

# Public Accounts Select Committee Agenda

Thursday, 13 July 2017

**7.30 pm,**

Civic Suite

Lewisham Town Hall

London SE6 4RU

For more information contact: Timothy Andrew (Tel: 0208 31 47916)

This meeting is an open meeting and all items on the agenda may be audio recorded and/or filmed.

## Part 1

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# Public Accounts Select Committee Members

Members of the committee, listed below, are summoned to attend the meeting to be held on Thursday, 13 July 2017.

Barry Quirk, Chief Executive  
Tuesday, 4 July 2017

Councillor Maja Hilton (Chair)	
Councillor Chris Barnham (Vice-Chair)	
Councillor Paul Bell	
Councillor Brenda Dacres	
Councillor Amanda De Ryk	
Councillor Carl Handley	
Councillor Simon Hooks	
Councillor Mark Ingleby	
Councillor Roy Kennedy	
Councillor Sophie McGeevor	
Councillor Alan Hall (ex-Officio)	
Councillor Gareth Siddorn (ex-Officio)	

## **MINUTES OF THE PUBLIC ACCOUNTS SELECT COMMITTEE**

**Wednesday, 28 June 2017 at 7.15 pm**

**PRESENT:** Councillors Maja Hilton (Chair), Chris Barnham (Vice-Chair), Paul Bell, Amanda De Ryk, Carl Handley, Simon Hooks, Mark Ingleby and Sophie McGeevor and Alan Hall

**APOLOGIES:** Councillors Brenda Dacres and Roy Kennedy

**ALSO PRESENT:** Timothy Andrew (Scrutiny Manager), Robert Mellors (Finance Manager, Community Services and Adult Social Care), Dave Richards (CYP Group Finance Manager), Selwyn Thompson (Head of Financial Services) and Simone van Elk (Cabinet Officer)

For a full attendance record at the joint session, please see the records of the Children and Young People Select Committee's meeting on 28 June 2017.

### **1. Minutes of the meeting held on 19 April 2017**

- 1.1 The order of the meeting was amended. Item four (joint with the Children and Young People Select Committee) was considered first. This item was considered after the update on the work of the Lewisham Poverty Commission (item eight).
- 1.2 Resolved: that the minutes of the meeting held on 19 April be agreed as an accurate record. The previous minutes of the meeting on 15 March, were also agreed as an accurate record.

### **2. Declarations of interest**

- 2.1 There were none from Members of Public Accounts Select Committee nor from the Children and Young People Select Committee for the joint section of the meeting (item four). For declarations for the remainder of the Children and Young People Select Committee, please refer to the record of that meeting.

### **3. Responses from Mayor and Cabinet**

- 3.1 There were none.

### **4. School budgets (jointly with the Children and Young People Select Committee)**

- 4.1 The order of the agenda was amended to accommodate the joint session. This item was considered first.
- 4.2 Councillor Hilton opened the meeting and nominated Councillor Sorba as the Chair of the joint session.

4.3 Dave Richards (Group Finance Manager, Children and Young People) introduced the report. The following key points were noted:

- The main thing that would affect school funding in the coming few years was the proposed introduction of the national fair funding formula by central government.
- The formula was due to be introduced in April 2018.
- When proposals for the new formula were introduced, it was anticipated that Lewisham schools would lose a significant amount of funding.
- The government had previously committed to protecting the worst affected schools by ensuring that no school would lose more than 3% of its annual budget.
- Under the original proposals every one of Lewisham schools was at the 3% funding floor.
- Since the policy was announced, the general election had taken place and in their manifestos all parties had committed to providing more funding for schools.
- The day before the meeting, government ministers had recommitted to introducing the national funding formula in parliament. However, they also said that no school would lose out under the formula.
- There were currently no additional details about how this amendment to the original funding formula would work in practice, nonetheless, Lewisham schools would likely be in a better position in the next few years than had been anticipated.
- Schools were also facing significant cost pressures. These pressures had been mounting over the past two years and had risen to nearly 5% of schools' budgets. Schools' funding settlements had also been frozen, meaning that schools had faced a real terms loss due to inflationary pressure.
- Cost pressures, salary and non-pay inflation in the next two to three years would amount to approximately 8% of schools' budgets.
- There remained a great deal of uncertainty about the future of school funding. Clarity was not expected on the next steps for the national funding formula until the end of 2017.

4.4 Dave Richards, Sara Williams (Executive Director for Children and Young People) and Kate Bond (Head of Standards and Inclusion) responded to questions from the committees. The following key points were noted:

- Further detail was awaited on the new proposals for the schools funding formula. It was expected that the majority of any new money would be paid to schools that would have benefitted from the original proposals but that this would be achieved without taking funds from schools that would have lost out.
- The new system meant there would be much less discretion for local authorities. The original intention for the new formula was that the funding would be provided directly from the Department for Education to Schools.
- There was a possibility that the figure of the 8% cost pressure could increase if there were changes in government policy. For example, there had recently been discussions about ending the public sector pay freeze.
- Additional work had been carried out with schools to prepare them for the difficult financial climate in the coming years. As a result, a number of schools had improved their financial management processes, resulting in some underspends.

- The aggregate school balances held by Lewisham schools had unexpectedly increased in the past year.
- Schools were facing a very challenging financial climate and a number of schools were overspending on their budgets each year.
- Schools were liable to pay business rates but they were provided with full funding for rates through their budget. Schools were given an increase in funding to cover the cost of any increased rates.
- The money to pay for business rates was 'top sliced' from the dedicated schools grant before this money was paid to schools. In the previous year, combined business rates for school had increased by £300k to £3.6m.
- It was recognised that while the quality of new school environments was good, schools with private finance initiative (PFI) buildings had some constraints on the availability of premises for extracurricular activities.
- The Council had good arrangements to get the best possible deal with PFI operators.
- The schools forum and the Mayor had agreed to cap the cost of PFI arrangements to 10% of a school's budget, which was roughly the same as the benchmark for facilities management and maintenance costs in all schools.
- PFI was a legacy of the school building programme by central government.
- There were ways in which schools could raise income - but these tended to be for extra activities, rather than a contribution to their core budget.
- The Department for Education's forecast that schools could save significant amounts from improved efficiency and procurement was probably optimistic.
- Schools working together could make savings. In Lewisham there was a well-managed schools catering contract. A number of schools who had left the combined contract had re-joined, alongside some schools from neighbouring boroughs.
- A review of traded services to schools had been carried out (alongside comparison with the cost for traded services in other boroughs) to ensure they were good value.
- Work was also carried out with school business managers to encourage them collaborate in order to reduce spending.
- Schools were also provided with benchmarking information about their non-salary costs to assist with their decision making.
- There had been significant changes to the funding for early years. In the past different local authorities had had different systems for funding early years. The government had brought in new rules about funding.
- Under the government's previous proposals - school based early years provision would have lost significant amounts of funding.
- However, central government had provided additional funding to protect local authority maintained nursery schools. It was not clear how long this protection would last.
- Lewisham also provided 30 hours of free early years education to children from deprived backgrounds. The rules had been changed, which meant that in future, the Council could only provide 15 hours of support to these children.
- The changes to early years funding created an additional funding pressure on schools with nursery provision and devalued the work of early year's education.
- The Council recommended that schools retained 2/3% of their budget for contingencies.

- Average salaries for teachers in Lewisham were seventh highest in the country. This was partly because of the inner London weighting. The rest of the top ten highest paying authorities in the country was probably made up of other London boroughs.

4.5 Councillor Maslin (Cabinet Member for Children and Young People) responded to a question from the Committee about support provided to schools:

- Schools were provided with advice and training to help them better manage their budgets.
- Schools in deficit were lent money to enable them to manage their budgets in the short term - so that they could better balance their budgets.

4.6 Councillor Maslin also responded to a question from a member of the public about the current financial situation at Forest Hill School:

- The dispute between the National Union of Teachers and Forest Hill School was a matter for the school and its governors.
- Schools were funded by central government through the dedicated schools grant.
- The scheme of delegation for the dedicated schools grant was agreed by the schools forum, which was comprised of head teachers.
- Forest Hill school had overspent its budget by 10% and was now putting in place plans to manage down its deficit. The current cuts were a result of the requirement for the school to spend within its annual income.
- Statutory guidance was that schools should pay back loans from the local authority within three years, the Council had extended this to five years.
- There had been other schools in the same position as Forest Hill School who had taken difficult decisions to control their costs, so equity and transparency were important.
- Forest Hill School was a popular school and was in a better position to manage its budget than other schools that had been in a similar position but which did not have a full roll of pupils.
- Lewisham operated a different system to some local authorities regarding the liability for redundancy costs in schools. The approach being taken by the Council with Forest Hill School was consistent with the approach taken to date at other schools in Lewisham.
- He would be happy to meet with parents and the MP for Lewisham West and Penge. He would not meet with the school, the National Union for Teachers, parents and teachers from Forest Hill School to "broker a deal" because the Council was not in a position to do this.

4.7 Resolved: that the report be noted. The Public Accounts Committee also confirmed that it would be scrutinising the issue of private finance initiatives at a future meeting.

4.8 The Public Accounts Committee moved to room three for the remainder of its agenda.

## 5. IT strategy update

5.1 Resolved: to defer the item to the Committee's meeting on 13 July.

## **6. Income generation and commercialisation**

6.1 This report was considered after the update on the financial results.

6.2 Selwyn Thompson introduced the report. The following key points were noted:

- The report set out some of the work that officers had been carrying out to generate income at the Council.
- The previous attempt to appoint a commercial specialist had been unsuccessful.
- A decision had been taken to re-establish an in-house corporate procurement team.
- The Council's procurement team was disbanded two years ago. This had left a gap in the organisation, although interim arrangements (working with the London Borough of Lambeth) had been in place.
- The Council intended to improve its strength in relation to contracts and client management.
- An action plan for the delivery of the new procurement and commercialisation team was included as an appendix to the report. This had been developed alongside the Council's human resources team.

6.3 Selwyn Thompson responded to questions from the Committee. The following key points were noted:

- For the organisation to improve its commercial approach it had to have a stronger foundation for its procurement activity.
- It would be difficult for a single person or team to change the culture of the organisation.
- Work had taken place with other London authorities to understand how best to approach contract and client management.
- There were pockets of commercial knowledge and expertise in the organisation. It was hoped that the new lead role could be an internal appointment, supported by two external appointees.
- There were currently only two officers working on management of PFIs.
- There had been a discussion at a senior level about the level of seniority of the new roles.

6.4 In the Committee's discussion the following key points were also noted:

- It had been reported in the discussion under item four that the Council was intending to support schools to improve their commercial and procurement activities. This might be difficult, given the acknowledged lack of current expertise amongst officers in this area.
- Members were concerned that cuts to services had been taking place for a number of years without sufficient contract management in place.
- The new procurement lead might act as an enabler for ideas from officers in the rest of the organisation.

6.5 Resolved: that the report be noted .The Committee agreed to refer its views to Mayor and Cabinet as follows:

- The Committee welcomes the creation of new posts to support the Council's approach to income generation and the Committee recommends that these posts be filled as soon as possible.
- The Committee believes that the appointees to these posts should have the relevant experience of commercial strategy, innovative business models and procurement to maximise the opportunities available. Members would welcome the opportunity to review the CVs for these new posts.

## **7. Financial results for 2016-17**

7.1 This item was considered after the update on the work of the Lewisham Poverty Commission under item eight.

7.2 Selwyn Thompson (Head of Financial Services) introduced the report. The following key points were noted:

- For 2016-17 there had been an overspend of 4% of the Council's general fund, which was higher than previous years.
- Pressures were documented throughout the year (and reported to PAC) and included overspending on children's social care - particularly in placements budgets. There were also placement pressures in adult social care as well as overspending in environmental services because of waste disposal costs.
- There were an increasing number of schools facing financial difficulties (as outlined in the previous item). The Council's financial services team was working on improving the support it provided to schools.
- The capital programme for 2016-17 had been underspent. Further work needed to take place to revise budgets for capital projects when timetables for delivery slipped.
- Numbers of looked after children were decreasing as were numbers of children using Council transport services.
- The corporate expenditure panel was still in place to scrutinise spending.
- The financial results for the first quarter 2017-18 were due at the Committee's next meeting. It would be reported that the year had started with pressure on budgets.

7.3 Selwyn Thompson responded to questions from the Committee, the following key points were noted:

- Services were not punished for underspending their budgets by having their allocation for the following year reduced. The Council's budget was considered as a whole at the end of the year. In year, executive directors could move sums between services in their directorate.
- Some of the cuts were difficult to deliver. There were some pressures mounting in services that were unable to reach their existing targets.



- There were still significant sums of savings to find in the years 2018-19 and 2019-20. The level of cuts was outpacing the speed of organisational change.
- There was £7.5m set aside each year to manage budget pressures.
- There was also £3.7m put aside last year for risks and other budget pressures.
- The Executive Director for Resources and Regeneration gave service managers the first opportunity to control their budgets before allocating additional funding.
- The Council was working with finite resources. Increasing contingencies would require more cuts to be made to fund the spare capacity.
- The £7m overspend in 2016-17 was taken from reserves. The Council had a number of different reserves, which were allocated to different service areas. The general fund balance was £13m - which was unallocated to any service budget.
- There were funds that could be used for a major incident or emergency in the borough.
- Some landlords were given financial incentives in order to sustain the tenancies of families at risk of being evicted. This saved the Council money on families requiring emergency accommodation.
- Some progress had been made on generating income from wireless concessions but this had been below initial expectations.
- Lewisham home receive a management fee to act on behalf of the Council, this fee is drawn from the housing revenue account. There was a separate allocation for the Brockley PFI.

7.4 Resolved: to note the report. The Committee agreed to refer its views to Mayor and Cabinet, as follows:

- The Committee asks for additional information about the level of the Council's reserves. It would like to better understand the different types of financial reserves held by the Council.
- The Committee recommends that the contingency put aside in the budget should more closely relate to the level of risk of achieving savings put forward each year in the Lewisham Future Programme.
- The Committee also requests further information about school deficits. Specifically, it would like to know how many primary and secondary schools are in deficit, how many are projected to be in deficit in the future and whether or not Lewisham is an outlier in London and in England, in relation to the number of schools in financial difficulty.

## **8. Select Committee work programme**

- 8.1 The order of the agenda was adjusted to take the update on the Lewisham Poverty Commission (related to the work programme discussion) after item four.
- 8.2 Simone van Elk (Cabinet Executive Officer) introduced an update on the work of the Commission, the following key points were noted:
- The Chair of the Lewisham Poverty Commission (Cllr Dromey) sent his apologies.

- The Safer Stronger Communities Select Committee carried out a review of poverty in Lewisham last year and recommended that Mayor and Cabinet establish a poverty task force to look into the issue.
- There had been a realisation that, whilst the Council and its partners were carrying out good work in the borough, there were still significant numbers of people living in poverty.
- The membership of the Commission included (amongst others) representatives of the Trust for London, the Joseph Rowntree Foundation, and the Child Poverty Action Group (a full list was included in the Committee papers).
- The Commission was keen to have a genuine impact on the lives of people living in Lewisham, but it realised that it was limited by time and the request to make recommendations that would fit within existing budgets.
- The goal was for the Commission to have ambitious recommendations that could be implemented.
- The Commission was focusing on three areas: employment and skills; housing; and child poverty, childcare and lone parent unemployment.
- Lewisham was in the top 20% of local authorities for the incidence of child poverty it also had also high numbers of lone parents who were unemployed.
- The Commission had explored the affordability of childcare as part of its evidence gathering. The Commission had also looked at the availability of childcare in terms of the hours offered to working people- as well as opportunities for flexible working.
- The Commission had been engaging with stakeholders, partners and residents because it realised that there were people living in the borough who might have greater understanding than themselves of issues relating to poverty in Lewisham.
- Officers had attended drop-in sessions at voluntary organisations and children's centres to talk to people.
- There had been a realisation from this work that peer to peer and community support were important to residents, not necessarily to solve poverty but to mitigate against its impacts.
- There was also a realisation that even people in the worst circumstances had things to offer, including time and skills that they might volunteer.
- The Commission recognised that people should be approached to understand what they might offer, rather than just to determine their needs.
- The Chair of the Commission had visited the Pathways to Employment programme, the housing options centre, a session of the Young Advisors and he would also be going to a children's centre.
- All councillors had been offered the opportunity to discuss the work of the Commission at their local assemblies.
- There was also a questionnaire on the Poverty Commission website.
- There was a call for evidence to all London Boroughs for examples of best practice.
- The Commission was hosting a summit on 12 July to test some of its thinking and members of the Committee were welcome to attend.
- A draft report would be available in September for comments from all Councillors.
- The report would be presented to Safer Stronger Communities Select Committee before Mayor and Cabinet.

8.3 Simone van Elk responded to questions from the Committee. The following key points were noted:

- Visits had been made to a number of organisations over the course of a month to gather the views of residents.
- The visits had not resulted in sit down interviews with everyone but officers spoke to everyone who was willing to engage with them. The work that resulted from this exercise had not been presented as comprehensive or representative but as the experiences of the 20 people who had taken part.
- Six assemblies (and potentially more) would also be discussing the commission's work at their meetings.
- Visits had been organised for the Chair of the Commission and an online survey was being hosted on the poverty Commission's website. Some residents would also be invited to the summit in July.
- Information had been sent by email to all councillors about how they could engage with the work of the Commission, this included a toolkit on how they could deliver sessions for the Poverty Commission at their local assembly meeting.

8.4 Following consideration of items five, six and seven the Committee discussed its work programme. The following key points were noted:

- Members wanted to see the full reports on the changes to IT services before their consideration at Mayor and Cabinet.
- The savings proposals were not likely to be available for scrutiny until the autumn.
- It was recognised that the Committee's review of household budgets should not duplicate the work of the Poverty Commission. There was a desire to carry out an analysis of the pressures facing all residents, not just people living in poverty.
- The types of issues (redundancy, sickness and wider issues such as the possibility of major changes in the economy because of Brexit) that might impact on the household budgets of ordinary people were highlighted.
- The potential for carrying out a broad ranging consultation with residents as well as the challenges of achieving a representative response was considered.
- That people who were in crisis would not necessarily think of approaching the Council for advice or support.
- The difference between interesting analysis and the importance of making meaningful recommendations for change was noted.
- The future pressures on household budgets and the potential of exploring future changes in policy that would allow the Council to take a more flexible approach to supporting all residents was mentioned.
- Members planned to give more thought to their aims and ambitions for the in-depth review before the next meeting of the Committee.

8.5 Resolved: to move the update on the IT strategy to the Committee's meeting on 13 July.

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

9.1 Resolved: that the Committee's views under items six and seven be referred to Mayor and Cabinet.

The meeting ended at 10.10 pm

Chair:

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Date:

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<b>Public Accounts Select Committee</b>		
Title	Declaration of interests	
Contributor	Chief Executive	Item 2
Class	Part 1 (open)	13 July 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;

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

consideration of the matter and vote on it unless paragraph (c) below applies.

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

## **6. Sensitive information**

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

## **7. Exempt categories**

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

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

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# Agenda Item 3

Public Accounts Select Committee		
Title	Responses to referrals	
Contributor	Scrutiny Manager	Item 3
Class	Part 1 (open)	13 July 2017

## 1. Purpose

- 1.1 To advise the Committee of responses to its referrals.

## 2. Recommendations

- 2.1 The Committee is recommended to receive the response to its referral (attached).

## 3. Response

- 3.1 At its meeting on Wednesday 28 June 2017, having considered an officer report, the Cabinet agreed that the officer response to the recommendations made by the Public Accounts Select Committee be approved and reported to the Select Committee.

## 4. Financial implications

- 4.1 There are no financial implications arising from the implementation of the recommendations in this report.

## 5. Legal implications

- 5.1 The Constitution provides for Select Committees to refer reports to the Mayor and Cabinet, who are obliged to consider the report and the proposed response from the relevant Executive Director; and report back to the Committee within two months (not including recess).

### Background documents

Decisions at the meeting of Mayor and Cabinet on 28 June 2017:  
(<https://tinyurl.com/y89wau5a>)

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<b>Mayor and Cabinet</b>			
<b>Title</b>	Response to Public Accounts Select Committee on Audit Panel query	<b>Item No</b>	
<b>Contributors</b>	Head of Corporate Resources		
<b>Class</b>	Part 1	<b>Date</b>	28 June 2017

## 1. Purpose of paper:

- 1.1 At its meeting on 15<sup>th</sup> March 2017, Public Accounts Select Committee referred the following recommendation to Mayor & Cabinet:

To advise Mayor and Cabinet of the following:

- The Committee has concerns about progress with centralisation of counter fraud activities from local government to the Department for Work and Pensions (DWP).
- The Committee recommends that Mayor and Cabinet raises queries about the progress and success the DWP has had to date with the performance of the single fraud investigation service.

## 2. Recommendation

The Mayor is asked to:

- 2.1 approve the officer response to the referral by Public Account Select Committee on DWP work on housing benefit fraud, and
- 2.2 agree that this report should be forwarded to the Public Accounts Select Committee.

## 3. Background

- 3.1 In April 2015 the statutory responsibility for the investigation of benefit fraud transferred from Lewisham Council to the Fraud and Error Service, Counter Fraud & Compliance Directorate of the Department for Work and Pensions (DWP).
- 3.2 The initial proposal for this transfer was announced in 2010 and prompted a gradual wind down in this area of work. There was no guarantee that the DWP would take all the local authority staff on so advantage was taken of natural staff rotation to minimise the Council's exit costs at the point of transfer. In 2010/11 the section of six staff achieved 181 sanctions with an overpayment value of £846,022. However, by 2014/15 the team had reduced

to three staff and achieved 55 sanctions with an overpayment value of £480,441.

#### **4. Changes since responsibility passed to the DWP**

- 4.1 Since the transfer of the service there have been considerable changes in the administration of benefits, not least the move towards Universal Credit (UC).
- 4.2 Additional data is made available on a regular basis to the Council's Housing Benefit team in the form of Automated Transfers to Local Authority Systems (ATLAS) and Real Time Information (RTI) income data from the HM Revenues and Customs (HMRC) which is used to recalculate benefit entitlement and help reduce the risk of certain types of fraud.
- 4.3 However, there are some other types of fraud that are unlikely to be identified by this data. For example; those involving income from the shadow economy and tenancies contrived to take advantage of Housing Benefit. It has not been possible to establish if the DWP are working to address these areas.

#### **5. Changes in Performance reporting**

- 5.1 It should be noted that when local authorities were still responsible for tackling benefit fraud they were required to submit certain performance figures on a quarterly basis. These included the number of staff and sanctions processed. There is no equivalent public information for the DWP Fraud teams by regional / local area.
- 5.2 However, a recent DWP report (May 2017) estimates at the national level that:
  - 5.1 "the rate of fraud overpayments on Housing Benefit increased between 2015/16 and 2016/17 from 6.0% to 6.4%, the highest recorded rate. This amounts to a rise in monetary value from £1,460m to £1,490m".
  - 5.2 "The rate of fraud overpayments increased from 4.1% to 4.6%, the highest recorded rate, whilst the rate of claimant error overpayments decreased from 1.6% to 1.4%, the lowest recorded rate. The report states that "This continues the trend we observed last year, a rise in fraud alongside a fall in claimant error. This trend continues to be partially due to the tightening up of the evidence gathering process that took place after 2014/15. The rate of official error overpayments increased from 0.3% to 0.4%".
  - 5.3 The report further states that "Within the measured benefits we have changed the way that we categorise overpayments. This was a result of tightening up the evidence gathering process and subsequent clarification of errors as either claimant error fraud. This change may affect the overall level of total overpayments since its introduction in 2014/15 and is especially marked in Housing Benefit".

More detail from this report can be read at the following link:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/614558/fraud-and-error-preliminary-estimates-2016-17.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/614558/fraud-and-error-preliminary-estimates-2016-17.pdf)

- 5.4 The assessment above builds on the National Audit Office report of Nov 2016, commenting on the DWP accounts for 2015/16, which stated:
- 5.5 The Comptroller and Auditor General explained the reasons for his qualified opinion on the regularity of DWP's benefit expenditure in a report published with DWP's Annual Report and Accounts. The key points from this report are:
- Fraud and error is a significant problem in benefit expenditure. Benefit payments are susceptible to both deliberate fraud and unintended error by claimants and DWP;
  - DWP estimates that overpayments due to fraud and error in 2015-16 were 1.8% of total forecast benefit expenditure (or £3.1 billion) and that total gross underpayments in 2015-16 were 1% of total forecast benefit expenditure (or £1.8 billion). The trend over time is shown in the chart;
  - the rates of overpayment and underpayment are lower for State Pension expenditure;
  - Universal Credit over- and under-payments due to fraud and error were measured for the first time for 2015-16. DWP is developing its methodology to assess and its strategy to address fraud and error in this benefit, as Universal Credit rolls out nationally; and
  - DWP has made some progress in tackling fraud and error. The building blocks are in place to better understand fraud and error and begin to consider what the lowest feasible level of fraud and error by benefit could be, and how to achieve that.

## **6. Conclusion**

- 6.1 It is clear that the DWP accepts that fraud in the benefits system remains a significant challenge and that some measures have been introduced to prevent and detect fraud. A lack of available data on actual fraud detected, as opposed to estimated fraud, at the local level prevents any reasonable comparison to the work as previously undertaken by local authorities. Even if this data was available, changes in the benefits system would prevent any meaningful evaluation when comparing current DWP work with former local authority work.

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# IT strategy update

June 2017

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- 2 Improving our IT: next steps**
- 3 Update on members' IT issues**



# 1. Improving our IT: progress to date

# Shared service implementation and infrastructure programme

Our IT strategy set out plans to refresh the Council's IT infrastructure and put in place a new shared service with Brent to support the IT. The main elements of this strategy have now been delivered:

- a new desktop environment and 'thin clients' have been rolled out across the Council;
- our 'back end' infrastructure has been completely updated and new 'failover' arrangements have been put in place, which will significantly increase our resilience;
- tools for flexible working have been rolled out including iPads / iPhones and remote working from personal devices;
- the shared service has successfully taken over from Capita and introduced a new online portal to handle requests. Performance against key indicators is now at or around target levels.

Nevertheless given the pace of technological change there are a number of areas where we are planning to make further changes, in particular the shared service will be :

- rolling out new corporate tools including Office 365 and SharePoint Online
- re-procuring our network infrastructure – to replace old kit and improve monitoring and protection of our key systems; and
- re-procuring our fixed line and mobile telephony to cut costs and improve functionality.

# Digital programme

Delivering the IT strategy is key to enabling digital transformation.

Work stream	Progress to date	Current priorities
Adult social care	Mobile working introduced, digital front door launched, key finance processes streamlined	Streamlining core business processes, improving charging processes and improved debt collection
Children and Young People	Mobile working introduced, new MASH launched	Streamlining core business processes, supporting wider business change to encourage in-house fostering
Customer services	Environmental services online, new online forms for Council Tax and Benefits launched	Automation of Council Tax and Benefits processes, streamlining the complaints process, reducing Council Tax fraud using data analytics, redesigning housing services and tackling homelessness
Digital Council	Paperless Council meetings trialled, paperless Courts launched	HR, finance and payroll modernisation, smarter working programme and estates strategy

## 2. Improving our IT: next steps

## Extending the shared service to Southwark

An opportunity has arisen to extend to our IT shared service with Brent to cover Southwark Council. The Mayor agreed to the direction of travel (8 February) and since then officers have focused on detailed work to establish the feasibility and benefits. In particular the benefits for Lewisham would be:

- reduced cost through the ability to share fixed costs with another partner, which has the potential to make a significant contribution towards next year's savings target;
- a more resilient IT service with a greater ability to attract and retain the right people;
- further opportunities to work collaboratively with another partner on digital transformation based on a shared IT platform.

Mayor and Cabinet (19 July) will be asked to agree the approach. Key features include:

- transitional arrangements will be funded by Southwark with additional resources put in place to ensure that service levels are protected in across the whole partnership; and
- the current governance arrangements will be extended to cover three parties. Currently the current shared service is overseen by a Joint Committee of members and Shared Management Board of officers.

# Creating a shared application support team with Brent

Currently Brent and Lewisham have separate teams that support and develop key business IT applications. Digital transformation will mean a greater reliance on these systems and make it even more important to make the best use of them. There's the potential to create a shared application support team with Brent, which would :

- create a more resilient service;
- allow the Councils to share best practice and common skills. Brent and Lewisham already have a number of common systems (e.g. planning and education) where it would be possible to share expertise; and
- work collaboratively to develop existing systems and put in new systems. For example Lewisham and Brent are already working together to put in place a common debt collection system.

Mayor and Cabinet (19 July) will be asked to agree to the creation of a new shared application team. Key points include:

- the shared application team will form part of our existing shared service with Brent and be governed through the existing arrangements (the Joint Committee of members and a Shared Management Board);
- in line with the existing shared service arrangements members of the shared team will be employed by Brent on behalf of both Councils. TUPE will apply in the normal way. The new shared team will continue to have a strong presence in both Catford and Wembley and it is not expected that the primary location of staff will change;
- the introduction of the new team will be broadly budget neutral, with any efficiencies created allowing the team to increase service levels in other areas;
- each Council will determine its own application strategy. There is likely to be a number of areas where it would make sense to move to common systems (e.g. where one Council has a better system than the other). However the decision on what application to use in each Council should be determined by business requirements rather than IT priorities; and
- at this stage Southwark would not form part of the shared application team but this is something that it may be worth looking at in the future.

### **3. Update on members' IT issues**

## Update on members' IT issues

### **Recent developments:**

- Paperless meetings (mod.gov) – successful pilot and wider rollout in train
- Lewisham desktop available on the iPad
- Laptop refresh

### **What's next:**

- June: wider roll out of paperless meetings. Dedicated Mod.gov & iPad training session for members
- July: Microsoft Office /Skype on your mobile (Office 365)
- September – New SharePoint sites accessible from your mobile; new Council intranet



<b>Public Accounts Select Committee</b>		
Title	Financial forecasts 2017-18	
Contributor	Executive Director for Resources and Regeneration	Item 5
Class	Part 1 (open)	13 July 2017

## 1. EXECUTIVE SUMMARY

- 1.1 This report sets out the financial forecasts for 2017/18 as at 31 May 2017. The key areas to note are as follows:
- i. There is a forecast overspend of £12.8m against the directorates' net general fund revenue budget. This is set out in more detail in sections five to nine of this report. This compares to a final outturn of £7m for 2016/17 which resulted after applying £2.8m of funding for 'risks and other budget pressures' against the directorates' year-end overspend of £9.8m for that year.
  - ii. The Dedicated Schools Grant (DSG) is expected to balance at the year end. It is expected that there will be 13 schools that require to have a licensed deficit. This is set out in more detail in section 11 of this report.
  - iii. The Housing Revenue Account (HRA) is currently projecting a balanced budget position. This is set out in more detail in section 12 of this report.
  - iv. As at 31 May 2017, some 19.3% of council tax due and 30.0% of business rates due had been collected. At this point last year, 19.1% of council tax due and 27.9% of business rates due had been collected. This is set out in more detail in section 13 of this report.
  - v. For the 2017/18 capital programme, the revised budget is now £116.4m, compared to the figure presented in the Budget Report 2017 of £123.5m. The budget has been amended to take into account the rolling forward of unspent budgets at the end of the last financial year and to update for known changes to grants and new projects. The changes to the 2017/18 capital programme budget are set out in appendix 1, and the updated profiling of major projects is set out in appendix 2. As at 31 May 2017, some £5.5m or 5% of the revised budget had been spent, which is below the profile figure expected if the programme is to be delivered in full. This is set out in more detail in section 14 of this report. The comparable figure to 31 May last year was 3% of the budget of £129.2m, with the final outturn being 84% of the revised budget of £84.8m.

## 2. PURPOSE

- 2.1 The purpose of this report is set out the financial forecasts for 2017/18 as at the end of May 2017, projected to the year end.

### 3. RECOMMENDATIONS

- 3.1 The Public Accounts Select Committee is recommended to:
- 3.3.1 Note the current financial forecasts for the year ending 31 March 2018 and the action being taken by the Executive Directors to manage down the forecasted year-end overspend.
- 3.3.2 Note the revised capital programme budget, as set out in section 14 of this report, with further detail attached at appendices 1 and 2.

### 4. POLICY CONTEXT

- 4.1 Reporting financial results in a clear and meaningful format contributes directly to the council's tenth corporate priority: inspiring efficiency, effectiveness and equity.

### 5. DIRECTORATE FORECAST OUTTURN

- 5.1 The forecasts against the directorates' general fund revenue budgets are shown in Table 1 below. In summary, a forecast year end overspend of £12.8m is being reported as at the end of May 2017. At the same time last year, an overspend of some £7.7m was forecast. Members should note that for 2017/18, there is a sum of £2.1m held corporately for managing 'risks and other budget pressures' which emerge during the year. As in previous years, the Executive Director for Resources and Regeneration will give due consideration as to when it might be appropriate to apply this sum to alleviate budget pressures. This consideration will happen towards the end of the financial year, after assessing the progress that has been made to manage down the current forecast overspend.

**Table 1 – Overall Directorate position for 2017/18**

Directorate	Gross budgeted spend	Gross budgeted income	Net budget 2017/18	Forecast Outturn 2017/18	Variance 2017/18
	£m	£m	£m	£m	£m
Children & Young People (1)	66.7	(18.0)	48.7	55.7	7.0
Community Services	165.6	(78.6)	87.0	88.5	1.5
Customer Services (2)	100.4	(57.8)	42.6	47.2	4.6
Resources & Regeneration	73.3	(48.2)	25.1	24.8	(0.3)
<b>Directorate Totals</b>	<b>406.0</b>	<b>(202.6)</b>	<b>203.4</b>	<b>216.2</b>	<b>12.8</b>
Corporate Items	29.3	(0.0)	29.3	29.3	0.0
<b>Net Revenue Budget</b>	<b>435.3</b>	<b>(202.6)</b>	<b>232.7</b>	<b>245.5</b>	<b>12.8</b>

(1) – gross figures exclude £291m Dedicated Schools' Grant expenditure and matching grant income

(2) – gross figures exclude approximately £220m of matching income and expenditure for housing benefits.

- 5.2 For various reasons the financial forecasts at this early stage of the financial year are usually higher than resulting outturn. However, similar to the scale of the variances projected last year, the current overspending projections are significantly greater than those in recent earlier years. This suggests that the council continues to face budget pressures of a different order than normal.
- 5.3 Directorate Expenditure Panels (DEPs) and the Corporate Expenditure Panel (CEP) were in operation throughout 2016/17. Towards the end of last year, the

operation of the CEP in terms of its effectiveness was reviewed by the Chief Executive and the Executive Director for Resources and Regeneration. This concluded that the CEP would continue to remain in operation for at least the first half of the 2017/18 financial year. This will ensure that a regular corporate oversight of the council's financial spending position remains. Although the council ended last year with an overall overspend of £7m, these measures ensured that the variance was no worse. Although some of the budget pressures reported throughout the course of the last year have been alleviated with the allocation of corporate funding, a number of pressures have continued into this financial year. Therefore, close scrutiny of the financial position will again be very important.

- 5.4 Furthermore, delivering a large package of revenue budget savings for 2017/18 is managerially complex and challenging. There is an inherent risk that some savings will be delivered later than planned, which would result in overspends within the year. As a result, officers will continue to focus on monitoring the progress of savings being implemented.

The table below sets out the proportion of agreed revenue budget savings to be delivered during the course of the year. Any variances are included in the overall forecasts shown in the table above. It should be noted that the forecast delivery in the community services includes an estimated £3m to be achieved through application of the improved Better Care Fund (iBCF) rather than as originally planned. This is subject to formal agreement of the use of the iBCF by the Clinical Commissioning Group (CCG). The delivery against original plans is likely to be achieved in future years.

**Table 2 – Forecast Savings Delivery**

Directorate	Savings Agreed for 2017/18	Forecast Delivery	Variance	
	£m	£m	£m	%
Children & Young People	3.9	3.0	0.9	23%
Community Services	9.1	8.1	1.0	11%
Customer Services	4.1	2.7	1.4	34%
Resources & Regeneration	2.5	2.4	0.1	4%
Corporate	2.6	2.6	0.0	0%
<b>Total</b>	<b>22.2</b>	<b>18.8</b>	<b>3.4</b>	

## 6. CHILDREN AND YOUNG PEOPLE'S SERVICES

- 6.1 As at the end of May 2017, the Children and Young People's directorate is forecasting a £7m overspend. The actual year-end outturn being an overspend of £7m.

**Table 3 – Children & Young People Directorate**

Service Area	Gross budgeted spend	Gross budgeted income – including grants*	Net budget	Forecast Outturn 2017/18	Forecast over/ (under) spend
	£m	£m	£m	£m	£m
Children's Social Care – includes No Recourse to Public Funds	38.5	0.9	37.6	42.7	5.1
Education, Standards and Inclusion	2.6	1.5	1.1	1.1	0.0
Targeted Services and Joint Commissioning	25.6	13.6	12.0	13.9	1.9
Schools	0.0	2.0	2.0	(2.0)	0.0
<b>Total</b>	<b>66.7</b>	<b>18.0</b>	<b>48.7</b>	<b>55.7</b>	<b>7.0</b>

\* The government grants include the Adoption Reform Grant, SEND reform grant, Troubled Families grant and Music grant

- 6.2 The most significant cost pressures for the directorate fall within the *children's social care* division which amounts to £5.1m. It is expected that this year, the *no recourse to public funds* budget will be in a balanced position by the year-end. The key issues relating to the directorate's budget pressures have been set out in the following paragraphs.
- 6.3 The placement budget for *looked after children* is currently forecast to overspend by £2.1m. This is based on an average of 453 looked after children for the year, There has been an increase in the number of residential placement this month of six. The forecast assumes all of the agreed revenue budget savings will be delivered in full.
- 6.4 There is an additional pressure on the *section 17* unrelated to no recourse to public funds of £0.8m and on salaries and wages which show a forecast overspend of £0.7m. In addition, a total investment of £0.6m has been made in the 'new front door' service which will bring costs down in the future.
- 6.5 The unachieved savings across the directorate amount to £1.6m, of which £0.7m relates to previous years savings. The other budget pressures in the rest of the directorate is within the partnerships and targeted services area.
- 6.6 The final outturn on schools' transport at end of 2016/17 was an overspend of £1.2m. In 2017/18, it is expected to be in the region of £0.7m. Members should note that there is currently a review of fleet and passenger transport services underway. The revenue budget savings from this review have been built into the forecast in full.
- 6.7 The education psychologists' budget has seen increased spending pressure due to the demand for Education Health and Care Plan (EHCP), where the numbers issued has doubled this year. In addition, the short breaks budget is expected to overspend by £0.5m, although work is underway to bring this back within budget.
- 6.8 There has been no provision made in the accounts for the government's Troubled Families Programme. The second phase of the programme came into effect in 2015 and runs through to 2020. Part of the income depends on payments by results. In 2016/17, the target was to identify 964 families and make successful claims for 482 families. Some 976 families were identified and claims made for

376. While work continues with these families, it is now uncertain whether retrospective claims will be allowed for these families, the forecast also assumes that the all future targets will be met.

6.9 The key unit costs and activity levels within children’s social care are summarised in the following table.

**Table 4 – Fostering Client Numbers**

Placement type	Average weekly unit costs		Client numbers
	May 2017 (£)	May 2016 (£)	May 2017
Local authority fostering	421	421	219
Agency fostering	911	911	187
Residential homes	3410	3410	53

6.10 The unit cost information set out in the table above demonstrates the importance of the directorate’s strategy for shifting the balance of provision towards fostering, as well as reducing costs. A report which presents the Lewisham fostering statement of purpose is set out elsewhere on this agenda.

## 7. COMMUNITY SERVICES

7.1 As at the end of May 2017, the Community Services directorate is forecasting an overspend on £1.5m. At the same time last year, the year-end forecast was an overspend of £1.6m, with the actual year-end outturn being an underspend of £3.3m.

**Table 5 – Community Services Directorate**

Service Area	Gross budgeted expenditure	Gross budgeted income	Net budget	Forecast Outturn 2017/18	Forecast over/ (under) spend
	£m	£m	£m	£m	£m
Adult Services Division	114.3	(45.5)	68.8	69.9	1.1
Cultural and Community Development	16.4	(7.2)	9.2	9.3	0.1
Public Health	16.0	(17.6)	(1.6)	(1.6)	0
Crime Reduction & Supporting People	17.6	(8.2)	9.4	9.7	0.3
Strategy & Performance	1.3	(0.1)	1.2	1.2	0
<b>Total</b>	<b>165.6</b>	<b>78.6</b>	<b>87.0</b>	<b>88.5</b>	<b>1.5</b>

7.2 The *adult services* division is forecast to overspend by £1.1m. The main variances relate to placement budgets where existing pressures are compounded by the cost of new transition cases of £1.1m and by the difficulty in achieving the £4.5m savings required for 2017/18. The projections above assume that the majority of both the improved Better Care Fund (iBCF) and the Adult Social care Support Grant will be available to address pressures and reduce the need to impose savings. The projections also assume that £1m of the iBCF will be used to fund entirely new services. The plans for use of this funding are currently being developed and projections in future months will take full account if the financial effect of these plans.

- 7.3 The *cultural and community services division* is forecasting an overspend of £0.1m. This pressure relates to budget for community centres. There was a review of the current facilities management arrangements for the seven buildings directly managed by the Community Resources Team in order to deliver a saving of £70k for the 2017/18 financial year. This work includes the option to outsource management functions to a third part provider with experience in either managing community facilities or to a social housing provider. Delays in the implementation of this work coupled with a loss of income of £36k from the closure of several building during 2016/17 following the implementation of voluntary sector accommodation plan (*report to Mayor & Cabinet on 11 November 2015*) have created the budget pressure.
- 7.4 There is a nil variance currently projected on the *public health* budget at this stage. It is expected that the complex set of savings required to balance the budget, including very significant changes to the London-wide arrangements for sexual health, will all be delivered. This area will be kept under close review during the financial year.
- 7.5 An overspend of £0.3m is projected on *crime reduction and supporting people*. This overspend relates to two separate budget pressures within the youth offending service. There are as follows:
- 7.5.1 There is a projected overspend of £25k on the budget for secure remand placements which has resulted from a combination of a reduction in government grant funding coupled with a significant upturn in the level of remand placements required by the courts over the past 12 months. It is relatively early in the financial year and this can be a volatile area of spend which is entirely dependent on the nature and severity of the offences being committed by young people within the borough and the operation of the court process.
- 7.5.2 Secondly, following the adverse service inspection by the Youth Justice Board, a 'new' staffing structure is being put in place to address the issues raised and to implement the HM Inspectorate of Prisons improvement plan. This is expected to create a £0.25m pressure on the core budget for the *youth offending service* in 2017/18. The service will seek to contain this, but if this remains at year end it will be funded from corporate resources and is therefore not included in the projected variance for the directorate.
- 7.6 The *strategy and performance* service which included the directorate management team budget is projected to spend to budget.

## **8. CUSTOMER SERVICES**

- 8.1 As at the end of May 2017, the Customer Services directorate is forecasting an overspend of £4.6m. At the same time last year, the year-end forecast was an overspend of £1.6m, with the actual year-end outturn being an overspend of £1.4m.

**Table 6 – Customer Services Directorate**

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast Outturn 2017/18	Forecast over/ (under) spend
	£m	£m	£m	£m	£m
Strategic Housing	26.0	(21.3)	4.7	4.9	0.2
Environment	35.8	(17.3)	18.5	20.9	2.4
Public Services*	33.3	(18.8)	14.5	15.5	0.8
Technology and Change	5.3	(0.4)	4.9	6.1	1.2
<b>Total</b>	<b>100.4</b>	<b>(57.8)</b>	<b>42.6</b>	<b>47.3</b>	<b>4.6</b>

\* (excludes £210m of matching income and expenditure in respect of housing benefits.)

- 8.2 The *strategic housing service* is projecting an overspend of £0.2m. Most areas of the service are projected to spend to budget as the once-off underspends last year totalling more than £1m are not expected to recur in 2017/18. There is a £0.2m overspend projected on the staffing budget for the *no recourse to public funds* team.
- 8.3 The *environment division* is forecasting an overspend of £2.4m. As at the end of May 2017, net overspends of £1m on *refuse services* and £0.3m for *strategic waste management* are projected. The projection for refuse services includes delays in implementing the move to fortnightly collections and in implementing a new service for food and garden waste collections. Additionally, it has been necessary to lease several new vehicles. There is a projected shortfall in income on the trade refuse budget and debt write offs. The strategic waste management assumes that expenditure on fly tipping continues at current levels, although it is hoped that with the initiatives being developed this will reduce later in the year. Finally, there is a £0.1m pressure on the civic amenities budget.
- 8.4 The *passenger services* budget is projecting an overspend of £0.5m for 2017/18. A saving of £1m was originally agreed to *passenger services* budgets by Mayor & Cabinet over a two year period 2016/17 of £0.5m and 2017/18 of £0.5m. Given that these savings are yet to be delivered in full and are predicated on the successful outcome of the transport review, they have subsequently been partially reduced by growth funding of £0.5m in 2017/18. However for accounting purposes the Customer Services directorate holds no direct budget for passenger services as all costs are budgeted to be fully recharged out to the end service users (primarily Children & Young People and Community Services directorates) who are ultimate budget holders. A significant level of cost reductions are expected to be achieved by passenger services across the two year period which result in the costs recharged to these two directorates being reduced. These reduced costs will however be reflected, if not separately identified, in the user directorates projected outturn position rather than that of the Customer Services directorate.
- 8.5 The *green scene* budgets are projecting an overspend of £0.3m largely as a result of projected overspends on arboreal services, as a result of weather related issues and on Beckenham Place Park due to the loss of income from the golf course.
- 8.6 The *bereavement services* are projecting an overspend of £0.2m arising partly from higher than expected expenditure on equipment. At this stage in the financial year income is projected at 2016/17 levels, and therefore slightly below budget.

Given the volatile nature of this budget, it will be monitored closely throughout the year.

- 8.7 The *public services division* is forecasting an overspend of £0.8m. Some £0.3m of this is in the *revenues service*, principally in the central debtors' team and on the IMT budget for collection of council tax. There are some pressures in delivering the income target for the bailiffs' service, but this will continued to be monitored throughout the year. The gross costs of the *parking service* are £0.2m above budget and although this is likely to be substantially offset by increased income from fixed penalty notices, at this stage income has been projected to budget. The service for *housing benefits* is expected to overspend by £0.1m due to a reduction in grant received from the Department of Work and Pensions. Finally, *service point* is projected to overspend by £0.4m due to a combination of income shortfalls and need for building works in the registrars services of £0.2m and staffing overspend on the *business support service*. Business support will transfer to other directorates later in the year.
- 8.8 The *technology and change* division is forecasting a £1.2m overspend. Last year the service delivered budget savings of £1m primarily through introducing a new shared ICT service and reducing the cost of our infrastructure contracts. For 2017/18 the division is expected to deliver a further saving of at least £0.35m, but a reduction in the division's budget, combined with a new pressure from software licences, means that overall the division is still projecting an overspend of £1.2m. This is expected to be managed down through extending the shared service to the London Borough of Southwark, subject to Mayor & Cabinet agreement, and reducing the demand for certain services, such as printing, to bring the division back to a balanced budget in 2018/19

## 9. RESOURCES AND REGENERATION

- 9.1 As at the end of May 2017, the Resources and Regeneration directorate is forecasting an underspend of £0.3m at year-end. At the same time last year, the year-end forecast was an underspend of £0.1m, with the actual year-end outturn being an underspend of £2.4m.

**Table 7 – Resources and Regeneration Directorate**

Service Area	Gross budgeted spend	Gross budgeted income	Net budget	Forecast Outturn 2017/18	Forecast over/ (under) spend
	£m	£m	£m	£m	£m
Corporate Resources	5.5	(3.1)	2.4	2.4	0.0
Corporate Policy & Governance	4.3	(0.1)	4.2	3.9	(0.3)
Financial Services	4.7	(1.5)	3.2	3.2	0.0
Executive Office	0.2	0.0	0.2	0.2	0.0
Human Resources	2.7	(0.3)	2.5	2.3	(0.2)
Legal Services	3.2	(0.4)	2.8	2.8	0.0
Strategy	2.4	(0.3)	2.0	1.8	(0.2)
Planning	2.6	(1.6)	1.0	1.0	0.0
Regeneration & Place	47.8	(40.4)	7.4	7.8	0.4
Reserves	0.0	(0.6)	(0.6)	(0.6)	0.0
<b>Total</b>	<b>73.3</b>	<b>(48.2)</b>	<b>25.1</b>	<b>24.8</b>	<b>(0.3)</b>



- 9.2 The *regeneration & place* division is forecasting an overspend of £0.4m. There continues to be an underachievement of income from utilities companies against the network management budget of £0.3m. This reflects improved utility company practices and IT systems. There is also a net overspend of £0.2m forecast in relation to garages that were transferred from the Housing Revenue Account in 2015/16. Officers are making continued efforts to maximise the net rental income to fully achieve budget savings. These overspends are partly offset by underspending on supplies and services and over-achievement of income in some areas to result in the overall net forecast overspend of £0.4m.
- 9.3 In the *corporate policy & governance* division, there is underspending forecast on both employee costs of £0.2m and on supplies & services expenditure of £0.1m. In *human resources*, there is underspending forecast on both staffing budgets of £0.1m and on staff development and training budgets of £0.1m. The *strategy* division is forecasting an underspend of £0.2m, mainly across employee cost budgets.
- 9.4 There are no significant variances currently being forecast within the *corporate resources, financial services, legal services or planning* divisions.

## 10. CORPORATE PROVISIONS

- 10.1 The *corporate financial provisions* include working balances, capital expenditure charged to the revenue account (CERA), and interest on revenue balances. These provisions are not expected to overspend although, with the impact of continued reductions in service budgets, there is ever greater pressure on working balances. Certainty on their outturn only becomes clear towards the end of the financial year.

## 11. DEDICATED SCHOOLS' GRANT

- 11.1 The Dedicated Schools Grant (DSG) for 2017/18 has provisionally been set by the Department for Education at £291m, although this will change during the year to reflect updated pupil numbers. Further grants are given to schools and routed through the local authority. These include the pupil premium (£16m), post 16 funding (£6m) and the universal free school meals grant (£3m) making total funds of £316m.

### Schools

- 11.2 There were 13 schools with deficits at the year-end 31 March 2017. It is anticipated that there will be 13 schools in deficit at the end of March 2018. These are not all the same schools as some schools expect to recover their current deficit during 2017/18, but others are projected to go into deficit.
- 11.3 There are two schools who have not submitted a budget plan this year, both of which are working closely with the local authority officers to develop plans. At the same stage last year, there were 20 schools who had not submitted budget plans.
- 11.4 Currently, officers are performing 'reasonableness' and logic checks on the information provided by schools. These checks include:

- Does the budget plan income agree with funding notification?
- Is the carry forward quoted in the budget plan reasonable?
- How do the budgets set compare to the previous year's expenditure?
- Are pupil numbers predictions realistic?

11.5 The central side of the DSG is expected to end the year in balanced budget position.

## 12. HOUSING REVENUE ACCOUNT

12.1 The table below sets out the current budget for the Housing Revenue Account (HRA) in 2017/18. At this relatively early stage of the new financial year, no variation is being reported.

**Table 8 – Housing Revenue Account**

Service Area	Expenditure Budget	Income Budget	2017/18 budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Customer Services – Housing	12.5	(3.5)	9.0	0
Lewisham Homes & R&M	36.9	0	36.9	0
Resources	2.1	0	2.1	0
Centrally Managed Budgets	47.8	(95.8)	(48.0)	0
<b>Total</b>	<b>99.3</b>	<b>(99.3)</b>	<b>0</b>	<b>0</b>

## 13. COLLECTION FUND

13.1 As at 31 May 2017, £24.5m of council tax had been collected. This represents 19.3% of the total amount due for the year of £127.5m. This is marginally above the profiled collection rate of 19.2% if the overall target for the year of 96% is to be met. At the same time last year, the collection rate to date was 19.1%, which is 0.2% lower than this year.

13.2 Business rates collection is at 30.0%, an increase of 2.1% compared to the same period last year, and 3.7% higher than the profiled collection rate if the overall target rate for the year of 99% is to be achieved.

## 14. CAPITAL EXPENDITURE

14.1 The overall spend to 31 May 2017 is £5.5m. This represents 5% of the revised budget of £116.4m. At this point last year, 3% of the budget of £129.2m had been spent, with the final outturn being 84% of the revised budget of £84.8m

14.2 The 2017/18 capital programme budget, and the capital programme budget for future years has been updated and is proposed for agreement by Mayor & Cabinet. The changes to the 2017/18 budget are set out in appendix 1 and the revised four year capital programme budget is summarised in appendix 2.

**Table 9 – Capital Programme spend to date**

2017/18 Capital Programme	Budget Report (February 2017)	Revised Budget	Spend to 31 May 2017	Spent to Date (Revised Budget)
	£m	£m	£m	%
Community Services	0.0	0.5	0.1	10%
Resources & Regeneration	11.6	16.3	1.2	7%
CYP	20.6	23.8	0.8	3%
Customer Services	1.7	1.4	0.0	0%
Housing (General Fund)	11.6	16.1	1.1	7%
<b>Total General Fund</b>	<b>45.5</b>	<b>58.1</b>	<b>3.2</b>	<b>5%</b>
Housing Matters Programme	40.8	31.3	0.5	2%
Decent Homes Programme	36.4	25.0	1.8	7%
Other HRA capital	0.8	2.0	0.0	0%
<b>Total HRA</b>	<b>78.0</b>	<b>58.3</b>	<b>2.3</b>	<b>4%</b>
<b>Total Expenditure</b>	<b>123.5</b>	<b>116.4</b>	<b>5.5</b>	<b>5%</b>

14.3 The table below shows the current position on the major projects in the 2017/18 general fund capital programme (i.e. those over £1m in 2017/18).

**Table 10 – Major Capital Projects**

2017/18 Capital Programme	Budget Report (February 2017)	Revised Budget	Spend to 31 May 2017	Spent to Date (Revised Budget)
	£m	£m	£m	%
Housing Regeneration Schemes (Kender, Excalibur, Heathside and Lethbridge)	6.1	8.2	0.3	4%
School Places Programme	14.4	15.2	0.5	3%
Other Schools Capital Works	6.2	7.7	0.2	3%
Disabled Facilities / Private Sector Grants	1.3	2.4	0.2	8%
Highways and Bridges (TfL)	0.0	2.8	0.2	7%
Catford town centre	4.0	2.4	0.3	13%
Asset Management Programme	3.9	4.0	0.1	3%
Highways and Bridges (LBL)	4.0	4.3	0.7	16%
Travellers Site Relocation	1.1	1.1	0.0	0%
Acquisition – Hostels Programme	0.0	1.3	0.0	0%
Grove Park Street Improvements	1.1	1.2	0.0	0%
<b>Total Major Projects</b>	<b>42.1</b>	<b>50.6</b>	<b>2.5</b>	<b>5%</b>
Other Projects	3.4	7.5	0.7	9%
<b>Total Projects – General Fund</b>	<b>45.5</b>	<b>58.1</b>	<b>3.2</b>	<b>5%</b>

14.4 The main sources of financing the capital programme are grants and contributions and capital receipts from the sale of property assets. Some £0.6m of usable receipts have been received so far this year.

## 15. FINANCIAL IMPLICATIONS

15.1 This report concerns the financial forecasts for the 2017/18 financial year. However, there are no direct financial implications in noting these.

## **16. LEGAL IMPLICATIONS**

- 16.1 The Council must act prudently in relation to the stewardship of Council taxpayers' funds. The Council must set and maintain a balanced budget.

## **17. CRIME AND DISORDER ACT IMPLICATIONS**

- 17.1 There are no crime and disorder implications directly arising from this report.

## **18. EQUALITIES AND ENVIRONMENTAL IMPLICATIONS**

- 18.1 There are no equalities or environmental implications directly arising from this report.

## **19. CONCLUSION**

- 19.1 The council will continue to apply sound financial controls throughout the duration of the financial year. However, the short and medium term outlook remains difficult and the continued strong management and fiscal discipline will be required to enable the council to meet its financial targets for 2017/18 and beyond.

## **BACKGROUND PAPERS AND APPENDICES**

<b>Short Title of Report</b>	<b>Date</b>	<b>Location</b>	<b>Contact</b>
Financial Outturn for 2016/17	7 <sup>th</sup> June 2017 (M&C)	5 <sup>th</sup> Floor Laurence House	Selwyn Thompson
2017/18 Budget	22 <sup>nd</sup> February 2017 (Council)	5 <sup>th</sup> Floor Laurence House	David Austin

For further information on this report, please contact:

Selwyn Thompson, Head of Financial Services on 020 8314 6932

**PROPOSED 17/18 CAPITAL PROGRAMME ( APPROVED TO LATEST BUDGET**

	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<b>APPROVED CAPITAL PROGRAMME BUDGET</b>		
<b>Full Council – 22 February 2017</b>		<b>123,580</b>
<b>Underspends carried(forward from 2016/17</b>		<b>5,524</b>
<b>New Schemes</b>		
Park Tennis courts refurbishment	410	
Adult Learning Lewisham – developing invitational centres	185	
2017 Early Years capital funding	274	
PLACE Deptford	<u>1,105</u>	1,974
<b>Approved variations on existing schemes</b>		
<u>Additional Funding</u>		
Disabled facilities grant	447	
Day Services re(modelling and Community Hub development	19	
Education catering investment	250	
TfL Highways Programme	<u>2,807</u>	3,523
<u>Re( Phasing Budgets</u>		
General Fund	1,454	
Housing Revenue Account	<u>(19,622)</u>	(18,168)
<b>Revised Capital Programme Budget 2017/18</b>		<b><u>116,433</u></b>

**APPENDIX 2**

Major Projects over £2m	2017/18	2018/19	2019/20	2020/21	Total
	£m	£m	£m	£m	£m
<b>GENERAL FUND</b>					
ICT ( Tech Refresh	0.8	0.5	0.5	0.5	2.3
School Places Programme	15.2	14.2			29.4
Schools ( Minor Works Programme	3.5				3.5
Schools ( Other Capital Works	4.2				4.2
Highways & Bridges ( TfL	2.8				2.8
Highways & Bridges ( LBL	4.3	3.5	3.5	3.5	14.8
Catford town centre regeneration	2.4	5.0	0.0	0.0	7.4
Asset Management Programme	4.0	3.9	2.5	2.5	12.9
Kender and Excalibur Regeneration	2.7				2.7
Heathside & Lethbridge Regeneration	5.5	1.1			6.6
Lewisham Homes – Property Acquisition			6.0		6.0
Disabled Facilities Grant	1.2	0.7	0.7	0.7	3.3
Private Sector Grants and Loans	1.2	0.6	0.6	0.6	3.0
Other Schemes	10.3	0.9	0.2	0.2	11.6
	<b>58.0</b>	<b>30.3</b>	<b>14.0</b>	<b>8.0</b>	<b>110.4</b>
<b>HOUSING REVENUE ACCOUNT</b>					
Aids and Adaptations	0.4	0.4	0.5	0.5	1.8
Hostels Programme	1.6	0.4	0.4	0.4	2.8
Housing Matters Programme	31.3	66.7	23.7	1.9	123.6
Decent Homes Programme	25.0	36.2	38.1	53.1	152.4
	<b>58.3</b>	<b>103.8</b>	<b>62.7</b>	<b>55.9</b>	<b>280.6</b>
<b>TOTAL PROGRAMME</b>	<b>116.4</b>	<b>134.1</b>	<b>76.7</b>	<b>63.9</b>	<b>391.1</b>

<b>Public Accounts Select Committee</b>		
Title	2018/19 to 2021/22 Medium Term Financial Strategy	
Contributor	Executive Director for Regeneration and Resources 2016-17	Item 6
Class	Part 1 (open)	13 July 2017

## 1. EXECUTIVE SUMMARY

- 1.1. The Medium Term Financial Strategy (MTFS) 2018/19 to 2021/22 sets out the Council's medium term financial plan over the next four years. It includes a review of the Council's overall financial position bringing together the outturn for 2016/17, the forecast for the current financial year 2017/18, and considers prospects for 2018/19 and future years.
- 1.2. The strategy forecasts a further reduction in the Revenue Support Grant of a minimum of £20m (15%) between 2017/18 and 2021/22. This is based on the confirmed reduction from 2017/18 to 2019/20 of 9% and an assumption that Settlement Funding Assessment (SFA) will reduce by a further 6% between 2019/20 to 2021/22. 2020/21 is the year Local Government funding was expected to move to 100% Business Rates devolution with implications for the levels of grant and responsibilities of local government. However, the Government is yet to release any figures indicating funding levels for local government for 2020/21 and beyond.
- 1.3. At the same time spending projections, including; pay and prices inflation, provision for budget pressures related to an increasing population and changing demographic needs, and changing responsibilities for local government; mean additional spending of at least £42m will be required to meet those needs.
- 1.4. The Lewisham Future Programme continues to address the budget gap. This report sets out the main areas covered by the Lewisham Future Programme. The immediate target is now to deliver £32m of savings to bridge the gap for 2018/19 and 2019/20. In particular, securing an agreement with health partners on the direction of additional one off resources provided for adult social care to 2019/20. The Council estimates the total level of savings required for the four year period 2018/19 to 2021/22 is £52m.
- 1.5. The combination of these factors contributes to a lack of clarity regarding funding levels, the responsibilities local government will have, and the pressures and risks faced by the sector nationally and regionally. This MTFS is therefore more uncertain than in recent years. In particular for the position beyond 2019/20.

## 2. PURPOSE

- 2.1. The main purpose of this report is to set out the medium term financial position for the Council over the next four years and the assumptions on which it is

based. It also provides an overview of the current financial situation and provides an update on the delivery of the savings programme for 2018/19.

2.2. The MTFFS covers the following areas:

- It sets out the expected resource envelope that the Council's General Fund must operate within in 2018/19, attempts to project funding in future years, and identifies the main factors that might affect this.
- It sets out service and other spending projections (e.g. Housing Revenue Account, Capital Programme, Dedicated Schools Grant, and other funding streams) and the main factors that may affect these.
- It projects the General Fund budget gap which is the difference between the resource envelope and spending projections. This includes some sensitivity analysis for a optimistic, main and pessimistic projection for each year, depending on the assumptions made, the main case representing the most likely outcome.
- It sets out the measures the Council needs to take to address the budget gap through the Lewisham Future Programme.

### **3. RECOMMENDATIONS**

3.1. The Public Accounts Select Committee is recommended to:

3.1.1. Note the 2018/19 to 2021/22 Medium Term Financial Strategy;

3.1.2. Request that a further update is brought back as part of the savings and budget setting process to reflect any changes arising from the Autumn Budget or Local Government Finance Settlement.

### **4. STRUCTURE OF THE REPORT**

4.1. The Report is structured as follows:

1. Executive Summary
2. Purpose
3. Recommendations
4. Structure of the report

#### **STRATEGIC REVIEW**

5. Introduction
6. Local Policy Context
7. National Policy Context
8. Budget Update

#### **MEDIUM TERM FINANCIAL STRATEGY**



9. Introduction
10. Resource Envelope
11. Revenue Expenditure Assumptions
12. General Fund Budget Gap
13. Addressing the Budget Gap
14. Housing Revenue Account
15. Dedicated Schools Grant
16. Capital Programme
17. Risk Management

## **SUMMARY AND IMPLICATIONS**

18. Conclusion
19. Financial Implications
20. Legal Implications
21. Equalities Implications
22. Environmental Implications
23. Crime & Disorder Implications
24. Background Papers
25. Appendices

## **STRATEGIC REVIEW**

### **5. INTRODUCTION**

- 5.1. The MTFs represents the start of the Council's formal budget process, which concludes with the setting of the overall Budget each year. The Budget Report for 2018/19 will be presented to Mayor and Cabinet in January 2018 and full Council in February 2018.
- 5.2. This report sets out the scope of the Council's financial planning which includes: the General Fund; Housing Revenue Account; the Dedicated Schools Grant, other funding streams, and the Capital Programme.
- 5.3. The key objectives of the 2018/19 to 2021/22 Strategy are to:
  - plan the Council's finances over a four year period to take account of local improvement priorities and national priorities;
  - ensure that the Council's corporate priorities continue to drive its financial strategy and resource allocation;
  - assist the alignment of business and financial planning processes;

- ensure that the plan takes account of: stakeholder and partner consultation; external drivers; capital investment; budget risk assessments; and expected developments in services;
- ensure that the MTFs is linked to other internal strategies and plans; and
- ensure that the final agreed budget reflects all these considerations.

- 5.4. Over the last eight years, the Council has undertaken a major budget reduction programme to manage the difficult financial challenge it has been faced with. In the period 2010/11 to 2017/18 the Council has implemented savings of £160m. And work is underway to identify and deliver a further £32m by 2019/20.
- 5.5. The financial outlook for the Council and the public sector as a whole remains extremely challenging. The Government has re-affirmed the need for significant reductions in public sector expenditure over the medium term into the 2020s.
- 5.6. Prior to the general election in June 2017, the Government was planning to change the way local authorities are funded by 2019/20. This involved the main local government grant, the Revenue Support Grant (RSG), was to be phased out, 100% of business rates devolved, additional responsibilities transferred to local authorities, changes to school funding (formula and paid direct to schools), the continuing impact of move to Universal Credit, and further health and social care integration. The specifics, pace and scale of these changes is now uncertain as the government resets its legislative agenda with a focus on Brexit.
- 5.7. It is expected that the system of top-ups and tariffs which redistributes revenues between local authorities will be retained and updated following consultation in 2017/18 on the fair funding formula for local authorities. The government has also recently announced changes to the national funding formula for schools with details to follow. This will impact the level of Dedicated Schools Grant (DSG) the Council receives to support local schools.
- 5.8. Other large grant funded areas, in particular the Better Care Fund, improved Better Care Fund, Public Health (including Early Years) and some capital grants are presumed to operate within the available funding levels and service managers will adjust their staffing and contracted work accordingly.
- 5.9. The focus of the MTFs is the Council's General Fund budget. Whilst it is very important, particularly at a time of financial constraint, to identify ways in which all services can be delivered more effectively across traditional organisational and financial boundaries, the nature of the current financial austerity regime is such that most of the budget reductions have to come from Council General Fund services. Having a sound General Fund MTFs, and a strategy for responding to the challenges it presents, is an essential pre-requisite to ensuring effective responses from all of the services the Council directs and influences.

## **6. LOCAL POLICY CONTEXT**

- 6.1. The Council's strategy and priorities drive the medium term financial planning process, with changes in resource allocation determined in accordance with policies and priorities. *Shaping our future* is Lewisham's Sustainable Community

Strategy. It covers the period for 2008 to 2020 and sets out a vision for Lewisham and the priority outcomes that organisations, communities and individuals can work towards to make this vision a reality. The key priorities are set out at Appendix 1 for reference.

6.2. In taking forward the Council's Budget Strategy, in engaging our residents, service users and employees, and in deciding on the future shape, scale and quality of services, we will be driven 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.

## **7. THE NATIONAL POLICY CONTEXT**

7.1. The Chancellor of the Exchequer made his 2017 Spring Budget speech on 8 March this year. The direction of travel remains to get public sector expenditure consistently below 40% of Gross Domestic Product (GDP) to help eliminate the deficit, bring the budget back into surplus, and start reducing the deficit.

7.2. The global economic position continues to be one of growth with the International Monetary Fund forecasting growth in excess of 3% in 2017. The Office for Budget Responsibility (OBR) forecast that the UK economy will grow at a slightly slower rate, declining to 1.6% in 2018 before picking up to 2% by 2021. At the same time in the UK Consumer Price Index (CPI) inflation is rising at nearly 3% in 2017 before being expected to fall back in future years once the 15% currency revaluation impact of Brexit in 2016 has worked through the system. The UK unemployment rate is currently steady at 4.6% or just over £1.5m people. At present the Bank of England monetary policy is holding interest rates at 0.25%.

7.3. Public sector net borrowing is forecast to fall to 2.9% of GDP in 2017 and then to fall each year for the remainder of the forecast period. Following the 2017 Spring budget the OBR now forecasts that the public finances will deliver a surplus in 2025. At the same time the total UK debt level has risen to over £1,700bn or 90% of GDP and will continue to rise until the annual budget returns to surplus.

7.4. The economic levers to reduce the levels of deficit or debt are to curb public sector spending, grow the economy and raise taxes. The current understanding of the government's policy agenda, as it impacts local government, to address these challenges is discussed later in this report. Nonetheless, it is fair to say that beyond 2019 there is a considerable level of uncertainty for the UK now in all of the international, national and local spheres of government.

7.5. The specific consequences or implications for Lewisham are uncertain but the overall direction of travel is expected to remain one of severely constrained resources. The Settlement Funding Assessment (the total amount the government assumes to come from Revenue Support Grant and business rates) falls by 15% between 2017/18 and 2019/20. For Lewisham these reductions transfer a greater element of risk onto the Council's own sources of income (in particular Council Tax and Business Rates) as a time when the options for

increasing Council Tax are capped below inflation and recognising that Lewisham has a relatively low business rate base, and the business rate regime is uncertain.

- 7.6. Improvement in economic activity will have a beneficial impact on aspects of the Council's services. It should help drive regeneration within the borough, leading to more businesses and jobs as well as additional housing. The Council will achieve some direct financial benefits from these developments, including additional Council tax, New Homes Bonus and a share of increased business rates. There will also be benefits to Lewisham residents in terms of more jobs and more housing. However, at the same time, the economic uncertainties of Brexit for London and pressures from inflation alongside high house prices and the impact of government's welfare reform policies will have a continuing adverse impact on Lewisham residents and, together with demographic pressures, will lead to increased pressure on services and the need for resources.
- 7.7. The Queen's speech, following the snap general election, was delivered on the 21 June 2017. As expected, it focussed on the legislation that will need to be introduced to accommodate Brexit. There were also a number of announcements with direct or indirect implications for local government. They included:
- **Business Rates:** there was no new Local Government Finance Act but not all the changes in train were reliant on primary legislation. Fair funding changes to baselines, tier splits and transfers do not require legislation so can go ahead.
  - **Social Care:** Ministers will work to improve social care and will bring forward proposals for consultation, including floor and cap funding levels.
  - **Schools:** there was no mention of creating new grammar schools, which had been a manifesto pledge, and instead there was a return to the previous government's policy of creating new academies.
  - **Housing:** the focus continues to be on the supply-side, and using the market to ensure the right number and type of homes are built. This suggests that the Government will continue to help the private sector to deliver, rather than encouraging local authorities to build housing themselves.
  - **Public Finances:** the commitment to balance the budget by the middle of the next decade and to reduce the structural deficit to 2% by 2020-21 are re-confirmed.
  - **Pay inflation:** the government is now sounding more sympathetic to the pay of public sector workers, and local authorities could therefore find themselves having to fund increased pay awards out of the same funding allocations. This would put more pressure on budgets.
- 7.8. The Chancellor's Mansion House Statement, delivered on the 20 June, gave a practical indication of how the government will manage the public finances. The Chancellor confirmed that the government will continue with the spending targets announced in the Autumn Statement. The expectation is that public spending will increase in line with inflation in both 2020/21 and 2021/22, and possibly through to the middle of the decade.

## 8. BUDGET UPDATE

### 2016/17 Financial accounts

- 8.1. The Council's draft final accounts for 2016/17 have been prepared and were reviewed by the Audit Panel on 20 June 2017, before being submitted for audit by the Council's external auditor, Grant Thornton. A separate report on the Council's final outturn position for revenue and capital budgets was presented to Public Accounts Committee at the 28 June 2017 meeting.
- 8.2. The Council's final 2016/17 Directorate revenue outturn position was a Directorate overspend of £9.8m, reduced to £7m after applying a corporately held provision for pressures and risks of £2.75m. The Housing Revenue Account (HRA) is projecting an additional surplus of £4.1m above the already budgeted surplus of £10.1m, making the total for the year £14.2m. This surplus is expected to be transferred to reserves at the end of the year which will ensure that there are sufficient resources available to fund the current housing programme over the medium term. The Dedicated Schools Grant (DSG) of £284.7m was in balance at the end of the year. There were nine schools in deficit at the year-end; five secondary, three primary schools and the pupil referral unit. All of those schools have a licensed deficit agreement or are in the process of applying for one. The Capital Programme spend as at 31 March 2017 was £70.9m. This represents 84% of the revised budget of £84.8m. The comparable figure last year was a final spend of £94.1m, which was 80% of the revised budget of £118.1m. Capital resources unspent in the year are rolled forward.

### 2017/18 Budget

- 8.3. The 2017/18 budget was approved by Council on the 22 February 2017. The overall budget position for the Council is a net General Fund Budget Requirement of £232.746m, as set out in Table 1 below.

**Table 1 - 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)	
<b>Assumed Budget Requirement for 2017/18</b>		<b>(232.746)</b>
<b>Total Resources available for 2017/18</b>		
Base Budget for 2016/17	236.218	
<b>Plus:</b> Reversal of reserves drawn in 16/17 (once off)	10.943	
<b>Plus:</b> Additional Pay inflation	0.978	
<b>Plus:</b> Non-pay Inflation	2.500	

Detail	Expenditure/ (Income) £m	Expenditure/ (Income) £m
<b>Plus:</b> Education Support Grant changes for 17/18	2.870	
<b>Plus:</b> Budget pressures to be funded from 17/18 fund	5.120	
<b>Plus:</b> Risks and other potential budget pressures	2.130	
<b>Less:</b> 16/17 pressures funding no longer required	(0.750)	
<b>Less:</b> Previously agreed savings for 2017/18	(16.237)	
<b>Less:</b> September approved savings for 2017/18	(5.999)	
<b>Less:</b> Use of New Homes Bonus reserve	(5.000)	
<b>Less:</b> Once off use of Corporate reserves	(0.027)	
<b>Total</b>		<b>232.746</b>

### 2016/17 General Fund Revenue Budget Monitoring

- 8.4. Officers continue to undertake regular revenue budget monitoring in 2017/18. The first revenue budget monitoring report will be presented to the Public Accounts Select Committee on the 13 July 2017. The report is based on information to the end of May 2017 and forecasts a year-end overspend of £12.8m.
- 8.5. The main service areas overspending are:
- Children's Social Care £5.1m;
  - Adult Social Care £1.1m; and
  - Environment £2.4m
- 8.6. The Executive Director for Resources and Regeneration noted that, in setting the Council's budget for 2017/18, a sum of £2.1m was set aside and is being held corporately for managing 'risks and other budget pressures'. This is for items which although difficult to quantify with absolute certainty, could prove significant should they materialise. Amounts required will be confirmed by the year end.

### Housing Revenue Account Monitoring

- 8.7. The forecast position for the Housing Revenue Account is to spend to budget for 2017/18.

### Dedicated Schools Grant

- 8.8. The forecast position for the Dedicated Schools Grant overall is to spend to budget for 2016/17.
- 8.9. However, it should be noted that the number of schools running in-year deficits is growing - 32 in 2016/17 with nine schools overspent at the year-end. Further to the national funding formula announcements that limited any school funding loss to 3%, the government has now suggested no school will lose out but the details have yet to be published. Other head wins facing school finances include uncertainty of numbers for school places, inflation and pay and pension rises,

cost of implementing change (e.g. redundancy costs), and ability to manage both reducing real term budgets and address licenced loans or deficits.

### **Capital Programme**

- 8.10. The overall spend to 31 May 2017 is £5.5m, which is 5% of the revised 2017/18 budget of £116.4m.

## **MEDIUM TERM FINANCIAL STRATEGY (MTFS)**

### **9. INTRODUCTION**

- 9.1. The MTFS takes a forward view of the likely financial position of the Council over the next four years. This strategy does not seek to duplicate or replace any of the Council's other policies and strategies.
- 9.2. The financial strategy has produced a model with financial forecasts that aim to deliver the Council's priorities and identifies the constraints of the significant financial challenges it faces.
- 9.3. The MTFS projects:
- a. the resource envelope the Council's General Fund must operate within in future years;
  - b. service and other spending pressures and the main factors that may affect these; and
  - c. the General Fund budget gap which is the difference between the resource envelope and the spending projections.
- 9.4. As the level of uncertainty regarding funding is relatively high for years 2020/21 to 2021/22, the strategy has again modelled three indicative scenarios, the optimistic case, the **main** case, and the pessimistic case. The main case is assumed to be the most likely expected to happen. These scenarios are formulated on a number of local and national assumptions made based on the information available. These are discussed below for the main case and summarised in Appendix 2.

### **10. RESOURCE ENVELOPE**

- 10.1. The resource envelope set out in this section of the report consists of the following elements:
- The 'Settlement Funding Assessment' (SFA) which is the total of Revenue Support Grant, business rate top-up, and retained business rate income; and
  - Council Tax income.

#### **Settlement Funding Assessment (SFA)**

- 10.2. Local authorities currently receive funding from the government via the Settlement Funding Assessment (SFA). This consists of the local share of business rates, and Revenue Support Grant.
- 10.3. The Government offered any Council that wished to take it up a four-year funding settlement to 2019-20 which provides funding certainty and stability in respect of the Revenue Support Grant only. The Government confirmed the figures for 2017/18 to 2019/20 in the LGFS in December 2017. Table 2 below sets out the announced SFA for Lewisham from 2018/19 to 2019/20 and the estimated SFA from 2020/21 to 2021/22:

**Table 2: Make-up of Lewisham's Provisional and Estimated Settlement Funding Assessment, 2018/19 to 2021/22**

Settlement Funding Assessment	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
Revenue Support Grant	36.9	27.6	20.5	16.0
Retained Business Rates (30%)	20.3	21.0	21.4	21.8
Business Rate Top-up (to reflect Lewisham's low business rate base)	71.4	73.9	75.5	77.0
<b>Total SFA</b>	<b>128.6</b>	<b>122.5</b>	<b>117.4</b>	<b>114.8</b>

### **Business rates income**

- 10.4. Under the current local government finance system the Council retains 30% of the business rate income it collects, with 37% going to the GLA and 33% paid to government. Each year the Council receives an amount (the top-up) from central government. The Council's business rate income is therefore materially impacted by the national tax take via the top-up and to a lesser degree by growth in business rates locally (see Table 2 above).
- 10.5. The government has proposed a fundamental change to the way local authorities are financed such that Local Government would retain 100% of the Business Rates income it collects. However, following the June 2017 general election this appears to be delayed in the absence of a Local Government Finance Bill in the Queen's speech. Although the fair funding update is likely to proceed and the Government is planning to have this in place by 2019/20.
- 10.6. Changes to Business Rates retention were intended to be fiscally neutral by allowing the main local government grant (e.g. Revenue Support Grant) to be phased out and additional responsibilities devolved to local authorities or regions, matching the additional funding from business rates. If or how this will now proceed is uncertain.
- 10.7. Without these planned changes and with the new Business Rates valuations effective from April 2017, Lewisham retains the risk of appeals and lost collection for the new rates which increased significantly in London as a reflection of higher rent rises than the average nationally. This is set out in Table 3

**Table 3: Rateable Value Changes**



	2017/18 (2017 Valuation list)	2016/17 (2010 Valuation list)
Number of properties	6,057	6,027
Rateable Value £'000	180,751.3	140,205.5
Average RV £'000	29.8	23.3
Average RV % change	28%	-

- 10.8. The individual property increases could pose a potential risk of increase in appeals to the Council. The Government introduced additional reliefs to support businesses faced with large increases in business rates, e.g. supporting small businesses relief and new local discretionary relief scheme.
- 10.9. While it has been confirmed that “new burdens funding” would be paid to cover the additional cost of administering these relief schemes, legislation is yet to be issued providing further guidance or funding.
- 10.10. There are two main key risks area to the Council that are worth noting:

#### Virgin Media

- 10.11. Lewisham’s is currently the largest Virgin Media RV in the country – standing at £15.9m. All appeals seeking to merge the VM networks in the 2010 rating lists were withdrawn in May 2017. Lewisham is keeping a close eye on this should VM seek to move from the local list to the Central list. This would mean that VM would pay their rates to Central Government rather than the Council.

#### Health sector

- 10.12. The NHS has its application for charitable status still pending. Charities can apply for up to 80% relief on the proportion of the building being used for charitable purposes. Should their application be successful, Lewisham’s liability up to 2016/17 would be approximately £9.0m, and future annual business rate losses of approximately £1.4m. Lewisham has joined a combined legal action being coordinated by the LGA to challenge these applications.

#### **Council Tax income**

- 10.13. 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 and their general responsibilities to steward the Council’s finances over the medium term.
- 10.14. The current position is still that Council Tax may not be increased by 2% or more (inclusive of levies) without a referendum. The Social Care Precept is in addition to this. The government’s assumptions in the provisional 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.

- 10.15. Council Tax income is also affected by growth in the number of properties in the borough, the rate of Council Tax collection, as well as decisions about the level of Council Tax.
- 10.16. The Social Care precept introduced by the Government from 2016/17 will continue to 2019/20. Local authorities have the flexibility to raise council tax in their area by up to 6% over the three year period 2017/18 to 2019/20, above the existing referendum threshold for council tax of 1.99%. In Lewisham, the 2017/18 budget made the decision for an increase in the Social Care precept of 3% in 2017/18 and assumed increases of 1% in 2018/19 and 2% for 2019/20.
- 10.17. This additional funding is ring-fenced for adult social care each year. For both 2016/17 and 2017/18 the money was committed to funding the above inflation increases in the London Living Wage for those providing adult social care.
- 10.18. In 2017/18, Council Tax was raised by 4.99% in total, i.e. a 1.99% general increase and the 3% social care precept increase as set out above. This generated additional funding of £4.46m.
- 10.19. The MTFs main case assumes a 2.99% increase in Council Tax for 2018/19, 3.99% in 2019/20, and thereafter only the 1.99% general increase in each year. This reflects the assumption that the Council will apply a 1% and 2% Social Care precept in the first two years, as well as the maximum increase allowed without a referendum. In total over the period this will add approximately £13m to the Council Tax income base over the four year period to 2021/22.
- 10.20. Forecast Council Tax income from 2018/19 to 2021/22 is set out in Table 4 using the assumptions in Appendix 2. The amounts collected here are after allowing for the cost of the Council Tax Reduction Scheme and any uncollected debts.

**Table 4: Council Tax Income Future Year Projections**

	2017/18 Expected	2018/19 projection	2019/20 projection	2020/21 projection	2021/22 projection
	£m	£m	£m	£m	£m
<b>Optimistic</b>		98.64	104.12	107.78	111.58
<b>Main</b>	<b>93.87</b>	<b>98.13</b>	<b>103.58</b>	<b>107.22</b>	<b>110.99</b>
<b>Pessimistic</b>		96.23	99.63	101.13	104.69

## 11. REVENUE EXPENDITURE ASSUMPTIONS

- 11.1. In addition to the reduction in the level of resources available over the next four years, the Council faces a number of budget pressures which will add to the overall revenue expenditure. This section of the report considers the effect such pressures will have on the future years' revenue expenditure.

## **Pay**

- 11.2. A pay award of 1% was agreed for 2016/17 and 2017/18. The main model has assumed that pay awards will remain at 1% in future years.

## **Employer pension contributions**

- 11.3. As with most Councils, the Lewisham Pension Fund has a deficit reflecting the nature of a final salary scheme, the available return on investments, and the increased longevity of staff who have retired. Changes to the scheme affecting the contributions made by employees, the age at which benefits can be taken, and the calculation of the benefits and indexing arrangements have helped to address pressures on the Pension Fund but not eliminated the deficit.
- 11.4. As a result of the recent Valuation of the Pension Fund assets and liabilities at 31 March 2016, an additional £2.5m was put into the Pension Fund. This is on top of the 22.5% of basic pay that the Council contributes for those staff who are members of the Fund in 2016/17. No further lump sum contribution is currently required based on the results of the valuation. The next valuation will take place in 2019.

## **General price inflation assumptions**

- 11.5. General price inflation is calculated on non-pay expenditure on General Fund services (excluding internal recharges and housing benefit payments). A proportion of this expenditure is contractual with indices linked to inflation but in many cases the Council is in a position to re-negotiate increases. For the purposes of these projections, it is assumed that all prices go up by inflation, which in 2018/19 has been estimated at 2.5%.

## **General fees and charges assumptions**

- 11.6. The Council's approach in the past has been to expect fees and charges it makes to rise in line with inflation unless there is a specific decision to increase them by more or less. In some cases, this will be outside the control of the Council (for example, where charge rates are set by statute). However, for the purposes of these projections of spending, it is assumed that on average fees and charges in aggregate will increase by inflation.

## **Further budget pressures and risks**

- 11.7. Forecasting the impact of demand changes is the most difficult aspect of the MTFs. But the MTFs needs to make allowance for the potential impact of these. The key challenges that impact on the demand for Council services are as follows:
- **Population growth** – this particularly affects people based services such as adult and children's social care. But it also affects general demand for universal services such as leisure and cultural services and school places;

- **Ageing population** – this affects care for the very elderly but also impacts on care for younger adults and children with disabilities who are living longer as a result of improvements in medical care. It also has a direct impact on the funding the Council needs to provide for the London-wide concessionary fares scheme;
- **Household growth** – this impacts on General Fund property based services such as refuse collection and waste disposal; highways, footpaths and street lighting; and more school places and additional health and care needs.
- **Impact of government policy** – improvements in economic well-being and reduction in crime should potentially mean less demand for Council services. However, the shortage of housing, the impact of welfare changes, and policy toward people with No Recourse to Public Funds are all having a major impact on social needs within the borough.
- **Impact of reducing preventative services** – reductions in budgets for preventative services such as early years, the youth service and aspects of adult social care provision are likely to affect demand for more acute services including children at risk, children involved in crime, adults with drug and alcohol problems, adults in residential accommodation and so on; and
- **Regulations and standards** – as the national negotiations progress to withdraw the UK from the European Union institutions, with new responsibilities for local government through anticipated funding changes, and as councils respond to recent community incidents standards and ways of working are expected to change.

11.8. The Council is pro-actively trying to address these demand pressures and seeks to ensure, wherever possible, that the changes it has to make to services reduce rather than increase demand. These include, for example, measures to support people with a social care need at home, prevent children coming into care, increase the supply of affordable housing, reduce household and commercial waste disposal, as well as the rigorous application of criteria for access to services.

11.9. Other pressures, such as the cost of transition of children with disabilities into adult services or when specific grants are reduced or withdrawn, are assumed to be managed within service budgets.

11.10. Recognising these pressures and risks in flexible way as they come to bear the Council annually provides £6.5m corporately for growth from demand and other unavoidable pressures in the budget. The model assumes this will continue for future years.

### **Specific grant assumptions**

11.11. The following assumptions have been made in the projections on specific grants which fund services. The general point is that within the Council's devolved budget management arrangements the funding position is noted and it is for the service to ensure that their spending is managed within the available grant. The main specific grants include:

- **Public Health** – this grant is currently £24.97m in 2017/18. The Chancellor’s 2016 Autumn Statement confirmed that LAs’ funding for public health would be reduced by an average of 2.6 per cent in cash terms per year until 2020. The Autumn Statement also confirmed that a central government grant, ring-fenced for use on public health functions, would continue for at least two more years. The provisional allocation for 2018/19 is £24.3m.
- **Better Care Fund (BCF)** – this funding increased slightly in 2017/18 and is expected to increase by a further 1.9% (to £22.1m) in 2018/19. Currently, in negotiation with the Health sector the Council receives approximately £9m of this funding to support Council led services.
- **Improved Better Care Fund (iBCF)** – the BCF is to be supplemented by through the introduction of the iBCF from 2017/18. The difference between the BCF and iBCF is that the iBCF comes directly to Local Authorities to fund adult social care. However, as with the BCF, iBCF spending has to be jointly agreed with local Health partners. In 2017/18 the iBCF totals £1.2m, rising to £11.2m in 2019/20.
- **Adult Social Care one off funding** – in addition to the above the Government announced extra one off funding for adult social care over the three year period from 2017/18 to 2019/20. Lewisham will receive a total of £12.23m, split across the years £6.4m, £3.9m and £1.9m respectively. There is also a further grant for adult social care of £1.4m in 2017/18. This represents an income stream of approximately £10m per year for adult social care, which if agreed, will make a significant contribution to current pressures as well as supporting the planned improvements from better joint working with Health partners.
- **Other grants** – the Council receives a number of other grants but most are relatively small or directly related to specific projects. A number of these come from the Greater London Authority; for example, funding we receive from the London Mayor’s Office for Policing and Crime (MOPAC) to support crime reduction work. As the new Mayor for London sets his priorities, any changes to these other grants will have to be met with an equivalent reduction in service spend to ensure it will have a neutral impact on the Council’s overall budget gap.

### **Other Income and Expenditure Items**

11.12. There are other income and expenditure items in the Council’s budget which are mainly non-service specific. These consist of the following elements:

#### Capital financing charges

11.13. Capital financing costs include all revenue costs relating to the Council’s outstanding borrowing which comprises repayment of principal and interest charges. It also includes provision for capital spending which is charged directly to revenue and repayment of historic debt in respect of the former Inner London Education Authority. These costs are offset by principal and interest repayments

from the Catford Regeneration Partnership Limited, Lewisham Homes, and interest on the Council's investment balances.

- 11.14. The main factors that affect the forecasting of capital financing costs are the level of borrowing for capital purposes, the level of the Council's cash balances, and interest rates. The MTFS assumes that capital spending will be funded either from grant, capital receipts, capital reserves, be charged direct to revenue or borrowing.
- 11.15. Changes to interest rates should not affect borrowing costs as the Council borrows long term (typically 30 plus years) at fixed rates. It also assumes that cash balances remain at their current level. If interest rates rise the Council receives more interest on balances invested. However, the projections have not built in any assumptions about changes to interest rates as their scale is likely to be limited and the timing remains uncertain.

#### Levies

- 11.16. These cover the London Pension Fund Authority, the Environment Agency and Lee Valley. It is assumed these will stay at similar levels for future years.

#### Added years pension costs

- 11.17. In the past, staff who retired early were awarded additional assumed years in the Pension Fund with the additional cost being charged to the General Fund. Although added years stopped being awarded some years ago, the Council has an on-going commitment for those staff who were awarded added years in the past.

#### **Other known future years' budget adjustments**

- 11.18. There are three further adjustments that are included within the budget projections for future years, funded from the £6.5m provision stated in para 11.10 above:
- **Concessionary fares** – the cost of concessionary fares to the Council changes each year to reflect increases in population entitled to concessionary fares, increases in fares themselves, and changes to the basis for allocation of costs between boroughs. The projections assume an increase of £0.5m each year.
  - **Highways and footways maintenance** – the 2014/15 budget report included a proposal to switch highways and footways maintenance funding from capital to revenue in order to avoid the build up of prudential borrowing charges. To fund this, it was agreed that £0.35m growth would be provided each year in the revenue budget together with funding that would be released within the capital financing charges budget as a result of prudential borrowing no longer being required.
  - **Licencing** - in 2015/16 Lewisham introduced its first private sector landlord licencing scheme. It is expected that this will cost £0.2m annually to run. The

intention is to help coordinate and raise the standard and safety of properties being let in the borough but providing a quality assurance scheme for landlords and tenants.

### **New Homes Bonus**

- 11.19. The New Homes Bonus (NHB) is a grant paid by central government to local councils for increasing the number of homes in use. Growth in the number of properties in Lewisham in line with the London Housing plan will fund the New Homes Bonus although this will be offset from 2017/18 onwards as funding for properties for which New Homes Bonus was allocated in earlier years of the system drop out of the calculation.
- 11.20. The grant will be paid each year for four years (previously six) for the period of this MTFS. 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.
- 11.21. As well as the reduced period of payment, the government have introduced a baseline level of 0.4% growth such that NHB is only paid for new property numbers above this level. The impact of these changes will be to reduce the level of NHB the Council received by at least a third and possibly a half from the current scheme level which in 2017/18, for all years in payment, is £10m.
- 11.22. The 'sharpening of the incentive' for NHB puts the onus on councils to continue to bring forward developments promptly to maintain supply of new housing in-line with local and regional plans. For Lewisham these are the targets within the London Housing Plan.

### **GENERAL FUND BUDGET GAP**

- 11.23. Using the medium term resource envelope and revenue expenditure projections stated above the resulting overall forecast position for the authority is shown in Table 5 below:

**Table 5: Summary of Projected Financial Position**

	Optimistic Case				Main Case				Pessimistic Case			
	2018/19	2019/20	2020/21	2021/22	2018/19	2019/20	2020/21	2021/22	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Business Rates Baseline	91.72	94.98	96.88	98.82	<b>91.72</b>	<b>94.98</b>	<b>96.88</b>	<b>98.82</b>	91.72	94.98	96.88	98.82
RSG	36.94	27.55	22.04	17.63	<b>36.94</b>	<b>27.55</b>	<b>20.50</b>	<b>16.00</b>	36.94	27.55	19.28	13.50
Ctax	98.64	104.12	107.78	111.58	<b>98.13</b>	<b>103.58</b>	<b>107.22</b>	<b>110.99</b>	96.23	99.63	101.13	104.69
Ctax Collection Fund	0.00	0.00	3.00	3.00	<b>0.00</b>	<b>0.00</b>	<b>2.00</b>	<b>2.00</b>	0.00	0.00	0.00	0.00
Total Resources	227.30	226.65	229.70	231.03	<b>226.79</b>	<b>226.11</b>	<b>226.6</b>	<b>227.81</b>	224.89	222.16	217.29	217.01
Total Revenue Expenditure	248.65	237.06	236.69	239.76	<b>248.65</b>	<b>237.06</b>	<b>236.64</b>	<b>237.22</b>	250.32	236.89	234.48	229.75
Budget Gap	21.35	10.41	6.99	8.73	<b>21.86</b>	<b>10.95</b>	<b>10.04</b>	<b>9.41</b>	25.43	14.73	17.19	12.74
Approved Savings	-0.58	-0.10	0.00	0.00	<b>-0.58</b>	<b>-0.10</b>	<b>0.00</b>	<b>0.00</b>	-0.58	-0.10	0.00	0.00
Additional Annual Savings Required	20.77	10.31	6.99	8.73	<b>21.28</b>	<b>10.85</b>	<b>10.04</b>	<b>9.41</b>	24.85	14.63	17.19	12.74
Cumulative Savings Required		31.08	38.07	46.80		<b>32.13</b>	<b>42.17</b>	<b>51.58</b>		39.47	56.66	69.41



- 11.24. Taking the main case scenario as the expected position, the MTFs shows the annual measures required to bridge the budget gap from 2018/19 to 2021/22 as £21.4m, £11.0m, £10.0m, £9.4m. A total of £51.6m over the four years to 2021/22. This is a substantial budget gap for the Council, especially as savings agreed to date have totalled £160m and the financial monitoring in 2016/17 and 2017/18 is identifying difficulty and delay in implementing agreed savings as a contributory cause to the reported overspend position.
- 11.25. The optimistic case scenario has been modelled to show the effect that positive changes in the assumptions will have on the overall budget gap. Here the culmulative budget gap to 2021/22 reduces by £4.78m to £46.8m. This is based on higher projected Council Tax collection levels and a £3m surplus in the collection fund from 2020/21 to 2021/22.
- 11.26. The pessimistic case scenario is the most unlikely scenario projected. The culmulative budget gap to 2021/22 increases by £17.83m to £69.41m. This scenario demonstrates the difficulty the Council could potentially face if the very worst happens and it opts not to use all available options to increase Council Tax.
- 11.27. The next section of this report looks at how the Council continues to address the gap in order to produce a balance budget.

## **12. ADDRESSING THE BUDGET GAP**

### **Lewisham Future Programme**

- 12.1. The Lewisham Future Programme, established in the Autumn of 2013, is the Council's organisational approach to deliver savings in order to address the budget gap. The Programme focuses on the areas of greatest spend, recognising that in many consecutive years of spending reductions even greater innovation, focus on the customer, and cross-cutting thinking is required to deliver savings whilst attempting to minimise the impact on residents and customers of Lewisham.

### **The Lewisham Future Programme (LFP) Board**

- 12.2. The Lewisham Future Programme Board was established to transform the way Council services are delivered by 2020. The Board manages delivery of these changes and develops options for the Mayor and Council to consider. The Board is chaired by the Chief Executive and consists of all Executive Directors plus the Head of Corporate Resources and the Head of Technology and Change.
- 12.3. Its objective is to oversee a programme of change which will ensure that Lewisham's public services continue to be relevant and responsive to the community, in a way that provides opportunities and meets the Council's statutory obligations. It is recognised that the impact of the LFP will be fundamental and require innovative solutions that re-focus and re-shape services to meet this objective.

- 12.4. The programme is supported, since 2016/17, by the agreed work on transformation projects funded through the £11m 'Invest to Save' commitments agreed as part of the 2017/18 budget.
- 12.5. Work to date has focused on developing options via 18 service and cross-cutting based reviews, each led by Heads of Service across the organisation. Each review has been provided an indicative target to help frame the scale of change needed. These targets are set with a focus on front line services and recognition of the pressures of meeting statutory requirements.

### **Progress to Date**

- 12.6. The Board continues to assess, challenge and support work strand leads to bringing forward a range of possible savings options. The focus since the budget in February 2017 has been on implementing the £22m of savings agreed for 2017/18 and exploring options for developing proposals for the £51m of anticipated savings required by 2021/22.
- 12.7. After making £160m of savings in the eight years from 2010/11 to 2017/18 there are few 'efficiencies' still to be delivered. Savings proposals now relate to changing the operation of the Council and the services it is able to provide. The identification, implementation and sustainability of proposed savings is becoming much harder to predict, both from a financial and timing perspective. This increases the risk for the Council's underlying financial position.
- 12.8. The Council holds various revenue reserves for the risk of events that may disrupt 'business as usual' activities. These were used again in setting the budget for 2017/18 to enable time to develop, consult with stakeholders and implement the scale of savings required. The level of remaining reserves is being maintained given the continuing uncertainty prevailing from austerity, future local government finance changes, and Brexit.
- 12.9. The Council holds £13m of un-earmarked reserves and corporate provisions for unforeseen events. A review of the current reserves and provisions was undertaken as part of the 2017/18 budget setting process. This evaluated how they might best be used to mitigate the financial risks to the Council as it transforms and reshapes services. The position will be reviewed as part of the 2018/19 budget or before if there is a need for an emergency budget.

### **Revenue Budget Savings Process**

- 12.10. Following the 2017/18 budget being set the Board revisited and reset the savings targets by work strand to 2019/20. The focus being on the five main spending areas. They are adult and children social care, environment services, assets, and management overheads. Dedicated sessions to review next steps for each of these work strands have been held. The savings targets are set out in Table 7 below:

**Table 7: summary of savings targets to 2019/20**

<b>Work strand savings targets</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>Total £m</b>
A – Smarter and deeper integration of social care and health	6.1	3.1	<b>9.2</b>
E – Asset rationalisation	4.4	2.2	<b>6.6</b>
I – Management and corporate overheads	3.3	1.6	<b>4.9</b>
J – School effectiveness	0.6	0.3	<b>0.9</b>
L – Culture and community services	1.0	0.5	<b>1.5</b>
M – Housing strategy and non-HRA services	0.6	0.3	<b>0.9</b>
N – Environment services	2.3	1.1	<b>3.4</b>
O – Public Services	1.4	0.4	<b>2.1</b>
P – Planning and economic development	0.6	0.3	<b>0.9</b>
Q – safeguarding and early intervention	1.7	0.9	<b>2.6</b>
<b>Total</b>	<b>22.0</b>	<b>11.0</b>	<b>33.0</b>
Public Health	0.7	0.6	<b>1.3</b>

12.11. The Board will work on continuing management action to extend the savings already approved and bring forward proposals for members approval in the Autumn. The sorts of areas where management is continuing to focus their attention, both to manage spend to budget and go further to deliver savings, include:

- more timely and accurate recording and processing of transactions / casework;
- higher rates of debt collection;
- improved productivity through flexible and effective ways of working;
- better ‘right first time’ and coordinated customer interaction;
- accelerating where possible the delivery of capital development projects; and
- managing demand and tighter commissioning of services.

12.12. The timing is later for 2017/18 for two reasons: 1) the snap general election in June has pushed the time table back; and 2) subsequent uncertainty in respect of the direction of travel in a number of areas (e.g. business rates, planning rules, school funding, health and social care integration, public sector pay, revenue support grant) is delaying officers ability to bring forward firm proposals to members.

12.13. The next steps are reviewing actions and detailed plans for those areas where management action can continue to deliver savings and continue work on developing:

- 1) the proposals to be presented to members for scrutiny and decision; and
  - 2) the LFP to continue informal member level discussions around key service areas.
- 12.14. As these discussions continue the full timetable for putting savings forward for scrutiny and decision making will be developed. It will likely now be to the October / November scrutiny round for decision at Mayor & Cabinet in December so that these are known for the budget discussions in January / February 2018. is shown in Table 8 below. These savings decisions and any further savings that may be identified after these rounds will then be collated and included in the usual budget process in February 2018.

**Table 8: Budget Timetable – Key Dates**

Month	Key Stage
October / November 2017	Scrutiny of Revenue Budget Savings / Autumn Budget statement
December 2017	Provisional Local Government Finance Settlement
	Savings report and Council Tax Reduction Scheme to M&C
January 2018	Final Local Government Finance Settlement
	PASC - the 2018/19 Budget Report
	Council Tax Base agreed by M&C and then Council
	National Non Domestic Rates consultation session
February 2018	Greater London Authority sets their Precept for 2018/19
	Notification of Precepts and Levies
	Mayor & Cabinet agrees the Budget & Council Tax 2018/19
	Council approves Budget & Council Tax for 2018/19

### **13. HOUSING REVENUE ACCOUNT**

- 13.1. The Housing Revenue Account (HRA) is a statutory account which sets the Landlord costs and income for the housing stock.
- 13.2. The HRA now operates with a 30 year business plan which allows the housing strategy to be updated and implements long term planning on resources and asset maintenance. The plan contains a long-term assessment of the need for investment in assets, such as Decent Homes and other cyclical maintenance requirements, as well as forecasts on income streams such as rents, in line with rent restructuring, and future developments.
- 13.3. The plan also recognises certain risks. For example; the impact of government policy changes in respect of types of tenancy, rent levels, right to buy, and treatment of voids. Recently the main challenge for the HRA has been to bring forward development of new homes given the pressure on available social

housing stock. There may now also be costs for the refurbishment of buildings depending on the lessons learnt from the Grenfell tower fire in June 2017

#### **14. DEDICATED SCHOOLS GRANT**

- 14.1. The Dedicated Schools Grants 2016/17 for Lewisham 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. Further grants are given to schools and routed through the Local Authority. This includes the Pupil Premium (£16m), Post 16 funding (£6m), Universal Free School Meals Grant (£3m). Making total available funds for schools in 2016/17 of £316m.
- 14.2. Prior to the June 2017 general election the Government consulted on a revised National Funding Formula for schools and High Needs Pupils. It was expected that the new formula would be introduced in April 2018. Under these proposals the Government said schools would be protected from any losses over 3%. However, the new Government has now announced that no school will lose from the implementation of the funding formula. The details are awaited as there is no indication on how long the protection will last or how it will work. No similar announcement have been made on the High Needs block. The funding position for Lewisham schools in the period of this MTFS therefore remains uncertain.

#### Redundancy and cost pressures

- 14.3. Under the current Lewisham Schools Scheme of Delegation redundancy costs are met by the school. There has been a judicial review of this instigated. Ministers are also reviewing the position. It is uncertain whether in the future any costs will fall on Local Authorities or any decision will be retrospective.
- 14.4. Cost pressures in schools are expected to be 8% over the next three years. It is anticipated that for Lewisham schools the settlement from central government will be cash frozen on a per pupil basis. School budgets are under a strain with 32 of schools running in-year deficits in 2016/17 (i.e. their expenditure exceeded their current years income). This year budget plans indicate 61 schools will operate with in-year deficits to a total £7m. If this is not managed by schools it will be a significant draw on their balances.

#### School Deficit Loan System

- 14.5. Lewisham operate a system to provide schools with a loan to cover budget deficits. The rationale for this is that when a school becomes a sponsored academy a school budget deficit reverts to the Local Authority. If a loan is in place the loan debt stays with the converting school.
- 14.6. The previous government ran a Government consultation between 24 March 2017 and the 22 April 2017. The consultation proposed that loans could not be made to schools to cover deficits. If all the schools that currently have deficits were to convert to academies the Local Authority would need to write off £4.0m.

## 15. CAPITAL PROGRAMME

- 15.1. The Capital Programme is a financial expression of the Council's priorities for investment. It has strategic links to the Council's Community Strategy and the Corporate Plan. The Asset Management Strategy sets out the Council's approach to the assets required to deliver excellent services to local people and this also influences the content of the Capital Programme.

### Capital Programme Schemes and Resources 2017/18 to 2020/21

- 15.2. The estimated resources available, the forecast spend and the under programming within the 2017/18 to 2020/21 Committed Capital Programme are set out in Table 9 below:

**Table 9: Capital Programme Resources and Forecast Expenditure 2017/18 to 2020/21 (as at June 2017)**

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
<b>SCHEMES</b>					
General Fund	57,985	30,245	14,040	8,004	<b>110,274</b>
HRA	58,417	103,782	62,687	55,883	<b>280,769</b>
	<b>116,402</b>	<b>134,027</b>	<b>76,727</b>	<b>63,887</b>	<b>391,043</b>
<b>RESOURCES</b>					
Prudential Borrowing	3,754	0	0	0	<b>3,754</b>
Grants & Contributions	30,974	19,963	232	0	<b>51,169</b>
General (capital receipt, reserves, revenue)	81,674	114,064	76,495	63,887	<b>336,120</b>
	<b>116,402</b>	<b>134,027</b>	<b>76,727</b>	<b>63,887</b>	<b>391,043</b>

- 15.3. The proposed 2017/18 to 2020/21 Capital Programme totals £391m and brings together all capital projects across the Council. It sets out the key priorities for the Council over the next five years and is the subject of regular review.
- 15.4. Over the next five years the Council faces a period of financial uncertainty as revenue funding is cut and Government grants are reduced or terminated. This places increased reliance on the Council's capacity to generate capital receipts from asset sales to fund infrastructure development or can be afforded through long term borrowing. For this reason, any new projects or programmes will need to clearly demonstrate a sound business case for investment.

## 16. RISK MANAGEMENT

- 16.1. A critical element of the Council's medium term financial planning processes is to ensure that the financial consequences of risk are adequately reflected in the

Council's budgets. The Council's risk register sets out those strategic and corporate risks which could materialise, together with the key risk areas in service budgets and associated mitigating measures. These include failure to contain expenditure within agreed cash limits, not meeting the revenue budget savings target and under achievement of income, as well as more specific risks on certain budgets.

## **SUMMARY AND IMPLICATIONS**

### **17. CONCLUSION**

- 17.1. The Medium Term Financial Strategy sets out initial estimates of the scale of financial challenge the Council will face over the medium term to 2021/22. It presents the outturn for 2016/17, summarises the current financial position for 2017/18, and looks forward to 2018/19 and later years.
- 17.2. The next stages in the development of the financial strategy will be further refinement of the Council's longer term forecasting in light of the next Spending Round, local government finance settlement, and clarity on the government's policy agenda as it impacts local government. This, in turn, will inform the Council's development of the proposals by the Lewisham Future Programme.
- 17.3. The Council will have to make further difficult decisions to prepare for future shortfalls. Local authorities have largely acknowledged that deep changes are required if they are to continue to deliver positive outcomes for their citizens. What is not yet clear is how authorities can continue to make this happen in practice and what local government will be responsible for and look like in future.

### **18. FINANCIAL IMPLICATIONS**

- 18.1. This report is concerned with the Council's medium term financial strategy and as such, the financial implications are contained within the body of the report.

### **19. LEGAL IMPLICATIONS**

- 19.1. The purpose of this report is to develop a medium term approach in support of better service and financial planning. Members are reminded that the legal requirements are centred on annual budget production, and that indicative decisions made for future years are not binding.
- 19.2. The Local Government Act 2000 and subsequent regulations and guidance says that it is the responsibility of the full Council to set Lewisham's budget, including all of its components and any plan or strategy for the control of the Council's capital expenditure. Regulations provide that it is for the Executive to have overall responsibility for preparing the draft budget for submission to the full Council to consider. Once the budget has been set, it is for the Mayor & Cabinet to make decisions in accordance with the statutory policy framework and the budgetary framework set by the Council.

19.3. Where there are proposals for a reduction to a service which the Council is either under a statutory duty to provide, or which it is providing in the exercise of its discretionary powers and there is a legitimate expectation that it will consult, then consultation with all service users will be required before any decision to implement the proposed saving is taken. The outcome of such consultation must be reported to the Mayor. Where the proposed savings will have an impact upon staff, then the Council will have to consult the staff affected and their representatives in compliance with all employment legislative requirements and the Council's own employment policies.

**20. EQUALITIES IMPLICATIONS**

20.1. The Council's budget is of primary importance as a means of delivering Lewisham's objectives. When the budget savings and resources allocation proposals are considered during the latter part of this year, they will be assessed in terms of their impact on service delivery and equalities implications.

**21. ENVIRONMENTAL IMPLICATIONS**

21.1. There are no environmental implications directly arising from the report.

**22. CRIME & DISORDER IMPLICATIONS**

22.1. There are no crime and disorder implications directly arising from this report.

**23. BACKGROUND PAPERS**

Title of Document	Date	File Location	Contact Officer
Budget Report 2017/18	22 February 2017 (Full Council)	5 <sup>th</sup> Floor Laurence House, Corporate Resources	David Austin
Final Revenue and Capital Outturn 2016/17	28 June 2016 (Public Accounts Committee)	5 <sup>th</sup> Floor Laurence House, Financial Services	Selwyn Thompson
2017/18 Budget Monitoring Report	13 July 2017 (PASC)	5 <sup>th</sup> Floor Laurence House, Financial Services	Selwyn Thompson

**APPENDICES**

Appendix 1 – Corporate Priorities

Appendix 2 – Summary of MTFS Assumptions

Appendix 3 – Glossary of Terms



**For further information on this report please contact**

David Austin, Head of Corporate Resources, 5<sup>th</sup> Floor Laurence House. 020 8314 9114

Shola Ojo, Principal Accountant, 3<sup>rd</sup> Floor Laurence House 020 8314 7778

## APPENDIX 1 – LEWISHAM CORPORATE PRIORITIES

The six Sustainable Community Priority outcomes, agreed with the Lewisham Strategic Partnership and the Council's 10 Corporate Priorities are set out as follows:

### Sustainable Community Strategy

- **Ambitious and achieving:** where people are inspired and supported to fulfil their potential.
- **Safer:** where people feel safe and are able to live free from crime, anti-social behaviour and abuse.
- **Empowered and responsible:** where people can be 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 localities and town centres well-connected to London and beyond.

### Corporate 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.

## APPENDIX 2 - SUMMARY OF ASSUMPTIONS

	Optimistic Case	Main case	Pessimistic case
<b>RESOURCE ENVELOPE</b>			
Settlement Funding Assessment	•	• February 2016 Provisional figures used to 2019/20	•
Revenue Support Grant	•	• 2020/21 to 2021/22 - 23.5% reduction assumed	•
Retained business rates	•	• 2% real terms increase each year from 2018/19 from growth in rateable value base	•
Council Tax income	•	<ul style="list-style-type: none"> <li>• 2018/19 2.99% change in Council Tax level</li> <li>• 2019/20 3.99% change in Council Tax level</li> <li>• Next 2 years 1.99% change</li> <li>• 1.5% increase each year in Council Tax base from 2018/19 onwards</li> <li>• CT collection rate of 96% each year from 2018/19 onwards</li> </ul>	•
Surpluses/deficits on Collection Fund	•	• £2m estimated surplus in 2020/21 and 2021/22	•
Pay awards	•	• 1% from 2018/19 onwards	•
General price inflation (incl. fees and charges)	•	• 2.5% increase each year in non-pay budgets	•

	<b>Optimistic Case</b>	<b>Main case</b>	<b>Pessimistic case</b>
Pressures and risks	•	• £6.5m growth each year	•
New legislation	•	• Nothing allowed	•
2017/18 budget pressures and risks	•	• All used and allocated to service spend	•

## **APPENDIX 3 - GLOSSARY OF TERMS**

### **Actuarial valuation**

An independent report of the financial position of the Pension Fund carried out by an actuary every three years. The actuary reviews the Pension Fund assets and liabilities as at the date of the valuation and makes recommendations such as, employer's contribution rates and deficit recovery period, to the Council.

### **Baseline funding level**

The amount of a local authority's start-up funding allocation which is provided through the local share of the estimated business rates aggregate (England) at the outset of the scheme as forecast by the Government. It forms the baseline against which tariffs and top-ups are calculated.

### **Budget Requirement**

The Council's revenue budget on general fund services after deducting funding streams such as fees and charges and any funding from reserves. (Excluding Council Tax, RSG and Business Rates)

### **Capital expenditure**

Spend on assets that have a lasting value, for example, land, buildings and large items of equipment such as vehicles. This can also include indirect expenditure in the form of grants or loans to other persons or bodies.

### **Capital Programme**

The Council's plan of future spending on capital projects such as buying land, buildings, vehicles and equipment.

### **Capital Receipts**

These are proceeds from the disposal of land or other assets and can be used to finance new capital expenditure but cannot be used to finance revenue expenditure.

### **Capping**

This is the power under which the Government may limit the maximum level of local authority spending or increases in the level of spending year on year, which it considers excessive. It is a tool used by the Government to restrain increases in Council Tax. The Council Tax cap, currently 2%, means that any local authority in England wanting to raise Council Tax by more than 2% in 2015/16 must consult the public in a referendum, Councils losing a referendum would have to revert to a lower increase in their bills.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy are one of the UK accountancy institutes. Uniquely, CIPFA specialise in the public sector. Consequently CIPFA holds the responsibility for setting accounting standards for local government.

## **Collection fund**

A statutory account maintained by the Council recording the amounts collected from Council Tax and Business Rates and from which it pays the precept to the Greater London Authority.

## **Collection Fund surplus (or deficit)**

If the Council collects more or less than it expected at the start of the financial year, the surplus or deficit is shared with the major precepting authority, in Lewisham's case this is the GLA, in proportion to the respective Council Taxes. These surpluses or deficits have to be returned to the Council taxpayer in the following year through lower or higher Council taxes. If, for example, the number of properties or the allowance for discounts, exemptions or appeals vary from those used in the Council Tax base, a surplus or deficit will arise. The Council generally achieves a surplus, which is shared with the GLA.

## **Contingency**

This is money set-aside centrally in the Council's base budget to meet the cost of unforeseen items of expenditure, such as higher than expected inflation or new responsibilities.

## **Council Tax Base**

The Council Tax base for a Council is used in the calculation of Council Tax and is equal to the number of Band D equivalent properties. To work this out, the Council counts the number of properties in each band and works out an equivalent number of Band D equivalent properties. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992. They are: A 6/9, B 7/9, C 8/9, D 9/9, E 11/9, F 13/9, G 15/9 and H 18/9, so that Band A is six ninths of the 'standard' Band D, and so on.

## **CPI and RPI**

The main inflation rate used in the UK is the CPI (Consumer Price Index), the Chancellor of the Exchequer bases the UK inflation target on the CPI. The CPI inflation target is currently set at 2%. The CPI differs from the RPI (Retail Price Index) in that CPI excludes housing costs. Also used is RPIX, which is a variation on RPI, one that removes mortgage interest payments.

## **Dedicated schools grant (DSG)**

This is the ring-fenced specific grant that provides most of the Government's funding for schools. This is distributed to schools by the Council using a formula agreed by the schools forum.

## **Financial Regulations**

These are a written code of procedures set by a local authority, which provide a framework for the proper financial management of the authority. They cover rules for accounting and audit procedures, and set out administrative controls over the authorisation of payments, etc.

## **Financial Year**

The local authority financial year commences on 1st April and finishes on the following

## **General Fund**

This is the main revenue fund of the local authority, day-to-day spending on services is met from the fund. Spending on the provision of housing however, must be charged to the separate Housing Revenue Account (HRA).

## **Gross Domestic Product (GDP)**

GDP is defined as the value of all goods and services produced within the overall economy.

## **Gross expenditure**

The total cost of providing the Council's services, before deducting income from Government grants, or fees and charges for services.

## **Housing Revenue Account (HRA)**

A separate account of expenditure and income on housing that Lewisham must keep. The account is kept ring-fenced from other Council activities. The Government introduced a new funding regime for social housing within the HRA from April 2012.

## **Individual authority business rates baseline**

This is derived by apportioning the billing authority business rates baseline between billing and major precepting authorities on the basis of major precepting authority shares.

## **Levies**

A levy is an amount of money a local authority is compelled to collect (and include in its budget) on behalf of another organisation. Lewisham is required to pay levies to a number of bodies such as the London Pensions Fund Authority.

## **Local share**

This is the percentage share of locally collected business rates that will be retained by local government, currently 50%.

## **Net Expenditure**

This is gross expenditure less services income, but before deduction of government grant.

## **New Homes Bonus**

Under this scheme Councils receive a new homes bonus (NHB) per each new property built in the borough for the first six years following completion. Payments are based on match funding the Council Tax raised on each property with an additional amount for affordable homes. It is paid in the form of an un-ringfenced grant.

## **Prudential Borrowing**

Set of rules governing local authority borrowing for funding capital projects under a professional code of practice developed by CIPFA to ensure the Council's capital investment plans are affordable, prudent and sustainable.

## **Revenue Expenditure**

The day-to-day running expenses on services provided by Council.

## **Revenue Support Grant (RSG)**

All authorities receive Revenue Support Grant from central government in addition to its baseline funding level under the local government finance system. An authority's Revenue Support Grant amount plus its baseline funding level together comprises its Settlement Funding Assessment.

## **Section 151 officer**

Legally Councils must appoint under section 151 of the Local Government Act 1972 a named chief finance officer to give them financial advice, in Lewisham's case this is the post of the Executive Director for Resources and Regeneration.

## **Settlement Funding Assessment (SFA)**

A local authority's share of the local government spending control total which comprises its Revenue Support Grant for the year in question and its baseline funding level.

## **Specific Grants**

As the name suggests funding through a specific grant is provided for a specific purpose and cannot be spent on anything else e.g. The Dedicated Schools Grant (DSG) for schools.

## **Start-up funding allocation (SUFA)**

Refer to Settlement Funding Assessment.

## **Treasury Management**

The process of managing the Council's cash flows, borrowing and cash investments to support Lewisham's finances. Details are set out in the Treasury Management Strategy which is approved by Mayor and Cabinet and Full Council in February each year.



Public Accounts Select Committee		
Title	Select Committee work programme 2017-18	
Contributor	Scrutiny Manager	Item 7
Class	Part 1 (open)	13 July 2017

## 1. Purpose

- 1.1 To advise Committee members of the work programme for the 2017-18 municipal year, and to agree the agenda items for the next meeting.

## 2. Summary

- 2.1 In April, the committee drew up a draft work programme for the municipal year 2017-18.
- 2.2 The work programme can be reviewed at each Select Committee meeting to take account of changing priorities.

## 3. Recommendations

- 3.1 The Committee is asked to:
- Note the work plan attached at **Appendix B** and discuss any issues arising from the programme;
  - Look at the items scheduled for the next meeting and clearly specify the information and analysis required, based on desired outcomes, so that officers are able to meet expectations;
  - Review all forthcoming key decisions, attached at **Appendix C**, and consider any items for further scrutiny.

## 4. Work programme

- 4.1 The work programme for 2017-18 was agreed at the 19 April 2017 meeting.
- 4.2 The Committee is asked to consider if any urgent issues have arisen that require scrutiny and if any existing items are no longer a priority and can be removed from the work programme. Before adding additional items, each item should be considered against agreed criteria. The flow chart attached at **Appendix A** may help Members decide if proposed additional items should be added to the work programme. The Committee's work programme needs to be achievable in terms of the amount of meeting time available. If the Committee agrees to add additional item(s) because they are urgent and high priority, Members will need to consider which medium/low priority item(s) should be removed in order to create sufficient capacity for the new item(s).

## 5. The next meeting

5.1. The following reports are scheduled for the meeting on 27 September 2017:

Agenda item	Review type	Link to corporate priority	Priority
Lewisham Future Programme	Performance monitoring	Inspiring efficiency, effectiveness and equity	High
Management report	Performance monitoring	Inspiring efficiency, effectiveness and equity	High

5.2. The Committee is asked to specify the information and analysis it would like to see in the reports for these item, based on the outcomes the committee would like to achieve, so that officers are clear on what they need to provide for the next meeting.

5.3. At its meeting on 28 June, the Committee considered the scoping report for the 'household budgets' in-depth review as well as an update from officers about the work of the Lewisham Poverty Commission.

5.4. The Committee resolved to give further consideration to the aims and ambitions for its in-depth review. It was also agreed that further options for the work programme would be included in this work programme report for consideration by the Committee at its meeting on 13 July.

### **Work programme options:**

#### Single meeting focus on unachieved/unachievable savings 27 September 2017:

5.5. A recurrent theme in Committee discussions has been some of the unachieved/potentially unachievable savings put forward as part of the Lewisham Future Programme. The Committee could consider calling on service managers in the three areas with the highest levels of unachieved savings to provide additional context to the Committee's consideration of the upcoming round of savings. The Committee might also use this opportunity to highlight areas of importance or focus to other select committees.

#### Single meeting focus on service cost pressures 16 November or 20 December 2017:

5.6. The financial out-turn for 2016-17 highlighted the significant cost pressure faced by a number of Council service areas. Following from the review of unachieved/unachievable savings, the Committee could decide to focus a single meeting on an area of budget pressure. As previously reported, there are cost pressures in children's and adult social care as well as transport and environmental services. The Committee might decide to use its overarching responsibility for scrutinising the performance of the Council to scrutinise one of these areas.

Single meeting analysis of household budget pressures 16 November or 20 December 2017:

- 5.7. Given that the Committee is undecided about the scope and the aims for its in- depth review, it might choose instead to commission a piece of work from officers about potential budget pressures facing Lewisham families as well as potential future implications for policy. It could consider this alongside the draft Poverty Commission report in autumn 2017.

**6. Date of next meeting**

- 6.1. The date of the next meeting is Wednesday 27 September 2017.

**7. Financial implications**

- 7.1. There may be financial implications arising from some of the items on the work programme (especially reviews) and these will need to be considered when preparing those items/scoping those reviews.

**8. Legal implications**

- 8.1. In accordance with the Council's Constitution, all scrutiny select committees must devise and submit a work programme to the Business Panel at the start of each municipal year.

**9. Equalities implications**

- 9.1. The Equality Act 2010 brought together all previous equality legislation in England, Scotland and Wales. The Act included a new public sector equality duty, replacing the separate duties relating to race, disability and gender equality. The duty came into force on 6 April 2011. It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

- 9.2. The Council must, in the exercise of its functions, have due regard to the need to:

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

- 9.3. There may be equalities implications arising from items on the work programme and all activities undertaken by the Committee will need to give due consideration to this.

## **10. Crime and disorder implications**

10.1. There may be crime and disorder implications arising from some of the items that will be included in the work programme (especially reviews) and these will need to be considered when preparing those items/scoping those reviews.

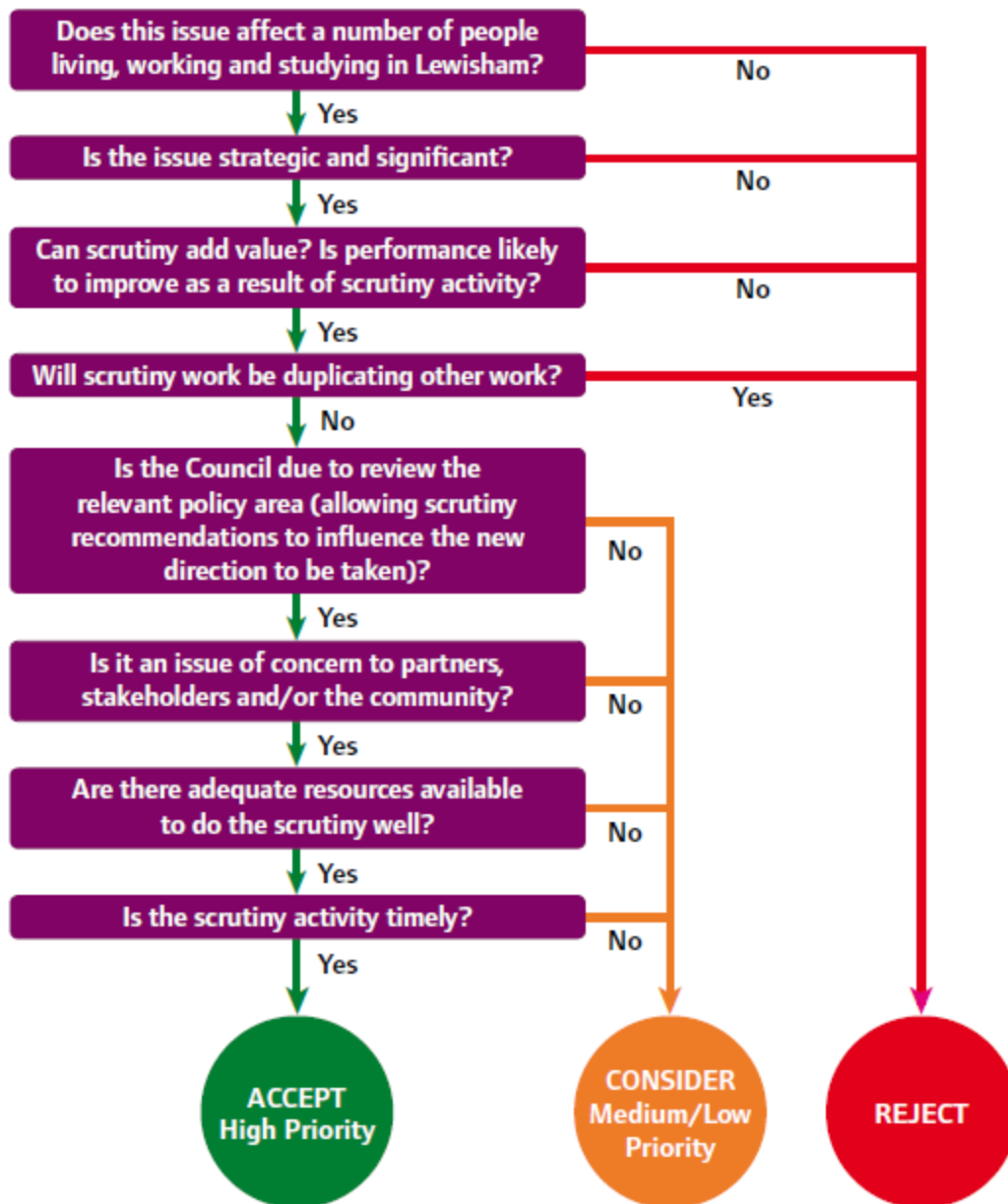
## **11. Background documents**

Lewisham Council's Constitution  
Centre for Public Scrutiny: The Good Scrutiny Guide

## **12. Appendices**

Appendix A – Scrutiny work programme – prioritisation process  
Appendix B – 2017-18 work plan  
Appendix C – Key decision plan

## Scrutiny work programme – prioritisation process



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**Public Accounts Select Committee Work Programme 2017/18**

**Programme of work**

Work Item	Type of review	Priority	Strategic priority	Delivery deadline	19-Apr	28-Jun	13-Jul	27-Sep	16-Nov	20-Dec	06-Feb	21-Mar
Lewisham Future Programme	Performance monitoring	High	CP10	Ongoing			Savings	Savings				
Election of Chair and Vice-Chair	Constitutional requirement	High	CP10	Apr								
Select committee work programme 2017/18	Constitutional requirement	High	CP10	Ongoing								
Income generation and commercialisation	Performance monitoring	High	CP10	Jun								
Management report	Performance monitoring	Medium	CP10	Ongoing								
School budgets (Jointly with CYP select committee)	Performance monitoring	High	CP 2	Jun								
IT Strategy update	Standard item	High	CP10	Jun								
Final outturn 2016/17	Performance monitoring	Medium	CP10	Jun								
Medium term financial strategy	Standard item	Medium	CP10	Jul								
Financial forecasts 2017/18	Performance monitoring	High	CP10	Ongoing								
Mid-year treasury management review	Performance monitoring	Medium	CP10	Nov								
Household budgets in-depth review	In-depth review	High	CP10	Dec		Scope	Scope	Evidence	Evidence	Report	Report	
Private finance initiatives	Standard item	Medium	CP10	Jun								
Annual complaints report	Performance monitoring	Low	CP10	Dec								
Asset management update	Performance monitoring	Medium	CP10	Dec								
Annual budget 2018/19	Standard item	High	CP10	Jan								
Business rates consultation	Standard item	High	CP10	Tbc								
Audit panel update	Constitutional Requirement	Low	CP10	Mar								

	Item completed
	Item on-going
	Item outstanding
	Proposed timeframe
	Item added

Meetings					
1)	Wed	19 Apr	5)	Thu	16 Nov
2)	Wed	28 Jun	6)	Wed	20 Dec
3)	Thu	13 Jul	7)	Tue	6 Feb
4)	Wed	27 Sep	8)	Wed	21 Mar

Shaping Our Future: Lewisham's Sustainable Community Strategy 2008-2020		
	Priority	
1	Ambitious and achieving	SCS 1
2	Safer	SCS 2
3	Empowered and responsible	SCS 3
4	Clean, green and liveable	SCS 4
5	Healthy, active and enjoyable	SCS 5
6	Dynamic and prosperous	SCS 6

Corporate Priorities		
	Priority	
1	Community Leadership	CP 1
2	Young people's achievement and involvement	CP 2
3	Clean, green and liveable	CP 3
4	Safety, security and a visible presence	CP 4
5	Strengthening the local economy	CP 5
6	Decent homes for all	CP 6
7	Protection of children	CP 7
8	Caring for adults and older people	CP 8
9	Active, healthy citizens	CP 9
10	Inspiring efficiency, effectiveness and equity	CP 10



## FORWARD PLAN OF KEY DECISIONS

### Forward Plan July 2017 - October 2017

This Forward Plan sets out the key decisions the Council expects to take during the next four months.

Anyone wishing to make representations on a decision should submit them in writing as soon as possible to the relevant contact officer (shown as number (7) in the key overleaf). Any representations made less than 3 days before the meeting should be sent to Kevin Flaherty, the Local Democracy Officer, at the Council Offices or [kevin.flaherty@lewisham.gov.uk](mailto:kevin.flaherty@lewisham.gov.uk). However the deadline will be 4pm on the working day prior to the meeting.

A "key decision"\* means an executive decision which is likely to:

- (a) result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates;
- (b) be significant in terms of its effects on communities living or working in an area comprising two or more wards.

August 2016	<b>The Wharves Deptford - Compulsory Purchase Order Resolution</b>	21/06/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
May 2017	<b>Evaluation of the Sustainable Community Strategy</b>	21/06/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Joe Dromey, Cabinet Member Policy &		

**FORWARD PLAN – KEY DECISIONS**

Date included in forward plan	Description of matter under consideration	Date of Decision Decision maker	Responsible Officers / Portfolios	Consultation Details	Background papers / materials
			Performance		
May 2017	<b>Memorandum of Understanding on Participation of Central London Forward for Purposes of Employment and Skills Devolution and joint working procurement of Work and Health Programme</b>	21/06/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
March 2017	<b>CRPL Business Plan 2017-18</b>	21/06/17 Council	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
February 2017	<b>New Homes Programme</b>	28/06/17 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
February 2017	<b>Beckenham Place Park Programme Update</b>	28/06/17 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Rachel Onikosi, Cabinet Member Public Realm		
February 2017	<b>Deptford Southern Housing Sites - Part 1 &amp; Part 2</b>	28/06/17 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
March 2017	<b>Response to Consultation on</b>	28/06/17	Aileen Buckton,		

**FORWARD PLAN – KEY DECISIONS**

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	<b>Policy for Supported Travel Young People Attending College and Adults Eligible for Adult Social Care</b>	Mayor and Cabinet	Executive Director for Community Services and Councillor Chris Best, Cabinet Member for Health, Wellbeing and Older People		
May 2017	<b>Medium Term Financial Strategy</b>	28/06/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
February 2017	<b>IT Network re-procurement Brent and Lewisham shared service</b>	28/06/17 Mayor and Cabinet (Contracts)	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
May 2017	<b>Contract Award Bulge Class Sandhurst school</b>	11/07/17 Overview and Scrutiny Education Business Panel	Sara Williams, Executive Director, Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		
March 2017	<b>Achilles Street Regeneration Proposals</b>	19/07/17 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
	<b>Air Quality Campaign 17-18</b>	19/07/17	Aileen Buckton,		

**FORWARD PLAN – KEY DECISIONS**

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		Mayor and Cabinet	Executive Director for Community Services and Councillor Rachel Onikosi, Cabinet Member Public Realm		
January 2017	<b>Catford Regeneration Programme Parts 1 and 2</b>	19/07/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
February 2017	<b>Extending the shared IT service to Southwark</b>	19/07/17 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Kevin Bonavia, Cabinet Member Resources		
May 2017	<b>Financial Monitoring 2017/18</b>	19/07/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
	<b>Joint Strategic Depot Review</b>	19/07/17 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Rachel Onikosi, Cabinet Member Public Realm		
	<b>Medium Term Financial Strategy</b>	19/07/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and		

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			Councillor Kevin Bonavia, Cabinet Member Resources		
May 2017	<b>Housing Acquisitions Part 2</b>	19/07/17 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
May 2017	<b>Lewisham Future Programme 2018/19 Revenue Budget Savings</b>	19/07/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
May 2017	<b>Lewisham Adoption Service Statement of Purpose and Children's Guides</b>	19/07/17 Mayor and Cabinet	Sara Williams, Executive Director, Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		
May 2017	<b>Lewisham Fostering Service Statement of Purpose and Children's Guides</b>	19/07/17 Mayor and Cabinet	Sara Williams, Executive Director, Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		
	<b>New Homes Programme Parts 1 &amp; 2</b>	19/07/17 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and		

**FORWARD PLAN – KEY DECISIONS**

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			Councillor Damien Egan, Cabinet Member Housing		
	<b>PLACE / Deptford: Precision Manufactured Temporary Accommodation</b>	19/07/17 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
May 2017	<b>Transfer of the Applications Support Function to the LB Brent Shared Service</b>	19/07/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
	<b>Modification to Decision to expand Addey and Stanhope School - Delayed implementation</b>	19/07/17 Mayor and Cabinet	Sara Williams, Executive Director, Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		
	<b>Amalgamation of Sandhurst Infant School and Sandhurst Junior School - Permission to consult</b>	19/07/17 Mayor and Cabinet	Sara Williams, Executive Director, Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		
	<b>Delivering additional school places for Children and Young People with Special Educational Needs and</b>	19/07/17 Mayor and Cabinet	Sara Williams, Executive Director, Children and Young People and Councillor Paul Maslin,		

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	<b>Disabilities (SEND) - Permission to consult</b>		Cabinet Member for Children and Young People		
	<b>Gypsy and Traveller Local Plan Update</b>	19/07/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
April 2017	<b>Proposed revision to the contract structure of the Downham Health &amp; Leisure Centre PFI</b>	19/07/17 Mayor and Cabinet (Contracts)	Aileen Buckton, Executive Director for Community Services and Councillor Joan Millbank, Cabinet Member Third Sector & Community		
May 2017	<b>Sydenham Park Footbridge Contract Award</b>	19/07/17 Mayor and Cabinet (Contracts)	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
February 2017	<b>Telephony re-procurement</b>	19/07/17 Mayor and Cabinet (Contracts)	Kevin Sheehan, Executive Director for Customer Services and Councillor Kevin Bonavia, Cabinet Member Resources		
May 2017	<b>Sangley and Sandhurst Road Highway Improvement Scheme Contract Award</b>	19/07/17 Mayor and Cabinet (Contracts)	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		

**FORWARD PLAN – KEY DECISIONS**

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	<b>Interim Food and Garden Waste Contract</b>	25/07/17 Overview and Scrutiny Business Panel	Kevin Sheehan, Executive Director for Customer Services and Councillor Rachel Onikosi, Cabinet Member Public Realm		
	<b>Update and preferred provider position refurbishment of Ladywell Playtower.</b>	13/09/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
May 2017	<b>Audited Accounts and Pension Fund Accounts 2016/17</b>	20/09/17 Council	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
May 2017	<b>Financial Regulations and Directorate Schemes of Delegation</b>	20/09/17 Council	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
May 2017	<b>Report of the Barriers to Participation Working Party</b>	20/09/17 Council	Janet Senior, Executive Director for Resources & Regeneration and Councillor Suzannah Clarke, Chair Planning Committee C		
May 2017	<b>Community Services Youth Review</b>	04/10/17 Mayor and Cabinet	Aileen Buckton, Executive Director for		



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		(Contracts)	Community Services and Councillor Joan Millbank, Cabinet Member Third Sector & Community		
	<b>Deptford Lounge &amp; Tidemill School Facilities and Centre Management</b>	06/12/17 Mayor and Cabinet	Sara Williams, Executive Director, Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		

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