with energy consumption. Lowering light levels also reduces light pollution which consequently may have potentially beneficial effects on biodiversity in the borough.

The link to this report is below:
http://councilmeetings.lewisham.gov.uk/documents/s45170/Cover%20Sheet%20Street%20Lighting%20Variable%20Lighting%20Policy.pdf

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PUBLIC QUESTION NO 14.

Priority 2

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: Trina Lynskey

Member to reply: Councillor Onikosi

Question

Has the business/garage operating at 111 Rolt Street paid business rates to the council?

Has the business/garage operating at 111 Rolt Street engaged the council or a private operator to safely dispose of industrial waste?

The building at 111 Rolt Street has planning permission for a one storey building. There is a two story building on the site. Has permission been granted for a two story building?
If not why has no enforcement action been taken?

This business is not listed as an MOT provider. Has the business/garage operating at 111 Rolt Street got a licence to operate as a garage repairing and re-spraying cars?
If not why has no enforcement action been taken?

Has the business/garage operating at 111 Rolt Street permission from the council to store un-roadworthy vehicles on the roadside?
If not why has no enforcement action been taken when the operator consistently

stores un-roadworthy vehicles on the roadside?

Has the business/garage operating at 111 Rolt Street permission from the council to store tyres on the roadside?
If not why has no enforcement action been taken when the operator consistently stores tyres on the roadside?

Has the business/garage operating at 111 Rolt Street permission from the council to repair vehicles on the roadside?
If not why has no enforcement action been taken when the operator consistently repairs vehicles on the roadside?

When repeatedly requested Lewisham Council enforcement eventually visited the business/garage operating at 111 Rolt Street in November 2016. The Enforcement Officer found two vehicles t which were removed as untaxed using the Council's DVLA devolved powers.
How much did the council fine the registered owners?
Have the Enforcement officers undertaken any further checks?

Reply

Has the business/garage operating at 111 Rolt Street paid business rates to the council?
The current ratepayer is in receipt of 100% small business rates relief therefore no business rates is currently payable.

2.Has the business/garage operating at 111 Rolt Street engaged the council or a private operator to safely dispose of industrial waste?
An officer has now been assigned to investigate how waste from the premises is being disposed of.

3.The building at 111 Rolt Street has planning permission for a one storey building. There is a two story building on the site. Has permission been granted for a two story building?
If not why has no enforcement action been taken?
The site was granted planning permission for the erection of a single storey building for use for vehicle repairs and MOT testing together with offices and parking in 1995. However, the Council's planning records which includes plans and photographs show that a two storey building existed on the site at the time of a pre-application enquiry in 2012. In this respect the two storey building would be immune from planning enforcement action as it has existed for more than 4 years. A planning application submitted in 2013 for a change of use of the site from a vehicle repairs garage and MOT testing centre was dismissed on appeal for non-determination of the application. The proposal included a two storey side extension to the existing 2 storey building. The inspector, in dismissing the appeal commented that the extension would not be harmful and the Council also had no objection to the extension. Officers would need to check that the building had been extended in this

manner but at this stage, it would not be considered expedient to carry out any enforcement action for a two storey extension.

4.This business is not listed as an MOT provider. Has the business/garage operating at 111 Rolt Street got a licence to operate as a garage repairing and re-spraying cars? If not why has no enforcement action been taken?
The licensing of the site as an MOT station is not of itself a planning matter. However, planning records state the building was granted planning permission for use for vehicle repairs and MOT testing together with ancillary offices and parking in May 1995.
It is noted that the 1995 permission was subject of planning conditions which precluded body work repairs and paint spraying. Any body work or paint spraying would require planning permission, however, if it can be demonstrated that the condition had been breached for more than 10 years then the Council could take no action.

The Councils current enforcement case will investigate this matter.

MOT testing status is granted through the Driver and Vehicle Standards Agency (DVSA).

5.Has the business/garage operating at 111 Rolt Street permission from the council to store un-roadworthy vehicles on the roadside?
If not why has no enforcement action been taken when the operator consistently stores un-roadworthy vehicles on the roadside?
The Clean Streets (Enforcement) Team can only remove/action unroadworthy vehicles where they are deemed abandoned or where they are untaxed for a minimum period of 2 months and 1 day in line with DVLA policy.

6.Has the business/garage operating at 111 Rolt Street permission from the council to store tyres on the roadside?
If not why has no enforcement action been taken when the operator consistently stores tyres on the roadside?
We have found no evidence of tyres being stored on the highway. However, tyre disposal will be looked into during the pending waste disposal investigation.

7.Has the business/garage operating at 111 Rolt Street permission from the council to repair vehicles on the roadside?
If not why has no enforcement action been taken when the operator consistently repairs vehicles on the roadside?
We have been unable to obtain evidence of vehicle repairs taking place on the roadside.

8.When repeatedly requested Lewisham Council enforcement eventually visited the business/garage operating at 111 Rolt Street in November 2016. The Enforcement Officer found two vehicles t which were removed as untaxed using the Council's DVLA devolved powers.
How much did the council fine the registered owners?

We cannot give details in relation to specific action taken against a particular business due to Data Protection. However DVLA fees are as follows:-

£100	Clamp release fee (payment within the first 24 hours of wheel clamping or removal of the vehicle)
£200	Impound release fee (payable once the vehicle is removed to a vehicle pound)
£ 21	Per day storage fee (beginning once the vehicle has been removed to the vehicle pound)
£160	Surety fee (this is payment if the keeper does not produce a valid tax disc at the time of the release of the vehicle and will be refunded upon production of a valid tax disc within 14 days of the payment being made)

Have the Enforcement officers undertaken any further checks?

The Council's contractor patrols this area on a regular basis and actions any untaxed vehicles located in line with DVLA policy

PUBLIC QUESTION NO 15.

Priority 2

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: Martin Allen

Member to reply: Councillor Chris Best

Question

In light of the recent much publicised links between a previous Mayor and a previous senior council officer, with the off shore registered private developer Renewal, with which Lewisham is working so closely; can you confirm or deny if there are any links between Lewisham Council officers or Lewisham Councillors, past or present, with the off shore registered organisation V22 with whom Lewisham is working so closely in the parcelling off of Council tax-funded Libraries.

Reply

Lewisham councillors are required to declare any registerable interests they have in the Register of Members' Interests, which is publicly available. The Council's senior officers are under a similar duty to declare such interests. None have registered any interests with V22. I have no cause to believe that there is any connection between Council members or officers with V22.

PUBLIC QUESTION NO 16.

Priority 2

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: Mr Richardson

Member to reply: Councillor Best

Question

It has been practice in the past to exempt Council employed library staff from undergoing DBS checks. However, the Mayor expressed surprise at this element of the legislation and wanted to know more. At a meeting of the local Working Party on Manor House Library, Mrs. Richardson asked the Executive Director for Community Services who would be responsible for making sure that the volunteers for the Manor House Library would be suitably vetted, so that the public could have confidence and a sense of security. We were assured that this would be the responsibility of the Council.

As so many library branches have been relinquished to outsourced management, will the current host/partners and those to come, now have a responsibility to undergo these important checks for their volunteer staff in an attempt to relieve the worries some families may have? Who will organise and pay for the procedures involved?

Reply

Community library providers will need to consider in each case if staff or volunteers need an enhanced or basic DBS check. This will depend on whether or not such staff or volunteers are carrying out an activity regulated by the Safeguarding of Vulnerable Groups Act 2006 as amended and on whether that activity is unsupervised by a person who is carrying out a regulated activity. In addition community libraries providers will need to demonstrate that a risk assessment has been undertaken to ensure that they have a plan to manage staff or volunteers in a way that is safe for both the public and staff.

It is usual for all voluntary organisations to pay for these checks as part of their responsibility as an employer and not for the individual to pay. The Council will be ensuring that the community and library providers have these checks and plans in hand.

PUBLIC QUESTION NO 17.

Priority 2

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: David Da Silva Pereira

Member to reply: Councillor Egan

Question

Is the Lewington Centre paid for by London and Quadrant residents' service charge?

Reply

No. London and Quadrant has confirmed that residents living on the Silwood Estate do not contribute through service charges towards the cost of the Lewington Centre.

PUBLIC QUESTION NO 18.

Priority 3

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: Mr Woolford

Member to reply: Councillor Smith

Question

In light of the Millwall (Surrey Canal Sports Foundation) scandal, can the Council confirm what measures are in place to recover the £500,000 of Lewisham Tax payers' money?

Reply

The decision to pledge £500,000 of funding to the Surrey Canal Sports Foundation was made by Mayor & Cabinet on the 25 June 2014. This funding was subject to (i) the terms of a funding agreement being negotiated and agreed, and (ii) that the funding agreement would be reported back to Mayor & Cabinet for approval.
The conditions listed above have not been met and therefore no funds have been paid to the Surrey Canal Sports Foundation.

PUBLIC QUESTION NO 19.

Priority 3

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: Mrs Richardson

Member to reply: Councillor Best

Question

DBS checks have not been necessary for the employment of library staff. However, we understand this is now changing in Lewisham.
In view of the large numbers of volunteers being used and managed in the community libraries, it was confirmed to the Users and Friends of Manor House Library, that the Council would be responsible for the same policy in respect of these volunteers. This will, of course, increase confidence and security for the public.
How will this be carried out? What are the expected costs per individual? Will any volunteer be in place and working on library floors before the DBS is complete? In view of a possible greater turnover of the volunteer pool, does the Council expect to keep up with this procedure? Will this apply to existing community libraries? How many volunteers does the Council expect to have to be DBS checked?

Reply

Roles within the Council's Libraries do not meet the criteria for an enhanced DBS check. It has been agreed that Basic checks are completed for staff working in front-line library roles and officers are working with the Trade Unions on the implementation of this policy change.

Community library providers will need to consider in each case if staff or volunteers need an enhanced DBS check. This will depend on whether or not such staff or volunteers are carrying out an activity regulated by the Safeguarding of Vulnerable Groups Act 2006 as amended and on whether that activity is unsupervised by a person who is carrying out a regulated activity. In addition community libraries providers will need to demonstrate that a risk assessment has been undertaken to ensure that they have a plan to manage staff or volunteers in a way that is safe for both the public and staff.

The cost of a basic check is £25 per person and the cost for an enhanced check is £44 per person. This cost would normally be borne by the employer and not the individual. The Council will be ensuring that the community providers have checks and plans in hand.

PUBLIC QUESTION NO 20.

Priority 3

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: David da Silva Pereira

Member to reply: Councillor Smith

Question

Please could council confirm what type of business licences will be made available to the railway arches on Silwood Street?

Will the residents of the Evelyn Ward have a say on what of businesses will be permitted in the arches on Silwood Street?

Reply

The railway arches on Silwood Street are owned and managed by Network Rail. Any decision on the types of licences or businesses which operate there will be theirs, subject to such uses being in line with relevant planning consents.

PUBLIC QUESTION NO 21.

Priority 4

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: David Da Silva Pereira

Member to reply: Councillor Smith

Question

Please could the Council confirm if they have cancelled the new Bermondsey CPO?

Reply

The New Bermondsey CPO is not now proceeding. Any decision about any CPO in relation to the land at New Bermondsey would be taken afresh.

PUBLIC QUESTION NO 22.

Priority 5

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question asked by: David Da Silva Pereira

Member to reply: Councillor Egan

Question

Does the Council have any measures to ensure that the Housing Associations in Lewisham keep their costs down for their residents?

Does the Council monitor the customer service offered by the various Housing Associations in Lewisham?

Reply

Responsibility for regulating Housing Associations (also known as Registered Providers of Social Housing) rests with the Homes and Communities Agency and the Council has no statutory powers over them.

However the Council maintains strong working relationships with its housing partners and works with them to resolve any issues which arise.

COUNCIL			
Report Title	Member Questions		
Key Decision			Item No.
Ward			
Contributors	Chief Executive (Head of Business & Committee)		
Class	Part 1	Date: February 22 2017	

6. Questions from Members of the Council

Section C, paragraph 14 of the Constitution, provides for questions relevant to the general work or procedure of the Council to be asked by Members of the Council. Copies of the questions received and the replies to them will be circulated at the meeting.

QUESTION No. 1
Priority 1

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question by Councillor Milne
of the Deputy Mayor

Question

A Cabinet statement of 25th January stated that you had written to Steve Kavanagh of Millwall Football Club to request a meeting between the Council, Millwall FC and the Millwall Community Trust. Have you received a response to this letter and, if so, what was the reply?

Reply

I wrote to Steve Kavanagh, Chief Executive of Millwall Football Club, on Thursday 19th January to invite him and a representative of the Millwall Community Trust to meet with the Cabinet on Wednesday 8th February. I received a reply on 1st February from Millwall's solicitors, Eversheds LLP, that set out a number of pre-conditions that meant it was not possible for the meeting to take place.

QUESTION No 2.
Priority 2

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question by Councillor Hall of the Mayor

Question

The Local Government Final Settlement is in February – what is the Mayor's view of this?

Reply

The provisional Local Government Finance Settlement was announced in the week before Christmas. Following a consultation the final settlement would usually be confirmed before parliament rises in early February. However, this timetable of the last few years (which already left very little time for authorities to adjust and prepare their financial plans for the coming year) has not been followed this year.

I understand that the delay has arisen from the government's need to create parliamentary time to discuss the 'UK's exit from, and new partnership with, the EU' white paper in early February. However, it may also be to allow time to adjust the settlement for responses to the consultation; in particular given the ongoing discussions nationally in respect of rising Adult Social Care pressures. The final settlement is now expected on the 22 February.

This delay is not helpful as the 22 February is also the day Full Council is due to set Lewisham's budget. If there are significant changes to the numbers in the final settlement or it comes later than the 22 February, it may mean that we are unable to set the budget on the 22 February. We may require more time to consider the impact of the final settlement and options for Council Tax and Service budgets. This potentially also knocks onto the information in and timetable for issuing Council Tax letters, creating additional costs.

Notwithstanding, the Council has the regulatory responsibility to set a balanced budget by the 11 March. So, if for any reason Full Council are unable to set the budget on the 22 February it will need to meet again before the 11 March to do so.

QUESTION No. 3
Priority 1

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question by Councillor Coughlin
of the Deputy Mayor

Question

What is the status of the independent investigation, agreed by the Mayor, into matters relating to the land around Millwall Football Club and the relationship between council members/officers and Renewal?

Reply

It is proposed that an item appear on the agenda for full council on 22 February 2017 which sets out the proposed arrangements for external review of matters relating to New Bermondsey.

QUESTION No. 4
Priority 1

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question by Councillor Hall
of the Deputy Mayor

Question

Following representations last year, the Mayor agreed on 11 January 2017 that officers produce a report and Action Plan for Mayoral consideration on the return of the Deptford Anchor. May I have a progress report?

Reply

In response to the meeting held with Councillors and the Deptford Society late last year, officers have commissioned a feasibility study to identify a suitable position for the potential relocation of the Anchor in the southern area of Deptford High St. The study is currently being reviewed and we hope to be in a position to present the outcome to the Mayor next month.

QUESTION No 5
Priority 3

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question by Councillor Coughlin
of the Cabinet Member for Resources

Question

How much would it cost Lewisham in financial terms to hold a referendum on increasing council tax above 2%?

Reply

An estimate would be £500,000 if this were done on a standalone basis. This would equate to approximately 0.5% on the level of Council Tax in that year to cover the costs.

The reason for the estimate is that each election is different depending on the number of ballot papers, the election count method to be used, and the level of turnout and manner in which votes are received.

For each election there are certain fixed costs such as polling stations, boxes etc., but also a number of variable costs such as printing, counting staff and machines. There are potentially some efficiencies from sharing the fixed costs with other elections on the same day, but this adds to the complexity and is not cost-free given the additional variable costs to be met.

All of these things impact the cost of running an election. For example:

- The European, General, London, Mayoral and Local elections happen on different cycles and so one or more may be being voted for on the same day.
- Each ballot has its own voting model – for example: first past the post; proportional representation, second transferable vote, etc.
- The level of participation and manner in which votes are cast (postal or in person) also varies considerably depending on the election.

QUESTION No 6.
Priority 2

LONDON BOROUGH OF LEWISHAM

COUNCIL MEETING

22 FEBRUARY 2017

Question by Councillor Coughlin
of the Cabinet Member for the Public Realm

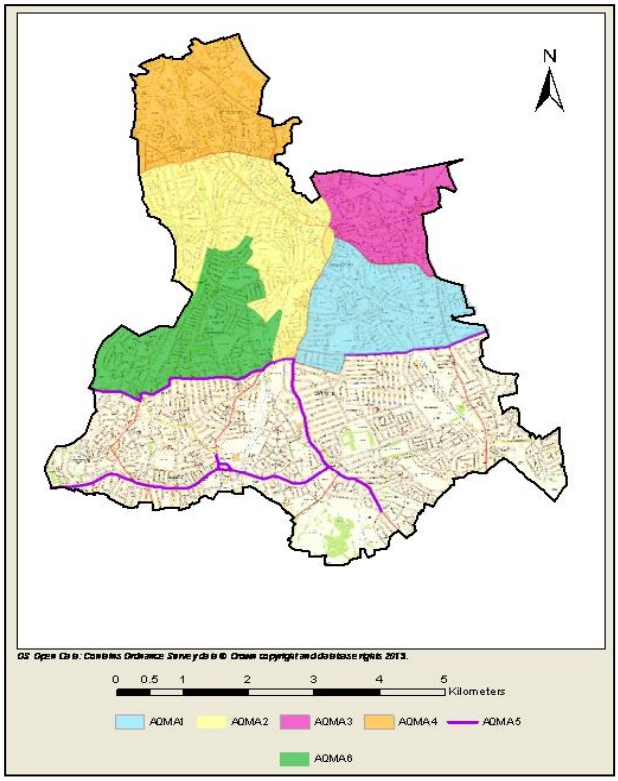
Question

Given the huge increase in air pollution in the Borough of Lewisham and concomitant pollution-related diseases, is there a possibility of making Lewisham a ULEZ, and what, if any, steps are being taken to introduce such a zone?

Reply

The Council recently responded to the London Mayor's voluntary consultation proposal for expanding the ULEZ, for all vehicles, to include parts of Lewisham.

The proposal from the London Mayor was to extend the ULEZ to the area north of the South Circular, which would incorporate the areas of the borough which primarily fall within Lewisham's Air Quality Management Area (AQMA) designation, as identified in the following map:


N
GS Open Data: Contains Ordnance Survey data © Crown copyright and database rights 2013.
0 0.5 1 2 3 4 5
Kilometers
AQMA1
AQMA2
AQMA3
AQMA4
AQMA5
AQMA6

The Local Authority is required to declare AQMAs where certain air quality levels are exceeded, or are likely to be exceeded. Where an AQMA is declared, the local authority is then required to develop an Air Quality Action Plan (AQAP). Lewisham has had an AQAP in place since 2004 and a new AQAP for 2016 – 2021 was approved by Mayor and Cabinet at the end of last year. The primary pollutant of concern is nitrogen dioxide (NO2), which is generally from road traffic, with a large contribution in particular, arising from diesel vehicles.

Although the level of understanding and awareness of the effects of air pollution has heighted concerns. There is no indication of any increase in pollution levels in recent years.

Lewisham currently monitors air quality at 3 continuous monitoring stations and monitoring of NO2 with diffusion tubes is carried out at 34 sites, which includes roadside and background locations.

Over the last 7 years annual mean NO2 concentration measured at all urban background sites have remained below the annual mean NO2 of 40 µgm-3 (health criteria) whereas some roadside locations have exceeded. On average however, annual mean NO2 concentrations at roadside and urban background monitoring locations have decreased between 2009 and 2015. The reduction is most apparent for the roadside sites.

In saying the above however, we are committed to bringing urgent improvement and are seeking to work with the London Mayor to do this and the proposal for the expansion of the ULEZ is predicted to bring significant and urgent improvement. The London Mayors consultation proposal only considered expanding the ULEZ for all vehicles, to the north of the South Circular (not including the South Circular)[1]. The Council in its response has stated that although we are supportive of the principle for the expansion as proposed: 'Lewisham have previously supported the London wide expansion of the ULEZ and would want this to be reconsidered as a proposal.'

We're still awaiting the response from the London Mayor on the outcome from the voluntary consultation and whether he proposes to alter the proposal before he puts it forward as a statutory consultation on the expansion of the ULEZ, which is planned to take place sometime this year. The Environmental Protection Team are working with other teams in the Council to progress it's AQAP and have been working hard and will continue to do so, to bring the necessary and important change required to see air quality levels reduced and health improved.

[1] The London Mayor is also proposing to expand the ULEZ for heavy vehicles to include all of London, which in itself will bring significant improvements to air quality within Lewisham.

COUNCIL				
REPORT TITLE	2017/18 Budget			
KEY DECISION	Yes		**Item No.**	
WARD	All			
CONTRIBUTORS	Executive Director for Resources & Regeneration			
CLASS	Part 1	**Date**	22 February 2017	

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 2017/18. These include the following:

- The proposed Capital Programme (General Fund and Housing Revenue Account) budget for 2017/18 to 2020/21 of £336.6m, of which £123.5m is for 2017/18;

- The proposed rent decrease of 1.0% (an average of £0.97 per week) in respect of dwelling rents, 1.0% (average £0.35 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 £159.8m, including the capital and new build programme, for 2017/18;

- The provisional Dedicated Schools Grant allocation of £290.7m and a separate Pupil Premium allocation expected to be £16.0m for 2017/18.

- In respect of the General Fund, the assumed net revenue expenditure budget of £232.746m. This is made up of provisional Settlement Funding from government of £135.019m (revenue support grant and business rates), forecast Council Tax receipts including an increase in Council Tax of 4.99%, and a surplus from growth in the Council Tax base and on collection of Council Tax in previous years from the Collection Fund.

- The changes to the prior year General Fund position to meet the 2017/18 net revenue budget of £232.746m are proposed on the basis of the following assumptions:
  - £22.236m of revenue budget savings have been previously agreed for 2017/18;
  - £1.000m reduction in the annual budget for corporate risks and pressures;
  - £6.500m of corporate budget for risks and pressures in 2017/18, plus £0.750m of the same no longer required from 2016/17; of which it is being recommended that £5.120m of specific identified budget pressures be funded now and £2.130m 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 2018/19;

- Once-off reserves are used to fund the current savings shortfall of £0.027m for 2017/18 to balance the budget, pending further proposals from the Lewisham Future Programme in 2017/18 to make this up; and
- An assumed 4.99% increase in Band D Council Tax for Lewisham's services for 2017/18; including the 3% increase announced in the Local Government Finance Settlement for Social Care.

1.2 The report also looks to the medium term financial outlook and notes the prospects for the budget in 2018/19, savings required, and the continued work of the Lewisham Future Programme to meet identified potential budget shortfalls in future years. These are estimated at circa £32.6m over the following two years, 2018/19 and 2019/20.

1.3 The report updates the Council's Treasury Management strategy for both borrowing and investments. The proposed approach and levels of risk the Council takes in its treasury functions remain broadly the same. However, officers continue to explore the opportunity and timing to undertake debt restructuring to reduce balance sheet risk.

2. PURPOSE

2.1 The purpose of this report is to set out the overall financial position of the Council in relation to 2016/17 and to set the Budget for 2017/18. This report allows for the Council Tax to be agreed and housing rents to be set for 2017/18. It sets the Capital Programme for the next four years and the Council's Treasury Strategy for 2017/18.

2.2 The report also provides summary information on the revenue budget savings proposals that were presented at Mayor & Cabinet on 28 September 2016 and those agreed in previous budgets for implementation in 2017/18. The approval and successful delivery of these savings are required in order to help balance the budget for 2017/18 and to address the budget requirement for 2018/19.

3. RECOMMENDATIONS

3.1 That Council approves the recommendations shown below in respect of the 2017/18 Budget. This is subject to any amendments which the Mayor may make when considering the 2017/18 Budget update report to be presented to Mayor & Cabinet on 15 February 2017.

3.2 Council is asked to:

Capital Programme

3.3 note the 2016/17 Quarter 3 Capital Programme monitoring position and the Capital Programme potential future schemes and resources as set out in section 5 of this report;

3.4 approve the 2017/18 to 2020/21 Capital Programme of £336.6m, as set out in section 5 of this report and attached at Appendices W1 and W2;

3.5 agree to write-off debt totalling £282,759.34 related to Building Control works at the former Hatcham Temple Grove School. Further detail is provided in Appendix W3;

Housing Revenue Account

3.6 note the consultation report on service charges to tenants' and leaseholders in the Brockley area, presented to area panel members on 13 December 2016, as attached at Appendix X2;

3.7 note the consultation report on service charges to tenants' and leaseholders and the Lewisham Homes budget strategy presented to area panel members on 15 December 2016, as attached at Appendix X3;

3.8 set a decrease in dwelling rents of 1.0% (an average of £0.97 per week) – as per the requirements from government as presented in section 6 of this report;

3.9 set a decrease in the hostels accommodation charge by 1.0% (or £0.35 per week), in accordance with Government requirements;

3.10 endorse the Mayor's approval of the following average weekly increases/decreases for dwellings for:

3.10.1 service charges to non-Lewisham Homes managed dwellings (Brockley);

- caretaking 3.00% (£0.13)
- grounds 3.00% (£0.06)
- communal lighting 3.00% (£0.02)
- bulk waste collection 3.00% (£0.04)
- window cleaning 3.00% (£0.01)
- tenants' levy no change

3.10.2 service charges to Lewisham Homes managed dwellings:

- caretaking 1.99% (£0.12)
- grounds 0.69% (£0.01)
- window cleaning no change
- communal lighting 3.33% (£0.04)
- block pest control 1.88% (£0.03)
- waste collection -4.17% (-£0.02)
- heating & hot water no change
- tenants' levy no change
- bulk waste disposal -5.00% (-£0.04)
- sheltered housing 1.00% (£0.24)

3.11 endorse the Mayor's approval of the following average weekly percentage changes for hostels and shared temporary units for;

- service charges (hostels) – caretaking etc.; 2.00% (£1.42)
- energy cost increases for heat, light & power; 8.93% (£0.49)

- water charges increase; 5.56% (£0.01)

3.12 endorse the Mayor's approval of an increase in garage rents by Retail Price Inflation (RPI) of 2.00% (£0.23 per week) for Brockley residents and 2.00% (£0.23 per week) for Lewisham Homes residents;

3.13 note that the budgeted expenditure for the Housing Revenue Account (HRA) for 2017/18 is £159.8m which includes the capital and new build programmes;

3.14 endorse the HRA budget strategy savings proposals in order to achieve a balanced budget in 2017/18, as attached at Appendix X1;

Dedicated Schools Grant and Pupil Premium

3.15 agree, subject to final confirmation of the allocation, that the provisional Dedicated Schools Grant allocation of £290.7m be the Schools' Budget for 2017/18 and;

- note the proposed fair funding formula consultation on both the schools block and high needs block
- note the position on the early years block
- note the position on the schools block
- agree that a PFI factor should be introduced to the schools funding formula for Lewisham.
- note the latest financial position in schools
- note the likely future cost pressures on schools
- note the estimated pupil premium of £16.0m
- note the position on the Education Services Grant

General Fund Revenue Budget

3.16 note the projected overall variance against the agreed 2016/17 revenue budget of £11.6m as set out in section 8 of this report and that any year-end overspend will have to be met from reserves;

3.17 agree officers' recommendation to opt-in to the Public Sector Audit Appointments (PSAA) process to appoint an external auditor for the 2018/19 financial year.

3.18 endorse the previously approved revenue budget savings of £16.2m for 2017/18 and budget savings proposals of £6m as per the Mayor and Cabinet meeting of the 28 September 2016, as set out in section 8 of the report and summarised in Appendix Y1 and Y2;

3.19 agree the transfer of £5.0m in 2017/18 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 2018/19;

3.20 agree the use of £0.027m reserves to meet the budget gap in 2017/18;

3.21 agree the remaining £2.75m of unallocated corporate risk and pressures monies in 2016/17 be transferred to Adult Social Care budgets from 2017/18;

3.22 agree to a saving of £1.0m per year for three years from 2017/18 (£3m in total) from the reduction of the corporate risks and pressures budget to £6.5m;

3.23 note that £0.75m of the 2016/17 risk and pressures monies allocated to Directorate budgets is no longer required and is to be recovered corporately and re-allocated in 2017/18, in addition to the £6.5m above;

3.24 agree the allocation of £5.12m in 2017/18 to fund quantified budget pressures from the £7.25m (£6.5m plus £0.75m) set aside for corporate risks and pressures;

3.25 agree to create a fund in respect of the identified but as yet un-quantified revenue budget risks in the sum of £2.13m in 2017/18 (the balance of budget for corporate risks and pressures), 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 limit;

3.26 agree that a General Fund Budget Requirement of £232.746m for 2017/18 be approved, based on a 4.99% increase in Lewisham's Council Tax element. This will result in a Band D equivalent Council Tax level of £1,157.68 for Lewisham's services and £1,437.70 overall. This represents an overall increase in Council Tax for 2017/18 of 4.28% and is subject to the GLA precept for 2017/18 being increased by £4.02 (i.e. 1.5%) from £276.00 to £280.02**,** in line with the GLA's draft proposal;

3.27 note 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 is set out in more detail in Appendix Y3;

3.28 ask that the Executive Director for Resources & Regeneration issues cash limits to all Directorates once the 2017/18 Revenue Budget is agreed;

3.29 agree the draft statutory calculations for 2017/18 as set out at Appendix Y5;

3.30 note the prospects for the revenue budget for 2018/19 and future years as set out in section 9;

3.31 note that officers will continue to develop firm proposals and bring them forward as soon as possible as part of the Lewisham Future Programme to help meet the future forecast budget shortfalls;

3.32 agree the use of up to £10.6m of earmarked reserves for transformation projects as set out in the report (£2.2m in 2016/17 and £8.4m in 2017/18 and future years) be approved.

Other Grants (within the General Fund)

3.33 note the adjustments to and impact of various specific grants for 2017/18 on the General Fund as set out in section 8 of this report;

Treasury Management Strategy

3.34 approve the prudential indicators and treasury limits, as set out in section 10 of this report;

3.35 approve the 2017/18 treasury strategy, including the authority to undertake debt restructuring and to invest for longer than one year in non-specified property investments (namely, pooled property funds and AAA Residential Mortgage Backed Securities), along with the investment strategy and the credit worthiness policy as set out at Appendix Z3;

3.36 approve the revised Minimum Revenue Provision (MRP) policy which confirms the asset life approach adopted in 2016/17 and adds an option to waive the MRP charge on borrowing where sufficient collateral and security is held against the relevant borrowing, as set out in section 10 of this report.

3.37 agree to delegate to the Executive Director for Resources & Regeneration authority during 2017/18 to make amendments to borrowing and investment limits provided they are consistent with the strategy and there is no change to the Council's authorised limit for borrowing;

3.38 approve 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; and

3.39 approve a minimum sovereign rating of AA-.

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

4.1 The 2017/18 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, Savings, 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 As noted in the 2016/17 budget, the Council's 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 continues to mean, 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.

4.4 This joint endeavour helps work through complex challenges, such as the pressures faced by health and social care services, and to secure investment in the borough, for new homes, school improvements, regenerating town centres, new and renewed leisure opportunities and improvement in the wider environment. This work has and continues to contribute much to improve life chances and life opportunities across the borough through improved education opportunities, skills development and employment. Of course, 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 to support housing supply and businesses grow through to our nationally recognised programmes of care and support to some of our most vulnerable and troubled families.

4.5 However, it remains 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, incorporating further budget savings for 2017/18 and noting the continued outlook for austerity to at least 2020/21.

BACKGROUND

4.6 At a national level the requirement to rebalance the public finances, and therefore the financial outlook for the Council, remains extremely challenging with significant real term reductions in local government resources forecast to continue into the next parliament (i.e. beyond 2020/21).

4.7 In the Autumn Statement, the Chancellor of the Exchequer announced the Government is no longer on course to balance the budget during the current Parliament and has formally dropped this ambition in a significant loosening of its fiscal targets. Public sector net borrowing is now expected to fall more slowly than forecast in March 2016, primarily reflecting weak tax receipts so far this year and a more subdued outlook for economic growth as the UK negotiates a new relationship with the European Union.

4.8 The Office for Budget Responsibility (OBR) provides independent analysis of the UK's public finances. However, given the uncertainty following the EU Referendum result in June 2016 surrounding the choices and trade-offs that the Government may have to make, and the consequences of different outcomes as the UK prepares to leave the European Union (Brexit), the OBR has made limited judgements on the effect the outcome of Brexit will have on the economy and assumptions on GDP growth, unemployment etc.. The government has retained some borrowing headroom (£26bn) to provide some flexibility to meet these uncertainties. Any specific impacts for the local government sector remain unknown at the present time.

4.9 Based on these assumptions the OBR forecast the economy will grow more slowly than expected in March 2016 and has revised Gross Domestic Product (GDP) growth in 2017 down from 2.2% to 1.4% and cumulative growth over the whole forecast to 2020 revised down by 1.4%. A weaker outlook for investment and therefore productivity growth is the main cause. Inflation, measured by the Consumer Price Index (CPI), is forecast to peak at 2.6% and unemployment to rise modestly to 5.5 per cent during 2018. Subdued earnings growth and higher inflation will mean that real income growth stalls in 2017, putting pressure on household budgets. The budget deficit has been revised up by £12.7 billion for 2016/17, primarily due to weakness in income tax receipts that largely pre-dates the referendum. The weaker growth outlook means that their pre-policy-measures forecast revision rises to £18.1 billion by 2020/21.

4.10 The provisional Local Government Finance Settlement was announced on 15 December 2016, with the final settlement expected in February 2017. Following the four year settlement offer in 2016, which 97% of councils have accepted (including Lewisham), the settlement for 2017/18 confirms the resource allocations consistent with the 2016 four year offer.

4.11 Along with the settlement announcement, the Government confirmed the continuation of the Adult Social Care (ASC) precept created last year to give local authorities who are responsible for social care the ability to raise new funding to spend exclusively on Social Care. Councils can raise the ASC precept on average by 2% per year for each of the four years from 2016/17 to 2019/20. New for 2017/18 in the settlement was some additional flexibility to allow councils to raise the ASC precept sooner by being able to raise up to 3% in each of 2017/18 and 2018/19 but by no more that 6% in total over the three years 2017/18 to 2019/20. The details of this were presented to Mayor & Cabinet in the budget update report on the 11 January. For Lewisham, taking the flexibility to add 3% for the ASC precept to Council Tax in 2017/18 will provide additional funding of £2.68m in 2017/18 for Social care.

4.12 Separate from the ASC precept implications for Council Tax, the settlement also confirmed the referendum principle for any Council Tax increase remains at 2%, i.e. any increase in Council Tax of 2% or more must be put to a full local referendum to be agreed before the budget can be confirmed.

4.13 More widely the direction of travel for local government finance continues, including:

- Government's intention to phase out the Revenue Support Grant;
- Encouragement but no structured process (other than with requirement for Mayoral governance arrangements) for increased local devolution arrangements;
- Changes to the Business Rates regime in anticipation of this moving to be 100% devolved to local government by 2020;
- Changes, 'sharpening the incentives', to the New Homes Bonus (NHB) scheme (reducing payments from six to four years, introducing a minimum baseline growth threshold, and excluding properties for which planning is granted on appeal);
- Establishing more financial support for Social Care services; including, via the ASC precept mentioned above and redirecting the monies from NHB into an 'improved Better Care Fund' paid direct to local authorities.

4.14 Leaving all other previous assumptions (from the July 2016 Medium Term Financial Strategy) unchanged, the provisional estimate is that the forecast savings required in 2017/18 is now at £28.263m (before measures).

4.15 The Lewisham Future Programme Board was established to determine and progress cross-cutting and thematic reviews to deliver the savings required. The Council has already made savings of £138.4m to meet its revenue budget requirements since May 2010 and is proposing further savings of £23.2m in 2017/18.

4.16 Assuming the measures proposed and the 2017/18 budget as set out in this report are agreed, it is expected that the Council will need to identify further savings of circa £32.6m for the following two years, 2018/19 to 2019/20. This will bring the total savings in cash terms made by the Council in the decade to 2020 to just shy of £200m.

4.17 The rest of the report sets out the position of the financial settlements as they impact on the Council's overall resources:

- Capital Programme for 2016/17 to 2020/21;
- Housing Revenue Account and level of rents for 2017/18;
- Dedicated Schools Grant for 2017/18;
- General Fund Revenue Budget for 2017/18;
- Other Grants for 2017/18;
- Council Tax level for 2017/18; and
- Treasury Management Strategy for 2017/18.

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 2017/18 to 2020/21 is proposed at £336.6m, of which £123.5m is for 2017/18.

5.2 This section of the report is structured as follows:

- Update on 2016/17 Capital Programme;
- Proposed Capital Programme 2017/18 to 2020/21; and
- Future schemes and resources.

Update on 2016/17 Capital Programme

5.3 Progress in delivering the 2016/17 Capital Programme has been reported to Mayor & Cabinet and the Public Accounts Select Committee regularly throughout the year. The latest forecast projection was that the revised budget allocated for the year of £87.4m, reported to Mayor and Cabinet on 19 October 2016, would be delivered this year. However, at this stage, the revised budget shows a slight decrease of £2.6m to £84.8m from the last reported budget figure. This change is mainly due to the reduction of the 2016/17 Schools Places Programme budgets.

5.4 The capital programme for 2016/17 has seen a number of schemes progress well with the main areas of capital spend involving the provision of school places and housing.

Proposed Capital Programme 2017/18 to 2020/21

5.5 The Council's proposed Capital Programme for 2017/18 to 2020/21 is currently £336.6m, as set out in Table A1:

Table A1: Proposed Capital Programme for 2017/18 to 2020/21

	16/17 £m	17/18 £m	18/19 £m	19/20 £m	20/21 £m	4 Year Total £m
General Fund						
Building Schools for the Future	2.8	0.0	0.0	0.0	0.0	**0.0**
Schools – Primary Places and other Capital Works	14.3	20.6	14.1	0.0	0.0	**34.7**
Highways, Footways and Bridges	8.5	3.5	3.5	3.5	3.5	**14.0**
Major Regeneration Schemes	11.7	10.1	0.5	9.0	0.0	**19.6**
Town Centres and High Street Improvements	0.3	0.0	3.5	0.0	0.0	**3.5**
Asset Management Programme	1.5	3.8	3.9	2.5	2.5	**12.7**
Other Schemes	9.0	7.5	2.6	2.8	2.0	**14.9**
	48.1	**45.5**	**28.1**	**17.8**	**8.0**	**99.4**
Housing Revenue Account	**36.7**	**78.0**	**68.2**	**40.4**	**50.6**	**237.2**
Total Programme	**84.8**	**123.5**	**96.3**	**58.2**	**58.6**	**336.6**

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

Table A2: Proposed Capital Programme Resources for 2017/18 to 2020/21

	16/17	17/18	18/19	19/20	20/21	4 Year Total
	£m	£m	£m	£m	£m	£m
General Fund						
Prudential Borrowing	4.6	5.3	4.0	9.0	0.0	**18.3**
Grants and Contributions	19.3	21.0	15.0	0.7	0.7	**37.4**
Specific Capital Receipts	7.2	6.1	0.0	0.8	0.0	**6.9**
General Capital Receipts / Reserves / Revenue	17.0	13.1	9.1	7.3	7.3	**36.8**
	48.1	**45.5**	**28.1**	**17.8**	**8.0**	**99.4**
Housing Revenue Account						
Prudential Borrowing	0.0	0.0	0.0	0.0	0.0	**0.0**
Grants	0.0	0.0	0.0	0.0	0.0	**0.0**
Specific Capital Receipts	20.7	15.1	34.8	6.0	0.0	**55.9**
Reserves / Revenue	16.0	62.9	33.4	34.4	50.4	**181.3**
	36.7	**78.0**	**68.2**	**40.4**	**50.6**	**237.2**
Total Resources	**84.8**	**123.5**	**96.3**	**58.2**	**58.6**	**336.6**

5.7 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.

5.8 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.

5.9 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. However, the £1.2m per year contribution from schools will cease with effect from 2017/18. The revenue funding line also includes amounts transferred to reserves in previous years for schemes which, at that time, had not been delivered.

5.10 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 2017/18.

Future schemes and resources

5.11 During 2015/16, the Council established the Regeneration and Capital Programme Delivery Board comprising key officers involved in the planning and delivery of the

capital programme. This Board has responsibility and accountability for the delivery of all regeneration and capital projects and programmes of the built environment and is also responsible for ensuring that all projects and programmes are adequately and appropriately resourced.

5.12 The key objectives of the Board are to ensure that a consistent and corporate approach is taken to the development and authorisation of all project and programme initiation documents and the associated financing and funding of projects and programmes. It meets every two months and ensures that a corporate approach is taken to the monitoring, management and delivery of all projects and programmes. It reports through to the Regeneration Board which is chaired by the Executive Director for Resources and Regeneration.

5.13 During the latter part of 2016, the Regeneration and Capital Programme Delivery Board invited officers to put forward bids for capital funding. Proposals totalling £43.3m were received, and can be broadly grouped into schemes that are 'invest to save' schemes, 'growth to existing' schemes, or new schemes that would help to achieve 'corporate priorities'. The total funding required to fully deliver the proposed schemes is shown in table A3 below.

Table A3: Summary of proposed future schemes

	2017/18	2018/19	2019/20	Total
	£'000	£'000	£'000	£'000
Invest to save schemes	13,811	8,000	8,000	29,811
Growth to existing schemes	120	765	0	885
Corporate priority schemes	2,542	1,340	8,760	12,642
TOTAL	**16,473**	**10,105**	**16,760**	**43,338**

5.14 The 'invest to save' schemes include those that would improve the offer of the Council's leisure centres to help maintain and increase revenue generation and schemes that could help the Council generate income through housing delivery. The 'growth to existing' schemes relate to environmental and housing schemes already underway but where further funding may be required to achieve the full potential. The 'corporate priority' schemes are those which could help the Council better achieve its environmental, housing and educational objectives.

Resources available to finance future schemes

5.15 The Council is forecasting capital receipts of £42m over the next three years. £26m of this will be applied to finance already approved schemes, leaving a balance of £16m available to finance new schemes. It is important to note, however, that actual amounts of capital receipts may differ from the forecasts as a result of future events and market conditions.

5.16 It is expected that section 106 receipts and CIL will be able to finance £1.6m in relation to invest to save and corporate priority schemes.

5.17 There is then a shortfall of approximately £25.5m between the value of the schemes that have been proposed for funding, and the estimated available future resources, as per the table A4 below:

Table A4: estimated financial resources for future schemes

	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Future scheme proposals (see table A3)	**16,473**	**10,105**	**16,760**	**43,338**
Capital Receipts	7,380	1,580	7,300	16,260
S106 / CIL	1,618			1,618
Resources available	**8,998**	**1,580**	**7,300**	**17,878**
Resource shortfall (Gap)	**7,475**	**8,525**	**9,460**	**25,460**

5.18 During 2017/18, updates on the Capital Programme will be reported to Mayor & Cabinet and the Public Accounts Select Committee on a regular basis. As capital receipts and other resources come in to the Council, it may be possible to bring some of the future scheme proposals into the programme. These additions to the programme will be put forward for approval by members as part of the Capital Programme update reports.

5.19 In addition to the above, officers are recommending the write off of £283k irrecoverable debt which represents the Authority's proportion of uninsurable and irrecoverable losses relating to Hatcham Temple Grove School. Full details are set out in Appendix W3.

Summary

5.20 The proposed 2017/18 to 2020/21 Capital Programme totals £336.6m (General Fund £99.4m and HRA £237.2m) 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 2017/18 is £159.8m, including the capital and new build programme.

6.2 It is structured as follows:

- Update on the HRA financial position for 2016/17
- Update on the HRA Business Plan
- Future Years' Forecast

Update on the HRA financial position for 2016/17

6.3 The HRA is budgeted to spend over £100m in 2016/17. The latest forecast on the HRA for 2016/17, 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. The 30 year financial model has been developed based on current management arrangements and rental income estimates, 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 has undergone a major revision following the Government's announcement in the July 2015 budget statement to legislate for a 1% reduction in social rents to be applied each year for the next four years from 2016/17. The legislation was passed in March 2016.

6.6 The impact of the change in policy is a total reduction of forecast rental income within the business plan of £2.62m in 2017/18 (£1.90m for 2016/17). The expected cumulative rent reduction over the four years 2016/17 to 2019/20 is £25.0m, with £374.0m being lost over the life of the 30 year business plan.

6.7 As the Government's proposals are enacted by legislation, the authority has no choice other than to implement the rent reduction. In order to protect the business plan to provide the same level of investment and services, the reduction in income will need to be off-set though increased efficiencies and reprioritisation of investment requirements.

6.8 A review of current investment needs and priorities has been undertaken, based on updated surveys and inflation estimates. 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.

6.9 The plan also contains costs associated with new build units and a target of 500 additional units by the end of the Mayor's current term. Table B1 provides an illustration of the expected HRA budget for the next 5 years, which includes the current 1% rent reduction estimates.

Table B1: HRA Income and Expenditure Estimates

HRA Income & Expenditure Estimates - 5 year Forecast	2017/18	2018/19	2019/20	2020/21	2021/22
	£M's	£M's	£M's	£M's	£M's
Income					
Rental income	-70.7	-69.6	-70.0	-71.8	-73.3
Tenants service charge income	-5.9	-5.9	-6.1	-6.2	-6.3
Leasehold service charge income	-4.3	-4.5	-4.6	-4.7	-4.8
Hostel charges and grant income	-1.3	-1.4	-1.4	-1.4	-1.4
Major Works recoveries	-4.9	-5.8	-6.1	-9.8	-9.3
Other income	-1.5	-1.5	-1.5	-1.4	-1.4
Interest earned on balances	-0.9	-0.7	-0.7	-0.5	-0.4
Total Income	**-89.5**	**-89.4**	**-90.4**	**-95.8**	**-96.9**
Expenditure					
Management costs	35.4	35.5	35.7	36.1	36.5

HRA Income & Expenditure Estimates - 5 year Forecast	2017/18	2018/19	2019/20	2020/21	2021/22
	£M's	£M's	£M's	£M's	£M's
Repairs & maintenance	15.6	15.7	15.9	16.0	16.2
PFI Costs	5.8	6.2	6.7	7.2	7.7
Interest & other finance costs	3.9	3.8	3.8	3.8	3.8
Depreciation	21.1	21.3	21.6	21.8	22.2
Revenue Contribution to Capital	0.0	6.0	14.8	30.9	26.7
Total Expenditure	**81.8**	**88.5**	**98.5**	**115.8**	**113.1**
Surplus/(deficit)	**7.7**	**0.9**	**-8.1**	**-20.0**	**-16.2**
Opening HRA reserves	46.7	54.4	55.3	47.2	27.2
Contribution to/(Drawdown) from reserves	7.7	0.9	-8.1	-20.0	-16.2
Closing HRA Reserves	**54.4**	**55.3**	**47.2**	**27.2**	**11.0**
Forecast Capital Programme & Funding	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**
	£M's	**£M's**	**£M's**	**£M's**	**£M's**
Capital programme (including decent Homes)	37.1	34.0	35.5	50.2	50.4
New Build construction & on-going costs	40.9	34.2	4.9	0.4	0.6
Total Capital Expenditure	**78.0**	**68.2**	**40.4**	**50.6**	**51.0**
Capital Programme Funded By:					
MRR Opening Balance	-49.5	-7.7	0.0	0.0	-2.1
Revenue Contribution to Capital	0.0	-6.0	-14.8	-30.9	-26.7
Depreciation	-21.1	-21.3	-21.6	-21.8	-22.2
Capital Receipts	-15.1	-33.2	-4.0	0.0	0.0
Borrowing	0.0	0.0	0.0	0.0	0.0
Total Capital Funding	**-85.7**	**-68.2**	**-40.4**	**-52.7**	**-51.0**
Capital shortfall	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
HRA - Actual Debt Level (Forecast)	74.8	74.8	74.8	74.8	74.8
HRA Self-financing Settlement Debt Level	127.3	127.3	127.3	127.3	127.3

6.10 As can be seen from the above table, the expected total expenditure, before financing, for the HRA in 2017/18 is £159.8m, composing of £81.8m operational costs and £78.0m capital and new build costs.

6.11 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

6.12 The key purpose of the proposed HRA budget is to ensure that there are sufficient resources to support lifecycle works, such as; repairs and maintenance, the Decent Homes programme and delivery of new homes in the borough.

6.13 There is an ongoing process to identify opportunities for savings and efficiencies to deliver services for improved value for money and this is described in Appendix X1. Although no direct savings have been identified so far for 2017/18, any savings and efficiencies delivered against the HRA business model and future budgets can be re-invested to off-sent constrained rent rises or to help bridge any investment gap identified. Discussions are ongoing to identify appropriate savings and 'target' management and maintenance costs per unit. For example, there is already an assumed reduction in the Lewisham Homes fee in 2017/18 to reflect stock losses through Right to Buy Sales.

6.14 Separate reports which set out in detail the proposals relating to service charges for Brockley and Lewisham Homes residents are attached at Appendix X2 and Appendix X3, respectively.

Rental Income and allowances

6.15 The average weekly rent is currently £97.58 in 2016/17.

6.16 Due to the requirements to comply with Government legislation, rents are expected to reduce by 1% each year for a four year period starting 2016/17.

6.17 A 1% reduction in average rents for 2017/18 will equate to an average decrease of £0.97 over a 52 week period. This will reduce the full year average dwelling rent for the London Borough of Lewisham from £97.58 to £96.61 per week (pw). The proposed decrease will result in a loss of £0.722m of rental income to the HRA against 2016/17 income levels.

6.18 It is not yet clear what rent regime will be in place once the rental contraction requirements have been completed. However, for the purpose of business and financial planning, it is assumed that rental charges will be increased in line with prior Government guidance of CPI + 1%. Any variation to this could put additional pressure on the financial forecasts for the HRA.

6.19 A rent rise higher than the limit rent calculation, set by Government, 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.

6.20 Tenants were asked to provide comments and feedback on the proposed rent changes and illustration for inclusion in the Mayor & Cabinet budget report at meetings held with Brockley PFI and Lewisham Homes tenants.

6.21 No comments were received from Lewisham Homes residents concerning the proposals for rents and service charges.

6.22 No comments were received from RB3 Brockley concerning the proposals for rents and service charges.

6.23 No comments were received from tenants in hostels or from the Excalibur TMO.

6.24 Details of the options for the rent & service charge changes for 2017/18 were presented to the Housing Select Committee on 10 January 2017. Members noted the contents.

6.25 Having regard to the outcomes of the consultations held in December 2016 as set out above (and with more detail in Appendices X1, X2 and X3), the Mayor is asked to make a recommendation to full Council that a rent decrease be agreed to accord with Government requirements. The new average rent for 2017/18 is likely to be in the region of £96.61pw, a reduction of approximately £0.97pw from 2016/17 levels.

Other Associated Charges

6.26 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 2017/18 are set out in detail in Appendix X4.

Summary

6.27 The gross budgeted expenditure for the HRA in 2017/18 is £159.8m. Council is asked to approve a rent decrease having considered Government requirements and tenant's feedback following consultation held in December 2016. The current average weekly rent is £97.58 in 2016/17. This will reduce to £96.61pw in 2017/18.

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 2017/18. This grant is formula based, calculated by the Government with the Council passing it onto schools. The respective budgets for 2017/18 are £290.7m and £16.0m.

7.2 It is structured as follows:

- Update on 2016/17 Dedicated Schools' Grant
- Dedicated Schools' Grant for 2017/18
- Pupil Premium
- Funding Consultation
- Cost Pressures in schools
- Early Years Funding
- Education Services Grant

Update on 2016/17 Dedicated Schools' Grant

7.3 The level of the Dedicated Schools' Grant (DSG) for 2016/17 is £284.7m. This will be revised later to take account of the pupil count which for early years children is undertaken in January 2017.

7.4 There are no budget pressures in the DSG apart from the individual school budgets. The central spend of the grant is expected to balance at the year end.

7.5 At the end of the 2015/16 financial year there were 11 schools that had deficits. Out of these three schools that had a license deficit agreement in place for the year end.

7.6 There are 9 schools who have submitted deficit budget plans this year. Looking further ahead the returns show another 8 schools going into deficit in 2017/18. There are 45 schools who are operating an in-deficit in 2016/17, having balanced their budget by using their carry forward. There are 26 schools reporting a zero balance at the year end.

Dedicated Schools' Grant for 2017/18

7.7 The DSG for 2017/18 has provisionally been set by the Department for Education (DfE) at £290.7m, although this will change during the year to reflect updated pupil numbers. The DSG is now approximately £58m (or 25%) larger than the Council's Net General Fund budget.

7.8 In comparison with last year, there is a £6.0m increase (1.5%) in the DSG. This is due to the following:

- An increase of £0.4m driven by the estimated increase in pupil numbers, largely in the primary age group, while the amount per pupil has been frozen in cash terms.
- Nationally an extra amount of £130m has been added to the High Needs Block. Lewisham will receive an extra £0.5m or 1.7% of this extra amount.
- As detailed below there has been a transfer from the Education Services Grant for retained duties of £0.6m
- Extra funding of £2.8m has been built into the settlement to provide 30 hours of childcare for working parents. This is effective from 1 September 2017.
- There is a transfer of £1.7m from the Education Funding Agency for the funding of High Needs pupils in FE institutions which will need to be met from the DSG in the future.

7.9 Individual Schools' Budgets (ISBs) vary year on year mainly due to changes to pupil numbers. The DfE's 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%).

7.10 The Schools Forum met on 17 January 2017 and recommended that the Mayor introduce a PFI funding factor into the schools funding formula for 2017/18. The intention is that this smooth the fixed PFI costs to schools against any significant shortfall in income. The PFI factor will fund any annual cost of a PFI scheme which equates to more than 10% of the school's individual formula budget.

7.11 Under the regulations the Schools 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 latter, under the funding regulations, is capped at the 2015/16 level.

7.12 The Council has to consult the Schools Forum on arrangements for Special Education Need (SEN) children. The Forum's powers extend to giving a view but the final decision lies with the Council.

7.13 The projection for 2017/18 is an overspend of £1.7m on the High Needs Block through an annual forecast growth in pupil numbers of 110 children with Education, Health and Care plans.

7.14 The Schools Forum set up a task group to review the High Needs Pupils costs in 2013. This group made a number of recommendations to the Forum which met on the 8 December 2016 to consider them. The Forum agreed savings of to cover the £1.7m by

- A reduction in Special Schools' (excludes New Woodlands) budgets of £0.5m
- That £1.0m of the capital expenditure from revenue (CERA) budget in the Schools Block of the DSG is used to offset the pressure *
- the saving agreed last year on Alternative Provision of £0.2m covering both Abbey Manor College and New Woodlands

*The national regulations stipulate that this funding cannot be used for capital now.

7.15 The Special Education Need and Disability (SEND) Strategy 2016 to 2019 set out the local authority commitment to children and young people with SEND. As part of the action plan for the delivery of the strategy it was agreed that a review of the current banding system of high needs pupil should be undertaken to ensure equity, transparency and fairness across all schools sectors and that the banding levels should be based on the needs of pupils.

7.16 One of the key principles of the banding review was that any proposals should be cost neutral over the total budget across all special schools, although there may be impact on individual schools. The other main principle was to ensure that there is greater clarity in the system of which band a pupils fits into and to make sure that the system was easy to moderate. This clarity will be provided by ensuring the banding system is transparent, equitable and fair. To help this it was agreed there should be a single banding systems for all schools (special, mainstream and resource base) rather than having separate banding models for each of the three types of provision.

7.17 The Forum on the 8 December 2017 agreed the revised bandings, the funding rates for each band and set the implementation date as the 1 April 2017. An application has been made to the DFE to dis-apply the minimum funding guarantee as some schools lose more than the 1.5%.

Pupil Premium

7.18 In addition to the DSG, schools will continue to receive the pupil premium. The majority of the pupil premium is allocated to schools on the basis of the number of children on roll who were entitled to a free school meal in the past six years.

7.19 In 2017/18 the rate of funding is set at the same level as 2016/17. This is £1,320 per primary child, £935 per secondary child and £1,900 per child in Looked After Care. The DfE no longer provide forecasts of the total pupil premium. Officer's calculations are for £16.0m for 2017/18, which is now the expected level for 2016/17.

Funding Consultation

7.20 The DfE issued on the 14 December 2016 their response to the national school funding reform consultation that took place in the spring. Sitting alongside the response is a further consultation which runs to the 22 March 2017. This gives greater details of the impact of the national funding formula for schools and high needs by both local authority and by school.

7.21 The impact is less severe than original anticipated due to

- The introduction of at least £200m of additional funding in 2018/19 and 2019/20.
- The inclusion of a 3 per cent funding floor.
- Additional funding for high needs, ensuring that no local authority loses high needs funding as a result of the new formula.

7.22 The full implementation date is set for April 2018 where individual schools funding will be delivered by national funding rates.
Overall the position in Lewisham is:

		Total £m	Change £m	
2016/17 baseline (£m)	Schools block	208.764		
	High needs block	48.652		
	Central school services block	1.424		
	Total	258.841		
Illustrative NFF funding in first year of transition	Schools block	205.870	- 2.89	-1.39%
	High needs block	48.652		
	Central school services block	1.459	0.03	
	Total	255.981	- 2.86	
Illustrative NFF if fully implemented in 2016-17	Schools block	203.006	- 5.76	-2.76%
	High needs block	48.652		
	Central school services block	1.513	0.09	
	Total	253.171	- 5.67	

7.23 The typical size Lewisham schools will see the following type of reductions over the two year period

	£'000
Large Secondary	200
Small Secondary	150
Large Primary	75
Medium Primary	50
Small Primary	30

The percentage reduction from the funding changes is standard at 2.8%. The reduction will be split evenly over the next two years.

Cost pressures in Schools

7.24 The DfE estimates that mainstream schools will have to find savings of £3.0 billion (8.0%) by 2019/20 to counteract cumulative cost pressures, such as pay rises and higher employer contributions to national insurance and the teachers' pension scheme. It expects that schools will need to make efficiency savings through better procurement (estimated savings of £1.3 billion) and by using their staff more efficiently (the balance of £1.7 billion). This is broadly in line with local estimates.

7.25 With the proposed national funding formula reductions of 3% and the cost pressures above, schools will have to find reductions of 11% over the next three years. For Lewisham's largest secondary schools who have income of around £10m this will mean savings in the region of £1m.

Early Years Funding

7.26 The DfE have issued a new funding formula for Early Years providers. While all providers will fare differently under the Government proposals the overall outcome will be that Nursery schools will see very significant reductions in funding, Maintained school nursery classes will see some reduction, generally in the region of £9k and the Private, Voluntary and Independent (PVI) sector will see increases.

7.27 The proposed national funding formula for funding local authorities will receive is made up of:

- 89.5% Pupil numbers;
- 8% KS1 FSM numbers;
- 1.5% EAL numbers;
- 1% DLA numbers; and
- There is an area cost adjustment based on general labour market costs and rates bills.

7.28 Unlike schools funding, early years funding will continue to be distributed by Local Authorities through a local formula. The most significant change to the local funding formula used by local authorities to distribute the funding to providers is that there can only be one universal base hourly rate for all types or providers. Currently this is not the case in Lewisham. The rates we used are:

- £7.70 Nursery schools
- £4.85/£5.13 Primary schools (dependent upon OFSTED)
- £3.84/£4.67 PVI's (dependent upon OFSTED)

7.29 The schools forum set up a task group to look at the proposals in more detail.
The Schools Forum has agreed that the Universal Base Rate can be deferred until April 2018. This would enable phasing in the school's reductions, but at the expense of PVI rates.

7.30 Currently additional hours are allocated to children deemed to have social needs. This will be reduced to a third of its current provision. Currently 279 children receive this and the budget is £900k. In the longer term it will not be permissible for Local Authorities to fund additional hours for these type of children.

7.31 The proposals include details of the implementation extra 30 hours of childcare from September 2017. This increase will only be available to working parents.

Educations Services Grant (ESG)

7.32 In 2016/17 the allocation of ESG for Lewisham is £3.5m. It is made up of two elements: a so called general fund which is referred to in this section of the paper as the ESG Central Fund (to avoid confusion with Lewisham's own General Fund which is used to fund core services) of £2.9m and a retained duties element of £0.6m.

7.33 The ESG central funding rate for local authorities in the 2016 to 2017 financial year is £77 per pupil in mainstream schools and £288.75 and £327.25 per place in pupil referral units and special schools respectively. This funding is being discontinued from September 2017.

7.34 The retained duties funding rate for local authorities is a flat rate of £15 per pupil **in all state funded schools**, which includes academies. There is no differential funding for Special Schools and pupil referral units for the retained duties element of the ESG.

The total ESG grant is to cover the following services

- School improvement
- Statutory and regulatory duties
- Education welfare service
- Central support services
- Asset management
- Premature retirement costs/redundancy costs (new provisions)
- Therapies and other health-related services
- Monitoring national curriculum assessment.

7.35 The funding previously allocated through the ESG retained duties rate (£15 per pupil) will be transferred into the schools block for 2017 to 2018. The DFE will allow local authorities to retain some of their schools block funding to cover the statutory duties that they carry out for maintained schools which were previously funded through the ESG. The amount to be retained by the local authority needs has to be agreed by the maintained schools members of the Schools Forum. Lewisham Schools Forum did this on the 8 December 2016. This amounted to £0.6m of the former £3.5m grant.

7.36 School Improvement Grant - The Department for Education have announced a separate grant that will be allocated to local authorities (LAs) to continue to monitor and broker school improvement provision for low-performing maintained schools and intervene in

certain cases. That was previously met from the Education Services Grant. The grant for Lewisham is £187k and covers the period from September 2017 to March 2018.

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 2017/18, assuming a Council Tax increase of 4.99%, is £232.746m. Details of the savings anticipated for 2017/18 are provided at Appendices Y1 and Y2.

8.2 It is structured as follows:

- Update on 2016/17 Revenue Budget;
- The Budget Model;
- Saving proposals;
- Council Tax for 2017/18; and
- Overall Budget Position for 2017/18.

Update on 2016/17 Revenue Budget

8.3 The Council's revenue budget for 2016/17 was agreed at Council on 24 February 2016. The general fund budget requirement was set at £236.218m.

8.4 During the financial year, monthly monitoring is undertaken by officers and these monitoring reports have been presented quarterly to Mayor and Cabinet and scrutinised by the Public Accounts Select Committee. Significant attention continues to be directed towards volatile budget areas. These are those areas 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 continually challenged to maintain tight control on spending throughout the year through the continuation and strengthening of Directorate Expenditure Panels (DEPs) and the additional layer of scrutiny added through the operation of the Corporate Expenditure Panel (CEP).

8.6 An initial projected overspend of £7.7m was reported at the end of May 2016. However, since this positon was first reported, the position has worsened. This is in spite of the continued management attention given to seek the containment of costs and, where possible, accelerating service changes to reduce costs.

8.7 The current projected overspend at as the end of November 2016 is £11.6m. The most significant increases during this time has been in the area of adult social care, which has seen the overspend projection increase by nearly £2.5m. This is due to a number of factors, including the significant pressure being felt on the placements budget through the increased costs of residential care in older adults' placements and changes associated with the re-letting of contracts for home care. Increases elsewhere relate to children's social care and increased transport costs in the environment division.

8.8 Overall, this remains a significant overspending projection, and stringent management action must continue for the remainder of this year to help bring the projected overspend down.

8.9 It should be noted that a sum of £3.75m was held corporately as part of setting the 2016/17 budget for managing 'risks and other budget pressures' which emerge during the year. As in previous years, the Executive Director for Resources and Regeneration gives due consideration as to when it might be appropriate to apply this sum. To date during the year, corporately £1.0m has been committed to address the ongoing cost pressures in the dry recycling contract, leaving a balance of £2.75m. If allocated in full this will have the effect of reducing the current projected overspend to £8.8m.

Directorates

8.10 Table C1 sets out the latest forecast budget variances on the General Fund by Directorate, before applying the sum for 'risks and other budget pressures'

Table C1: Forecast outturn for 2016/17 as at end of November 2016

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend Nov. 2016
	£m	**£m**	**£m**	**£m**
Children & Young People	61.6	(14.0)	47.6	5.3
Community Services	170.0	(76.9)	93.1	3.4
Customer Services	101.5	(57.0)	44.5	3.3
Resources & Regeneration	73.9	(46.9)	27.0	(0.4)
Directorate Totals	**407.0**	**(194.8)**	**212.2**	**11.6**
Corporate Items	24.0	0.0	24.0	0.0
Net Revenue Budget	**431.0**	**(194.8)**	**236.2**	**11.6**

Auditor Appointment

8.11 There are three main ways to appoint an auditor under the new regime before 31 December 2017, in time for the 2018/19 financial year: by the authority itself acting independently, by the authority acting alongside other authorities or by Public Sector Audit Appointments (PSAA) through a national sector led scheme managed by PSAA and established under regulations made under the Act. The PSAA is an independent limited company incorporated by the Local Government Association (LGA). These arrangements are to enable the existing contracts to be retendered and replace those previously managed by the Audit Commission, now closed.

8.12 The Secretary of State for Communities and Local Government gave PSAA the task of establishing and managing audit appointments in England under the Local Audit (Appointing Persons) Regulations 2015 for authorities who want to opt into the scheme. This option means that authorities cede the power of appointing and managing the auditor to a central body, providing potential savings on procurement and removing the additional bureaucracy of creating an auditor panel. It reduces the involvement of authorities and saves time by delegating the decision-making to an independent checkpoint.

8.13 Authorities must opt in to realise these benefit and have until 9 March 2017 to do so. The regulations require a Full Council resolution to opt in. This will last for five years and authorities that choose not to opt in will have another opportunity to apply to join the national scheme subsequently for later financial years. It is expected that PSAA will appoint several audit firms, subject to receiving acceptable tenders, to ensure that no single firm achieves market dominance. It must also consult each individual authority on the appointment of its auditor and will take into account the desirability of appointing the same auditor to authorities that share accounting and financial services, or that have made other joint arrangements that impact audit work.

8.14 Similar to the majority of local authorities, officers are recommending that Lewisham 'opts in' to take advantage of the national sector led scheme developed by PSAA.

Corporate Financial Provisions

8.15 Corporate Financial Provisions are budgets that are held centrally for corporate purposes and 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.

8.16 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 2016/17 budget overspend from reserves.

The Budget Model

8.17 This section of the report sets out the construction of the 2017/18 base budget. This section is structured as follows:

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

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

8.18 The Council has made substantial reductions to its expenditure over the last seven years. On all credible economic forecasts, it will continue to need to make further reductions for at least the next three to four years. This section of the report summarises a series of proposals that would enable the Council to set a balanced budget for 2017/18 as part of a sustainable financial strategy to 2019/20. Looking beyond 2019/20 very much depends on the financial implications for the Council from government policy in the next parliament, the next Comprehensive Spending Review (including the impact from Brexit), details for how the introduction of 100% of business rates will be implemented and any related developments in respect of more devolution to London.

Council Tax

8.19 The assumption used in the model for preparing the 2017/18 budget, subject to confirmation by Council, is for the maximum 4.99% Council Tax increase (a 3% increase for the revised social care precept and a 1.99% increase under the referendum principle). This is consistent with the government's financial models for local government funding to 2019/20.

8.20 If Council choose to set a different Council Tax increase they will need to be mindful that any increase below this recommendation will result in additional budget pressures, resulting in a higher savings requirement. And any increase above this recommendation would require support in a local referendum due to the limit set by the Secretary of State.

8.21 Further information on the options for Council when setting the Council Tax is set out in more detail towards the end of this section.

Inflation

8.22 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.

8.23 In December 2016, the Office for National Statistics (ONS) reported that the rate of Gross Domestic Product (GDP) growth in the economy was greater than 2% with CPI inflation in the UK at 1.6% in December. The November Office of Budget Responsibility (OBR) forecasts for inflation, which were published alongside the Chancellor's Autumn Statement, are a rise to a peak of 2.6% in 2018 before returning to near the UK target of 2% annually thereafter, with GDP growth falling to 1.4% in 2017 before returning to 2% throughout the period to 2019/20.

8.24 For financial planning purposes, the Council has previously assumed an average pay inflation of 1% per annum, which equates to approximately £1.1m. In December 2015, a final offer was made to the unions of a 1% pay award for 2017/18 by the National Joint Council (NJC) for Local Government Services, with staff on very low pay being offered increases that will bring them up to the new National Living Wage (NLW) introduced by the government in 2015. The NLW is currently set at £7.50/hr from April 2017. Lewisham's lowest pay band exceeds this amount and therefore a provision of 1% per annum for 2017/18 has been made.

8.25 The Council currently applies a non-pay inflation rate of 2.5% per annum. This is close to the forecast inflation rates for 2017 and reflects the underlying commitments in Council contracts. This equates to approximately £2.5m per annum (net). This figure was put forward as an efficiency saving for three years starting from 2015/16, with 2017/18 being the final year of this measure.

New Homes Bonus

8.26 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 (DCLG) is paying the NHB as 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'.

8.27 The NHB has historically been paid each year for six years. 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.

8.28 In the provisional Local Government Finance Settlement statement, the Secretary of State announced that in 2017/18 and 2018/19 NHB legacy payments will be changed to five and four years respectively. The funding released by doing this will be re-invested back into local government to support social care and will be distributed on a needs basis. Going forward a baseline level of 0.4% growth will also be applied for which NHB will not be paid and the government is finalising the consultation which is expected to confirm that NHB will not be paid on properties for which planning is granted on appeal.

8.29 The provisional allocation for 2017/18 in Lewisham, including on-going payments, is £10.139m, with the years 1 and 2 allocations of £1.664m dropping out and with the allocation for Year 7 (2017/18) delivery being £2.072m. The impact of the changes noted above will be to reduce the level of NHB the Council receives by at least a third from the original scheme going forward.

8.30 The cumulative nature of the NHB is set out in summary in Table C6 below.

Table C6 – New Homes Bonus Allocation Profile

	2012/13 £m	**2013/14 £m**	**2014/15 £m**	**2015/16 £m**	**2016/17 £m**	**2017/18 £m**
Yr 1 - 6 yrs paid in full	0.706	0.706	0.706	0.706	0.706	-
Yr 2 – limited to 5 yrs	0.958	0.958	0.958	0.958	0.958	0
Yr 3 – limited to 5 yrs		2.150	2.150	2.150	2.150	2.150
Yr 4 – limited to 4 yrs			2.629	2.629	2.629	2.629
Yr 5 – limited to 4 yrs				1.399	1.399	1.399
Yr 6 – limited to 4 yrs					1.889	1.889
Yr 7 – limited to 4 yrs						2.072
Total Allocation	**1.664**	**3.814**	**6.443**	**7.842**	**9.731**	**10.139**
Less: London LEP Top slice	**0**	**0**	**0**	**-2.218**	**0**	**0**
Lewisham Total	**1.664**	**3.814**	**6.443**	**5.624**	**9.731**	**10.139**

8.31 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. The AMR provides a housing trajectory and identifies the anticipated amount of residential development over the coming years.

8.32 A significant amount 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 and are generally being constructed within anticipated timescales. The bringing forward of housing supply in London is a

priority for the Council and the London Mayor. The AMR provides a housing trajectory and identifies the anticipated amount of residential development over the coming years.

8.33 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 year-on-year commitment for the Council. Given the planned growth in the Borough over the coming years, the funding will be used to support work 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.

8.34 While initially being held with a view to funding future capital works, a review of the NHB has been conducted consistent with the government's commitment that NHB will continue (albeit at a reduced level) for the remainder of the parliament and the expectation that councils use their reserves. Given the pressures on the overall budget, and as in 2016/17 and consistent with previous years, it is 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 for 2017/18 only.

Budget Pressures to be funded

2016/17

8.35 In 2016/17, £7.5m of funds were set aside in the budget model to meet specific identified budget pressures and potential budget risks. Of this £7.5m in the 2016/17 budget, £3.75m was allocated to services to fund quantified pressures, leaving £3.75m unallocated and held corporately against identified risks. As noted above in the 2016/17 financial forecast monitoring, £1.0m of this was allocated in the year for Dry Recycling, leaving £2.75m of corporate risks and pressures unallocated.

8.36 An ongoing area of significant financial pressure for the Council are the rising demands and costs of Adult Social Care, including Transition costs for young adults as well as costs for the elderly. The forecast overspend in this area for 2016/17 is £3.5m. And, if agreed, the Adult Social Care precept for 2017/18 will raise £2.7m.

8.37 The population of the Borough is forecast to increase by a net 3,000 annually for the foreseeable future. This growth combined with the demographic change being experienced nationally for people to live longer lives, even with severe disabilities, is creating particular pressure on health and social care services. In respect of adult social care, the Council is also experiencing 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. In the region of £1.0m annually. Additional provision also has to be made for a few new physical disability placements a year (brain injuries and other accidents).

8.38 The budget pressures in Adult Social Care have been reviewed and it is recommended that the remaining £2.75m of corporate risk and pressures unallocated in 2016/17 now be allocated to Adult Social Care.

8.39 In 2016/17 the Adult Social Care precept raised £1.7m. This was committed to funding the costs of paying the National / London Living Wage in all contracts. The additional

£2.75m in 2017/18 will ensure all the Adult Social Care precept raised continues to be committed in this area.

2017/18

8.40 Following the Pension Fund valuation at the 31 March 2016 the annual corporate lump sum contribution is no longer required. It is therefore proposed to reduce the budget for pressures and risks in 2017/18 to £6.5m, from £7.5m. This generates a £1.0m annual saving in the budget requirement. This saving can be offered as for the last three years £1.0m has been committed to support the Council's deficit pension fund position. Following the triennial actuarial valuation of the Pension Fund in 2016 this lump sum contribution is no longer required from April 2017, at least for the next three years. Not having to fund this pressure in the General Fund over this period will provide a saving of £3m in total, £1.0m each year from 2017/18 to 2019/20.

8.41 The budget pressures anticipated in 2017/18 have been reviewed and it is recommended that a number of these specific identified pressures are recovered or funded now. In terms of accounting for these, it is proposed that the budgets are recovered where appropriate and then allocated in liner with the decisions of this budget from the corporate risk and pressures monies to the relevant Directorates when determining their cash limits for 2017/18.

8.42 Table C2 provides a summary of the corporate risk and pressures budget and those pressures and risks that are being recommended to be recovered or funded.

Table C2: Summary of 2017/18 budget pressures to be funded

Description	£'000	£'000
2017/18		
Opening budget for 2017/18	6,500	
Prior year corporate budget no longer required		
Concessionary fares	500	
No Recourse to Public Funds - costs	250	
Risk & Pressures budget available in 2017/18		**7,250**
Previously committed		
Highways & Footways (year 4 of 10)	-350	
Licensing arrangements (year 2 of 5)	-200	
No Recourse to Public Funds - operations	-500	
Arising from policy changes		
Business rates appeals	-500	
Apprenticeship levy	-400	
Unachieved elements of previous years savings		
CYP – various in respect of Education Support	-400	
Environment – waste disposal & parks income	-500	
R&R – advertising and wireless income	-350	
Demand pressures		
Looked After Children	-1,200	
Leaving Care	-200	
CYP Transport	-500	
Business Rates Discretionary Relief	-20	
Risks & Pressures recommended to be funded		**-5,120**

Risks & Pressures budget recommend to be held against possible overspends in 2017/18		**2,130**

Concessionary Fares - £0.50m to be recovered corporately

8.43 London Councils have advised on the expected Lewisham's Freedom Pass costs for 2017/18. The figure is £0.5m lower than in 2016/17. As this funding, previously committed from corporate resources, will no longer be required in 2017/18 it is being returned to the corporate budget for risks and pressures.

No Recourse to Public Funds, costs - £0.25m to be recovered corporately

8.44 As reported in previous budgets, the rise in number and costs of No Recourse to Public Funds cases has created significant pressures on the s17 budget in the Children and Young People Directorate in recent years. In 2014/15 the Council reorganised and created a team to pilot new ways of working and interventions focused solely on this area to bring costs down. Corporately these pressures were also recognised in the budgets of 2015/16 and 2016/17 with £4.1m of risk and pressures monies committed to this area.

8.45 The work of the team to ensure effective and fair assessments and control costs where families are accepted is working and an underspend on the No Recourse to Public Funds s17 costs is forecast in 2016/17. As these funds are no longer required it is proposed they are returned to the corporate budget for risks and pressures in 2017/18.

Highways and Footways pressure – £0.35m

8.46 The ten year investment programme for the resurfacing of highways and footways in the Borough came to an end in 2013/14 and future funding arrangements had 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 was repaid.

8.47 Corporate funding of £0.3m for 2017/18 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.

8.48 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 2017/18, 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.

Additional Licensing Scheme £0.20m

8.49 In 2015/16 Mayor and Cabinet approved the introduction of an “additional” licensing scheme in Lewisham to improve conditions of private rented flats above commercial premises (primarily over shops) across the borough.

8.50 The scheme agreed was at a cost of £1.0m over five years. This is the second of the five years of contributions.

No Recourse to Public Funds, operations – £0.50m

8.51 As noted above, the Council created a new team to focus on and manage the assessment of No Recourse to Public Fund cases. To date it has been funded in-year on an rolling annual basis as a pilot scheme from corporate resources.

8.52 The results and benefits of this approach are now understood and, while costs are being better controlled, this is still an area experiencing considerable demand. It is therefore proposed to fund this work on a permanent basis by providing an ongoing operational budget to the Customer Services Directorate.

Business Rate appeals - £0.5m

8.53 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.

8.54 In 2017 the new valuations from the 2015 list will be applied and, given the 36% rise in valuations for Lewisham, it is anticipated there will be a number of appeals under the new 'check, challenge, appeal' arrangements that will take time to be considered. The business rate base in Lewisham also has some particular concentrations, in particular around rateable values for technology infrastructure and the public sector assets, where there continues to be change.

8.55 Recognising these uncertainties and the real risk from business rates appeals in 2017/18 and the coming years, it proposed this be recognised and funded.

Apprenticeship Levy - £0.4m

8.56 The chancellor's Autumn Statement in November 2016 confirmed that, from April 2017, employers with a wage bill of more than £3 million will have to pay a 0.5 per cent levy to fund apprenticeships training.

8.57 In Lewisham for the non-schools pay bill that falls to the General Fund this levy equates to £0.4m.

Previous years unachieved savings - £1.25m

8.58 As is noted elsewhere in this report the Council has brought forward and implemented significant savings since 2010/11 and will continue to need to do so until at least 2020/21. In doing so not all of the savings are delivered in full, either in terms of timing or value, as the savings targets have been stretching in the face of the ambition and challenge the Council faces to live within its budget.

8.59 Where this arises the first action is for management to try to address the obstacles and find solutions so that the agreed savings are delivered. This is monitored through the financial forecast reporting and the management actions being taken to effect budgetary

control. However, it may not always be possible to fully resolve the pressure and where this is the case it should be recognised.

8.60 Looking at the persistent overspends in the financial forecasts from the impact of partially achieved savings identifies the following where it is now proposed to inject corporate resource to reduce the budget pressures. This will release management attention so that for 2017/18 the focus can be on developing new savings proposals to address the remaining savings gap in the Medium Term Financial Strategy. By Directorate these include, with the original savings reference in brackets, the following:

- Children & Young People Directorate are reporting a mix of various overspends resulting from the partial achievement of prior year savings totalling £0.4m. These include savings for: Attendance to Welfare (J2b), Occupational Therapy (Q3d), Educational Psychologists (Q3c), and Multi Agency Planning work (Q3f).
- Environment Services are reporting pressures on the cost of waste services as the number of properties in the Borough grows (as seen the in the Council Tax Base) and shortfalls in the income hoped to be generated from parks (N1 and N6). It is proposed to add £0.5m to these budgets to meet these pressures.
- Regeneration, Assets and Place are pursuing income from using more of the Council's assets to generate advertising income (G2a) and a return from supporting wireless connectivity (G2b) across the Borough. Despite this work the full income target is not going to be achieved and it is proposed to add £0.35m to these budgets for 2017/18.

Looked After Children and Children Leaving Care – £1.40m

8.61 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. And that they are also supported when the time comes to leave care safely.

8.62 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 and in 2016 are consistently above 400, often with extensive and expensive support costs required. Young People are the fastest growing section of Lewisham's population. 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.

8.63 Even with the work to manage the budget pressure through effective and economic placement decisions, overall spend on these services is exceeding the available budget. It is therefore proposed to fund this service area by an additional £1.4m from 2017/18.

Transport Costs - £0.50m

8.64 There is an ongoing project to review the transport passenger service the Council provides. It is revisiting the options available to provide this service and looking at the best service configurations to drive down costs. This project has a savings target of £1.0m, half in 2016/17 and half in 2017/18.

8.65 It is recognised from the financial monitoring that a barrier to making this saving is that, in the Children & Young People Directorate in particular, there is already a demand pressure that is driving significant overspends year on year. It is therefore proposed to put an additional £0.5m into the transport budget to ensure the focus can be on the new ways of working and delivering the agreed saving.

Business Rates Discretionary Rates relief - £0.02m

8.66 From April 2017 businesses in Lewisham will be charged their business rates on the new 2015 valuations. Overall in Lewisham business rate valuations have increased 36% since the previous valuation by the Valuations Office Agency (VOA) in 2010. However, this increase in Lewisham is distorted by one particularly large technology infrastructure business on the list. Excluding the particular circumstances of this business the average rise in the new rates in Lewisham is 23%.

8.67 The Council sets aside an annual budget of £86k to be able to offer a contribution as a discretionary business rates relief to community organisations that are not able to obtain relief through other discounts (for example, via charitable status) or which are in particular need. The proposal is therefore to increase this budget by 23% to £109k, uplift of £20k, so that the scale of benefit in Lewisham is sustained.

Risks and other potential budget pressures to be managed

8.68 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.

8.69 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:

- Adult Social Care and Transition
- Child Sexual Exploitation
- National / London Living Wage
- Redundancy
- Unachieved savings

Adult Social Care, including Transition demands

8.70 As noted above this is an area of continuing pressure for the Council. This is expected to continue into future years. However, the impact of the additional funding committed to these services for 2017/18 through the Adult Social Care precept and the changes arising from transformation savings are assessed it is not possible to fully evaluate the risk at this time.

Child Sexual Exploitation

8.71 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 expects to be able to do so through 2016/17. Given these uncertainties it is not possible to fully evaluate the risk at this time.

National / London Living Wage

8.72 In 2015 the Chancellor announced the obligation for all employers to pay at least a national living wage. The Council has for some years now ensured it pays the London Living Wage to staff and contractors where this has been possible to contract for. However, there have remained some areas where this has not always been possible – for example; sub-contractors on some facilities contracts and contracting for some care services. New European procurement rules and the introduction of the national living wage go some way to closing this remaining gap to ensure all employees are paid a fair wage. The government has also confirmed that the minimum and living wages will rise faster than inflation to at least 2020.

8.73 The budget impact of these changes is a risk of additional contract costs to the Council. These will vary according to the contract and areas of spend depending on past practice and how suppliers elect to pass on some or all of these costs. The risk cannot therefore be easily quantified at this time.

Redundancy

8.74 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 significant savings over the next four 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

8.75 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.

8.76 Where these have been identified from savings for earlier years these are addressed in the funded pressures above. However, while management actions continue to be taken to fully implement savings for the coming year such pressures cannot be easily quantified at this stage. Should these pressures arise in the year and are not be able to be contained with Directorate budgets, they may need to be met from the risk fund or become an additional call on reserves.

Summary of Budget Pressures

8.77 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.

8.78 There are some pressures to be funded, which can be quantified within a reasonable range. There are also a number of other risks and potential budget pressures to consider which are less easy to quantify with any certainty.

8.79 After allowing the allocation of corporate risk & pressures to be funded in 2017/18 as summarised in Table C2 above, an unallocated balance of £2.15m 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 (such as those described above) which cannot be quantified with certainty at this moment in time.

Saving proposals

8.80 On the 28 September 2016 the Mayor:

- Endorsed previously agreed savings proposals from the 2015/16 and 2016/17 budgets for implementation in 2017/18, totalling £16.3m.
- Agreed and delegated £4.915m of saving proposals for 2017/18, and requested a further £1,084 worth of proposals be progressed and necessary consultations undertaken to then return to Mayor and Cabinet for decision.

8.81 The total savings included in the 2017/18 budget calculation is £23.236m (including the £1m reduction in budget pressures recommended in this report). The savings must be achieved in order to maintain a balanced budget. The final approval and delivery of these savings will be monitored, any shortfall will have to be covered, in the short term, through the use of reserves.

8.82 As anticipated in the Medium Term Financial Strategy (July 2016) and following the provisional Local Government Finance Settlement (December 2016), the Executive Director for Resources & Regeneration has been considering options to bridge a budget shortfall in order to balance the budget for 2017/18. It is proposed to use a small amount of corporate reserves (£0.027m) with the bulk of the gap being met from use of £5.0m of the New Homes Bonus reserve in 2017/18.

8.83 Estimates for Revenue Support Grant in 2018/19 to 2019/20 have been provided by the Government which has offered to provide a four year settlement on Revenue Support Grant from 2016/17 up to 2019/20. The Council submitted a four year efficiency plan in October 2016. The prospects for future years' budgets based on the provisional settlement figures are set out in more detail in section 9 of this report.

Council Tax for 2017/18

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

<u>Collection Fund</u>

8.85 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.

8.86 The statutory calculation was carried out for the 15 January (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 1994/95 to 2016/17 of £4.818m.

8.87 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 £3.853m of the £4.818m surplus has to be included in

the calculation of Lewisham's budget as the additional Council Tax owed and collected in year. The remaining balance of £0.964m will be allocated to the GLA.

8.88 Members should note that the Council agreed on the 18 January 2016 to maintain the Council Tax Reduction Scheme (CTRS) approach of previous years, which is for the Council to continue to pass on the cumulative Settlement Funding Assessment cut from the previous years since the scheme's introduction. This now stands at 33%. This means that everyone of working-age has to pay a minimum of 33% of their council tax liability.

Council Tax Levels

8.89 The current position is still that Council Tax may not be increased by 2% or more (inclusive of levies) without a referendum. In addition, there is also the opportunity to increase Council Tax by up to a further 3% under the social care precept (2% in 2016/17). The government's assumptions in the local government financial settlement to 2019/20 include the raising of both Council Tax and the social care precept in each and every year to meet the recognised funding pressures faced by the sector.

8.90 In 2017/18, the Social care precept will work by giving local authorities the flexibility to raise council tax in their area by up to 3% above the existing referendum threshold. In Lewisham this will provide additional funding of £2.68m, ring fenced for adult social care spend in 2017/18. If implemented this charge has to be identified on the face of the Council Tax bill and made clear in the accompanying guidance for rate payers.

8.91 At the same time a general increase in Council Tax of 1.99% (i.e. within the limit of the 2% referendum threshold) would also provide additional funding of £1.78m.

8.92 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 2017/18 and their general responsibilities to steward the Council's finances over the medium term.

8.93 In 2016/17, the Band D Council Tax in Lewisham is £1,378.66 on a base of 78,528.58 Band D equivalent properties. Of this, £276 relates to the activities of the GLA which the Council pays over to them on collection.

8.94 The GLA is consulting on a precept of £280.02 (Band D equivalent) for 2017/18, an increase of £4.02, or approximately 1.5% and a final decision is expected from them on or after the 20 February 2017. The entire precept increase will be applied to the policing budget.

8.95 For 2017/18, the Band D Council Tax in Lewisham is recommended to be £1,437.70 on a base of 81,087.65 Band D equivalent properties (the base was approved at Council on the 18 January). Of this, £280.02 relates to the activities of the GLA which the Council will pay over to them on collection.

8.96 Table C3 below shows, for illustrative purposes, the Council Tax payable by a Lewisham resident in a Band D property in 2017/18 under a range of possible Council Tax increases, and the financial implications of this for the Council. A full Council Tax Ready Reckoner is attached at Appendix Y3.

8.97 The starting point is for an assumed 4.99% increase in Council for 2017/18. Any reduction from this level of increase will reduce the level of income the Council collects and will increase the draw on reserves for 2017/18 and the savings gap in future years.

Table C3 – Band D Council Tax Levels for 2017/18

	Amounts payable by residents – Band D				Lewisham
Change in Council Tax	Lewisham element	GLA element	Total	Change in total	Annual income forgone
	£	£	£	%	£m
4.99% increase	**1,157.68**	**280.02**	**1,437.70**	**+4.28%**	**0.00**
4.50% increase	1,152.28	280.02	1,432.30	+3.89%	0.438
4.00% increase	1,146.76	280.02	1,426.78	+3.49%	0.886
3.50% increase	1,141.25	280.02	1,421.27	+3.09%	1.333
3.00% increase	1,135.74	280.02	1,415.76	+2.69%	1.780
2.50% increase	1,130.22	280.02	1,410.24	+2.29%	2.227
2.00% increase	1,124.71	280.02	1,404.73	+1.89%	2.674
1.50% increase	1,119.20	280.02	1,399.22	+1.49%	3.121
1.00% increase	1,113.68	280.02	1,393.77	+1.09%	3.568
0.50% increase	1,108.17	280.02	1,388.19	+0.69%	4.015
Council Tax Freeze	1,102.66	280.02	1,382.68	+0.29%	4.462

Overall Budget Position for 2017/18

8.98 For 2017/18, the overall budget position for the Council is an assumed General Fund Budget Requirement of £232.746m, as set out in Table C4 below.

Table C4 - Overall Budget Position for 2017/18

Detail	Expenditure/ (Income) £m	Expenditure/ (Income) £m
Settlement Funding Assessment (SFA) for 2017/18	(135.019)	
Council Tax 2017/18 at 4.99% increase	(93.874)	
Surplus on Collection Fund	(3.853)	
Assumed Budget Requirement for 2017/18		**(232.746)**
Total Resources available for 2017/18		
Base Budget for 2016/17	236.218	
Plus: Reversal of reserves drawn in 16/17 (once off)	10.943	
Plus: Additional Pay inflation	0.978	
Plus: Non-pay Inflation	2.500	
Plus: Education Support Grant changes for 17/18	2.870	
Plus: Budget pressures to be funded from 17/18 fund	5.120	
Plus: Risks and other potential budget pressures	2.130	
Less: 16/17 pressures funding no longer required	(0.750)	
Less: Previously agreed savings for 2017/18	(16.237)	
Less: September approved savings for 2017/18	(5.999)	

Detail	Expenditure/ (Income) £m	Expenditure/ (Income) £m
Less: Use of New Homes Bonus reserve	(5.000)	
Less: Once off use of Corporate reserves	(0.027)	
Total		**232.746**

Use of Provisions and Reserves

2017/18 budget

8.99 Should all the above proposals be agreed, then this would leave a remaining gap of some £5.027m to be funded by the once off use of NHB and Corporate reserves in 2017/18. This is set out in the Table C4 above.

8.100 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.

Invest to Save

8.101 Through the work of the Lewisham Future Programme (LFP), the Council continues to review all areas of expenditure to identify and bring forward savings proposals that match the Council's priorities and risk profile for services. There are no easy 'efficiencies' remaining and the changes required to make further savings are more complex. They require greater transformation in culture, ways of working and the infrastructure to support them.

8.102 Savings of this nature typically take longer to implement, the outcomes are more uncertain, and (from the financial perspective) require an element of upfront investment to achieve them. The areas where this investment is currently being considered are consistent with the Lewisham 2020 priorities set by members and include: the digital transformation work to assist with more flexible ways of working, the restack of Laurence House to rationalise the corporate estate, and updates to the Council's key systems to improve efficiencies and control. The work of the transformation programme is set out in more detail in Appendix Y7.

8.103 The outline programme identifies the need for spend on these areas as set out in Table C5 below:

Table C5 – Invest to Save

Invest to Save projects	**2016/17 £m**	**2017/18 & future years £m**	**Total £m**
Staff Costs – Digital Team	0.300	1.700	2.000
ASC / CYP Systems Improvement	0.400	0.200	0.600
Digital Programme	0.306	1.520	1.826
- Digital Programme	***1.006***	***3.420***	***4.426***
Wifi Upgrade	0.150		0.150

Completing infrastructure upgrade	0.250		0.250
- ***Technology Infrastructure***	***0.400***	***0.000***	***0.400***
Laurence House Restack	0.500	2.000	2.500
Enterprise Resource Planning	0.300	3.000	3.300
Total	**2.206**	**8.420**	**10.626**

8.104 These investments are and will be considered based on detailed business cases to assess the opportunity and regular updates provided to members. The costs are not built into ongoing Directorate revenue budgets and therefore need to be funded from once off corporate resources.

8.105 The Executive Director for Resources and Regeneration recommends that the use of up to £10.6m of once off corporate resources for transformation projects (£2.2m in 2016/17 and £8.4m in 2017/18 and future years) be approved.

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 and implications for future years. These other funding streams are Public Health, Better Care Fund, and various other grants. This section of the report is structured as follows:

- Better Care Fund 2017/18
- Public Health Grant 2017/18
- Various other grants 2016/17
- Future Years' Budget Strategy 2016/17 onwards

Better Care Fund

9.2 The 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 paid to the National Health Service (NHS) that shifts resources into social care and community services for the benefit of the NHS and local government. The BCF does not represent an increase in funding but rather a realignment of existing funding streams with conditions attached.

9.3 For Lewisham the value in 2016/17 is £21.218m out of a national total of £3.9bn. The local plan was approved by NHS England and the 2017/18 plan is currently being developed. In particular, the 2017/18 plan will take into account those service areas where spend has been lower than expected in 2016/17, with funds redirected to areas of greater need. Individual allocations have not yet been announced but as no significant increase is expected in the national total any local increase is likely to be limited to an adjustment for inflation.

9.4 The Fund must be used in accordance with the final approved plan and through a section 75 pooled fund agreement. The full value of the element of the Fund linked to non-elective admissions reduction target is 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. The partners have agreed contingency arrangements to address this risk and they will continue into 2017/18.

Public Health Grant

9.5 In 2016/17 the Council's allocation for Public Health Grant is £25.298m, including an increase of £7.6m to match the transfer of financial responsibility for health visiting and a reduction of £2.08m as part of a reduction in the level of grant nationally. Further national reductions of 2.6% annually have been announced for the next three financial years and the 2017/18 Lewisham allocation is £24.967m.

9.6 The grant remains ring-fenced and the agreed commitment of these funds will therefore need to be reviewed annually and rebalanced to ensure the reductions are met and funds are directed to those services and activities with the greatest public health benefit. The report to M&C in September 2016 brought forward the savings for agreement to ensure this happens. These were agreed subject to a £260k shortfall which will need to managed in 2017/18 or addressed along with the other savings due in 2017/18 to make the next year's reductions and keep spending in-line with the available grant.

Other Grants and Levies

9.7 Certain specific grants have changed for 2017/18. The main ones are:

- The removal of the ESG (£3.5m in 2016/17) with £0.6m now rolled into the DSG. This is set out in detail in section 7 above.
- The changes to the NHB funding (£9.7m in 2016/17), the details for which are set out in section 8 above.

9.8 In 2017/18 the government is also introducing the improved Better Care Fund (iBCF) to work alongside the BCF which is described above. The iBCF for Lewisham is expected to be £1.2m in 2017/18. This funding is intended for meeting the costs of social care and supporting the integration work between health and social care systems. Also, there is a one off Adult Social Care grant for 2017/18 which for Lewisham will be £1.4m. Both of these grants in 2017/18 will be funded nationally from the reduction in NHB following the changes made to that grant.

9.9 As the NHB incentives sharpen and depending on the demand for adult social care in future years in Lewisham it is expected that the shift from NHB to iBCF experienced through these funding streams will increase.

9.10 It is expected that, as the funding on specific grants changes, the related cost of service provision will also be adjusted to ensure the Directorates manage their activities within the available resources.

9.11 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 2017/18 have yet to be confirmed and it is therefore assumed these will stay at or close to their 2016/17 levels which are set out in Appendix Y5. Any variations will be absorbed in the corporate provisions and corrected for the following year.

Future Years' Budget Strategy 2017/18 onwards

Revenue Budget

9.12 The Medium Term Financial Strategy was reported to Mayor & Cabinet in July 2016. This set out that an estimated £45m of savings required from 2017/18 to 2019/20 over and above the £16.2m of savings already agreed at that time for 2017/18. This position has been superseded by the savings proposals submitted to Mayor and Cabinet in September 2016, the provisional local government finance settlement announced in December 2016 and annual review of the statutory calculation for the Collection Fund.

9.13 The revised profile for savings required is now broadly;

- £22m to be implemented in 2017/18;
- £5m gap remaining for 2017/18 to be met from reserves;
- £16m gap for 2018/19 against which £5m of outline proposals were set out in September and now need to firmed up and extended; and
- £11m gap for 2019/20 against which £9m of outline proposals were set out in September and now need to be firmed up and brought forward if possible.

9.14 If the budget for 2017/18, as set out in this report, is agreed the expected additional savings required are circa £32.6m by 2019/20. 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 September 2016 alongside this budget report presents the LFP work to date. This continues and further savings proposals will be bought forward in 2017/18 to close the budget gaps identified above.

9.15 In 2017/18 officers will update the MTFS and look to extend the planning horizon to 2021/22 to include the impact of moving to the 100% retention of business rates.

10. TREASURY MANAGEMENT STRATEGY

10.1 This section sets out the Council's Treasury Management Strategy for 2017/18 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 Poilcy
- 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.

Capital Investment Plans

10.3 The Treaury Management Strategy for 2017/18 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 approporiate borrowing facilities.

10.5 The Council's expected treasury portfolio position at 31 March 2017, 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

	2015/16 Actual £m	2016/17 Expected £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 Forecast £m
External Debt at 1 April	190.4	191.3	190.9	236.9	226.9
Change in External Debt	0.9	(0.4)	46.0	(10.0)	0
Other Long-Term Liabilities	247.8	243.8	236.2	228.3	220.7
Gross Debt at 31 March	**439.1**	**434.7**	**473.1**	**455.2**	**447.6**
Capital Financing Requirement at 31 March*	**489.5**	**487.1**	**477.2**	**466.8**	**463.0**
Borrowing – over / (under)	**(50.4)**	**(52.4)**	**(4.1)**	**(11.6)**	**(15.4)**

***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.

<u>The Operational Boundary for External debt</u>

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

	2016/17 Expected £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 Forecast £m
Maximum External Debt at 31 March	190.9	236.9	226.9	226.9
Other Long-Term Liabilities	243.8	236.2	228.3	220.7
Operational Boundary for Year	**434.7**	**473.1**	**455.2**	**447.6**

<u>The Authorised Limit for External Debt</u>

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

	2016/17 Expected £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 Forecast £m
Operational Boundary for Year	**434.7**	**473.1**	**455.2**	**447.6**
Provision for Non Receipt of Expected Income	56.0	56.0	56.0	56.0
Authorised Limit for Year	**490.7**	**529.1**	**511.2**	**503.6**

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

	2016/17 Expected £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 Forecast £m

HRA Debt “Cap” (Statutory)	127.3	127.3	127.3	127.3
HRA Debt (CFR) at 31 March	(74.8)	(74.8)	(74.8)	(74.8)
HRA Borrowing “Headroom”	52.5	52.5	52.5	52.5

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. Historically the Council has applied 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% (equivalent to 25 years) of the outstanding balance.

10.14 In 2016/17 this policy was changed to reflect the useful lives of the specific asset classes on the Council’s balance sheet. It moved to:

- A straight line MRP of 14% equivalent to seven years for plant and equipment (such as IT and vehicles).
- A straight line MRP of 2.5% equivalent to forty years for property (such as land and buildings).

10.15 The Authority is proposing to borrow and provide loan(s) to its Arms Length Management Organisation (ALMO) in 2017/18. The loan(s)` will be used by the ALMO to fund capital expenditure and should therefore be treated by the Council as capital expenditure and a loan to a third party.

10.16 The Authority’s Capital Financing Requirement (CFR) will increase by the amount of loans advanced (agreed at £20m by M&C in September 2016). Under the terms of the proposed contractual loan agreements these funds will be advanced on an interest only basis with the principal to be returned in full at the term of the loan and interest paid thorough out the life of the loan in line with the terms on which the Council borrows the funds. Once funds are returned to the Authority, they are classed as a capital receipt, and will be off-set against the CFR, which will reduce accordingly. As the funds will be returned in full and collateral as security to the loans advanced has been agreed, there is no need to set aside a prudent provision to repay the debt liability in the interim period, so there is no MRP application.

10.17 The risk is that at some point during the term of the loan the collateral held as security by the third party is not sufficient to meet the obligations recorded by the Council. The outstanding loan/CFR position will therefore be reviewed on an annual basis and if the likelihood of default increases, a prudent MRP policy will commence as a charge to the Council’s revenue.

10.18 To enable the Council to apply this MRP exemption a change to the treasury policy is proposed. Namely, to add a variation to the Councils MRP policy as adopted in 2016/17 which adds a third element – that no MRP need be charged on capital expenditure where the Council has assessed that sufficient collateral is held at a current valuation to

meet the outstanding CFR liability and that should it be determined at any point that insufficient collateral is held to match the Council's CFR liability a prudent MRP charge will commence.

Borrowing Strategy (including Treasury Indicators)

10.19 The Council's external debt as at 31 March 2017, gross borrowing plus long term liabilities, is expected to be £434.7m. 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 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.

10.20 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.

10.21 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.

10.22 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

10.23 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.

10.24 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.

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

Table D5: Treasury Indicators and Limits

Interest rate exposures	2016/17	2017/18	2018/19
	Upper	**Upper**	**Upper**
Limits on fixed interest rates: • **Debt only** • **Investments only**	 100% 80%	 100% 80%	 100% 80%
Limits on variable interest rates • **Debt only** • **Investments only**	 15% 75%	 15% 75%	 15% 75%
Maturity structure of fixed interest rate borrowing 207/18			
		Lower	**Upper**
Under 12 months		0%	10%
12 months to 2 years		0%	10%
2 years to 5 years		0%	10%
5 years to 10 years		0%	25%
10 years to 20 years		0%	20%
20 years to 30 years		0%	25%
30 years to 40 years		0%	50%
40 years to 50 years		0%	60%
Maturity structure of variable interest rate borrowing 207/18			
		Lower	**Upper**
30 years to 40 years		0%	60%
40 years to 50 years		0%	40%

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

Debt Rescheduling

10.26 Debt rescheduling opportunities have been limited in the current economic climate and consequent structure of interest rates. No debt rescheduling was undertaken during 2016/17. However, the Council continues to explore opportunities in respect of the financing of its PFIs and external loans.

10.27 The current Treasury indicators reflect that the existing fixed interest rate borrowing profile has been stable. This needs updating to recognise that the existing borrowing continues to mature. At the same time, following advice from our Treasury Advisors, it is proposed to introduce some headroom and flexibility in the indicators (i.e. so they add up to more than 100%). This will enable the Authority to take on additional borrowing

with an appropriate level of maturity for the purposes the borrowing is required. The table below sets out the changes.

10.28 The Council has £114m of LOBO loans (Lender's Option Borrower's Option) of which £25m will be in their call period in 2017/18. 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.

10.29 The Council currently holds balances which are invested and has borrowing, for capital purposes. The Council continuously reviews the debt position to optimise its cashflow. Consideration is therefore being given to rescheduling of debt which will be reported to Mayor & Cabinet and subsequently to Council at the earliest meeting following its action.

Annual Investment Strategy

Investment Policy

10.30 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

10.31 In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

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

10.33 Other information sources used will include the financial press, share prices 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.

10.34 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 2017/18 are presented to Council for approval in this same appendix.

10.35 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.

10.36 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.

10.37 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.

Credit Worthiness policy

10.38 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.

10.39 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 2 years *
- Purple 2 years
- 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

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

<u>Country limits</u>

10.40 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.

<u>Investment Policy</u>

10.41 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 24 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 24 (previously 12 months) months to generate maximum return.

10.42 In the light of the continued predictions for low savings rates for sometime to come, the Council, with support from it advisors, is assessing the potential risk and return offered by investing for longer (five or more years) in pooled asset funds. 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.

10.43 Officers are also recommending that the Council's investment policy be amended to include the option to invest in UK or European Residential Mortgage Backed Securities (RMBS). This would be a non-specified investment and provide the opportunity of diversification away from current concentration of credit risk in financial institutions through specified investments. RMBS are a type of bond which pays out at LIBOR plus a percentage. This is above the market rate the Council is able to obtain on its fixed term invesments. The cashflows come from residential debt such as mortgages and home equity loans. A pool of mortgage loans created by banks or other financial insttutions is used to provide security for the bond. They are traded with high liquidity. Only the highest rated (AAA) categories are being considered for the Council's policy. Stress tests indicate that losses at the UK AAA rated level would require a national fall in house prices of over 50% together with a mortgage default rate of 50%. The worst UK experience since 1989 has been a fall of 25% and 3% respectively.

10.44 If agreed, the Treasury Policy will be deemed amended to enable these types of non-specified investment to be entered into if, within the forecast cashflow for the Council and on advice from the Council's Treasury advisors, they continue to meet the objectives of the policy for security, liquidity and return.

Prospects for Investment Returns

10.45 Bank Rate is forecast to stay flat at 0.25% until quarter 2 2019 and not to rise above 0.75% by quarter 1 2020. Bank Rate forecasts for financial year ends (March) are:

- 2016/17 0.25%
- 2017/18 0.25%
- 2018/19 0.25%
- 2019/20 0.50%

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

- 2016/17 0.25%
- 2017/18 0.25%
- 2018/19 0.25%
- 2019/20 0.50%
- 2020/21 0.75%

- 2021/22 1.00%
- 2022/23 1.50%
- 2023/24 1.75%
- Later years 2.75%

10.47 The overall balance of risks to these forecasts is currently probably slightly skewed to the downside in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. On the other hand, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk i.e. Bank Rate increases occur earlier and / or at a quicker pace. A more extensive table of interest rate forecasts for 2017/18, including Public Works Loan Board (PWLB) borrowing rate forecasts is set out in Appendix Z1.

Summary

10.48 This section, in accordance with statutory requirements, sets out the Council's Treasury Management Strategy for 2017/18. The approach remains broadly the same as last year.

10.49 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 on 15th December 2016 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 on 13th December 2016 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 20 January and 3 February 2017. There were no responses to the consultation.

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 four 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 2017/18.

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 2017/18 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 and Appendix Y2. 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 exercises (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 6 February 2017 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. Attention is drawn to the statement of the Secretary of State that the Council may impose a precept of 3% on the Council Tax, ring-fenced for social care provision, and may impose an additional increase of less than 2% without the need for a referendum. The maximum proposed Council Tax increase is 4.99% and therefore below the combined limit.

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 was appended to the Budget Report update to Mayor & Cabinet on 15 February 2017.

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 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.

Best Value

13.28 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.

Integration with health

13.29 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 28 September 2016. A summary of the savings proposals are attached at Appendix Y2 to this report.

15. CRIME AND DISORDER

15.1. 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.

15.2. There are no specific crime and disorder implications arising from this report.

16. EQUALITIES

16.1. The Equality Act 2010 (the Act) introduced the 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.

16.2. 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.

16.3. 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'.

16.4. The Equality and Human Rights Commission 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 services and public functions. 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/

16.5. 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

16.6. 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/

16.7. The EHRC has also issued Guidance entitled "Making Fair Financial Decisions". It appears at Appendix Y6 and attention is drawn to its contents.

16.8. 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.

16.9. 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.

16.10. 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.

16.11. The Council is proposing to increase Council Tax by 1.99% within the referendum limit and a further 3% as a social care precept. In proposing to increase Council Tax in 2017/18, the Council must have regard to the equalities implications of so doing, both in terms of raising and then spending this additional money. This has been done as described below. Overall there will be a positive equalities impact for the elderly and disabled in Lewisham as a consequence of these proposals.

16.12. In respect of raising additional Council Tax there are no new equality impacts for any of the identified characteristics because Council Tax is raised from all households in line with existing national arrangements. There are also no new equality impacts for any of the identified characteristics from the 1.99% increase as the £1.78m raised will be spent on the Council's general services for the benefit of the population as a whole.

16.13. There are positive equality impacts for some of the identified characteristics from the 3% social care increase as this £2.68m will be ring fenced for spending on those in receipt of adult social care. In particular, by definition the characteristics of age and disability.

16.14. To put this in context; Lewisham's population was identified as being 276,000 (census 2011) of whom 9.5% were 65 years or older and 14.5% were living with a long term condition (a proxy for disability).

16.15. In terms of adult social care in 2015/16 (the latest annual figures available) the Council;

- supported the following;

  - 2,260 Carers needs were considered or reviewed
  - 4,280 Peoples needs were assessed or reviewed
  - 883 People were in receipt of Direct Payments of these
  - 390 Carers received a Direct Payment.
  - 3192 People were in receipt of a Personal Budget
  - 828 People were supported during the year in in permanent residential and nursing placements
  - 276 People were admitted to nursing care.

- spent £80m on adult social care services, directed as follows:
  - Mental Health - 10%
  - Physical Disability - 34%
  - Learning Disability - 40%
  - Other Services - 16%

17. ENVIRONMENTAL IMPLICATIONS

17.1. 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.

17.2. There are no specific environmental implications arising from this report.

18. CONCLUSION

18.1. This report sets out the information necessary for the Council to set the 2017/18 budget. Updates were made to the version presented to Mayor and Cabinet on the 8 February, at Mayor & Cabinet on 15 February 2017 and these updates have been incorporated into this report and its appendices.

19. BACKGROUND DOCUMENTS AND FURTHER INFORMATION

Short Title of	Date	Location	Contact
Medium Term Financial Strategy	13 July 2017 (M&C)	5th Floor Laurence House	David Austin
Savings Proposals for 2017/18	28 September 2016 (M&C) 24 February 2016 (Council)	5th Floor Laurence House	David Austin
Setting the Council Tax Base & Discounts for Second Homes and Empty Properties	11 January 2017 (Council)	5th Floor Laurence House	David Austin

For further information on this report, please contact:

Janet Senior
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

20. APPENDICES

Capital Programme

W1 2016/17 to 2020/21 Capital Programme – Major Projects
W2 Proposed Capital Programme – Original to latest Budget
W3 Hatcham Temple Grove School – Debt Write-off

Housing Revenue Account

X1 Proposed Housing Revenue Account Savings 2017/18
X2 Leasehold and Tenants charges consultation 2017/18
X3 Leasehold and Tenants charges and Lewisham Homes Budget Strategy 2017/18
X4 Other associated housing charges for 2017/18

General Fund

Y1 Summary of previously agreed budget savings for 2017/18

Y2 Summary of Proposed Revenue Budget savings 2017/18
Y3 Ready Reckoner for Council Tax 2017/18
Y4 Chief Financial Officer's Section 25 Statement – *To follow M&C 15th February 2017*
Y5 Council Tax and Statutory Calculations
Y6 Making Fair Financial Decisions
Y7 Transformation Programme

Treasury Management

Z1 Interest Rate Forecasts 2016 – 2019
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

Glossary of abbreviations

APPENDIX W1: 2016/17 to 2020/21 Capital Programme – Major Projects

Major Projects over £2m	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£m	£m	£m	£m	£m	£m
GENERAL FUND						
BSF - Sydenham (D&B)	2.2					2.2
Schools - Primary Places Programme	9.7	14.4	14.1			38.2
Schools – Minor Works Capital Programme	3.0	3.3				6.3
Schools - Other Capital Works	2.1	2.9				5.0
Highways & Bridges - TfL	5.0					5.0
Highways & Bridges - LBL	3.5	3.5	3.5	3.5	3.5	17.5
Catford TC (inc Broadway & Milford Towers) Regeneration	0.6	4.0	4.0			8.6
Asset Management Programme - Non Schools	1.5	3.8	3.9	2.5	2.5	14.2
Excalibur Regeneration	3.0	1.1				4.1
Heathside & Lethbridge Regeneration	2.1	5.0				7.1
Lewisham Homes – Property Acquisition	3.0			9.0		12.0
Acquisitions – Hostels Programme	2.3			0.8		3.1
Disabled Facilities Grant	1.0	0.7	0.7	0.7	0.7	3.8
Private Sector Grants and Loans	0.7	0.6	0.6	0.6	0.6	3.1
Other Schemes	8.4	6.2	1.3	0.7	0.7	17.3
	48.1	**45.5**	**28.1**	**17.8**	**8.0**	**147.5**
HOUSING REVENUE ACCOUNT						
Aids and Adaptations	0.0	0.4	0.4	0.4	0.4	1.6
Hostels Programme	0.4	0.4	0.4	0.4	0.4	2.0
Housing Matters Programme	14.8	40.8	34.1	4.5		94.2
Decent Homes Programme (LH)	21.5	36.4	33.3	35.1	49.8	176.1
	36.7	**78.0**	**68.2**	**40.4**	**50.6**	**273.9**
TOTAL PROGRAMME	**84.8**	**123.5**	**96.3**	**58.2**	**58.6**	**421.4**

APPENDIX W2: Proposed Capital Programme – Original to latest Budget

GENERAL FUND	Total £000	Total £000
Original Budget (Feb 2016)		**85,401**
New Schemes during the year		
17/18 & 18/19 Schools Places Programme	28,551	
17/18 Schools Minor Works Capital Programme	3,345	
Essential Footpath Resurfacing Parks, Cemeteries and Crematorium	1,366	
Day services remodelling & Community hub development	709	
Greystead Estate and Fairlawn School	420	
Thames Tideway Tunnel – Landscapping Masterpiece	291	
Louise House and Library Works	108	
Coulgate Street – Public Realm Scheme	102	
		34,892
19/20 & 20/21 Rolling Programmes		
LBL Highways	3,500	
ICT – Tech Refresh	1,000	
AMP Programme	5,000	
Disabled Facilities Grant	1,400	
Private Sector Grants – Disc	1,200	
Cash Incentive Scheme	400	
		12,500
Approved variations on existing schemes		
15/16 Underspends on various schemes	8,976	
16/17 Schools Primary Places Programme – Additional funding	3,714	
16/17 TfL Highways Programme	2,988	
New Homes, Better Places- Besson Street Development – Additional funding	942	
Education Catering Investment – Additional funding	728	
Borough Wide 20 MPH Zone – Additional funding	1,120	
Disabled Facilities Grant – Additional Grant	353	
Achilles Street Development – Additional	212	

funding		
Schools CERA –Funding discontinued	(3,600)	
Aids & Adaptations – Transferred to HRA	(800)	
Other variations	85	**14,718**
Latest Budget		**147,511**

HOUSING REVENUE ACCOUNT

Original Budget (Feb 2016)		
		251,855
Re-phasing Budgets and addition of 20/21 Budgets		
- Rephasing of HRA Budgets (16/17 to 19/20)	(29,702)	
- 20/21 HRA Budgets	50,152	20,450
Aids & Adaptations – Transferred from GF		800
Aids & Adaptations – Rolling Programme		800
Latest Budget		**273,905**
Latest Capital Programme 5 Year Budgets (16/17 to 20/21)		**421,416**

W3: Hatcham Temple Grove School – Debt Write-off

1. In June 2009, a Design and Build Contract for the redevelopment of the school facilities at Hatcham Temple Grove operated by the Haberdashers Askes Academy Trust (Trust) was entered into by the Authority and the Local Education Partnership (LEP). In April 2010 a fire that started in one of the areas of the facilities being worked on caused widespread damage to the areas being worked on at that time but also to areas that had been completed and handed over for use to the Trust.

2. Reports were brought to Mayor and Cabinet on the 5 December 2012 and the 6 March 2013 updating on the progress made to ensure the re-instatement of the school. These reports set out the complexity of the insurances position which necessitated both the assignment of the Authority's Contract works insurance proceeds to the Trust, and the entering into of a Development Agreement between the Authority and Trust to allow the Trust to act as a developer and deliver the re-instatement project. These reports set out the financial contribution that the Authority would make to the Trust for this scheme, and the potential for these monies to be re-couped via insurance claims.

3. The re-instatement project commenced in late 2013, completed in December 2014 and the school opened in January 2015. The Authority and the Trust worked together during 2015 and 2016 to pursue a single claim for insurable losses and reached a successful settlement with the Trust insurers in September 2016, thus avoiding court proceedings which generally result in reduced settlements and further legal costs. The settlement received by the Authority covered the contributions made to the Trust under the Development Agreement for the re-instatement works, as approved by M&C on 6 March 2013.

4. However, immediately following the fire the Authority's Building Control service attended site and deeming the remaining building to be a Dangerous Structure arranged for buttress scaffolding to be erected. This scaffolding remained in situ from 2010 until the re-instatement works in late 2013. The total cost of this scaffolding is £821k. The settlement reached has allowed for the repayment of the capital contribution for the re-instatement works and the allocation of £538k by the Trust towards the Building Control debt, resulting in irrecoverable debt of £283k. The irrecoverable debt represents the Authority's proportion of uninsurable and irrecoverable losses and Officers recommend that this debt now be written off.

APPENDIX X1: Proposed Housing Revenue Account Savings 2017/18

X1.1 The HRA strategy and self-financing assessments are continually updated and developed with the view to ensuring resources are available to meet costs and investment needs and are funded for 2017/18 and future years.

X1.2 Savings and efficiencies delivered in the 2017/18 budget can be re-invested to off-sent constrained rent rises or to help bridge any investment gap identified. As a prudent measure the original financial model was developed with no savings identified. Subsequently, discussions have taken place regarding appropriate savings and 'target' management and maintenance costs per unit. For example, there is already an assumed reduction in the Lewisham Homes fee in 2017/18 to reflect stock losses through Right to Buy Sales. Although no direct efficiencies/savings are currently being considered for 2017/18, work continues to identify opportunities for cost reductions and efficiencies relating to the HRA business model. Where identified, these savings would be available to off-set future rental losses due to a constrained uplift to protect investment in stock or services.

X1.3 An update of the HRA Strategy, Savings Proposals, proposed rent & service charge increases and comments from consultation with tenant representatives will be reported to Mayor & Cabinet as part of the HRA Rents and budget strategy report. Mayor & Cabinet will make the final budget decisions in the new year.

APPENDIX X2: Leasehold and Tenants Charges Consultation 2017/18

Committee	**Brockley Residents Panel**	Item No	
Report Title	**Leasehold and Tenant Charges Consultation**		
Contributor	**Regenter Brockley Operations Manager**		
Class	**Decision**	Date	**13th December 2016**

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 Panel members to consider the proposals to increase service charges based on an uplift of 3.00% for 2017/18 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 ringfenced 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 Panel 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 50% 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.

6.2 Leasehold service charges

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 £53.00 for street properties and £145.30 for blocks.

6.2.1 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 3.00% [RPI (September 2016) +1.00%].

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

Service	Leasehold No.	Current Weekly Charge	Weekly Increase	New Weekly Amount	Increase (%)
Caretaking	371	£3.61	£0.11	£3.72	3%
Grounds Maintenance	368	£2.04	£0.06	£2.10	3%
Lighting	389	£0.75	£0.02	£0.77	3%
Bulk Waste	362	£1.23	£0.04	£1.27	3%
Window Cleaning	221	£0.09	£0.00	£0.09	3%
Resident Involvement	549	£0.24	£0.01	£0.25	3%
Customer Services	549	£0.35	£0.01	£0.36	3%
Ground Rent	549	£0.19	£0.01	£0.20	3%
General Repairs	237	£0.55	£0.02	£0.57	3%
Technical Repairs	400	£0.33	£0.01	£0.34	3%
Entry Phone	139	£0.05	£0.00	£0.05	3%
Lift	235	£0.30	£0.01	£0.31	3%
Management Fee	549	£1.65	£0.05	£1.70	3%
Total		**£11.38**	**£0.34**	**£11.72**	**3%**

6.3 Tenant service charges

6.3.1 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.

6.3.2 In addition, tenants pay a contribution of £0.10pw to the Lewisham Tenants Fund. At present there are no plans to increase the Tenants Fund charges.

6.3.3 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 £0.25 pw which would move the current average weekly charge from £8.47 to £8.72.

6.3.4 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.

Service	Current Weekly Charge	Weekly Increase	New Weekly Amount	Increase (%)
Caretaking	£4.18	£0.13	£4.31	3%
Grounds Maintenance	£2.03	£0.06	£2.09	3%
Communal Lighting	£0.75	£0.02	£0.77	3%
Bulk Waste	£1.23	£0.04	£1.27	3%
Window Cleaning	£0.18	£0.01	£0.19	3%
Tenants fund	£0.10	£0.00	£0.10	0%
Total	**£8.47**	**£0.25**	**£8.72**	**3%**

6.3.5 The RB3 Board is asked for their views on these charges from April 2017 to March 2018. Results of the consultation will be presented to Mayor and Cabinet for approval in February 2017.

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 2016/17 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

Adis Pajic
Adis.pajice@pinnaclepsg.co.uk
or
Sandra Simpson
Sandra.simpsonpinnaclepsg.co.uk

on 0207 635 1200.

APPENDIX X3: Leasehold and Tenants Charges and Lewisham Homes Budget Strategy 2017/18

www.lewishamhomes.org.uk

Business Plan and Service Charge Consultation

Delivering great housing services for thriving neighbourhoods

Lewisham Homes

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Introduction

- Consult residents on changes in service charges
- Inform tenants of rent changes
- Consult residents on our Business Plan priorities

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Tenants rents & service charges

- No discretion on rent setting
- Required to reduce rents by 1% per annum
- This is not part of the consultation

Benchmarking our service charges

- The most recent comparison is for 12 London boroughs for 2014/15
- Lewisham Homes is cheaper than average for most charges
- Some boroughs charge tenants for items that we do not like door entry systems, CCTV and concierge, making their costs higher still

Charges in 2014/15 compared (1)

Charges that are the same for leaseholders and tenants	Lewisham Homes	Average for 12 London boroughs	Number in average	Difference
Caretaking	£5.93	£6.23*	9	-£0.30
Grounds Maintenance	£0.97	£1.70	11	-£0.73
Block Pest Control	£1.55	£1.30	3	£0.26
Window Cleaning	£0.06	£0.10	3	-£0.04
Bulk Waste Disposal	£0.48	£0.34	3	£0.14
Communal Lighting	£0.86	£1.38	10	-£0.52
Communal Heating and Hot Water	£9.88	£13.52	8	-£3.64
Tenants levy	£0.10	£0.10	2	£0.00
Total of above	£13.90	£18.44		-£4.53

*£6.23 includes sweeping charges for other organisations

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Charges in 2014/15 compared (2)

Weekly charges just for leaseholders	Lewisham Homes	Average for 12 London boroughs	Number in average	Difference
Sweeping	£0.87	*		
Repairs and Maintenance	£2.62	£3.62	12	-£1.00
Lifts	£2.65	£1.33	12	£1.32
Entry Phone	£0.36	£0.25	4	£0.11
Man fee high (inc ASB, Customer	£3.35	£3.95	11	-£0.60
Man fee low services & R involve)	£1.66	£1.81	4	-£0.15
Total of above	**£11.51**	**£10.96**		**-£0.32**

* Sweeping costs are included within caretaking costs for other organisations

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Lewisham Homes

2016/17 compared to 2017/18

Leaseholders and Tenants	2016/17	2017/18	Change	% change
Caretaking (L&T)	£5.89	£5.95	£0.06	1%
Ground Maintenance (L&T)	£1.63	£1.64	£0.01	1%
Repairs and Maintenance - Building	£2.67	£2.32	-£0.35	-15%
Repairs and Maintenance Technical	£1.12	£1.00	-£0.12	-12%
Lifts	£2.62	£2.77	£0.15	5%
Entry Phone	£0.65	£0.76	£0.11	14%
Block Pest Control (L&T)	£1.56	£1.60	£0.04	3%
Ground Rent	£0.19	£0.19	£0.00	0%
Sweeping	£0.77	£0.87	£0.10	11%
Management	£2.57	£2.56	-£0.01	0%
Window Cleaning (L&T)	£0.06	£0.06	£0.00	0%
Bulky House Hold Waste Collection Service	£0.48	£0.49	£0.01	2%
Bulk Waste Disposal (L&T)	£0.81	£0.82	£0.01	1%
Insurance	£1.16	£1.18	£0.02	2%
Communal Lighting (L&T)	£1.08	£1.13	£0.05	4%
Communal Heating and Hot Water (L&T)	£9.86	£9.89	£0.03	0%

Background to changes

- Repair, lift and entry phone costs vary significantly from year to year so we base the charge on the average cost over the previous 3 years
- 2016/17 sweeping charges were understated and these have been corrected for 2017/18
- The 1% increase in caretaking and grounds maintenance reflects the annual increase in pay

The Business Plan

- BP sets out our plans for the year
- Annual report sets out what we have done
- We would like your views on whether we are focused on the right things

Annual report 2015/16

- Our aim – Excellent Services
- Introduced on line Repairs
- Customer care training for all staff
- Tenant Satisfaction up from 71% to 77%
- Leasehold satisfaction up from 35% to 56%

Annual report 2015/16

- Our Aim –Thriving Neighbourhoods
- 90% of homes meet the Decent homes standard
- 50 homes purchased to meet housing need
- 74 new homes started on site
- Delivering a range of Community Investment Initiatives

www.lewishamhomes.org.uk

Annual report 2015/16

- Our Aim – Sustainable Future
- New efficient vehicle fleet for the Repairs service
- Tenant debt reduced by £2.3m since 2006
- Rent Collection up by £1.2m a year since 2006
- 1,286 residents saving £450,000 with the credit union

Delivering great housing services for thriving neighbourhoods

Lewisham Homes

Annual report 2015/16

- Our Aim - Employer of Choice
- Achieved IIP Gold
- 32 apprenticeships with LH and our contractors
- Fund raising cycle ride for Lewisham foodbank raised £3,000
- 91% of staff say it's a good place to work

Business Plan 2016/19

- Our aim - Excellent Services
- More services online
- Better online engagement with residents
- Invest £360,000 in environmental improvements
- Resident scrutiny review of safety and security

Business Plan 2016/19

- Our aim – Thriving Neighbourhoods
- 100% of homes meet the Decent Homes standard
- 500 new homes on site by March 2018
- Help people to get online
- Invest £4m in improving sheltered housing
- Deliver a community investment programme

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Business Plan 2016/19

- Our aim – Sustainable future
- Deliver value for money
- Better contract management
- Invest in technology
- Improving our business analysis to improve performance
- Grow Lewisham homes to deliver efficiencies

Delivering great housing services for thriving neighbourhoods

Lewisham Homes

Business Plan 2016/19

- Our aim – Employer of Choice
- 10 graduate training and apprenticeship places
- Invest in staff development
- Paying the Living wage
- Becoming a times top 100 company

www.lewishamhomes.org.uk

Your input

- Are we focussing on the right things
- Is there anything missing
- What would you like to see in our plan

Delivering great housing services for thriving neighbourhoods

Lewisham Homes

Next Steps

- Consultation feedback to the mayor
- Business plan feedback on our website (others having a chance to comment
- Business plan to our April Board

APPENDIX X4: Other Associated Housing Charges for 2016/17

Garage Rents

1. Allowance has been made for a 2.00% inflationary increase to all garage rents across all managed areas, based on the RPI rate at September 2016. This equates to an average increase of £0.23 per week and raises the average basic charge from £11.59 to £11.82 per week.

2. Garage rents for the Brockley PFI managed area will therefore increase from an average of £8.89 per week to £8.96 per week. This is a change of £0.07per week.

3. Garage rents for the Lewisham Homes managed area will therefore increase from an average of £11.59 per week to £11.82 per week. This equates to an increase of £0.23 per week.

4. The authority will be commissioning a review into rental values across the garage stock, with a view to reporting to Mayor & Cabinet sometime in the next year recommending rental values to take forward in the longer term. Any changes are likely to be consulted on and implemented for financial year 2018/19 onwards

Tenants Levy

5. 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.

6. Lewisham Tenants Fund (LTF) have proposed to leave the charge at its current level of £0.10pw for 2017/18. These were submitted to Housing Panels and agreed. Therefore, the levy for 2017/18 will remain at £0.10 per property per week.

Hostel charges

7. Hostel accommodation charges are set based on current Government requirements and will reduce by around 1.0% (£0.35 per week).

8. Hostel services charges are set to achieve full cost recovery, following the implementation of self-financing. For 2017/18, the charge for Caretaking/management and Grounds Maintenance are proposed to be increased by 2.00% or £1.42 per week to reflect inflationary increases. This will move the average charge from £72.96 per unit per week to £74.38 per unit per week.

9. In addition, the charge for Heat, Light & Power will increase from £5.49 to £5.98 an increase of £0.49pw. Water charges will increase from £0.18 to £0.19 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 and if forecast to remain unchanged for 2017/18.

10. 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.

Linkline Charges

10. It is proposed to increase Linkline charges for 2017/18 by 2.5%, based on information received from the service provider. Charges will therefore increase from its current level of £5.42 per week to £5.56 per week, an increase of £0.14 per week. There are no proposals to increase the maintenance charge, which will remain at £0.94 per week.

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 2016/17 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 2017/18 (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. The existing corporate contract for the supply of electricity and gas is due to expire on 31st December 2016 and officers are currently working on a 9 month extension to allow time for adequate tenant and leaseholder consultation whilst a new procurement method is developed. Consumption patterns remain under review and form part of the variable element of the contract.

15. The proposal for 2017/18 is for an increase of 0.30% or £0.03 per week for energy usage for communal heating. The increase is a result of updated energy consumption/usage rates and current purchase prices. This will move the current average charge from £9.86pw to £9.89pw.

16. The proposal for communal lighting is an increase of 4.42% or £0.05 per week. This will move the current average charge from £1.08pw to £1.13pw. The increase is due to updated consumption rates.

17. Officers will review the costs, actual energy usage and new contact prices (when available) in both 2016/17and 2017/18 as part of the monitoring regime. Once the new long-term energy supply contracts are in place, recommendations for changes to charges will be brought forward as part of the 2018/19 budget process.

Tenants' rent consultation 2017/18 **Appendix 1**

The Tenants' rent consultation meetings took place on 13th December 2016 with Regenter B3 (Brockley) managed tenants and 15th December 2016 with Lewisham Homes managed tenants. Excalibur tenant's consultation took place via a report sent to the committee in December 2016

Views of representatives on rent and service charge changes & savings proposals.

	Lewisham Homes	**Brockley PFI**	**Excalibur TMO**
No of representatives (excl Cllrs)	19	7	-
Rent Reduction @ %	No comments	No comments	No Comments
Savings Proposals:-			
No Savings proposed	n/a	n/a	n/a
Service Charges inc:			
Heating & Hot Water Charges	No comments	No comments	n/a
Garage Rents	No comments	No comments	n/a
Tenants Fund	No comments	No comments	No comments

Summary of comments made by representatives	
Lewisham Homes Panel	**Rent reduction:** No comments **Tenants Service Charges & Heating & Hot water Charge:** No comments **Savings Proposals:** n/a

Brockley PFI Area	**Rent reduction:** No comments **Tenants and Leaseholders Service Charges:** No comments

Excalibur TMO	**Rent reduction:** No comments **Tenants and Leaseholders Service Charges:** n/a

APPENDIX Y1: Previously agreed budget savings for 2017/18

Ref.	Description	17/18 £'000
A	**Smarter & deeper integration of social care & health**	
A11	Managing and improving transition plans	300
A12	Reducing costs of staff management, assessment and care planning	200
A13	Alternative Delivery Models for the provision of care and support services, including mental health	700
A14	Achieving best value in care packages	500
A15	New delivery models for extra care – Provision of Contracts	900
A16	Health Protection	23
A16	Redesign through collaboration	580
A17	Sexual Health Transformation	500
	Total	**3,703**
D	**Efficiency Review**	
D1	**Feb 15 saving** – annual reduction from inflation	2,500
	Total	**2,500**
E	**Asset Optimisation**	
E2	**Feb 2015 saving** – efficiencies in facilities management contracts	670
E3	**Feb 2015 saving** – additional income from corporate properties	200
E4	**Feb 2015 saving** – additional income from commercial properties	100
E5	**Feb 2015 saving** – energy efficiency measures	15
	Total	**985**
F	**Business Support and Customer Transformation**	
F1	**Feb 2015 saving** – centralisation of business support services part 2	1,000
F2b	Pushing customers to self-serve online wherever possible.	52
F3	Customer Service Centre reorganisation.	43
	Total	**1,095**
G	**Income Generation**	
G2e	Parking: Review service level arrangements.	250
	Total	**250**
I	**Management and Corporate Overheads**	
I2a	Policy, performance, service redesign and intelligence	180
I2c	Governance	75
I5	Commissioning and Procurement: undertake base lining of current activity and focus time only on value	500

Ref.	Description	17/18 £'000
	add activities.	
I7	Finance non-salary budget and vacancies review	150
I9a	HR support	200
I9d	Social Care Training	100
I10a	Revising infrastructure support arrangements and Contract, systems and supplies review	1,000
	Total	**2,205**
J	**School Effectiveness**	
J2b	Attendance and Welfare: We currently deliver our core statutory offer plus some traded services within this area. A further restructure and increase in traded services could result in further savings.	75
J2c	Schools Infrastructure: Schools Strategic IT support to be traded or stop	58
	Total	**133**
K	**Drug and Alcohol**	
K4	Reducing the length of time that methadone (Heroin substitute) is prescribed, re-procurement of the main drug and alcohol service, and greater use of community rehabilitation	340
	Total	**340**
L	**Culture and Community Services**	
L5	Reduce the level of grant funding to the voluntary sector by £1,000,000 from 1 April 2017/18. This will require the reduction/removal of funding from a range of organisations currently receiving funding.	1,000
L6	Library and Information Service: 1. Creation of three Hub Libraries – Deptford Lounge, Lewisham and Downham Health & Leisure Centre – which will carry an enhanced role for face to face contact between the Local Authority and the public to support the digital by default agenda. 2. the extension of the Lewisham Community Library Model to Forest Hill, Torridon, and Manor House, in partnership with other council services and community organisations. And the integration of the library provision into the repurposed ground floor space within the Catford complex (Laurence House). 3. the regrading of front line staff to include new functions through the re-training and enhancement of front line roles.	600
L7	Change in contractual arrangements relating the leisure services	1,000
	Total	**2,600**

Ref.	Description	17/18 £'000
M	**Housing strategy and non-HRA funded services**	
M1	**Feb 2015 saving** – Non-housing stock transfer from Housing Revenue Account to General Fund	100
	Total	**100**
N	**Environmental Services**	
N3	Review of Lewisham's Waste Services (Doorstep collection & disposal) Transfer of estates Bulky Waste disposal costs to Lewisham Homes	500
N5	Review of Lewisham's Passenger Transport Service.	500
N6	To develop our Trade Waste customer base, improve efficiency, increase income. Increased share of income from Parks Events.	250
	Total	**1,250**
P	**Planning and Economic Development**	
P2c	Further increase in charges and changes to funding coupled with savings achievable from a corporate approach to and restructure of employment services.	305
P2d	Review of Statement of Community Involvement (SCI) on the way in which the service consults on planning applications. Efficiency savings based on paper, printing and postage costs.	20
	Total	**325**
Q	**Safeguarding and Early Intervention**	
Q1.5g	**Feb 2015 saving** – case management efficiencies between FIP & TFS	111
Q4a	Social care supplies and services reduced spend.	240
Q4b	Social care financial management through continued cost control on all areas of spend.	50
Q4c	Placements: continuing strategy to use local authority foster placements where possible.	200
Q5	Youth Service: accelerate tapering of support to Youth Service to statutory minimum (will follow decision on creation of a mutual).	150
	Total	**751**
	Grand Total	**16,237**

APPENDIX Y2: Saving Proposals to Mayor and Cabinet on 28 September 2016

Ref.	Description	17/18 £'000	18/19 £'000	19/20 £'000	Total £'000
A	**Smarter & deeper integration of social care & health**				
A18	Widening the scope of charging for social care services	500			500
A19	Reduction in the staffing costs for Assessment and Care Management	200	301		501
A20	Reduction in Day Care	300			300
A21	Reduction in Mental Health spend	500			500
	Total	**1,500**	**301**	**0**	**1,801**
B	**Supporting People**				
B3	Re-procure floating support services	500			500
	Total	**500**			**500**
E	**Asset Optimisation**				
E6	Property investment acquisition	150			150
E7	Development of Private Rental Schemes	150			150
	Total	**300**			**300**
I	**Management and Corporate Overheads**				
I11	Review insurance risk assessments	250			250
	Total	**250**			**250**
L	**Culture and Community Services**				
L8	Facilities management	70	130		200
L10	Adult Learning Lewisham subsidy	40			40
	Total	**110**	**130**		**240**
M	**Housing strategy and non-HRA funded services**				
M3	Housing needs restructure	60.8			60.8
M4	PLACE/Ladywell	85			85
M5	Hostel Acquisition	150			150
M6	Handyperson	150			150
M7	No Recourse to Public Funds costs	100			100
	Total	**545.8**			**545.8**
Q	**Safeguarding and Early Intervention**				
Q6	Developing alternative pathways for care	1,100	100		1,200

Ref.	Description	17/18 £'000	18/19 £'000	19/20 £'000	Total £'000
Q7	Review of Lewisham CAMHS	94	50	100	244
Q8	Development of Fostering Service	160			160
Q9	Reduction in Looked after Children based on edge of care developments	555			555
Q10	Enhance family finding	150			150
Q11	Review of Meliot Road Centre and contact arrangements	734			734
	Total	**2,793**	**150**	**100**	**3,043**
	Grand Total	**5,999**	**581**	**100**	**6,680**

APPENDIX Y3: Ready Reckoner for Council Tax 2017/18

Ready Reckoner for Council Tax 2017/18

	Budget Requirement	Council Tax (Band D)	Increase / (Decrease)	GLA Precept (Band D)	Total Council Tax (Band D)	Increase / (Decrease)
	£'M	£	%	£	£	%
2016/17	236.218	1,102.66	3.99%	276.00	1,378.66	
Recommended	**232.747**	**1,157.68**	**4.99%**	280.02	**1,437.70**	**4.28%**
	232.309	1,152.28	4.50%	280.02	1,432.30	3.89%
	231.861	1,146.76	4.00%	280.02	1,426.78	3.49%
	231.414	1,141.25	3.50%	280.02	1,421.27	3.09%
	230.967	1,135.74	3.00%	280.02	1,415.76	2.69%
	230.520	1,130.22	2.50%	280.02	1,410.24	2.29%
	230.073	1,124.71	2.00%	280.02	1,404.73	1.89%
	229.626	1,119.20	1.50%	280.02	1,399.22	1.49%
	229.179	1,113.68	1.00%	280.02	1,393.77	1.09%
	228.732	1,108.17	0.5%	280.02	1,388.19	0.69%
	228.285	1,102.66	0.0%	280.02	1382.68	0.29%

APPENDIX Y4: Chief Financial Officer's Section 25 Statement

1. This statement makes reference to the 2017/18 Budget Report to Mayor & Cabinet circulated to all Members.

2. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (CFO) to report to an authority when it is making the statutory calculations required to determine its Council Tax. The Authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates, included in the budget and the adequacy of the reserves, for which the budget provides. This Statement also reflects the requirements of CIPFA's current Local Authority Accounting Panel (LAAP) Bulletin 77 on 'Local Authority Reserves and Balances'.

3. Section 114 of the Local Government Act 1988, requires the CFO to issue a report to all the Local Authority members to be made by that officer, in consultation with the monitoring officer and head of paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget.

Generally

4. The Council has already made savings from its revenue budget of £138m since May 2010. The Medium Term Financial Strategy was reported to Mayor & Cabinet in July 2016. This set out that an estimated £62m of savings is required from 2017/18 to 2019/20. Based on the local government finance settlement, including maximum Council Tax increases for each of the next three years, and using largely the same assumptions as set out in the Medium Term Financial Strategy this estimate reduces to £56m. To date saving proposals for £23m have been presented for scrutiny and agreed by Mayor & Cabinet for 2017/18, leaving a gap to 2019/20 of £33m.

5. The final Local Government Finance Settlement expected in the week commencing on the 20 February 2017 will confirm the settlement for 2017/18 as part of the four year settlement to 2019/20 for local government confirmed in the provisional settlement in December 2016. This confirmed the need for £28m of savings in 2017/18. The estimates for 2018/19 to 2020/21 may vary depending on future year settlements and the outcomes to consultations due for a number of areas impacting local government finance. Current forecasts expect the Council to need to find in the region of a further £33m of savings for the two years 2018/19 and 2019/20.

6. The Council has not yet prepared detailed forecasts beyond 2019/20 as this will be subject to, amongst other things, the results of the next Comprehensive Spending Review, the move to 100% business rates

retention by local government in 2020, and possible changes to health and social care governance and funding arrangements. From the government's financial forecasts and outlook, further reductions to local government funding are to be expected in the early 2020s.

7. The Council continues to take a prudent approach towards financial planning. During these times, the Council will need to weigh up the need to hold reserves and balances against the increased risk to delivery of the budget if services are not transformed so that they are managed within the resources available.

8. The report discusses the use of once off reserves and balances when considering the in-year financial position, transformation opportunities, and savings requirements to enable members to set a balanced budget. In particular the proposal to draw £10.6m from reserves to support invest to save projects. This commitment is additional to the use of once off resources required to meet any overspends and to balance the budget until the required savings are delivered.

9. This balance of risk and reserves is even more important for the Council looking to 2017/18 and future years as a number of fundamental changes are proposed to the way in which local government will be financed. The emphasis of these changes is focused on local authorities becoming more self-sufficient and less reliant on central government grant.

Budget Risks

10. During 2016/17 there have been a number of pressures which have crystallised due to increasing demographics and legislative changes. Namely; looked after children, demand for adult social care, transport costs, and the apprenticeship levy. Consideration is given in the report to the management and funding of these risks. It is also to be noted that going into the seventh consecutive year of sustained and significant budget reductions, the proposals to save money have necessarily become more ambitious, more risky and carry a higher level of uncertainty about the exact timing and value they will deliver.

11. In addition to the Council's General Fund, other areas of the Council's activities face resource constraints and if not managed could potentially present impact the General Fund. For example:
    - The Housing Revenue Account (HRA) which is impacted by the national right-to-buy and four years of annual 1% rent reduction for social housing policies. These policies put pressure on the HRA and its plans to bring forward more housing.
    - Changes to the Dedicated Schools Grant (DSG) through changes to the schools funding in 2017/18 and the introduction of a new national

funding formula from 2018/19. These changes will result in budget reductions for Lewisham schools.

12. These HRA and DSG risks and those related to the Capital Programme are discussed in more detail in the budget report. In respect of the capital works these are managed scheme by scheme. Officers review required funding (be it from capital receipts, grant support, or borrowing) quarterly. The most recent review was in January 2017 and updated projections are reported regularly to Mayor & Cabinet.

13. In setting this budget, the Council will maintain a level of corporate balances and reserves which should be adequate to deal with any risk associated with the delivery of this budget. That said there are still considerable risks associated with delivering the scale of savings required. The Chief Financial Officer recommends that the un-earmarked reserves are held at the current level of £13.0m. Should the need arise to call upon these reserves during the year, consideration should be given to replenish them as soon as possible.

14. In addition, the Council held Specific Earmarked Reserves which totalled £80m at the end of March 2016. These funds are earmarked for various future planned spending and to undertake one-off projects or work that does not happen every year. Examples include, the transitional fund, redundancy provisions, elections, replacement of obsolete equipment and contractual claims that may become due (e.g. dilapidations that may become payable on properties we lease from the private sector to provide housing).

15. The 2017/18 budget pressures have been outlined in the main budget report. These include a range of pressures, some of which cannot be quantified at this stage, and include: demographic pressures for children and adult services; unachieved savings and further potential changes to funding as a result of government legislation and reform. These funds will either be transferred to the Directorate budgets where quantifiable and not thought to be directly controllable at the start of the year or held corporately until such time as the pressure emerges during the year.

Budget assumptions

Inflation

16. For financial planning purposes, the Council continues to anticipate the environment of public sector pay restraint to continue and assume an average pay inflation of 1% per annum, which equates to approximately

£1.0m. Negotiations have confirmed a pay offer of 1.0% from the 1 April 2017.

17. The Council applies a notional non-pay inflation level of 2.5% per annum which equates to approximately £2.5m on net non-pay expenditure.

18. Moving forward, officers will need to closely monitor inflationary pressure on contracts, which in many cases, continue to outstrip the current level of Consumer Prices Index (CPI) inflation. In particular, this applies to those areas which are viewed as being particularly sensitive to contract price changes, for example; Adult Social Care or long term fixed rate contracts such as the range of PFI contracts which the Council is currently engaged with.

Savings

Identifying savings

19. The Council, through the Lewisham Future Programme, continues to look at reshaping the Council over the medium term. This Programme recognises that in the seventh consecutive year of spending reductions even greater innovation, focus on the customer, and cross-cutting thinking is required to deliver savings. This whilst attempting to minimise the impacts on residents and customers for Lewisham Council services.

20. The Programme comprises a mixture of thematic and cross-cutting reviews. Some examples of these include: smarter assessment arrangements and deeper integration of social & health care, including public health; approach to safeguarding and early intervention services; opportunities for asset rationalisation; a strategic review of income generation and the drive to make further reductions in management and corporate overheads.

21. Since 2014/15 the annual budgets were supported by the use of reserves. The 2017/18 budget makes use of once off resources from New Homes Bonus of £5.00m and £0.03m of earmarked reserves. Going forward, ongoing measures will need to be put in place to ensure the sustainability of the budget.

Implementing savings

22. There is a risk that one or more budget savings, in full or in part, may not be delivered on time in the year. The Council operates financial management on the principle of devolved responsibility for budgets to managers in Directorates. This is managed through the monthly budget monitoring process with quarterly updates provided in the budget monitoring reports for members. The extent to which any anticipated savings are not delivered

adds to future pressures, as noted with the £11.6m forecast Directorate overspend for 2016/17.

Budget control

23. Going forward into 2017/18 the Council will continue to maintain its strong systems for monitoring expenditure and controlling expenditure through Directorate cash limits.

24. During 2016/17 instructions to budget managers were re-affirmed to ensure tight spending on budgets and focus on ensuring the Council's budget position remains within budget at the year-end. However, throughout the year the Council has forecast a persistent overspending position. The forecast outturn position for the year at November 2016 was an overspend of £11.6m. This will likely reduce with the application of the unallocated element of the risk and pressures monies in the 2016/17 budget. Any overspend at the end of the financial year will have to be met from once off resources.

25. For 2017/18, the budget holders within Directorates are again being requested to endorse their cash limits before the start of the financial year and provide confirmation of an ability to deliver their services within the agreed allocated resources. At this stage it is expected that the Departmental Expenditure Panels and the Corporate Expenditure Panel will continue into 2017/18 and this will be kept under review.

26. Given the forecast outturn position in 2016/17, the level of savings required for 2017/18 and the anticipated significant level of savings/cuts required in the years beyond; it remains critically important to monitor the progress being made in implementing these savings throughout the year.

Conclusion

27. The Council has an established and mature approach for producing and maintaining its annual budget. Its financial plans and strategies have contributed to the achievement of the Council's corporate objectives to date. However, continuing public sector austerity in the face of demographic growth and rising demand for services increases the uncertainty on managing future financial pressures within the available resources.

28. The Council has drawn on once-off resources for three years and will do so again in 2017/18. This approach has been used to allow the Council to identify and implement cost reduction and transformational changes in a measured way. However, it does need to be recognised that this is not

sustainable over the long term as continued use of reserves, if unplanned, could reduce the resilience of the Council to respond flexibly to unforeseen expenditure or continued resource reduction.

29. 2016/17 was the seventh consecutive year the Council has made sustained budget reductions and with the local finance settlement for 2017/18 we know this will continue for at least a further three years. The measures taken to date have, in the main, been successful. However, the identification and implementation of savings is becoming more challenging and taking longer to achieve. This pressure is expected to continue and tight control will need to be exercised over the budget for 2017/18 given the level of risk the Council faces. As well as managing within budget, attention also needs to continue to be focussed on identifying the savings necessary to achieve a balanced budget in future years.

30. The use of once off resources on a continuous basis to balance the annual budget is not sustainable and could quickly lead to the depletion of reserves. Should the Council find itself in a position where it does not have the resources to meet expenditure this would lead to the consideration of a Section 114 notice. Whilst the Council does currently have adequate reserves and an established financial management regime, the budget preparation for both the short and medium term must remain a priority.

Janet Senior – Executive Director for Resources & Regeneration

Chief Financial Officer – Section 151

February 2017

APPENDIX Y5: Council Tax and Statutory Calculations

Council Tax Calculation

As part of the Localism Act 2011, Council Tax may not be increased by 2% or more (inclusive of levies) without triggering an automatic referendum of all registered electors in the borough. In addition, there is also the opportunity to increase Council Tax by up to a further 3% under the social care precept introduced for 2017/18.This means, for 2017/18, an automatic referendum will now be triggered when the Council Tax increase is 5% or above. 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 formal notifications from its levy bodies for 2017/18 – the Environment Agency, the LPFA and the Lee Valley Regional Park. A zero percent increase has been assumed.

Council Tax and Levies

'Relevant Basic' Amount of Council Tax	**2016/17**	**2017/18**
Council Tax Base	78,528.58	81,087.65
Council Tax Requirement with Levy (£)	86,590,324	93,873,550
Basic Amount of Council Tax (£)	1,102.66	1,157.68
Increase in basic amount of Council Tax (%)	**3.99%**	**4.99%**

Levy bodies for Lewisham	**2016/17 £**	**2016/17 £**	**Change £**
LPFA	1,229,386	1,229,386	0
Lee Valley Regional Park	224,364	224,364	0
Environment Agency	178,500	178,500	0
Total Levies	**1,632,250**	**1,632,250**	**0**

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 15 January 2017, the Council calculated the number of **81,087.65** as its Council Tax base for 2017/18 in accordance with the Local Authorities (Calculation of Taxbase) Regulations;

2) The following amounts be now calculated by the Council for the year 2017/18 in accordance with the Local Government Finance Act 1992:

a. **£976,670,456** 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. **£743,924,466** being the aggregate of the amounts which the Council estimates for income, calculated in accordance with Section 32(3)A of the Act;

c. **£232,745,990** 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. **£135,019,440** 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.

e. **£97,726,550** being the residual amount required to be collected from Council Tax payers. This includes the surplus on the Council's Collection Fund of **£3,853,000.**

f. **£1,157.68** being the residual sum at (e) above (less the surplus on the Collection Fund), divided by the Council Tax base of **81,087.65** which is Lewisham's precept on the Collection Fund for 2017/18 at the level of Band D;

Band	**Council Tax (LBL)**
	£
A	771.79
B	900.42
C	1,029.05
D	**1,157.68**
E	1,414.94
F	1,672.20
G	1,929.47
H	2,315.36

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 2017/18, 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:-

Band	GLA Precept
	£
A	186.68
B	217.79
C	248.91
D	**280.02**
E	342.25
F	404.47
G	466.70
H	560.04

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 2017/18 for each of the categories of dwellings shown below:-

Band	Total Council Tax (LBL & GLA)
	£
A	958.47
B	1,118.21
C	1,277.96
D	**1,437.70**
E	1,757.19
F	2,076.68
G	2,396.17
H	2,875.40

Equality and Human Rights Commission

Making fair financial decisions

Guidance for decision-makers

3rd edition, January 2015

B **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 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 people with different protected characteristics .

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 characteristics 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 1998. We would therefore recommend that public authorities consider the potential impact their decisions could have on human rights.

2B **Aim 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 people with protected characteristics 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 at www.equalityhumanrights.com

3B **The 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 with protected characteristics.

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 characteristics**. Individual decisions should also be informed by the wider context of decisions in your own and other relevant public authorities, so that people with particular protected characteristics 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 characteristics.

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 characteristics. 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 characteristics 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. Legal cases have shown what can happen when authorities do not consider their equality duties when making decisions.

Example: A court 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 be 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 people with particular protected characteristics and perpetuate or worsen inequality.

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

APPENDIX Y7: Transformation Programme overview

The transformation programme work is overseen by the Digital and Transformation Board, supporting the work of the Lewisham Future Programme.

The transformation programme has a number of work strands, each with their own projects. The D&T Board:

1. sets the objectives and priorities for these projects;
2. monitors delivery against agreed milestones and budgets; and
3. tracks benefits realisation.

Currently the work programme has the following strands with a range of the projects either planned and/or underway.

Adults' social care

- Introducing mobile working for social workers.
- Rationalising social care processes
- Automating back office processes including payment systems
- Introducing a new 'Digital Front Door' for social care to improve user experience

Children's social care

- Introducing a Multi Agency Safeguarding Hub (MASH).
- Introducing mobile working for social workers.
- Rationalising social care processes

Customer services

- Website and Intranet refresh and replacement of SharePoint as Council's document management system
- Putting environmental services online and reducing call volumes.
- Improving the online experience for Revs and Bens and automating more back office processes

Digital Council

- Paperless office – including paperless Council meetings, digital payslips, digital courtrooms, new scanning and printing solutions
- Refresh of Active Directory and work on awareness and compliance with corporate policies – HR, IT, H&S, Finance, Legal etc..

- Upgrading WiFi to enable mobile working and renovation and changes to Laurence House access and reception arrangements
- Catford Complex improvements including lighting, heating, furniture/workstations, decoration and introducing ‘hot-desking’
- Organisation development programme to support flexible working (in and out of the office) in terms of practice, management, and technology support
- Work on ‘bring your own device’, replacement laptops and provision of mobile (phone and ipad) tools to support safe and secure working
- Procurement and implementation of a new ERP system (Finance, HR, Payroll) and improvements to debt collection systems and processes
- Completing IT infrastructure upgrades and work on disaster recovery and business continuity arrangements to support wider ways of working changes

The 2017/18 budget report identifies the need for this work to be funded from once off corporate resources on an invest to save basis. Officers will update on progress with this programme regularly through 2017/18.

APPENDIX Z1: Interest Rate Forecasts 2017 - 2020

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 2017	0.25	1.60	2.90	2.70
Jun 2017	0.25	1.60	2.90	2.70
Sep 2017	0.25	1.60	2.90	2.70
Dec 2017	0.25	1.60	3.00	2.80
Mar 2018	0.25	1.70	3.00	2.80
Jun 2018	0.25	1.70	3.00	2.80
Sep 2018	0.25	1.70	3.10	2.90
Dec 2018	0.25	1.80	3.10	2.90
Mar 2019	0.25	1.80	3.20	3.00
Jun 2019	0.50	1.90	3.20	3.00
Sep 2019	0.50	1.90	3.30	3.10
Dec 2019	0.75	2.00	3.30	3.10
Mar 2020	0.75	2.00	3.40	3.20

APPENDIX Z2: Economic Background

United Kingdom

GDP growth rates in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. Growth is expected to have strengthened in 2016 with the first three quarters coming in respectively at +0.4%, +0.7% and +0.5%. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. The figure for quarter 3 was a pleasant surprise which confounded the downbeat forecast by the Bank of England in August of only +0.1%, (subsequently revised up in September, but only to +0.2%). During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the EU, China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.

The **referendum vote for Brexit** in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted by the Bank of England in its August Inflation Report as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post reasonably strong growth numbers through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016.

The **Monetary Policy Committee, (MPC), meeting of 4th August** was therefore dominated by countering this expected sharp slowdown and resulted in a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals.

The **MPC meeting of 3 November** left Bank Rate unchanged at 0.25% and other monetary policy measures also remained unchanged. This was in line with market expectations, but a major change from the previous quarterly Inflation Report MPC meeting of 4 August, which had given a strong steer, in its forward guidance, that it was likely to cut Bank Rate again, probably by the end of the year if economic data turned out as forecast by the Bank. The MPC meeting of 15 December also left Bank Rate and other measures unchanged.

The latest MPC decision included a forward view that **Bank Rate** could go either up or down depending on how economic data evolves in the coming months. Our central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in quarter 2 2019 (unchanged from our previous forecast). However, we would not, as yet, discount the risk of a cut in Bank Rate if economic growth were to take a significant dip downwards, though we think this is unlikely. We would also point out that forecasting as far ahead as mid 2019 is highly fraught as there are many potential economic headwinds which could blow the UK economy one way or the other as well as political developments in the UK,

(especially over the terms of Brexit), EU, US and beyond, which could have a major impact on our forecasts.

The pace of Bank Rate increases in our forecasts has been slightly increased beyond the three year time horizon to reflect higher inflation expectations.

The August quarterly Inflation Report was based on a pessimistic forecast of near to zero GDP growth in quarter 3 i.e. a sharp slowdown in growth from +0.7% in quarter 2, in reaction to the shock of the result of the referendum in June. However, **consumers** have very much stayed in a 'business as usual' mode and there has been no sharp downturn in spending; it is consumer expenditure that underpins the services sector which comprises about 75% of UK GDP. After a fairly flat three months leading up to October, retail sales in October surged at the strongest rate since September 2015 and were again strong in November. In addition, the GfK consumer confidence index recovered quite strongly to -3 in October after an initial sharp plunge in July to -12 in reaction to the referendum result. However, in November it fell to -8 indicating a return to pessimism about future prospects among consumers, probably based mainly around concerns about rising inflation eroding purchasing power.

Bank of England GDP forecasts in the November quarterly Inflation Report were as follows, (August forecasts in brackets) - 2016 +2.2%, (+2.0%); 2017 1.4%, (+0.8%); 2018 +1.5%, (+1.8%). There has, therefore, been a sharp increase in the forecast for 2017, a marginal increase in 2016 and a small decline in growth, now being delayed until 2018, as a result of the impact of Brexit.

Capital Economics' GDP forecasts are as follows: 2016 +2.0%; 2017 +1.5%; 2018 +2.5%. They feel that pessimism is still being overdone by the Bank and Brexit will not have as big an effect as initially feared by some commentators.

The Chancellor has said he will do 'whatever is needed' i.e. to **promote growth**; there are two main options he can follow – fiscal policy e.g. cut taxes, increase investment allowances for businesses, and/or increase government expenditure on infrastructure, housing etc. This will mean that the PSBR deficit elimination timetable will need to slip further into the future as promoting growth, (and ultimately boosting tax revenues in the longer term), will be a more urgent priority. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government would need to help growth e.g. by increasing investment expenditure and by using fiscal policy tools. The newly appointed Chancellor, Phillip Hammond, announced, in the aftermath of the referendum result and the formation of a new Conservative cabinet, that the target of achieving a budget surplus in 2020 would be eased in the Autumn Statement on 23 November. This was duly confirmed in the Statement which also included some increases in infrastructure spending.

The other key factor in forecasts for Bank Rate is **inflation** where the MPC aims for a target for CPI of 2.0%. The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017; (Capital Economics are forecasting a peak of just under 3% in 2018). This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, although during November, sterling has recovered some of this fall to end up 15% down against the dollar, and 8% down against the euro (as at the MPC meeting date – 15.12.16).This depreciation will feed through into a sharp increase in the cost of imports and materials used in production in the UK. However, the MPC is expected to look through the acceleration in inflation caused by external, (outside of the UK), influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.

What is clear is that **consumer disposable income** will come under pressure, as the latest employers' survey is forecasting median pay rises for the year ahead of only 1.1% at a time when inflation will be rising significantly higher than this. The CPI figure has been on an upward trend in 2016 and reached 1.2% in November. However, prices paid by factories for inputs rose to 13.2% though producer output prices were still lagging behind at 2.3% and core inflation was 1.4%, confirming the likely future upwards path.

Gilt yields, and consequently PWLB rates, have risen sharply since hitting a low point in mid-August. There has also been huge volatility during 2016 as a whole. The year started with 10 year gilt yields at 1.88%, fell to a low point of 0.53% on 12 August, and hit a new peak on the way up again of 1.55% on 15 November. The rebound since August reflects the initial combination of the yield-depressing effect of the MPC's new round of quantitative easing on 4 August, together with expectations of a sharp downturn in expectations for growth and inflation as per the pessimistic Bank of England Inflation Report forecast, followed by a sharp rise in growth expectations since August when subsequent business surveys, and GDP growth in quarter 3 at +0.5% q/q, confounded the pessimism. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling.

Employment had been growing steadily during 2016 but encountered a first fall in over a year, of 6,000, over the three months to October. The latest employment data in December, (for November), was distinctly weak with an increase in unemployment benefits claimants of 2,400 in November and of 13,300 in October. **House prices** have been rising during 2016 at a modest pace but the pace of increase has slowed since the referendum; a downturn in prices could dampen consumer confidence and expenditure.

USA

The American economy had a patchy 2015 with sharp swings in the quarterly **growth rate** leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 at +0.8%, (on an annualised basis), and quarter 2 at 1.4% left average growth for the first half at a weak 1.1%. However, quarter 3 at 3.2% signalled a rebound to strong growth. The Fed. embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would

then be four more increases to come in 2016. Since then, more downbeat news on the international scene, and then the Brexit vote, have caused a delay in the timing of the second increase of 0.25% which came, as expected, in December 2016 to a range of 0.50% to 0.75%. Overall, despite some data setbacks, the US is still, probably, the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis. The Fed. therefore also indicated that it expected three further increases of 0.25% in 2017 to deal with rising inflationary pressures.

The result of the **presidential election** in November is expected to lead to a strengthening of US growth if Trump's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to strengthen inflation pressures as the economy is already working at near full capacity. In addition, the unemployment rate is at a low point verging on what is normally classified as being full employment. However, the US does have a substantial amount of hidden unemployment in terms of an unusually large, (for a developed economy), percentage of the working population not actively seeking employment.

Trump's election has had a profound effect on the **bond market and bond yields** rose sharply in the week after his election. Time will tell if this is a reasonable assessment of his election promises to cut taxes at the same time as boosting expenditure. This could lead to a sharp rise in total debt issuance from the current level of around 72% of GDP towards 100% during his term in office. However, although the Republicans now have a monopoly of power for the first time since the 1920s, in having a President and a majority in both Congress and the Senate, there is by no means any certainty that the politicians and advisers he has been appointing to his team, and both houses, will implement the more extreme policies that Trump outlined during his election campaign. Indeed, Trump may even rein back on some of those policies himself.

In the first week since the US election, there was a major shift in **investor sentiment** away from bonds to equities, especially in the US. However, gilt yields in the UK and bond yields in the EU have also been dragged higher. Some commentators are saying that this rise has been an overreaction to the US election result which could be reversed. Other commentators take the view that this could well be the start of the long expected eventual unwinding of bond prices propelled upwards to unrealistically high levels, (and conversely bond yields pushed down), by the artificial and temporary power of quantitative easing.

EZ

In the Eurozone, **the ECB** commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting

economic growth and in helping inflation to rise significantly from low levels towards the target of 2%. Consequently, at its December meeting it extended its asset purchases programme by continuing purchases at the current monthly pace of €80 billion until the end of March 2017, but then continuing at a pace of €60 billion until the end of December 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. It also stated that if, in the meantime, the outlook were to become less favourable or if financial conditions became inconsistent with further progress towards a sustained adjustment of the path of inflation, the Governing Council intended to increase the programme in terms of size and/or duration.

EZ GDP growth in the first three quarters of 2016 has been 0.5%, +0.3% and +0.3%, (+1.7% y/y). Forward indications are that economic growth in the EU is likely to continue at moderate levels. This has added to comments from many forecasters that those central banks in countries around the world which are currently struggling to combat low growth, are running out of ammunition to stimulate growth and to boost inflation. Central banks have also been stressing that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.

There are also significant specific political and other risks within the EZ: -

- **Greece** continues to cause major stress in the EU due to its tardiness and reluctance in implementing key reforms required by the EU to make the country more efficient and to make significant progress towards the country being able to pay its way – and before the EU is prepared to agree to release further bail out funds.
- **Spain** has had two inconclusive general elections in 2015 and 2016, both of which failed to produce a workable government with a majority of the 350 seats. At the eleventh hour on 31 October, before it would have become compulsory to call a third general election, the party with the biggest bloc of seats (137), was given a majority confidence vote to form a government. This is potentially a highly unstable situation, particularly given the need to deal with an EU demand for implementation of a package of austerity cuts which will be highly unpopular.
- The under capitalisation of **Italian banks** poses a major risk. Some **German banks** are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also 'too big, and too important to their national economies, to be allowed to fail'.
- **4 December Italian constitutional referendum** on reforming the Senate and reducing its powers; this was also a confidence vote on

Prime Minister Renzi who has resigned on losing the referendum. However, there has been remarkably little fall out from this result which probably indicates that the financial markets had already fully priced it in. A rejection of these proposals is likely to inhibit significant progress in the near future to fundamental political and economic reform which is urgently needed to deal with Italy's core problems, especially low growth and a very high debt to GDP ratio of 135%. These reforms were also intended to give Italy more stable government as no western European country has had such a multiplicity of governments since the Second World War as Italy, due to the equal split of power between the two chambers of the Parliament which are both voted in by the Italian electorate but by using different voting systems. It is currently unclear what the political, and other, repercussions are from this result.

- **Dutch general election 15.3.17**; a far right party is currently polling neck and neck with the incumbent ruling party. In addition, anti-big business and anti-EU activists have already collected two thirds of the 300,000 signatures required to force a referendum to be taken on approving the EU – Canada free trade pact. This could delay the pact until a referendum in 2018 which would require unanimous approval by all EU governments before it can be finalised. In April 2016, Dutch voters rejected by 61.1% an EU – Ukraine cooperation pact under the same referendum law. Dutch activists are concerned by the lack of democracy in the institutions of the EU.
- **French presidential election;** first round 13 April; second round 7 May 2017.
- **French National Assembly election June 2017.**
- **German Federal election August – 22 October 2017.** This could be affected by significant shifts in voter intentions as a result of terrorist attacks, dealing with a huge influx of immigrants and a rise in anti EU sentiment.
- The core EU, (note, not just the Eurozone currency area), principle of **free movement of people** within the EU is a growing issue leading to major stress and tension between EU states, especially with the Visegrad bloc of former communist states.

Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU project to be called into fundamental question. The risk of an electoral revolt against the EU establishment has gained traction after the shock results of the UK referendum and the US Presidential election. But it remains to be seen whether any shift in sentiment will gain sufficient traction to produce any further shocks within the EU.

Asia

Economic growth in **China** has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing

of the economy from investment expenditure to consumer spending. However, the central bank has a track record of supporting growth through various monetary policy measures, though these further stimulate the growth of credit risks and so increase the existing major imbalances within the economy.

Economic growth in **Japan** is still patchy, at best, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.

Emerging countries

There have been major concerns around the vulnerability of some emerging countries exposed to the downturn in demand for commodities from China or to competition from the increase in supply of American shale oil and gas reaching world markets. The ending of sanctions on Iran has also brought a further significant increase in oil supplies into the world markets. While these concerns have subsided during 2016, if interest rates in the USA do rise substantially over the next few years, (and this could also be accompanied by a rise in the value of the dollar in exchange markets), this could cause significant problems for those emerging countries with large amounts of debt denominated in dollars. The Bank of International Settlements has recently released a report that $340bn of emerging market corporate debt will fall due for repayment in the final two months of 2016 and in 2017 – a 40% increase on the figure for the last three years.

Financial markets could also be vulnerable to risks from those emerging countries with major sovereign wealth funds, that are highly exposed to the falls in commodity prices from the levels prevailing before 2015, especially oil, and which, therefore, may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years if the price of oil does not return to pre-2015 levels.

Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members i.e. not that likely.
- UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK may also exit without any such agreements.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

- It is possible that some sort of agreement could be reached for a transitional time period for actually implementing Brexit after March 2019 so as to help exporters to adjust in both the EU and in the UK.

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 following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- 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.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

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. However, in the light of the continued predictions for low savings rates for some time to come, the Council is considering changing this and investing in pooled asset funds for periods of over one year and 'AAA' UK or European Residential Mortgage Backed Securities. The Council will seek guidance on the status of any fund it may consider using. Appropriate due diligence will also be undertaken before investment of this type is undertaken.

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:

- 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.

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:

	Minimum credit criteria / colour band	**Max % of total investments/ £ limit per institution**	**Max. maturity period**
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 £25m £20m £15m 0	Up to 2 years Up to 2 years Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	£40m £25m £20m £15m 0	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	£30m £25m £40m £25m £20m £15m 0	Liquid
Pooled asset funds		£50m	At least 5 years

**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.

APPENDIX Z4: Approved countries for investments

This list is based on those countries which have sovereign ratings of AA- or higher (we show the lowest rating from Fitch, Moody's and S&P) and also have banks operating in sterling markets which have credit ratings of green or above in the Capita Asset Services credit worthiness service.

AAA

- Australia
- Canada
- Denmark
- Germany
- Netherlands
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- USA

AA

- Abu Dhabi (UAE)
- France
- Qatar
- U.K.

AA-

- Belgium

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;

APPENDIX: Glossary of terms used in the budget report

ALMO	Arms Length Management Organisation
AMR	Annual Monitoring Report
ASC	Adult Social Care
BCF	Better Care Fund
BoE	Bank of England
CCG	Clinical Commissioning Group
CDS	Credit Default Swap
CEP	Corporate Expenditure Panel
CERA	Capital Expenditure from Revenue Account
CFO	Chief Financial Officer
CFR	Capital Financing Requirement
CIL	Community Infrastrucutre Levy
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CQC	Care Quality Commission
CSR	Comprehensive Spending Review
Ctax	Council Tax
CTRS	Council Tax Reduction Scheme
DCLG	Department for Communities and Local Government
DEP	Directorate Expenditure Panel
DfE	Department for Education
DMT	Departmental Management Team
DSG	Dedicated Schools Grant
DWP	Department for Work and Pensions
EAA	Equalities Analysis Assessment
EAL	English as Additional Language
EHRC	Equality and Human Rights Commission
EMT	Executive Management Team

ESG	Educaiton Support Grant
FSM	Fee School Meals
GDP	Gross Domestic Product
GLA	Greater London Authority
HB	Housing Benefit
HRA	Housing Revenue Account
iBCF	Improved Better Care Fund
IDACI	Income Deprivation Affecting Children Index
IFS	Institute for Fiscal Studies
IRB	Interest on Revenue Balances
ISB	Individual Schools' Budget
LA	Local Authority
LAC	Looked After Children
LFP	Lewisham Future Programme
LGA	Local Government Association
LGFS	Local Government Finance Settlement
LGPS	Local Government Pension Scheme
LLW	London Living Wage
LOBO	Lender Option Borrower Option
M&C	Mayor and Cabinet
MFG	Minimum Funding Guarantee
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
NHB	New Homes Bonus
NHS	National Health Service
NJC	National Joint Council
NLW	National Living Wage
NNDR	National Non Domestic Rates
OBR	Office for Budget Responsibility
OFSTED	Office for Standards in Education

ONS	Office for National Statistics
pa	per annum
PASC	Public Accounts Select Committee
PFI	Private Finance Initiative
PSAA	Public Sector Audit Appointments
PVI	Private, Voluntary and Independent sector
pw	per week
PWLB	Public Works Loan Board
RMBS	Residential Mortgate Backed Securities
RPI	Retail Price Index
SEN	Special Educational Needs
SEND	Special Education Needs and Disability
SFA	Settlement Funding Assessment
TMS	Treasury Management Strategy
VOA	Valuation Office Agency

Council			
Report Title	Pay Policy Statement		
Key Decision		Item Number	
Ward			
Contributors	Head of Human Resources		
Class		Date	22 February 2017

1. **Introduction**

The purpose of this paper is to present a policy statement on the pay of officers as per Section 38 of the Localism Act 2011.

2. Summary

The Localism Act requires each local authority to publish a statement which identifies the Council's approach to pay and in particular sets out pay arrangements for the chief officer posts i.e. heads of service, executive directors and the chief executive.

3. **Recommendation**

Agree the Pay Policy Statement as attached as Appendix 1 to this report.

4. **Statement content and operation**

The statement sets out the levels of remuneration for the Council's chief officers as well as a general approach to pay i.e. it identifies how jobs are evaluated, graded and the relationship between roles. The report explains the position of additional payments and identifies the relevant terms and conditions as required by statute.

Once agreed by the Council, the Pay Policy Statement will form the basis on which the Council remunerates employees particularly those at the chief officer level, as required by Section 41 of the Localism Act 2011.

Guidance under the Localism Act sets out an expectation that the Council will have regard to any proposal that the Mayor may have before the statement is considered. The proposed statement was therefore put to the Mayor and Cabinet on, where it was agreed.

5. Independent Consultation

The Council's Independent Executive Remuneration Panel (IERP) was consulted upon the content of the Pay Policy Statement and agreed the proposed Pay Statement for 2017/18 set out at appendix 1.

6. **Financial Implications**

The cost of appointing and remunerating members of the Independent Remuneration Panel will be contained within existing budgets. Adopting the proposed Pay Policy Statement does not in itself give rise to any other direct financial implications, although in due course recommendations from the IERP, if adopted, may have direct financial implications.

7. **Legal Implications**

The Pay Policy Statement attached to this report complies with the requirements of Section 38 of the Localism Act 2011 which required all local authorities to prepare a Pay Policy Statement for the financial year 2012 - 2013 and every financial year thereafter. Chapter 8 of the Localism Act 2011 sets out the information which a pay policy statement must contain. Section 40 of the Act also requires the Council to have regard to any guidance issued or approved by the Secretary of State. Guidance under Section 40 was issued in February 2012 and the attached pay policy statement takes account of this guidance.

A Pay Policy Statement must be approved by a resolution of the Council before it comes into force.

Additional guidance under Section 40 of the Localism Act was issued in February 2013. As with the earlier guidance, the Council is required under Section 40 to have regard to this guidance when preparing its Pay Policy Statement. This new guidance included commentary on how local authorities had complied with the original guidance. The new guidance also introduced two new requirements. The first requirement is for local authorities with directly elected mayors. The guidance sets out an expectation that the Council would involve the directly elected mayor and have regard to any proposals that the mayor may have before the statement is considered and approved. The second requirement is that that the pay policy statement should include a requirement that full council is required to vote in relation to any severance packages of over £100,000 (including redundancy pay, holiday pay and pension entitlements).

The Mayor is provided with a draft copy of the 2017/18 Pay Policy Statement in accordance with the new guidance. The guidance requires the Council to have regard to the Mayor's proposals.

With regard to the guidance on severance payments this states that the Council should consider putting a requirement in place that full Council should be given an opportunity to vote before large severance packages (which the guidance recommends should be defined as over £100,000) are provided to staff leaving the organisation. The guidance states that it considers that a severance package will include a number of potential components, including redundancy compensation, pension entitlements and holiday pay.

There are likely to be a number of difficulties with this requirement. Firstly, a number of the elements of the "severance package" are likely to be contractual and/or statutory entitlements, such as redundancy compensation, pension entitlements and holiday pay. If the Council decided not to approve payments of this type then this is likely to result in the Council being in breach of contract and/or statute. It is feasible that a member of staff's pension and redundancy compensation alone could take them above the £100,000 threshold without any further payments being made to them. Secondly, the

requirement to hold a vote at full Council could delay the making of any payments, again this has the potential of placing the Council in a position where it may be in breach of contract and/or other legislation. A delay could also fetter the Council's ability to effectively settle any potential claims against the authority, particularly in situations where a timely settlement may be the most cost effective resolution. Thirdly, where the Council enters into settlement of potential claims, it is often a term of any settlement agreement that the settlement remains confidential. This can be of benefit to the Council as well as to the employee. If a vote at full Council was required then it may be difficult for the Council to provide the confidentiality required by these agreements. If the confidentiality requirement of an agreement was breached this could lead to further claims against the Council and it may be difficult for the Council to provide evidence that confidentiality had definitely not been breached when details of the potential settlement had been distributed to full Council.

As set out above, the Localism Act 2011 requires the Council to have regard to the guidance. This does not require the Council to follow the guidance in circumstances where it has considered the requirements of the guidance but where the Council considers that it has good reasons for not following the guidance.

The draft Pay Policy Statement attached to this report does not include a requirement that full council is required to vote before large severance packages are provided to staff leaving the organisation, this is consistent with the position set out in the previous year's Pay Policy Statement. This report recommends that the Council approve the draft pay policy statement for the reasons set out above.

Once a Pay Policy Statement is in force, any decision of the authority made after 1st April 2017 and relating to remuneration or other terms and conditions of chief officers must comply with the Pay Policy Statement in force at the time. An authority may amend its pay policy statement by resolution.

In the event that the Council wished to adopt a pay policy that does not reflect the current contractual arrangements in place for the employment of officers, then this may give rise to employment law implications.

Appendix 1

London Borough of Lewisham
Pay Policy Statement
2017/18

1. Introduction

The Council seeks to be a fair and good employer of choice and in doing so deliver effective services in the borough. It seeks to engage talented people at all levels of the organisation and to benefit from the exercise of these people's talents. To this end it sets its pay (and reward packages generally, including pensions, etc) in accordance with a fair pay policy and with regard to national and regional pay policy. In doing so it has regard to changing conditions in differing occupational labour markets. The Council's people management strategy recognises the need for a committed and engaged workforce which is rewarded fairly for its motivation, adaptability, innovation and achievement.

Whatever their role, the Council seeks to ensure that every member of staff is valued and remunerated on a fair and just basis – taking into account the burden of personal responsibility their job requires, the delivery expectations placed upon them, as well as any requirements for the exercise of any particular expertise or speciality. The Council wants people to do valuable work and it wants the work to be of value to the workers performing the roles. It is for this reason that the Council has decided that it will conform to the London Living Wage and wherever it is lawful to do so, requires payment of the London Living Wage by its contractors.

The Council's pay strategy is designed to ensure that its pay structures are fair, support a sustainable management structure and foster managerial accountability and effectiveness and provide value for money to the tax payer.

The Council's approach to pay is to:

- ensure pay levels are right to provide the right levels of reward and motivation; and
- ensure pay levels are affordable by the Council

It is set in the wider context of a remuneration policy focussed on:

- employee roles
- employee development
- benefits (including pension)
- salary

The Council's management arrangements continue to be reviewed to optimise the effectiveness of management while reducing its overall cost (by a process of reducing managerial overheads and by reviewing managerial layers as well as spans of managerial control).

The publication of this Pay Policy meets the requirements contained in chapter 8 of the Localism Act 2011.

2. Terms and Conditions of employment

The terms and conditions of employment for Council employees (excluding those who have transferred under specific statutory provisions) are as negotiated nationally by the relevant Negotiating Body for Local Authority Employees and supplemented/amended by any policies or procedures agreed.

The negotiating bodies which apply to employees include:

- The National Joint Council for Local Government Employees, commonly known as the Green Book, applicable to most non-teaching professional and support staff in the Council.
- The Joint Negotiating Committee for Chief Executives of Local Authorities
- The Joint Negotiating Committee for Chief Officers of Local Authorities
- The National NHS Staff Council
- The Soulbury Committee

The employment conditions and any subsequent amendments are incorporated into employees' contracts of employment. The Council's employment policies and procedures are reviewed on a regular basis in the light of service delivery needs and any changes in legislation etc.

The Council reached an Agreement with the local trade unions on 1 April 2008, known as Single Status, which applies to most of its employees up to Chief Officer level. This included the introduction of a single pay and grading structure together with a new job evaluation scheme (the GLPC scheme). The Agreement also sets out the Council's working arrangements and the payments to be made to employees for working outside normal working hours including overtime, and call out payments.

3. Remuneration of chief officers

The definition of chief officers including Executive Directors and Service Heads appears in paragraph 22. Chief officers are all graded as Heads of Service or higher depending on their responsibilities.

The Council pays its chief officers on the following scales shown with pay rates for 2016/17 and 2017/18. Generally post holders are not remunerated at a higher level than the position they report to.

		20/16/17		**2017/18**	
Role	**Scale**	**From**	**To**	**From**	**To**
Heads of Service (JNC4)	3 points	£76,286	£81,396	£77,151	£82,209
Heads of Service (JNC3)	3 points	£92,694	£97,704	£93,624	£98,682
Director of Public Health	8 points	£86,881	£113,345	£87,641	£114,369
Directors (JNC2)	3 points	£103,704	£108,612	£104,742	£109,698
Executive Directors (JNC1)	3 points	£137,226	£142,536	£138,597	£143,961
Chief Executive	Fixed point	£194,310		£196,254	

Pay points for chief officers and the Chief Executive are determined following independent expert pay advice. The remuneration for chief officers on these pay points is determined by reference to Hay job evaluation advice, save where chief officers have transferred to the Council under statutory provisions which entitle them to retain their pre transfer pay scales. The Council's levels of pay for chief officers are regularly benchmarked against other London Councils. These benchmarking exercises show that Lewisham's pay levels for Executive Directors and Heads of Service fall at the 69th and 52nd percentile respectively amongst London Councils.

The salary paid to chief officers is inclusive of all hours worked and no additional payments are paid to chief officers apart from those specifically set out in any of the following paragraphs. Since July 2011 the Chief Executive has been engaged on a part time (0.6) basis and is remunerated pro rata to the fixed point referred to the in the table above.

An Independent Executive Remuneration Panel (IERP) advises on the appropriate pay framework and structure for chief officer positions. In fulfilling this role the Remuneration Panel:

- supports the achievement of the Council's aims,
- takes account of wider public sector pay policy and good practice,
- ensures their decisions are proportionate, fair and equitable and support equal pay principles, including having regard to the "Fair Pay" code published by the Review of Fair Pay in the Public Sector,
- takes account of appropriate pay differentials, including relationship and multiples between chief officers and all employees,
- develops pay policies which attract, retain and motivate senior managers of the right quality and talent,
- takes account of the resources required in transitioning to any revised arrangements.

4. Remuneration of employees who are not chief officers

The majority of employees who are not chief officers are appointed on National Joint Council for Local Government terms and conditions. This will remain the case for 2017/18.

Remuneration for posts below chief officer will normally be determined by either the Greater London Provincial Council job evaluation scheme or the Hay job evaluation scheme. In both cases they are designed to ensure fairness and reward, making assessments based on objective criteria. In 2017/18 salary levels for employees who are not chief officers will range from £18,747 per annum (see below) to £69,882 per annum.

Apprentices within the Council are paid the equivalent of the National Living Wage, regardless of their age, during the first year of their apprenticeship and the equivalent of the LLW in their final year.

Save for apprentices who are excluded from the London Living Wage Scheme, in 2017/8 the Council will not pay below point 8 (£18,747 of the Greater London pay spine) and has adopted a policy of not paying below the current level of the London Living Wage (LLW), calculated on an annual basis (i.e. after any pay awards for that year have been agreed and implemented). Because of this, for the purposes of this Pay Policy Statement the Council defines its lowest paid employee as an employee earning the full time equivalent salary for the LLW, without any additional payments.

This is to enable a pay multiple to be calculated against the Chief Executive's full time equivalent salary. The Council has agreed a maximum pay multiple of 13 to 1. In 2017/18 had the Chief Executive worked on a full time basis he would have earned 10.5 times that of the lowest paid employee. In effect, the 2017/18 pay multiple was below the maximum figure.

Council policy is to pay chief officers in accordance with pay scales set by reference to the Hay job evaluation scheme and non chief officers in accordance with the pay scales set by reference to the Greater London Provincial Councils (GLPC) job evaluation scheme. This does not apply to chief officers who have transferred to the Council under statutory provisions which entitle them to remain on their pre-transfer levels of pay. The Hay Scheme remunerates employees above the levels of the GLPC scheme. As at January 2017 the median average of the pay of chief officers is 3.0 times that of all non chief officer posts (excluding apprentices). The IERP have endorsed the current senior pay structure and believe that this has served the Council well, particularly in the context of the changes to public services. The IERP has been requested to keep this relationship under review to ensure it is fair and appropriate.

5. Performance related pay

As with chief officers, the Council does not pay bonuses or performance related pay to any of its employees.

6. Market supplements

In a limited number of cases the Council currently makes market supplement payments to employees. During 2017/18, the Council may make such market supplement payments where market conditions dictate that this is necessary to recruit or retain suitable staff where it would otherwise be unable to do so. Market supplements are not currently and will not normally be paid to any chief officers.

7. Approach to remuneration on recruitment

New employees, including chief officers, are normally appointed to the bottom of the particular pay scale applicable for the post. If the employee's existing salary falls within the pay scale for the post, the employee is normally appointed to the nearest point on the scale which is higher than their existing salary. In cases where the existing salary is higher than all points on the pay scale for the new role, the employee is normally appointed to the top of pay scale for the role.

8. Appointment to new posts paid in excess of £100,000 per annum

Where it is proposed to appoint to a post which is not in existence at the time of the publication of this pay policy statement, and the proposed remuneration is more than £100,000 per annum the appointment may not be made unless the Council has agreed to the level of remuneration attaching to the position. This provision does not apply to any roles which transfer to the Council through either TUPE or any other equivalent or similar statutory transfer process. This requirement does not apply to roles arising out of restructures to which the Council is obliged to match existing employees to or conduct a ring fenced recruitment exercise.

9. Increments and pay awards

For all employees the Council's usual policies on incremental progression and application of appropriate pay awards will apply.

10. Additional salary payments

Council policy allows for an additional salary payment to be made to employees to reflect duties of an exceptional nature that are required to be undertaken which are over and above the normal requirements of the employee's post.

In accordance with Council policy, additional salary payments may be agreed for all employees, in the case of chief officers this is made up to the value of five increments (currently a maximum of £12,525). No additional salary payments of this nature are currently made to Executive Directors or the Chief Executive and this is expected to remain the case in 2017/18.

However, the post of Director of Public Health is entitled to receive additional payments of £13,011 under the national Clinical Excellence Award.

Employees within the Education Standards and Inclusion Service and Educational Psychologists are entitled to receive additional payments of up to 3 pay points on the Soulbury pay scale. Employees are able to submit an application which takes into account certain criteria, including length in post and contribution to the development of the service. If successful an award is made which becomes a permanent element of pay. Awards for Service Managers within the Standards and Inclusion Service, the most senior posts, will be at 3 levels, with the award for each level (the equivalent of 1 pay point) at an average of £1,135.

11. Resilience for emergencies: disaster/incident recovery, command and control

The Council is required to have measures in place to respond to any major incident in the borough. There is an emergency plan in place which is supported by a team of senior officers within the Council, led by the Chief Executive. Responding to incidents so as to ensure adequate recovery requires 24/7 management coverage by those senior managers who are able to perform these emergency incident roles. The Chief Executive and Executive Directors do not receive any additional payment for undertaking this role which is incorporated into their contracts of employment. Other senior staff, including other chief officers, who undertake a role in emergency planning and disaster recovery for the borough and participate in the emergency rota receive an additional payment. In the case of roles covered by chief officers, other than Executive Directors, this payment is £2,000 per annum.

12. Interim and Consultant engagements

Any temporary or short term engagement should be made through REED Talent Solutions. In exceptional circumstances where it becomes necessary to engage a specialist interim or consultant to cover a PAYE position. In all cases there is a requirement to establish whether the individual is regarded as self employed or an employee in accordance with HMRC guidelines. The individual is paid accordingly.

If the Council is engaging a company the contract is with the company and not the individual. The contract should have a start and end date and specify the work to be undertaken. This work should not be a role that is covered by a Council job description as this is the work of 'an employee'.

13 Election Fees

At any election time, approximately 500 – 600 Council staff will be employed on election duties of varying types. The fees paid to Council employees for undertaking election duties vary according to the type of election they participate in and the nature of the duties they undertake. All election fees paid are additional to Council salary and are subject to normal deductions for tax.

Returning Officer duties (and those of the Deputy Returning Officer) are contractual requirements but fees paid to them for national elections/ referendums are paid in accordance with the appropriate Statutory Fees and Charges Order/Guidance from London Councils.

14 Pensions

All Council employees are eligible to join the Local Government Pension Scheme. The Council does not enhance pensionable service for its employees either at the recruitment stage or on leaving the service, except in certain cases of retirement on grounds of permanent ill-health where the strict guidelines specified within the pension regulations are followed. Teachers and NHS staff have their own pension schemes.

15 Payments on ceasing office

The general position

Employees who leave the Council, including the Chief Executive and chief officers, are not entitled to receive any payments from the Council, except as detailed below.

Legislation and guidance in this area is expected during 2017/18. Any legislation that may be enacted during the year in respect of termination payments and/or claw back of termination payments will be applied and may vary this policy.

Retirement

Employees who contribute to the Local Government Pension Scheme, who elect to retire at age 55 or over, are entitled to receive immediate payment of their pension benefits (reduced for early payment if applicable) in accordance with the Scheme. Early retirement, with immediate payment of pension benefits, is also possible under the Pension Scheme on grounds of permanent ill-health at any age.

The Council will consider applications for flexible retirement from employees aged 55 or over on their individual merits and in the light of service delivery needs. Approval is conditional upon the employee agreeing to reduce their hours/pay by not less than 40%. Benefits closely reflect those permitted by Regulation 18 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007/1166. All applications are considered by the Council's Early Retirement Panel.

Redundancy

Employees who are made redundant are entitled to receive statutory redundancy pay as set out in legislation calculated on their actual salary. In addition the Council has a policy for the payment of further compensation, of an amount based on statutory limits. This scheme may be amended from time to time in accordance with the Council's Constitution.

Voluntary Severance

Voluntary Severance payments may be made where it is in the Council's best interests to do so; such payments should comply with any applicable legislation and the Council's Voluntary Severance scheme at the time.

Settlement of potential claims

Where an employee leaves the Council's service in circumstances which are, or would be likely to, give rise to an action seeking redress through the courts from the Council about the nature of the employee's departure from the Council's employment, the Council may settle such claims by way of compromise agreement where it is in the Council's interests to do so. The amount to be paid in any such instance may include an amount of compensation, which is appropriate in all the circumstances of the individual case. If Payment in Lieu forms part of the payment this will be shown as a separate payment and taxed accordingly. Should such a matter involve the departure of an Executive Director or the Chief Executive it will only be made following external legal advice.

Payment in lieu of notice

In exceptional circumstances, where it suits the Council's service needs, payment in lieu of notice is made to employees on the termination of their contracts, these payments attract Tax and National Insurance deductions.

Other payments

There may be exceptional circumstances not envisaged by the pay policy, where payments may be made, provided they are in the Council's best interests, comply with applicable statutory requirements and with Council policy.

16 Re-employment

Employees who have left the Council on grounds of redundancy will not normally be re-employed for a period of one year and for 2 years in the case of voluntary severance.

Applications for employment from employees who have retired from the Council or another authority or who have been made redundant by another authority will be considered in accordance with the Council's normal recruitment policy. However like many authorities, Lewisham operates an abatement policy which means that any pension benefits that are in payment could be reduced on re-employment in local government.

17 Memorandum of Co-Operation

The Council has signed up to a Memorandum along with other London Councils, which attempts to address recruitment and retention issues for children's social workers. The Memorandum includes a cap on agency worker rates.

18. Gender Pay Differentials

The Council considers it good practice to publish information on gender pay differentials by comparing the differences in the median level of earnings between female and male employees, taking account of any hours differential. The median (full time equivalent) earnings for female employees stands at £33,294 and male median earnings at £29,133. The Council therefore has a gender pay ratio of 10:9.

19. Exceptional circumstances

The provisions of this pay statement are designed to set out the Council's normal approach to remuneration and to provide transparency for the public about its policies relating to remuneration. However exceptional circumstances may occasionally arise where it would be appropriate to depart from the detailed provisions set out in this policy where Council service needs demand. This pay policy authorises such payment if appropriate specialist external advice is that it would be appropriate to make an exception in any particular case, in which case the Council may act in accordance with that advice.

20. Publication of and access to information relating to remuneration

The Council will publish details of all chief officer positions. This will be published at the same time as the Council's statement of accounts.

21 Publication and amendment

The Council will publish this Pay Policy Statement on its website and may amend it at any time during 2017/18 if it is of the opinion that it is appropriate to do so. Any amendments to it will also be published on the Council's website.

22 Definition of chief officers

Within this Pay Policy Statement, chief officer includes the following roles: the Council's Chief Executive, Monitoring Officer and those fulfilling statutory chief officer roles as set out in section 2(6) of the Local Government and Housing Act 1989. It also includes non-statutory chief officers as set out in section 2(7) of that Act, which includes all officers for whom the Chief Executive is directly responsible, those who report directly or are directly accountable to the Chief Executive and those who are directly accountable to the Council itself or any committee or sub-committee.

Within this Pay Policy Statement, the term chief officer also includes those who are a deputy to a statutory or non-statutory chief officer referred to above (i.e. those who report directly or are directly responsible to a statutory or non-statutory chief officer, as set out in section 2(8) of that Act). It does not include those employees who report to the Chief Executive or to a statutory or non-statutory chief officer but whose duties are solely secretarial or administrative.

COUNCIL			
Report Title	New Bermondsey – Establishment of an independent inquiry		
Key Decision	Yes		Item No.
Ward	New Cross		
Contributors	Head of Law		
Class	Part 1	Date: February 22 2017	

Reasons for Lateness and Urgency

This report was not available for the original dispatch because it has been drafted in part in relation to continuing allegations appearing in the press. The report is urgent and cannot wait until the next meeting of Mayor & Cabinet and Council because there is an urgent need for the Council to consider whether to establish an Inquiry to inspire public confidence as soon as possible.

Where a report is received less than 5 clear days before the date of the meeting at which the matter is being considered, then under the Local Government Act 1972 Section 100(b)(4) the Chair of the Committee can take the matter as a matter of urgency if he is satisfied that there are special circumstances requiring it to be treated as a matter of urgency. These special circumstances have to be specified in the minutes of the meeting.

Subject to urgency provisions, the Council's constitution requires that a key decision may only be taken if it has been included in the key decision plan. This matter has not been included in that plan. However, the urgency provisions state that if it is impracticable for a matter which is a key decision to be included in the key decision plan, the decision may be taken if:-

(a) The proper officer has informed the Chair of the Business Panel in writing, by notice, of the matter in respect of which the decision is to be made; and
(b) The proper officer has published that notice at the Council's offices and on the website; and
(c) At least 5 clear days have elapsed since the proper officer complied with (a) and (b) above.

These urgency provisions have been complied with.

1. Purpose

1.1 This report seeks to establish the arrangements for an independent Inquiry to examine matters relating to a proposed Compulsory Purchase Order (CPO) of land at New Bermondsey/Surrey Canal. The Council wishes to ensure that its decisions and the actions of its members and officers are demonstrably of the highest standard. Concerns related to a proposed CPO of land at New Bermondsey/Surrey Canal have been raised. This report recommends that an independent Inquiry into these matters be set up and proposes the arrangements for it. An inquiry conducted externally would inspire confidence in the public and all parties concerned that the conduct and outcome of the review are free from Council influence and are truly independent.

2. Recommendations

2.1 That an independent Inquiry be established to investigate matters related to the Council's proposed compulsory purchase order of land at New Bermondsey/Surrey Canal.

2.2 To agree the terms of reference for the Inquiry as set out in paragraph 5.

2.3 To agree to approach the Chair of the Bar Council to appoint a QC who meets the criteria set out in paragraph 6 to conduct the Inquiry and, if he is unable to make such an appointment, to nominate an alternative intermediary with an equal level of probity and independence.

2.4 To agree expenditure of up to £500,000 for the conduct of this Inquiry.

2.5 To agree that the Executive Director for Children and Young People be the Council's officer lead in relation to the establishment and conduct of the Inquiry.

2.6 To establish a cross party New Bermondsey/Surrey Canal Inquiry Committee comprising four majority group members and the minority party member to receive the report of the Inquiry, to receive periodic reports on progress, expenditure incurred and to make recommendations to full Council and Mayor and Cabinet for any action arising from the Inquiry.

2.7 To agree that if, in the course of the investigation, the person conducting the Inquiry is of the view that there are any other matters which ought to be explored in the context of the Inquiry, they should investigate those matters and report on them to the Council.

3. Background

3.1 Following a decision in principle in 2012 to use CPO powers to assemble the land at New Bermondsey/Surrey Canal to facilitate its comprehensive development, the Council has been working with a developer, Renewal, in an attempt to achieve the redevelopment of the area. If the development were to

proceed it would provide a new sports centre – Energize – which it is intended would be managed by a charitable organisation, The Surrey Canal Foundation Trust (SCFT). SCFT is already operational and the Mayor was, until recently, a Director. Because of this he has recused himself from Council decisions affecting the proposed CPO of land at New Bermondsey/Surrey Canal.

3.2 In June 2014, the Council agreed to pledge the sum of £500,000 to SCFT subject to a funding agreement being put in place. The terms of that agreement were still to be negotiated and were subject to the formal approval of Mayor & Cabinet. The report on which the resolution to make the pledge was made included a reference to support from Sport England, also to pledge an amount of £2m.

3.3 On 19 and 20 January 2017 and on various other dates, articles appeared in the Guardian newspaper that suggest that Sport England do not support SCFT and that they would prefer SCFT not to make statements to that effect. As a result, both the Mayor and Chair of Overview and Scrutiny requested that there should be an independent Inquiry into these matters. Their requests are appended.

3.4 Since then, in addition, further statements have been made in the Guardian that assertions by Renewal/ SCFT that they have a funding pledge from other organisations are inaccurate, and that an application to the GLA for Housing Action Zone funds was also inaccurate.

3.5 The Council now needs to establish the accuracy or otherwise of the claims in the Guardian articles, and whether in relation to those claims SCFT, Renewal and/or Council officers, have misled the Council and if so, in what respect and whether there has been any breach of the Member and/or officer Code of Conduct.

3.6 In addition to the specific claims in the Guardian newspaper in relation to SCFT, there has been a further allegation that Renewal and/or their investors have not given the complete story to the Council in relation to their engagement of Lambert Smith Hampton in 2015.

3.7 The Council is recommended to commission an Inquiry and needs to decide:

- The scope of the Inquiry
- The type of Inquiry to be conducted
- How to appoint the person to conduct the Inquiry
- To whom the Inquiry report should be presented

4. Rationale for an Inquiry

4.1 There has been much public interest in proposals to issue a CPO in respect of land at New Bermondsey/Surrey Canal to facilitate a complete development of the area by a developer. Many have voiced opposition to the making of a

CPO. Both within and beyond the Council there have been concerns expressed about a number of factors.

4.2 The allegations about SCFT are serious and the Council needs to establish whether they are true and if so, consider the implications for any redevelopment at New Bermondsey/Surrey Canal. It is therefore imperative that an independent Inquiry into the allegations in relation to SCFT should take place and that it should be conducted by someone with sufficient knowledge and expertise to conduct it robustly. Only in this way can the Council inspire public confidence in the integrity of the process and its outcome.

5. The scope of the Inquiry

5.1 In addition to the allegations relating to SCFT, concerns have been voiced about the actions of the developer, their investors and their agents, Lambert Smith Hampton. Concern has also been expressed that officers may not have carried out the necessary due diligence in relation to the proposed scheme. Additional concerns have been voiced as to whether the matter has been handled with propriety by all members and officers. Concerns have also been voiced about whether the bid for Housing Action Zone funds is accurate. Legal advice has been received that any Inquiry should primarily focus on the SCFT issues but not be so restrictive to impede the investigator in his/her enquiries. The Council is also legally advised that any Inquiry should not look at matters where a long time has elapsed since their occurrence. There needs to be a balance struck between the desire for a thorough Inquiry and the possibility that it may become unwieldy and prohibitively expensive. It is proposed that the appropriate starting point for the Inquiry should be the grant of planning permission (2011) and the resolution in principle to use the Council's CPO powers (2012).

5.2 To balance these imperatives, it is proposed that the scope of the Inquiry be as follows:-

1. To consider the pledge of £500,000 by the Council to SCFT in June 2014 and to establish:-

   (a) Whether the report on which it was based was accurate in its reference to support from Sport England.
   (b) If not accurate, whether the Council was misled by SCFT, Renewal and/or their employees and/or agents, and/or by Council officers.
   (c) If the report is not accurate, whether any Member and/or officer committed a breach of the Member and/or employee Code of Conduct in relation to this matter.
   (d) If the report was accurate as at June 2014, whether the circumstances have changed since and if so, how, when and whether such change ought to have been reported to Mayor and Cabinet and why it was not.

(e) If the allegations are accurate what is the impact on the overall redevelopment scheme.

2. To consider statements made by Renewal/SCFT to the Council in relation to funding pledges from other sources and to establish whether those statements were misleading and if so, whether Renewal, SCFT, their employees and/or agents and/or Council officers have misled the Council. If the Council has been misled to comment on the impact on the overall development scheme.

3. To consider the bid for Housing Action Zone funds from the GLA in relation to this proposed development and to establish whether statements in it in relation to pledges of funding are misleading and if so, whether Renewal, SCFT, their employees and/or agents and/or Council officers have misled the Council. If the Council has been misled, to comment on the impact on the overall development scheme.

4 To establish whether the Council's Inquiry into the instruction of Lambert Smith Hampton by Renewal and/or its investors was appropriately conducted and reported to Mayor and Cabinet. If not, what further action ought the Council to have taken in this respect.

5 In all the circumstances as to the adequacy of the due diligence of Council officers in advising the Mayor and Cabinet on the proposal for a CPO at New Bermondsey; and

6 The propriety or otherwise of the behaviour of all Members and officers involved in all stages of the process of consideration of the proposed CPO.

7 If in the course of the investigation the person conducting the Inquiry is of the view that there are any other matters which ought to be explored in the context of the Inquiry, to investigate those matters and report on them to the Council.

5.3 In paragraph 12, the documents specifically cited in these proposed terms of reference and links to them on the Council's website are listed. If an Inquiry is approved, the Council would make available any and all documents in its possession as requested by the person conducting it. There is copious documentation.

6. The type of Inquiry

6.1 It is proposed that investigation should be by way of independent Inquiry. The person leading it must therefore be sufficiently skilled to conduct a thorough Inquiry. Given the nature of the Inquiry and the circumstances giving rise to it, it will need to be led by an individual who is demonstrably independent of all

parties involved, sufficiently knowledgeable, and generally recognised to be a person of suitable integrity and authority to conduct the business in the rigorous, open-minded and unbiased manner that the public will expect. Subject to the skills and background of the person appointed, they may need access to independent legal and financial advice as required.

7. How to appoint the person to lead an independent Inquiry

7.1 In order to fulfil the criteria set out in the previous paragraph, ensuring a suitably qualified, independent person leads the Inquiry, it is proposed to appoint a QC using the most clearly independent method of identification, namely asking the Chair of the Bar Council to choose a person who is suitable and available to conduct this Inquiry. This is a commonly used practice which is reflected in many commercial agreements as a method to resolve disputes. The appointment would be a matter solely for the Chair of the Bar Council.

7.2 If for any reason the Chair of the Bar Council is unable to appoint a suitable QC, he will be asked to nominate an alternative intermediary with an equal level of probity and independence. This intermediary would then be asked to appoint a suitably qualified person (for example a retired High Court judge).

8. To whom should the report be presented?

8.1 Clearly the report will be made to the Council. The Council is recommended to establish a Committee to receive the report initially and to oversee any report to Council for action arising from it. In the interests of transparency, it is recommended that the Committee includes the minority group councillor. It is therefore recommended that a New Bermondsey/Surrey Canal Independent Inquiry Committee is established comprising four majority group and one minority group member. The terms of reference of the Committee will be set at the Council's Annual General Meeting but will include responsibility for monitoring the progress of the Inquiry, receiving regular updates on its progress, monitoring the level of expenditure of the Inquiry and reporting to Council as well as Mayor and Cabinet on the final report, including any recommendations for action.

9. Timescales

9.1 If a decision were made in accordance with the recommendations in this report, an approach to the Bar Council would be made as soon as practicable. However, it is unlikely that a person to lead the Inquiry would be identified and ready to start work on the Inquiry before the beginning of April at the earliest. The length of time needed for an Inquiry such as that proposed is not likely to be less than 6 months and may be more. This is because there are numerous documents which may be pertinent to this Inquiry and the person conducting it may wish to hear from many parties. The Council needs to take care not to impose time limits which cannot be met if the person leading the Inquiry is to conduct a thorough investigation which inspires confidence in its robustness.

9.2 On the other hand the Council will need to monitor progress of the Inquiry and to be aware of the costs being incurred as it progresses. For this reason it is proposed that the person conducting the Inquiry be asked to report back to the New Bermondsey/Surrey Canal Independent Inquiry Committee periodically on progress.

10. Legal Implications

10.1 The Council has power to establish and commission an external investigation by virtue of Section 2 Localism Act 2011.

10.2 The establishment of the investigation by law is an executive function and so technically a decision for the Mayor and Cabinet to make. In the circumstances, it is prudent that the Mayor & Cabinet and full Council be involved in consideration of whether to establish an external review and if so, the arrangements for it. To facilitate this, meetings of the Council and Mayor and Cabinet are to be called contemporaneously to ensure that decisions are made in the appropriate legal forum with separate decisions to be taken and recorded.

10.3 Any Committee established to receive the Inquiry report would need to satisfy the political balance requirements set out in the Local Government and Housing Act 1989

10.4 The Equality Act 2010 (the Act) introduced a public sector equality duty (the equality duty or the duty). It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

10.5 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.

10.6 It is not an absolute requirement to eliminate unlawful discrimination, harassment, victimisation or other prohibited conduct, or to promote equality of opportunity or foster good relations between persons who share a protected characteristic and those who do not. It is a duty to have due regard to the need to achieve the goals listed above.

10.7 The weight to be attached to the duty will be dependent on the nature of the decision and the circumstances in which it is made. This is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. The Mayor must understand the impact or likely impact of the decision on those with protected characteristics who are potentially affected by the decision

The extent of the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.

10.8 The Equality and Human Rights Commission has 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: https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-codes-practice

https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-technical-guidance

10.9 The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:

- The essential guide to the public sector equality duty
- Meeting the equality duty in policy and decision-making
- Engagement and the equality duty: A guide for public authorities
- Objectives and the equality duty. A guide for public authorities
- Equality Information and the Equality Duty: A Guide for Public Authorities

10.10 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: https://www.equalityhumanrights.com/en/advice-and-guidance/public-sector-equality-duty-guidance#h1

11. Financial Implications

11.1 The cost of any approved Inquiry will very much depend on the scope and the approach taken and the number of days spent on it. The exact costs would need to be determined once the approach has been finalised. The Executive Director for Resources and Regeneration advises that there is a reserve of £500,000 set aside for legal matters which could be used to finance any Inquiry. Officers would monitor the costs as any review proceeds and in the event that the cost appears likely to exceed £500,000 this will need to be referred to members for further approval.

12. Documentation

12.1 The following documents are attached as an Appendix.

- 20.01.17 – email from the Mayor to the Chief Executive requesting external review of Surrey Canal Sports Foundation
- 20.01.17 – email from Chair of Overview & Scrutiny Committee to Barry Quirk with letter requesting independent investigation of Surrey Canal Sports Foundation
- 24.01.17 email from the Chief Executive to Mayor & Councillors re Mayor & Cllr Hall's requests for independent investigation of Surrey Canal Sports Foundation

(1)

Da Costa, Siobhan

From:	Mayor
Sent:	20 January 2017 19:07
To:	Quirk, Barry
Cc:	Nicholson, Kath
Subject:	Articles in the Guardian today

Barry,

There have been two articles published in the Guardian today concerning the Surrey Canal Sports Foundation of which I am a director. These raise issues in relation to the governance of the SCSF which are not matters for the council but also about decisions made by the Council and my involvement in them. In these circumstances I believe that it would now be appropriate for an authoritative external party to carry out a review of the issues raised in order to to establish whether any errors have occurred and whether anyone including me has acted in an inappropriate way.

It would be for yourself and Kath to identify a suitable person of course.

Steve

Sir Steve Bullock
020 8314 6193
http://www.mayorsteve.co.uk/

(2)

Da Costa, Siobhan

From:	Hall, Cllr Alan
Sent:	20 January 2017 16:35
To:	Quirk, Barry
Cc:	Senior, Janet; Nicholson, Kath; Talbot, Emma; Buckton, Aileen; Sheehan, Kevin
Subject:	Surrey Canal Sports Foundation
Attachments:	Barry Quirk formal letter SCSF 20.01.17 ah pdf.pdf
Importance:	High

Dear Barry,

It with regret that I find myself writing to you formally on the subject of the Surrey Canal Sports Foundation.

I shall be copying this letter to Members and others shortly.

The letter is self explanatory and I look forward to your response.

With kind regards,

Alan

Councillor Alan Hall | Bellingham | Labour Non Executive Leader| Chair, Overview & Scrutiny | London Borough of Lewisham |

T: 0208 699 2198 (answerphone)
@cllralanhall

Lewisham

Councillor Alan Hall
Chair, Overview & Scrutiny Committee

Barry Quirk
Chief Executive
Lewisham Council

20th January 2017

Dear Barry,

Surrey Canal Sports Foundation

Earlier today, *The Guardian* published an article on the Surrey Canal Sports Foundation. The article is here:

https://www.theguardian.com/football/2017/jan/19/millwall-stadium-false-funding-claims-the-den

I am writing to request that you arrange a full and independent investigation of all the matters raised within this article.

This includes but is not limited to:

- Has the Council been misled by the Surrey Canal Sports Foundation?
- Has the Council carried out 'due diligence' on the Surrey Canal Sports Foundation?
- Does the Surrey Canal Sports Foundation have good governance?
- Are the other partnership monies for example, Onside Youth Zone real?
- The operation and delivery of public sports facilities by the Surrey Canal Sports Foundation are key to the Section 106 planning permission and the approval of a Compulsory Purchase Order. How do the revelations in the article and the questions raised affect these two public processes?

Furthermore, the Overview & Scrutiny Business Panel raised serious concerns about the pledge of money by the Council to the Surrey Canal Sports Foundation for example see 8th July 2014 minutes and referral to the Cabinet and these concerns were dismissed on advice from Council officials. On the evidence so far it appears that the Scrutiny Business Panel members were lied to. I hope that this is not the case. Lewisham's scrutiny councillors have raised the issue of governance and due diligence throughout the whole period of the Council's involvement with Renewal and I am greatly alarmed by this current situation.

So in conclusion, I request a full and independent review of governance and due diligence with verification of all Renewal's statements be provided to our Non Executive Committee and look forward to your prompt reply.

Yours sincerely

Councillor Alan Hall

(3)

From: Townsend, Charmaine **On Behalf Of** Quirk, Barry
Sent: 24 January 2017 09:48
To: Mayor; _All Councillors
Subject: Letter to Mayor and Councillors

Dear Mayor and Councillors

Late on Friday 20 January I received formal requests by email from the Mayor, Sir Steve Bullock, and Cllr Alan Hall, the Chair of Overview and Scrutiny, both asking me to commission an independent review of the matters referred to in a Guardian article of that day on the Surrey Canal Sports Foundation. As you will know this matter relates to the proposal, in the compulsory purchase order (CPO) for the New Bermondsey scheme, to relocate the Millwall Community Trust (MCT) into a new sports centre.

I feel that these requests are entirely sensible in the circumstances. Therefore, I am urgently putting arrangements in place to secure an independent external review. As soon as I am in a position I shall advise you of the terms of reference of that review and the name of the person conducting the review.

Obviously, the process and timing of the reconsideration of the proposed CPO by the Cabinet may be affected by this review.

yours sincerely,

Barry Quirk
chief executive

COUNCIL			
Report Title	Motion 1 in the name of Councillor Liam Curran to be seconded by Councillor Stella Jeffrey		
Key Decision			Item No.
Ward			
Contributors	Chief Executive (Head of Business & Committee)		
Class	Part 1	Date: February 22 2017	

"This council welcomes the new consultation by TfL on the Bakerloo Line and further urges all interested parties to continue to push for an extension to Hayes in order to benefit further all residents and communities along the route."

COUNCIL			
Report Title	Motion 2 in the name of Councillor Ingleby to be seconded by Councillor Smith		
Key Decision			Item No.
Ward			
Contributors	Chief Executive (Head of Business & Committee)		
Class	Part 1	Date: February 22 2017	

Improving Cycling in Lewisham – Strategic focus on the A21,

“One of the key findings of the 2015 Sustainable Development Select Committee Modern Roads Review was that cycling should play an important role in delivering a modern roads network for Lewisham in the 21st century. Yet only 2% of journeys in Lewisham are made by bicycle at the moment – lower than comparable boroughs - because LBL lacks high quality cycle routes along any of its main distributor roads, and our one existing through route, the Waterlink Way, will not support or deliver greater numbers, especially at peak times.

The report's recommendations included several promoting cycling in the borough, including:

- That any future re-design of the Catford Gyratory (A205/A21) incorporates the needs of cyclists and pedestrians from the beginning of the process

- That the Council considers the full range of different cycle-friendly road designs that radically improve the safety and environment for cyclists including recently implemented exemplar junction schemes in other London boroughs.

In the light of these recommendations, and of the acknowledged need to increase significantly cycling's modal share in Lewisham it is proposed that the council work on a plan with TfL for the development of a safe segregated cycle route through the borough along the A21, running from Downham to Deptford, connecting to the Cycle Superhighway 4 on the A200 (and Quietway 1).

This route will help to link up existing cycle routes through the borough to the east and west, such as the Waterlink Way, CS4 and LCN 22.

This single route would not only provide a fast and effective link for those cycling to central London, but would also better connect the communities of Lewisham to its main town centres, as well as neighbouring boroughs of Greenwich, Southwark and Bromley. The consideration of the route will provide the strategic focus and backbone necessary for delivering a cycling vision for Lewisham, based on place-making.

Given the Mayor of London’s recent promise to spend £770m on cycling initiatives, the Council asks the Mayor and Deputy Mayor to actively chase these opportunities for

funding and joint working with TfL to create the strategic A21 cycling artery that will drive the vision of Lewisham's cycling offer to London."

Agenda Item 12

COUNCIL			
Report Title	Motion 3 in the name of Councillor Walsh to be seconded by Councillor Jacca		
Key Decision			Item No.
Ward			
Contributors	Chief Executive (Head of Business & Committee)		
Class	Part 1	Date: February 22 2017	

"This council notes-

- That the Lewisham Jobcentre Plus (Rushey Green site) is under treat of closure by April 2018 after the DWP announcement on 26th January
- That new premises are needed by 2018 as current lease is ending
- That DWP announcement affect one in ten Job centre nation wide
- These changes will affect over 3000 local residence who current use this Job centre as claimants
- Claimant Commitment to work a 35 hour week under Universal Credit may lead to additional people needing to attend Jobcentre plus

This Council believes –

- That the centre of Lewisham needs a Job centre to ensure that our local residences have accessible and easy access DWP services

This Council resolves-

- To Support the Public and Commercial Services Union's "Lewisham Needs a Jobcentre" campaign.
- For appropriate council officers to liaise DWP to support them to find alternative premise in the centre of the borough
- Investigate the possibility of co-location with appropriate council service."

COUNCIL			
Report Title	Motion 4 in the name of Councillor Dromey to be seconded by Councillor Dacres		
Key Decision			Item No.
Ward			
Contributors	Chief Executive (Head of Business & Committee)		
Class	Part 1	Date: February 22 2017	

Save New Cross Post Office

The Council notes:

- That New Cross Post Office is under threat of closure. The Post Office announced on 10th January that it would be closing and franchising 37 Crown Post Offices across the country, including the New Cross branch.

- That these closures would lead to the loss of over 400 job nationwide, and they follow the announcement of 62 planned closures in 2016.

- That New Cross Post Office is well used by, and valued by the local community. Over a hundred people attended the demonstration and nearly 700 people have signed our petition to Save New Cross Post Office.

- Independent research shows that franchised Post Offices offer poorer disabled access, longer queuing times, worse customer service and fewer staff, often on minimum wage.

This Council believes

- That the closure of New Cross Post Office is bad for our community. It would downgrade vital services to our local community.

- That the closure of New Cross Post Office is bad for our local economy. It would have a detrimental impact on businesses on New Cross Road and the local economy.

- That the closure of New Cross Post Office is bad for postal workers. It would lead to good quality, skilled jobs on decent pay being replaced by insecure and low-paid work.

This Council resolves

- To affirm our opposition to the closure of New Cross Post Office.

- To offer our support to the local Save New Cross Post Office campaign, and to the CWU's campaign against the closure of over 100 Post Offices.

- For the Mayor to write to Margot James MP, the Minister responsible for the Post Office, to raise our concerns about the potential franchise of New Cross Post Office.

- For the Mayor to write to Paula Vennells, the Chief Executive of the Post Office, calling on her to reverse the decision and protect our much-valued Post Office."

COUNCIL			
Report Title	Motion 5 in the name of Councillor Clarke to be seconded by Councillor Elliot		
Key Decision			Item No.
Ward			
Contributors	Chief Executive (Head of Business & Committee)		
Class	Part 1	Date: February 22 2017	

Barriers to Politics Working Group

This Council resolves to establish a time-limited all-party Working Group to examine barriers to those wishing to enter politics as an elected member and, once elected, the barriers to remaining in post or progressing.

This Council notes;

- In 2014 32.7% of councillors and 18.8% of elected mayors were women. 13.1% of council leaders were women. In London 25% of Councils are led by women.

- There is no consistent reporting of the barriers and equality issues facing Councillors and how many are affected.

- Councillors have raised numerous concerns regarding the role of a Councillor including, but not exclusively: hours and the range of responsibilities, anti-social hours, financial issues including loss of benefits, and caring and disability issues.

This Council agree the following terms of reference:

- The Group aims to identify and investigate the various barriers that exist for individuals wishing to apply for, or undertaking the role of Councillor, and to put forward recommendations to Full Council on how to address them.

- The Group will focus on barriers in each equality stream.

- The Working Group will bring a report to Council by September 2017.

- The Group will have the power to invite expert witnesses and to request relevant officers to attend meetings.

- The Group will require appropriate officer time and resources to support its work.