

# Public Accounts Select Committee Agenda

Tuesday, 6 February 2018  
**7.30 pm**, Committee room 1  
Civic Suite  
Lewisham Town Hall  
London SE6 4RU

For more information contact: Timothy Andrew ([timothy.andrew@lewisham.gov.uk](mailto:timothy.andrew@lewisham.gov.uk))

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

## Part 1

Item	Pages
1. Minutes of the meeting held on 20 December 2017	3 - 8
2. Declarations of interest	9 - 12
3. Responses from Mayor and Cabinet	13 - 26
<ul style="list-style-type: none"><li>• Income generation and commercialisation</li><li>• Communicating the Council's budget position</li><li>• Adult social care</li></ul>	
4. Annual budget 2018-19	27 - 188
5. Select Committee work programme	189 - 194
6. Referrals to Mayor and Cabinet	

# Public Accounts Select Committee Members

Members of the committee, listed below, are summoned to attend the meeting to be held on Tuesday, 6 February 2018.

Janet Senior, Acting Chief Executive  
Monday 29 January 2018

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)	

Agenda Item 1

# MINUTES OF THE PUBLIC ACCOUNTS SELECT COMMITTEE

Wednesday, 20 December 2017 at 7.30 pm

PRESENT: Councillors Maja Hilton (Chair), Chris Barnham (Vice-Chair), Brenda Dacres, Amanda De Ryk, Carl Handley and Mark Ingleby

APOLOGIES: Councillors Paul Bell, Simon Hooks and Sophie McGeevor

ALSO PRESENT: Councillor James-J Walsh, Timothy Andrew (Scrutiny Manager), David Austin (Head of Corporate Resources), Georgina Chambers (Corporate Complaints, Casework and Information Manager), Katharine Nidd (Commercial and Investment Delivery Manager) and Selwyn Thompson (Head of Financial Services)

## 1. Minutes of the meeting held on 16 November 2017

- 1.1 **Resolved:** that the minutes of the meeting held on 16 November 2017 be agreed as an accurate record.

## 2. Declarations of interest

- 2.1 There were none.

## 3. Responses from Mayor and Cabinet

- 3.1 There were none.

## 4. Annual complaints report

- 4.1 Georgina Chambers (Corporate Casework, Complaints and Information Manager) introduced the report. The following key points were noted:
- There had been a 33% increase in complaints between the years 2015/16 and 2016/17. This was as a result of the ongoing savings programme.
  - The number of complaints represented a small proportion of the contacts the Council had with residents.
  - The three most frequently complained about services were: highways, environment and housing needs.
  - Increases in complaints had been generated by: the new controlled parking zone programme, changes to the housing allocations process and fly tipping/street cleansing.
  - Complaints about the new waste collection process were not captured in the report because the service had begun in 2017/18 and the report covered the period of 2016/17.
  - Some recent increase in waste collection reports had been noticed, however, it was believed that these were as a result of the initial 'teething period' for the new service and the number of complaints had already begun to reduce.
  - Officers had been working closely with the ombudsman service to improve the way the Council responded to complaints.

- 4.2 Georgina Chambers responded to questions from the Committee, the following key points were noted:

- An updated version of iCasework would in place from April it would include new functionality as well as an area for councillors and improved reporting features.
- The delay in some responses from the corporate casework team had been caused by the reorganisation of the division as well as the induction of new staff and the increase of the team's workload to cover additional functions.
- In the past couple of months the service had improved on the speed of its responses.
- The new system of informal/formal complaints would start in the new year.
- Officers were working to ensure that the quality of responses was consistently high. The casework team had developed a process to challenge services on their responses and had developed a review process to learn from issues as they arose.
- The concerns that were raised by the ombudsman were a key focus for the corporate complaints and casework team.
- Officers had not received many complaints about contacting the Council by telephone.
- The 'call back' system that was in place seemed to be working well.
- Members were invited to contact Georgina with specific concerns about casework/complaints.

4.3 In the Committee discussion, the following key points were also noted:

- There were concerns about the difficulties some residents faced in accessing Council services by phone.
- Members tended to contact officers directly rather than raise casework via the corporate team.
- Some responses from the corporate complaints team were lacking in detail and/or accurate information.
- There was a difference in opinion about the format that responses from the complaints team should take. Some members felt responses should be in a format that was ready to send to residents others believed that officers should provide information that councillors could use to draft their own letters.
- Members were concerned about the functionality of Lewisham's housing options system. Specifically, there were concerns about the ease of use of the Homeseach website and the openness of the bidding and decision making processes.
- Members shared examples of times they had contacted officers for help dealing with casework. Their experiences were mixed.
- The Council might benefit from a business process review to streamline services.
- It was difficult to raise concerns out of hours.

4.4 **Resolved:** that the report be noted. A request was made for a diagram of the complaints/casework process to be provided for all councillors. The Committee also resolved that it would ask the Housing Select Committee to consider the effectiveness of Lewisham's Homeseach website.

## 5. Private finance initiatives

5.1 Selwyn Thompson (Head of Financial Services) and Katherine Nidd (Service Group Manager, Commercial and Investment Delivery) introduced the report. The following key points were noted:

- At the time the Council entered into private finance initiative (PFI) arrangements, they were one of the only options available for funding new projects.
- Risk transfer and management of costs were primary reasons for local authorities to take up PFIs.
- Lewisham was part of the earlier phases of the building schools for the future PFI programme.
- The schools built under the PFI programme had some of the best facilities and were some of the best quality in London.
- There were opportunities over the 25 years of the PFI contracts for the public sector to drive efficiencies and improve value.
- A number of standard mechanisms existed in the contracts that could be used to increase efficiency and value.
- Benchmarking of costs took place every five years but there were regular meetings between the Council and operators.
- There were best value indicators for economy, efficiency and effectiveness.
- There were opportunities to make deductions for poor performance and the Council did so.
- Work had also taken place with the Chartered Institute of Public Finance and Accountancy to review the Contract and determine whether savings could be made.
- One of the key issues identified by CIPFA related to PFI lifecycle and hand back criteria whereby the Council was considering options for limiting operator responsibilities once PFIs were handed back to the Council in order to reduce costs. Due diligence was currently taking place to determine whether this was a good option.
- Assets would still have to be handed back to the Council in good condition. Condition surveys and due diligence would take place to ensure that this was the case.
- It was hoped that efficiencies could be made on insurances. The insurance market had reduced in cost over the PFI period – so work was taking place to determine whether further savings could be made in addition to the agreed sharing mechanism. Discussions about transferring costs between balance sheets had taken place with the Department for Education.
- There was money set aside in PFI contracts to pay for building changes due to changes in legislation – it was unlikely that this funding would be required. It was intended to transfer this risk to the Council in order to release this contingency to reduce costs.

5.2 Selwyn Thompson and Katherine Nidd responded to questions from the Committee, the following key points were noted:

- The capital costs and financing costs for PFIs were supposed to be funded from central government.
- At the outset, the government calculated the level of PFI credits awarded for schemes by calculating the estimated capital cost of delivering the new asset with a multiplier for financing costs.
- The net cost to the Council was only supposed to be the operational costs of the new asset.
- Problems arose because credits were awarded at a set point in the procurement process, which differed from the time at which the deal for delivering the scheme was finally struck, potentially resulting in an 'affordability gap'.

- There was an affordability gap on the group schools PFI but not for the building schools for the future programme.
- The term 'affordability gap' was also used locally to describe the scenario in which a school found that it could not meet the expense of the ongoing maintenance of a PFI building.
- £674m (referenced in the report) was provided originally by government for Lewisham schools PFIs, £218m was an estimated cost for the Council and schools over the life of the PFI programme.
- The full cost of the schools PFI programme (£892m) was for building, operating, maintaining, running and financing these schools for 25 years.
- Schools paid for maintenance from the dedicated schools grant (DSG).
- Costs for individual schools were capped at 10%. Any additional costs for schools were distributed across the DSG equally. The additional cost was relatively small.
- Schools that were not part of a PFI also had operational and maintenance costs, that were typically around 10%.
- In time, estates costs for schools would increase as a proportion of their budgets, unless they grew pupil numbers. This was the case for schools in PFIs and those which were not.
- The annual cost of the PFI programme was dependent on inflation. Build and financing costs were fixed over 25 years. Servicing costs were subject to inflation.
- The overall estimated cost of the PFI programme was based on the assumption that it would run for 25 years – with an annual rate of inflation of 2.5%.
- Work had taken place with contractors to manage the schedule of rates for use of school buildings out of hours. This had been received positively and proactively by schools.

5.3 **Resolved:** that the report be noted. It was also agreed that officers would provide a short briefing detailing the costs of the schools PFIs.

## 6. Household budgets

6.1 David Austin (Head of Corporate Resources) introduced the report. The following key points were noted:

- The report provided some analysis of the reasons for pressure on household budgets.
- Information from the Joseph Rowntree foundation and Trust for London about Minimum Income Standard had been included in the report.
- Information had also been included about average incomes in Lewisham, which could be used as a basis for contrast.
- The Lewisham average was not far from London average incomes.
- The recession and prolonged recovery had led to a long term earning squeeze nationally.
- In previous recessions people in lower income brackets had a greater loss of earnings than people in higher brackets.
- In the recent recession, the incomes of high and median earners had not significantly increased.
- The economy was facing the most severe spending squeeze in 150 years.

6.2 David Austin responded to questions from the Committee, the following key points were noted:

- Average income data had been provided from NOMIS.
- Primary research with representative sampling would be required to determine how childcare costs impacted on different households. There were a number of factors that influenced the cost of childcare, including the age of dependent children and the availability of family and community support that would impact on the cost of childcare.

6.3 In the Committee discussions the following key points were also noted:

- Costs of housing were very variable for people in social housing and those in the private rented sector. This was particularly the case when people's circumstances changed.
- Housing select committee had considered the options for introducing time-limited leases in registered provider housing which were dependent on affordability assessments. This had been widely rejected by the Committee.
- People in the private rented sector might be more exposed to changes in the market and insecure leases than those in social housing.

6.4 **Resolved:** that the report be noted.

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

7.1 **Resolved:** that the agenda for the Committee's meeting on 6 February 2018 be agreed.

The meeting ended at 9.20 pm

Chair:

-----

Date:

-----

This page is intentionally left blank



Public Accounts Select Committee		
Title	Declaration of interests	
Contributor	Chief Executive	Item 2
Class	Part 1 (open)	6 February 2018

## 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)

This page is intentionally left blank

Public Accounts Select Committee		
Title	Responses to referrals	
Contributor	Scrutiny Manager	Item 3
Class	Part 1 (open)	06 February 2018

## 1. Purpose

- 1.1. This report informs the Committee of Mayoral responses to its referrals.

## 2. Recommendation

- 2.1. The Committee is recommended to receive the responses to its referrals.

## 3. Background

- 3.1. At the meeting of Mayor and Cabinet on 10 January 2018, the Mayor considered the attached reports entitled:

- Response to PASC income generation
- Response to PASC budget communication
- Response to PAC adult social care

## 4. Mayoral responses

- 4.1. The Mayor received officer reports and presentations from the Cabinet Members for Resources (Councillor Kevin Bonavia) for *income generation*, Policy and Performance (Councillor Joe Dromey) for *budget communication* and- Health, Wellbeing and Older People (Councillor Chris Best) for *adult social care*.
- 4.2. The Mayor resolved that that the responses to the recommendations of the Public Accounts Select Committee as set out be approved and reported to the Select Committee.

### **Background papers**

Mayor and Cabinet minutes and decisions of the meeting on 10 January 2018, available online here: <https://tinyurl.com/y8qfoc8q>

If you have any questions about this report, please contact Timothy Andrew (Scrutiny Manager) [timothy.andrew@lewisham.gov.uk](mailto:timothy.andrew@lewisham.gov.uk)

This page is intentionally left blank

<b>Mayor &amp; Cabinet</b>			
<b>Title</b>	Responses to the recommendations from the Public Accounts Select Committee – Income Generation		
<b>Key Decision</b>	No	<b>Item No</b>	
<b>Contributors</b>	Executive Director for Resources and Regeneration		
<b>Class</b>	Part 1	<b>Date</b>	10 January 2018

## 1. Purpose

- 1.1 This report provides the response to Mayor and Cabinet of the comments and views of the Public Accounts Select Committee, arising from discussions held on the Council's approach to income generation at the its meeting on 27 September 2017.

## 2. Recommendations

- 2.1 The Mayor is recommended to approve the responses to the recommendations of the Public Accounts Select Committee as set out in Section 3 of this report and report these to the Overview & Scrutiny Committee.

## 3. Responses

- 3.1 At its meeting on 27 September 2017, the Public Accounts Select Committee held further discussions with officers on the approach being taken to increase income generation in the authority.

### Recommendation 1

- 3.2 **The Committee recommends that Mayor and Cabinet tasks officers with meeting representatives of the Association for Public Service Excellence to consider how best the Council can generate income through the use of its existing assets and resources.**

### Response

- 3.3 The Head of Financial Services and the Head of Corporate Resources met with a Principal Advisor from the Association of Public Service Excellence (APSE) at the beginning of November 2017. The APSE is a membership body for local authorities and also a few Housing Association and Leisure Trusts. It represents approximately 250 local authorities across the UK and supports member authorities to share good practise and collaborate in finding innovative approaches to meeting the demands of local government public service delivery. The Council is in the process of joining the APSE.

### Recommendation 2

- 3.4 **The Committee recommends that Mayor and Cabinet seeks justification from officers about the decision to advertise the new senior procurement role internally rather than externally.**

### Response

- 3.5 Officers felt that there were a number of good internal candidates who could perform the role of Strategic Procurement and Commercial Manager. Given that the need to re-establish the council's corporate procurement function would be the immediate priority, it was felt that this opportunity should be afforded to one of these internal candidates in the first instance given their knowledge and experience of the council's existing practices around procurement and contract management. Interviews for this 18 month post were held at the beginning of December 2017. An internal senior manager with both extensive public and commercial private sector experience has been appointed to the post. The process for transitioning this officer into this new role has started.

### Recommendation 3

- 3.6 **The Committee also recommends that the appointment of consultants to support the creation of the new procurement and commercialisation team be delayed until options for income generation have been explored with the Association for Public Service Excellence.**

### Response

- 3.7 Officers are in full agreement with the recommendation of the Committee. Once they have taken up their new position, the Strategic Procurement and Commercial Manager will be tasked with assessing the needs or otherwise of buying in external consultancy support to assist the Council in building its strategic procurement and commercial strategy. Officers will continue to update Members of the Public Accounts Select Committee accordingly.

## **4. Financial Implications**

- 4.1 There are no specific financial implications which arise from agreeing this report. However, Members should note that cost of subscribing to the Association of Public Service Excellence will be £5k per annum.

## **5. Legal Implications**

- 5.1 There are no specific legal implications arising from this report.
- 5.2 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.



**6. Equalities Implications**

6.1 There are no specific equalities implications arising from this report.

**7. Crime and Disorder Implications**

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

**8. Environmental Implications**

8.1 There are no specific environmental implications directly arising from this report.

**BACKGROUND INFORMATION**

If you have any queries on this report, please contact Selwyn Thompson, Head of Financial Services on 020 8314 6932

This page is intentionally left blank

<b>MAYOR AND CABINET</b>			
<b>Title</b>	Response to the Public Accounts Select Committee - communicating the Council's budget position		
<b>Key Decision</b>	No	<b>Item No.</b>	
<b>Ward</b>	All Wards		
<b>Contributor</b>	Executive Director for Resources & Regeneration		
<b>Class</b>	Part 1	<b>Date</b>	<b>10 January 2018</b>

### **1. Purpose**

- 1.1. At its meeting on 27 September 2017 the Public Accounts Select Committee held discussions on communicating the Council's budget position.
- 1.2. Mayor and Cabinet was advised of the comments and views of the Public Accounts Select Committee on 25 October 2017.
- 1.3. This paper sets out the response.

### **2. Recommendations**

The Mayor is asked to:

- 2.1 Approve the officer response to the referral by the Public Accounts Select Committee on communicating the Council's budget position.
- 2.2 Agree that this report should be forwarded to the Select Committee.

### **3. Referral from the Public Accounts Select Committee:**

- 3.1 At its meeting on 27 September 2017. the Public Accounts Select Committee held discussions on communicating the Council's budget position
- 3.2 The Committee recommends that Mayor and Cabinet tasks officers with developing a forceful communications campaign that focuses on the use of hoardings and billboards in innovative, large and visually captivating ways in order to reach Lewisham residents with messages about the budget.

*Response:*

*In communications with residents about our budget in 2017 we have explained how Government's decision to cut 63% of its funding for Lewisham Council (2010-2020) has placed pressure on our services.*

*The Provisional Local Government Finance Settlement, published by Department for Communities and Local Government in December 2017, will confirm how much funding Lewisham Council will receive in 2018 / 2019.*

*As discussed at the 27 September 2017 Public Accounts Select Committee meeting there is value in large scale campaigns around the Council's budget, such as the 'Big Budget challenge' we ran in 2014.*

*We are considering a range of options for communicating with Lewisham residents about future year's budgets and the financial pressures we are facing following reductions in government funding.*

*We are giving careful consideration to the use of poster advertising through JC Decaux poster sites in Lewisham, alongside a range of other communications to reach residents including our weekly e-newsletter, social media accounts, website, intranet, public meetings, the national, regional and local media and Lewisham Life magazine and the Mayor's letter that will go with council tax bills in March.*

*Successfully communicating the Council's budget position will require:*

- Engagement with residents in 2018 to ensure our communications are successful.*
- Targeting to ensure we reach residents in all parts of Lewisham in communications across 2018*
- Integration of our budget messages across a range of channels throughout 2018 to communicate successfully.*

3.3. The Committee also recommends officers should also be tasked with considering options for the use of data about Lewisham households to target the Council's communications about its budget.

*Response:*

*Targeting is essential for communicating the Council's budget position to our residents. We will consider options for using data about Lewisham households across all of our communications, including our budget in 2018.*

*Data about Lewisham households is available from a wide range of sources. We are carefully considering how this data can be used, including the potential benefits and costs and the requirements in the Code of Recommended Practice on Local Authority Publicity (2011) that says publicity by local authorities should be: lawful,*

*cost effective, objective, even-handed, appropriate, have regard to equality and diversity and issued with care during periods of heightened sensitivity.*

#### **4. Financial implications**

- 4.1. The financial implications for communicating the Council's budget position in 2018 will be available when a final decision has been taken about the type of communications that will be used.

#### **5. Legal implications**

There are no further legal implications arising from the context of this report,

#### **6. Crime and disorder implications**

There are no specific crime and disorder implications.

#### **7. Equalities implications**

There are no specific equalities implications.

#### **8. Environmental implications**

There are no specific environmental implications.

#### **9. Background documents and originator**

- [Communicating the council's budget position](#) – report to the Public Accounts Select Committee (27 September 2017)
- [Code of Recommended Practice on Local Authority Publicity \(2011\)](#)
- Joe Derrett – Head of Communications (020 8314 7816)

This page is intentionally left blank

<b>Mayor and Cabinet</b>			
<b>Title</b>	Response to Public Accounts Select Committee on Adult Social Care	<b>Item No</b>	
<b>Contributors</b>	Executive Director for Community Services		
<b>Class</b>	Part 1	<b>Date</b>	10 January 2018

## **1. Purpose of paper:**

- 1.1 At its meeting on 27<sup>th</sup> September 2017, Public Accounts Select Committee referred the following recommendation to Mayor & Cabinet:
- 1.2 The Committee asks that Mayor and Cabinet task officers with considering cross borough strategies for the provision of long-term residential and nursing care. The Committee believes that there may be innovative ways of working with other boroughs to improve efficiency and deliver better outcomes for residents.

## **2. Recommendation**

The Mayor is asked to:

- 2.1 Approve the officer response to the referral by Public Account Select Committee on cross borough work in relation to adult social care, and
- 2.2 Agree that this report should be forwarded to the Public Accounts Select Committee.

## **3. Background**

- 3.1 In advance of consideration of a round of savings proposals, Public Accounts Select Committee requested further information about the current cost pressures on the Adult Social Care budget be brought to the September PAC meeting. At that meeting PAC considered a report from officers and a presentation from the Executive Director for Community Services.

In line with the principles of the Care Act, the Council is committed to promoting wellbeing, social inclusion, and supports the vision of personalisation, independence, choice and control.

## **4. Cross borough working**

- 4.1 The Council routinely works in partnership with other boroughs with a focus on efficiency and improving outcomes for residents. Lewisham is involved in a number of ongoing pieces of partnership work that explore practical and

innovative ways that we can work across borough boundaries to deliver efficiencies and better outcomes.

#### Support for people to remain at home

- 4.2 In line with our Care Act requirements, to make sure care is provided in accordance with people's needs and that an assessment takes into account peoples' preferences: we continue to work in ways that supports people to remain and receive care at home. The Linkline service is part of supporting people living at home and we are currently considering ways in which the service could be extended. There are cross borough arrangements in place with the London Borough of Merton as part of our business continuity plans (in case there are problems with the telephone service) and to take calls after 10pm.
- 4.3 The Council has also strategically invested in the development of Extra Care Housing increasing the availability of supported environments for people to remain as independent as possible with their own tenancy from 80 in 2014, to 158 in 2015, 218 in 2017 and 271 in 2018.

#### Long term residential and nursing care

- 4.4 Officers routinely liaise with Councils across the South East on benchmark prices across the region for both residential and nursing homes, and similarly liaise regarding uplift proposals. Though not a cross council piece of work, the NHS 'Any Qualified Provider' work across London also assists in the setting of ceilings for the nursing home market across the whole of London.
- 4.5 Across the health and social care system we work, both 'light touch' and intensively as required, with residential and nursing homes to ensure that they are supported to improve both health and social care of their clients so that the local market continues to offer high quality health and social care.
- 4.6 There is an increasing demand for residential and nursing provision for people living with dementia and we are working together with local providers to address this. We have had specific discussions with the Salvation Army around how their refurbishment of Glebe Court can facilitate support to this group, and we are also reviewing how we might refocus and formalise the work of some of the smaller residential provision in the 'non-traditional' older adult residential and nursing market (i.e. often associated with mental health provision) to support people with dementia with high levels of distress who require smaller environments.
- 4.7 Officers are also working with Lambeth, Southwark and Croydon to explore managing the nursing market across our collective area with a current specific focus on better managing the mental health & dementia market. Lewisham officers have been working with Lambeth and Southwark Mental Health Older Adults Commissioning leads to try and assess the number of patients that may require enhanced care and support through requests for additional 1:1s as a result of challenging behavior and underlying dementia. Although the number of individuals has not been quantified visits have been undertaken to



look at models of care in Lewisham and Kingston to inform the potential development of a cross borough initiative between Lambeth, Southwark and Lewisham. The next steps within the project will be to develop a service and financial model that would meet the identified demand across the three boroughs.

- 4.8 Strategically, we are working as part of the London Association of Directors of Adult Social Services (ADASS) commissioning network to standardise costs and develop a financial modelling tool for care homes across London. The Network has also commissioned an analysis of Local Authority and CCG commissioning practices in relation to home care looking at how this impacts on both price and quality locally and regionally.
- 4.9 We are also working as part of the South East London Transforming Care Partnership to ensure that we have adequate provision locally for people with learning disabilities, to reduce reliance on out of borough provision and to support people in their local communities.
- 4.10 Despite the demographic growth in older adult numbers, and the increasing frailty and health needs of older adults in Lewisham, the cross South East London review of residential and nursing home beds, suggest that there is currently sufficient capacity in the local markets as a whole locally to meet the residential and nursing needs of our residents. In terms of residential care, two service addresses that closed a few years ago have reopened in 2017/18, bringing 89 more residential beds into the market.
- 4.11 We are also working across borough boundaries with Greenwich, Bexley and in partnership with the Lewisham and Greenwich NHS Trust as part of the “discharge to assess” processes to support more efficient ways of working across borough boundaries, when discharging people safely and efficiently from hospital, home to an appropriate level of care and support. Initial figures from the discharge to assess work show an average reduction in hospital stay of 3 days. This work will further develop across the six south east London boroughs as part of the STP implementation programme and this will likely lead to further improvements, both in terms of outcomes for residents and efficiencies for the Council and NHS partners.
- 4.12 Learning from the Bexley discharge to assess project, and supported by Southwark colleagues, from the beginning of January 2018 we will be piloting a “Night Owl” service. Southwark and Bexley’s work has evidenced that some people go into residential and even nursing care too early and by offering short term additional support through the night to help people return home, to extend enablement/ step down back into the home and on occasion the avoidance of hospital admission prevents. Thus delivering improved outcomes for residents as well as cost savings for the Council.

## **5. Legal implications**

5.1 The Care Act 2014, together with the supporting regulations and statutory guidance, sets out how people's care and support needs should be met. The Act sets out a local authority's duty to ensure people's wellbeing is at the centre of all it does with an emphasis on outcomes and helping people to connect with their local community. The framework of the Act provides a focus upon people having more control over their own lives and that as part of that, support should be more focused on prevention, and the promotion of independent living

## **6. Financial implications**

6.1 This report sets out the range of Lewisham's cross borough working in relation to adult social care.

6.2 It explains how the various activity improves outcomes for service users, develops capacity in the market, secures efficiencies for the Council and helps the service benchmark its costs against other London boroughs.

For further information on this report please contact Dee Carlin

<b>Public Accounts Committee</b>			
<b>Report Title</b>	2018/19 Budget Report		
<b>Key Decision</b>	No	<b>Item No.</b>	4
<b>Ward</b>	All Wards		
<b>Contributors</b>	Executive Director for Resources & Regeneration		
<b>Class</b>	Part 1	<b>Date:</b>	<b>6 February 2018</b>

## REASONS FOR URGENCY AND LATENESS

**Lateness:** This report was not available for the original dispatch to ensure that the information necessary to formulate the budget could be appropriately considered within this report.

**Urgency:** It is essential that the Committee is provided with the most up to date information available to formulate the budget, as provided to Mayor and Cabinet.

Where a report is received less than 5 clear days before the date of the meeting at which the matter is being considered, then under the Local Government Act 1972 Section 100(b)(4) the Chair of the Committee can take the matter as a matter of urgency if he is satisfied that there are special circumstances requiring it to be treated as a matter of urgency. These special circumstances have to be specified in the minutes of the meeting.

### 1. EXECUTIVE SUMMARY

- 1.1. This report presents the 2018/19 Budget report to the Public Accounts Committee for consideration.
- 1.2. The budget report sets out the range of budget assumptions which Council is required to agree to enable it to set a balanced budget for 2018/19. The report is being presented to Public Accounts Committee to enable it consider the report and feedback its comments to Mayor and Cabinet on the 7 February.
- 1.3. The recommended net revenue expenditure budget is £241.281. This is resourced by the provisional Settlement Funding from government of £128.470m (revenue support grant and business rates), forecast Council Tax receipts including an increase in Council Tax of 3.99%, and a surplus from growth in the Council Tax base and on collection of Council Tax in previous years from the Collection Fund.
- 1.4. The report sets out the position of the financial settlements as they impact on the Council's overall resources:

- Capital Programme for 2017/18 to 2021/22;
- Housing Revenue Account and level of rents for 2018/19;
- Dedicated Schools Grant for 2018/19;
- General Fund Revenue Budget for 2018/19;
- Other Grants for 2018/19;
- Council Tax level for 2018/19; and
- Treasury Management Strategy for 2018/19.

## **2. PURPOSE**

- 2.1. The purpose of this report is to present the 2018/19 Budget Report that needs to be scrutinised to enable Mayor and Cabinet consider the comments of the Public Accounts Committee before making recommendations to Council on the 21 February 2018.

## **3. RECOMMENDATION**

- 3.1. Members are invited to scrutinise the 2018/19 Budget Report attached as an appendix to this cover report and provide feedback to the Mayor & Cabinet at the meeting on the 7 February 2018.

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

- 4.1. The report is structured into the following sections with supporting Appendices.

Section	Title
1	Purpose of the report
2	Executive summary
3	Recommendations
4	Structure of the report
5	Financial Context
6	Lewisham Future Programme Approach
7	Principles
8	Lewisham 2020
9	Savings
10	Other Areas
11	Previously Agreed Savings
12	Public Health Savings Update
13	Timetable
14	Financial implications

- 15 Legal implications
  - 16 Conclusion
  - 17 Background documents
- Appendices

## **5. FINANCIAL IMPLICATIONS**

- 5.1. The entire budget report deals with the Council's Budget. Therefore, the financial implications are explained throughout.

## **6. LEGAL IMPLICATIONS**

- 6.1. The legal implications are referred to in the full Budget Report.

## **7. HUMAN RESOURCES IMPLICATIONS**

- 7.1. There are no specific human resources implications arising from this report.

## **8. CRIME AND DISORDER**

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

## **9. EQUALITIES**

- 9.1. These are referred to in the full Budget report

## **10. ENVIRONMENTAL IMPLICATIONS**

- 10.1. There are no specific environmental implications arising from this report.

## **11. CONCLUSION**

- 11.1. The Budget Report sets out the information necessary for the Council to set the 2018/19 budget. Updates will be made to the report at Mayor & Cabinet on 14 February 2018. Final decisions will be taken at the meeting of full Council on 21 February 2018.

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

Janet Senior

**Executive Director for Resources & Regeneration on 020 8314 8013**

David Austin

**Head of Corporate Resources on 020 8314 9114**

**APPENDIX**

2018/19 Budget Report

<b>MAYOR &amp; CABINET</b>			
<b>REPORT TITLE</b>	2018/19 Budget Report		
<b>KEY DECISION</b>	Yes	<b>Item No.</b>	
<b>WARD</b>	All		
<b>CONTRIBUTORS</b>	Executive Director for Resources & Regeneration		
<b>CLASS</b>	Part 1	<b>Date</b>	7 February 2018

### REASONS FOR URGENCY AND LATENESS

**Lateness:** This report was not available for the original dispatch to ensure that the information necessary to formulate the budget could be appropriately considered within this report.

**Urgency:** It is essential that the Mayor and his Cabinet are provided with the most up to date information available to formulate the budget, thereby reducing the amount of additional information that needs to be included in the Budget update report.

Where a report is received less than 5 clear days before the date of the meeting at which the matter is being considered, then under the Local Government Act 1972 Section 100(b)(4) the Chair of the Committee can take the matter as a matter of urgency if he is satisfied that there are special circumstances requiring it to be treated as a matter of urgency. These special circumstances have to be specified in the minutes of the meeting.

## 1. EXECUTIVE SUMMARY

1.1 This report sets out the range of budget assumptions which Council is required to agree to enable it to set a balanced budget for 2018/19. These include the following:

- The proposed Capital Programme (General Fund and Housing Revenue Account) budget for 2018/19 to 2020/21 of £271.5m, of which £135.9m is for 2018/19;
- The proposed rent decrease of 1.0% (an average of £0.97 per week) in respect of dwelling rents, 1.0% (average £0.35 per week) in respect of hostels, and a range of other proposed changes to service charges. The proposed annual expenditure for the Housing Revenue Account is £156.8m, including the capital and new build programme, for 2018/19;
- The provisional Dedicated Schools Grant allocation of £292.3m and a separate Pupil Premium allocation expected to be £17.0m for 2018/19.
- In respect of the General Fund, the assumed net revenue expenditure budget of £241.281. This is made up of provisional Settlement Funding from government of £128.470m (revenue support grant and business rates), forecast Council Tax receipts including an increase in Council Tax of 3.99%, and a surplus from growth in

the Council Tax base and on collection of Council Tax in previous years from the Collection Fund.

- The changes to the prior year General Fund position to meet the 2018/19 net revenue budget of £241.281m are proposed on the basis of the following assumptions:
  - £4.856m of revenue budget savings have been previously agreed for 2018/19;
  - £6.500m of corporate budget for risks and pressures in 2018/19 plus £2.130m set aside in 2017/18 for unidentified risks, of which it is being recommended that £6.915m of specific identified budget pressures be funded now and £1.715m be set aside for identified but as yet un-quantified risks;
  - £5.0m use of the New Homes Bonus reserve for revenue purposes for one year with the position to be reviewed for 2019/20;
  - Once-off reserves are used to fund the current savings shortfall of £3.570m for 2018/19 to balance the budget, pending further proposals from the Lewisham Future Programme in 2018/19 to make this up; and
  - An assumed 3.99% increase in Band D Council Tax for Lewisham's services for 2018/19; including the 2.99% increase in the core Council Tax as announced in the Local Government Finance Settlement and 1% increase for the Social Care precept.

- 1.2 The report looks to the medium term financial outlook and notes the prospects for the budget in 2019/20, savings required, and the continued work of the Lewisham Future Programme to meet identified potential budget shortfalls in future years. These are estimated at circa £35m over the following two years, 2019/20 and 2020/21.
- 1.3 The report presents the outcome of the consultation undertaken in relation to the proposed changes to the Linkline Community Alarm Service (see Appendix Y5). This is further detailed in section 8.
- 1.4 The report updates the Council's Treasury Management Strategy for both borrowing and investments. The proposed approach and levels of risk the Council takes in its Treasury functions remain broadly the same as last year, and officers continue to explore alternative investment options and further opportunities to undertake debt restructuring in order to reduce balance sheet risk.

## **2. PURPOSE**

- 2.1 The purpose of this report is to set out the overall financial position of the Council in relation to 2017/18 and to set the Budget for 2018/19. This report allows for the Council Tax to be agreed and housing rents to be set for 2018/19. It sets the Capital Programme for the next four years and the Council's Treasury Strategy for 2018/19.
- 2.2 The report also provides summary information on the revenue budget savings proposals that were presented at Mayor & Cabinet on 6 December 2017, and those agreed in previous budgets, for implementation in 2018/19. The approval and successful delivery of these savings is required in order to help balance the budget for 2018/19 and prepare to address the budget requirement for 2019/20.



### **3. RECOMMENDATIONS**

- 3.1 It is recommended that the Mayor considers the comments of the Public Accounts Select Committee of 6 February 2018.
- 3.2 That, having considered the views of those consulted on the budget, and subject to consideration of the outcome of consultation with business ratepayers and subject to proper process, as required, the Mayor:

#### **Capital Programme**

- 3.3 notes the 2017/18 Quarter 3 Capital Programme monitoring position and the Capital Programme potential future schemes and resources as set out in section 5 of this report;
- 3.4 recommends that Council approves the 2018/19 to 2020/21 Capital Programme of £271.5m, as set out in section 5 of this report and attached at Appendices W1 and W2;

#### **Housing Revenue Account**

- 3.5 notes the consultation report on service charges to tenants' and leaseholders in the Brockley area, presented to area panel members on 12 December 2017, as attached at Appendix X2;
- 3.6 notes the consultation report on service charges to tenants' and leaseholders and the Lewisham Homes budget strategy presented to area panel members on 14 December 2017, as attached at Appendix X3;
- 3.7 sets a decrease in dwelling rents of 1.0% (an average of £0.97 per week) – as per the requirements from government as presented in section 6 of this report;
- 3.8 sets a decrease in the hostels accommodation charge by 1.0% (or £0.35 per week), in accordance with Government requirements;
- 3.9 approves the following average weekly increases/decreases for dwellings for:
- 3.10 service charges to non-Lewisham Homes managed dwellings (Brockley);
- caretaking 4.90% (£0.24)
  - grounds 4.90% (£0.12)
  - communal lighting 4.90% (£0.06)
  - bulk waste collection 4.90% (£0.02)
  - window cleaning 4.90% (£0.01)
  - tenants' levy 30.0% (£0.03)
- 3.11 service charges to Lewisham Homes managed dwellings:
- caretaking -1.17% (-£0.12)
  - grounds 16.27% (£0.27)

- window cleaning 51.41% (£0.03)
- communal lighting 0.38% (£0.01)
- block pest control 1.87% (£0.03)
- waste collection 1.93% (£0.01)
- heating & hot water no change
- tenants' levy 30.0% (£0.03)
- bulk waste disposal 2.96% (£0.02)
- sheltered housing 1.00% (£0.24)

3.12 approves the following average weekly percentage changes for hostels and shared temporary units for;

- service charges (hostels) – caretaking etc.; no change
- energy cost increases for heat, light & power; no change
- water charges increase; no change

3.13 approves an increase in garage rents by Retail Price Inflation (RPI) of 3.9% (£0.46 per week) for Brockley residents and 3.9% (£0.46 per week) for Lewisham Homes residents;

3.14 notes that the budgeted expenditure for the Housing Revenue Account (HRA) for 2018/19 is £156.8m, split £84.1m revenue and £72.7m capital, which includes the decent homes and new build programmes;

3.15 agrees the HRA budget strategy savings proposals in order to achieve a balanced budget in 2018/19, as attached at Appendix X1;

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

3.16 agrees and recommends Council agrees, subject to final confirmation of the allocation, that the provisional Dedicated Schools Grant allocation of £292.3m be the Schools' Budget for 2018/19;

3.17 Notes and asks Council to note the implementation of the national funding formula schools block for schools;

3.18 Agrees and asks Council to agree that Lewisham uses the national funding formula schools block to allocate funds to schools from April 2018;

3.19 Agrees and asks Council to agree that Minimum Funding Guarantee for the schools block be set at 0.25% for 2018/19;

3.20 Agrees and asks Council to agree the change to the PFI factor in the formula to base it on estimates for the schools block;

3.21 Agrees and asks Council to agree to implement the new banding systems in resource bases at a cost to the High Needs block of £251k;

- 3.22 Agrees and asks Council to agree to implement the new banding system for ECHP's in mainstream schools at a cost to the High Needs block of £47k;
- 3.23 Notes and asks Council to note the latest financial position in schools;
- 3.24 Notes and asks Council to note the likely future cost pressures on schools;
- 3.25 Notes and asks Council to note the estimated pupil premium of £17.0m;
- 3.26 Notes and asks Council to note the changes to the way the High Needs block is calculated;
- 3.27 Notes and asks Council to note the Loan Scheme consultation for the schools block;
- 3.28 Notes and asks Council to note the position of the consultation on eligibility for free school meals and the early years pupil premium under Universal Credit;

### **General Fund Revenue Budget**

- 3.29 Notes and asks Council to note the projected overall variance against the agreed 2017/18 revenue budget of £12.9m as set out in section 8 of this report and that any year-end overspend will have to be met from reserves;
- 3.30 Endorses and asks Council to endorse the previously approved revenue budget savings of £0.58m for 2018/19 and budget savings proposals of £4.28m as per the Mayor and Cabinet meeting of the 6 December 2017, as set out in section 8 of the report and summarised in Appendix Y1 and Y2;
- 3.31 Agrees and asks Council to agree the transfer of £5.0m in 2018/19 from the New Homes Bonus reserve to the General Fund for one year to meet funding shortfalls and that the position be reviewed again for 2019/20;
- 3.32 Agrees and asks Council to agree the use of £3.570m reserves to meet the budget gap in 2018/19;
- 3.33 Agrees and asks Council to agree the allocation of £6.500m in 2018/19 be set aside for corporate risks and pressures, added to the £2.130m set aside for unidentified risks in 2017/18;
- 3.34 Agrees and asks Council to agree the allocation of £6.915m in 2018/19 to fund quantified budget pressures from the £8.630m set aside for corporate risks and pressures;
- 3.35 Agrees and asks Council to agree to create a fund in respect of the identified but as yet un-quantified revenue budget risks in the sum of £1.715m in 2018/19 (the balance of budget for corporate risks and pressures), allowing the Executive Director for Resources & Regeneration to hold these resources corporately in case these pressures emerge during the year, and authorises the Executive Director for Resources and Regeneration to allocate these funds to meet such pressures when satisfied that those pressures cannot be contained within the Directorates' cash limits;

- 3.36 Agrees that the Executive Director for Resources and Regeneration identify up to £5m of earmarked reserves to fund service transformation costs to facilitate services change and develop further savings proposals;
- 3.37 Agrees to recommend to Council that a General Fund Budget Requirement of £241.281m for 2018/19 be approved.
- 3.38 Asks Council to agree to a 3.99% increase in Lewisham's Council Tax element. This will result in a Band D equivalent Council Tax level of £1,203.87 for Lewisham's services and £1,498.10 overall. This represents an overall increase in Council Tax for 2018/19 of 4.2% and is subject to the GLA precept for 2018/19 being increased by £14.21 (i.e. 5.1%) from £280.02 to £294.23, in line with the GLA's draft budget proposal;
- 3.39 Notes and asks Council to note the Council Tax Ready Reckoner which for illustrative purposes sets out the Band D equivalent Council Tax at various levels of increase. This is explained in section 8 of the report and is set out in more detail in Appendix Y3;
- 3.40 Notes and asks Council to note the exemption from Council Tax for Care Leavers up to the age of 25 in the Borough, agreed by Council in January 2018 when setting the 2018/19 Council Tax base, and the review underway to assess other possible exemptions;
- 3.41 Asks that the Executive Director for Resources & Regeneration issues cash limits to all Directorates once the 2018/19 Revenue Budget is agreed;
- 3.42 Notes that the Chief Financial Officer's Section 25 Statement will be presented in the Budget Update Report on the 14 February 2018 for approval;
- 3.43 Agrees and asks Council to agree the draft statutory calculations for 2018/19 as set out at Appendix Y5;
- 3.44 Notes and asks Council to note the prospects for the revenue budget for 2019/20 and future years as set out in section 9;
- 3.45 Agrees that officers continue to develop firm proposals and bring them forward as soon as possible as part of the Lewisham Future Programme to help meet the future forecast budget shortfalls;

***In relation to proposed changes to the Linkline Community Alarm Service:***

- 3.46 Having considered the outcome of the consultation exercise and the documents appended at Appendix 6, 6a, 6b and 6c agrees the following recommendations.
- 3.47 Agrees for Linkline to change the service offer to a Full Visiting Service for all new customers.
- 3.48 Agrees to Increase Linkline charges in line with costs and inflation where it is provided to customers who are private rented tenants, home owners, living with family and for social housing tenants who arrange Linkline independently. The

proposed charge is £5.81 for Full Visiting Support and £3.88 for the Telephone On service.

- 3.49 In schemes provided by Social Housing Landlords, agrees to implement a phased increase in charges to achieve parity with other housing tenures.
- 3.50 In future, agrees to charges being increased in line with inflation across all sectors annually.
- 3.51 Agrees that Lewisham CCG jointly with Council officers will review the way the financial contribution from Lewisham CCG is utilised to support people with dementia and the intention to conduct further consultation and assessment for Linkline customers who have a diagnosis of dementia.

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

- 3.52 Notes and asks Council to note the adjustments to and impact of various specific grants for 2018/19 on the General Fund as set out in section 8 of this report;

#### **Treasury Management Strategy**

- 3.53 Approves and recommends that Council approves the prudential indicators and treasury indicators, as set out in section 10 of this report;
- 3.54 Approves and recommends that Council approves the Annual Investment Strategy and Credit Worthiness Policy, set out in further detail at Appendix Z3;
- 3.55 Approves and recommends that Council approves the Minimum Revenue Provision (MRP) policy as set out in section 10 of this report;
- 3.56 Agrees and recommends that Council agrees to delegate to the Executive Director for Resources & Regeneration authority during 2018/19 to make amendments to borrowing and investment limits provided they are consistent with the strategy and there is no change to the Council's authorised limit for borrowing;
- 3.57 Approves and recommends that Council approves the credit and counterparty risk management criteria, as set out at Appendix Z3, the proposed countries for investment at Appendix Z4, and that it formally delegates responsibility for managing transactions with those institutions which meet the criteria to the Executive Director for Resources & Regeneration; and
- 3.58 Approves and recommends that Council approves a minimum sovereign rating of AA-.

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

- 4.1 The 2018/19 Budget Report is structured as follows:
  - Section 1 Executive Summary
  - Section 2 Purpose
  - Section 3 Recommendations

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

## **POLICY CONTEXT**

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

### Sustainable Community Strategy

- **Ambitious and achieving:** where people are inspired and supported to their potential.
- **Safer:** where people feel safe and live free from crime, antisocial behaviour, and abuse.
- **Empowered and responsible:** where people are actively involved in their local area and contribute to supportive communities.
- **Clean, green, and liveable:** where people live in high quality housing and can care for and enjoy their environment.
- **Healthy, active and enjoyable:** where people can actively participate in maintaining and improving their health and well-being.
- **Dynamic and prosperous:** where people are part of vibrant communities and town centres, well connected to London and beyond.

### Corporate Priorities

The Council's ten 'enduring' priorities were agreed by full Council and are the principal mechanism through which the Council's performance is reported and through which the

impact of saving and spending decisions are assessed. The Council's priorities also describe the Council's contribution to the delivery of Lewisham's Sustainable Community Strategy priorities.

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

## Values

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

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

4.3 As noted in the 2017/18 budget, the Council's strong and resilient framework for prioritising action has served the organisation well in the face of austerity and on-going cuts to local government spending. This continues to mean, that even in the face of the most daunting financial challenges facing the Council and its partners, we continue to work alongside our communities to achieve more than we could by simply working alone.

- 4.4 This joint endeavour helps work through complex challenges, such as the pressures faced by health and social care services, and to secure investment in the borough, for new homes, school improvements, regenerating town centres, new and renewed leisure opportunities and improvement in the wider environment. This work has and continues to contribute much to improve life chances and life opportunities across the borough through improved education opportunities, skills development and employment. Of course, there is still much more that can be done to realise our ambitions for the future of the borough; ranging from our work to bring the Bakerloo Line extension here to support housing supply and businesses grow, through to our nationally recognised programmes of care and support to some of our most vulnerable and troubled families.
- 4.5 However, it remains clear that the Council cannot do all that it once did, nor meet all those expectations that might once have been met, for we are in a very different financial position than just a few years ago. Very severe financial constraints have been imposed on Council services with cuts to be made year on year on year, and this on-going pressure is addressed in this report, incorporating further budget savings for 2018/19 and noting the continued outlook for austerity to at least 2020/21.

## **BACKGROUND**

### *National*

- 4.6 At a national level the requirement to rebalance the public finances, and therefore the financial outlook for the Council, remains extremely challenging with significant real term reductions in local government resources forecast to continue.
- 4.7 The OBR produced its Economic and Fiscal outlook in November 2017. Based on its assumptions the OBR forecasts that the economy will grow more slowly than expected in March 2017 and has revised Gross Domestic Product (GDP) growth in 2017 down from 2.2% to 1.5%. On average the economy is expected to grow at 1.4% in 2018, 1.3% in both 2019 and 2020, before picking back up to 1.5% in 2021, and finally 1.6% in 2022.
- 4.8 In November, a fall in productivity and a weaker economic outlook due to downgrades in forecasts for consumer, household and business spending are primary causes of the slower growth.
- 4.9 In December 2017, inflation, measured by the Consumer Price Index (CPI), is at 3%, 1% above the government's target. The Retail price Index (RPI) is at 4.1%. This is largely influenced by the sustained fall in the value of pound, rising oil prices, and other tighter global fiscal policies as Central Bank interventions are scaled back.
- 4.10 As price rises (such as food) work through the economy, coupled with a drag from wage growth below inflation, inflation is expected to fall slightly, but will remain higher than target at 2.4% in 2018. It is then expected to be in line with the target rate at around 2% from 2019 until 2022.
- 4.11 Unemployment forecast has fallen from 5.2 per cent in March 2017 to 4.3 percent in November 2017. This downward-trend is expected to reverse in 2018 largely due to inflation, increase in national minimum wage and lower than expected GDP rise.



- 4.12 In the 2017 Autumn Budget, the Chancellor of the Exchequer said the Office for Budget Responsibility (OBR) confirmed that the Government borrowing is forecast to be £49.9 billion this year, £8.4 billion lower than forecast at the Spring Budget. The cumulative impact being to push the date for a surplus out to at least the mid 2020s. After taking account of all decisions since the Spring Budget, the OBR's GDP revision, and the measures announced in the autumn budget, borrowing was expected to fall in every year of the forecast. From £39.5 billion next year to £25.6 billion in 2022-23, to reach its lowest level in 20 years.
- 4.13 The current budget deficit is forecast to rise from £7.0bn in 2016 to £8.1bn in 2017. This is expected to fall every year after until 2022/23 where it's expected that there will be a budget surplus of over £29bn.
- 4.14 Clearly these economic forecasts maintain an about average uncertainty due to the timing and outcomes still to impact the UK following the decision to leave the EU.

### Local Government

- 4.15 The provisional Local Government Finance Settlement was announced on 15 December 2017, with the final settlement expected in early February 2018. Following the four year settlement offer in 2016, which 97% of councils accepted, (including Lewisham), the settlement for 2018/19 confirms the resource allocations consistent with the 2016 four year offer. The one change for London in 2018/19 is being the agreement to pool business ratings on a pilot basis from 1 April 2018.
- 4.16 Along with the settlement announcement, the Government confirmed the continuation of the Adult Social Care (ASC) precept created last year to give local authorities who are responsible for social care the ability to raise new funding to spend exclusively on Social Care. In 2017/18, Councils were given additional flexibility to raise the ASC precept sooner by being able to raise up to 3% in each of 2017/18 and 2018/19 but by no more than 6% in total over the three years 2017/18 to 2019/20. In 2017/18, Lewisham's ASC precept was raised by the maximum 3%. This means the Council is still able to increase its ASC precept by a total of 3% over the years 2018/19 and 19/20.
- 4.17 The Government also announced an increase of 1% to the limit by which Councils can increase their Council Tax (inclusive of levies) without a referendum, to a limit of 2.99% in 2018/19. This 1% will generate an approximate extra £1m of revenue for the Council.
- 4.18 More widely the direction of travel for local government finance continues as the creation of a London Business Rates Pilot Pool was announced, confirming Government's intention to phase out the Revenue Support Grant. Ahead of the Government's next CSR in the summer of 2018, the pool will operate for at least one year with effect from 1 April 2018, and will include all London Boroughs and the Greater London Authority (GLA).
- 4.19 Leaving all other previous assumptions (from the July 2017 Medium Term Financial Strategy) unchanged, the provisional estimate is that the forecast savings required in 2018/19 is now at £13.4m (before measures).
- 4.20 The Lewisham Future Programme Board was established to determine and progress cross-cutting and thematic reviews to deliver the savings required. The Council has already made savings of £160.6m to meet its revenue budget requirements since May 2010 and is proposing further savings of £4.8m in 2018/19.

- 4.21 Assuming the measures proposed and the 2018/19 budget as set out in this report are agreed, it is expected that the Council will need to identify further savings of circa £35m for the following two years, 2019/20 and 2020/21. This will bring the total savings in cash terms made by the Council in the decade to 2020 to more than £190m.
- 4.22 The rest of the report sets out the position of the financial settlements as they impact on the Council's overall resources:
- Capital Programme for 2017/18 to 2021/22;
  - Housing Revenue Account (HRA) and level of rents for 2018/19;
  - Dedicated Schools Grant (DSG) for 2018/19;
  - General Fund Revenue Budget for 2018/19;
  - Other Grants for 2018/19;
  - Council Tax level for 2018/19; and
  - Treasury Management Strategy for 2018/19.

## **5. CAPITAL PROGRAMME**

- 5.1 In considering the Council's overall financial position, the Capital Programme is considered first. This is to ensure that any revenue implications of capital decisions are taken into account. The Capital Programme budget for 2018/19 to 2020/21 is proposed at £271.5m, of which £135.9m is for 2018/19.
- 5.2 This section of the report is structured as follows:
- Update on 2017/18 Capital Programme
  - Proposed Capital Programme 2018/19 to 2020/21; and
  - Future schemes and resources

### **Update on 2017/18 Capital Programme**

- 5.3 Progress in delivering the 2017/18 Capital Programme has been reported to Mayor & Cabinet and the Public Accounts Select Committee regularly throughout the year. The latest forecast projection was that the revised budget allocated for the year of £102.4m, and reported to Public Accounts Select Committee on 16 November 2017, would be delivered this year. However, at this stage, the revised budget shows a slight decrease of £1.7m to the last reported budget figure, mainly due to the re-profiling of the HRA budgets.
- 5.4 The capital programme for 2017/18 has seen a number of schemes progress well with the main areas of capital spend involving highways maintenance, the provision of school places, and housing.

### **Highways**

- 5.5 During 2017/18, investment from Transport for London (TfL) has been used to deliver major improvements to local streets, as part of the Local Implementation Plan (LIP) programme. This includes the transformation of Deptford High Street, which is part of TfL's major schemes programme, and builds on the continued regeneration of the town centre area. It also includes major works in Manor Lane (Lee Green), and Dartmouth Road (Forest Hill), to provide improved pedestrian environments, support local businesses, and reduce traffic speeds.

- 5.6 Following the release of a new Mayors Transport Strategy for London, a thorough review of the Council's LIP transport strategy is now underway, that will consider the Council's investment priorities for highways and transport over the next 5 years. As part of this review, the new strategy will need to consider the implications of cuts to the annual formula grants received from TfL, expected to be over £300,000 a year, as well as a two-year pause on maintenance funding from TfL, at a similar level of reduction.
- 5.7 To offset these losses, the Highways & Transport service continues to have success in bidding for additional funding, including being one of only seven London Boroughs to be awarded Liveable Neighbourhoods funding to deliver "Healthy Streets", as well as the proposed Cycle Superhighway which will run the full length of A200 Evelyn Street.
- 5.8 In addition, the Council continues to invest resources in maintaining its highway assets, most notably through its £3.5million programme of carriageway and footway resurfacing works. The budget for carriageways allows for 60 to 70 roads to be resurfaced each year and, until 2017, the majority of these roads were those in the worst condition and categorised as "Red".
- 5.9 As a result of the resurfacing programme, it is now anticipated that the Council will have repaired all those "Red" category roads by 2018/19. The focus will now move to works to roads classified as "Amber" roads, which represent better value for money as usually only one layer of the road surface is replaced. Therefore, although there are still some 386 roads classified as either Red or Amber that require essential works, the Council's long-term investment strategy is starting to take effect. Since 2013, the number of annual insurance claims against the Council for carriageway defects has reduced by over two-thirds.
- 5.10 As progress continues on the condition of carriageways, the balance of focus will also move towards the footways programme where there are still approximately 70 roads categorised as Red and the proposal is to carry out essential repairs to around 10 roads each year.

## **Schools**

### Schools - Pupil Places Programme

- 5.11 Since December 2015, the Regeneration and Place Division has been working with colleagues in the Children and Young Peoples Directorate to develop a longer term strategy for the delivery of school places to meet identified needs across the borough and to do so in a sustainable and efficient manner. As part of this, a new cross directorate governance structure has been implemented and a new procurement strategy agreed; utilising two-stage design and build contracts which transfer risk away from the Council to the contractors. As primary place demand has levelled off recently across London, the priority for the programme is Special Educational Need and Disability provision. Four schemes are currently in early development stages for completion by 2020.

### Schools – Minor Works Capital Programme

- 5.12 The School Minor Works Programme (SMWP) is an ongoing programme of minor capital works to existing community school buildings, primarily relating to

mechanical/electrical infrastructure and building fabric needs. The programme is grant funded by central government and delivered on budget.

### ***Housing Regeneration***

- 5.13 In the past year excellent progress has been maintained on the Council's two main housing regeneration projects, at Heathside & Lethbridge and at Excalibur, which in combination will deliver 1,500 high quality new homes, of which half will be affordable homes of varying types. At Heathside & Lethbridge phase 3 completed this year and included 98 new homes for social rent and phase 4a will also complete in this financial year. At Excalibur the first new homes have completed, enabling the first residents to move out of their pre-fab homes into high quality modern homes at protected rents.
- 5.14 Across the housing delivery programme there have been a number of achievements. As at January 2018, 330 new Council homes are underway, and all 500 are expected to start on site in 2018 in line with the Council's commitment. More than 100 homes have now been purchased by Lewisham Homes to provide better and more financially viable accommodation for homeless households.
- 5.15 In relation to existing homes, in this past year Lewisham Homes has commenced Decent Homes works on the final homes required to achieve 100% decent homes, which is a significant landmark. Alongside this Council has helped 72 households with disabled facilities grant funding helping to make homes safer and more suitable. The priority in the coming year will be to continue to respond quickly to the Grenfell tragedy. Aluminium Cladding Materials (ACM) on three Lewisham Homes blocks has already been removed and will be replaced in the next financial year. The Council and Lewisham Homes will continue to work closely in partnership on any other investment requirements as they arise.

### ***Other Schemes***

#### Catford Town Centre

- 5.16 2017 has been a successful year of positive pre-master planning engagement and placemaking programming - online, on social media, in person and via events reaching thousands of people following the strategic decision taken by the Mayor in July on the re-alignment of the South Circular (A205) through Catford Town Centre and the development of a masterplan for regenerating the Town Centre. TfL continues to be a key partner in progressing the road realignment. The challenge for 2018 is the procurement and development of a comprehensive Masterplan that meets Council objectives and local aspirations as well as delivering an aspirational, sustainable and viable town centre in Catford.

#### Beckenham Place Park

- 5.17 The restoration of the west side of Beckenham Place Park has secured planning and listed building consent. Preparatory works commenced in winter 2017 and the main restoration of the landscape and a number of listed building commences in early 2018/19. Work to the west side of the park will be complete by summer 2019. Works to the east side of the park to create flood storage in partnership with the Environment Agency are continuing with a planning application expected to be submitted in summer 2018.

## Smart Working Programme

- 5.18 Following the development of an Accommodation Strategy during 2017/18, work is underway to secure a partner organisation to design and refurbish office and public meeting spaces facilities in Laurence House and the Civic Suite. A focus of the proposed works will be to improve the accommodation and address a number of relevant health and safety issues affecting the building. The refurbishment, and associated decant of staff, is expected to take place from summer 2018 and will deliver a modern, flexible workspace that encourages collaboration, agility and new ways of working. This will also act as a blueprint for the design of future council offices within the Catford regeneration scheme. The Smarter Working Programme will also seek to consolidate offices and release sites for future redevelopment. The ground floor Laurence House reception works are almost complete and will provide a modern welcoming entrance for residents, visitors and staff.

## Asset Management Programme

- 5.19 Over the past few years, the Asset Management Programme (AMP) has provided resources to fund much needed capital works across the operational corporate estate. This has included fabric works such as roof replacement and mechanical works including boiler replacements and lift repairs across the estate of approximately 90 buildings and sites. More recently, the programme has funded works to the Civic Suite, Laurence house reception as well as emergency repair works to the Broadway Theatre.

## **Proposed Capital Programme 2018/19 to 2020/21**

- 5.20 The Council's proposed Capital Programme for 2018/19 to 2020/21 is currently £271.5m, as set out in Table A1:

**Table A1: Proposed Capital Programme for 2018/19 to 2020/21**

	17/18	18/19	19/20	20/21	3 Year Total
	£m	£m	£m	£m	£m
<b>General Fund</b>					
Smarter Working Programme (Invest to Save agreed 17/18)	0.3	2.0	0.6	0.0	<b>2.6</b>
Schools – Pupil Places and other Capital Works	20.1	18.8	1.0	0.8	<b>20.6</b>
Highways, Footways and Bridges	7.7	3.1	3.5	3.5	<b>10.1</b>
Regeneration Schemes	12.6	8.0	5.2	0.0	<b>13.2</b>
Lewisham Homes Property Acquisition	10.0	10.0	6.0	0.0	<b>16.0</b>
Town Centres and High Street Improvements	1.5	2.8	2.3	0.8	<b>5.9</b>
Asset Management Programme	3.8	3.9	2.5	2.5	<b>8.9</b>
Fleet Replacement Programme	0.5	2.6	0.0	0.0	<b>2.6</b>
Beckenham Place Park	0.4	5.5	1.7	0.6	<b>7.8</b>

Other Schemes	7.6	6.5	1.7	1.9	<b>10.1</b>
	<b>64.5</b>	<b>63.2</b>	<b>24.5</b>	<b>10.1</b>	<b>97.8</b>
<b>Housing Revenue Account</b>	<b>36.2</b>	<b>72.7</b>	<b>56.3</b>	<b>44.7</b>	<b>173.7</b>
<b>Total Programme</b>	<b>100.7</b>	<b>135.9</b>	<b>80.8</b>	<b>54.8</b>	<b>271.5</b>

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

**Table A2: Proposed Capital Programme Resources for 2018/19 to 2020/21**

	17/18	18/19	19/20	20/21	3 Year Total
	£m	£m	£m	£m	£m
<b>General Fund</b>					
Prudential Borrowing	12.8	17.7	9.0	0.0	<b>26.7</b>
Grants and Contributions	25.0	28.7	7.0	2.6	<b>38.3</b>
Capital Receipts	10.7	2.5	1.1	0.0	<b>3.6</b>
Reserves / Revenue	16.0	14.3	7.4	7.5	<b>29.2</b>
	<b>64.5</b>	<b>63.2</b>	<b>24.5</b>	<b>10.1</b>	<b>97.8</b>
<b>Housing Revenue Account</b>					
Prudential Borrowing	0.0	0.0	0.0	0.0	<b>0.0</b>
Grants	0.0	0.0	0.0	0.0	<b>0.0</b>
Specific Capital Receipts	0.0	0.0	0.0	0.0	<b>0.0</b>
Reserves / Revenue	36.2	72.7	56.3	44.7	<b>173.7</b>
	<b>36.2</b>	<b>72.7</b>	<b>56.3</b>	<b>44.7</b>	<b>173.7</b>
<b>Total Resources</b>	<b>100.7</b>	<b>135.9</b>	<b>80.8</b>	<b>54.8</b>	<b>271.5</b>

- 5.22 A table of major projects can be found at Appendix W1 and a full list of changes to the Programme since last year's budget report is shown in Appendix W2.
- 5.23 Members will note that the General Fund resources available to finance capital projects decrease over the term of the Programme. This reflects the Council's prudent approach to long-term planning, with grants for later years not taken into account until they have been confirmed, and capital receipts only being taken into account when they have been received or are reasonably certain of being received. The Council prudently avoids entering into long-term expenditure commitments until there is more certainty as to how they can be financed.
- 5.24 No changes are proposed at this stage to the existing General Fund revenue contributions to capital (CERA) of £2.0m per year from General Fund. The revenue

funding line also includes amounts transferred to reserves in previous years for schemes which at that time, had not been delivered.

- 5.25 The Capital Programme will be further updated to include future grants, once these are known and will also include the year-end outturn expenditure and resourcing. This is expected to be reported to Members before the summer recess and will not impact on delivery of the Programme for 2018/19.

### Future schemes and resources

- 5.26 The Regeneration and Capital Programme Delivery Board comprises key officers involved in the planning and delivery of the capital programme. This Board has responsibility and accountability for the delivery of all regeneration and capital projects and programmes of the built environment and is also responsible for ensuring that all projects and programmes are adequately and appropriately resourced.
- 5.27 The key objectives of the Board are to ensure that a consistent and corporate approach is taken to the development and authorisation of all project and programme initiation documents and the associated financing and funding of projects and programmes. It meets every two months and ensures that a corporate approach is taken to the monitoring, management and delivery of all projects and programmes. It reports through to the Regeneration Board which is chaired by the Executive Director for Resources and Regeneration.
- 5.28 During the latter part of 2017, the Regeneration and Capital Programme Delivery Board conducted the second annual process, inviting bids for capital funding. Officers were also asked to submit bids for prior approved funding, so as to ensure the continuing best use of resources. Officers were asked to bid for funding for the next three financial years, and for that reason this report presents the capital programme budget over a three year period, rather than four years as in previous years.
- 5.29 These Boards have invited and scrutinised proposals totalling £134.9m of General Fund monies were put forward; these proposals were scrutinised by the Board and scored against corporate priorities. The bids were analysed in a number of ways, and the tables below show the aggregate value of bids grouped by service area and then by finance categorisation.

**Table A3: Summary of proposed future schemes by service area**

	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000
Environment / Public Realm	4,364	1,405	1,105	6,874
Highways & Transportation	6,935	5,525	4,200	16,660
Housing	37,325	10,839	8,034	56,198
School Places*	0	4,589	0	4,589
Strategic Regeneration	25,340	11,350	8,906	45,596
Corporate	4,885	124	0	5,009
<b>TOTAL</b>	<b>78,849</b>	<b>33,832</b>	<b>22,245</b>	<b>134,926</b>

\* This is only the amount of General Fund budget requested on top of Basic Need grant provided by the Department for Education and secured S106 contributions.

**Table A4: Summary of proposed future schemes by finance categorisation**

	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000
Spend	17,123	12,643	6,305	36,071
Spend to save	18,600	2,500		21,100
Borrow-to-repay	41,231	17,875	15,731	74,837
Secured non-General Fund	1,895	814	209	2,918
<b>TOTAL</b>	<b>78,849</b>	<b>33,832</b>	<b>22,245</b>	<b>134,926</b>

5.30 Spend schemes are those that would not generate a direct financial return, even though they would help to achieve corporate priorities. Spend to save schemes would be expected to help the Council to achieve revenue budget savings, although they would not necessarily be able to fully repay the capital investment. Borrow-to-repay schemes are those that would be expected to fully repay the up-front capital investment and generate an on-going revenue return. Secured non-General Fund are schemes which require up-front General Fund investment, but where expenditure is subsequently recouped from capital receipts or other contributions.

#### **Resources available to finance future schemes**

5.31 The General Fund Capital Programme is financed by a number of sources, including capital receipts, central government grants, the revenue budget, S106 and CIL. As per table A2, General Fund resources totalling £88.7m have been committed towards financing the budgeted spend over the next three financial years.

5.32 In addition to the £88.7m of committed resource, there is an estimated £18.4m of uncommitted resource that is expected to become available over the next three years, mainly arising from forecast capital receipts. Therefore the maximum possible capital programme budget over the next three years, aside from new Prudential Borrowing, would be a total of £107.1m.

5.33 It is considered prudent, however, to leave a contingency of £10m (approximately 10% of available resource) to meet any overspends or urgent new commitments, and a further £10m is recommended to be set aside to provide finance for future Mayoral and corporate priorities over the next three years.

5.34 This then leaves a resource of £87.1m that is recommended to be committed at this point. This is slightly less than the £88.7m that has already been committed as per table A2, but it is expected that some programme slippage and good cost control will bridge this small gap.

5.35 This does, however, mean that there is no finance available to bring new corporate priority schemes onto the General Fund Capital Programme at this point. Borrow-to-repay schemes can be considered separately as they have demonstrably robust



business cases, and the Council would be able to secure new resource through Prudential Borrowing in order to finance them.

- 5.36 During 2018/19, updates on the Capital Programme will be reported to Mayor & Cabinet and the Public Accounts Select Committee on a regular basis. As capital receipts and other resources come in to the Council, it may be possible to bring some of the future schemes onto the programme. These additions to the programme will be put forward for scrutiny and approval by members as part of the Capital Programme update reports in the financial monitoring.

### Summary

- 5.37 The proposed 2018/19 to 2020/21 Capital Programme totals £271.5m (General Fund £97.8m and HRA £173.7m) and includes all the Council's capital projects. It sets out the key priorities for the Council over the next three financial years and will be reviewed regularly. The Capital Programme is set out in more detail in Appendices W1 and W2.

## **6. HOUSING REVENUE ACCOUNT**

- 6.1 This section of the report considers the Housing Revenue Account (HRA). The budgeted expenditure for the HRA in 2018/19 is £156.8m, including the capital and new build programme.
- 6.2 It is structured as follows:
- Update on the HRA financial position for 2017/18;
  - Update on the HRA Business Plan; and
  - Future Years' Forecast.

### **Update on the HRA financial position for 2017/18**

- 6.3 The HRA is budgeted to spend over £100.0m in 2017/18. The latest forecast on the HRA for 2017/18, is that net expenditure can be contained within budget by the year end. There are currently minimal reported pressures which can, if necessary, be mitigated by the use of once-off contingencies, reserves and revenue working balances. Expenditure against repairs & maintenance budgets is expected to be contained within the sums allocated.

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

- 6.4 The Housing self-financing system was implemented on 1 April 2012 when the HRA subsidy scheme was abolished. The 30 year financial model has been developed based on current management arrangements and rental income estimates, updated for efficiency savings and cost pressures. In addition, policy objectives such as sheltered housing and new build plans are incorporated into the modelling.
- 6.5 The plan has undergone a major revision following the Government's announcement in the July 2015 budget statement to legislate for a 1% reduction in social rents to be applied each year for the next four years from 2016/17. The legislation was passed in March 2016.

- 6.6 The impact of the change in policy is a total reduction of forecast rental income within the business plan of £7.6m in 2018/19 (£1.90m 2016/17, £2.62 2017/18). The expected cumulative rent reduction over the four years 2016/17 to 2019/20 is £25.0m, with £374.0m being lost over the life of the 30 year business plan.
- 6.7 As the Government's proposals are enacted by legislation, the authority has no choice other than to implement the rent reduction. In order to protect the business plan and provide the same level of investment and services, the reduction in income will need to be off-set though increased efficiencies and reprioritisation of investment requirements.
- 6.8 A review of current investment needs and priorities has been undertaken, based on updated surveys and inflation estimates. This includes assumptions on future liabilities, programmes, savings, and other requirements. These assumptions will be used to inform the resource need and identify potential gaps in funding and opportunities for additional income and grants.
- 6.9 The plan also contains costs associated with new build units and a target of 500 additional units. Table B1 provides an illustration of the expected HRA budget for the next five years, which includes the current 1% rent reduction estimates to 2019/20.

**Table B1: HRA Income and Expenditure Estimates**

HRA Income & Expenditure Estimates - 5 year Forecast	2018/19	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m
<b>Income</b>					
Rental income	-69.0	-69.4	-70.9	-72.6	-74.5
Tenants service charge income	-6.0	-6.2	-6.3	-6.4	-6.5
Leasehold service charge income	-4.5	-4.6	-4.7	-4.8	-4.9
Hostel charges and grant income	-1.3	-1.3	-1.4	-1.4	-1.4
Major Works recoveries	-5.9	-4.7	-4.7	-4.0	-5.7
Other income	-1.6	-1.6	-1.6	-1.6	-1.6
Interest earned on balances	-1.1	-0.7	-0.5	-0.4	-0.3
<b>Total Income</b>	<b>-89.4</b>	<b>-88.5</b>	<b>-90.1</b>	<b>-91.2</b>	<b>-94.9</b>
<b>Expenditure</b>					
Management costs	35.6	35.8	36.2	36.7	37.2
Repairs & maintenance	15.6	15.9	16.0	16.2	16.4
PFI Costs	6.2	6.7	7.1	7.7	8.2
Interest & other finance costs	3.0	3.0	3.0	3.0	3.2
Depreciation	21.6	21.9	22.2	22.5	22.9
Revenue Contribution to Capital	2.1	35.4	22.5	16.6	10.7
<b>Total Expenditure</b>	<b>84.1</b>	<b>118.7</b>	<b>107.0</b>	<b>102.7</b>	<b>98.6</b>
<b>Surplus/(deficit)</b>	<b>5.3</b>	<b>-30.2</b>	<b>-16.9</b>	<b>-11.5</b>	<b>-3.7</b>
Opening HRA reserves	59.1	64.4	34.2	17.3	5.8
Contribution to/(Drawdown) from reserves	5.3	-30.2	-16.9	-11.5	-3.7
<b>Closing HRA Reserves</b>	<b>64.4</b>	<b>34.2</b>	<b>17.3</b>	<b>5.8</b>	<b>2.1</b>

HRA Income & Expenditure Estimates - 5 year Forecast	2018/19	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m
<b>Forecast Capital Programme &amp; Funding</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	£m	£m	£m	£m	£m
Capital programme (including decent Homes)	44.7	35.2	35.3	30.7	43.1
New Build construction & on-going costs	28.0	21.1	9.4	8.4	0.5
<b>Total Capital Expenditure</b>	<b>72.7</b>	<b>56.3</b>	<b>44.7</b>	<b>39.1</b>	<b>43.6</b>
<b>Capital Programme Funded By:</b>					
MRR Opening Balance	-48.0	1.0	0.0	0.0	0.0
Revenue Contribution to Capital	-2.1	-35.4	-22.5	-16.6	-10.7
Depreciation	-21.6	-21.9	-22.2	-22.5	-22.9
Capital Receipts	0.0	0.0	0.0	0.0	0.0
Borrowing	0.0	0.0	0.0	0.0	-10.0
<b>Total Capital Funding</b>	<b>-71.7</b>	<b>-56.3</b>	<b>-44.7</b>	<b>-39.1</b>	<b>-43.6</b>
<b>Capital shortfall</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
HRA - Actual Debt Level (Forecast)	59.4	59.4	59.4	59.4	69.3
HRA Self-financing Settlement Debt Level	127.3	127.3	127.3	127.3	127.3

- 6.10 As can be seen from the above table, the expected total expenditure, before financing, for the HRA in 2018/19 is £156.8m, comprising £84.1m operational costs and £72.7m capital and new build costs.
- 6.11 The Council continually considers how best to respond to the challenges and opportunities of the HRA self-financing system. The combination of the new system and the significant housing pressures may, in due course, cause the Council to adopt new management arrangements in order to optimise delivery of policy objectives.

### Future Years' Forecast

- 6.12 The key purpose of the proposed HRA budget is to ensure that there are sufficient resources to support lifecycle works, such as; repairs and maintenance, the Decent Homes programme and delivery of new homes in the borough.
- 6.13 There is an ongoing process to identify opportunities for savings and efficiencies to deliver services for improved value for money and this is described in Appendix X1. Although no direct savings have been identified so far for 2018/19, any savings and efficiencies delivered against the HRA business model and future budgets can be re-invested to off-set constrained rent rises or to help bridge any investment gap identified. Discussions are ongoing to identify appropriate savings and 'target' management and

maintenance costs per unit. For example, there is already an assumed reduction in the Lewisham Homes fee in 2018/19 to reflect stock losses through Right to Buy Sales.

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

#### Rental Income and allowances

- 6.15 The average weekly rent is currently £96.69 in 2017/18.
- 6.16 Due to the requirements to comply with Government legislation, rents are expected to reduce by 1% each year for a four year period starting 2016/17 and until 2019/20.
- 6.17 A 1% reduction in average rents for 2018/19 will equate to an average decrease of £0.97 over a 52 week period. This will reduce the full year average dwelling rent for the London Borough of Lewisham from £96.69 to £95.72 per week (pw). The proposed decrease will result in a loss of £0.708m of rental income to the HRA when compared to 2017/18 income levels.
- 6.18 Government are currently consulting on returning to the previous method of rent increase calculations once the rental contraction requirements have been completed. This was based on CPI + 1%. For the purpose of business and financial planning, it is assumed that this will be agreed and that rental charges will be increased in line with prior Government guidance of CPI + 1%. Any variation to this could put additional pressure on the financial forecasts for the HRA.
- 6.19 A rent rise higher than the rent limit calculation, set by Government, will result in additional recharges to the HRA via the Housing Benefit (HB) subsidy limitation charges. Any rise above this level will be lost through additional limitation recharges and therefore result in no benefit to the HRA.
- 6.20 Tenants were asked to provide comments and feedback on the proposed rent changes and illustration for inclusion in the Mayor & Cabinet budget report at meetings held with Brockley PFI and Lewisham Homes tenants (see Appendix X5).
- 6.21 No comments were received from Lewisham Homes residents concerning the proposals for rents. Comments were received on the increase to service charges specifically relating to the Grounds Maintenance service, agreeing that increased investment is required to enhance the estate environment.
- 6.22 No comments were received from RB3 Brockley concerning the proposals for rents and service charges.
- 6.23 Details of the options for the rent & service charge changes for 2018/19 were presented to the Housing Select Committee on 31 January 2017 and were noted.
- 6.24 Having regard to the outcomes of the consultations held in December 2017 as set out above (and with more detail in Appendices X1, X2, and X3), the Mayor is asked to make a recommendation to full Council that a rent decrease be agreed to accord with Government requirements. The new average rent for 2018/19 is likely to be in the region of £95.72pw, a reduction of approximately £0.97pw from 2017/18 levels.

## Other Associated Charges

- 6.25 There are a range of other associated charges. These include: garage rents, tenants levy, hostels, Linkline, private sector leasing, heating and hot water. These charges and any proposed changes to them for 2018/19 are set out in detail in Appendix X4.

### **Summary**

- 6.26 The gross budgeted expenditure for the HRA in 2018/19 is £156.8m, £84.1m revenue and £72.7m capital. Council is asked to approve a rent decrease having considered Government requirements and tenant's feedback following consultation held in December 2017. The current average weekly rent is £96.69 in 2017/18. This will reduce to £95.72pw in 2018/19.

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

- 7.1 This section of the report considers the Dedicated Schools' Grant (DSG) and level of Pupil Premium for 2018/19. This grant is formula based, calculated by the Government with the Council passing it onto schools. The respective budgets for 2018/19 are £292.3m and £17.0m.

- 7.2 It is structured as follows:

- Update on 2017/18 Dedicated Schools' Grant;
- Dedicated Schools' Grant for 2018/19;
- Pupil Premium;
- National Funding Formula;
- Cost Pressures in schools
- High Needs Block Funding;
- Consultations on Schools Funding.

### **Update on 2017/18 Dedicated Schools' Grant**

- 7.3 The level of the Dedicated Schools' Grant (DSG) for 2017/18 is £289.6m. This will be revised later to take account of the pupil count which for early years children is undertaken in January 2018.
- 7.4 There are no budget pressures in the DSG apart from the individual school budgets. The central spend of the grant is expected to balance at the year end.
- 7.5 At the end of the 2016/17 financial year there were 13 schools that had deficits. There is a risk that another seven schools could go into deficit by the end of 2017/18. Schools are responsible for managing their budgets within their available resources.

### **Dedicated Schools' Grant for 2018/19**

- 7.6 The DSG for 2018/19 has provisionally been set by the Department for Education (DfE) at £292.3m, although this will change during the year to reflect updated pupil numbers. The DSG is now approximately £50m (or 21%) larger than the Council's Net General Fund budget.

7.7 In comparison with last year, there is a £2.7m increase (0.9%) in the DSG. This is due to the following:

- A reduction of £1.5m driven by the decrease in pupil numbers, in the secondary age group, offset by a small increase in the primary age group.
- There is an extra £2.0m which is the increase provided by central government through the national guarantee of providing an extra 0.5% increase per pupil.
- Extra funding of £2.2m has been built into the settlement to fund the full year effect of the 30 hours of childcare for working parents, which was originally effective from 1 September 2017. £2.8m was built into the 2017/18 settlement, giving an overall total for Childcare now of £5.0m.

### National Funding Formula

7.8 The Department for Education has confirmed the introduction of a national funding formula for schools and for pupils with high needs from the 2018 to 2019 financial year. For the next two years the Department will run the national funding formula, add up the total of all schools for a local authority area and pass it to that local authority for distribution to the schools in their area. The local authority can then use their own funding formula.

7.9 Under the national funding formula, all Lewisham schools will lose funding and will therefore be protected to their current funding level. This is on a per pupil basis and excludes premises factors. The government has also announced that there will be sufficient funding in the system to allow for a 0.5% percent increase in all schools budgets on pupil related factors.

7.10 For Lewisham this means there is an extra £1m available. For both 2018/19 and 2019/20 as is demonstrated in table C1 below:

**Table C1: Impact of New National Formula**

<b>Note</b>		<b>Schools Block</b>	<b>High Needs</b>	<b>Central</b>	<b>Total</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
A	2017/18 Current	215,373	50,704		266,077
B	Baseline	211,029	49,673	5,375	266,077
C	2018/19 Indicative	212,066	50,647	5,410	268,123
<i>D = B-C</i>	<b>Change</b>	<b>1,037</b>	<b>974</b>	<b>35</b>	<b>2,046</b>

### Notes

*A = the current DSG (excluding the early years block)*

*B = the DfE created a new funding block – the central block, they also moved funding from the high needs block to the schools block*

*C = Is the indicative amounts for next year's funding*

*D = the increase in funding*

- 7.11 The DfE has converted this to an amount per pupil basis (excluding premises factors). For Lewisham this is, for Primary and Secondary age pupils, £5,024 and £6,677 respectively. For both age groups Lewisham is now the 12th highest funded authority in the country. The English averages being for primary £4,058 and for secondary £5,229. The area cost adjustment for Lewisham is now 21%. The protection built into the funding for Lewisham schools under the national funding formula is £17.0m.
- 7.12 Whilst there is extra funding in the settlement and schools are being protected, costs are rising by more than funding, exasperated further where pupil numbers are falling. Some costs will need to be met before any money can be distributed, for example the increase in business rates, salaries and pensions, operating costs including inflation.
- 7.13 Overall, these estimated cost pressures of 8% over a three year period, allowing for the announcement of the small per pupil cash increase, reduce to 7%.
- 7.14 The total change in pupil numbers are as shown in tables C2 below:

**Table C2: Pupil Numbers**

	<b>Oct-16</b>	<b>Oct-17</b>	<b>Change</b>
Primary	25,286	25,354	+68
Secondary	11,532	11,320	-212

### **The National Funding Formula and the Lewisham Funding Formula**

- 7.15 As all Lewisham schools are protected under the new national funding formula and given that the DfE has run the new national funding model and passed on the funds, the variances for individual school budgets should be limited.
- 7.16 The modelling of the National Funding Formula and the Lewisham funding formula has been undertaken using the same data. This has proved the theory above. However, when the budget for next year is calculated, Lewisham will be using different data and this may have an impact.
- 7.17 The DfE requires the Council to consult all schools on these changes. Those changes of how to apply funding locally have been consulted on and reported to Schools Forum in January 2018.
- 7.18 The approach of introducing the national funding formula is not unique and some Local Authorities are proposing to move to the national funding formula, some are considering splitting the distribution of the funding 50:50 between the national funding formula and their own formula (these are authorities where there is an increase in funding).

Lewisham's objective should be to minimise change and turbulence for schools through this process.

### **Minimum Funding Guarantee (MFG)**

- 7.19 Local Authorities are now allowed to set a pre-16 minimum funding guarantee (MFG) in their local formula, to protect schools from excessive year-on-year changes, and to allow changes in pupil characteristics (for example, reducing levels of deprivation in a school) to flow through. Consultation must take place with the Schools Forum. This is a new power as MFG in the past was set by the DfE.
- 7.20 There is not complete freedom for 2018 and 2019 as the MFG has to be set between plus 0.5% and minus 1.5% per pupil.
- 7.21 The Government has already specified that within the settlement there will be an overall guaranteed 0.5% increase per pupil. This is reflected in the schools block baseline figures shown in table C1 above. The overall sum for Lewisham is £1m.
- 7.22 However, there are elements of the formula that fall outside the per pupil guarantee such as business rates and Private Finance Initiative (PFI) costs which will need to be funded first and this will limit the amount that can be distributed.
- 7.23 It is recommended the Lewisham MFG is set at 0.25%. The Schools Forum considered this at their meeting on the 17 January 2018.

### **PFI costs**

- 7.24 For the 2017/18 financial year a PFI factor was built into the Lewisham funding formula.
- 7.25 Under the national regulations, any PFI factor must be objective and clear and capable of being replicated for academies. An acceptable methodology would therefore generally contain some of the features set out below;
- X% of the school's budget share;
  - £x per pupil;
  - £x per square metre of floor area;
  - historical lump sum previously agreed and indexed by x% per year;
  - Agreements may refer to proportions or elements of the school's budget share which, due to changes in funding arrangements, may have changed significantly. Where this situation occurs, the DfE expect schools and local authorities to work together to agree an alternative arrangement, so that neither party is significantly disadvantaged.
- 7.26 The purpose of introducing a PFI factor is to ensure that PFI costs are not greater than 10% of the individual school's budget.
- 7.27 This was calculated on the basis of the prior year actuals. This seemed sensible as it avoids retrospective adjustment at a later date. As pupil numbers were expected to rise and hence the school budget share increase, the percentage of PFI costs to the budget would decrease all the time pupil numbers are rising, it was a marginal benefit to those schools with a PFI scheme.



- 7.28 Unexpectedly there have been significant falls in the pupil numbers at some of the PFI schools, making their budget deficit situation significantly worse. The current PFI funding formula delays the compensating increase in their budget. It is therefore proposed to move the PFI factor to an estimate of current year costs and only adjust the funding where an increase is required once the actual costs are known. This bridge funding would come from the schools contingency.
- 7.29 Under the regulations the Schools Forum decides:
- Whether some elements of funding given to schools should no longer be delegated but instead managed centrally. This includes contingency funds, the administration of free meals, supply cover, and insurance.
  - The budget level of central spend which includes growth funds, early year's expenditure, admissions, and capital expenditure from revenue. The budget of the latter, under the funding regulations, is capped at the 2015/16 level.
- 7.30 The Council has to consult the Schools Forum on arrangements for Special Educational Needs and Disability (SEND) children. The Forum's powers extend to giving a view but the final decision lies with the Council.
- 7.31 The Schools Forum set up a task group to review the High Needs Pupils costs in 2013. This group made a number of recommendations to the Forum which met on the 7 December 2017 to consider them.
- 7.32 The SEND Strategy 2016 to 2019 set out the local authority commitment to children and young people with SEND. As part of the action plan for the delivery of the strategy it was agreed that a review of the current banding system of high needs pupils should be undertaken to ensure equity, transparency and fairness across all schools sectors and that the banding levels should be based on the needs of pupils. This follows special schools banding which was implemented in April 2017.
- 7.33 The Forum agreed that the new banding system should be extended:
- For children and young people in resource base provisions which will require additional funding of £251K for 2018/19 from the High Needs Block.
- and
- Education Health Care Plans (EHCP) funding in mainstream schools. The work on banding in respect of mainstream schools has also been undertaken which included detailed examination of children and young people with EHCPs in mainstream settings and the current banding matrix. It is proposed that the revised banding is a fixed rate rather than the variance currently used. The proposal will mean an additional £47K from the High Needs Block for 2018/19.
- 7.34 One of the key principles of the banding review was to ensure that there is greater clarity in the system of which band a pupils fits into and to make sure that the system was easy to moderate. This clarity will be provided by ensuring the banding system is transparent, equitable and fair banding models for each of the three types of provision.
- Pupil Premium**

- 7.35 In addition to the DSG, schools will continue to receive the pupil premium. The majority of the pupil premium is allocated to schools on the basis of the number of children on roll who were entitled to a free school meal in the past six years.
- 7.36 In 2018/19 the rate of funding is set at the same level as 2017/18, for primary and secondary children. This is £1,320 per primary child and £935 per secondary child. For looked after children there is an increase to £2,300 per child. The DfE no longer provides forecasts of the total pupil premium. Officer's calculations are for £17.0m for 2018/19, which is now the expected level for 2017/18. There has been a recent consultation on the use of free meals to allocate the pupil premium. This is due to the roll out of national Universal Credit Scheme. See section 7.43 for more details.

### **High Needs Block Funding**

- 7.37 There are significant changes to the way that allocations of High Needs funding for 2018 to 2019 to local authorities are determined because of the introduction of national funding formulae for schools, high needs and central school services.
- 7.38 The High Needs block is now calculated on the basis of a national formula (in recent years the bases has been historical allocations), although there is still an element of historical spend.
- 7.39 The factors include
- The basic entitlement ensures that local authorities receive resources for all the pupils that they fund in their area, with £4,000 nationally for each pupil in a special school but adjusted by area costs. It provides an equivalent to the funding that mainstream schools get for all their pupils, and that colleges receive through the 16-19 national funding formula.
  - A historic spend factor attracts £2.7 billion nationally in 2018/19, based on 50% of local authorities' existing high needs spending. The DfE wanted this factor to reflect the importance of giving local authorities stability as they move towards a fairer distribution of funding and the importance of recognising that some of the factors driving current spending will take time to change, as local authorities review and develop their local offer, plan ahead and decide carefully where to spend more and where to spend less.
  - Proxy factors are designed to target funding to local authorities in proportion both to their size, as indicated by their population of 2 to 18 year olds, and to their relative level of need. These relate to;
    - Deprivation;
    - Low attainment; and
    - Health and disability.
- 7.40 The DfE have provided an increase in funding for the high needs block which has allowed the funding floor to be lifted by 0.5% per head in 2018/19 and 1.0% per head by 2019/20 over the relevant 2017/18 high needs spending baseline.
- 7.41 This has resulted in Lewisham receiving an extra £1m in 2018/19.

## **Loan Scheme to cover school deficit**

- 7.42 The DfE have just completed a consultation whereby they propose to make a directed revision to local authorities' schemes for financing schools in order to clarify the purpose of loan schemes and distinguish them from licensed deficits. They consider that any loans made to fund a revenue deficit of a school should not transfer to an academy on conversion. There is now a significant risk to Lewisham due to the schools in deficit, currently £4m and likely to grow as schools adapt to their tighter funding envelope.

## **Consultation on Universal Free credit**

- 7.43 The Government have just concluded a consultation on a review of eligibility for children currently receiving additional support from the government during their education, such as free school meals and additional school funding. This is in respect of the national roll out of Universal Credit.
- 7.44 The proposals will protect all children currently receiving this support, while targeting these entitlements to ensure they reach those most in need in the future. Overall more children should benefit as a result.
- 7.45 The DfE proposals will mean around 50,000 more children should be eligible for free school meals once Universal Credit is rolled out.

## **Risks**

- 7.46 If the High Needs Block overspend there is potential risk that this may fall onto the Local Authority.
- 7.47 If the change proposed in the consultation on School Loans goes ahead there is a risk that if a school converts to an academy the deficit reverts to the Local Authority. At the end of the last financial year (2016/17) the total deficit of schools was £4m.

## **8. GENERAL FUND REVENUE BUDGET AND COUNCIL TAX**

- 8.1 This section considers the General Fund revenue budget and Council Tax. The General Fund budget for 2018/19, assuming a Council Tax increase of 3.99%, is £241.281m. Details of the savings anticipated for 2018/19 are provided at Appendices Y1 and Y2.
- 8.2 It is structured as follows:
- Update on 2017/18 Revenue Budget;
  - The Budget Model;
  - Saving proposals;
  - Council Tax for 2018/19; and
  - Overall Budget Position for 2018/19.

### **Update on 2017/18 Revenue Budget**

- 8.3 The Council's revenue budget for 2017/18 was agreed at Council on 22 February 2017. The general fund budget requirement was set at £232.746m.
- 8.4 During the financial year, monthly monitoring is undertaken by officers and these monitoring reports have been presented quarterly to Mayor and Cabinet and scrutinised

by the Public Accounts Select Committee. Significant attention continues to be directed towards volatile budget areas. These are those areas where small changes in activity levels can drive large cost implications. These include, for example: Looked After Children, No Recourse to Public Funds; Nightly Paid Accommodation; and Adult Social Care. These areas of activity are also informed by risk assessments which are continually reviewed.

- 8.5 Budget holders are challenged to maintain tight control on spending throughout the year through the continuation and strengthening of Directorate Expenditure Panels (DEPs) and the additional layer of scrutiny added through the operation of the Corporate Expenditure Panel (CEP).
- 8.6 An initial projected overspend of £12.8m was reported at the end of May 2017. Since this position was first reported, the forecast overspend has increased slightly to £12.9m. This is in spite of the continued management attention given to seek the containment of costs and, where possible, accelerating service changes to reduce costs. This remains a significant overspending projection, and stringent management action must continue for the remainder of this year to help bring the projected overspend down.
- 8.7 It should be noted that a sum of £2.1m was held corporately as part of setting the 2017/18 budget for managing 'risks and other budget pressures' which emerge during the year. As in previous years, the Executive Director for Resources and Regeneration gives due consideration as to when it might be appropriate to apply this sum. 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. During the year £0.8m was allocated to Business Support, pending further service savings being identified. If allocated in full, the remaining balance will have the effect of reducing the current projected overspend to £11.6m.

#### Directorates

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

**Table C1: Forecast outturn for 2017/18 as at end of November 2017**

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend Nov. 2017	Percentage of over/under spend to Net budget
	£m	£m	£m	£m	%
Children & Young People	66.7	(18.0)	48.7	7.7	16
Community Services	167.0	(80.0)	87.0	1.4	2
Customer Services	102.7	(60.1)	42.6	4.3	10
Resources & Regeneration	76.9	(51.8)	25.1	(0.5)	-2
<b>Directorate Totals</b>	<b>413.3</b>	<b>(209.9)</b>	<b>203.4</b>	<b>12.9</b>	
Corporate Items	29.3	0.0	29.3	0.0	-

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend Nov. 2017	Percentage of over/under spend to Net budget
<b>Net Revenue Budget</b>	<b>442.6</b>	<b>(209.9)</b>	<b>232.7</b>	<b>12.9</b>	<b>6</b>

### Corporate Financial Provisions

- 8.9 Corporate Financial Provisions are budgets that are held centrally for corporate purposes and which do not form part of the controllable expenditure of the service directorates. They include Capital Expenditure charged to the Revenue Account (CERA), Treasury Management budgets such as Interest on Revenue Balances (IRB) and Debt Charges, Corporate Working Balances and various provisions for items such as early retirement and voluntary severance. The spend on Corporate Financial Provisions is expected to be contained within budget by the year-end.
- 8.10 Consideration is now being given to employing the use of corporate measures to balance the budget at year end. It is proposed to meet any 2017/18 budget overspend from reserves.

### **The Budget Model**

- 8.11 This section of the report sets out the construction of the 2018/19 base budget. This section is structured as follows:
- Budget assumptions, including: Savings, Council Tax, and Inflation;
  - New Homes Bonus;
  - Budget pressures to be funded; and
  - Risks and other potential budget pressures to be managed.

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

- 8.12 The Council has made substantial reductions to its expenditure over the last eight years. On all credible economic forecasts, it will continue to need to make further reductions for at least the next three to four years. This section of the report summarises a series of proposals that would enable the Council to set a balanced budget for 2018/19 as part of a sustainable financial strategy to 2019/20. Looking beyond 2019/20 still very much depends on the financial implications for the Council from government policy, the next Comprehensive Spending Review (CSR) is expected in 2019.

### Council Tax

- 8.13 In the 2017/18 Settlement, the Government confirmed that councils with Adult Social Care responsibilities (upper tier and unitary authorities) were able to increase Council Tax by up to 3% in 2017/18 and 2018/19 subject to a maximum of 6% across the period 2017/18 to 2019/20. The Government funding calculations assume Councils will raise this additional tax income locally.
- 8.14 In 2017/18, the Council increased the precept by the maximum allowed, 3%. Over 2018/19 and 2019/20, the Council is able to increase the precept by a total of 3%. This report proposes a 1% precept increase in 2018/19 and a 2% increase in 2019/20.

- 8.15 The assumption used in the model for preparing the 2018/19 budget, subject to confirmation by Council, is for a total Council Tax increase (Lewisham element) of 3.99% (a 1% increase for the social care precept and a 2.99% increase in the core element under the revised referendum principle announced along with the Finance Settlement on 19 December 2017).
- 8.16 If Council choose to set a different Council Tax increase they will need to be mindful that any increase below this recommendation will result in additional budget pressures, resulting in greater use of resources in the short term and a higher savings requirement going forward. Any increase in the core element above this recommendation would require support in a local referendum due to the limit set by the Secretary of State.
- 8.17 Further information on the options for Council when setting the Council Tax is set out in more detail towards the end of this section.

### Inflation

- 8.18 The Government's inflation target for the United Kingdom is defined in terms of the Consumer Price Index (CPI) measure of inflation which excludes mortgage interest payments. Since April 2011, the CPI has also been used for the indexation of benefits, tax credits, and public service pensions.
- 8.19 In November 2017, the Office for National Statistics (ONS) reported that the rate of Gross Domestic Product (GDP) growth in the economy was greater than 2% with the rolling 12 month CPI inflation in the UK at 2.7% in December. In November 2017, the Office of Budget Responsibility (OBR) forecast that inflation wasn't expected to rise further but expected the rate to decline gradually through 2018 and 2019 as the effects of the fall in the pound around the time of the referendum begin to fade. Inflation is expected to settle close to the 2 per cent target around the middle of 2020.
- 8.20 For financial planning purposes, the Council has previously assumed an average pay inflation of 1% per annum, which equates to approximately £1.1m. In December 2017, a final offer was made to the unions of a 2% pay award for 2017/18 by the National Joint Council (NJC) for Local Government Services, with staff on very low pay being offered increases that will bring them up to the National Living Wage (NLW) introduced by the government in 2015. The NLW is currently set at £8.50/hr from April 2018. Lewisham's lowest pay band exceeds this amount. As this offer has not yet been accepted a provision of 2% for 2018/19 has been made.
- 8.21 The Council currently applies a non-pay inflation rate of 2.5% per annum. This is close to the forecast inflation rates for 2018 and reflects the underlying commitments in Council contracts. This equates to approximately £2.3m (net) in 2018/19. £1m of this figure has been put forward as an efficiency saving in 2018/19.

### New Homes Bonus

- 8.22 The New Homes Bonus (NHB) sits alongside the Council's planning system and is designed to create a fiscal incentive to encourage housing growth. The Department for Communities and Local Government (DCLG) is paying the NHB as un-ringfenced grant to enable local authorities to decide how to spend the funding. The scheme design sets some guidance about the priorities that spend should be focused on, in that it is being

provided to ‘help deliver the vision and objectives of the community and the spatial strategy for the area and in line with local community wishes’.

- 8.23 The NHB has historically been paid each year for six years. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes.
- 8.24 In the provisional Local Government Finance Settlement statement, the Secretary of State announced that in 2017/18 and 2018/19 NHB legacy payments will be changed to five and four years respectively. The funding released by doing this will be re-invested back into local government to support social care and will be distributed on a needs basis (effectively funding the new improved Better Care Fund (iBCF) from 2017/18). Going forward a baseline level of 0.4% growth will also be applied for which NHB will not be paid and the government is finalising the consultation which is expected to confirm that NHB will not be paid on properties for which planning is granted on appeal.
- 8.25 The full impact of these ‘collar and cap’ changes is effectively to half the NHB the Council receives.
- 8.26 The provisional allocation for 2018/19 in Lewisham, including on-going payments, is £6.911m, with the years 1 to 4 allocations of £6.443m dropping out and with the allocation for Year 8 (2018/19) delivery being £1.551m.
- 8.27 The cumulative nature of the NHB is set out in summary in Table C6 below.

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

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Yr 1 - 6 yrs paid in full	0.706	0.706	0.706	0.706	-	
Yr 2 – limited to 5 yrs	0.958	0.958	0.958	0.958	0	
Yr 3 – limited to 5 yrs	2.150	2.150	2.150	2.150	2.150	
Yr 4 – limited to 4 yrs		2.629	2.629	2.629	2.629	
Yr 5 – limited to 4 yrs			1.399	1.399	1.399	1.399
Yr 6 – limited to 4 yrs				1.889	1.889	1.889
Yr 7 – limited to 4 yrs					2.072	2.072
Yr 8 – limited to 4 yrs						1.551
Total Allocation	3.814	6.443	7.842	9.731	10.139	6.911
Less: London LEP Top slice	0	0	-2.218	0	0	0
Lewisham Total	3.814	6.443	5.624	9.731	10.139	6.911

- 8.28 The Council produces an Annual Monitoring Report (AMR) which assesses the level of development which has taken place and reviews the performance on plan making and related steps being undertaken to progress the regeneration of the borough. The AMR provides a housing trajectory and identifies the anticipated amount of residential development over the coming years. This is in the context of the draft London Mayor housing strategy which for Lewisham from 2018/19 have been raised to 2,117/year for ten years.

- 8.29 A significant amount of planned growth for the borough is yet to come. The AMR provides an update on the progress of strategic sites within the regeneration and growth areas, including Deptford and New Cross and Lewisham Town Centre. Overall, strategic sites are progressing and are generally being constructed within anticipated timescales. The bringing forward of housing supply in London is a priority for the Council and the London Mayor. The AMR provides a housing trajectory and identifies the anticipated amount of residential development over the coming years.
- 8.30 In view of the planned growth in housing and associated infrastructure in the borough in future years it was agreed to commit £0.65m of the NHB allocation per annum to provide delivery support for this. This represents a year-on-year commitment for the Council. Given the planned growth in the Borough over the coming years, the funding will be used to support work to improve the borough's town centres, increase the number of jobs in the borough, provide improved transport links to the rest of London, and build upon the necessary infrastructure such as schools, health facilities, and open spaces. In particular for 2018/19, a project team will be funded from this allocation to work to promote the strategic aim of the Bakerloo Line extension into the Borough.
- 8.31 While initially being held with a view to funding future capital works, a review of the NHB has been conducted consistent with the government's commitment that NHB will continue (albeit at a reduced level) for the remainder of the parliament and the expectation that councils use their reserves. Given the pressures on the overall budget, and as in 2017/18 and consistent with previous years, it is proposed to use some of the NHB for revenue funding shortfalls. This will be effected by releasing £5.0m of the accumulated reserve balance from the NHB scheme to the General Fund for 2018/19 only.

#### Budget Pressures to be funded

##### 2017/18

- 8.32 In 2017/18, the funds set aside in the budget model to meet specific identified budget pressures and potential budget risks was reduced from £7.5m to £6.5m (for 2 years). In addition to the £6.5m in the 2017/18 budget, £750k was clawed back from 2016/17 making the total budget available £7.250m. £5.120m was allocated to services to fund quantified pressures, leaving £2.130m unallocated and held corporately against identified risks. This £2.130m is now being added to the 2018/19 allocation to make available £8.630 in 2018/19.
- 8.33 An ongoing area of significant financial pressure for the Council are the rising demands and costs of Children's Social Care, including rising demands for assessments and high costs for placement. This is a challenge as the government's funding for social care is directed solely to adult provisions.
- 8.34 The population of the Borough is forecast to increase by a net 3,000 annually for the foreseeable future. This growth combined with the demographic change being experienced nationally for people to live longer lives, even with severe disabilities, is creating particular pressure on health and social care services. In respect of adult social care, the Council is also experiencing an increase in the transfer of high cost packages and placements for young people with a learning disability from the Children & Young People's directorate to Adult Social Care. In the region of £1.0m annually. Additional provision also has to be made for a few new physical disability placements a year (brain injuries and other accidents).



- 8.35 The budget pressures in Children’s Social Care have been reviewed and it is recommended that the remaining £2.1m of corporate risk and pressures unallocated in 2017/18 now be allocated to Children’s Social Care – front door, social workers and placement costs.
- 8.36 The Adult Social Care precept continues to be committed to funding the costs of paying the National / London Living Wage in all contracts above inflation/annual increases until 2019/20.

2018/19

- 8.37 The budget pressures anticipated in 2018/19 have been reviewed and it is recommended that a number of these specific identified pressures are recovered or funded now. In terms of accounting for these, it is proposed that the budgets are recovered where appropriate and then allocated in line with the decisions of this budget from the corporate risk and pressures monies to the relevant Directorates when determining their cash limits for 2018/19.
- 8.38 Table C2 provides a summary of the corporate risk and pressures budget and those pressures and risks that are being recommended to be recovered or funded.

**Table C2: Summary of 2018/19 budget pressures to be funded**

Description	£'000	£'000
<b>2018/19</b>		
Opening budget for 2018/19	6,500	
Unallocated Risks and Pressures from 2017/18	2,130	
<b>Risk &amp; Pressures budget available in 2018/19</b>		<b>8,630</b>
Previously committed		
Highways & Footways (year 5 of 10)	-350	
Licensing arrangements (year 3 of 5)	<u>-200</u>	
	-550	
Unachieved elements of previous years savings		
Transport costs in CYP	-500	
Enforcement income	-200	
Domestic waste service	-200	
Garden waste service income	-150	
Parks and open spaces income	-75	
Wireless and advertising income	<u>-130</u>	
	-1,255	
Demand pressures		
Educational Psychologists and services to Children with complex needs	-540	
Youth first property maintenance	-300	
Travel assistance (see transport costs above)	-250	
Children multi agency safeguarding hub	-600	
Family social work – social work resources	-400	
Looked after Children placement costs	-1,500	
Youth offending service	-250	
Air quality monitoring	-40	

Registrars income	-100	
Waste disposal costs	-250	
Coroner's court costs	-50	
Mortuary costs with RB Greenwich	-15	
Crematorium costs / loss of income	-50	
Arborists costs	-100	
Legal Services	-200	
Highways permits and licensing income	-250	
Chief Executive office	-90	
Street Lighting	-40	
Communications – website	-85	
	-5,110	
<b>Risks &amp; Pressures recommended to be funded</b>		<b>-6,915</b>
<b>Risks &amp; Pressures budget recommend to be held against possible overspends in 2018/19</b>		<b>1,715</b>

Highways and Footways pressure – £0.35m

- 8.39 The ten year investment programme for the resurfacing of highways and footways in the Borough came to an end in 2013/14 and future funding arrangements had to be established. In 2014/15 it was agreed that an ongoing highways resurfacing budget of £3.0m be established over a ten year period. In the first year, this was funded by a combination of pressures funding, reserves, and the release of existing prudential borrowing budgets as debt was repaid.
- 8.40 Corporate funding of £0.3m for 2018/19 will be provided with an additional £0.3m being added to the budget until 2020/21 and a balance of £0.1m in 2021/22. Therefore, the total allocation over the period is £2.2m, although this will eventually be offset by £0.8m of released budget arising from repaid prudential borrowing over the period 2024/25 to 2033/34.
- 8.41 It was also agreed in 2014/15 to create an ongoing budget of £0.5m for the replacement of footways over a ten year period 2014/15 until 2023/24. For 2018/19, a budget allocation of £0.05m will be needed with an additional £0.05m being added to the budget for each of the years to 2023/24.

Additional Licensing Scheme £0.20m

- 8.42 In 2015/16 Mayor and Cabinet approved the introduction of an “additional” licensing scheme in Lewisham to improve conditions of private rented flats above commercial premises (primarily over shops) across the borough.
- 8.43 The scheme agreed was at a cost of £1.0m over five years. This is the third of the five years of contributions.

Previous Years unachieved savings - £1.255m

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

- 8.45 Where this arises the first action is for management to try to address the obstacles and find solutions so that the agreed savings are delivered. This is monitored through the financial forecast reporting and the management actions being taken to effect budgetary control. However, it may not always be possible to fully resolve the pressure and where this is the case it should be recognised.
- 8.46 Looking at the persistent overspends in the financial forecasts from the impact of partially achieved savings identifies the following where it is now proposed to inject corporate resource to reduce the budget pressures. This will release management attention so that for 2018/19 the focus can be on developing new savings proposals to address the remaining savings gap in the Medium Term Financial Strategy. By Directorate these include, with the original savings reference in brackets, the following:
- 8.47 Children & Young People – There is an ongoing project to review the transport passenger service the Council provides. It is revisiting the options available to provide this service and looking at the best service configurations to drive down costs. This project had a savings target of £1.0m, half in 2016/17 and half in 2017/18. Neither has been met. While progress has been made in Community Services, it is recognised from the financial monitoring that a barrier to making this saving is the Children & Young People Directorate where there is already a significant demand pressure driving overspends year on year. It is therefore proposed to put an additional £0.75m reversing out the remaining £0.5m saving target and £0.25m reducing the ongoing demand pressure.
- 8.48 Customer Services – the Directorate put forward as savings a number of cost reduction and income generation proposals across their services. While good progress has been made these were significant service changes and not all have delivered in full. It is therefore proposed to fund changes to their base budgets to address the resulting pressures as follows:
- Enforcement – the move to create an internal enforcement service to limit the use of Baliffs has been a success with improved performance, better income collection and fewer complaints. However, the full income target has not been met and it is therefore proposed to correct this by injecting £0.2m into the service budget for 2018/19.
  - Environment – there have been a number of changes to the service, both in how customers are asked to separate waste and to the collection rounds. The service aims were to improve recycling rates and reduce costs. Good progress is being made against these objectives. However, the full savings (income targets and costs) have not been achieved and it is therefore proposed to adjust the service budgets for 2018/19 to reflect this by £0.20m for the costs of the domestic waste service, £0.15m for the shortfall in income for the garden waste service, and £0.08m for the income gap and cost pressures on parks maintenance.
- 8.49 Resources & Regeneration – the ambition to seek to use the Council's assets to secure other income led to a saving to generate revenue from offering small cell WiFi from Council buildings and additional advertising income on Council sites. However, there is not the footfall demand for such WiFi services in Lewisham and competition moves on with most phone contracts now having larger data allowances and many service providers and business premises offering free WiFi. On the advertising front the sites identified for possible large scale advertising could not address planning concerns so cannot proceed. For these reasons it is proposed to write back the balance of these savings, £0.13m in 2018/19.

Educational Psychologists and services to Children with complex needs - £0.54m

- 8.50 These are both statutory services. Since 2014 and a change in the legislation which extended the age for these services from 16 year olds to 25 year olds the service has witnessed a 40% growth in demand and in Lewisham the complexity of cases to be supported. These pressures are no longer sustainable within the existing budget as the teams for both services have grown to ensure delays and backlogs in assessments are managed. It is therefore proposed to increase the budget for these services in 2018/19 by £0.54m.

Youth First property maintenance - £0.30m

- 8.51 When the Youth First mutual was created CYP included as part of the contract an amount towards the maintenance of the Council's assets they occupy. The mutual then buy back these services from the Council as their landlord to ensure the buildings are kept in good order. This has created a pressure in the CYP base budget which needs to be recognised to avoid this being a permanent overspend and management diversion. It is therefore proposed to add £0.3m to the CYP budget for the cost of the Youth Service contract. This will be reviewed going forward as the contract is retendered.

Travel assistance - £0.25m

- 8.52 This £0.25m is the service pressure additional to the £0.5m saving being reversed for CYP transport cost pressures as described above.

Children multi-agency safeguarding hub - £0.60m

- 8.53 Following the OFSTED inspection in 2015 the front door arrangements for the Council were strengthened in response to the recommendations raised. This involved the establishment of new Multi-Agency Safeguarding Hub (MASH) arrangements at a cost of £0.60m.
- 8.54 The business case was that as demand was better understood and the actions required assessed earlier a consequent in reduction in follow through work (at least the cost of interventions if not the number) should follow. To date the service has not seen this change reflected in their financial performance (see pressures below). It is therefore proposed to recognise the £0.6m cost for the MASH in the service's budget from 2018/19, while continuing to work with the services road map to review how the balance of risk, demand and services are managed within the available budgets.

Family Social Work social work resources - £0.40m

- 8.55 It was identified in 2017/18 that, through an exemption for social worker recruitment in 2016/17 in the corporate DEP/CEP process, that the service had recruited a number of social workers beyond their staffing budgets. This has formed part of the overspend that has been reported to members. Given the ongoing pressure to recruit children social workers and to support the service's strategy to limit the number of agency workers and convert them to permanent positions where possible, it is now proposed to recognise this as a permanent resource need and increase this budget by £0.40m for 2018/19.

Looked after Children Placement costs - £1.50m

- 8.56 The Looked after Children service provides social work support to all the children who are looked after by the London Borough of Lewisham. It performs all the statutory

functions, including care planning, ensuring that their health and education needs are met, and that they are also supported when the time comes to leave care safely.

- 8.57 As reported in 2017/18 budget when a £1.4m pressure on this service was funded, while numbers are rising slightly in the mid to high 400s the complexity of cases and limited availability of places nationally is driving significant pressure on the placement budget. The overspend is currently more than £2m. From benchmarking across London these pressures are not unique to Lewisham. Further work is to be conducted to strengthen the supply of lower cost alternatives (e.g. recruiting local foster carers rather than using independent private agencies) and work with partners to develop the right market supply (e.g. for residential placements).

Youth Offending Service - £0.25m

- 8.58 Following an inspection in 2017 the actions to address the recommendations required some investment. In addition to the one off costs it is clear to sustain the expected standards some of this investment will be needed on a permanent rather than one off basis. It is therefore proposed to increase the base budget for this service by £0.25m.

Air Quality Monitoring - £0.04m

- 8.59 Consistent with the rising need to address the risks of poor air quality across London, Lewisham has been increasing its monitoring stations across the Borough. These need to be serviced and maintained and the cost of this additional work cannot be absorbed within the service existing budget. It is therefore proposed to increase their budget for 2018/19 by £0.04m for these activities.

Registrars Income – £0.10m

- 8.60 Following a number of years of growth in this area the income from citizenship and other ceremonies conducted by the Council is now falling putting pressure on the service budget. This is the second year of such pressure so it is proposed to recognise the underlying change in demand and reduce this service's income budget by £0.1m.

Waste disposal costs - £0.25m

- 8.61 As noted elsewhere in this report, the Council is facing a growing population and an increase in the number of households in the Borough. At the same time constraints (space and regulations) are driving up the costs of landfill. Despite the changes to the service to better segregate different types of waste, investment in new vehicles, and being more efficient in how the collection process operates; the cost of disposing of the waste generated in the borough is rising and causing an annual budget overspend. To address this pressure it is proposed to increase the waste disposal budget by £0.25m.

Coroner Court costs - £0.05m

- 8.62 Following a review in 2017 these charges were raised by the Coroner. The Council is obligated to meet these costs so it is proposed to bring the service budget in line with these increased charges of £0.05m in 2018/19.

Mortuary costs - £0.015m

- 8.63 The Council has moved to a shared service arrangement with the Royal Borough of Greenwich. This followed constraints on the space available in Lewisham given local demand. The service is providing the Boroughs needs but the costs if doing so have increased and as external do have to be met. It is proposed to bring the service budget in line with these increased charges of £0.015m in 2018/19.

Crematorium costs / loss of income - £0.05m

8.64 This is a competitive business and, despite recent investment in the facilities and equipment, changes in how, what and where families are choosing to access these services is changing. The service is therefore running harder to compete putting pressure on their budget and leading to a budget overspend. It is proposed to bring the service budget in line with these increased costs of £0.05m in 2018/19.

Arborist costs - £0.10m

8.65 Over the last two years the insurance risk fund has been supporting the landscape team undertake additional arboreal surveys, pruning and management works on high risk trees to mitigate the risk of subsidence claims. The hope was that, if successful, this would reduce the cost of insurance claims and related premiums. This has not happened yet but the surveys continue to identify tree works needed across the Borough. This needs to be part of a sustained and planned programme to support the Council defend against claims for property damage. It is therefore proposed to increase this service budget by £0.10m from 2018/19 to run this programme.

Legal Services - £0.20m

8.66 Changes to legislation, increasing demand and new burdens for services has also increased the need for legal support. The key pressures arise from support for social care (adults and children) and no recourse to public funds cases as well as a loss of income as fewer regulatory enforcement cases are pursued. The consequence has been a growing pressure on the Legal Services budget over the past two years which it is now proposed to correct by increasing the base budget by £0.20m in 2018/19.

Highways permits and licensing income - £0.25m

8.67 This is a pressure the service has been monitoring for a couple of years now, as noted in the regular financial monitoring reports to members. It arises from the utilities companies having got better at planning and reducing the need for their works to disrupt highways as much or for as long. This reduces the amount of income the Council can raise to licence these works. It is therefore proposed to reduce the service's income target for these works by £0.25m in 2018/19.

Chief Executives Office - £0.09m

8.68 As the Council moves to recruit a new Chief Executive in March 2018 this will be on a full time basis, reversing the saving when the previous Chief Executive went to three days a week. This will add £0.09m to the senior salaries budget for the Council from 2018/19.

Street Lighting - £0.04m

8.69 While very much appreciated, the festive lighting and trees over the December period raised a number of concerns and issues about the quality and safety of the installations. It is therefore proposed to increase the budget for providing these resources by investing £0.04m in the programme going forward.

Communications website - £0.085m

8.70 The Council is increasing the level of automation and self-service in providing services to customers. This will drive more traffic to the Council's online resources. Furthermore, the demands and expectations of the Council's website are increasing as more communications, exchanges and transactions will be hosted or channelled through the Council's online presence and use of social media. These demands require a more robust and flexible Council website that can be maintained to support these emerging needs going forward. The work programme to develop this is underway but the

functionality of the new platform, along with licence and maintenance costs, will be higher compared to the current public site. It is proposed to fund this by increasing the Communication budget by the £0.085m needed from 2018/19.

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

- 8.71 Following the review of budget pressures within Directorates, there are a number of other risks and issues which, although difficult to quantify with absolute certainty, could prove significant should they materialise.
- 8.72 Officers continue to undertake work to fully assess and monitor these risks. These risks and other potential budget pressures are discussed in more detail below:
- Adult Social Care and Transition;
  - Child Sexual Exploitation;
  - National / London Living Wage;
  - Temporary Accommodation / Homelessness;
  - Redundancy;
  - Children and Social Work Act - Corporate parenting, local offer, and support to age 25; and
  - Unachieved savings;

#### Adult Social Care, including Transition demands

- 8.73 As noted above this is an area of continuing pressure for the Council. This is expected to continue into future years. However, the impact of service configuration changes, national policy priorities, the additional funding committed to these services for 2018/19 through the Adult Social Care precept and improved Better Care Fund, and the changes arising from transformation savings are not yet known or assessed so it is not possible to fully evaluate the risk at this time.

#### Child Sexual Exploitation

- 8.74 This is a risk area across London which may, if the number of cases locally grows significantly, become a pressure in the future. At present the service is managing this risk by refocusing existing resources within their current budget and expects to be able to do so through 2018/19. Given these uncertainties it is not possible to fully evaluate the risk at this time.

#### National / London Living Wage

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

and how suppliers elect to pass on some or all of these costs. The risk cannot therefore be easily quantified at this time.

### Temporary Accommodation / Homelessness

- 8.77 Government welfare changes, economic pressures on families and individuals, and the chronic supply shortage of affordable housing in London are pressures that directly impact the Council's housing services. These are recognised nationally, by the London Mayor and locally, of course, in Lewisham's strategies. Some monies (e.g. homelessness trailblazer scheme), some policy changes (e.g. changes to the way Universal Credit is being introduced and powers against rogue landlords), and actions the Council are taking to develop and procure more and better accommodation are all being progressed. These should help reduce the risks and service pressures that arise from the growth in temporary accommodation and homelessness in Lewisham. These risks are being carefully monitored but cannot be easily quantified in budgetary terms at this time.

### Redundancy

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

### Children and Social Work Act - Corporate parenting, local offer, and support to age 25

- 8.79 The Children and Social Work Act 2017- Corporate parenting, local offer, and support to care leavers up to age 25, defines what good corporate parenting looks like, and secures the involvement of the whole council in looking out for children in care or leaving care. It requires every local area to set out exactly what support they are offering to care leavers, making it easier for young people to access support. It extends the help of a personal adviser to all care leavers up to the age of 25.
- 8.80 It is expected that as this is a new burden there will be funding to cover the cost of additional personal advisors and associated support, there is a risk though that this will not happen.

### Unachieved savings

- 8.81 For those savings agreed there is a risk, as the detailed work to implement them progresses, of delay or changes to the proposals in response to consultations or other factors. For the 2018/19 budget this includes the £0.2m Linkline savings included in this report for agreement. These changes may impact the value of the saving that can be achieved, either in total or more often in terms of achieving a full year's financial impact.
- 8.82 Where these have been identified from savings for earlier years these are addressed in the funded pressures above. However, while management actions continue to be taken to fully implement savings for the coming year such pressures cannot be easily quantified at this stage, especially where possible 'invest to save' commitments may be required to realise efficiencies and savings.



- 8.83 Should these pressures arise in the year and are not be able to be contained with Directorate budgets, they may need to be met from the risk fund or become an additional call on reserves.

#### Summary of Budget Pressures

- 8.84 In conclusion, it is a matter of good budgeting to make a general allowance for risk and uncertainty, particularly at such a time of rapid change in the local government sector.
- 8.85 There are some pressures to be funded, which can be quantified within a reasonable range. There are also a number of other risks and potential budget pressures to consider which are less easy to quantify with any certainty.
- 8.86 After allowing the allocation of corporate risk & pressures to be funded in 2018/19 as summarised in Table C2 above, an unallocated balance of £1.715m would remain. It is proposed that the Executive Director for Resources & Regeneration hold this fund corporately. This fund would be used to allocate resources to fund emergent budget pressures during the year (such as those described above) which cannot be quantified with certainty at this moment in time.

#### **Saving proposals**

- 8.87 On the 6 December 2017 the Mayor:
- Noted the previously agreed savings for 2018/19, totalling £0.580m
  - Agreed and delegated £4.276m of saving proposals for 2018/19, with necessary consultations undertaken.
- 8.88 The total savings included in the 2018/19 budget calculation is £4.856m. The savings must be achieved in order to maintain a balanced budget. The final approval and delivery of these savings will be monitored, any shortfall will have to be covered, in the short term, through the use of reserves.
- 8.89 As anticipated in the Medium Term Financial Strategy (July 2017) and following the provisional Local Government Finance Settlement (December 2017), the Executive Director for Resources & Regeneration has been considering options to bridge a budget shortfall in order to balance the budget for 2018/19. It is proposed to use an amount of New Homes Bonus (£5.0m) and an amount of general reserves (£3.570m) in 2018/19
- 8.90 Estimates for Revenue Support Grant in 2019/20 have been provided by the Government which has offered to provide a four year settlement on Revenue Support Grant from 2016/17 up to 2019/20. The Council submitted a four year efficiency plan in October 2016. The prospects for future years' budgets based on the provisional settlement figures are set out in more detail in section 9 of this report.

#### ***Linkline***

- 8.91 In September 2016 Adult Social Care savings were proposed to Mayor and Cabinet. This included a recommendation for "increasing the charge for Linkline". At the time the changes relating to the Linkline proposal were not fully outlined and were agreed subject to consultation.

- 8.92 On the 1 November 2017 members of the Healthier Communities Select Committee were presented the report on the intention to consult on the proposed changes to the Linkline Community Alarm Service and were asked to comment. The Consultation ran from the 6 November until the 1 January 2018.
- 8.93 The results of this consultation are now being presented to the Mayor for consideration along with the recommendations arising from it (see paragraph 3.46 above). Approval of these recommendations will enable the service to achieve the savings detailed in the original saving proposal (see Appendix Y6c).
- 8.94 Members attention is drawn to the full report and its appendices are attached to this report at Appendix Y6. The actual consultation question are attached at Appendix Y6a, the Equalities Analysis Assessment is attached at Appendix Y6b, and the original savings pro-forma is attached at Appendix Y6c.

### **2018/19 Council Tax**

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

#### Collection Fund:

- 8.96 Collection Fund surpluses or deficits reflect whether the Council over or under achieves its Council Tax collection targets. Therefore, this requires a calculation to be made of how much the Council has already received for the Council Tax in the current and past years and how much of the outstanding debt it expects to collect.
- 8.97 The statutory calculation was carried out for the 15 January (date prescribed by the relevant statutory instrument). This calculation showed there is an estimated surplus on the Collection Fund in respect of Council Tax, for the years 1994/95 to 2017/18 of £10.839m. In addition to life time collection work this increase included the continuous growth of the council tax base and the results of the work to target single person discount claimed in error.
- 8.98 This surplus is shared with the precepting authority, the Greater London Authority (GLA), in proportion to relative shares of budgeted Council Tax income in the current financial year. This means that £8.728m of the £10.839m surplus has to be included in the calculation of Lewisham's budget as the additional Council Tax owed and collected in year. The remaining balance of £2.111m will be allocated to the GLA.
- 8.99 Members should note that the Council agreed on the 17 January 2018 that no changes will be made to the Council Tax Reduction Scheme (CTRS) for 2018/19 and that the Council will continue to pass on the government cuts in funding to working age claimants. However, it was also agreed that simplifying the budgeting arrangements was necessary due to the complexities of the current arrangements.
- 8.100 The budget arrangements are to be simplified by setting a fixed percentage reduction in liability for the working age claimants of the scheme to be agreed by Council as part of the budget setting process, and to be reconsidered on an annual basis in line with any further savings that may need to be made. This percentage was agreed to be fixed at 25% for 2018/19. This means that everyone of working-age has to pay a minimum of 25% of their council tax liability. This is an 8% reduction from last year (33%).

#### Council Tax Levels

- 8.101 In the 2018/19 Local Government Finance Settlement, the Government announced an increase of 1% to the limit by which Councils can increase their Council Tax (inclusive of levies) without a referendum (i.e. 2.99%). In addition, there is also the opportunity to increase Council Tax by up to a further 3% under the Social Care between 2018/19 and 2019/20. The government's assumptions in the local government financial settlement to 2019/20 include the raising of both Council Tax and the Social Care precept in each and every year to meet the recognised funding pressures faced by the sector.
- 8.102 In 2018/19, the recommendation is that the Council approve a 1% Social Care precept which will provide additional funding of £1m, ring fenced for Adult Social Care spend. If implemented this charge has to be identified on the face of the Council Tax bill and made clear in the accompanying guidance for rate payers.
- 8.103 At the same time an increase in core Council Tax of 2.99% (i.e. within the limit of the 3% referendum threshold) would provide additional funding of approximately £3m.
- 8.104 In considering savings proposals and the level of Council Tax, Members make political judgements, balancing these with their specific legal responsibilities to set a balanced budget for 2018/19 and their general responsibilities to steward the Council's finances over the medium term.
- 8.105 In 2017/18, the Band D Council Tax in Lewisham is £1,437.70 on a base of 81,087.65 Band D equivalent properties. Of this, £280.02 relates to the activities of the GLA which the Council pays over to them on collection.
- 8.106 The GLA is consulting on a precept of £294.23 (Band D equivalent) for 2018/19, an increase of £14.21, or approximately 5.1% and a final decision is expected from them on or after the 22 February 2018. The entire precept increase will be applied to the policing budget.
- 8.107 For 2018/19, the Band D Council Tax in Lewisham is recommended to be £1,498.10 on a base of 86,456.64 Band D equivalent properties (the base was approved at Council on the 17 January). Of this, £294.23 relates to the activities of the GLA which the Council will pay over to them on collection.
- 8.108 Table C3 below shows, for illustrative purposes, the Council Tax payable by a Lewisham resident in a Band D property in 2018/19 under a range of possible Council Tax increases, and the financial implications of this for the Council. A full Council Tax Ready Reckoner is attached at Appendix Y3.
- 8.109 The starting point is for an assumed 5.99% increase in Council for 2018/19, which includes the maximum core increase permissible without a referendum. Any reduction from this level of increase will reduce the level of income the Council collects and will increase the draw on reserves for 2018/19 and the savings gap in future years.

**Table C3 – Band D Council Tax Levels for 2018/19**

Change in Council Tax	Amounts payable by residents - Band D			Change in total	Lewisham Additional Income / Annual income forgone
	Lewisham element	GLA element	Total		

	£	£	£	%	£m
5.99% increase	1,227.02	294.23	1,521.25	+5.81%	2.000
4.99% increase	1,215.44	294.23	1,509.67	+5.00%	1.000
<b>3.99% increase</b>	<b>1,203.87</b>	<b>294.23</b>	<b>1,498.10</b>	<b>+4.20%</b>	<b>0.000</b>
3.50% increase	1,198.20	294.23	1,492.43	+3.81%	-0.490
3.00% increase	1,192.41	294.23	1,486.64	+3.40%	-0.991
2.50% increase	1,186.62	294.23	1,480.85	+3.00%	-1.491
2.00% increase	1,180.83	294.23	1,475.06	+2.60%	-1.992
1.50% increase	1,175.05	294.23	1,469.28	+2.20%	-2.492
1.00% increase	1,169.26	294.23	1,463.49	+1.79%	-2.992
0.50% increase	1,163.47	294.23	1,457.70	+1.39%	-3.493
Council Tax Freeze	1,157.68	294.23	1,451.91	+0.99%	-3.993

8.110 In January 2018 at their Council meeting, Council set the Council Tax base for 2018/19 and agreed the maximum incentives available to bring properties back into use, charge for second homes, and complete works in the shortest possible time. Council also agreed to implement a Council Tax exemption for Care Leavers up to the age of 25 in the Borough and initiate a review of opportunities for other potential exemptions.

### Overall Budget Position for 2018/19

8.111 For 2018/19, the overall budget position for the Council is an assumed General Fund Budget Requirement of £241.281m, as set out in Table C4 below.

**Table C4 - Overall Budget Position for 2018/19**

Detail	Expenditure/ (Income) £m	Expenditure/ (Income) £m
Settlement Funding Assessment (SFA) for 2017/18	(128.470)	
Council Tax 2018/19 at 3.99% increase	(104.083)	
Surplus on Collection Fund	(8,728)	
<b>Assumed Budget Requirement for 28/19</b>		<b>(241.281)</b>
<b>Total Resources available for 2018/19</b>		
Base Budget for 2017/18	232.746	
<b>Plus:</b> Reversal of reserves drawn in 17/18 (once off)	5.027	
<b>Plus:</b> Additional Pay inflation	2.157	
<b>Plus:</b> Non-pay Inflation	2.277	
<b>Plus:</b> Education Support Grant changes for 18/19	0.700	
<b>Plus:</b> Single Persons Discount work	0.300	
<b>Plus:</b> Budget pressures to be funded from 18/19 fund	4.785	
<b>Plus:</b> Risks and other potential budget pressures	1.715	
<b>Plus:</b> Increase in general bad debt provision	5.000	
<b>Less:</b> Previously agreed savings for 2018/19	(0.580)	
<b>Less:</b> September approved savings for 2018/19	(4.276)	
<b>Less:</b> Use of New Homes Bonus reserve	(5.000)	
<b>Less:</b> Once-off use of reserves	(3.570)	
<b>Total</b>		<b>241.281</b>

## Use of Provisions and Reserves

### 2018/19 budget

- 8.112 Should all the above proposals be agreed, then this would leave a remaining gap of some £8.570m to be funded by the once off use of NHB and general reserves. This is set out in the Table C4 above.
- 8.113 If the need should arise to balance the budget for any in-year pressures using reserves, the Executive Director for Resources & Regeneration advises that on going measures should be identified to rectify this position as quickly as possible and in any event, by the following year. The use of once off resources is therefore just delaying the need to make an equivalent level of saving in the following year.

### Invest to Save

- 8.114 Through the work of the Lewisham Future Programme (LFP), the Council continues to review all areas of expenditure to identify and bring forward savings proposals that match the Council's priorities and risk profile for services. There are no easy 'efficiencies' remaining and the changes required to make further savings are more complex. They require greater transformation in culture, ways of working and the infrastructure to support them.
- 8.115 Savings of this nature typically take longer to implement, the outcomes are more uncertain, and (from the financial perspective) require an element of upfront investment to achieve them. The areas where this investment is currently being considered are consistent with the Lewisham 2020 priorities set by members and include: the digital transformation work to assist with more flexible ways of working, the restack of Laurence House to rationalise the corporate estate, and updates to the Council's key systems to improve efficiencies and control.
- 8.116 In 2017/18 the budget committed £10.6m to invest to save. The digital and systems work is making progress and will continue into 2018/19. The organisational development together with the office restack is in implementation and expected to be fully rolled out in 2018/19.
- 8.117 It is also recognised that further investment is required to maintain the momentum of these changes and go further. These costs are not built into ongoing Directorate revenue budgets and therefore need to be funded from once off corporate resources.
- 8.118 The Executive Director for Resources and Regeneration recommends that the specific earmarked reserves be reviewed to support the use of up to £5m of once off corporate resources for transformation projects. This needs to be done recognising what has worked well in terms of delivering both financial and non-financial benefits.

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

- 9.1 This section of the report considers the other funding streams which the Council currently receives and implications for future years. These other funding streams are Public Health, Better Care Fund, and various other grants. This section of the report is structured as follows:
- Better Care Fund 2018/19;

- Public Health Grant 2018/19;
- Levies;
- London Business Rates Pilot Pool; and
- Future Years' Budget Strategy 2018/19 onwards.

### **Better Care Fund**

- 9.2 The national Better Care Fund (BCF) was announced by the Government in the June 2013 Spending Round, to support transformation and integration of health and social care services to ensure local people receive better care. The BCF is a pooled budget paid to the National Health Service (NHS) that shifts resources into social care and community services for the benefit of the NHS and local government. The BCF does not represent an increase in funding but rather a realignment of existing funding streams with new conditions attached.
- 9.3 For Lewisham the value in 2017/18 is £21.672m increasing to £22.156m in 2018/19. The local plan for both financial years was approved by NHS England. In each year the plan includes a small contingency.
- 9.4 The Fund must be used in accordance with the final approved plan and through a section 75 pooled fund agreement. The full value of the element of the Fund linked to non-elective admissions reduction target is to be paid over to Lewisham Clinical Commissioning Group (CCG) at the start of the financial year. However, the CCG may only release the full value of this funding into the pool if the proposed admissions reduction target is met. If the target is not met, the CCG may only release into the pool a part of that funding proportionate to the partial achievement of the target. Any part of this funding that is not released into the pool due to the target not being met must be dealt with in accordance with NHS England requirements. The partners have agreed contingency arrangements to address this risk and they will continue into 2018/19..
- 9.5 In 2017/18 the government also introduced the improved Better Care Fund (iBCF) to work alongside the BCF which is described above. The iBCF in 2017/18 was £7.595m (and a one-off grant of £1.4m). In 2018/19 this increases to £10.470m. This is intended to fund adult social care activity. Plans for its use also require the agreement of local CCGs and as with BCF have been agreed in Lewisham for both 2017/18 and 2018/19.

### **Public Health Grant**

- 9.6 In 2017/18 the Council's allocation for Public Health Grant is £24.967m. National reductions of 2.6% annually have been announced for the next three financial years and the expected 2018/19 Lewisham allocation is £24.325m.
- 9.7 The grant remains ring-fenced and the agreed commitment of these funds will therefore need to be reviewed annually and rebalanced to ensure the reductions are met and funds are directed to those services and activities with the greatest public health benefit. Proposals have been developed and presented to the Health and Wellbeing Board, which will achieve the necessary reductions in spend for 2018/19.

### **Levies**

- 9.8 The Council is required to levy monies totalling in the region of £1.6m for other bodies, in addition to the Council Tax collected on behalf of the GLA (see Collection Fund).

These bodies are the London Pension Fund Agency, Lee Valley Regional Park, and Environment Agency. At present the final amounts for 2018/19 have yet to be confirmed and it is therefore assumed these will stay at or close to their 2017/18 levels which are set out in Appendix Y5. Any variations by these bodies will be absorbed in the corporate provisions and corrected for the following year.

### **London Business Rates Pilot Pool**

- 9.9 The Government's stated policy objective is to move to 100% devolved business rates. This may require local authorities to assume additional responsibilities to match costs to the available business rates and enable the Treasury to reduce other sources of funding, in particular by phasing out Revenue Support Grant (RSG).
- 9.10 London Councils put forward a proposal to establish a London wide pilot pool which would include all 33 London Boroughs and the GLA. A first report outlining the proposed manner in which the pool would work was presented to Mayor and Cabinet and Council in November 2017. The Government formally confirmed its commitment to establishing a 100% business rate retention pilot in London in April 2018 in the Autumn Budget. In January 2018, Mayor and Cabinet and Full Council were presented with the proposal for Lewisham to support the creation of the pool and the framework for its operation.
- 9.11 The key principles that underpin the London pooling agreement are that:
- The pool in 2018/19 would not bind boroughs or the Mayor indefinitely – the founding agreement includes notice provisions for authorities to withdraw provided notice is given by 31 August each year. Were the pool to continue beyond 2018/19, unanimous agreement would be required to reconfirm a pool from 2020/21 onwards (the expected year in which funding baselines will be update as a result of the Fair Funding Review).
  - No authority can be worse off as a result of participating - where authorities anticipate a decline in business rates, the first call on any additional resources generated by the pool would be used to ensure each borough and the GLA receives at least the same amount as it would have without entering the pool (this would include the equivalent of a safety net payment were it eligible for one individually under the current 67% system).
  - All members will receive some share of any net benefits arising from the pilot pool – recognising that growing London's economy is a collective endeavour in which all boroughs make some contribution to the success of the whole, all members of the pool will receive at least some financial benefit, were the pool to generate additional resources.
- 9.12 Lewisham will now be part of the pool for at least one year starting from April 2018.  
**Future Years' Budget Strategy 2018/19 onwards**

### Revenue Budget

- 9.13 The Medium Term Financial Strategy was reported to Mayor & Cabinet in July 2017. This set out that an estimated £32m of savings required from 2018/19 to 2019/20. This position has been superseded by the savings proposals submitted to Mayor and Cabinet

in December 2017, the provisional local government finance settlement announced in December 2017 and annual review of the statutory calculation for the Collection Fund.

- 9.14 The revised profile for savings required is now broadly;
- £4.86m to be implemented in 2018/19;
  - £8.27m gap remaining for 2018/19 to be met from New Homes Bonus and general reserves;
  - £24m gap for 2019/20 against which only £0.1m of outline proposals were set out in September 2016 and now need to be firmed up and extended;
- 9.15 If the budget for 2018/19, as set out in this report, is agreed the expected additional savings required are circa £24m by 2019/20. The Lewisham Future Programme (LFP) was established to carry out cross-cutting and thematic reviews to deliver these savings. The savings report received by the Mayor in December 2017 in conjunction with this budget report presents the LFP work to date. This continues and further saving proposals may be brought forward in 2018/19 to close the budget gaps identified above.
- 9.16 In 2018/19 officers will update the MTFs and look to extend the planning horizon to 2022/23 to include the impact of moving to the 100% retention of business rates. However, this remains difficult pending the detail of the fair funding review and the government's CSR beyond 2019/20.

## **10. TREASURY MANAGEMENT STRATEGY**

### **Background**

- 10.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the Treasury Management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity and security initially before considering investment return.
- 10.2 The second main function of the Treasury Management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

### **Treasury Management Strategy for 2018/19**

- 10.3 The Strategy for 2018/19 covers two main areas:

#### Capital Issues:

- Capital Investment Plans;
- Prudential Indicators; and
- Minimum Revenue Provision (MRP) Policy.

#### Treasury Management Issues:



- Borrowing Strategy including Treasury Indicators;
- Debt Rescheduling;
- Annual Investment Strategy;
- Credit Worthiness Policy; and
- Prospects for Investment Returns.

10.4 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Department for Communities and Local Government (DCLG) guidance on Minimum Revenue Provision (MRP) and Investments, and the CIPFA Treasury Management Code.

### **Proposals to Amend the Prudential Framework and CIPFA Treasury Management and Prudential Codes**

- 10.5 The Department for Communities and Local Government is in the process of consulting on changes to the statutory guidance on local authority investments and minimum revenue provision. CIPFA has also recently consulted on changes to the Treasury Management Code of Practice and the Prudential Code. The results of these consultations have yet to be published at the time of writing, but draft proposals focus on suggested changes to prudential indicators and the reporting of commercial, non-Treasury investments, particularly the purchase of property with a view to generating income. Such purchases could involve undertaking external borrowing to raise the cash to finance these purchases or the use of existing cash balances.
- 10.6 The draft proposals have not yet been fully implemented into the Treasury Management Strategy for 2018/19; once the final proposals have been published, changes will be made to the Strategy as required and presented to Members for agreement.

### **Treasury Management Consultants**

10.7 The Council uses Link Asset Services as its external Treasury Management advisors. The Council recognises that responsibility for Treasury Management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of Treasury Management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

### **Capital Investment Plans**

- 10.8 The Treasury Management Strategy for 2018/19 incorporates the capital plans of the Council, as set out in section 5 of this report, which are a key driver of Treasury Management activity.
- 10.9 The Council's cash position is organised in accordance with the relevant professional codes to ensure that sufficient funds are available to meet its obligations. This involves both the organisation of the cash flow and, where capital plans require, the arrangement of appropriate borrowing facilities.

### **Prudential Indicators**

10.10 The Council's expected Treasury portfolio position as at 31 March 2018 with forward projections is summarised below. Table D1 compares the actual external debt the Treasury Management operations) against the Capital Financing Requirement (CFR) which is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness, and so its underlying borrowing need. This table illustrates over/(under) borrowing.

**Table D1: External Debt Projections**

	2016/17 Actual £m	2017/18 Expected £m	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m
External Debt at 1 April	191.3	190.9	217.4	217.2	217.0
Change in External Debt	(0.4)	26.5	(0.2)	(0.2)	(4.0)
Other Long-Term Liabilities	243.8	236.2	228.3	220.7	211.9
<b>Gross Debt at 31 March</b>	<b>434.7</b>	<b>453.6</b>	<b>445.5</b>	<b>437.7</b>	<b>424.9</b>
<b>Capital Financing Requirement at 31 March*</b>	<b>486.4</b>	<b>487.1</b>	<b>496.4</b>	<b>490.2</b>	<b>481.0</b>
<b>Borrowing – over / (under)</b>	<b>(51.7)</b>	<b>(33.5)</b>	<b>(50.9)</b>	<b>(52.5)</b>	<b>(56.1)</b>

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

10.11 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

10.12 The Executive Director for Resources and Regeneration reports that the Council has complied with this prudential indicator in the current year to date and does not envisage any difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report.

### **Treasury Indicators: Limits to Borrowing Activity**

10.13 There are two parameters of external debt, the 'operational boundary' and 'authorised limit for external debt', which the Council reports on as part of its Treasury indicators. Both are described in further detail in the following paragraphs.

#### **The Operational Boundary for External Debt**

10.14 This is the limit beyond which external debt is not normally expected to exceed. In most cases this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources. The Council's operational boundary is set out in Table D2.

**Table D2: Operational Boundary**

	2017/18 Expected £m	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m
Maximum External Debt at 31 March	217.4	217.2	217.0	213.0
Other Long-Term Liabilities	236.2	228.3	220.7	211.9
<b>Operational Boundary for Year</b>	<b>453.6</b>	<b>445.5</b>	<b>437.7</b>	<b>424.9</b>

### The Authorised Limit for External Debt

- 10.15 This key prudential indicator represents a control on the maximum level of borrowing, and provides a limit beyond which external debt is prohibited. It reflects the level of external debt which, while not desired, could be afforded in the short term but is not sustainable in the longer term.
- 10.16 This is a statutory limit determined under Section 3(1) of the Local Government Act 2003, and needs to be set and revised by full Council. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised.
- 10.17 Council is asked to approve the following authorised limits as set out in Table D3.

**Table D3: Authorised Limits for External Debt**

	2017/18 Expected £m	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m
<b>Operational Boundary for Year</b>	<b>453.6</b>	<b>445.5</b>	<b>437.7</b>	<b>424.9</b>
Provision for Non Receipt of Expected Income	56.0	56.0	56.0	56.0
<b>Authorised Limit for Year</b>	<b>509.6</b>	<b>501.5</b>	<b>493.7</b>	<b>480.9</b>

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

**Table D4: HRA Debt Limit**

	2017/18 Expected £m	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m
HRA Debt "Cap" (Statutory)	127.3	127.3	127.3	127.3
HRA Debt (CFR) at 31 March	(63.7)	(63.7)	(63.7)	(63.7)
HRA Borrowing "Headroom"	63.6	63.6	63.6	63.6

### Minimum Revenue Provision (MRP) Policy

- 10.19 A proportion of the Council's capital expenditure is not immediately financed from its own resources. This results in a debt liability which must be charged to the Council Tax over a period of time. This repayment, the Minimum Revenue Provision (MRP) must be determined by the Council as being a prudent provision having regard to the CIPFA Prudential Code for Capital Finance.

- 10.20 The MRP is the amount the Council charges to the revenue account and does not correspond to the actual amount of debt repaid, which is determined by Treasury related issues. Historically the Council has applied a consistent MRP policy which comprises prudential borrowing being repaid over the useful life of the asset concerned and previous borrowing being repaid at the rate of 4% (equivalent to 25 years) of the outstanding balance.
- 10.21 In 2016/17 this policy was changed to reflect the useful lives of the specific asset classes on the Council's balance sheet. It moved to:
- A straight line MRP of 14% equivalent to seven years for plant and equipment (such as IT and vehicles).
  - A straight line MRP of 2.5% equivalent to forty years for property (such as land and buildings).
- 10.22 In 2017/18 a third element was added to the Council's MRP policy, whereby no MRP need be charged on capital expenditure where the Council has assessed that sufficient collateral is held at a current valuation to meet the outstanding CFR liability, and that should it be determined at any point that insufficient collateral is held to match the Council's CFR liability a prudent MRP charge will commence.
- 10.23 In 2017/18 the Council took out a new £10m loan with the PWLB and advanced it to its Arm's Length Management Organisation (ALMO), Lewisham Homes, to finance their acquisition programme to address temporary accommodation pressures. The loan agreement allows for a maximum of £20m to be drawn down by Lewisham Homes, the additional £10m to be borrowed from the PWLB as required.
- 10.24 The Authority's Capital Financing Requirement (CFR) has increased by the amount of loan advanced. Under the terms of the contractual loan agreements these funds have been advanced on an interest only basis with the principal to be returned in full at the term of the loan and interest paid throughout the life of the loan in line with the terms on which the Council has borrowed the funds. Once funds are returned to the Authority they will be classed as a capital receipt, and will be off-set against the CFR which will reduce accordingly. As the funds will be returned in full and collateral as security to the loans advanced has been agreed, there is no need to set aside a prudent provision to repay the debt liability in the interim period, so there is no MRP application.
- 10.25 The risk is that at some point during the term of the loan the collateral held as security is not sufficient to meet the obligations recorded by the Council. Officers will monitor the ongoing acquisition programme to ensure the security held against the loan meets the MRP exemption criteria over the life of the loan. The outstanding loan/CFR position will be reviewed on an annual basis and if the likelihood of default increases, a prudent MRP policy will commence as a charge to the Council's revenue.

### **Borrowing Strategy (Including Treasury Indicators)**

- 10.26 The Council's external debt as at 31 March 2018, gross borrowing plus long term liabilities, is expected to be £453.6m. The Council's borrowing strategy is consistent with last year's strategy. The Council is currently maintaining an under-borrowed position in that the CFR is not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow has been used as an alternative funding measure. In the current economic climate, this strategy is considered prudent while investment returns are low and counterparty risk remains an issue to be considered.

- 10.27 The Executive Director for Resources and Regeneration will continue to monitor interest rates in the financial markets and adopt a pragmatic and cautious approach to changing circumstances. For instance, if it was felt that there was a significant risk of a sharp fall in long and short term rates (e.g. due to a marked increase of risks around a relapse into recession or risks of deflation in the economy), then long term borrowings will be postponed and potential rescheduling from fixed rate funding into short-term borrowing considered. Any such decisions would be reported to Mayor & Cabinet and subsequently Council, at the next available opportunity.
- 10.28 Alternatively, if it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast (perhaps arising from an acceleration in the start date and rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks) then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than forecast. Once again, any such decisions would be reported to Mayor & Cabinet and subsequently Council, at the next available opportunity.

### **Policy on Borrowing in Advance of Need**

- 10.29 Members should note that the Council's policy is not to borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within the approved CFR estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

### **Treasury Indicators**

- 10.30 There are three debt related Treasury activity limits. The purpose of these are to restrain the activity of the Treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. These limits need to be balanced against the requirement for the Treasury function to retain some flexibility to enable it to respond quickly to opportunities to reduce costs and improve performance.

- 10.31 The debt related indicators are:

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

- 10.32 Council is asked to approve the following Treasury indicators and limits:

**Table D5: Treasury Indicators and Limits**

<b>Limits on Interest rate exposures</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates:</b>			
• <b>Debt only</b>	100%	100%	100%

• <b>Investments only:</b> <b>When total portfolio &gt;£400m</b> <b>When total portfolio &lt;£400m</b>	85% 80%	85% 80%	85% 80%
<b>Limits on variable interest rates</b> • <b>Debt only</b> • <b>Investments only</b>	15% 75%	15% 75%	15% 75%
<b>Limits on Maturity structure of fixed interest rate borrowing 2018/19</b>			
	<b>Lower</b>	<b>Upper</b>	
Under 12 months	0%	10%	
12 months to 2 years	0%	10%	
2 years to 5 years	0%	10%	
5 years to 10 years	0%	25%	
10 years to 20 years	0%	20%	
20 years to 30 years	0%	25%	
30 years to 40 years	0%	50%	
40 years to 50 years	0%	60%	
<b>Limits on Maturity structure of variable interest rate borrowing 2018/19</b>			
	<b>Lower</b>	<b>Upper</b>	
30 years to 40 years	0%	60%	
40 years to 50 years	0%	40%	

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

### Long Term Investments Indicator

10.33 This indicator sets a limit on the total principal funds invested for greater than 365 days. This limit is set with regard to the Council's liquidity requirements and to manage the risks associated with the possibility of loss which may arise as a result of having to seek early repayment, or redemption of, principal sums invested.

10.34 Council is asked to approve the following indicator and limit.

**Table D6: Treasury Indicators and Limits**

<b>Maximum Principal Sums Invested &gt; 365 days</b>			
<b>£m</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Principal sums invested > 365 days	50.0	50.0	50.0

### Debt Rescheduling

10.35 As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in light of the current Treasury position and the size of the cost of debt repayment (premium incurred).

- 10.36 In 2017/18 the Council undertook a debt restructuring exercise against one of its LOBO loans (Lender Option Borrower Option) which, after seeking the relevant advice and approvals, saw the drafting of a detailed restructuring solution which will deliver almost £24m of revenue savings to the Council over the remaining life of the loan, representing a present value benefit of approximately £5.4m as well as eliminating significant additional counterparty risk over the life of the loans.
- 10.37 The Council will continue to explore other rescheduling opportunities as appropriate in respect of the financing of its PFIs and external loans.
- 10.38 The Council has £131m of LOBO loans of which £10m will mature and £30m will be in their call period in 2018/19. In the event that the lender exercises the option to change the rate or terms of the loans within their call period the Council will consider the terms being provided and also the option of repayment of the loan without penalty.
- 10.39 The Council continuously reviews its debt position to optimise its cash flow. Any consideration of debt rescheduling will be reported to Mayor & Cabinet and subsequently to Council at the earliest meeting possible.

## **Annual Investment Strategy**

### **Investment Policy**

- 10.40 The Council's investment policy has regard to the DCLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.
- 10.41 In accordance with the above guidance from the DCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.
- 10.42 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings, as well as information on outlooks and watches. This is fully integrated into the credit methodology provided by the advisors in producing its colour codings which show the varying degrees of suggested institution creditworthiness. This has been set out in more detail at Appendix Z3.
- 10.43 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 10.44 Investments will be made with reference to the core balances and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). In order to maintain sufficient liquidity, the Council will seek to utilise its

notice accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest. The remainder of its investments will be placed in fixed term deposits of up to 24 months to generate maximum return.

- 10.45 Investment returns are likely to remain low during 2018/19 but will be on a gently rising trend over the next few years. In light of these predictions for low returns the Council continues to assess, with support from its advisors, the potential risk and return offered by investing for longer (five or more years) in pooled asset funds. This policy is set with regard to the Council's liquidity requirements and to reduce the risk of a forced sub-optimal early sale of an investment; any investments entered into will be on the advice of the Council's advisors and will continue to meet the objectives of security, liquidity and return.
- 10.46 Investment instruments identified for use in the financial year are listed in Appendix Z3, under the 'specified' and 'non-specified' investments categories. The proposed counterparty limits for 2018/19 are presented to Council for approval in this same appendix.

### **Credit Worthiness Policy**

- 10.47 The Council's Treasury team applies the creditworthiness service provided by its Treasury Management advisors Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:
- credit watches and credit outlooks from credit rating agencies;
  - CDS spreads to give early warning of likely changes in credit ratings;
  - sovereign ratings to select counterparties from only the most creditworthy countries.
- 10.48 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:
- Yellow 2 years\*
  - Purple 2 years
  - Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
  - Orange 1 year
  - Red 6 months
  - Green 100 days
  - No colour Not to be used

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

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

### **Country limits**



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

### **Money Market Fund Reform**

10.50 New Money Market Fund (MMF) regulations come into force on 21 July 2018 for existing funds, which give investors the option of investing in two types of funds, either Short-term MMF or Standard MMF. In addition, three structural options will be available: Public Debt Constant Net Asset Value (CNAV), Low Volatility NAV (LVNAV) and Variable NAV (VNAV).

10.51 These regulatory changes introduce enhanced safety, higher liquidity requirements, greater and more formalised transparency to investors and regulators, and a requirement for more formalised stress testing of the funds by managers. In practice, investors should notice few differences to current investment procedures.

10.52 The Council currently invests in short-term MMF only, and Government and Prime CNAV fund structures. Under the new regulations Government CNAV funds will be classified as Public Debt CNAV funds, and Prime CNAV funds will be classified as Low Volatility NAV (LVNAV) funds.

10.53 The credit worthiness policy and credit criteria outlined in Appendix Z3 reflect the updated MMF classifications and limits. Updated fund prospectuses and agreements are likely to be issued by managers further into 2018 ahead of the implementation deadline in 2019; Council officers will consider any changes to fund structures and make changes to the Strategy if and as appropriate.

### **Prospects for Investment Returns**

10.54 The Bank Rate is forecast to stay flat at 0.50% until quarter 4 2018 and not to rise above 1.25% by quarter 1 2021. Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

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

- 2017/18 0.40%
- 2018/19 0.60%
- 2019/20 0.90%
- 2020/21 1.25%
- 2021/22 1.50%
- 2022/23 1.75%
- 2023/24 2.00%
- Later years 2.75%

- 10.56 The overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.
- 10.57 A more extensive table of interest rate forecasts for 2018/19, including Public Works Loan Board (PWLB) borrowing rate forecasts is set out in Appendix Z1.

### **Summary**

- 10.58 This section, in accordance with statutory requirements, sets out the Council's Treasury Management Strategy for 2018/19. The approach remains broadly the same as last year.
- 10.59 At the end of the financial year, officers will report to the Council on investment activity for the year as part of its Annual Treasury Report (included in the Council's outturn report).

## **11 CONSULTATION ON THE BUDGET**

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

### Rent Setting and Housing Panel

- 11.2 As in previous years, tenants' consultation was undertaken via Housing Panel meetings. This provided tenant representatives of Lewisham Homes with an opportunity on 14th December 2017 at the joint Housing Panel meeting to consider the positions and to feedback any views to Mayor & Cabinet. Tenant representatives of Brockley convened their Brockley Residents' Board on 12th December 2017 to hear the proposals and feedback.
- 11.3 Details of comments from the residents' meetings have been set out in Appendix X2.

### Business Ratepayers

- 11.4 Representatives of business ratepayers are being consulted online on Council's outline budget between 16 January and 5 February 2018. The results of this consultation will be made available in the Budget Report Update presented to Mayor and Cabinet on 14 February 2018.

## **12. FINANCIAL IMPLICATIONS**

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

## **13. LEGAL IMPLICATIONS**

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

#### Capital Programme

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

#### Housing Revenue Account

- 13.5 Section 24 of the Housing Act 1985 provides that a local authority may make such reasonable charges as they determine for the tenancy or occupation of their houses. The Council must review rents from time to time and make such charges as circumstances require.
- 13.6 Under the Local Government and Housing Act 1989, the Council is obliged to maintain a separate HRA (Section 74) and by Section 76 must prevent a debit balance on that account. Rents must therefore be set to avoid such a debit.
- 13.7 By Schedule 4 of the same Act where benefits or amenities arising out of a housing authority functions are provided for persons housed by the authority but are shared by the community, the Authority must make such contribution to the HRA from their other revenues to properly reflect the community's share of the benefits/amenities.
- 13.8 The process for varying the terms of a secure tenancy is set out in Sections 102 and 103 of the Housing Act 1985. It requires the Council to serve notice of variation at least four weeks before the effective date; the provision of sufficient information to explain the variation; and an opportunity for the tenant to serve a Notice to Quit ending their tenancy.

- 13.9 Where the outcome of the rent setting process involves significant changes to housing management practice or policy, further consultation may be required with the tenants' affected in accordance with section 105 of the Housing Act 1985.
- 13.10 Part 7 of the Localism Act 2011 abolished HRA subsidy and moved to a system of self financing in which Councils are allowed to keep the rents received locally to support their housing stock. Section 174 of the same Act provides for agreements between the Secretary of State and Councils to allow Councils not to have to pay a proportion of their capital receipts to the Secretary of State if he/she approves the purpose to which it would be put.

#### Balanced Budget

- 13.11 Members have a duty to ensure that the Council acts lawfully. It must set and maintain a balanced budget each year. The Council must take steps to deal with any projected overspends and identify savings or other measures to bring the budget under control. If the Capital Programme is overspending, this may be brought back into line through savings, slippage, or contributions from revenue. The proposals in this report are designed to produce a balanced budget in 2018/19.
- 13.12 In this context, Members are reminded of their fiduciary duty to the Council Tax payer, effectively to act as trustee of the Council's resources and to ensure proper custodianship of Council funds.

#### An annual budget

- 13.13 By law, the setting of the Council's budget is an annual process. However, to enable meaningful planning, a number of savings proposals for 2018/19 were anticipated in the course of the budget process. They were the subject of full report at that time and they are now listed in Appendix Y1 and Appendix Y2. Members are asked now to approve and endorse those reductions for this year. This report is predicated on taking all of the agreed and proposed savings. If not, any shortfall will have to be met through adjustments to the annual budget in this report.
- 13.14 The body of the report refers to the various consultation exercises (for example with tenants' and business) which the Council has carried out/is carrying out in accordance with statutory requirements relating to this budget process. The Mayor must consider the outcome of that consultation with an open mind before reaching a decision about his final proposals to Council. It is noted that the outcome of consultation with business rate payers will only be available from the 5 February 2018 and any decisions about the Mayor's proposals on the budget are subject to consideration of that consultation response.

#### Referendum

- 13.15 Sections 72 of the Localism Act 2011 and Schedules 5 to 7 amended the provisions governing the calculation of Council Tax. They provide that if a Council seeks to impose a Council Tax increase in excess of limits fixed by the Secretary of State, then a Council Tax referendum must be held, the results of which are binding. The Council may not implement an increase which exceeds the Secretary of State's limits without holding the referendum. Were the Council to seek to exceed the threshold, substitute calculations which do not exceed the threshold would also have to be drawn up. These would apply in the event that the result of the referendum is not to approve the "excessive" rise in

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

- 13.16 In relation to each year the Council, as billing authority, must calculate the Council Tax requirement and basic amount of tax as set out in Section 31A and 31B of the Local Government Finance Act 1992. These statutory calculations appear Appendix Y5.

#### Robustness of estimates and adequacy of reserves

- 13.17 Section 25 of the Local Government Act 2003 requires, when the authority is making its calculations under s32 of the Local Government Finance Act 1992, the Chief Finance Officer to report to it on:-
- (a) the robustness of the estimates made for the purposes of the Calculations; and
  - (b) the adequacy of the proposed financial reserves.
- 13.18 The Chief Financial Officer's section 25 statement will be appended to the Budget Report update to Mayor & Cabinet on 14 February 2018.

#### Treasury Strategy

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

#### Constitutional provisions

- 13.22 Legislation provides that it is the responsibility of the full Council to set the Council's budget. Once the budget has been set, save for those decisions which he is precluded from, it is for the Mayor to make decisions in accordance with the statutory policy framework and that are not wholly inconsistent with the budget. It is for the Mayor to have overall responsibility for preparing the draft budget for submission to the Council to consider. If the Council does not accept the Mayor's proposals it may object to them and ask him to reconsider. The Mayor must then reconsider and submit proposals (amended

or unamended) back to the Council which may only overturn them by a two-thirds majority.

13.23 For these purposes the term “budget” means the “budget requirement (as provided for in the Local Government Finance Act 1992) all the components of the budgetary allocations to different services and projects, proposed taxation levels, contingency funds (reserves and balances) and any plan or strategy for the control of the local authority’s borrowing or capital expenditure.” (Chapter 2 statutory guidance).

13.24 Authorities are advised by the statutory guidance to adopt an inclusive approach to preparing the draft budget, to ensure that councillors in general have the opportunity to be involved in the process. However it is clear that it is for the Mayor to take the lead in that process and proposals to be considered should come from him. The preparation of the proposals in this report has involved the Council’s select committees and the Public Accounts Select Committee in particular, thereby complying with the statutory guidance.

#### Statutory duties and powers

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

#### Reasonableness and proper process

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

#### Staff consultation

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

#### Best Value

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

## Integration with health

- 13.29 Members are reminded that provisions under the Health and Social Care Act 2012 require local authorities in the exercise of their functions to have regard to the need to integrate their services with health.
- 13.30 Members are reminded of the specific legal implications relating to the proposal in respect of Linkline which are set out in the report appended at Appendix 6.

## **14 HUMAN RESOURCES IMPLICATIONS**

- 14.1. There are no specific human resources implications arising from this report. Any such implications were considered as part of the revenue budget savings proposals presented to Mayor & Cabinet on 6 December 2017. A summary of the savings proposals are attached at Appendix Y2 to this report.

## **15. CRIME AND DISORDER**

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

## **16. EQUALITIES**

- 16.1. The Equality Act 2010 (the Act) introduced the public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 16.2. In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
  - advance equality of opportunity between people who share a protected characteristic and those who do not.
  - foster good relations between people who share a protected characteristic and those who do not.
- 16.3. The duty continues to be a “have regard duty”, and the weight to be attached to it is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations. Assessing the potential impact on equality of proposed changes to policies, procedures and practices is one of the key ways in which the Council can demonstrate that they have had ‘due regard’.
- 16.4. The Equality and Human Rights Commission issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice”. The Council must have regard to

the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with services and public functions. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at: <http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-act-codes-of-practice-and-technical-guidance/>

- 16.5. The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:
  1. The essential guide to the public sector equality duty
  2. Meeting the equality duty in policy and decision-making
  3. Engagement and the equality duty
  4. Equality objectives and the equality duty
  5. Equality information and the equality duty
- 16.6. The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties, and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at: <http://www.equalityhumanrights.com/advice-and-guidance/public-sector-equality-duty/guidance-on-the-equality-duty/>
- 16.7. The EHRC has also issued Guidance entitled “Making Fair Financial Decisions”. It appears at Appendix Y6 and attention is drawn to its contents.
- 16.8. Assessing impact on equality is not an end to itself and it should be tailored to, and be proportionate to, the decision being made. Whether it is proportionate for the Council to conduct an Equalities Analysis Assessment of the impact on equality of a financial decision or not depends on its relevance to the Authority’s particular function and its likely impact on people from protected groups, including staff.
- 16.9. Where savings proposals are anticipated to have an impact on staffing levels, it will be subject to consultation as stipulated within the Council’s Employment/Change Management policies, and services will be required to undertake an Equalities Analysis Assessment (EAA) as part of their restructuring process.
- 16.10. It is also important to note that the Council is subject to the Human Rights Act, and should therefore, also consider the potential impact their particular decisions could have on human rights. Where particular savings have such implications, they are dealt with in relation to those particular reports.

## **17. ENVIRONMENTAL IMPLICATIONS**

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



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

## 18. CONCLUSION

18.1. This report sets out the information necessary for the Council to set the 2018/19 budget. Updates will be made to this report at Mayor & Cabinet on 14 February 2018. Final decisions will be taken at the meeting of full Council on 21 February 2018.

## 19. BACKGROUND DOCUMENTS AND FURTHER INFORMATION

Short Title of	Date	Location	Contact
Medium Term Financial Strategy	13 July 2017 (M&C)	5th Floor Laurence House	David Austin
Savings Proposals for 2018/19	6 December 2017	5th Floor Laurence House	David Austin
Setting the Council Tax Base & Discounts for Second Homes and Empty Properties	17 January 2018 (Council)	5th Floor Laurence House	David Austin

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

Janet Senior

**Executive Director for Resources & Regeneration on 020 8314 8013**

David Austin

**Head of Corporate Resources on 020 8314 9114**

Shola Ojo

**Principal Accountant, Strategic Finance on 020 8314 7778**

## 20. APPENDICES

### **Capital Programme**

W1 2017/18 to 2021/22 Capital Programme – Major Projects

W2 Proposed Capital Programme – Original to latest Budget

### **Housing Revenue Account**

X1 Proposed Housing Revenue Account Savings 2018/19

X2 Leasehold and Tenants charges consultation 2018/19

X3 Leasehold and Tenants charges and Lewisham Homes Budget Strategy 2018/19

X4 Other associated housing charges for 2018/19

X5 Tenants' rent and service charge consultation 2018/19

### **General Fund**

Y1 Summary of previously agreed budget savings for 2018/19

- Y2 Summary of Proposed Revenue Budget savings 2018/19
- Y3 Ready Reckoner for Council Tax 2018/19
- Y4 Chief Financial Officer's Section 25 Statement – *To follow M&C 14<sup>th</sup> February 2018*
- Y5 Council Tax and Statutory Calculations
- Y6 Outcome of the consultation and proposed changes to the Linkline Community Alarm Service
- Y6a Linkline Telecare Service Consultation
- Y6b Equalities Impact Assessment
- Y6c Saving Proposal A18

### **Treasury Management**

- Z1 Interest Rate Forecasts 2017 – 2020
- Z2 Economic Background
- Z3 Credit Worthiness Policy (Linked to Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management)
- Z4 Approved countries for investments
- Z5 Requirement of the CIPFA Management Code of Practice

## APPENDICES W1 to Y6 2018/19 BUDGET REPORT

### APPENDIX W1

#### 2017/18 TO 2021/22 CAPITAL PROGRAMME - MAJOR PROJECTS

Major Projects over £2m	2017/18	2018/19	2019/20	2020/21	Total
	£m	£m	£m	£m	£m
<b>GENERAL FUND</b>					
Schools - Pupil Places Programme	12.5	17.7	1.0	0.8	32.0
Schools – Minor Works Capital Programme	3.7				3.7
Schools - Other Capital Works	3.9	1.1			5.0
Highways & Bridges - TfL	2.4				2.4
Highways & Bridges - LBL	5.3	3.1	3.5	3.5	15.4
Catford town centre	3.5	4.8	3.3	0.8	12.4
Asset Management Programme	3.8	3.9	2.5	2.5	12.7
Excalibur Regeneration	2.7				2.7
Heathside & Lethbridge Regeneration	5.5	1.1			6.6
Lewisham Homes – Property Acquisition	10.0	10.0	6.0		26.0
Disabled Facilities Grant	1.3	0.7	0.7	0.7	3.4
Private Sector Grants and Loans	0.6	1.0	0.6	0.6	2.8
Fleet Replacement Programme	0.5	2.6			3.1
Beckenham Place Park	0.4	5.5	1.7	0.6	8.2
Smart Working Programme	0.3	2.0	0.6		2.9
ICT Tech Refresh Programme	1.0	0.7	0.2	0.5	2.4
Edward St. Development	0.7	4.9	4.2	0.0	9.8
Other Schemes	6.4	4.1	0.2	0.1	10.8
	<b>64.5</b>	<b>63.2</b>	<b>24.5</b>	<b>10.1</b>	<b>162.3</b>
<b>HOUSING REVENUE ACCOUNT</b>					
Aids and Adaptations	0.4	0.4	0.4	0.4	1.6
Hostels Programme	0.4	0.4	0.4	0.4	1.6
Housing Matters Programme	9.0	28.0	21.1	9.4	67.5
Decent Homes Programme	26.4	43.9	34.4	34.5	139.2
	<b>36.2</b>	<b>72.7</b>	<b>56.3</b>	<b>44.7</b>	<b>209.9</b>
<b>TOTAL PROGRAMME</b>	<b>100.7</b>	<b>135.9</b>	<b>80.8</b>	<b>54.8</b>	<b>372.2</b>

**APPENDIX W2****PROPOSED CAPITAL PROGRAMME - ORIGINAL TO LATEST BUDGET**

	<b>Total £000</b>	<b>Total £000</b>
<b>GENERAL FUND</b>		
<b>Original Budget (2017/18 Budget Report)</b>		<b>99,452</b>
<b>New Schemes during the year</b>		
Park Tennis Court Refurbishment	410	
Adult Learning Lewisham Dev. Invitational centres	185	
2017 Early Years Capital Funding	274	
Edward Street Development	9,352	
Glass Mill Soft Play	266	
2017/18 Fleet Vehicle Replacement	3,100	
Wearside Car Park works and Building demolition	100	
Smart working programme	2,896	
Catford Broadway Theatre	520	17,103
<b>Approved variations on existing schemes</b>		
16/17 Underspends on various schemes	5,926	
17/18 Disabled Facilities Grant – additional funding	553	
17/18 TfL Highways Programme	2,807	
Education Catering Investment – additional funding	250	
Pupil Places Programme	559	
Lewisham Homes Property Acquisition – additional funding	20,000	
Heathside & Lethbridge	1,354	
Catford town centre regeneration – additional funding	3,422	
Beckenham Place Park	8,362	
Older Peoples Housing Project – Campshill Road	567	
Deptford Southern Housing	745	
Canonbie Road	115	
Devolved Formula Capital	741	
Resurfacing and Footways - additional funding	194	
BSF - Sydenham – additional funding	150	45,745
<b>Latest Budget</b>		<b>162,300</b>

## HOUSING REVENUE ACCOUNT

<b>Original Budget (2017/18 Budget Report)</b>	<b>237,157</b>
Rephasing of:	
Decent Homes Programme Budgets (15,357)	
Housing Matters Programme Budgets (11,872)	(27,229)
	<hr/>
<b>Latest Budget</b>	<b><u>209,928</u></b>
	<hr/>
<b>Latest Capital Programme 4 Year Budget (17/18 to 20/21)</b>	<b><u>372,228</u></b>

## **APPENDIX X1: Proposed Housing Revenue Account Savings 2018/19**

- X1.1 The HRA strategy and self-financing assessments are continually updated and developed with the view to ensuring resources are available to meet costs and investment needs and are funded for 2018/19 and future years.
- X1.2 Savings and efficiencies delivered in the 2018/19 budget can be re-invested to off-set constrained rent rises or to help bridge any investment gap identified. As a prudent measure the original financial model was developed with no savings identified. Subsequently, discussions have taken place regarding appropriate savings and 'target' management and maintenance costs per unit. For example, there is already an assumed reduction in the Lewisham Homes fee in 2018/19 to reflect stock losses through Right to Buy Sales. Although no direct efficiencies/savings are currently being considered for 2018/19, work continues to identify opportunities for cost reductions and efficiencies relating to the HRA business model. Where identified, these savings would be available to off-set future rental losses due to a constrained uplift to protect investment in stock or services.
- X1.3 An update of the HRA Strategy, Savings Proposals, proposed rent & service charge increases and comments from consultation with tenant representatives will be reported to Mayor & Cabinet as part of the HRA Rents and budget strategy report. Mayor & Cabinet will make the final budget decisions in the new year.

## APPENDIX X2: Leasehold and Tenants Charges Consultation 2018/19

Committee	<b>Brockley Residents Panel</b>	Item No	
Report Title	<b>Leasehold and Tenant Charges Consultation</b>		
Contributor	<b>Regenter Brockley Operations Manager</b>		
Class	<b>Decision</b>	Date	<b>12<sup>th</sup> December 2017</b>

### 1 Summary

- 1.1 The report sets out proposals to increase service charges to ensure full cost recovery in line with Lewisham Council's budget strategy.
- 1.2 The report requests Brockley Residents Panel members to consider the proposals to increase service charges based on an uplift of 4.90% for 2018/19 on specific elements. This is based on full cost recovery in line with previous years' proposals.

### 2 Policy Context

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

### 3. Recommendations

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

### 4. Purpose

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

### 5. Housing Revenue Account Charges

- 5.1 There are a number of charges made to residents which are not covered through rents. These charges are principally:

- Leasehold Service Charges
  - Tenant Service Charges
- 5.2 A service charge levy is applied to Tenants for caretaking, grounds maintenance, communal lighting, bulk waste collection and window cleaning. Tenants also pay a Tenants Fund Levy which is passed onto the Tenants Fund as a grant.
- 5.3 The key principles that should be considered when setting service charges are that:
- The charge should be fair and be no more or less than the cost of providing the service
  - The charge can be easily explained
  - The charge represents value for money
  - The charging basis allocates costs fairly amongst those receiving the service
  - The charge to all residents living in a block will be the same
- 5.4 The principle of full cost recovery ensures that residents pay for services consumed and minimises any pressures in the Housing Revenue Account in providing these services. This is in line with the current budget strategy.
- 5.5 In the current economic environment it must however be recognised that for some residents this may represent a significant financial strain. Those in receipt of housing benefit will receive housing benefit on increased service charges. Approximately 50% of council tenants are in receipt of housing benefit.

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

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

### **6.2 Leasehold service charges**

The basis of the leasehold management charge has been reviewed and externally audited this summer to reflect the actual cost of the service. In line with best practice in the sector this is now a fixed cost rather than a variable cost. The management charge is £53.00 for street properties and £145.30 for blocks.

- 6.2.1 The uplift in leaseholder charges should reflect full cost recovery for the type of service undertaken. It is proposed that any uplift is applied at 4.90% [RPI (September 2017) +1.00%].



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

Service	Leasehold No.	Current Weekly Charge	Weekly Increase	New Weekly Amount	Increase (%)
Caretaking	393	£4.80	£0.24	£5.04	4.90%
Grounds Maintenance	393	£2.50	£0.12	£2.62	4.90%
Lighting	393	£1.15	£0.06	£1.21	4.90%
Bulk Waste	393	£0.46	£0.02	£0.48	4.90%
Window Cleaning	221	£0.15	£0.01	£0.16	4.90%
Resident Involvement	557	£0.23	£0.01	£0.24	4.90%
Customer Services	557	£0.36	£0.02	£0.38	4.90%
Ground Rent	557	£0.20	£0.01	£0.21	4.90%
General Repairs	557	£1.73	£0.08	£1.81	4.90%
Technical Repairs	400	£0.34	£0.02	£0.36	4.90%
Entry Phone	139	£0.05	£0.00	£0.05	4.90%
Lift	235	£0.31	£0.01	£0.32	4.90%
Management Fee	557	£1.70	£0.08	£1.78	4.90%
<b>Total</b>		<b>£13.98</b>	<b>£0.69</b>	<b>£14.67</b>	<b>4.90%</b>

### 6.3 Tenant service charges

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

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

6.3.3 In order to ensure full cost recovery, tenant's service charges for caretaking, grounds maintenance and other services should be increased in line with the percentage increase applied to leaseholder service charges. Overall, charges are suggested to be increased by an average of £0.43 pw which would move the current average weekly charge from £8.72 to £9.15.

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

<b>Service</b>	<b>Current Weekly Charge</b>	<b>Weekly Increase</b>	<b>New Weekly Amount</b>	<b>Increase (%)</b>
<b>Caretaking</b>	£4.80	£0.24	£5.04	4.90%
<b>Grounds Maintenance</b>	£2.50	£0.12	£2.62	4.90%
<b>Communal Lighting</b>	£1.15	£0.06	£1.21	4.90%
<b>Bulk Waste</b>	£0.46	£0.02	£0.48	4.90%
<b>Window Cleaning</b>	£0.15	£0.01	£0.16	4.90%
<b>Tenants fund</b>	£0.10	£0.00	£0.10	
<b>Total</b>	<b>£9.16</b>	<b>£0.47</b>	<b>£9.63</b>	

6.3.5 The RB3 Board is asked for their views on these charges from April 2018 to March 2019. Results of the consultation will be presented to Mayor and Cabinet for approval in Spring 2018.

## **7. Financial implications**

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

## **8. Legal implications**

8.1. Section 24 of the Housing Act 1985 provides that a local housing authority may make such reasonable charges as they determine for the tenancy or occupation of their houses. The Authority must review rents from time to time and make such changes as circumstances require. Within this discretion there is no one lawful option and any reasonable option may be looked at. The consequences of each option must be explained fully so that Members understand the implications of their decisions.

8.2 Section 76 of the Local Government and Housing Act 1989 provides that local housing authorities are under a duty to prevent a debit balance in the HRA. Rents must therefore be set to avoid such a debit.

8.3 Section 103 of the Housing Act 1985 sets out the terms under which secure tenancies may be varied. This requires: -

- the Council to serve a Notice of Variation at least 4 weeks before the effective date;
- the provision of sufficient information to explain the variation;
- an opportunity for the tenant to serve a Notice to Quit terminating their tenancy.

- 8.4 The timetable for the consideration of the 2017/18 rent levels provides an adequate period to ensure that legislative requirements are met.
- 8.5 Part III of Schedule 4 of the Local Government and Housing Act 1989 provides that where benefits or amenities arising out of the exercise of a Housing Authority's functions, are provided for persons housed by the authority, but are shared by the community as a whole, the authority shall make such contribution to their HRA from their other revenue accounts to properly reflect the community's share of the benefits or amenities.
- 8.6 Where as an outcome of the rent setting process, there are to be significant changes in housing management practice or policy, further consultation may be required with the tenants affected in accordance with section 105 of the Housing Act 1985.

## **9. Crime and disorder implications**

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

## **10. Equalities implications**

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

## **11. Environmental implications**

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

## **12. Conclusion**

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

If you require any further information on this report please contact

Louise Vallance  
Contract Manager  
or  
Sandra Simpson  
Project Manager

[Brockley.customerservice@pinnaclepsg.co.uk](mailto:Brockley.customerservice@pinnaclepsg.co.uk)

or

on 0207 635 1200.

[www.lewishamhomes.org.uk](http://www.lewishamhomes.org.uk)



# **Service Charge Consultation 2018/19**

Delivering great housing services for thriving neighbourhoods



[www.lewishamhomes.org.uk](http://www.lewishamhomes.org.uk)



## **Introduction**

- Inform tenants of changes to rents
- Explain changes to service charges
- Consult residents on service charge changes

Delivering great housing services for thriving neighbourhoods





## Lewisham Homes aims to

- Deliver services that are value for money
- Deliver services that are affordable to residents
- Improve services whilst limiting cost increases to inflation or below

Delivering great housing services for thriving neighbourhoods



## Changes to rents

- The Government has directed that rents reduce by 1% in social housing for the next 2 years
- The Council has reduced rents to match this policy

Delivering great housing services for thriving neighbourhoods





## Changes to rents

Bed size	Average of Rent - 2017/18	Average of Rent - 2018/19	£ Change
<b>Bedsit</b>	£73.28	£72.54	-£0.74
<b>1</b>	£85.21	£84.35	-£0.86
<b>2</b>	£95.46	£94.50	-£0.96
<b>3</b>	£111.87	£110.75	-£1.12
<b>4</b>	£125.05	£123.80	-£1.25
<b>5</b>	£143.49	£142.06	-£1.43
<b>6</b>	£149.01	£147.52	-£1.49
<b>7</b>	£154.42	£152.88	-£1.54
<b>Average Total</b>	<b>£96.53</b>	<b>£95.56</b>	<b>-£0.97</b>

Delivering great housing services for thriving neighbourhoods



## Changes to garage rents

- Garage rents are proposed to rise by 3.9% (RPI)
- This is an increase of £0.46pw
- Rents would rise from £11.82pw to £12.28pw
- The increase will raise an additional £51k
- The additional income will be used to maintain garages

Delivering great housing services for thriving neighbourhoods





## Service Charges

- Sets out proposed service charge levels for 2018/19
- Shows changes from 2017/18

Delivering great housing services for thriving neighbourhoods



## 2017/18 compared to 2018/19 - i

Leaseholders and Tenants	2017/18	2018/19	Change
Caretaking (L&T)	£5.93	£5.81	-£0.12
Ground Maintenance (L&T)	£1.66	£1.93	£0.27
Repairs and Maintenance - Building (L)	£2.32	£2.32	£0.00
Repairs and Maintenance Technical (L)	£1.00	£1.00	£0.00
Lifts (L)	£2.77	£2.77	£0.00
Entry Phone (L)	£0.76	£0.76	£0.00
Block Pest Control (L&T)	£1.60	£1.63	£0.03
Ground Rent (L)	£0.19	£0.19	£0.00
Sweeping (L)	£0.88	£1.00	£0.12
Management (L)	£2.36	£2.48	£0.12
Window Cleaning (L&T)	£0.06	£0.09	£0.03
Bulky House Hold Waste Collection (L&T)	£0.47	£0.48	£0.01
Bulk Waste Disposal (L&T)	£0.79	£0.81	£0.02
Insurance (L)	£1.16	£0.94	-£0.22
Communal Lighting (L&T)	£1.13	£1.14	£0.01
Communal Heating and Hot Water (L&T)	£9.89	£9.89	£0.00

Delivering great housing services for thriving neighbourhoods





## Estate Services

- Caretaking, Grounds Maintenance, Bulk Collection, Sweeping
- Charged to tenants and leaseholders
- There are some cost variations due to a restructure of the service
- It is proposed to invest £180,000 in grounds maintenance which is included in the previous table

Delivering great housing services for thriving neighbourhoods



## Repairs and Maintenance

- Only charged separately to leaseholders
- Charges maintained at last year's levels
- Leaseholders will receive an actual cost adjustment following the year end

Delivering great housing services for thriving neighbourhoods







## Management

- The estimated management charges have been based on 2016/17 actual costs, and increased by 2% to reflect two 1% pay awards.

Delivering great housing services for thriving neighbourhoods



## Insurance

- There has been a reduction in insurance costs charged to the HRA and these are being passed on to leaseholders.

Delivering great housing services for thriving neighbourhoods





## Energy

- Charged to tenants and leaseholders in blocks where there is a communal supply
- Charges are maintained at last year's levels
- The Council has entered into new energy contracts
- Charges will be reviewed after the first year of these contracts



## Overall Impact

- RPI is at 3.9%
- Tenant charges (rent and service charge) move from £105.60 pw in 2017/18 to £104.81 in 2018/19, a reduction of £0.79 pw (-1%)
- Leaseholder charges move from £14.43 pw to £14.69 pw, an increase of £0.26 pw (+1.8%)



## Your input

- Comments on the proposed charges
- Comments on the increased investment in grounds maintenance
- We will feedback your comments to the Council

## **APPENDIX X4: Other Associated Housing Charges for 2018/19**

### **Garage Rents**

1. Allowance has been made for a 3.90% inflationary increase to all garage rents across all managed areas, based on the RPI rate at September 2017. This equates to an average increase of £0.46 per week and raises the average basic charge from £11.82 to £12.28 per week.
2. Garage rents for the Brockley PFI managed area will therefore increase from an average of £9.13 per week to £9.49 per week. This is a change of £0.36 per week.
3. Garage rents for the Lewisham Homes managed area will therefore increase from an average of £12.21 per week to £12.67 per week. This equates to an increase of £0.46 per week.
4. The authority will be commissioning a review into rental values across the garage stock, with a view to reporting to Mayor & Cabinet sometime in the next year recommending rental values to take forward in the longer term. Any changes are likely to be consulted on and implemented for financial year 2019/20 onwards

### **Tenants Levy**

5. As part of the budget and rent setting proposals for 2005/6, a sum of £0.13 per week was 'unpooled' from rent as a tenants service charge in respect of the Lewisham Tenants Fund. There was no change in charges for the period 2009/10 to 2015/16 following consultation with Housing Panels. The charge was reduced to its current level of £0.10pw as part of the 2016/17 budget process.
6. Lewisham Tenants Fund (LTF) have put forward proposals to vary this levy for 2018/19 by £0.03pw which will raise the charge from £0.10pw to £0.13pw. These were submitted to Housing Panels and agreed. Therefore, the levy for 2018/19 will be increased to £0.13 per property per week.

### **Hostel charges**

7. Hostel accommodation charges are set based on current Government requirements and will reduce by around 1.0% (£0.35 per week).
8. Hostel services charges are set to achieve full cost recovery, following the implementation of self-financing. For 2018/19, the charge for

Caretaking/management and Grounds Maintenance will remain at current levels. This will leave the average charge at £72.96 per unit per week.

9. In addition, the charge for Heat, Light & Power will also be held at current levels and will remain at £5.98pw. Water charges will not be increased and will remain at £0.19pw. The charge for Council Tax will be based on the total recharged received from Council Tax section. All charges will be based on the total number of hostel units and is forecast to remain unchanged for 2018/19.
10. Hostel residents were consulted on these proposals via individual letters. Officers also invited hostel residents to meet them to discuss the changes and how these may affect them. However, no comments or representations were received.

### **Linkline Charges**

11. Subject to decision by the Mayor in respect of changes to charges for linkline, proposals are currently being finalised to change the delivery of the service to a 'full visiting service' to better reflect service need. Current indications are that, if agreed, this may include an increase to the charge of £0.25 per week. The current linkline charge is £5.56 per week.
12. Consultation with residents/current users of the service is due to be undertaken in the New Year. The results of any consultation will be reported to Mayor & Cabinet. Consultation would need to be completed by mid-February 2018 to comply with the 28 day statutory notice of charge increases and allow increased charges to be applied from April 2018. However, if consultation is delayed, the charge increase can only be applied from April 2019. There are no proposals to increase the maintenance charge, which will remain at £0.94 per week.

### **Private Sector Leasing (PSL)**

13. Rent income for properties used in the Private Sector Leasing (PSL) scheme is a General Fund resource. Following consultation, the Department for Work and Pensions (DWP) announced that the threshold for 2017/18 for housing benefits subsidy allowances will be based on the January 2011 Local Housing Allowance, less 10%, subject to a maximum capped amount of £500 per week. It is recommended that rents for private sector leased properties are kept within the 2011/12 weekly threshold, as set out in Table B3 below.

**Table B3 - Local Housing Allowances for 2018/19 (used for PSL purposes)**

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

### **Heating & Hot Water Charges**

14. As part of last year's rent setting process the Mayor agreed to continue with the current formula methodology for calculating increases in Heating & Hot Water charges to tenants and leaseholders. This formula was originally approved by Mayor & Cabinet in December 2004.
15. The current charging methodology allows a limited inflationary price increase plus a maximum of £2 per week per property increase on the previous years charge. Consumption levels are also updated and included in the formula calculation.
16. The existing corporate contract for the supply of electricity was ended on 30<sup>th</sup> September 2017 and a new contract let by the property services team with Crown Commercial Services; an Executive Agency of the Cabinet Office. The contract frameworks have been designed to comply with the findings of the Pan Government Energy Project, which recommends that all public sector organisations adopt aggregated, flexible and risk-managed energy procurement with public sector buying organisations.
17. The proposal for 2018/19 is for no increase to be applied to allow time for the review of new contract prices and consumption data to be updated. Once the review is complete it is likely that new prices will be reflected in the 2019/20 charges to residents. The current average charge is £9.89pw.
18. The proposal for communal lighting is an increase of 0.89% or £0.01 per week. This will move the current average charge from £1.13pw to £1.14pw. The increase is due to updated consumption rates.
19. Officers will review the costs, actual energy usage and new contact prices in both 2017/18 and 2018/19 as part of the monitoring regime. Once the new long-term energy supply contracts are in place, recommendations for changes to charges will be brought forward as part of the 2019/20 budget process.

## Appendix X5

### Tenants' rent and service charge consultation 2018/19

The Tenants' rent consultation meetings took place on 12 December 2017 with Regenter B3 (Brockley) managed tenants and 14 December 2017 with Lewisham Homes managed tenants.

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

	<b>Lewisham Homes</b>	<b>Brockley PFI</b>
No of representatives (excl Cllrs)	15+	9
<b>Rent Reduction @ 1%</b>	No Comments	No comments
<b>Savings Proposals:-</b>		
No Savings proposed	n/a	n/a
<b>Service Charges inc:</b>		
Heating & Hot Water Charges	See Below	No comments
Garage Rents	No comments	See Below
Tenants Fund	No comments	No comments

Summary of comments made by representatives

Lewisham Homes Panel

**Rent reduction:**

Agreed with no comments

**Tenants Service Charges & Heating & Hot water Charge:**

Main questions related to the proposal to enhance the grounds maintenance service which was supported but was it enough to provide an enhancement to the estates.

Lewisham Homes responded by informing residents that the increase will provide resources to pay for a new team and undertake tenant's suggestions for more/new panting on estates.

There was also a discussion on the improvements needed to pavements and walkways and the installation of Thames Water smart meters.

These will be taken forward by Lewisham Homes and responses provided at the next panel meeting.

**Garage Charges:**

No comments

**Tenants Fund:**

Agreed with no comments

**Savings Proposals:**

n/a



Brockley PFI Area	<p><b>Rent reduction:</b></p> <p>Agreed with no comments</p> <p><b>Tenants and Leaseholders Service Charges:</b></p> <p>Agreed with no comments</p> <p><b>Garage Charges:</b></p> <p>Increase seems high, especially as there is no parking enforcement on estates and cars are frequently parking in front of resident garages blocking them in.</p> <p>There was also a query regarding repairs and the process for reporting work requests.</p> <p><b>Tenants Fund:</b></p> <p>Agreed with no comments</p>
-------------------	---

**APPENDIX Y1: Previously agreed budget savings for 2018/19**  
**Agreed 28 September 2016**

<b>Ref.</b>	<b>Description</b>	<b>18/19 £'000</b>
<b>A</b>	<b>Smarter &amp; deeper integration of social care &amp; health</b>	
A19	Workforce productivity from better technology	300
	<b>Total</b>	<b>300</b>
<b>L</b>	<b>Culture and Community Services</b>	
L8	Facilities management - retender of contract for Deptford Lounge	130
<b>Q</b>	<b>Safeguarding and Early Intervention</b>	<b>130</b>
Q6	Developing alternative pathways for care	100
Q7	Review of Lewisham CAMHS	50
	<b>Total</b>	<b>150</b>
	<b>Grand Total</b>	<b>580</b>

**APPENDIX Y2: Saving Proposals to Mayor and Cabinet on 6 December 2017**

<b>Ref.</b>	<b>Description</b>	<b>18/19 £'000</b>
<b>B</b>	<b>Supporting People</b>	
B4	Service economy rental income	70
	<b>Total</b>	<b>70</b>
<b>D</b>	<b>Efficiently review</b>	
D2	Corporate efficiency from Unallocated inflation	1,000
	<b>Total</b>	<b>1,000</b>
<b>E</b>	<b>Asset Optimisation</b>	
E8	Income from Private Rented Scheme (PRS) Joint Venture	500
	<b>Total</b>	<b>500</b>
<b>I</b>	<b>Management and Corporate Overheads</b>	
I12	Administrative budgets	20
I13	Finance function efficiencies through the implementation of Oracle Cloud	200
I14	Loss of seconded Police Officer to Counter Fraud team	70
I15	Balance sheet review of accounting policies	1,000
	<b>Total</b>	<b>1,290</b>
<b>J</b>	<b>School Effectiveness</b>	
J18	Statutory functions of School Effectiveness	366
	<b>Total</b>	<b>366</b>
<b>K</b>	<b>Statutory functions of School Effectiveness</b>	
K5	Problem solving crime reduction	30
	<b>Total</b>	<b>30</b>
<b>M</b>	<b>Housing strategy and non-HRA funded services</b>	
M8	Reduced costs of providing nightly paid accommodation	250
	<b>Total</b>	<b>250</b>
<b>O</b>	<b>Public Services</b>	
O5	Council Tax single person discount review	500
	<b>Total</b>	<b>500</b>
<b>P</b>	<b>Planning and Economic Development</b>	
P3	Planning savings	270
	<b>Total</b>	<b>270</b>
	<b>Grand Total</b>	<b>4,276</b>

APPENDIX Y3: Ready Reckoner for Council Tax 2018/19

<b>Ready Reckoner for Council Tax 2018/19</b>						
	<b>Budget Requirement</b>	<b>Council Tax (Band D)</b>	<b>Increase / (Decrease)</b>	<b>GLA Precept (Band D)</b>	<b>Total Council Tax (Band D)</b>	<b>Increase / (Decrease)</b>
	<b>£'M</b>	<b>£</b>	<b>%</b>	<b>£</b>	<b>£</b>	<b>%</b>
<b>2017/18</b>	232.747	1,157.68	4.99%	280.02	1,437.70	
<b>Recommended</b>	<b>241.281</b>	<b>1,203.87</b>	<b>3.99%</b>	294.23	<b>1,498.10</b>	<b>4.20%</b>
	240.791	1,198.20	3.50%	294.23	1,492.43	3.81%
	240.290	1,192.41	3.00%	294.23	1,486.64	3.40%
	239.790	1,186.62	2.50%	294.23	1,480.85	3.00%
	239.289	1,180.83	2.00%	294.23	1,475.06	2.60%
	238.790	1,175.05	1.50%	294.23	1,469.28	2.20%
	238.289	1,169.26	1.00%	294.23	1,463.49	1.79%
	237.788	1,163.47	0.50%	294.23	1,457.70	1.39%
	237.288	1,157.68	0.00%	294.23	1,451.91	0.99%

## APPENDIX Y5: Council Tax and Statutory Calculations

### Council Tax Calculation

As part of the Localism Act 2011, core Council Tax may not be increased by 3% or more (inclusive of levies) without triggering an automatic referendum of all registered electors in the borough. In addition, there is also the opportunity to increase Council Tax by up to a further 3% under the social care precept for 2018/19. This means, for 2018/19, an automatic referendum will now be triggered if the Council Tax increase is 6% or above. The recommended social care precept for 2018/19 is 1%, therefore the recommended total increase is 3.99%. The statutory calculation for whether the Council is required to hold a referendum is based upon the 'relevant basic' amount of Council Tax, which under accounting regulations, includes levies. Any final recommendations on Council Tax levels will need to meet statutory requirements.

To date, Lewisham has not received formal notifications from its levy bodies for 2018/19 – the Environment Agency, the LPFA and the Lee Valley Regional Park. A zero percent increase has been assumed.

### Council Tax and Levies

<b>'Relevant Basic' Amount of Council Tax</b>	<b>2017/18</b>	<b>2018/19</b>
Council Tax Base	81,087.65	86,456.64
Council Tax Requirement with Levy (£)	93,873,550	104,082,555
Basic Amount of Council Tax (£)	1,157.68	1,203.87
<b>Increase in basic amount of Council Tax (%)</b>	<b>4.99%</b>	<b>3.99%</b>

<b>Levy bodies for Lewisham</b>	<b>2017/18 £</b>	<b>2018/19 £</b>	<b>Change £</b>
LPFA	1,229,386	1,229,386	0
Lee Valley Regional Park	224,364	224,364	0
Environment Agency	178,500	178,500	0
<b>Total Levies</b>	<b>1,632,250</b>	<b>1,632,250</b>	<b>0</b>

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

## Statutory Calculations

- 1) It be noted that at its meeting on 17 January 2018, the Council calculated the number of **86,456.64** as its Council Tax base for 2018/19 in accordance with the Local Authorities (Calculation of Tax base) Regulations;
- 2) The following amounts be now calculated by the Council for the year 2018/19 in accordance with the Local Government Finance Act 1992:
  - a. **£990,131,763.94** being the aggregate of the amounts which the Council estimates for gross expenditure, calculated in accordance with Section 32(2)A of the Act;
  - b. **£748,851,128.10** being the aggregate of the amounts which the Council estimates for income, calculated in accordance with Section 32(3)A of the Act;
  - c. **£241,280,635.84** being the amount by which the aggregate of 2(a) above exceeds the aggregate of 2(b) above, calculated by the Council, in accordance with Section 32A(4) of the Act, as its General Fund budget requirement for the year;
  - d. **£128,470,080.64** being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of the Settlement Funding Assessment.
  - e. **£112,810,555.20** being the residual amount required to be collected from Council Tax payers. This includes the surplus on the Council's Collection Fund of £8,728,000.
  - f. **£1,203.87** being the residual sum at (e) above (less the surplus on the Collection Fund), divided by the Council Tax base of **86,456.64** which is Lewisham's precept on the Collection Fund for 2018/19 at the level of Band D;

<b>Band</b>	<b>Council Tax (LBL)</b>
	<b>£</b>
A	802.58
B	936.34
C	1,070.11
<b>D</b>	<b>1,203.87</b>
E	1,471.40
F	1,738.92
G	2,006.45
H	2,407.74

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

3) It be noted that for the year 2018/19, the Greater London Authority is currently consulting on the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 (as amended), for each of the categories of dwellings shown below:-

<b>Band</b>	<b>GLA Precept</b>
	<b>£</b>
A	196.15
B	228.85
C	261.54
<b>D</b>	<b>294.23</b>
E	359.61
F	425.00
G	490.38
H	588.46

4) Having calculated the estimated aggregate amount in each case of the amounts at 2) (f) and 3) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, assumed the following amounts as the amounts of Council Tax for the year 2018/19 for each of the categories of dwellings shown below:-

<b>Band</b>	<b>Total Council Tax (LBL &amp; GLA)</b>
	<b>£</b>
A	998.73
B	1,165.19
C	1,331.65
<b>D</b>	<b>1,498.10</b>
E	1,831.01
F	2,163.92
G	2,496.83
H	2,996.20

## APPENDIX Y6: Outcome of the consultation and proposed changes to the Linkline Community Alarm Service

<b>MAYOR AND CABINET</b>		
<b>Report Title</b>	<b>Outcome of the consultation and proposed changes to the Linkline Community Alarm Service</b>	
<b>Key Decision</b>		<b>Item No:</b>
<b>Wards</b>	<b>Borough wide</b>	
<b>Contributors</b>	<b>Executive Director for Community Services</b>	
<b>Class</b>		<b>Date: 7<sup>th</sup> February 2018</b>

### 1. Purpose

- 1.1. This report informs Mayor and Cabinet of the outcome of the consultation on the proposed changes to the Linkline Community Alarm Service and the recommendations arising from the consultation.

### 2. Recommendations

- 2.1. Mayor and Cabinet are invited to note the outcome of the consultation exercise and to agree the following recommendations:
- For Linkline to change the service offer to a Full Visiting Service for all new customers.
  - To Increase Linkline charges in line with costs and inflation where it is provided to customers who are private rented tenants, home owners, living with family and for social housing tenants who arrange Linkline independently. The proposed charge is £5.81 for Full Visiting Support and £3.88 for the Telephone On service.
  - In schemes provided by Social Housing Landlords to implement a phased increase in charges to achieve parity with other housing tenures.
  - In future, charges to be increased in line with inflation across all sectors annually.
  - That Lewisham CCG jointly with council officers' will review the way the financial contribution from Lewisham CCG is utilised to support people with dementia and the intention to conduct further consultation and assessment for Linkline customers who have a diagnosis of dementia.

### 3. Policy Context

- 3.1. Preventative interventions are critical in managing the increasing demand for health and social care services, reducing the overall burden of disease in the population and have the potential to underpin the financial sustainability of health and care services.



- 3.2. Preventative technology enabled care services like Linkline have a key place in future service delivery, by providing care, early detection and helping older people and those with chronic health problems to maintain their independence and continue to live in their own homes.
- 3.3. Key national policy drivers in health and social care have placed prevention and early intervention centre stage, this sets the ambition for a strategic shift in how services are delivered. The Care Act 2014 placed greater emphasis on promoting prevention, wellbeing and independence. In particular the Act places a duty on local authorities to promote individuals wellbeing by preventing or reducing the need for care and support. Evidence shows that alarm services can play a role in supporting a more personalised approach to care and support.
- 3.4. The NHS England Five Year Forward View, asserts that the sustainability of the NHS, and the economic prosperity of Britain all now depend on a radical upgrade in prevention and public health. How we adapt and innovate to take advantage of technology will be a key element of this upgrade.
- 3.5. Assistive technology services, like Linkline support Lewisham's Sustainable Community Strategy priority of: Healthy, active and enjoyable, where people can actively participate in maintaining and improving their health and wellbeing and Safer; where people feel safe and live free from crime, antisocial behaviour and abuse.
- 3.6. The services in this report also support the Council's corporate priorities of Caring for adults and older people, working with health services to support older people and adults in need of care; and Inspiring efficiency, effectiveness and equity: ensuring efficiency and equity in the delivery of excellent services to meet the needs of the community.
- 3.7. Lewisham Health and Care Partners are committed to supporting people to maintain and improve their physical and mental wellbeing, to live independently and to have access to high quality care when needed. Transforming the care that people receive in the community, so that more people can be cared for out of hospital, is critical to achieving this. Technology enabled care like Linkline plays a key role. The aim is for community based care to be:
- **Proactive and Preventative** – By creating an environment which promotes health and wellbeing, making it easy for people to find the information and advice they need on the support, activities, opportunities available to maintain their own health and wellbeing and to manage their health and care more effectively.
  - **Accessible** – By improving delivery and timely access when needed to planned and urgent health and care services in the right setting in the community, which meet the needs of our diverse population and address inequalities. This includes raising awareness of the range of health and care services available and increasing children's access to community health services and early intervention support.
  - **Co-ordinated** – So that people receive personalised health and care services which are coordinated around them, delivered closer to home,

and which integrate physical and mental health and care services, helping them to live independently for as long as possible.

- 3.8. The White Paper Putting People First: Commissioning for Connected Care, Homes and Communities published in October 2016 represents a significant step forward in raising the profile of technology enabled care services (TECS) and its benefits.

*“Care technology, whether you define it as telecare, telehealth telemonitoring, telecoaching, ehealth, mhealth, digital health or indeed all of the above, when intelligently deployed, has a growing track record of delivering high quality care whilst reducing the cost of provision”<sup>1</sup>*

- 3.9. In Sept 2016 Adult Social Care savings were proposed to Mayor and Cabinet, this included a recommendation for “increasing the charge for Linkline”. At the time the changes relating to the Linkline proposal were not fully outlined and were agreed subject to consultation. This report provides further detail on the proposed consultation.
- 3.10. On the 1<sup>st</sup> November 2017 members of the Healthier Communities Select Committee were presented the report on the intention to consult on the proposed changes to the Linkline Community Alarm Service and were asked to comment. The Consultation ran from the 6<sup>th</sup> November until the 1<sup>st</sup> January 2018.
- 3.11. Due to the Healthier Communities Select Committee meeting being rescheduled to the 7<sup>th</sup> February, Healthier Communities Select Committee will not have the opportunity to review the outcome of the consultation because the reports will be presented on the same date. Healthier Communities Select Committee will have the opportunity to comment after the decision has been taken by Mayor and Cabinet and feedback comments at a later date.

#### **4. Background**

- 4.1. A review of telecare and telemedicine was conducted during 2016/17. The aim of the review was to identify the range of enabling technology e.g. telehealth, telecare and other patient monitoring devices that were being used across Lewisham, establishing the evidence base and exploring new opportunities for the role of technology in the delivery of health and care services.
- 4.2. A key aspect of the review was how the Linkline service provided by Lewisham Adult Social Care could be sustained in the current economic climate, providing for an increasing level of demand with reducing resources.
- 4.3. The review highlighted the potential for Linkline in the context of the development of a whole system model of care to take a more strategic approach to the future. Moving to a population health approach and patient access to patient health records will influence new models of care and there are opportunities for telehealth and telecare in the new

---

<sup>1</sup> Commissioning for Connected Care, Homes and Communities, TSA October 2016

environment. For example, linking technology and data sets, risk assessment and predictive analysis.

- 4.4. The Linkline service has introduced new and efficient ways of working over the years to contribute towards the Adult Social Care budget savings as well as creating a more efficient service for the Linkline customer. New technologies have assisted with reducing the number of times an ambulance service is called out and the incidence of A&E admissions. With a contribution from Lewisham CCG, people with dementia have been supported to remain at home for as long as possible with the help of a GPS tracker.
- 4.5. In 2005 a report to Mayor and Cabinet on “Charging policy and future developments of the Linkline service” sought a 5% increase for Registered Social Landlords and non-housing users and to support developing Linkline into an open access and self-financing preventative service.
- 4.6. Later in 2005 Mayor and Cabinet agreed to implement the new unit cost charging framework, and phasing in over three years under Fair Access to Care Services, the financial assessment framework. Since 2005 there have been periodic increases in the Linkline charge, although not on an annual basis. Most recently, In February 2017 the Budget Report set out an inflationary increase of 2.5%.

## **5. The Linkline Service**

- 5.1. Lewisham Adult Social Care operate an in-house telecare and assistive technology service, 18 staff are employed to provide an emergency response service 24 hours a day, 365 days a year to people who may be vulnerable or at risk. Many older people living alone and younger people with disabilities rely on the service to live independently in the community. In September 2017 there were **4,843** Linkline connections. There are more connections than people because a single dwelling may have several connections.
- 5.2. The Linkline service includes a home telephone unit and an emergency button, this can be fixed or worn as a pendant. When the button is pressed by the customer or activated by a telecare sensor an alert is raised at the control centre. Appropriate action is then taken by staff at the control centre, this may be to contact relatives, friends, to call the emergency services or for the Linkline staff to respond by visiting the customer at home.
- 5.3. A connection may be linked to a door entry system, for example in a sheltered housing scheme, hard wired in the home or be a pendant alarm that can be worn by the customer. 2,181 connections are in homes in the community, this might be in private rented accommodation or in the homes of owner occupiers. There are fourteen Social Housing Providers who have a contract with Linkline to deliver telecare in their accommodation, this accounts for 2,662 connections.
- 5.4. Linkline provide two levels of service. The **Full Visiting** service, where the Linkline Service hold keys for the customer, if the alarm is activated

Linkline staff will visit the person's home to assist. The **Telephone on response** is where the Linkline Service hold the telephone numbers of family and friends. If an alarm is activated staff will contact a relative/friend who will assist. There are 2,634 people who have a full visiting service and 748 who have a Telephone On service.

- 5.5. Most Linkline Customers have been assessed by Adult Social Care and then are referred to Linkline. However, some people access Linkline directly, for themselves or on behalf of a relative. On the 1<sup>st</sup> December 2017 there were 657 private Linkline customers, the majority of private customers receive a Full Visiting Service.
- 5.6. Linkline customers range in age from under 60 to 100 and there are 17 people over the age of 100 living independently in the community. The age profile of people receiving support in the dispersed units is older which reflects the growing number of people presenting for social care services later in life as well as the number of people who are living longer often with complex health conditions.

## **6. Additional services provided by Linkline**

- 6.1. For people with dementia a variety of additional equipment, in the form of sensors can also be added to the basic alarm package. These sensors protect against environmental hazards, for example fire, flooding and the threat of intruders. If someone has a diagnosis of dementia the Linkline service is provided free of charge.
- 6.2. For someone with a cognitive impairment the equipment can assist in managing risks which may threaten their ability to live independently. This might include dangers associated with unlit gas appliances, carbon monoxide or where someone may be prone to walking away from home. The sensors are available to people who have had a social work or occupational therapy assessment.

## **7. The proposed service changes for consultation**

The Council consulted on the following proposals:

### Proposal to have one service offer – Full Visiting Service for new customers

- 7.1. There are two levels of service provided by Linkline.
  - **Full Visiting service**, this is where the Linkline Service holds keys for the service user, if the alarm is activated Linkline staff will visit the person's home to assist.
  - **Telephone on response**, this is where the Linkline Service retains the telephone numbers of the customer's family and friends. If an alarm is activated staff will contact the designated person who will then respond.
- 7.2. The proposal is to stop offering the 'Telephone On' service for all new service users and instead to provide a 'Full Visiting Service'. Current service users will not be affected.

- 7.3. The different levels of service were established to provide choice, for those who have relatives and friends living locally the Telephone On service is a good option. However, the number of people who have that support has reduced over recent years, this is evidenced in cases where the nominated individual is not available to respond. When this happens the only option is for Linkline to call the appropriate emergency service or visit the service themselves.
- 7.4. For more frail customers there is an advantage in having a responsive service that can provide help in an emergency, for example help lifting after a fall. This fits with the aim of having a more preventative and holistic service.
- 7.5. The majority of customers, 75% receive a Full Visiting Service, with less than 25% receiving the Telephone On service, the number reducing by 16% in the last year. 31 people receive a combination of the two services and this is based on a longstanding arrangement with a housing provider, this service is not available for new customers.
- 7.6. The proposal to change the service offer has an implication for the capacity of the service to deliver and for future staffing arrangements, although the impact is likely to be gradual in line with new referrals. Based on the current activity figures there will be an increase in activity in alerts that come through to Linkline. However, the main change will be the need for Linkline to provide a visiting response to additional customers.
- 7.7. Telephone On customers make up 20% of all Linkline customers. A 20% increase in activity for the service (modelled on 100% Full Visiting Customers) results in 37 extra calls per month. This would result in 2-3 extra response calls per day. Initially the increase in activity can be contained with the current staffing structure and the new staff rota will support this. However, with this service change and the plan to promote and market the service more widely this would require review after twelve months.

Revise Linkline service charges and uplifts in line with costs and inflation.

- 7.8. The weekly charges for Linkline are £5.64 for the Full Visiting Service and £3.55 for the Telephone On service. In the last twelve years the charge for the Full Visiting Service has increased by £1.75 and £1.87 for the Telephone On service. This is approximately 14 pence and 15 pence on average per year respectively over the last 12 years.
- 7.9. A benchmarking exercise has been carried out to see how Lewisham charges compare to those of other boroughs, direct comparisons can be problematic because services vary and the number of connections have an impact on charges. However, taking this into account the information shows that Lewisham Linkline charges are lower than many other boroughs, the gap being greater for the Telephone On service

- 7.10. A key aim of the proposals was to achieve greater parity in charges in different housing tenures. Housing providers are currently charged different rates, this is partly because there are different service offers, in many cases this is because charges do not reflect current costs which are based on legacy arrangements. Finally, people with a diagnosis of dementia currently receive a free service.
- 7.11. For customers in private rented housing and home owners, consultation was sought on increasing the weekly charge for the Full Visiting Response Service, Telephone On and in where it is provided as a combined service.

Linkline charges in schemes provided by social housing landlords – to consult and review charges with landlords

- 7.13. Linkline provides assistive technology to fourteen social housing landlords with schemes in Lewisham and in other boroughs, including charitable organisations and Registered Social Landlords. The service has been provided by Linkline for many years and contractual arrangements vary depending upon the type of scheme, location and service offer - visiting or response. In total there are 2,662 connections, there are more connections than people because a scheme will have several connections in communal areas that will require monitoring e.g. front door, laundry etc.

Linkline provide a service to the following housing providers:

<b>Table 1. Housing Provider</b>	<b>Customers</b>
Abbeyfield	6
Hexagon Housing Association	28
Christopher Boones Almshouses	41
Scotscare/ Royal Scottish Corp	45
Lewisham Parochial Charities	49
Affinity Sutton	61
Phoenix Community Housing	78
Hyde Housing	83
Corporation of London	90
Chislehurst & Sidcup	96
St Clement Danes Charity	110
London & Quadrant	132
Optivo (Amicus Horizon Housing Group Limited)	229
Lewisham Homes	1190
Total	2,238 *

*The number of connections varies from the number of people because there may be several connections in a single dwelling*

- 7.14. Linkline charges have increased in this sector since 2005. However, there remain differential charging arrangements with housing providers which can result in different charges to tenants, this is also a reflection of the organisational remit of that Landlord, for example, charitable status, Almshouse or Registered Housing Provider. Some Landlords add a maintenance charge on top of the Linkline charge.

7.15. The contract with housing providers gives a reliable and consistent income stream, this is because the Linkline charge is collected by the landlord along with the rent, with the exception of one scheme where 19 tenants pay Linkline directly. The proposal is that in future annual uplifts will be in line with inflation where Linkline is installed in social housing schemes.

#### Review the Service Offer for people with Dementia

7.16. Lewisham CCG provide a financial contribution of £95,000 per annum to provide assistive technology for people with a diagnosis of Dementia. The funding is used for the installation of standard and specialist equipment and provides a free monitoring service for people with dementia. The number of customers with dementia has steadily increased since this arrangement began six years ago. On the 1st October 2017 there were 456 people who received the service, this is a 135% increase since 2012.

7.17. The increase in numbers of customers with dementia who receive a free service has a significant financial impact on the service. At the end of 2016-17 the total cost of the monitoring charges were £125,792. Other significant costs for the dementia service are the purchase and installation of standard and specialist equipment. In 2016-17 an additional £54,164 was spent on the purchase, installation and maintenance of installed equipment. In 2016-17 this resulted in an overspend on the grant of £84,956 which has been covered by the Linkline budget.

7.18. With the current rate of increase it is predicted that by the end of 2017-18 there will be over 540 Linkline customers living with dementia. It was therefore necessary to consider how the service is delivered for people with dementia and to ensure that there is equity between people with different long term conditions

7.19. As part of the wider Linkline Review, Lewisham CCG agreed to analyse how this funding can be optimised giving consideration to new advances in technology that can help people with dementia to remain living in their own home in the community.

#### Proposal for annual charges to be increased in line with inflation across all tenures.

7.20. Since 2005 there have been periodic increases in Linkline charges, although not on an annual basis. Most recently, in 2017 the budget report set out an increase in the charge of 2.5%. The proposal is that in future uplifts will be annual and in line with inflation. The intention to increase Linkline charges will be set out as part of the annual budget setting process.

## **8. The Consultation process**

8.1. The consultation took place over a six week period from the 6th November 2017 until the 1st January 2018. Prior to this Healthier Communities were invited to comment on the proposals for consultation.

- 8.2. The consultation was in three parts:
- Directly with Linkline customers who may live in private rented housing, social housing tenants, home owners and people who live with their family.
  - With Social Housing Landlords who have a contract with Linkline to provide a service in their accommodation.
  - Review of how the CCG funding to support people with Dementia is utilised.
- 8.3. The consultation survey (appendix 1) was sent directly to 1,998 Linkline customers with a covering letter, freepost envelopes were provided to enable the return of completed surveys. A further reminder letter was sent out on the 27th November. The consultation questionnaire (appendix 1) was also available on the council website so that it could be completed online.
- 8.4. Five open access sessions for customers, relatives, carers and other stakeholders were offered at the Linkline Office in Ladywell. In addition there were 73 telephone enquiries.
- 8.5. Local voluntary and community organisations who were identified as having a specific interest in this consultation, including Age UK, Carers Lewisham, Positive Ageing Council, Mindcare and Voluntary Action Lewisham were invited to complete the online questionnaire.
- 8.6. During the consultation period Linkline managers met with eleven of the Social Housing landlords to review the current service offer. For the remaining three communication was by letter, email and telephone.

## **9. Consultation outcomes**

- 9.1. Of the 1,998 surveys sent directly to service users, 756 (38%) were returned. 52 were completed online and 704 were returned by post. This is considered to be a good response for a survey of this type. Only one customer attended the five open sessions that were held at the Linkline Office, although there were 73 telephone conversations with customers about the proposals. Three submissions were received from community and voluntary sector organisations.
- 9.2. Overall the outcome of the consultation indicated that Linkline customers tended to agree rather than disagree with the proposal to change the service model and more people agreed rather than disagreed to revising the charges to bring them in line with inflation and other service costs. Although respondents remarked on the level of the revised charge, this will be addressed later in the report.

## **10. Results of the survey – Background**

- 10.1. The majority of surveys (82%) were completed by Linkline customers, whilst 14% were completed by a family member or friend. Less than 2% were completed by an advocate.



10.2. 87% of people who completed the questionnaire receive a Full Visiting service, the remainder have a Telephone On service. 66% of respondents pay for the Linkline service. 60% of people who responded do not receive a package of care organised by the council.

10.3. The majority of respondents 54% are home owners, whilst 27% are tenants in social housing who purchase the Linkline service privately, 10% of respondents live in private rented accommodation and 4 % ticked the 'other' category, this included living in a housing co-op or living with family members.

10.4. 69% of people who answered said they felt confident that they had "local support available from family, friends or neighbours to respond to any call for help". 18% answered no and 12% that they didn't know.

10.5. In response to the question about how frequently customers use the service 46% said that they had not used the service in the last 12 months, 40% use it less than once a month, 5% weekly and only 10 people said that they used it on a daily basis.

10.6. In response to the question 'have Linkline staff visited you in response to an alarm, 192 people said that Linkline staff had visited them in the last 12 months, whilst 533 people said that they had not had a visit.

## 11. Responses to the proposed changes

### 11.1. Service Change

We asked "To what extent do you agree or disagree with the proposal to offer only one type of Linkline service (i.e. Full Visiting Service) to new customers "		
26% of people agreed with the proposal (15% strongly)	41% neither agreed nor disagreed	11% of people disagreed (5% strongly)

### Changes to the charges

11.2. The survey stated that for 2018/19 the proposed increase to the weekly charge for Linkline will be between the following ranges:

<b>Full Visiting Support</b>	An increase of between 75p and £2
<b>Telephone On</b>	An increase of between 50p and £1.50

11.3. Respondents were invited to comment using the free text boxes and this is captured in the table 2 below. 72 were positive remarks, compliments and people saying that they were happy to pay more for the service. 112 were comments about affordability and 13 people made comments about the appropriateness of the price increase.

We asked "To what extent do you agree or disagree with the proposal to revise Linkline charges on a yearly basis to bring them in line with inflation and other service costs"		
38% agreed to revising the charges (6% strongly)	36% neither agreeing nor disagreed	11% disagreed (6% strongly)

11.4. We asked if the proposed changes described in this consultation would stop the customer from using the Linkline service in the future. 73% of people who completed this survey answered the question with the majority 395 people responding no, nine people replied yes.

11.5. The Survey asked “If you will be affected by these proposed changes, is there anything that the Council could do to reduce any concerns that you might have “? There were a range of comments, including finding cuts elsewhere, keeping the costs down and providing the service free of charge.

## 12. Comments captured in the free text boxes

<b>Table 2.</b>	<b>Number</b>
<b><i>Comments on the proposed changes to charges</i></b>	
Positive remarks, compliments and happy to pay more	72
Affordability	112
Ensure increases are appropriate	13
Keep Telephone-On Service	4
Change to a charge per call-out	2
Should be free / government funded / NHS funded	6
Should be means tested	1
<b>Table 2 (continued)</b>	<b>Number</b>
<b><i>Comments on the changes – would it stop you using Linkline in the future</i></b>	
No	395
Yes	9
Positive remarks, compliments & happy to pay more	42
Affordability	80
No, I need the service, I rely on the service	67
<b><i>Comments on the way the Council could reduce concerns</i></b>	
Pay for it for me, it should be free	15
Reduce the charges	2
Find cuts elsewhere	2
Keep the cost and increases down	16
Get the government to find funding to help people	5
Make sure there is a thorough assessment of costs and charges	7
Affordability - Increases are not welcome	25
Stop targeting the people who need the service most	1
Keep us informed about the service - any changes, information about staff, etc...	2
Do not take away the service, we want reassurance this will not happen	13
Telephone-On service users would like to know how to transfer onto the Full Visiting Service	2

### General comments

General comments were captured using the free text boxes, here are some examples.

*“I think that Linkline is a brilliant service and I have always felt safe with my service that you have provided me, and thank you so very much. If I have to pay that bit extra for my brilliant service I am all for it”.*

*"I feel Linkline services need to help me continue to be safe in my home. I know if I need help at any time all I need to do is press a button and can't thank you enough for that".*

*"This service allows my mother to live independently, knowing that she can alert Linkline if any problems. A care package from the council would cost the social services considerably more".*

*"Great service for the people that need it. Worth every penny for peace of mind".*

*"The Linkline service is essential - it's worth the increased cost".*

*"This is a vital service for my elderly mother - without this round her neck she has falls. 1. If it had not been for Linkline she would have laid on cold floor with no help all night till the carer came in morning. 2. Plus recently got stuck on stair lift halfway upstairs needed rescue. Both me, her daughter, and son live outside of London".*

*"This service is a life saver and must not be taken away. I feel that I am not alone and someone is at the end of the line if I was to have a fall".*

*"The council saves a great deal of money by providing the service e.g. the emergency services, without Linkline they will be called out more often. Hospital admission is reduced".*

*"If the increases in cost mean that more old and vulnerable people come off the service, then the increased cost of care packages may mean that no savings are made".*

### **13. Consultation with Social Housing Providers**

13.1. During the consultation period the Service Manager met with eleven social housing landlords to discuss the service provided by Linkline, the current pricing model and plans for the future, for a further three this was discussed over the phone, by letter and by email.

13.2. Overall the feedback from Landlords was positive, all were happy with the local service and the value of the local, personal and responsive service that can prevent admissions to hospital and help tenants remain independent. The majority confirmed that they wanted to continue with the current service but with some changes to the number of connections.

13.3. Some Landlords in response to the developing market and advancements in the sector generally were planning changes. One provider is reviewing how they use assistive technology across their organisation, another was planning on changing the service provision so was unlikely to recommission in the same way from 2018/19. One landlord had requested a quote to take over additional services for out of hours telephone monitoring. Finally, one of the Social Housing Landlords was interested in purchasing holiday visiting cover.

13.4. Following a review of the unit costs it is proposed that the new charges for 2018-19 are as follows:

<b>Table 3.</b>	
<b>Service Offer</b>	<b>Charge</b>
Telephone On Service (TOS)	£3.88 per week per connection
Out of Hours Full Visiting Service (OOHFVS)	£4.64 per week per connection
Full Visiting Support (FVS )	£5.81 per week per connection

13.5. The Social Housing Providers currently pay different rates for the Linkline service. This is based on historical funding, subsidy and contractual arrangements. The new charges will therefore have a differential impact on each of those providers and some, but not all of those providers may pass that cost onto the tenant. The current weekly charge ranges from 64 pence to £5.64. In percentage terms the range is a 3% to over 600% increase.

#### **14. Review of the service offer for people with dementia**

14.1. For reasons outlined in para. 7.4 above the way that the CCG's financial contribution is utilised to support people living with dementia required revaluation.

14.2. Lewisham CCG have considered the legacy funding arrangements and have identified that a process of further detailed assessment, evaluation and consideration of the new advances in technology is required to ensure that funding is optimised to support people with dementia. It is proposed that this work will be taken forward jointly by the CCG and Council in consultation with Linkline customers and other stakeholders.

#### **15. Response to the Consultation**

15.1. This section considers areas of specific concern by each proposal and sets out officers' responses and assurances about what actions will be put in place so as to meet or minimise those concerns.

##### Proposal to have one service offer – Full Visiting Service for new customers

15.2. Overall more people agreed rather than disagreed with the proposal to only offer the Full Visiting Service to customers. 26% of people agreed with the proposal, 15% strongly agreed with the proposal and 41% neither agreed nor disagreed. However, people did comment that they were very happy with their Telephone On service, particularly as it was a cheaper option.

15.3. In response to this question, 11% of people disagreed and 5% strongly disagreed with one significant concern being raised more than once. This was that the Telephone On service would no longer be available to people who did speak English.

15.4. "Please keep the Telephone On service as it is very useful for families who have an elderly relative who does not speak English"

- 15.5. Existing customers can be reassured that the Telephone On service will continue to be provided in the same way, although this is a valid point for future customers who do not speak English or may have other communication difficulties. This is of particular relevance as the service is aiming to increase the diversity in ethnic background of their customers.
- 15.6. It is possible to minimise the impact of this happening by ensuring that a relative or friend of the customer is identified and able to support communication between the customer and the Linkline staff, this does already happen in certain circumstances.
- 15.7. During the consultation some customers have chosen to move from the Telephone On service to Full Visiting Support as this will provide more help.
- 15.8. Some comments were made on the impact of the service change for future service users and this was linked to the higher cost of the Full Visiting Service. This will be addressed below.
- 15.9. Increase Linkline service charges and implement annual uplifts in line with costs and inflation for people who live in their own home, private rented accommodation or social housing tenants who pay for their service independently.
- 15.10. A key aim of the proposal was to achieve greater parity in charges for people living in different housing tenures. In the last twelve years the charge for the Full Visiting Service has increased by £1.75 and £1.87 for the telephone on service. This is approximately 14 pence and 15 pence on average per year respectively over the last 12 years.
- 15.11. For customers in private rented housing, home owners and people who purchase Linkline independently feedback was sought on increasing the weekly charges and a range of between 75 pence and £2 for Full Visiting Support and 50 pence and £1.50 for Telephone Only.
- 15.12. The majority of respondents, 38% agreed to revising the charges with 36% neither agreeing nor disagreeing. 11% of respondents disagreed with the proposal and 6% strongly disagreed.
- 15.13. Although more people agreed rather than disagreed to increasing the charge it is clear from the comments that people were very concerned about affordability and the level of the increase. Comments included.
- 15.14. *“People who live in Social Housing don’t necessarily have less money than other tenures”* Several people pointed out that home owners and people living in private rented accommodation had a very limited income.
- 15.15. Respondents suggested ways to save money, Stop making ‘happy birthday calls’. These are calls that are made annually to test the line, usually made on the customer’s birthday.

- 15.16. *“If people don’t press the alarm then can this been taken into account in the charging”*
- 15.17. A local Voluntary Organisation made the point that for *“40% of people the current cost is not affordable”*, the higher level that is proposed is *“unaffordable”* and wanted to highlight concerns about poverty for older people in Lewisham.
- 15.18. More generally some people remarked that if the increase was too high, they would not be able to pay, they would have to cut back on an already limited budget or that their family might have to help out. However, for some respondents their family were already paying the bill. For people who already pay for their own care, any additional price increases will have a significant impact.
- 15.19. Once person observed that *“People are paying for social care as part of council tax, and they have to pay for this on top of this”*.
- 15.20. Comments about how the impact can be minimised included *“it should be free”*, *“find cuts elsewhere”*, ensuring that there is a thorough assessment of costs and charges and seeking reassurance that the service will not be taken away.
- 15.21. However, despite these comments, 395 people said that the changes would not stop them from using the service and 9 people responded that it would.
- 15.22. The results of consultation provide a picture of customers who are more likely to be women, over 80, do not have care organised by the council, receive Full Visiting Support, own their own home and pay for their service. This group are also less likely to make calls to Linkline. If the increase in charge was implemented at the higher end of the range it would disproportionately affect this group.
- 15.23. As a result of the review and after considering the feedback from the consultation it is proposed that there will be a price increase but that this will be limited to 17 pence for Full Visiting Support and 33 pence for Telephone On, please see table 4 below.
- 15.24. Although the proposed increase is minimal it may still cause some worry for Linkline customers. To minimise this happening support can be provided with further advice and signposting. For example, to Lewisham SAIL Connections who can refer people for advice around money, debt, home maintenance and the ‘warm’ homes advice including support accessing grants for home owners.
- 15.25. In addition, some people may receive a free service if they have been assessed under the Charging and Financial Assessment Framework to pay a nil charge. For people who are being discharged from hospital Linkline is already provided free for a period of up to six weeks to help people retain their independence.
- 15.26. The results of the consultation highlighted that customers wanted to be reassured that any future increases would be proportionate and based

on a regular review of the costs and to be updated on how the money is spent, with the aim to keep costs down wherever possible.

<b>Table 4 Proposed Increase in charges for 2018/19</b>			
<b>Service Type</b>	<b>Charge 17/18</b>	<b>Proposed 18/19</b>	<b>Increase in pence</b>
Full Visiting Support	£5.64	£5.81	17 pence
Telephone On	£3.55	£3.88	33 pence
Full Visiting Support (Out of Hours)	n/a	£4.64	

To increase Linkline charges in schemes provided by social housing landlords

15.27. Based on the review of the services, analysis of calls and out of hours arrangements it is proposed that the new charges for 2018/19 are as follows:

- £3.88 for Telephone On Service.
- £4.64 for the Out of Hours Full Visiting Support.
- £5.81 for the Full Visiting Support.

15.28. Each Landlord has been notified individually about the proposed charges for 2018/19. Some have confirmed that they would like to vary their service agreement with Linkline and one provider is currently conducting a wider review of this type of provision across their organisation. Therefore, individual arrangements will vary and potentially change in the future, particularly if Landlords choose to purchase technology enabled care from the private market.

15.29. It is recognised that the potential impact of the price increase is likely to be significant for many of the Landlords. Some, but not all will pass this increase onto their tenants.

15.30. One Registered Provider made representation that the charges will be incurred by tenants because Housing Benefit does not cover support. They are concerned that the increase will have a significant impact on their tenants and their financial wellbeing. As a result they have requested a staggered increase over a period of years.

15.31. Continuing with the present level of charging is not sustainable in the long term, this approach is also inequitable as people are paying different rates depending upon where they live. To mitigate the impact of the price increase it is proposed that there should be a phased period of implementations that will take into account the varying organisational and contractual factors. The phased increase in charges will be implemented by Linkline officers.

Review the Service Offer for people with Dementia

15.32. With the current rate of increase it is predicted that by the end of 2017-18 there will be over 540 Linkline customers living with dementia. There was, therefore a pressing need to review the way the service

offer for people with dementia is delivered and to ensure that there is equity between people with different long term conditions.

15.33. Lewisham CCG have considered the legacy funding arrangements and have identified that a process of further detailed assessment, evaluation and consideration of the new advances in technology is required to ensure that funding is optimised to support people with dementia.

15.34. It is proposed that this work will be taken forward jointly by the CCG and Council in consultation with Linkline customers and other stakeholders to be completed by December 2018.

## **16. Financial Implications**

16.1. This report describes the outcome of a consultation exercise with users of the Linkline service and recommends a series of changes to the service and to the charge to users.

16.2. Likely financial outcomes would be as shown below. The figures assume that the number of service users who are assessed to pay nothing or a percentage of the charge would remain constant.

16.3. The proposed increase in the weekly charge to individuals from £5.64 to £5.81 would yield an extra £8,700 p.a.

16.4. The proposed increase in the weekly charge for Telephone On service would yield an extra £2,900 p.a.

16.5. Phasing out the Telephone On service would, over time, yield an extra £5k p.a. assuming all Telephone On users were replaced by Full Visiting Service users

16.6. Increasing charges to all the housing providers listed in the report to the rates quoted in para would generate an extra £400k p.a. though it is likely that this would be phased in over a number of years.

16.7. These increases would achieve savings agreed by the Council as part of the 2017/18 budget process.

## **17. Legal Implications**

17.1. Previously, the provision of Linkline services to members of the community requiring or requesting the service, was made available through diverse statutory routes, not all of which required Social Care assessment. As the service has developed, and with the introduction of the Care Act 2014, and the preventative support requirements it brings to the provision of services, the framework for the provision of the service out with a housing support service and also as part of the service of supported housing, has made it necessary to streamline and clarify the charging structure.



- 17.2. Local Authorities have duties and powers to charge for both Social Care and Housing services and should apply charging policies in a transparent and equitable manner. Any changes to such policies should be subject to adequate consultation, with information being provided so as to facilitate informed and timely response.
- 17.3. The Mayor will note the consultation process, outcomes and results of the survey as set out at paragraphs 8, 9 and 10 of this report. The Mayor is specifically referred to the responses to the consultation reported at paragraph 15 and will also note officers' responses and assurances about suggested actions to meet or minimise concerns raised during the consultation exercise.
- 17.4. In considering this report the Mayor must have regard to the consultation exercise undertaken by officers. The Mayor must consider the outcomes of that consultation with an open mind before arriving at any decisions as recommended in this report.

## **18. Equalities Legislation**

- 18.1. The Equality Act 2010 (the Act) introduced a public sector equality duty (the equality duty or the duty). It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 18.2. In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
  - advance equality of opportunity between people who share a protected characteristic and those who do not.
  - foster good relations between people who share a protected characteristic and those who do not.
- 18.3. It is not an absolute requirement to eliminate unlawful discrimination, harassment, victimisation or other prohibited conduct, or to promote equality of opportunity or foster good relations between persons who share a protected characteristic and those who do not. It is a duty to have due regard to the need to achieve the goals listed in the paragraph above.
- 18.4. The weight to be attached to the duty will be dependent on the nature of the decision and the circumstances in which it is made. This is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. The Mayor must understand the impact or likely impact of the decision on those with protected characteristics who are potentially affected by the decision. The extent of the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.
- 18.5. The Equality and Human Rights Commission has issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled "Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice". The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to

Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at:

<https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-codes-practice>

<https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-technical-guidance>

18.6. The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:

- [The essential guide to the public sector equality duty](#)
- [Meeting the equality duty in policy and decision-making](#)
- [Engagement and the equality duty: A guide for public authorities](#)
- [Objectives and the equality duty. A guide for public authorities](#)
- [Equality Information and the Equality Duty: A Guide for Public Authorities](#)

18.7. The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at:

<https://www.equalityhumanrights.com/en/advice-and-guidance/public-sector-equality-duty-guidance#h1>

## **19. Environmental Implications**

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

## **20. Equalities Implication**

20.1. An Equalities Analysis Assessment (EAA) has been completed (Appendix2). This identifies that the groups directly affected by these proposals are predominately older women with a disability or health condition. This reflects the purpose for this service, which is to support people who may be frail or have a health condition and of the gender mix of this population. The Linkline service will be required to monitor the impact of these changes on their customers on a regular basis (if these proposals are implemented) and to develop a plan of action to mitigate any negative impact.

20.2. The Linkline service supports people who may be vulnerable due to age or disability to live independently in the community, we would therefore expect the profile of customers to be older than in the general population.

The majority of customers are over the age of 60, 35% of Linkline customers are between the ages of 60 and 80, 38% are aged 80 – 100 and 17 people are aged over 100. 55% of Linkline customers are women.

- 20.3. Fewer than 30% of customers report as having black and ethnic minority heritage compared with 46 % of Lewisham residents in the 2015 census. This might be expected given the demographics of the borough and the pattern of the ageing population. However, this profile is likely to change in future years and the service will need to develop with this in mind.
- 20.4. A key aspect of the consultation is to improve equity between customers who live in the private sector and customers living in housing provided by Social Housing Landlords.

## **21. Equalities - results of the Survey**

- 21.1. The survey in the consultation has helped us capture further equalities information, to help assess if the proposed changes will have a disproportionate impact on specific groups.
- 21.2. The majority 47% of those people who responded to the survey are 85 plus, 19% are between 80 and 84. 108 people who answered the survey were under 70 years of age. 68% of respondents were women.
- 21.3. The majority of respondents who answered the survey identified as being English/Welsh/Scottish/Northern Irish/British whilst the second largest group being Caribbean 12%, the third largest group being any other Black/African/Caribbean background 3%, Irish 3%, followed by any other white” 2% and African 1%.
- 21.4. 73% of people who completed the survey considered themselves to have a disability, 36% having a physical impairment such as “difficulty using your arms or mobility issues which means using a wheelchair or crutches”.
- 21.5. 24% of people have a long standing illness or health condition such as cancer, HIV, diabetes, chronic heart disease or epilepsy, 20% have a sensory impairment, such as being blind, having a serious visual impairment or being deaf having a serious hearing impairment. 8% have a mental health condition and 1% had a learning disability.
- 21.6. The information that has been gathered as part of this consultation exercise will be used in the development of the service, with particular focus on how people can be better supported with their disability or health condition. To increase the diversity within the service it is proposed that the service will put in place a plan of action to market and promote the service more widely. Linkline will be required to monitor this data on an ongoing basis.

## **22. Crime Reduction Implications**

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

## **23. Conclusions**

23.1. This report informs Mayor and Cabinet of the outcome of the consultation on the proposed changes to the Lewisham Linkline Service and seeks agreement to the recommendations outlined in this report.

### **Appendix Y6a.**

Survey Questionnaire

### **Appendix Y6b.**

Consultation Survey

### **Appendix Y6c**

Savings Proforma A18

### **Report Author**

Fiona Kirkman, Prevention and Early Action Lead, Whole System Model of Care 0208 314 9626

### **Background Papers**

Report: Consultation on the proposed changes to the Linkline Community Alarm Service HCSC 1<sup>st</sup> November 2017



## **Linkline Telecare Service Consultation**

# **Information and questionnaire**

## What is this consultation about?

The amount of money that Lewisham Council is being given by the Government is going down. At the same time, the number of people needing our support is increasing. This puts a big pressure on services such as Adult Social Care at a time where there is less money to spend.

Mayor and Cabinet is therefore considering a range of savings proposals about Adult Social Care, including the Linkline Telecare Service.

The Linkline service is also looking to become more efficient, with better support, through investment in new technology and equipment.

This consultation gives you the chance to share your views about the proposal to offer just one type of Linkline service to new users and also the proposal to revise Linkline charges on a yearly basis for all service users. It is very important that we hear from you and we welcome any comments you would like to make.

Please note that this particular questionnaire is for Linkline customers who are either home owners or live in private rented housing, or for any social housing tenants that receive a bill directly from the Council for their Linkline service.

Service users that live in residential housing schemes or who are social housing tenants (billed for their Linkline service by someone other than the Council e.g. as a service charge on their rent statement) will be consulted separately through their landlord regarding any proposed changes to their charges.

The closing date for this consultation is **Monday 1st January 2018**.

## How can I take part in the consultation?

Please complete this paper copy of the questionnaire and return it to us in the envelope provided. Postage has already been paid, so you do not need to attach a stamp.

If you would prefer to complete this questionnaire online then you can do so at the following link:

[https://lewisham-consult.objective.co.uk/public/community\\_services/aac/linkline](https://lewisham-consult.objective.co.uk/public/community_services/aac/linkline)

If you need this consultation in a different format (e.g. large print or Easy Read) or require support in a language other than English, then you can also contact us.

### Contact details are as follows:

Email - [linkline@lewisham.gov.uk](mailto:linkline@lewisham.gov.uk)

Telephone - 020 8314 3141

If you need help in completing this consultation, family and friends are likely to be the best and easiest source of support. Independent advocacy is also available through Healthwatch Lewisham and Bromley. Healthwatch's Involvement Officer, Peter Todd, can be contacted on [petert@healthwatch.co.uk](mailto:petert@healthwatch.co.uk) or by calling 020 8315 1916. This service is available from Monday to Friday between 9am and 5pm.

We will also be holding a series of drop-in sessions which you are invited to attend. These provide you with the opportunity to speak directly with Linkline staff about these proposed changes. Details of these drop-in sessions are as follows:

- Monday 20/11/2017 (6pm – 7pm)
- Tuesday 21/11/2017 (2pm – 3pm)

- Thursday 23/11/2017 (2pm – 3pm)
- Monday 27/11/2017 (2pm – 3pm)
- Thursday 30/11/2017 (6pm – 7pm)

Venue: Roseview 122 Marsala Road, Ladywell SE13 7AF.

Please note that access to this building is restricted so please ensure you **confirm your attendance in advance** by emailing [linkline@lewisham.gov.uk](mailto:linkline@lewisham.gov.uk) or calling on 020 8314 3141.



## What is Linkline?

The Linkline Telecare Service provides an emergency response service 24 hours a day, 365 days a year to anyone who feels vulnerable or at risk.

The Linkline service includes a home telephone unit and an emergency button, which can be fixed or worn as a pendant. When the button is pressed or activated by a telecare sensor an alert is raised at the control centre. Appropriate action is then taken by staff at the control centre. This may be to contact relatives or friends, to call the emergency services or for the Linkline staff to respond by visiting the customer at home.

Many older people living alone and younger people with disabilities rely on this service to live independently within the community. Additional sensors can be added to the basic alarm package to protect against environmental hazards, for example fire, flooding and the threat of intruders. These sensors are available to people who have had a social work or occupational therapy assessment.

Linkline responders are also increasingly being called out to help people up from the floor after a fall, which is known as assisted lifting. This service avoids the need for a hospital visit in most instances.

## What are the proposed changes?

Please note that this particular questionnaire is for Linkline customers who are either home owners or live in private rented housing, or for any social housing tenants that receive a bill directly from the Council for their Linkline service.

The following two proposed changes to the Linkline service are currently being consulted upon:

### **PROPOSED CHANGE ONE: To offer one type of Linkline service to all new customers**

#### What do we do now?

Currently there are two types of service offered by Linkline:

The **Full Visiting Service** is where the Linkline Service holds a spare set of keys to your home. In the event that your alarm is activated, Linkline staff will visit your home to provide you with assistance.

The **Telephone On Service** is where the Linkline Service has a list of telephone numbers for your family and friends. In the event that your alarm is activated, Linkline staff will contact your designated relative or friend who will then respond.

More than three-quarters (78%) of existing service users receive a Full Visiting Service, with less than a quarter receiving the Telephone On Service.

#### What are we proposing to do in the future?

The Telephone On Service was established to provide choice for those who have family and friends living locally that could be depended upon in an emergency. However, the number of people who have reliable local support has reduced and demand for the Telephone On Service has fallen by 16 per cent over the last year.

For some people with increasing frailty there is an advantage in having a responsive Full Visiting Service that can provide help in an emergency, such as a fall. This may also allow the individual to remain at home rather than visit the hospital unnecessarily, supporting our aim of providing a more preventative and wrap-around service.

Therefore, the proposal is to stop offering the Telephone On Service for all new service users going forward and only provide a Full Visiting Service.

If you are already using the Telephone On Service then you WILL NOT be affected by this proposed change. Your service will continue as normal, though you are welcome to change to the Full Visiting Service if this better meets your needs.

**PROPOSED CHANGE TWO: To revise the Linkline charges on a yearly basis in line with inflation and other service costs**

What do we do now?

For those customers who are either home owners, live in private rented housing, or are social housing tenants billed directly by the Council for their Linkline service, the charges are £5.64 per week for the Full Visiting Service and £3.55 per week for the Telephone On Service. These current charges fall short of the actual costs of providing the service.

Since 2005 there have been increases to the charge for the Linkline services but these changes have not occurred on an annual basis. In the last 12 years, the charge for the Full Visiting Service has increased by £1.75 and the charge for the Telephone On Service has increased by £1.87.

Please note that for those service users with a diagnosis of dementia, Linkline should be provided free of charge. However, we are currently working with Lewisham Clinical Commissioning Group to review the service offer for people with dementia.

What are we proposing to do in the future?

Going forward the proposal is that charges for Linkline services will be revised on a yearly basis in line with inflation and other service costs. This is to ensure that the service is not operating at a deficit and that investment in new technology and equipment offers a better level of support in the future.

Any increases to Linkline charges will be identified as part of the Council's annual budget setting process.

For 2018-19, the proposed increases to the weekly charge for Linkline services will fall between the following ranges:

- **Full Visiting Service** – increase of between £0.75p and £2.00p per week.
- **Telephone On Service** – increase of between £0.50p and £1.50p per week.

These proposed changes will impact ALL existing and new service users that either own their own homes, live in private rented housing or are social housing tenants that receive a bill directly from the Council for their Linkline service.

Service users that live in residential housing schemes or who are social housing tenants (billed for their Linkline service by someone other than the Council e.g. as a service charge on their rent statement) will be consulted separately through their landlord regarding any proposed changes to their charges.

## The questionnaire

What follows is a series of questions about the proposed changes that have been described on the previous page of this consultation. You do not have to answer all of these questions, only those that you feel are relevant or of interest to you.

### Are you:

*(please select all that apply)*

- A Linkline service user
- A friend or family member of a Linkline service user
- An advocate for a Linkline service user
- Other  
(please specify).....

### Do you currently receive a package of care organised by the Council?

*(please select one answer)*

- Yes
- No

### Which of the following best describes you?

*(please select one answer)*

- I am a home owner
- I am a tenant in private rented housing
- I am a tenant in social housing
- I live in a residential housing scheme (e.g. extra care or sheltered housing)
- Other (please specify).....

### Do you use either of the following Linkline services?

*(please select all that apply)*

	Yes	No
<b>Full Visiting Service</b> (Linkline staff visit me in response to my alarm)	<input type="checkbox"/>	<input type="checkbox"/>
<b>Telephone On Service</b> (Family or friends visit me in response to my alarm)	<input type="checkbox"/>	<input type="checkbox"/>

*Note: Only answer the next question if you currently use Linkline's Telephone On Service:*

**Do you feel confident that you have local support available from family, friends or neighbours to respond to any call for help?**

*(please select one answer)*

- Yes
- No
- Don't know

**Do you currently pay for your Linkline service?**

*(please select one answer)*

- Yes
- No

**Over the last 12 months, how frequently have you used the Linkline service?**

*(please select one answer)*

- Daily
- Weekly
- Monthly
- Less frequently than monthly
- I have not used the service in the last 12 months

**In the last 12 months have Linkline staff visited you in your home in response to an alarm?**

*(please select one answer)*

- Yes
- No

**To what extent do you agree or disagree with the proposal to offer only one type of Linkline service (i.e. Full Visiting Service) to new customers?**

*(please select one answer)*

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

**To what extent do you agree or disagree with the proposal to revise Linkline charges on a yearly basis to bring them in line with inflation and other service costs?**

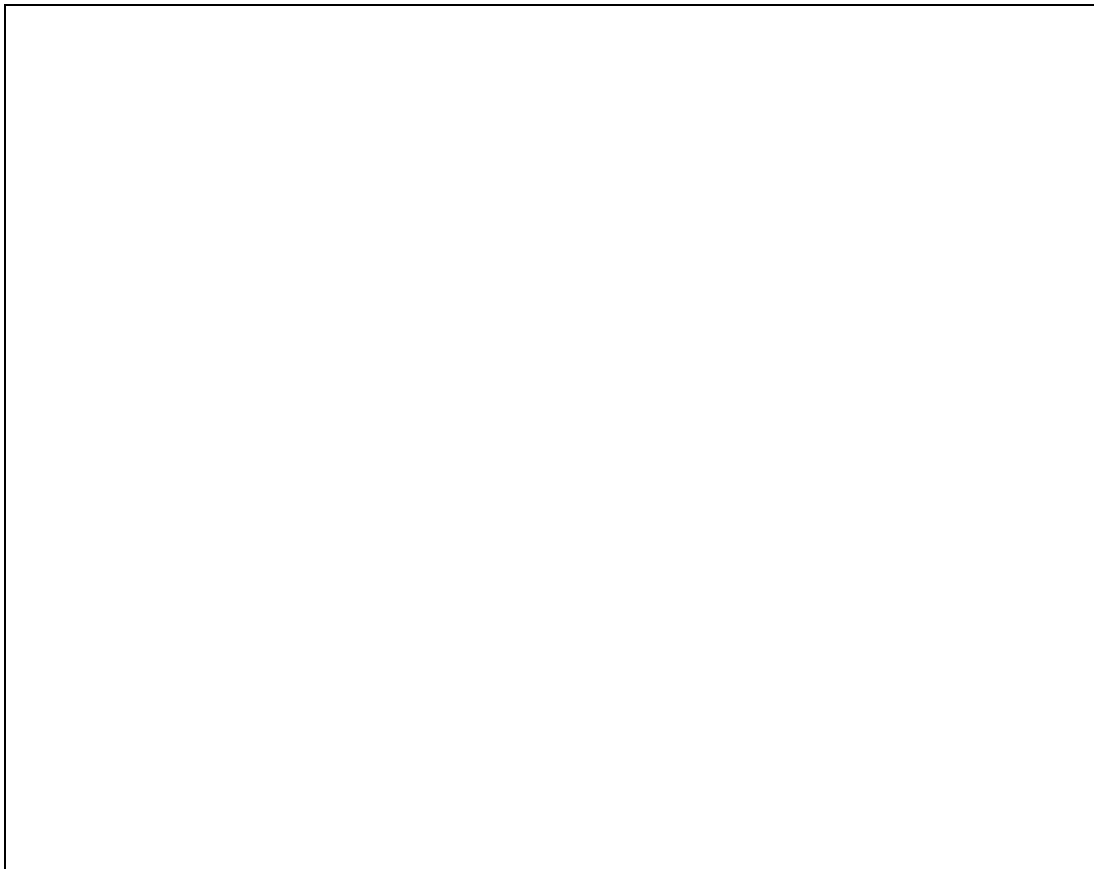
*(please select one answer)*

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

For 2018-19, the proposed increases to the weekly charge for Linkline services will fall between the following ranges:

- Full Visiting Service – increase of between £0.75p and £2.00p per week.
- Telephone On Service – increase of between £0.50p and £1.50p per week.

**Do you have any comments about the proposed changes to Linkline charges for 2018-19?**





**Would the proposed changes described in this consultation stop you from using the Linkline Service in the future?**



**If you will be affected by these proposed changes, is there anything that the Council could do to reduce any concerns that you might have?**

A large, empty rectangular box with a thin black border, intended for the user to provide their response to the question above.

## About you

The following monitoring questions help us to be fair and inclusive in the work that we do. All questions on the form are **voluntary** and you do not have to answer them.

The information that you do provide helps us to understand who is sharing their views and influencing our decision-making. It also helps us to ensure that nobody is discriminated against unlawfully.

Any information that you do choose to provide on this form will be treated confidentially in accordance with the Data Protection Act 1998.

<b>Age</b> Please select your age group	<input type="checkbox"/> Under 18	<input type="checkbox"/> 55-59
	<input type="checkbox"/> 18-24	<input type="checkbox"/> 60-64
	<input type="checkbox"/> 25-29	<input type="checkbox"/> 65-69
	<input type="checkbox"/> 30-34	<input type="checkbox"/> 70-74
	<input type="checkbox"/> 35-39	<input type="checkbox"/> 75-79
	<input type="checkbox"/> 40-44	<input type="checkbox"/> 80-84
	<input type="checkbox"/> 45-49	<input type="checkbox"/> 85+
	<input type="checkbox"/> 50-54	<input type="checkbox"/> Prefer not to say

<b>Disability</b> Under the Equality Act 2010 a person is considered to have a disability if they have a physical or mental impairment which has a sustained and long-term adverse effect on their ability to carry out normal day to day activities.	
<b>Do you consider yourself to be a disabled person?</b>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Prefer not to say
<b>Please state the type of impairment that applies to you.</b> People may experience more than one type of impairment, in which case you may indicate more than one.	
<input type="checkbox"/> Physical impairment, such as difficulty using your arms or mobility issues which means using a wheelchair or crutches	
<input type="checkbox"/> Sensory impairment, such as being blind/ having a serious visual impairment or being deaf/ having a serious hearing impairment	
<input type="checkbox"/> Mental health condition, such as depression or schizophrenia	
<input type="checkbox"/> Learning disability/difficulty, such as Down's Syndrome or dyslexia or cognitive impairment, such as autistic spectrum disorder	
<input type="checkbox"/> Long-standing illness or health condition such as cancer, HIV, diabetes, chronic heart disease or epilepsy	
<input type="checkbox"/> Other (please specify)	

<b>Ethnicity</b> What is your ethnic group?	White	<input type="checkbox"/> English / Welsh / Scottish / Northern Irish / British
		<input type="checkbox"/> Irish
		<input type="checkbox"/> Gypsy or Irish Traveller
		<input type="checkbox"/> Any other White background (write in) .....
	Mixed / multiple ethnic groups	<input type="checkbox"/> White and Black Caribbean
		<input type="checkbox"/> White and Black African
		<input type="checkbox"/> White and Asian
		<input type="checkbox"/> Any other mixed / multiple ethnic background (write in) .....
	Asian / Asian British	<input type="checkbox"/> Indian
		<input type="checkbox"/> Pakistani
		<input type="checkbox"/> Bangladeshi
		<input type="checkbox"/> Chinese
		<input type="checkbox"/> Any other Asian background (write in) .....
	Black / African / Caribbean / Black British	<input type="checkbox"/> African
		<input type="checkbox"/> Caribbean
		<input type="checkbox"/> Any other Black / African / Caribbean background (write in) .....
	Other ethnic group	<input type="checkbox"/> Arab
<input type="checkbox"/> Any other ethnic group (write in) .....		
	<input type="checkbox"/> Prefer not to say	

<b>Gender</b> Are you:	<input type="checkbox"/> Male
	<input type="checkbox"/> Female
	<input type="checkbox"/> Prefer not to say
	<input type="checkbox"/> Gay / lesbian
	<input type="checkbox"/> Bisexual
	<input type="checkbox"/> Other (write in)
	<input type="checkbox"/> Prefer not to say

## Thank you

Thank you for taking the time to share your views with us, it is greatly appreciated. The results of this consultation will be reported back to Healthier Communities Select Committee in January 2018 and Mayor and Cabinet in February 2018. A summary report will be made available on our website. You may also request a copy by emailing [michele.oliver@lewisham.gov.uk](mailto:michele.oliver@lewisham.gov.uk)

This page is intentionally left blank

# APPENDICES Y6b to Z5 2018/19 BUDGET REPORT

## Appendix Y6b

### Equalities Analysis Assessment

#### 1. Introduction

- 1.1 Lewisham Council has worked to increase choice, rights and inclusion for people with social care needs in line with government policy and legislation. This has been achieved through a range of approaches including the introduction of personal budgets and the redesign of services such as Linkline.
- 1.2 Lewisham currently provides a Community Alarm service twenty four hours a day, 365 days a year to people who may be vulnerable or at risk. The proposal that were subject to consultation were:
  - To provide one level of service, Full Visiting Service for all new customers.
  - To increase Linkline charges in line with costs and inflation where Linkline is provided to people who are private rented tenants, home owners, live with family and for social housing tenants who arrange to have Linkline independently. The Proposed charge is £5.81 for Full Visiting Support and £3.88 for the Telephone On service. This is an increase of 17 pence for Full Visiting Support and 33 pence per week for Telephone On service users.
  - In future, charges to be increased in line with inflation across all sectors annually.
- 1.3 The Linkline service have separate arrangements with fourteen social housing landlords to provide call monitoring and response services in their schemes. As part of this consultation Linkline have been conducting a review of these arrangements.
- 1.4 The people who will be affected by these proposals are:
  - All new customers who will receive the Full Visiting Support Service and live in private rented accommodation, home owners, with family members and people who live in social housing and purchase Linkline independently of their Landlord.
  - Existing and future service users will be affected by the proposal to increase the charges.
- 1.5 This Equalities Impact Assessment (EIA) has been undertaken to identify the impact of the proposed changes on the protected characteristics. The Linkline service does not currently routinely collect data on all the protected characteristics. It is recommended that this data is collected by the service as part of the assessment process in future. This EAA will focus on age, gender, ethnicity and disability.
- 1.6 The EIA determines the likely implications of the changes and assesses whether or not the changes will disadvantage some groups or individuals more than others. The EIA addressed the following questions:

- Could the proposed changes affect some groups differently?
  - Would the proposed changes disproportionately affect some groups more than others?
  - Would the proposed changes promote equal opportunities?
- 1.7 The consultation took place over a six week period from the 6<sup>th</sup> November 2017 until the 1<sup>st</sup> January 2018.
- 1.8 The consultation survey (appendix 1) was sent directly to 1,998 Linkline customers with a covering letter, freepost envelopes were provided to enable the return of completed surveys. A further reminder letter was sent out on the 27<sup>th</sup> November. The consultation questionnaire (appendix 1) was also available on the council website so that it could be completed online.
- 1.9 Five open access sessions for customers, relatives, carers and other stakeholders were offered at the Linkline Office in Ladywell. In addition there were 73 telephone enquiries.
- 1.10 Local voluntary and community organisations who were identified as having a specific interest in this consultation, including Age UK, Carers Lewisham, Positive Ageing Council, Mindcare and Voluntary Action Lewisham were invited to complete the online questionnaire.
- 1.11 During the consultation period Linkline managers met with eleven of the Social Housing landlords to review the current service offer. For the remaining three communication was by letter, email and telephone.

## **2. Assessment of Impact**

- 2.1 Consideration has been given to the likely impact of the proposals to stop providing the Telephone On service for all new customers and the proposal to increase the weekly charge by each protected characteristic highlighting where there may be specific implications and how any potential adverse impact may be mitigated against.

## **3. Age**

- 3.1 The aim of the service is to support older people and younger people with a disability to live independently in the community, therefore the nature of the service means that older people are likely to be over represented as customers and so be disproportionately affected by the proposals. The majority of Linkline customers are over the age of 60 and 38% of customers are over 80.
- 3.2 The age profile of people who responded to the survey was older than that of all customers. 47% were over 85 and 19% of respondents were between the ages of 80 and 84.
- 3.3 Current recipients of Telephone On customers will not be affected by this proposal as this service will continue for all existing Telephone On customers. However, it will affect new older customers because the weekly charge for the visiting service is higher.
- 3.4 To mitigate against this change and the increase in the weekly charge support will be provided with additional advice and signposting. For example, to Lewisham SAIL Connections who can refer people to



advice on money, debt, home maintenance and the warm homes advice including support accessing grants for home owners. The consultation highlighted that although customers tend to agree with the proposals affordability is a concern for older people.

- 3.5 In addition, some people may receive a free service if they have been assessed under the Charging and Financial Assessment Framework to pay a nil charge. For people who are being discharged from hospital Linkline is already provided free for a period of up to six weeks to help people retain their independence.
- 3.6 If these proposals are implemented the Linkline service will be required to monitor their impact on the number of referrals and take up of the service and of existing customers who cease to have the service.

<b>Table 1</b>	
<b>Age Profile: customer profile</b>	
Under 60	27%
60 – 80	35%
80 plus	38%

#### **4. Gender**

- 4.1 Women make up the majority of Linkline customers and this reflects the demographics of an older population, due to life expectancy disparity from the age of 80 plus. The impact of service changes will therefore affect more women than men.

<b>Table 2</b>	
<b>Gender: customer profile</b>	
Women	55%
Men	35%
Not disclosed	10%

#### **5. Disability**

- 5.1 The proposals will disproportionately impact on people with a disability or health condition because the nature of the service is to support people who are more likely to be vulnerable due to health conditions associated with ageing.
- 5.2 3% of people who completed the survey considered themselves to have a disability, 36% having a physical impairment such as difficulty using their arms or mobility issues using a wheelchair or crutches. 24% of people have a long standing illness or health condition such as cancer, HIV, diabetes, chronic heart disease or epilepsy, 20% have a sensory impairment and 8% have a learning disability.
- 5.3 The information that has been gathered as part of this consultation exercise will be used in the development of the service, with particular focus on how people can be better supported with their disability or health condition using new technology.

<b>Table 3</b>	
<b>Do you consider yourself to be a disabled person?</b>	
Yes	73%

No	21%
Did not say	4%

## 6. Ethnicity

- 6.1 Linkline service data shows that fewer than 30% of customers reported as having black and ethnic minority heritage compared with 46 % of Lewisham residents in the 2015 census. This might be expected given the demographics of the borough and cultural familial arrangements. However, this profile is likely to change in future years and the service will need to develop with this in mind, for example promote the service with groups that are currently under represented.
- 6.2 The majority of respondents who answered the survey identified as being English/Welsh/Scottish/Northern Irish/British whilst the second largest group being Caribbean – 12% followed by any other Black/African/Caribbean background 3%, Irish, 3% followed by any other White 2% and African 1%. The full breakdown is provided below.
- 6.3 The change from the Telephone On service to the Full Visiting Service might impact disproportionately on people who do not speak English. This is because currently when an alarm call is made Linkline will contact a designated person who will be able to communicate with the customer (in Telephone on Services). To mitigate against this risk during the assessment the service will identify a named contact for new customers who do not have English as their first language.

English/welsh/Scottish/Northern Irish/British	71%
Irish	3.8 %
Gypsy or Irish Traveller	0
Any other white background	2.5 %
White and Asian	0.5 %
White and Black African	0.2 %
White and Black Caribbean	0.5 %
Any other mixed/multiple ethnic background	0.4 %
Chinese	0
Bangladeshi	0
Pakistani	0.4 %
Indian	0.2 %
Any other Asian Background	0.7 %
African	1.5 %
Caribbean	12.7%
Any other Black/African/Caribbean background	3%
Arab	0.14 %
Other ethnic Group	0.85 %
I'd rather not say	1.9 %

## 7. Conclusion

- 7.1 This analysis identifies that the groups directly affected by these proposals are predominately older women with a disability or health conditions. This reflects the purpose of this service, which is to support people who may be frail or have a health condition and of the gender mix of this population.

- 7.2 The Linkline service will be required to monitor the impact of these changes on their customers on a regular basis (if these proposals are implemented) and to develop a plan of action to mitigate any negative impact.

## Appendix Y6c: Saving Proposal A18

1. Savings proposal	
Proposal title:	Widening the scope of charging for social care services
Reference:	A18

<b>1. Savings proposal</b>	
<b>LFP work strand:</b>	Smarter & deeper integration of social care & health
<b>Directorate:</b>	Community Services
<b>Head of Service:</b>	Joan Hutton
<b>Service/Team area:</b>	Adult Social Care
<b>Cabinet portfolio:</b>	Health, Wellbeing and Older People
<b>Scrutiny Cttee(s):</b>	Healthier Communities

<b>2. Decision Route</b>			
<b>Saving proposed:</b>	<b>Key Decision Yes / No</b>	<b>Public Consultation Yes / No</b>	<b>Staff Consultation Yes / No</b>
a) £200k by removing subsidy and/or increasing charges	No	Yes	No
b) £300k by improving income collection performance	No	No	No

<b>3. Description of service area and proposal</b>
<b>Description of the service area (functions and activities) being reviewed:</b>
<p>The Council charges for most of the adult social care services it provides, with actual charges raised based on the service user's financial circumstances. There are some services, however, which are currently provided free to the service user and some where the charge is lower than the full cost of the service. This proposal is to consult on bringing most of the remaining services into the scope of charging and to charge the full cost of the service rather than a subsidised rate. Service users with income and capital below national thresholds would continue to receive services free.</p> <p>In 2015/16 Lewisham Adult Social Care supported 3,013 Services Users to live independently in their own homes, and a further 1,742 carers. Approx 66% of the non-carer service uses are charged. The proposed changes would potentially increase charges for up to 300 of these individuals. Additionally, up to 200 self-funders would also be charged.</p>
<b>Saving proposal</b>
<p>The specific proposals are :</p> <p>A – £200k remove subsidy and/or increase charges            To remove the current subsidy for day care meals;            To charge for arrangement fees for self-funders;            To increase the charges for day care meals;            To increase the charges for Linkline/Community Alarm Service.            To introduce means-tested charges for carers services            To amend the non-residential charging policy to reflect DH guidance rather than the existing policy of Income Support + 25%</p> <p>B – £300k improve income collection performance            Improve procedures - We will undertake a review of our income collection to ensure that it is robust and equitable. In conjunction with this a review project will be set up to look at our current collection process and the people who are not currently paying the invoices for their care.</p>

<b>4. Impact and risks of proposal</b>
<b>Outline impact to service users, partners, other Council services and staff:</b>

4. Impact and risks of proposal
An EAA was completed in February 2015 regarding increasing charging for a range of adult Social Care services. As the proposal is to further charge and remove subsidies for such services, the overall assessment is that the saving proposals will have an adverse impact across the following equality groups: age; gender and disability.
Outline risks associated with proposal and mitigating actions:
Saving could be overestimated. Values will only be clear once we have reassessed needs and financial assessments are carried out.
Carers may disengage, indirectly increasing costs of care to Council.

5. Financial information					
Controllable budget: General Fund (GF)	Spend £'000	Income £'000	Net Budget £'000		
	0	(9,666)	(9,666)		
Saving proposed:	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000	
a) £200k by removing subsidy and/or increasing charges	200	0	0	<b>200</b>	
b) £300k by improving income collection performance	300	0	0	<b>300</b>	
Total	<b>500</b>	<b>0</b>	<b>0</b>	<b>500</b>	
% of Net Budget	5%	0%	0%	<b>5%</b>	
Does proposal impact on: Yes / No	General Fund	DSG	HRA	Health	
	Yes	No	No	No	

6. Alignment to Lewisham 2020 priorities		
Main priority	Second priority	Lewisham 2020 priorities A. Strengthening community input B. Sharing services C. Digitisation D. Income generating E. Demand management
D	E	
Level of impact on main priority – High / Medium / Low	Level of impact on second priority – High / Medium / Low	
Medium	Low	

7. Impact on Corporate priorities		
Main priority	Second priority	Corporate priorities 1. Community leadership and empowerment 2. Young people's achievement and involvement 3. Clean, green and liveable 4. Safety, security and a visible presence 5. Strengthening the local economy 6. Decent homes for all 7. Protection of children 8. Caring for adults and the older people
8	9	
Impact on main priority – Positive / Neutral / Negative	Impact on second priority – Positive / Neutral / Negative	
Negative	Negative	
Level of impact on main priority – High / Medium / Low	Level of impact on second priority – High / Medium / Low	

7. Impact on Corporate priorities		
Medium	Low	9. Active, healthy citizens 10. Inspiring efficiency, effectiveness and equity

8. Ward impact	
Geographical impact by ward:	No specific impact / Specific impact in one or more
	No specific impact
	If impacting one or more wards specifically – which?

9. Service equalities impact			
Expected impact on service equalities for users – High / Medium / Low or N/A			
Ethnicity:	Medium	Pregnancy / Maternity:	N/A
Gender:	Low	Marriage & Civil Partnerships:	N/A
Age:	High	Sexual orientation:	N/A
Disability:	High	Gender reassignment:	N/A
Religion / Belief:	N/A	Overall:	Medium
For any High impact service equality areas please explain why and what mitigations are proposed:			
The users of these services are vulnerable adults, usually on low incomes. Any increase in charges will reduce the disposable income of some clients although the buffer of 25% will continue to provide a level of protection to those on the lowest incomes. Financial assessments will continue to include a benefits check and continue to take account of housing costs and costs associated with a disability.			
Is a full service equalities impact assessment required: Yes / No			Yes

10. Human Resources impact	
Will this saving proposal have an impact on employees: Yes / No	No

11. Legal implications
State any specific legal implications relating to this proposal:

12. Summary timetable	
Outline timetable for main steps to be completed re decision and implementation of proposal – e.g. proposal, scrutiny, consultation (public/staff), decision, transition work (contracts, re-organisation etc..), implementation:	
Month	Activity
July 2016	Proposals prepared ( <b>this template and supporting papers – e.g. draft public consultation</b> )
August / September 2016	Proposals submitted to Healthier Community 13 <sup>th</sup> August 2016. Proposals submitted to Scrutiny committees leading to M&C on 28 September 12 weeks Consultation starting end of September
October 2016	Consultations ongoing
November 2016	Consultation ongoing
December 2016	31 <sup>st</sup> December 2016 Consultation closes.
January 2017	Results of consultation reported to members for consultation
February 2017	Consultations returned to Scrutiny for review leading to M&C
March 2017	Review of Services Users needs in line with outcomes of consultation

## 12. Summary timetable

April 2017

Savings implemented

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

Period	Bank Rate	PWLB Borrowing Rates % (including certainty rate adjustment of 20 basis points)		
		5 year	25 year	50 year
	%			
Dec 2017	0.50	1.50	2.80	2.50
Mar 2018	0.50	1.60	2.90	2.60
Jun 2018	0.50	1.60	3.00	2.70
Sep 2018	0.50	1.70	3.00	2.80
Dec 2018	0.50	1.80	3.10	2.90
Mar 2019	0.75	1.80	3.10	2.90
Jun 2019	0.75	1.90	3.20	3.00
Sep 2019	0.75	1.90	3.20	3.00
Dec 2019	0.75	2.00	3.30	3.10
Mar 2020	1.00	2.10	3.40	3.20
Jun 2020	1.00	2.10	3.50	3.30
Sep 2020	1.00	2.20	3.50	3.30
Dec 2020	1.25	2.30	3.60	3.40
Mar 2021	1.25	2.30	3.60	3.40



## APPENDIX Z2: Economic Background

### Global Outlook

**World growth** looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, **inflation prospects are generally muted** and it is particularly notable that **wage inflation** has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this. The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as the start of the **fourth industrial revolution**.

**KEY RISKS - central bank monetary policy measures.** Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that the period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding

their holdings of QE debt purchases will be over several years. They need to balance their timing to avoid squashing economic recovery by taking too rapid and too strong action, or, alternatively, letting inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the **low level of productivity growth**, which may be the main driver for increases in wages; and **decreasing consumer disposable income**, which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether **an inflation target for central banks of 2%** is now realistic given the shift down in inflation pressures from internally generated inflation (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a **lower inflation target of 1%** to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a **shift UP in the inflation target to 3%** in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should **target financial market stability**. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that **other non-financial asset prices**, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has been disappointingly weak**; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the **manufacturing sector** which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the **Monetary Policy Committee, (MPC), meeting of 14 September 2017** managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.0% in both September and October so that might prove now to be the peak.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that **the amount of spare capacity in the economy was significantly diminishing** towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At Its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If

this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the **contradiction within the Bank of England** between action in 2016 and in 2017 **by two of its committees**. After the shock result of the EU referendum, the **Monetary Policy Committee (MPC)** voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the **Financial Policy Committee (FPC)** of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25-34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that **some consumers may have over extended their borrowing** and have become complacent about interest rates going up after the Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

### **Eurozone**

Economic growth in the Eurozone (EZ), (the UK's biggest trading partner), had been lacklustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.0% y/y), 0.7% in quarter 2 (2.3% y/y) and +0.6% in quarter 3 (2.5% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in October inflation was 1.4%. It is therefore unlikely to start on an upswing in

rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

## **USA**

Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.0%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and three increases since December 2016; and there could be one more rate rise in 2017, which would then lift the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its \$4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

## **China**

Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

## **Japan**

Japan has been struggling to stimulate consistent significant growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

## **Brexit timetable and process**

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.

- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

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

**Annual Investment Strategy:** The key requirements of both the Code and the investment guidance are to set an annual Investment Strategy, as part of its annual Treasury Management Strategy for the following year, covering the identification and approval of following:

- The Strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

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

1. The UK Government, such as the Debt Management Account Deposit Facility (DMADF), UK Treasury bills or a gilt with less than one year to maturity.
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating (AAA) by a credit rating agency.
5. A body that is considered of a high credit quality (such as a bank or building society).

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

**Non-Specified Investments:** These are any investments which do not meet the specified investment criteria. The Council does not currently invest in non-specified investments, although provision has been made in the Strategy to invest in in pooled asset funds for periods of over one year should the relevant opportunity arise, including UK or European Residential Mortgage Backed Securities (RMBS) The Council will seek guidance on the status of any fund it may consider using, and appropriate due diligence will also be undertaken before investment of this type is undertaken.

The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and

Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

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

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

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

	<b>Minimum credit criteria / colour band</b>	<b>Max % of total investments/ £ limit per institution</b>	<b>Max. maturity period</b>
DMADF – UK Government	N/A	100%	6 months
UK Government gilts	UK sovereign rating	£20m	1 year
UK Government Treasury bills	UK sovereign rating	£60m	6 months
Money Market Funds - CNAV	AAA	£30m	Liquid
Money Market Funds - LNAV	AAA	£30m	Liquid
Money Market Funds - VNAV	AAA	£30m	Liquid
Local authorities	N/A	£10m	1 year
Term deposits with banks and building societies	Yellow*	£30m	Up to 2 years
	Purple	£25m	Up to 2 years
	Blue	£40m	Up to 1 year
	Orange	£25m	Up to 1 year
	Red	£20m	Up to 6 Months
	Green	£15m	Up to 100 days
	No Colour	0	Not for use
CDs or corporate bonds with banks and building societies	Blue	£40m	Up to 1 year
	Orange	£25m	Up to 1 year
	Red	£20m	Up to 6 Months
	Green	£15m	Up to 100 days
	No Colour	0	Not for use
Call accounts and notice accounts	Yellow*	£30m	Liquid
	Purple	£25m	
	Blue	£40m	
	Orange	£25m	
	Red	£20m	



	Green No Colour	£15m 0	
Pooled asset funds		£50m	At least 5 years

\*for UK Government debt, or its equivalent, Constant Net Asset Value (CNAV) money market funds and collateralised deposits where the collateral is UK Government debt.

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

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

## **APPENDIX Z4: Approved Countries for Investments**

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

### AAA

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

### AA+

- Finland
- USA

### AA

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

### AA-

- Belgium
- Qatar

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

### **Treasury Management Scheme of Delegation**

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

- budget consideration and approval;
- approval of annual Treasury Management Strategy;
- approval of/amendments to the organisation's Treasury Management policy statement.

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

- receiving and reviewing reports on Treasury Management policies, practices and activities.

### **The Treasury Management Role of the Section 151 Officer**

#### **The S151 (responsible) officer has responsibility for:**

- recommending Treasury Management policies for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular Treasury Management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the Treasury Management function;
- ensuring the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the Treasury Management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- approval of the division of responsibilities;
- approving the organisation's Treasury Management practices;

This page is intentionally left blank

Public Accounts Select Committee		
Title	Select Committee work programme 2017-18	
Contributor	Scrutiny Manager	Item 5
Class	Part 1 (open)	6 February 2018

## 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.
- give consideration to the report at **Appendix D**, which sets out the policy and legislative programme of the newly elected government.

## 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 21 March 2018:

Agenda item	Review type	Link to corporate priority	Priority
Income generation and commercialisation update	Performance monitoring	Inspiring efficiency, effectiveness and equity	High
Management report	Performance monitoring	Inspiring efficiency, effectiveness and equity	Medium
Financial forecasts 2017-18	Performance monitoring	Inspiring efficiency, effectiveness and equity	High
Asset management update	Performance monitoring	Inspiring efficiency, effectiveness and equity	Medium
Audit panel update	Performance monitoring	Inspiring efficiency, effectiveness and equity	Low

## 6. Financial implications

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

## 7. Legal implications

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

## 8. Equalities implications

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

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

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act

- advance equality of opportunity between people who share a protected characteristic and those who do not.
- foster good relations between people who share a protected characteristic and those who do not.

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

### **Background documents**

Lewisham Council's Constitution

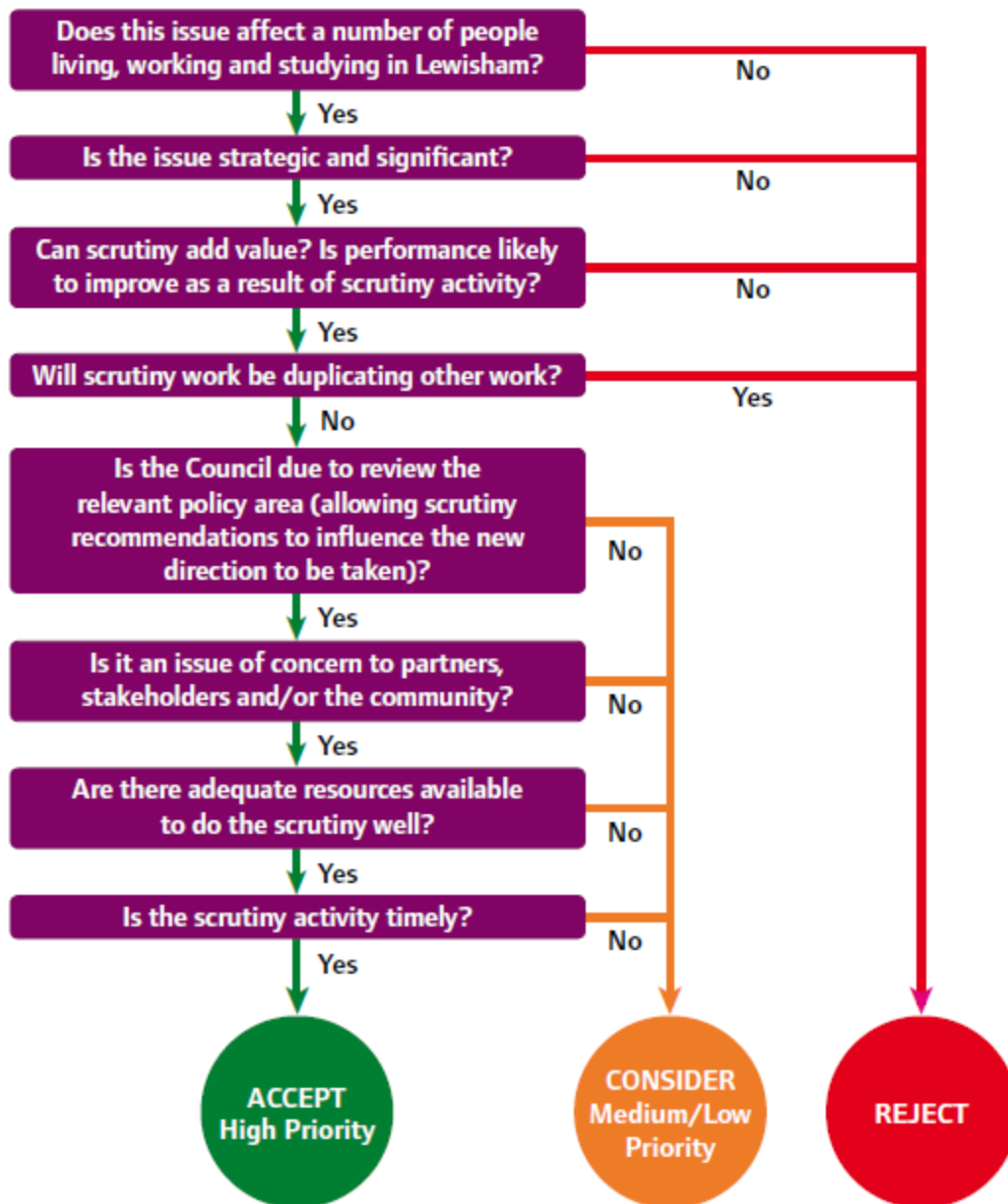
### **Appendices**

Appendix A – Scrutiny work programme – prioritisation process

Appendix B – 2017-18 committee work plan

Appendix C – the Council's most recent forward plan of key decisions is available online here: <https://tinyurl.com/y7omf8vc>

## Scrutiny work programme – prioritisation process





**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			
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	Mar								
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	Jul								
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								
Cost pressures in adult and children's social care	Performance monitoring	High	CP10	Sep								
Communicating the Council's budget position	Policy development	High	CP10	Sep								
Household budgets review	Rapid review	High	CP10	Feb								
Private finance initiatives	Standard item	Medium	CP10	Dec								
Annual complaints report	Performance monitoring	Low	CP10	Dec								
Asset management update	Performance monitoring	Medium	CP10	Mar								
Annual budget 2018/19	Standard item	High	CP10	Feb								
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