APPENDIX W1: Capital Strategy 2024/25

Capital Strategy

1.1. The Council's Capital strategy and priorities drive the Proposed Capital Programme set out in this section of the report. The Capital Strategy & suggested Capital Programme consider Capital requirements beyond the current MTFS period.

1.2. The purpose of the Capital Strategy is to drive the authority's capital investment ambition whilst also ensuring appropriate capital expenditure, capital financing and treasury management within the context of the sustainable, long-term delivery of services. The Capital Strategy supports the Corporate Plan, which sets out the Council's ambitions and how we will achieve them. The Capital Strategy in turn is informed by a range of strategic Council documents, which include the Infrastructure Delivery Plan to the Draft Local Plan, the Asset Management Strategy, the Housing Strategy, and the Climate Emergency Action Plan.

1.3. The Capital programme's ability to respond to the Council's strategic objectives will require prioritisation of funding and financing, supported by robust business cases. The Capital Strategy will seek to ensure that the Capital Programme is optimised to ensure alignment of spend to address pressures on General Fund revenue resource. This will also require a prioritisation of the use of grant, s106 and Strategic Community Infrastructure Levy where appropriate.

1.4. The narrative below sets out key considerations for the Council's capital programme beyond the MTFS period. Similarly to the Capital Strategy, the HRA section of the Capital Programme is determined by the HRA business plan. This is detailed in Section 11 of this report.

Asset Base:

1.5. The Council owns a diverse range of land and property assets that make an important and positive contribution to the borough. These are mainly used in the delivery of day-to-day council services and housing, while others are held for investment or future regeneration opportunities, or as contributors of value to the provision of public services. Altogether, the Council's fixed asset base, made up of property, plant and equipment, is currently valued at £2.844billion of which £1.475billion are housing assets.

1.6. The property asset base is generally accounted for in two core areas: Housing Revenue Accounts (HRA) or housing portfolio and General Fund (GF) or non-housing portfolio. There are approximately 19,800 individually tenanted units within the HRA portfolio and 870 assets in the General Fund or non-housing portfolio. This is in addition to approximately 1900 garage units across the portfolio.

1.7. The non-housing portfolio includes assets mainly used to deliver the Council's civic functions (offices, libraries, depot, hostels etc), help discharge statutory obligations (e.g., schools), generate revenue income stream (retail units, light industrial sites etc) and help deliver specific corporate objectives. These assets are held and accounted for by the various services and directorates using them.

1.8. In addition to the land and property assets, the Council is also responsible for managing and maintaining 392km of public road network. The Council's responsibilities include ensuring highway assets are compliant, fit for purpose and fulfil their functions in an efficient and sustainable manner.

1.9. The asset base is a major resource that is integral to the Council's Corporate Strategy objectives and the delivery of services. To that end, work is ongoing to develop a cross directorate Asset Management Strategy (AMS) to provide a framework for the effective use and management of the Council's property assets. The framework will support the Council in achieving the key priorities set out in the Corporate Strategy 2022-26 by providing a structure and understanding of what role the Council's property portfolio can play. It is intended to be an agile framework to support future service needs, whilst ensuring that priorities for investment, maintenance or rationalisation of assets are identified.

1.10. Amongst other things, the strategy aims to:

- ensure property and land assets support the borough's Corporate Strategy 2022-2026.
- Provide greater understanding of the Council's asset base, its challenges and opportunities.
- to create a strategic framework for asset management to enable sound decision-making about the future use of Council assets.
- to ensure Council assets are fit for purpose, compliant, low or zero-carbon and accessible.
- to maximise income opportunities and reduce financial liability of Council assets.
- to adopt a One Public Estate approach to ensure wider use of the public sector estate for public good.
- provide context and support decisions about prioritising capital investment and development of a Capital Strategy.
- to support decision-making about investment and disposal of Council land and property, to rationalise the estate and deliver Council priorities and services.
- to support the Council in ensuring sufficient land to deliver housing and supported housing programmes.
- to support economic growth and regeneration across Lewisham.

1.11. In parallel to the development of the strategy, is ongoing work on the delivery of a Corporate Estate Maintenance Programme (CEMP) which seeks to invest in and maintain the Council's operational asset base to support longer asset life, improve efficiency and energy performance, increase safety and compliance, reduce repair costs and reduce interruptions to critical operations due to building or equipment failure. This programme is in response to a 2019 asset condition survey of the operational estate. A new condition survey will be undertaken in 2025/26 to capture a more detailed understanding of the condition of all assets including operating cost over a 10-year period for both building fabric and mechanical and electrical components.

1.12. The CEMP is also closely aligned with the Asset Review process which looks to identify prioritised opportunities for better utilisation of the Council's assets, land supply for housing development and to enable service transformation. This is necessary because, as the requirements of the Council evolve, there will undoubtedly be significant opportunities to rationalise land and property as improvements in service design and delivery are realised. Rationalisation may also give rise to opportunities for disposal and generation of capital receipts for reinvestment in the capital programme and furtherance of other Council objectives.

1.13. The Council's asset base is in need of transformation and rationalisation to ensure it is fit purpose and support the effective and efficient delivery of services. This transformation will occur during this Capital Strategy period and it likely to require a level of investment in the Council's assets that exceeds that which is currently allowed for in the budget Capital programme. Much of this investment is likely to need to be focussed on the Council's civic campus in Catford, where there remains an ambition to realise a new facility mix as part of the town centre framework. As yet, the Council has not made a decision on the delivery mechanism for this. The estimated capital programme, set out below, recognises that there is not yet a Council adopted delivery strategy for its civic assets but does recognise the existing asset base to require life cycle investment over the strategy period.

Placemaking and Town Centre Regeneration:

1.14. The ambition proposed in the Catford Town Centre Framework is expected to be delivered over the next 20 years or so. The council has procured advice to support the review of delivery options for the council's landholdings within the Framework area. This work is highlighting a number of additional workstreams it would be prudent for the council to undertake, including further work on the proposed public sector campus which includes new council and civic offices.

1.15. The delivery of the Framework will create requirements for additional Council financial capacity, including land assembly, managing of the outstanding CRPL debt, meeting the costs of new civic accommodation and the resourcing and consultancy costs to support the chosen delivery route. The value of these asks will be dependent on the delivery route which the council chooses to take in due course. As the programme will likely be 20 years or so, many of these costs will sit beyond the current MTFS period, however, it is expected that resource and consultancy costs of c.£2m will be required in the next few years to support delivery.

1.16. The Council's town centre framework sets ambitious objectives for the delivery of affordable housing and civic provision, which present viability challenges in current market conditions. Therefore, there is a risk that the delivery of the framework ambition has implications limits the Council's ability to recover the current loan to CRPL. There are outstanding land assembly challenges to the delivery of the framework objectives. These impacts are not assumed within the Council's current budget and will be the subject of separate Mayor and Cabinet consideration as the Catford delivery business case is further developed.

1.17. The realignment of the A205 and improvements form part of the existing capital programme and the majority funding is anticipated to come from Department for Transport's Major Road Network fund, for which TfL are currently progressing a business case application. However, the road realignment creates significant open space in the town centre which will be owned by the Council. An interim scheme will be delivered shortly after the closure of the existing A205 which has an estimated cost of c.£2.5m.

Further funding will need to be identified to cover these costs. A further permanent scheme will be delivered following the completion of the Civic Suite and Laurence House sites. High level estimates show further capital expenditure of £4.5m would be required. It is expected this would be funded through s106 contributions.

Housing Development:

1.18. The Council's Housing development programme has been significantly impacted by cost inflation, increases in the cost of borrowing and supply side constraints over the recent period. As a result, the capacity for continued delivery will be driven by HRA capacity and the investment needs of the existing housing stock. Therefore, alternative delivery approaches and additional funding sources will continue to be explored. As will opportunities to diversify delivery approaches, using grant fund and land to create new capacity that is less reliant on HRA capital capacity. This approach will continue to need to reflect market conditions.

1.19. Delivery of the existing programme of new builds and acquisitions will support HRA revenue realisation and the ability to provide decant capacity for any stock that reaches end of life.

1.20. Wider considerations for future new housing delivery are set out in the HRA business plan.

Net Zero Carbon:

1.21. Lewisham Council published a Climate Emergency Action Plan in 2020 setting out plans to deliver on the ambition for the borough to be net zero by 2030. This Action Plan was informed by a consultancy study (Aether 2019) identifying the actions required to achieve net zero in Lewisham, which calculated a requirement for an additional £1.6bn expenditure up to 2030. This estimate is caveated in that many of the technical solutions remain undefined or under-developed and therefore cannot be reliably costed. In addition, since 2019 construction and other costs have increased significantly. It is therefore likely that this estimate of £1.6bn is a considerable under-estimate. London Councils Climate Programme Implementation Plan (2023) identified a cost of £49bn to retrofit all of London's 3.8 million properties to EPC B. Nationally the Office for Budget Responsibility has estimated it will cost the UK £1.4tn by 2050 to eliminate all domestically produced greenhouse gases, or 0.6% of GDP per year (£417b by 2050) once the financial benefits to households are factored in.

1.22. Local authorities have no capacity to meet these costs, and Lewisham Council has made no commitment to deliver net zero regardless of cost or be the funder of last resort where mechanisms do not currently exist. The Council is working with partners regionally and nationally to call for more investment from the public and private sector and in addition Lewisham is seeking to find creative solutions to unlock funding opportunities including government grants, new investment models to attract external finance, the climate action investment fund and other opportunities.

1.23. Although the Council does not have responsibility for meeting the additional costs of decarbonisation, responding to the ambition for the borough to be net zero carbon has the potential to achieve a range of benefits alongside decarbonisation, such as reduced operational costs through reduced energy consumption, improved performance of buildings for staff and service users, the creation of local economic opportunities and reduced pressures on the public sector through improved health outcomes.

1.24. There are a wide range of emission sources in the borough, and for the large part, the Council's role is to work in partnership to influence and encourage action. However, the Council is directly responsible for around 15% of the scope 1 and 2 emissions as measured by the Government's local emissions data, with the sources of this being corporate buildings, schools, fleet, and the housing owned and managed by the Council. The total capital cost of decarbonising each of these sources is extensive and subject to ongoing work to develop clearer costs, business cases and funding models. The forthcoming revisions to the Climate Emergency Action Plan commit the Council to developing a costed plan for each source. All current external funding requires significant contributions of match funding and without dedicated support from the Council's own capital programme there will be a growing gap between the stated ambition of net zero by 2030 and the Council's ability to translate that into operational action.

Estimated Capital Programme 2024/25 to 2033/34

1.25. The below table shows a current best estimate for the Capital Programme over the MTFS period & for the 5-year period beyond this. Note that the estimated budget values for the current MTFS period differ from those in the Proposed Capital Programme 2024/25 to 2027/28 in E4. This is because the below table includes pipeline schemes as well as schemes using anticipated, but not yet confirmed, funding such as the Schools Minor Works Programme and the Highways & Bridges – TfL schemes.

Table W1.1: Capital Programme 2024/25 to 2033/34

	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 - 2033/34 Budget	Total Budget
	£m	£m	£m	£m	£m	£m	£m
GF:							
Resources							
ICT - Tech Refresh	0.6	0.0	0.0	0.0	0.0	0.0	0.6
Total Resources	**0.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.6**
Community							
Safer Communities	0.2	0.0	0.0	0.0	0.0	0.0	0.2
Parks, Sports, and Leisure	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Beckenham Place Park (Inc. Eastern Part)	0.4	0.0	0.0	0.0	0.0	0.0	0.4
LUF Programme - Cultural Hub	2.7	4.8	0.2	0.0	0.0	0.0	7.7
Total Community	**3.4**	**4.8**	**0.2**	**0.0**	**0.0**	**0.0**	**8.4**
CYP							
CYP - Other	0.3	0.0	0.0	0.0	0.0	0.0	0.3
Education Services - School Places Programme	4.6	3.8	10.2	11.0	0.0	0.0	29.6
Education Services - School Minor Works Programme	3.2	4.0	4.1	4.1	4.2	21	40.6

Children's Social Care	0.3	0.0	0.0	0.0	0.0	0.0	0.3
Families, Quality and Commissioning - Youth Service	0.7	0.0	0.0	0.0	0.0	0.0	0.7
Total CYP	**9.1**	**7.8**	**14.3**	**15.1**	**4.2**	**21.0**	**71.5**
Place							
Highways & Bridges – TfL	1.0	1.0	1.0	1.0	1.0	5.0	10.0
Highways & Bridges – LBL	1.6	2.5	2.5	2.5	2.5	12.5	24.1
Asset Management Programme	3.8	1.3	0.5	0.5	0.5	2.5	9.1
Corporate Estates Maintenance Programme	2.8	1.5	1.7	1.9	3.6	16.5	28.0
Strategic Regeneration - Lewisham Gateway	2.7	0.0	0.0	0.0	0.0	0.0	2.7
Strategic Regeneration - Catford Programme	11.4	3.0	3.3	0.7	1.8	2.5	22.7
Planning	0.2	0.0	0.0	0.0	0.0	0.0	0.2
Public Realm	0.1	0.1	0.1	0.0	0.0	0.0	0.3
Climate Resilience	0.2	0.0	0.0	0.0	0.0	0.0	0.2
LUF Programme - Public Realm	8.8	6.4	0.0	0.0	0.0	0.0	15.2
Total Place	**32.6**	**15.8**	**9.1**	**6.6**	**9.4**	**39.0**	**112.5**
Housing							
General Fund Housing	48.1	35.7	3.3	7.3	0.0	0.0	94.4
Housing Services	3.1	3.7	3.9	1.2	0.0	0.0	11.9
Total Housing	**51.2**	**39.4**	**7.2**	**8.5**	**0.0**	**0.0**	**106.3**
Total GF	**96.9**	**67.8**	**30.8**	**30.2**	**13.6**	**60.0**	**299.3**
HRA:							
Building for Lewisham Programme - HRA	22.3	84.0	118.0	49.5	16.4	87.1	377.3
HRA Capital Programme (Inc. Decent Homes)	82.5	66.5	51.4	54.6	58.9	232.7	546.7
Housing Management System	0.5	0.4	0.0	0.0	0.0	0.0	0.9
Aids & Adaptions	0.5	0.5	0.5	0.5	0.5	2.5	5.0
HRA Allowances for Buybacks & Brockley PFI	6.9	3.1	3.2	0.0	0.0	0.0	13.2
Total HRA	**112.7**	**154.6**	**173.1**	**104.5**	**75.9**	**322.3**	**943.1**
Total Capital Programme	**209.6**	**222.4**	**203.9**	**134.7**	**89.5**	**382.3**	**1,242.4**

APPENDIX X1: Brockley Residents Feedback and Queries Relating to the Rent and Service Charges Proposed Increase for 2024/25

1 Meeting held at St Andrew's Church, 2nd November 2023.

Resident Feedback/Queries and Responses*:*

1.	(TK) How is the cost of the garages distributed in terms of repairs to these garages? (SS) Lewisham has a pot for repairing garages. (TK) within the current Section 20 Rydon asked for a contribution from leaseholders for garages.
2.	(AF) The water bill is now more expensive than when it was paid to the council.
	(SS) The water company has taken back the responsibility to collect charges from Lewisham Council, you now have a direct link to them and can challenge the difference with your water suppliers.
	(SRus) The council had an arrangement to collect on behalf of the water board. The water board now collects directly. The council has no influence towards water prices.
	(AF) Concerned about paying the water and other bills from Universal Credit (SRus) Explained the council does not have control. Certain elements of Service Charge qualify under certain benefits. If you think you've been over charged, you can challenge the Water Board (SS) Pinnacle have provided welfare officers to help with support and guide individuals. Advised to make contact. Some parts of Service Charge can be paid by UC. Income recovery team is responsible for the collection of Charges for Leaseholders and Tenants, they are available to talk issues through. Tuesday's and Wednesday's there is surgery at Brockley which anyone can make a booking to discuss money issues by emailing Brockley.customerservice@pinnaclegroup.co.uk
3.	(SR) Is the increase only for the estimated bill? (SS) yes, adding the RPI, it gives an idea how much items go up for the coming year. You will be charged on the Estimates, this is then adjusted in the Actuals. The Actual is the bill regardless of inflation. (SR) The Service Charge increases of RPI +1% are above inflation increases. (SR) Is the 9.9 % negotiable? (SS) The rate is in line with inflation, this is what it will cost for the new financial year. It is not negotiable.
4.	(TR) The contract goes up by RPI+ X which gives a higher percentage therefore we keep it at just +1% to make the increase. When the RPI is higher on the Service Charge account, we try to minimise the deficit. No control over RPI, its fixed until the contract finishes.
5.	(MB) After rubbish collection, some items are left on the floor where the job appears incomplete by the bin men. (SRus) Suggested reporting it on the website. Fly-tipping is an offence, residents can contact 101 or log the issue on 'Love Lewisham' website

6.	(ET) Lewisham tenants fund is charged 15p, the charge goes into a fund to encourage the formation of TRA's who can then apply for grants each year, for equipment/training etc.. It is managed by a board of Directors and is a registered controlled company. There is training for Chairs, Treasurers etc.. Sam can help with setting up TRA's.
7.	I don't feel these charges are justified when there are no means of communicating with Lewisham Council officers, councillors or contractors and there are systemic problems with "appealing and substandard" work.
8.	This is the second consecutive year in which Pinnacle is imposing an almost double digit percentage increase (9.9%) on the cost of the service charge. This will place additional pressures on household finances during the cost of living crisis, and also, when many leaseholders are facing bills of (literally) thousands of pounds to contribute towards Regenter B3's major works programme. The paper is silent on these very real and specific financial pressures on leaseholders arising from the current major works round, which suggests Pinnacle did not consider these pressures in the round when determining this year's annual service charge increase. This is short sighted. We are always told that the increase of RPI + 1% on the service charge is mandated by the PFI contract that the council has signed with Regenter B3 (which requires the service charge to increase by RPIX). This gives leaseholders, and indeed the Council, no recourse to challenge any of these costs and "bakes in" **above inflation** increases over which no discretion appears to be able to be made. This seems fundamentally wrong. Many residents are wondering what will happen to the service charge after 2027, when the PFI contract with Regenter B3 expires, and we understand the management of the properties in the Brockley PFI area will return to council management. I request that the Housing Committee seeks clarity on the future plans in this area (are the properties to return to council management?) And also, what will the consequences of this be for the future of the service charge and its calculation? Any proposed changes must be consulted upon fairly and transparently - particularly if they were to result in any further increases in service charge costs. I would ask that the Council responds on this point and provides residents with some reassurance.
9.	1 – The document states "residents are invited to consider this report ……" but as Pinnacle and the Council knows from previous years, this document and the others have not been sent to all residents. There is uncertainty if Pinnacle sent the document or made it available to a panel members let alone all residents. 2.7 – Was the heating and hot water charge changes report shared with residents? If not, why not? 3.1 Policy Context – The huge increase in service charges may be detrimental to Corporate Strategy Objectives and may mean that a decent home is not secure or affordable and may lead to an increase in homelessness. It is unclear how the action of an increase will help to develop the objectives. • How is success measured and what were the results and impact of last year's increase?

	3.2 – How does the rent increase directly contribute to the 4 bullets and how is this measured? How does raising charges help deliver Council objectives? • If Lewisham Council states there are no direct efficiencies or savings and there is no value for money indicators to assess effectiveness how does the Council measure that quality of homes has been improved? • How does increasing charges strengthen communities and embrace diversity? What baselines does the Council use to measure success / failure? What were the results from last year? 5 - Efficiencies and savings proposals for 24/25 – No examples are provided, only generic paragraphs. What direct efficiencies/savings are currently being considered? • The Brockley Service Charge Report 2023-24 Para 5.3 states that one of the key principles for setting service charges is value for money. There is no evidence that value for money is being considered and that efforts will be made to improve the quality or quantity of services or to make any efforts to reduce costs for the same services. • The Council had a similar line for the 2022/23 charge increases. Please may the Council confirm what opportunities for cost reductions and efficiencies it identified and implemented for 2021/22 and 2022/23? Or is this just another generic Council line without any substance? • 5.2- what are the referred to savings and targets? Were these met in previous years? • The report does not stipulate or define value for money and how it is measured. What economic, efficiency, effectiveness and equity indicators are used to measure value for money? The key principles for setting service charges do not refer to the levels of profits made by contractors. Why is this not a key principle? Without knowing this how can Lewisham Council and residents test if the contract delivers value for money? Last year's rent increase proposal documents included additional sections on crime and disorder, equalities, and environmental implications. Are these no longer council objectives? If they are please providing the documentation highlighting where Pinnacle is held to account to deliver these through service charges?

2 Lewisham Council Housing Service: Rent and Service charge meeting (TRA Chairs and Leasehold Forum)

Meeting held via Microsoft Teams, Monday 13th November 6:30-8:00pm.
Rents and Service Charges Feedback:

Property Services:	
Communication	TRAs and residents cannot report communal repairs and leaks on the online system
Communication	There needs to be communication with residents about the cyclical maintenance programme
Communication	There is a lack of coordination and communication between departments.
Cost	Is there any correlation between increase in rent and increased service to residents – i.e. no maintenance
Investment	A lot of disrepair, even though decent homes were done ten years ago, it has not addressed the problems. Leaks are a huge issue and cause mould and condensation.
Investment	Pipes are failing, and causing leaks, because there is no cyclical maintenance programme
Investment	Legal fees for disrepairs could be reduced if there was investment in existing assets to repair leaks, etc. These aren't often addressed quickly enough which makes it more costly long term
Investment	Repairs system and capital programme system need to improve Kitchens and bathrooms changed every 15 years, but other works externally and communal areas have not been done in 25 years.
Repairs & Investment	What causes the huge delay for getting works done for leaseholders? Big delay for leak repair works – 2 years.
Compliance	Concern about security at independent living scheme – people coming in and no one knows who they are
Resident Services:	
Consultation	Want LBL to take on board their (TRA/ Resident's views and ideas) and possible solutions i.e. for flytipping
Housing Management	Encourage TRAs to set up Tenant management Organisations (TMOs).
Housing Management	Independent living officer – given considerably more work, no change in amount of service charge for this reduced service
Environment	Gardening – not happening at Vineries
Environment	Environment is poor, need improved litter-picking
Environment	Appalling upkeep of the estate. Need to improve the basics and ensure the areas are well maintained Fly-tipping – can be resolved, put in a covered space, and put bins away from the road. If estates look good, people are less likely to litter.
Other:	
Communication	There should be a road map for change with the Housing Services now they're in the council. How things will move forward.

Finance	Surprised that the council have gone with the maximum increase. It's misleading to say we are going with government advice, as the government say we can go up to 7.7%
ICT/ Home ownership/ Finance	There should be investment in a software upgrade to better predict and monitor service charges. There are currently many errors with the service charge billing

3 Garages

Feedback:
Garages don’t have electricity, so enable to store electric cars. What are the plans for electric charging points? Can use a lamppost which already has an electricity supply
It should be clearer what the spend is on garages overall and not just the repairs costs.

4 Lewisham Tenants Fund (LTF)

- No questions or comments on report;
- Shirley - Chair of LTF asked to clarify that the LTF is a separate company;
- LTF requested a meeting with Gillian to discuss LTF.

5 Response to feedback – Chair, Gillian Douglas (Executive Director of Housing)

Rent and Service Charge:

- We are working on asset management strategy;
- Have been impressed by the caretaking and environment teams, and believe they are doing a good job. They are not well resourced, and it’s an aging workforce with sickness that needs to be covered;
- We need to set clear expectations for staff;
- We will see if we need to look at transferring resources between estates.
- Fly-tipping is an issue that requires solutions.
- Investment in the stock is needed;
- ACTION - Gillian asked for details of estates she should visit where residents have concerns;
- ACTION - Gillian requested David (Colonnade) email her directly about the roof at Colonnade.

Garages:

- ACTION - David Lee to seek update from Martin O’Brien on plans for electric car charging point installation in the Borough.

Final comments and next steps:

- Comments from this meeting will be presented to the Housing Select Committee (HSC) meeting, to help inform their discuss and inform their recommendations;
- Any additional comments following the meeting will go to Mayor & Cabinet (M&C) for a decision in February 2044;
- The report goes to full council at end of February 2024;
- Residents will then be advised of the decision that is made.

Actions:

- Arrange for Gillian to visit Tanners Hill, Jerningham and the Pepys estate (as requested by residents at meeting);
- David Lee to seek update from Martin O’Brien on plans for electric car charging point installation in the Borough;
- Follow up on LTF request for a meeting with Gillian to discuss LTF;

- Lewisham Housing to discuss concerns raised at Vineries with independent living team (staff time/ resource available, and security).

APPENDIX X2a: Brockley Rent Increase Proposal Report 2024/25

Lewisham Council Dwelling Rents 2024/25		
Report Title	Housing Revenue Account (HRA) – Rent Setting	
Contributors	Director Resident Engagement and Housing Service/Executive Director for Corporate Resources	
Class	Part 1	Date: November 2023

1 Purpose of the Report

To outline the proposed rent increase of 7.7% for Lewisham Council Dwellings in 2024/25. Residents are invited to note this report and provide comments on the proposals.

2 Context

2.1 During the period from April 2015 to April 2019, the Government mandated for all registered providers of social housing (including local authorities) to reduce dwelling rents by 1% per annum. The financial impact of this was significant which meant that maintaining service levels throughout this period was challenging as a direct result of the loss of income.

2.2 From April 2020 the Government published a new Rent Policy which permitted Registered Providers to return to the pre- 2015 methodology for increasing rents annually, up to at least 2025.This method of rent increase is based on CPI + 1%. Lewisham Council has been applying this approach since April 2020.

2.3 The exception to this was for the year 2023-24, when all Registered Providers were required to cap the rent increase to a maximum of 7%, in light of the high inflation and the resulting 10.1% CPI as announced in September in 2022. This resulted in an real-terms loss of £3.0m to the HRA.

2.4 CPI at September 2023 has recently been confirmed at 6.7%. In adopting the Government's Rent Policy as described in 2.2 above, this results in an allowable rent increase of 7.7% (6.7% + 1.0%). So far there has been no indication from Government that there will be a cap on the increase as there was in 2022, and the proposed increase takes this assumption into account.

2.5 The maximum increase is required to be able to deliver against its objectives in relation to the management, maintenance and investment in its housing stock and deliver its wider corporate objectives for housing in the Borough, as detailed in Point 3 below.

2.6 The report below sets out the resulting impact on rents.

2.7 The potential average service charges and heating and hot water charge changes for 2024/25 are contained in a separate report.

2.8 No proposals have been received to vary the current levy for the Tenants' Fund contribution. The detail is covered in a separate report and summarised below.

2.9 The proposed increase to garage rents is covered in a separate report and summarised below.

2.10 Residents are invited to comment on the proposals. Residents' comments will be included in the Mayor and Cabinet budget report due in February 2024. Mayor and Cabinet will be requested to approve the increase of 7.7%.

3 Policy Context

3.1 The contents of this report are consistent with the Council's policy framework. It supports the achievements of the following corporate strategy objective:

- Tackling the housing crisis – Everyone has a decent home that is secure and affordable.

3.2 The contents of this report also support the objectives of the Housing Strategy 2020-26, as ensuring an appropriately funded HRA will work towards the delivery of the following objectives:

- Delivering the homes that Lewisham needs
- Improving the quality, standard and safety of housing
- Supporting our residents to live safe, independent, and active lives
- Strengthening communities and embracing diversity.

4 Proposal for rent Increases

4.1 In line with the formula rent calculation policy, rents for 2024/5 will rise by 7.7% based on CPI of 6.7% (as of September 2023) + 1%, as allowable under the Government's Rent Policy.

4.2 A 7.7% increase in average rents for HRA dwelling stock 2024/25 equates to an average increase of £8.57pw over a 52-week period. This will increase the full year average dwelling rent for the London Borough of Lewisham from £111.33pw to £119.91pw. The proposed increase will result in additional income of £6.140m for the HRA.

4.3 It should be noted that the HRA cost base for management and maintenance, materials and capital investment will be inflated based on increases similar to or based on the CPI output data. Supply chain and labour supply remains challenging due to the difficult economic climate and the ongoing impact of Brexit and the geo-political situation in the world. There are also additional cost pressures associated with the zero-carbon agenda and the increased regulatory burden arising from the Social Housing Regulation Act 2023 and other legislative changes such as the Building Safety Act 2022. In addition, debt interest charges will also increase based on the need to borrow for HRA investment needs and the increase in interest rates applied to debt.

4.4 The following table provides details of the 7.7% average rent rise by bedroom numbers for housing stock in the HRA as at 1st April 2023. Service charges are not included in this table – please refer to the Services Charges Proposal Report, as referred to in Point 6 below.

Bed size	Average Rent 2023/24	Average Rent 2024/25	£ Change	% Change
Bedsit	£83.30	£89.72	£6.42	7.7%
1	£97.70	£105.23	£7.53	7.7%
2	£110.20	£118.69	£8.49	7.7%
3	£128.61	£138.51	£9.90	7.7%
4	£144.51	£155.64	£11.13	7.7%
5	£164.40	£177.06	£12.66	7.7%
6	£170.61	£183.75	£13.14	7.7%
7	£175.73	£189.27	£13.54	7.7%
Average Total	**£111.33**	**£119.91**	**£8.57**	**7.7%**

4.5 For the purpose of business and financial planning, it is assumed that rental charges for the period 2024/25 to 2025/26 will be increased in line with the previous guidance of CPI + 1%.

4.6 At the present time, the financial models used by the council forecast CPI to be an average of 4% for 2025/26 and 2% for 2026/27. It reverts back to the bank of England target of 2.0% annually from 2026/27. This will be constantly monitored and updated when necessary.

5 Efficiencies & Savings Proposals for 2024/25

5.1 The HRA strategy and self-financing assessments are continually updated and developed, to ensure resources are available to meet costs and investment needs for 2024/25 and future years.

5.2 There are ongoing discussions regarding appropriate savings and target management and maintenance costs per unit across all council-owned housing. Any savings and efficiencies that are delivered against the current financial budget will be reinvested back into the HRA.

5.3 An update of the HRA Strategy and proposed rent & service charge increases will be reported to Mayor and Cabinet as part of the HRA Rents and budget strategy report. Mayor and Cabinet will make the final budget decisions in the New-Year.

6 Service Charges & Garage Rents

6.1 The agreed policy on Service Charges is that charges should reflect full cost recovery for the type of service undertaken. Heating and hot water costs are also recovered by a charge to tenants and leaseholders.

6.2 A separate report to residents giving further details of the increase to be applied for 2024/25 is provided.

6.3 Garage rents are proposed to rise by 8.9%. This represents an average increase of £1.58pw and would raise the average basic charge from £17.70pw to £19.28pw. The proposed increase will raise an additional £150,000 of revenue income after blue badge discounts have been applied.

6.4 The authority continually reviews rental values across the garage stock to ensure they remain on a sound commercial footing and reflect market rents. Any additional changes are likely to be consulted on and implemented for financial year 2025/26 onwards.

6.5 Property Estates Services have provided a separate consultation report giving further details of the increase to be applied for 2024/25.

7 Tenants' Levy

7.1 As part of the budget and rent setting proposals for 2005/06 an allowance was 'unpooled' from rent as a tenant service charge in respect of the Lewisham Tenants' Fund. The current levy is £0.15pw.

7.2 No proposals have been put forward by the Tenants Fund Committee to vary this levy for 2024/25. Therefore, the charge will remain at £0.15pw for 2024/25.

7.3 The tenants' fund has provided the panels with an update report regarding the accounts of the fund and budget proposals for 2024/25.

8 Housing Select Committee

8.1 Housing Select Committee will consider the proposals on 28th November 2023.

9 Conclusion

9.1 From April 2020, councils were able to return to the previous method of rent increases, which was CPI plus 1%.

9.2 Whilst Lewisham Council implemented this method to determine the rent rises from that date, Government capped rent increases for 2023/24 at 7%. Rents for 2024/25 are not currently subject to capping from government and will rise by CPI + 1%. CPI as of September 2023 was 6.7%. Therefore, using the formula increase, rent will rise by 7.7% resulting in an average increase of £8.57 per week.

9.2 The budget report will be presented to Mayor and Cabinet on 8th February 2024.

If you require any more information about this report, please contact Simone Russell via email: Simone.Russell@lewisham.gov.uk

APPENDIX X2b: Regenter Service Charge Proposal Report 2024/25

Committee	**Brockley Residents Meeting**	Item No	
Report Title	**Service Charges 2024/25**		
Contributor	**Regenter Brockley Operations Manager**		
Class	**Information**	Date	**2nd November 2023**

1 Purpose of Report

1.1 The report sets out proposals for resident's service charges in 2024/25.

1.2 The report requests Brockley Residents to note the proposals to increase the service charges for leasehold and tenanted properties in 2024/25. Resident's comments will be fed back to Mayor and Cabinet as part of the Council's overall budget setting process.

2 Recommendations

2.1 To inform Brockley Residents on the service charge proposals and feedback comments to Mayor and Cabinet.

3 Background of the Report

3.1 The Council's Housing Revenue Account is a ring-fenced account. The account can only contain those charges directly related to the management of the Council's housing stock. By implication leaseholders must be charged the true cost of maintaining their properties, where the provision of their lease allows. This prevents tenants subsidising the cost to leaseholders, who have purchased their properties.

3.2 The service charges will be increased in line with the September 2023 RPI (Retail Price Index) of 8.9% plus 1% (uplift under RegenterB3 contract) making a total increase of 9.9%. This percentage will be applied to the actual cost of each service element of the 2022/2023 figures. These costs have been audited and the actual cost of each service arrived at.

3.3 Each year a review of the actual service charge costs is undertaken as part of the budget setting process and recommendations made to the Council in respect of proposed charges.

3.4 Last year the increased cost of living and the energy crisis pushed the retail price index figures into double figures, we are pleased that this year the figure has reduced to single figures. The audit of actual costs completed every year, ensures that any necessary adjustments are undertaken to ensure full cost recovery.

3.5 In the current economic environment, it must be recognised that for some residents these service charge increases may represent a significant financial strain. Those in receipt of housing benefit will receive housing benefit on increased service charges. Within Brockley PFI managed stock, there are approximately 315 live HB claims and approx. 374 tenants on Universal Credit. We say approx. because there are many tenants who are in receipt of UC but manage their finances themselves paying bills and rent directly. Pinnacle, have a Welfare benefits and financial inclusion team available to support all Regenter Brockley residents. Officers determine the need, whether it be benefit/Income maximisation, help with benefit awareness and eligibility, amongst many other financial support areas. This service is offered to all residents.

4 Leasehold Service Charges

4.1 The basis of the leasehold management charge has been reviewed and externally audited this summer to reflect the actual cost of the service.

4.2 The following table sets out the current average weekly charge and the proposed increase for the current services provided by Regenter B3.

4.3 The proposed service charges for 2024/25 have been aligned to the 2022/23 actual service charges costs.

4.4 The data in the table for leaseholders has been calculated to reflect the charge applied for inflation as allowed for within the contract at a rate of 9.9% (September 2023 RPI of 8.9% + 1.0%) Overall, charges are suggested to be increased by an average of £1.93 per week which would move the current average weekly charge from £19.48 to £21.41.

Service	Leasehold No.	Actual Weekly Amount (End of Year 2022/2023)	Increase (9.9%)	weekly increase	New Weekly Amount at 9.9%
Caretaking	429	£3.56	9.90%	£0.35	£3.91
Grounds Maintenance	435	£2.17	9.90%	£0.21	£2.38
Communal Lighting	397	£1.84	9.90%	£0.18	£2.02
Bulk Waste	429	£1.47	9.90%	£0.15	£1.62
Window Cleaning	237	£0.03	9.90%	£0.00	£0.03
Resident Involvement	584	£0.29	9.90%	£0.03	£0.32
Customer Services	584	£0.47	9.90%	£0.05	£0.52
Ground Rent	568	£0.00	9.90%	£0.00	£0.00

General Repairs	584	£3.35	9.90%	£0.33	£3.68
Technical Repairs	401	£0.87	9.90%	£0.09	£0.96
Entry Phone	140	£0.66	9.90%	£0.07	£0.73
Lift	242	£1.76	9.90%	£0.17	£1.93
Management Fee	584	£3.01	9.90%	£0.30	£3.31
Total		£19.48		£1.93	£21.41

5 Tenant Service Charges

5.1 Tenant service charges were separated out from rent (unpooled) in 2003/04. Tenants pay service charges for caretaking, grounds maintenance, communal lighting, bulk waste collection and window cleaning.

5.2 In addition, tenants pay a contribution of £0.15pw to the Lewisham Tenants Fund. At present there are no plans to increase the Tenants Fund charges.

5.3 As outlined in this report, the principle to be applied to service charges is that full cost recovery should be maintained wherever possible. The service charge increase applied for 2024/25 will be set in November 2023 to be applied from 1st April 2024. Pinnacle review service charges on a regular basis to ensure they are appropriately set and will continue to do so.

5.4 The data in the table for tenants as shown below, has been calculated to reflect the charge applied for inflation as allowed for within the contract at a rate of 9.9% (September 2023 RPI of 8.9% + 1.0%) Overall, charges are suggested to be increased by an average of 0.72 pence per week which would move the current average weekly charge from £7.53 to. £8.25.

Service	Current Weekly Charge based on the Actuals for 2022/23	Increase (9.9%)	weekly increase	New Weekly Amount at 9.9%
Caretaking	£3.56	9.90%	£0.35	£3.91
Grounds Maintenance	£2.17	9.90%	£0.21	£2.38
Communal Lighting	£0.14	9.90%	£0.01	£0.15
Bulk Waste	£1.48	9.90%	£0.15	£1.63
Window Cleaning	£0.03	9.90%	£0.00	£0.03
Tenants fund	£0.15		£0.00	£0.15
Total	£7.53		£0.72	£8.25

Feedback received from residents at the meeting on 2nd November will be included in the Housing Select Committee Report. Other comments received to the end of November 2023 will be included in the Mayor and Cabinet Report.

Please ensure all comments are sent to Brockley Customer Services by email at brockley.customerservice@pinnaclegroup.co.uk or by post to Brockley Customer Services, 111 Endwell Rd, Brockley, SE4 2PE.

If you require any further information on this report, please contact:
Kenneth Gill, Area Manager or Sandra Simpson, Project Manager-Leasehold
Brockley.customerservice@pinnaclegroup.co.uk (020 4 518 1447).

APPENDIX X3: Rent and Service Charge Increase Proposal Report LBL 2024/25

Briefing for TRA Chairs and the Leaseholder Forum Lewisham Council Rents and Service Charge increase proposal 2024/25 and proposal for the Tenants Fund and Garage charges		
Report Title	Housing Revenue Account (HRA) – Rent, Service Charge and Garage Rent Setting	
Contributors	Director Resident Engagement and Housing Service/Executive Director for Corporate Resources	
Class	Part 1	Date: 13th November 2023

1 Purpose of the Report

1.1 To set out and explain the proposed rent increase of 7.7% for Lewisham Council Dwellings in 2024/25. This reflects the Government's Rent Policy and the Regulatory Rent Standard, which allows registered providers to increase rents by the annually reported CPI + 1%.

1.2 To set out and explain the proposed service charge increase of 7.7% for both Lewisham Council tenants and leaseholders.

1.3 To confirm that the Tenants Fund contribution will remain at 15 pence per week.

1.4 To summarise the proposed 8.9% increase to garage rents.

1.5 TRA Chairs and members of the Leaseholder Forum are asked to note, comment, and provide feedback on these proposals. Feedback will be reported to the Housing Select Committee at its meeting on 28th November 2023 and to the Mayor and Cabinet in February 2023.

2 Context

Dwelling rents

2.1 Lewisham Council is a Registered Provider (RP) of social housing and is required to comply with the Government's Rent Policy. The Rent Policy stipulates the maximum increase which may be applied each year.

2.2 The current Rent Policy permits RPs to increase rents by a maximum of CPI (Consumer Price Index) + 1%. The CPI figure is taken from the nationally published CPI figure each September for the year preceding the rent increase.

2.3 The CPI figure for September 2023 was 6.7%. This means that the Council can increase rents for 2024-25 by 7.7% (6.7% +1%).

2.4 Last year the Government ruled that rent increases for 2023-24 must be capped at 7%, even though the CPI figure was 10.1%, during a year of exceptionally high inflation. The aim of the cap was to reduce the burden on households. The effect of this though was to move the burden to RPs, who were still impacted by high inflation in funding their service delivery.

2.5 The Government has not so far indicated that it intends to cap the increase for 2024-25. The Council recognises the fact that tenants still face high living costs, however the Council will need to apply the maximum allowable increase of 7.7% for 2024-25, to be able to afford to continue to deliver services to residents, maintain and invest in the housing stock and make sure that the Housing Revenue Account is sustainable in the medium and long term.

<u>Service charges</u>

2.6 Service charges are payments made by residents for services received in connection with the occupation of their homes. Examples include the management and upkeep of communal areas, health and safety functions and repairs to/investment in the fabric of flat blocks. It also includes a range of services to estates. This may include communal heating and lighting.

2.7 Some of these services are required to be delivered for tenants as part of the tenancy agreement and/or the landlord’s legal obligations. Where this is the case, the costs will be included as part of the weekly rent charge. Some additional services are ‘de-pooled’ from dwelling rents, which means they are payable on top of the rent charge. Leaseholders are required to contribute to the costs as set out in their individual Lease Agreement.

2.8 The Council is legally required only to pass on charges which are reasonably incurred. To make a reasonable assessment of what the charges should be, the Council calculates estimated service charges for the following year by looking at the actual charges which were incurred during the full previous year for which they have audited accounts and adding on an inflationary amount. For 2024-5, it is proposed the increase will be 7.7.%. Actual charges can only be fully determined at the end of the year once the services have been delivered. Once the actual charges are determined, Leaseholders will either receive a credit to their accounts for any overpaid monies or will receive a bill to make up the difference, where the estimated charges were less than the actual costs.

2.9 The Regulator of Social Housing does not govern service charge increases in the same way as it governs rent increases. However, its guidance within the Rent Standard is that registered providers should endeavour to limit service charge increases for tenants within the limit of the increase it applies to rent. As explained above, this is currently CPI + 1%.

2.10 Where the service charges include repairs and maintenance costs, the Council has used an average of the past three years’ costs, to help eliminate any unusual fluctuations in costs. The inflationary uplift is added to this. For services such as asbestos surveys, fire risk assessments and pest control, these costs will be charged in line with the contract values, as charged at the time.

2.11 Due to the high cost of procuring and delivering these services in recent years, the ongoing cost of living pressures and the current high CPI figure when compared to previous years, the Council is not passing on the full cost of all works to tenants through its service charges. However, this will be reviewed in future years when inflation (CPI) comes down.

Tenants' fund contribution

2.12 The Tenants' Fund was set up more than 20 years ago to provide financial support for residents' associations and other activities. The Fund is administered by an independent Tenants' Group which has registered as a business with Companies House. All tenants contribute 15p per week to the fund, from their rent payment. No proposals have been received to vary the current levy for the Tenants' Fund contribution. The detail is covered in a separate report.

Garage Rents

2.13 Garage rents are set by the Council's Estates Team. Garage rent increases are not included in the Regulator's Rent Standard nor the Government's Rent Policy as they are not dwellings.

2.14 It is proposed that garage rents are increased by 8.9%. This represents an average increase of £1.58 per week. The proposed increase will raise an additional £150,000 after blue badge discounts have been considered.

2.15 The income goes into the Council's General Fund and not the Housing Revenue Account. The proposed increase to garage rents is covered in a separate report.

3 Policy Context

3.1 The contents of this report are consistent with the Council's policy framework. It supports the achievements of the following corporate strategy objective:

- Tackling the housing crisis – Everyone has a decent home that is secure and affordable.

3.2 The contents of this report also support the objectives of the Housing Strategy 2020-26 and ensuring a properly funded HRA.

- Delivering the homes that Lewisham needs
- Improving the quality, standard and safety of housing
- Supporting our residents to live safe, independent, and active lives
- Strengthening communities and embracing diversity.

3.3 In order to deliver on its Housing Strategy, the Council must produce a balanced HRA Business Plan, which by law is not permitted to go into deficit. As outlined above, it should be noted that the HRA cost base for management and maintenance, materials and capital investment will be increased due to inflationary pressures. Supply chain and labour costs remain challenging due to the difficult economic climate and the ongoing impact of Brexit and the geo-political situation in the world. There are also additional cost pressures associated with delivering on the zero-carbon agenda and the increased regulatory burden arising from the Social Housing Regulation Act 2023 and other legislative changes such as the Building Safety Act

2022. In addition, debt interest charges will also increase based on the need to borrow for HRA investment needs and the increase in interest rates.

4 Proposal for rent Increases

4.1 In line with the formula rent calculation policy, rents for 2024-25 will rise by 7.7% based on CPI of 6.7% (as of September 2023) + 1%, as allowable under the Government's Rent Policy.

4.2 A 7.7% increase in average rents for HRA dwelling stock 2024/25 equates to an average increase of £8.57pw over a 52-week period. This will increase the full year average dwelling rent for the London Borough of Lewisham from £111.33pw to £119.91pw. The proposed increase will result in additional income of £6.140m for the HRA.

4.3 The following table provides details of the 7.7% average rent rise by bedroom numbers for housing stock in the HRA as of 1st April 2023.

Bed size	Average Rent 2023/24	Average Rent 2024/25	£ Change	% Change
Bedsit	£83.30	£89.72	£6.42	7.7%
1	£97.70	£105.23	£7.53	7.7%
2	£110.20	£118.69	£8.49	7.7%
3	£128.61	£138.51	£9.90	7.7%
4	£144.51	£155.64	£11.13	7.7%
5	£164.40	£177.06	£12.66	7.7%
6	£170.61	£183.75	£13.14	7.7%
7	£175.73	£189.27	£13.54	7.7%
Average Total	**£111.33**	**£119.91**	**£8.57**	**7.7%**

5 Proposal for Service Charge Increases

5.1 The Council will increase services charges by 7.7%, in line with the rent increase.

5.2 The table below sets out the estimated service charges for 2024-25, when compared to the current charges for 2023-4.

APPENDICES W1 to Z6 (2024/25 BUDGET REPORT)

		2022/23 Actual			2024/25 Estimate		
Existing Service	**Tenant(T)/Leaseholders(LH)**	**Weekly Charge**	**Actual 2022/23**		**Weekly Charge**	**Estimate 2024/25**	**Increase from 2022/23 actual(%)**
Asbestos surveys	LH	£0.06	£12,219.92		£0.12	£46,814.43	Budget Estimate
Bulk waste	T & LH	£1.65	£373,032.73		£1.77	£401,756.25	7.7
Caretaking	T & LH	£7.74	£1,677,294.49		£8.33	£1,806,446.17	7.7
Drying room rents	LH	£1.35	£140.00		£1.45	£150.78	7.7
Entryphone	LH	£0.20	£22,307.87		£0.22	£24,025.58	7.7
Fire risk assessment	LH	£0.24	£58,245.06		£0.23	£178,269.02	Budget Estimate
Grounds maintainance	LH	£1.38	£313,573.09		£1.48	£337,718.22	7.7
Ground rent	LH	£0.19	£50,563.74		£0.19	£50,563.74	N/A
Insurance	LH	£0.78	£207,736.33		£0.84	£223,732.03	7.7
Lift	LH	£3.16	£177,916.48		£3.41	£191,616.05	7.7
Management	LH	£2.72	£729,161.09		£2.93	£785,306.49	7.7
Pest control	T & LH	£0.31	£57,124.19		£2.11	£32,591.45	Budget Estimate
Repairs & Maintenance - Building	LH	£3.12	£968,696.25		£2.94	£912,647.49	3 yr ave. plus 7.7%
Storage shed rents	LH	£0.48	£572.00		£0.52	£616.04	7.7
Sweeping	LH	£1.36	£305,703.71		£1.46	£329,242.90	7.7
Technical repairs	LH	£1.11	£351,821.38		£1.15	£362,231.45	3 yr ave. plus 7.7%
Window cleaning	T & LH	£0.04	£9,997.92		£0.07	£9,245.94	Budget Estimate
Total excluding Energy Charges		**£25.90**	**£5,316,106.25**		**£29.23**	**£5,692,974.02**	
Heating	T & LH	£15.95	£175,036.39		£17.18	£188,514.19	7.7
Communal lighting	T & LH	£1.34	£299,189.51		£1.44	£322,227.10	7.7
Total Energy Charges		**£17.29**	**£474,225.90**		**£18.62**	**£510,741.29**	
Grand Total		**£43.19**	**£5,790,332.15**		**£47.85**	**£6,203,715.31**	

6 Efficiencies & Savings Proposals for 2024/25

6.1 The Council is playing its part on giving tenants and leaseholders value for money, whilst ensuring that resources are available to meet costs and investment needs for 2024/25 and future years.

6.2 There are ongoing discussions regarding appropriate savings. Any savings and efficiencies that are delivered against the current financial budget will be reinvested back into the HRA.

6.3 An update of the HRA Strategy and proposed rent and service charge increases will be reported to Mayor and Cabinet as part of the HRA Rents and budget strategy report in February 2024.

7 Recommendation

7.1 Residents are invited to comment on the proposals. Residents' comments from the meeting held on 13th November will be included in the Housing Select Committee (HSC) Report, which will be presented at the meeting on 28th November 2023. Where additional comments are received after the cut-off date for the preparation of the HSC report, the comments will be fed back through the Mayor and Cabinet budget report. The cut-off date for the Mayor and Cabinet Report is 30th November 2023. Mayor and Cabinet will be requested to approve the increase of 7.7% for both dwelling rents and service charges for tenants and leaseholders.

APPENDIX X4: Garage Rent Increase 2024/25

INCLUSIVE REGENERATION Estates Team Report			
Report Title	Rental Increases for Garages from April 2024 –Lewisham Council and Regenter RB3		
Key Decision	Yes		**Item No.**
Contributors	Directorate of Place		
Class		**Date: October2023**	

1 Purpose and Summary of the report

The purpose of this report is to advise the resident panel of the proposed increase in the rent paid by tenants for domestic garages owned by the Council for the next financial year. For the past few years, the garage rents have been increased in line with the Retail Prices Index, which currently stands at 8.9%. For the last financial year, the garage increase was capped at 10% although RPI for the year was 12.6%.

2 Recommendation

It is recommended that the Council approves, in principle, an increase in rent for the garage portfolio of 8.9%, to be effective from April 2024.
Blue Badge holders will continue to receive a 50% deduction on the weekly rent.

3 Policy Context

The contents of this report are consistent with the Council's policy framework. It supports the achievements of the following corporate strategy objectives:

- Building an inclusive local economy – Everyone can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.
- Making Lewisham greener – Everyone enjoys our green spaces and benefits from a healthy environment as we work to protect and improve our local environment.

4 Background

For the forthcoming financial year from April 2024, it is intended that the increase applied is 8.9%, which is in line with the Retail Prices Index.

There are approximately 134 Council garage sites in the borough, comprising 182 garage blocks. There are 2,379 garages in total, which are split 2,011 to Lewisham Council, 311 Brockley Regenter and 57 TMO's. The split between social tenants/ leaseholders and non- residential tenants is approximately 70%/30%

The current waiting list for Lewisham Council garages is in excess of 3,000 applicants.

A housing tenant with LB Lewisham pays the basic price for a garage (subject to any specific discounts agreed) and a non-housing tenant pays the basic price with the addition of 20% VAT. Blue Badge holders receive a 50% deduction on the weekly rent. The application of a discount is a discretionary decision on behalf of the Council, as garages are not a core social dwelling provision.

The highest rent charged is £ £27.39 per week and the lowest is £ 6.77 per week. However, some garages are charged at less than the lowest rate per week. These are discounted rates (50% of the full charge) for tenants with blue badges.

5 Financial Implications

The current annual rent roll for the garage portfolio is £2.26M, based on a basic average standard charge of £17.70per week per garage (i.e. before discounts are applied).

If the rents are increased by 8.9%, as proposed, in April 2024, the revised annual rent roll will increase to approximately £2.41M, or from £17.70 per week to £19.28 per week per garage, an uplift of £1.58 per week on average, and a total increase of approximately £190,000 on the annual rent roll, or £150,000 after blue badge holder discounts have been applied.

6 Legal Implications

The Council's duties in relation to the consultation of tenants on matters of housing management, as set out in Section 105 of the Housing Act 1985, do not apply to rent levels, nor to charges for services or facilities provided by the authority. There is therefore no requirement to consult with secure tenants regarding the proposed increase in charges. The Council still needs to act reasonably, and the decision maker should therefore be satisfied that the increase is reasonable and justified. The general principle is that the Council should be seeking best value.

The Equality Act 2012 (the Act) introduced a new public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

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.

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.

The Equality and Human Rights Commission has recently issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled Practice". The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at: http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-actcodes-of-practice-and-technical-guidance/

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
- Equality objectives and the equality duty
- Equality information and the equality duty

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-sectorequality-duty/guidance-on-the-equality-duty/

7 Crime and Disorder Implications

There are no specific crime and disorder implications in this report. However, levels of voids could increase in the future if there is a lack of investment. Poorly maintained garages with high vacancy rates can in turn lead to increased levels of crime and anti-social behaviour.

8 Equalities Implications

The proposed 8.9% increase will be applied across the portfolio to residents and non-residents. Blue badge holders will continue to receive a 50% discount on the weekly rent as existing.

9 Environmental Implications

There are no specific environmental implications in this report.

10 Conclusion

The proposed rental increase is considered to reflect market rent and be sustainable and will raise additional revenue from the portfolio of approximately £190,000, or £150,000 net after blue badge discounts have been applied.

11 Further Information

If there are any queries on this report, please contact David Lee via david.lee@lewisham.gov.uk

APPENDIX X5: Other Associated Charges 2024/25

Garage Rents

1. The detail of these charges and the changes are as set out in appendix 4. The proposal is for a 8.9% increase in charges which equates to an average increase of £1.58 per week.

Tenants Levy

2. 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. The current charge is £0.15pw.
3. No proposals have been put forward by Lewisham Tenants Fund (LTF) to vary this levy for 2023/24. Therefore the charge will remain at £0.15pw for 2024/25.

Hostel charges

4. Hostel accommodation charges are set based on current the Governments formula rent calculation and will increase by 7.70% (£3.10 per week).
5. Hostel service charges are set to achieve full cost recovery, following the implementation of self-financing. For 2024/25, the charge for Caretaking/management and Grounds Maintenance will increase by 7.70%. This will increase the average charge from £77.56 to £83.48 per unit per week.
6. In addition, the charge for Heat, Light & Power will be increased by 10% and move the average charge from £7.17pw to £7.88pw. Water charges will increase by 9.2% and will move the average charge from £0.21pw to £0.23pw. 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 increase by 3% 2024/25.
7. 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

8. The delivery of the service to a 'full visiting service' to better reflect service need was implemented in 2018/19. The current annual charge to the HRA for 2022/23 is £466k. Current indications are that an inflationary increase of 2.0% will be applied for 2024/25, increasing the HRA charge by £9k (to £475k for 2024/25). The current Linkline charge to HRA residents is £6.44 per week and does not fully recover the full charge applied to the HRA.
9. Consultation with HRA residents/current users of the service is due to be undertaken sometime in the New Year. The results of any consultation will be reported to Mayor

and Cabinet. There are no proposals to increase the maintenance charge, which will remain at £0.94 per week.

Private Sector Leasing (PSL & PMA)

10. Rent income for properties used in the Private Sector Leasing (PSL) and Privately Managed Accommodation (PMA) scheme are General Fund resources. From April 2021, rents for homes let under these schemes will be charged at the applicable Local Housing Allowance (LHA) for private rented sector (PRA) properties. This will support the schemes to remain viable in the longer-term and reduce the General Fund subsidy that is presently required to keep them in operation.

Heating & Hot Water Charges

11. 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.
12. The current charging methodology allows a limited inflationary price increase plus a maximum of £2 per week per property increase on the previous year's charge. Consumption levels are also updated and included in the formula calculation.
13. The existing corporate contract for the supply of electricity is 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.
14. The proposal for 2024/25 is for an increase of £1.23pw or 7.7%. This will move the current charge from £15.95pw to £17.18pw. This is based on the latest available unit rates and consumption data.
15. The proposal for communal lighting is for an increase of 7.7% or £0.10 per week. This will move the current average charge from £1.34pw to £1.44pw. The increase is due to updated unit rates and consumption rates.
16. Officers will review the costs, actual energy usage and new contact prices in both 2023/24 and 2024/25 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 2024/25 budget process.

APPENDIX Y1: 2024/25 Budget Reductions – Previously Agreed

2024/25 Budget Reductions – December 2020, February 2021, and February 2022

Reference	Proposal	2024/25 (£'000)
D-10	Commercial Estate Review	100
D-12	Asset Use Review and Regularisation	85
D-14	Facilities Management	10
	Total	**195**

2024/25 Budget Reductions – December 2022

Member Decisions:

Reference	Directorate	Proposal	2024/25 (£'000)
HRPR_INC_01	HRPR	Additional Yellow Box Junction Enforcement & Moving Traffic Contravention by CCTV	295
HRPR_INC_02	HRPR	Replacement Bin Charging	-25
HRPR_INC_06	HRPR	Review of fees charged for Garages	70
HRPR_SAV_01	HRPR	Temporary Accommodation Cost Reduction	300
HRPR_SAV_02	HRPR	Road Safety Service Review	70
		Total	710

Officer Decisions:

Reference	Directorate	Proposal	2024/25 £'000
HRPR_INC_08	HRPR	Housing Programme Commercial Units' Income Generation	75
HRPR_SAV_03	HRPR	Increased recharging of salary costs to capital	30
HRPR_SAV_05	HRPR	Utilisation of UKSPF grant funding to reduce the general fund burden for the service.	5
COM_SAV_02	COM	Delegation of Care Plan Budgets to Operation Managers	300
COM_SAV_04	COM	ASC Empowering Lewisham	1,000
		Total	1,410

Total Previously Agreed Savings (£'000)	2,315

APPENDIX Y2: 2024/25 Budget Reductions – January 2023/24

Y2a: MEMBER DECISIONS

Summary

Directorate	Saving Reference	2024/25 Saving (£'000)	Deliverability (%)	2024/25 Net Saving (£'000)	Directorate Total (£'000)
Directorate of Children & Young People	CYP13 – FQC Sale of Capital Asset*	850.00	70%	595.00	
Directorate of Children & Young People	CYP14 – FQC Children's Centre Revenue	50.00	70%	35.00	
				Directorate of Children & Young People	**630.00**
Directorate of Community Services	COM11 – Bereavement Services Fees and Charges	100.00	100%	100.00	
				Directorate of Community Services	**100.00**
Directorate of Place	PLA03 – Fly-Tipping Fees and Charges	50.00	60%	30.00	
Directorate of Place	PLA04 – Garage Portfolio Rental Charges Review	90.00	90%	81.00	
Directorate of Place	PLA07 – Seasonal Street Cleansing	40.00	90%	36.00	
				Directorate of Place	**147.00**
				Member Decisions	**877.00**

** Once-off saving for 2024/25.*

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APPENDICES W1 to Z6 (2024/25 BUDGET REPORT)

Y2b: OFFICER DECISIONS

Summary

Directorate	Saving Reference	2024/25 Saving (£'000)	Deliverability (%)	2024/25 Net Saving (£'000)	Directorate Total (£'000)
Directorate of Chief Executive	CEX01 – Lewisham Life Magazine	69.00	100%	69.00	
Directorate of Chief Executive	CEX02 – Executive Support Team Post Removals	97.00	90%	87.30	
Directorate of Chief Executive	CEX04 – Electoral Services Annual Canvass	2.00	80%	1.60	
Directorate of Chief Executive	CEX06 – Electoral Services Electoral Phones In-House	41.00	90%	36.90	
Directorate of Chief Executive	CEX07 – Information Security and Governance (GF)	36.00	100%	36.00	
Directorate of Chief Executive	CEX08 – Mayor's Office Salary & Non-Salary	1.00	100%	1.00	
Directorate of Chief Executive	CEX09 – Corporate Policy Team Staffing Reduction	72.00	100%	72.00	
Directorate of Chief Executive	CEX10 – People & Org Development Vacant Posts	169.00	100%	169.00	
				Directorate of Chief Executive	**472.80**
Directorate of Children & Young People	CYP01 – CSC Housing Benefit Claims	80.00	80%	64.00	
Directorate of Children & Young People	CYP02 – CSC Placement Payments Efficiency	180.00	80%	144.00	
Directorate of Children & Young People	CYP03 – CSC Building Residential Homes	390.00	80%	312.00	

APPENDICES W1 to Z6 (2024/25 BUDGET REPORT)

Directorate	Saving Reference	2024/25 Saving (£'000)	Deliverability (%)	2024/25 Net Saving (£'000)	Directorate Total (£'000)
Directorate of Children & Young People	CYP04 – CSC S17 & Placements	500.00	80%	400.00	
Directorate of Children & Young People	CYP05 – Primary Phase Commissioning Costs Management Action	30.00	100%	30.00	
Directorate of Children & Young People	CYP07 – Lewisham Challenge Management Action	40.00	100%	40.00	
Directorate of Children & Young People	CYP09 – Short Breaks Review	150.00	70%	105.00	
Directorate of Children & Young People	CYP11 – FQC Reduction in Business Support	100.00	70%	70.00	
Directorate of Children & Young People	CYP16 – SEND Travel Assistance	150.00	80%	120.00	
Directorate of Children & Young People	CYP17 – Integrated SEND Service Grant Maximisation*	100.00	80%	80.00	
Directorate of Children & Young People	CYP19 – Early Years Block Grant Maximisation	35.00	70%	24.50	
				Directorate of Children & Young People	**1389.50**
Directorate of Community Services	COM01 – ASC Homecare Efficiencies	400.00	80%	320.00	
Directorate of Community Services	COM02 – ASC Transitions	600.00	80%	480.00	
Directorate of Community Services	COM03 – ASC Care Home Reviews	300.00	65%	195.00	
Directorate of Community Services	COM04 – ASC Staffing Reorganisation	350.00	100%	350.00	
Directorate of Community Services	COM05 – ASC Section 117 Recharge	650.00	80%	520.00	

APPENDICES W1 to Z6 (2024/25 BUDGET REPORT)

Directorate	Saving Reference	2024/25 Saving (£'000)	Deliverability (%)	2024/25 Net Saving (£'000)	Directorate Total (£'000)
Directorate of Community Services	COM06 – ASC Arranging Care Fees & Charges	150.00	85%	127.50	
Directorate of Community Services	COM07 – ALL GF Subsidy Reduction	100.00	100%	100.00	
Directorate of Community Services	COM08 – Leisure Service Savings	130.00	100%	130.00	
Directorate of Community Services	COM10 – Public Health NCDP	90.00	100%	90.00	
				Directorate of Community Services	**2312.50**
Directorate of Corporate Resources	COR01 – Assurance Budget Adjustments	35.00	90%	31.50	
Directorate of Corporate Resources	COR02 – Assurance Insurance Contracts	203.00	95%	192.85	
Directorate of Corporate Resources	COR03 – Internal Audit Restructure	15.00	70%	10.50	
Directorate of Corporate Resources	COR04 – Finance Structure Revisions	250.00	100%	250.00	
Directorate of Corporate Resources	COR06 – IT & Digital STS	174.00	100%	174.00	
Directorate of Corporate Resources	COR07 – IT & Digital Applications	45.00	100%	45.00	
				Directorate of Corporate Resources	**703.85**
Directorate of Housing	HSG02 – Capitalisation of Housing Casework Officer to HRA	50.00	100%	50.00	
Directorate of Housing	HSG03 – TA Reduction Project	200.00	100%	200.00	
Directorate of Housing	HSG04 – Reduction of Property Negotiator Posts	113.00	100%	113.00	

APPENDICES W1 to Z6 (2024/25 BUDGET REPORT)

Directorate	Saving Reference	2024/25 Saving (£'000)	Deliverability (%)	2024/25 Net Saving (£'000)	Directorate Total (£'000)
Directorate of Housing	HSG05 – Cease Contribution to Capital Letters	50.00	100%	50.00	
				Directorate of Housing	**413.00**
Directorate of Place	PLA01 – Council Offices Rationalisation	100.00	60%	60.00	
Directorate of Place	PLA06 – One-Council Employment Support	96.00	80%	76.80	
				Directorate of Place	**136.80**
				Officer Decisions	**5428.45**

** Once-off saving for 2024/25.*

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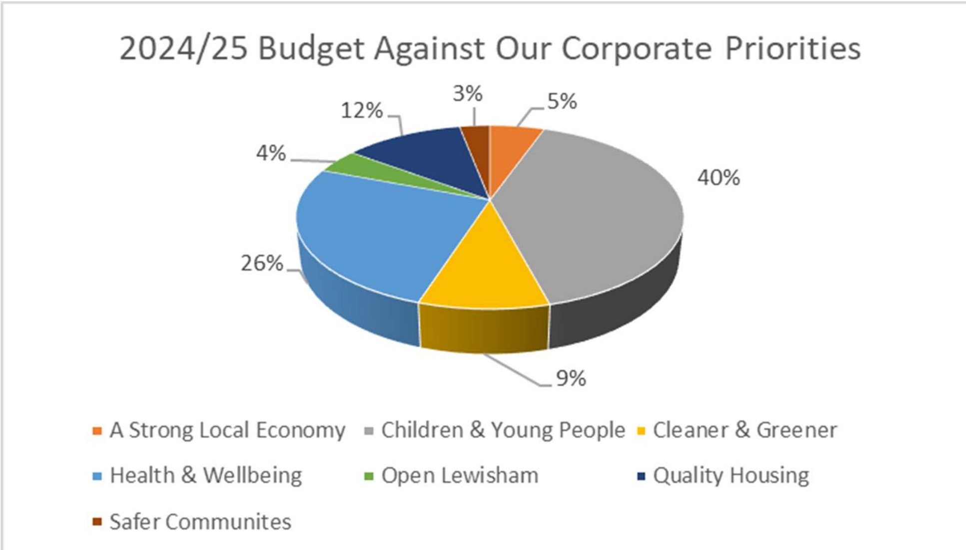
APPENDIX Y3: 2024/25 Budget Against Lewisham Council's Corporate Priorities



As required under the CIPFA Financial Management Code of Practice, the Council must demonstrate how its budget is aligned to its corporate priorities. The above provides an indicative allocation of the proposed net budget for 2024/25 against the seven corporate priorities. This allocation is draft and will be refined alongside the CIPFA Code of Practice requirements more generally as the activities in support of the new Corporate Strategy 2022-26 evolve and develop.

APPENDIX Y4: Ready Reckoner for Council Tax 2024/25

	Lewisham Budget Requirement	Council Tax (Band D)	Uplift in Lewisham Council Tax* vs. 2023/24	GLA Precept (Band D)	Total Council Tax (Band D)	Increase in Total Council Tax vs. 2023/24
	£m	£	%	£	£	%
2023/24	**263.679**	**1,492.13**	**4.99%**	**434.14**	**1,926.27**	**6.02% (vs. 2022/23)**
2024/25	**293.838**	**1,566.58**	**4.99%**	**471.40**	**2,037.98**	**5.80%**
	292.490	1,551.67	3.99%	471.40	2,023.07	5.03%
	291.140	1,536.74	2.99%	471.40	2,008.14	4.25%
	289.791	1,521.82	1.99%	471.40	1,993.22	3.48%
	288.456	1,507.05	1.00%	471.40	1,978.45	2.71%
	287.781	1,499.59	0.50%	471.40	1,970.99	2.32%
	287.107	1,492.13	0.00%	471.40	1,963.53	1.93%

** Includes Adult Social Care precept.*

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APPENDIX Y5: Chief Financial Officer's Section 25 Statement

This statement makes reference to the 2024/25 Budget Report to Mayor & Cabinet and Full Council as circulated to all Members.

Section 25 of the Local Government Act 2003 required the Chief Financial Officer (CFO) to report to an authority when it is making the statutory calculations required to determine its Council Tax. The Authority is required to take the report into account when making the calculations. The report must deal with the robustness of estimates, included in the budget and adequacy of the reserves, for which the budget provides. This statement also reflects the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) current Local Authority Accounting Panel (LAAP) Bulletin 99 on 'Local Authority Reserves and Balances'.

Section 114 of the Local Government Act 1988 requires the CFO to issue a report to all the Local Authority members to be made by that officer, in consultation with the Monitoring Officer and Head of Paid Service, if there is or is likely to be unlawful expenditure or an unbalanced budget.

1. Structure of the Statement

1.1. This statement sets out my view of the robustness of the Council's budget in respect of external and internal risks for 2024/25. I do this addressing the estimates, assumptions and plans used in preparing the Budget for 2024/25, as well as the reserves held to manage these risks should they materialise.

1.2. The statement contains the following sections:

- Economic Factors;
- Government Policy – Now and Looking Ahead;
- Budget Setting Process and Risks;
- Organisation Resilience;
- Monitoring and Reporting; and
- Conclusion and Opinion.

2. Economic Factors

2.1. Inflation remains higher than the Bank of England target of 2% and is taking longer to fall from the recent double-digit highs of a year ago. Higher inflation adds pressure to the Council's Budgets and the slow rate of its decline creates an inflationary lag through the Council's contracts and staff costs. It also keeps pressure on residents though cost of living pressures and the cost of housing, whether through mortgage rates or rents. Growth in the wider economy is currently flat with a risk of recession which puts pressure on employment opportunities. These wider economic factors combine to increase the demand for Council services – given the Borough is ranked 63rd (of 317 so in the top 20%) most deprived authorities nationally and eighth in London – which are now more expensive to deliver.

2.2. In addition to the general economic environment there are two more specific factors for local government impacting the Council's budget. These are:

- the reducing supply and ageing nature of housing stock, particularly acute in London, impacting both the cost of temporary accommodation and quality of available social housing; and
- the market incentives for the ownership and running of care homes impacting the availability and affordability of suitable social care placements for both vulnerable Children and Adults.

3. Government Policy – Now and Looking Ahead

3.1. The UK is facing a general election before January 2025 which is impacting more medium to long term planning. In particular for the widely acknowledged need for local government finance reform. The reforms to Business Rates, revaluation or changes to Council Tax, revising of Fair Funding and Fair Cost of Care arrangements to support 'levelling up' have all been delayed again. These combine with more reliance on ad hoc but increasingly large grant arrangements to enable local authorities to manage 'hand to mouth'. Together this short term one year at a time financial planning constrains the Council's ability to plan larger changes with confidence.

3.2. The Council also recognises the risk that local government as a relative priority for the allocation of additional resources, when compared to the demands for Health, Education or Defence priorities, will likely be lower down any government's policy list. On current Government economic forecasts, the Institute for Fiscal Studies estimates that Local Government financing will reduce in cash terms by 3.4%, representing an even greater fall in real terms. The Medium Term Financial Strategy (MTFS) therefore assumes budget reductions of at least c£10m for each of the coming four years. For these reasons the full increases for Council Tax and Rents are recommended to preserve, as far as possible, the Council's financial base.

4. Budget Setting Process and Risks

4.1. The Council's budget setting process is well established and has been followed for this Budget. This includes extensive engagement with officers, Members through briefings and scrutiny and the Executive over the year. These discussions focus on changes and developments to the assumed funding available and plans for allocating those resources to service priorities. The Budget is the summary culmination of those discussions setting out the Council's plans for 2024/25.

4.2. As part of the Budget judgements are made using assumptions and estimates which are also discussed along with the risks that attach to them. Some of the key risk considerations for 2024/25 are set out below.

<u>General Fund Revenue</u>

- Growing service demand through external factors in the face of rising vulnerability and need for services from an increasing and ageing population.
- Services overspending against allocated budget as they are unable to effectively contain costs and manage demand pressures.
- Failure to collect all income owing for services provided, thereby limiting the level of resources available to reinvest in improving the Borough.
- Delivery of agreed savings to ensure the Budget remains balanced and for which an allowance and commitment of some reserves are made.

Related Funds for Schools and Housing that may Impact the General Fund

- 21 schools are now in deficit and Special Education Needs spending (under the, unusual, accounting override in place) now has a cumulative deficit of c£13m. Unless managed by the schools, these are future risks to the general fund.
- In recent years HRA rent caps have constrained the level of income to manage existing and develop new stock. This combines with higher costs to manage an ageing estate, the need to address new regulations and provide sufficient supply in the face of a growing housing waiting list.

Capital Programme and Treasury Strategy

- Since 2018 the Council has been seeking to progress an ambitious capital programme, primarily focused on addressing the lack of affordable housing supply in the Borough. Through the pandemic and more recent period of economic uncertainty the programme has faced delay and rising costs which challenge the modelled financial assumptions. In addition, the Council is seeking to progress wider estate and town centre regeneration which, if agreed, will further extend the capital programme in future years.
- The capital programme uses a combination of grants, receipts and borrowing. The need for borrowing, alongside the Council's investment balances, is assessed in line with the treasury strategy. In light of recent high interest rates and uncertainty on timings for schemes the Council has increased the level of internal borrowing to mitigate these risks, noting this measure is short term so future borrowing will still be required.

4.3. All of the above risks and pressures are recognised in the preparation of the Budget report and will require continued active monitoring.

5. Organisation Resilience

5.1. The Council has an established financial management process with effective governance arrangements in place. These are operating well and the Council has received timely and unqualified audit opinions on its accounts and value for money arrangements for the 2022/23 fiscal year. For 2023/24 the Council's auditors will be changing to KPMG which will provide another opportunity to demonstrate the Council's arrangements remain robust and serve the Council appropriately.

5.2. I am a member of the Council's Executive Management Team and the Finance team do not remain complacent. Together we continue to look for ways to improve the value finance bring to supporting services delivering for residents. These include advice and regular reviews of potential investments, procurement and contract management, budget monitoring, process and system improvements and delivery of payroll and pension services to the Council and its Schools. We also review and maintain the financial regulations and procedures as part of the Constitution to ensure risk management and control arrangements are in place and operating.

5.3. Underpinning these day-to-day activities is the Council's balance sheet, in terms of both the assets and liabilities to be managed. Ultimately expressed as the reserves held to mitigate any shocks to the Council's plans. The Council has retained £20m as its unearmarked reserve for 2024/25, which represents c5% of the gross annual general fund service spend. The Council in 2023/24 also held £205m of earmarked reserves badged to operational risks, contractual commitments, and planned investments in future service improvements. These are regularly reviewed and discussed with Members through the year as part of the MTFS and financial monitoring reports.

6. Monitoring and Reporting

6.1. The Council has developed new risk and performance reports through 2023/24. Continuing this work, expansion, and improvement of the way both risk and performance reporting aligns with the Council's financial monitoring reports are areas to be strengthened going forward. This will help ensure the financial resources of the Council remain effectively allocated to best support the priorities of the Corporate Strategy and inform decisions where choices, either to make savings or opportunities to invest, are required.

6.2. Recent parliamentary public accounts discussions, National Audit Office reports and auditor reports at councils issuing s114 notices highlight the importance of effective governance and understanding of financial risks in local authorities. In response to this the Office for Local Government (Oflog) has been established to develop a more risk based set of performance indicators for local authority services to report on and help bring earlier challenge and learning to manage risks more effectively. Oflog's work, in the spirit of critical friend, should supplement and strengthen the work Council's auditors and of CIPFA and their guidance issued (for example; in respect of their financial management code, prudential borrowing and treasury strategy requirements) to help keep Council finances safe.

6.3. One of the specific risks highlighted from reviews of other authorities, is in respect of the effective governance and oversight of commercial subsidiaries or joint ventures. The Council was engaged in three such vehicles in 2023/24 – Lewisham Homes, Catford Regeneration Partnership Limited (CRPL) and the Besson Street Joint Venture. The Lewisham Homes company was insourced from 1 October 2023. The other two submit annual business plans for approval by Full Council and an external review of their governance and the residual Lewisham Homes business is being commissioned to provide additional assurance and recommendations for continued learning.

6.4. Another risk is the developing sophistication and expectations for monitoring and reporting both the climate and equalities impacts of the Council's activities. The Council continues to review its activities and work with partners, residents and suppliers to improve reporting in respect of these requirements through our focus on Social Value as well as the immediate financial implications.

6.5. The Council will continue to develop it's own monitoring and work to use these additional sector wide resources to improve the value of data collected to inform better decision making going forward. Finance must play its full part in this journey and reflect the learning through the MTFS and Budget plans.

7. Conclusion and Opinion

7.1. The Council's governance arrangements are working well, ensuring robust and appropriate information is available to decision makers when committing the Council's resources and delivering services to the Borough's residents. Having strong and effective governance also supports Members and Officers to remain open in looking for continual improvement and addressing challenges directly as they arise.

7.2. Nonetheless, recognising the wider economic and societal pressures and the adequacy of the Council's resources to address these locally, the level of risk the Council is carrying continues to rise. This includes the number of risks, their potential severity and their concentration in terms of reliance on reserves as mitigation. In particular from a financial perspective for 2024/25 I highlight the importance of;

- the management of the Housing Revenue Account and related capital programme with the available financial means,
- ensuring that social care services manage within their allocated budgets (adjusting priorities to address any overspending in-year), and
- further developing the medium-term plans for the Council's financial security, including investments in services and regeneration plans.

7.3. For 2024/25 I am satisfied the Council has effective financial management arrangements in place, there are sufficient provisions and reserves held to manage the potential risks and external shocks to the financial position; and the Budget proposals to Full Council are robust.

APPENDIX Y6: Council Tax and Draft Statutory Calculation

Council Tax Calculation

As part of the Localism Act 2011, core Council Tax may not be increased by 3.00% 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 2.00% under the social care precept for 2024/25. This means, for 2024/25, an automatic referendum will be triggered if the Council Tax increase is 5.00% or above. The recommended social care precept for 2024/25 is 2.00%, therefore the recommended total increase is 4.99%. 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 so far received no formal notification from the three levy bodies for 2024/25. A zero percent increase has been assumed for these.

Council Tax and Levies

'Relevant Basic' Amount of Council Tax	2023/24	2024/25
Council Tax Base	**88,848.50**	**90,414.00**
Council Tax Requirement with Levy (£)	**132,573,512**	**141,640,764**
Basic Amount of Council Tax (£)	**1,492.13**	**1,566.58**
Increase in basic amount of Council Tax* (%)	**4.99%**	**4.99%**

* *Excludes GLA Precept increase.*

Levy bodies for Lewisham	2023/24 £	2024/25 £	Variance £
LPFA	1,262,746	1,262,746	0
Lee Valley Regional Park	225,722	233,595	7,873
Environment Agency	210,113	215,311	5,198
Total Levies	**1,698,581**	**1,711,652**	**13,071**

*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**).*

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APPENDICES W1 to Z6 (2024/25 BUDGET REPORT)

Statutory Calculations

1. It should be noted that at its meeting on 17 January 2024, the Council calculated the number of **90,414.0** as its Council Tax base for 2024/25 in accordance with the Local Authorities (Calculation of Tax base) Regulations;

2. It should be noted that the following amounts be now calculated by the Council for the year 2024/25 in accordance with The Local Government Finance Act 1992 as amended by Sections 31A to 36 of the Localism Act 2011 and the Local Audit and Accountability Act 2014.

3. **In relation to each financial year, a billing authority in England must make the calculations required by this section.**

4. **The authority must calculate the aggregate of [in accordance with Section 31A (2) of the Act]:**

a) £1,553,432,747 being the expenditure which the authority estimates it will incur in the year in performing its functions and will charge to a revenue account, other than a BID Revenue Account, for the year in accordance with proper practices.
b) £nil being such allowance as the authority estimates will be appropriate for contingencies in relation to amounts to be charged or credited to a revenue account for the year in accordance with proper practices.
c) £nil being the financial reserves which the authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure.
d) £nil being such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for.
e) £63,282 being the amount which it estimates will be transferred in the year from its general fund to its collection fund in accordance with section 97(4) of the 1988 Act, and
f) £nil being the amount which it estimates will be transferred from its general fund to its collection fund pursuant to a direction under section 98(5) of the 1988 Act and charged to a revenue account for the year.
g) £869,420 being the amount which it estimates will be transferred in the year from its general fund to its collection fund in accordance with regulations under section 97(2B) of the 1988 Act.

5. **The authority must calculate the aggregate of [in accordance with Section 31A (3) of the Act]:**

h) £1,410,618,680 being the income which it estimates will accrue to it in the year and which it will credit to a revenue account, other than a BID Revenue Account, for the year in accordance with proper practices.
i) £2,106,005 being the amount which it estimates will be transferred in the year from its collection fund to its general fund in accordance with section 97(3) of the 1988 Act.
j) £nil being the amount which it estimates will be transferred from its collection fund to its general fund pursuant to a direction under section 98(4) of the 1988 Act and will be credited to a revenue account for the year, and
k) £nil being the amount of the financial reserves which the authority estimates it will use in order to provide for the items mentioned in subsection (2)(a), (b), (e) and (f) above.

l) £nil being the amount which it estimates will be transferred in the year from its collection fund to its general fund in accordance with regulations under section 97(2A) of the 1988 Act.

6. Council Tax Requirement:

m) £141,640,764 being the amount by which the aggregate calculated under subsection (2) above exceeds that calculated under subsection (3) above, the authority must calculate the amount equal to the difference; and that amount so calculated is to be its council tax requirement for the year.

n) **£1,566.58** being the residual sum at (k) above, divided by the Council Tax base of **90,414.0** which is Lewisham's precept on the Collection Fund for 2024/25 at the level of Band D;

Band:	Council Tax (LBL): £
A	1044.39
B	1,218.45
C	1,392.52
D	**1,566.58**
E	1,914.71
F	2,262.84
G	2,610.97
H	3,133.16

Being the amounts given by multiplying the amount at (l) 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.

It be noted that for the year 2024/25, the Greater London Authority is currently consulting on the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 (as amended), for each of the categories of dwellings shown below:-

Band:	GLA Precept: £
A	314.27
B	366.64
C	419.02
D	**471.40**
E	576.16
F	680.91
G	785.67
H	942.80

APPENDICES W1 to Z6 (2024/25 BUDGET REPORT)

Having calculated the estimated aggregate amount in each case of the amounts at 2) (g) 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 2024/25 for each of the categories of dwellings shown below:-

Band:	Total Council Tax (LBL & GLA): £
A	1,358.66
B	1,585.09
C	1,811.54
D	**2,037.98**
E	2,490.87
F	2,943.75
G	3,396.64
H	4,075.96

APPENDIX Y7: Summary of Proposed Budget Pressures to be Funded in 2024/25

Description:	Base Budget (£’000): £'000	Once off (£’000): £'000	Total (£’000): £'000
Corporate Strategy Priorities:			
Quality Housing			*10,993*
Temporary Accommodation	8,000	1,993	
Corporate Support for Delivery of Housing	1,000		
Children and Young People			*17,086*
Children's Social Care & SEN Transport	14,922	2,164	
Health & Wellbeing			*10,781*
Adult Social Care & Ringfenced Grants	8,201		
Concessionary Fares	2,500		
Public Health Funerals	80		
Total Corporate Strategy Priorities:			**38,860**
Organisational Value for Money:			
Corporate Services	400		
Technology & Digital	606		
Legal Pressures	1,000		
Total Organisational Value for Money:			**2,006**
Salary inflation for 2024/25	5,816		5,816
Shortfall in salary uplift for 2023/24	1,844		1,844
Non-pay inflation for 2024/25	4,401		4,401
Pressure Contingency		1,350	1,350
Grand Total Funded Pressures:	**48,770**	**5,507**	**54,277**

APPENDIX Y8: 2024/25 Budget Reductions and Growth Equalities Impact Assessment (EIA)

Y8a: Budget Reductions EIA

Author	Alex Glanz	**Directorate**	Chief Executive’s
Date	05/01/2024	**Service**	Chief Executive’s Office

1. The activity or decision that this assessment is being undertaken for

The Council’s 2024-25 Budget

2. The protected characteristics or other equalities factors potentially impacted by this decision

☒ Age	☒ Ethnicity/Race	☒ Religion or belief	☒ Language spoken	☐ Other, please define:
☒ Gender/Sex	☒ Gender identity	☒ Disability	☒ Household type	
☒ Income	☒ Carer status	☒ Sexual orientation	☒ Socio Economic status	
☒ Marriage and Civil Partnership	☒ Pregnancy and Maternity	☒ Refugee/Migrant/ Asylum seeker	☒ Health & Social Care	
☒Nationality	☒ Employment	☒ Armed forces		

The Council’s budget setting process, in terms of how it saves, invests and spends money, impacts all the residents of the borough of Lewisham and by extension, all protected characteristics listed above.

This Equality Impact Assessment (EIA) focuses on where the Council has chosen to save money, the anticipated impacts of those savings and the mitigations that have, or will be, put in place to reduce disproportionate negative impact as much as possible.

This Assessment is intended to be a cumulative assessment of more detailed EIAs and EIA screenings which have been completed individually for each savings proposal. It contains a summary of the information contained within those individual Assessments and Screenings, as well as background information on the demographics of the residents which Lewisham Council provides services to.

3. The evidence to support the analysis

Evidence for this EIA is taken predominantly from the Council’s 2021 Census Data. Outlined below is a summary of the demographics within the borough of Lewisham. It should be noted that more detailed information about who is accessing services which the Council provides are held by those service teams. For the purposes of this EIA, evidence has been taken from all residents of Lewisham, as decisions taken on the budget will impact all residents, rather than those who directly utilise services. This is contrary to decisions taken by specific services, where evidence should be primarily taken from service users where appropriate.

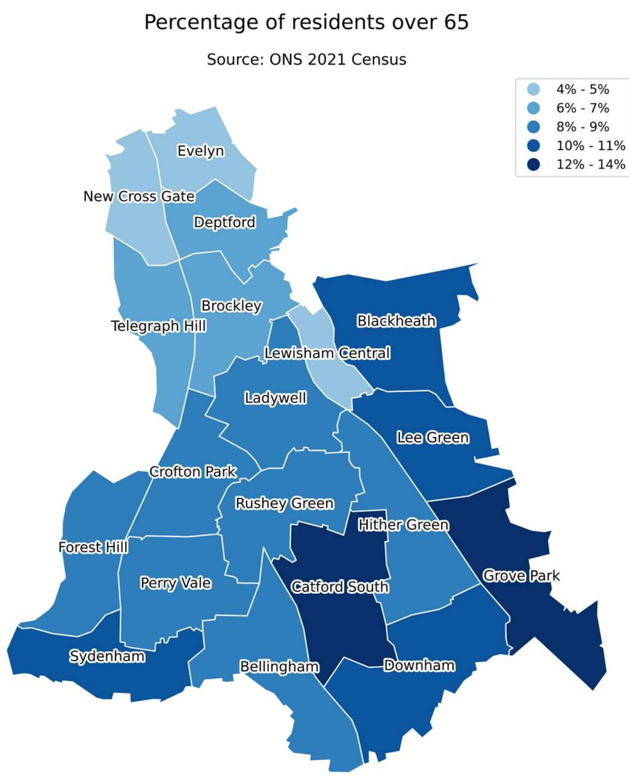
<u>Demographic overview</u>

- At the 2021 Census, Lewisham had 300,600 residents, an increase of 9% since 2011
- 51.5% of residents identify as white, and 26.8% identified their ethnic group within the "Black, Black British, Black Welsh, Caribbean or African"

- The percentage of people who identified their ethnic group within the "Asian, Asian British or Asian Welsh" category decreased from 9.3% in 2011 to 9.0% in 2021.
- 23.4% of residents are aged 19 or younger
- 32.5% of residents are married
- 9.6% of residents are aged over 65
- 52.5% of residents are women
- 55.8% identify as having a faith.

Age

- There are higher percentages of people over 65 living in the south of the borough.
- Lewisham remains a young borough, however the average age has increased from 33.6 in 2011 to 35.2 in 2019
- Incidents of hospitalisation following falls in the 65+ are set to increase in the next 20 years
- The number of 65+ people living on their own is set to increase by 5,600 by 2040
- The number of people living in care homes is set to increase by 400 by 2040.
- Loneliness is associated with depression, sleep problems, impaired cognitive health, heightened vascular resistance, hypertension, psychological stress and mental health problems (Source: [Age UK]). In Lewisham, there are many more women who live alone than men.
- The number of people over 65 living on their own in Lewisham is predicted to increase by 5600 by 2040.



Disability

- A person has a disability if they have a physical or mental impairment which has a substantial and long-term adverse effect on that person's ability to carry out standard day-to-day activities.

- The number of people with common mental health problems (e.g. depression and anxiety) is set to increase by over 2,494 by 2040 years.
- Total population aged 18-64 predicted to have a learning disability is set to increase by just under 600 by 2040;
- The number of people diagnosed with diabetes in Lewisham is predicted to rise by just under 700 in the next 20 years.
- The cumulative cost of Common Mental Health Disorders to society is great. They comprise different types of depression and anxiety, and include obsessive compulsive disorder. An estimated 23.1% of women and 14.7% of men meet the diagnostic criteria for at least one CMD, which amounts to roughly 40,000 residents within the borough of Lewisham. (Source: Projecting Adult Needs and Service Information, 2023)

Gender Identity and & Reassignment

The 2021 Census was the first time that a question about gender identity had been asked.

- In Lewisham, 7.62% of people aged 16+ did not answer the question, 91.36% have a gender identity the same as their sex registered at birth, 1.02% have a gender identity different from their sex registered at birth.

Gender Identity	Lewisham	London	England
Gender identity the same as sex registered at birth	91.36%	91.21%	93.46%
Gender identity different from sex registered at birth but no specific identity given	0.42%	0.46%	0.25%
Trans woman	0.18%	0.16%	0.1%
Trans man	0.17%	0.16%	0.1%
Non-binary	0.17%	0.08%	0.06%
All other gender identities	0.08%	0.05%	0.04%
Not answered	**7.62%**	**7.88%**	**5.98%**

Pregnancy and Maternity

- The percentage of mothers known to be smokers at the time of pregnancy has decreased consistently over the last five years both nationally, and within the borough of Lewisham. However, the percentage decrease in Lewisham has been steeper than the London average over that time period.
- In 2017/18, the percentage of mothers who were known to smoker at the time of pregnancy within Lewisham was 5.5%, compared to a 5% London average. In 2022/23 this has decreased to roughly 4.5% within Lewisham, which is now in line with the London average (Source: Office for Health Improvement and Disparities (OHID), Public Health Outcomes Framework)

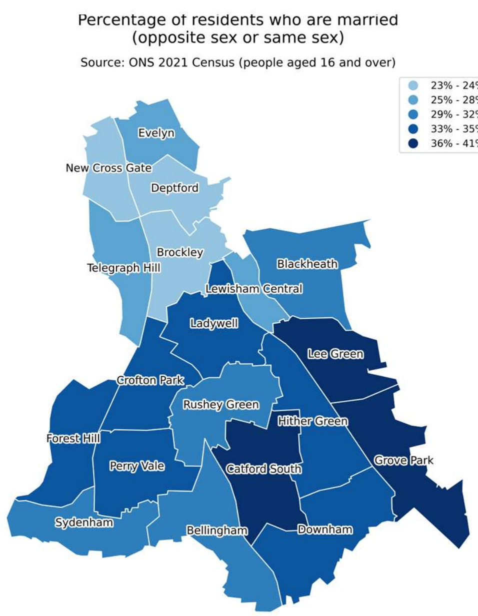
Ethnicity

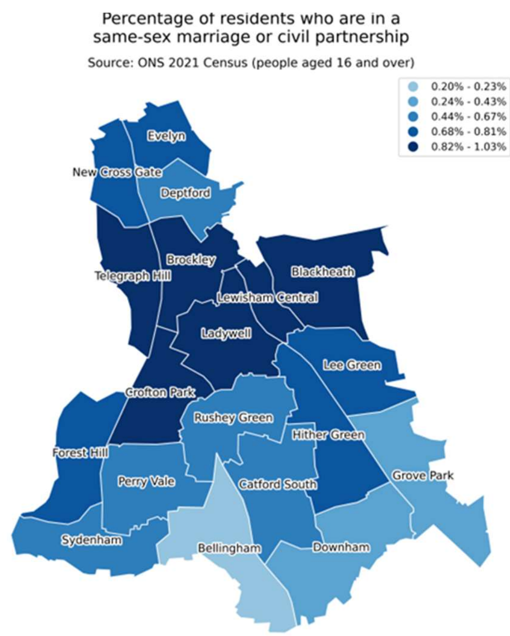
- The ethnic group refers to the group that the person completing the census, which this data is drawn from, feels they belong to. This could be based on their culture, family background, identity or physical appearance.

- The majority of people in Lewisham are White, at 51.5%, followed by Black at 26.8% and Asian 9%. 8.1% of people identify as having a Mixed ethnic background and the Other ethnic group makes up 4.7% of the population.
- Whilst White remains the largest ethnic group, it has also seen the biggest decrease of all ethnic groups – down from 53.5% in 2011 to 51.5% in 2021. Mixed or multiple ethnic groups and Other ethnic group have both seen an increase of 0.7% and 2.1% respectively in comparison to 2011 census.
- New Cross Gate, Deptford, and Bellingham are wards with the highest proportion of people whose identified ethnicity is Black, Asian and Multi-Ethnic background.

Marriage and Civil Partnership

- Of Lewisham residents aged 16 years and over, 53.4% said they had never been married or in a civil partnership in 2021, up from 49.7% in 2011.
- In 2021, just under one in three people (32.5%) said they were married or in a registered civil partnership, compared with 33.3% in 2011. The percentage of adults in Lewisham that had divorced or dissolved a civil partnership decreased from 8.1% to 8.0%. It should be noted that these figures include same-sex marriages and opposite-sex civil partnerships in 2021, neither of which were legally recognised in England and Wales in 2011.





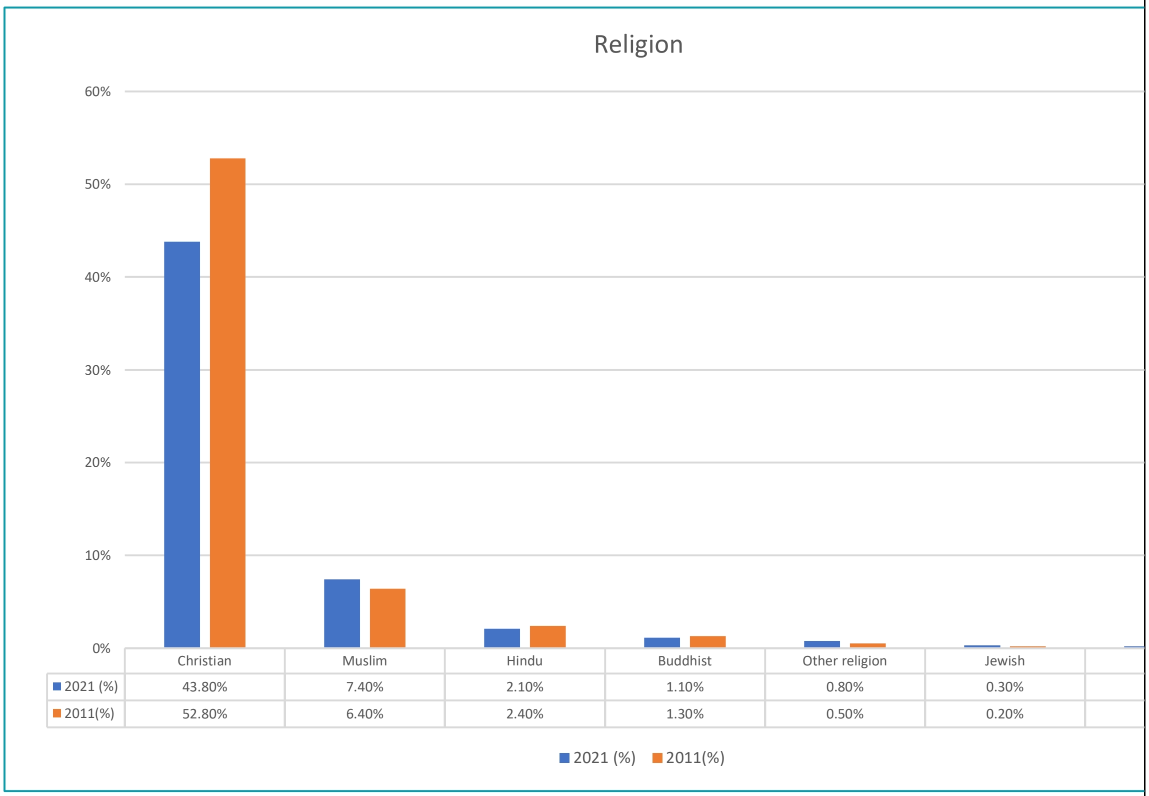
Language

- 83.8% of people in Lewisham speak English as their main language. In keeping with the diversity of the Borough, a large minority identified a language other than English as their main language (16.2%), higher than the national average of 9.2%.
- The most common main languages, other than English, were: Spanish (2.36%), Portuguese (1.08%), Polish (0.92%), and Chinese (0.92%).
- Lewisham had nearly 80% of households where all adults in a household speak English. There are 9.1% households where no people in a household speak English.

Religion or belief

- 36.7% of Lewisham residents reported having "No religion", up from 27.2% in 2011. The rise of 9.5 percentage points was the largest increase of all broad religious

groups in Lewisham. Across London, the percentage of residents who described themselves as having "No religion" increased from 21.0% to 27.1%, while across England the percentage increased from 24.8% to 36.7%.
- In 2021, 43.8% of people in Lewisham described themselves as Christian
- Following “no religion” and Christian, the next highest percentage was “Muslim” which 7.4% of residents identified with.

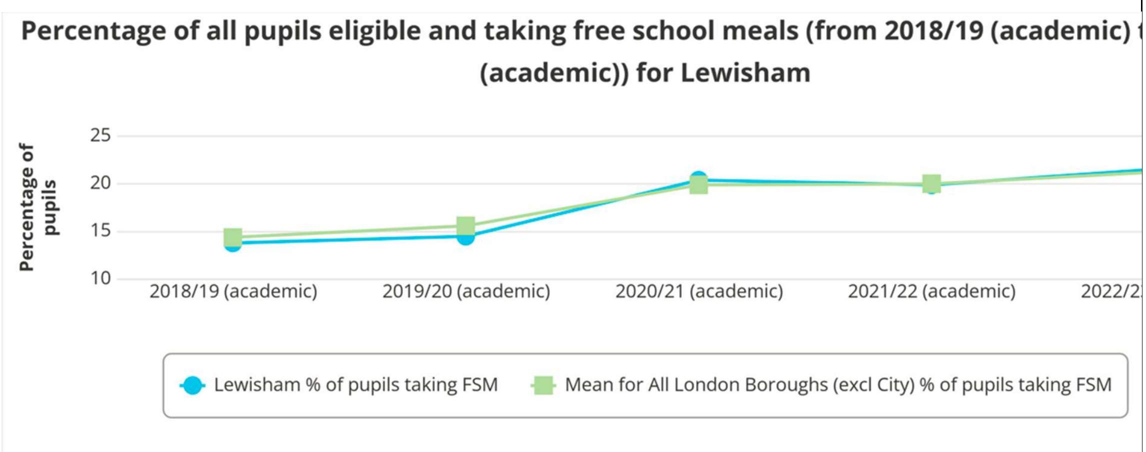


Sex
- There are fewer women than men in under 9-year-olds, whereas there are more women than men in all age groups above the age of 20.
- The sex difference is most pronounced in the 25 to 34-year-olds, 35 to 49-year-olds, and 50 to 64-year-olds. Women in these three age brackets account for 32.24% (29.25% in 2011) of Lewisham’s total population, while men account for 28.5% (28.31% in 2011).
- The proportion of 25 to 34-year-old women has increased by 0.5 percentage points (pp), while the proportion of men in the same age category has decreased 1.04 pp.
- Similarly, the proportion of 35 to 49-year-old women has increased by 0.3pp, whereas for men in this age bracket there has been a decrease of 0.47pp.
- In contrast, the proportions of both men (1.7pp) and women (2.21pp) in the 50 to 64-year-old bracket have increased from 2011.

Sexual Orientation
- 2021 was the first time this question had been asked in the survey and so comparable baseline data is challenging.
- In Lewisham, 6.14% identified as lesbian, gay, bisexual, or other (LGB+), nearly twice that of the 3.1% for England.
- 84.12% identified as straight or heterosexual, lower than in England (89.4%).

Socio-Economic Disadvantage

- 16.4% of the population was income-deprived in 2019. Of the 316 local authorities in England (excluding the Isles of Scilly), Lewisham is ranked 51st most income-deprived.
- In the least deprived neighbourhood in Lewisham, 4.0% of people are estimated to be income-deprived. In the most deprived neighbourhood, 33.4% of people are estimated to be income-deprived. The gap between these two, is referred to as internal disparity, is 29.4 percentage points in Lewisham
- In November 2023, Lewisham Foodbank reported a growing need for food support provision, with a 40% increase in demand in 2023 compared to 2022 (Source). Project manager Sarah Vitty explained in an interview: "Five years ago we were looking at a couple of hundred people a week maximum and now we are feeding 600-800 people a week." (Source).
- On average, more than 2,000 people are receiving food support per month, compared to 1,400 in 2022. Over 20,000 people have received support this year so far (as of November 2023.)
- Food banks struggle to meet the growing demand which has been outstripping donations since 2022. As of late 2023, only 60% of food support is covered by donations, the remainder needs to be purchased.
- Residents living in the Hither Green, Rushey Green, Bellingham, Perry Vale, and Downham wards were issued the most food aid parcels.
- Beneficiaries that accessed food banks the most were aged between 25-64 years old. The age group of child beneficiaries accessing food banks the most was 5-11 years old.
- The demand level in Lewisham is now at 4.5 times the England average, compared to 3 times before 2019.



Lewisham Council Staff

The below figures are correct at time of writing, due to the precise nature of these numbers and the turnover of staff within the Council, the below figures should be taken as indicative of broader trends, rather than precise measurements at time of reading.

- The staff make-up of Lewisham Council is 58.2% female, amounting to 1764 staff, and 41.8% male, amounting to 1266 staff.
- The ethnicity of Lewisham Council's staff is:
  - Asian: 5.0% (150 staff)
  - Black: 39.6% (1201 staff)
  - Mixed: 5.1% (155 staff)
  - Other: 1.5% (46 staff)
  - White: 44.7% (1354 staff)

- Unavailable: 4.1% (124 staff)
- 9.3% of Lewisham's staff are disabled, although it should be noted that no disability data is held on 19.2% of staff.
- 19.1% of Council staff are over 60 years old
- 71.1% of staff are heterosexual, whilst data is not held on 24.1% of staff who have indicated that they prefer not to say.

4. The analysis

An individual Equalities Screening, or Equalities Impact assessment has been completed for each proposed Budget savings, as well as for each instance of increased funding for a Directorate.

Below is a table which summarises the cumulative negative and positive impacts of savings, separated by Directorate. It should be noted that many of the savings which identify a potential negative impact on groups who possess a protected characteristic have also identified mitigations which can be enacted to ensure this impact is reduced as far as possible.

In addition to this, where high or medium impacts have been identified by services as a potential result of savings which have been proposed, full equality impact assessments have been completed and are attached to the Budget 2024/25 report as appendices.

It should be noted that in some instances where no impact has been recorded, this is not as a result of the proposed change having no effect on staff or service users. Instead, it may reflect that a mitigation has already been successfully put in place, or there is confidence that mitigations can be implemented which will reduce impact to zero.

Although not officially regarded as a protected characteristic, for the purposes of the analysis below, socio-economic inequality is being taken into consideration alongside protected characteristics. This is as a result of a recommendation from the Fairer Lewisham Duty for the Council to consider socio-economic disadvantage as part of its decision making processes.

High/ medium/ low negative impacts identified through the EIA Screening process						
	Chief Executive	CYP	Community Services	Corporate Resources	Place	Housing
Age	3	1	1	0	0	0
Disability	2	0	1	0	1	0
Ethnicity	2	0	1	0	0	0
Gender	0	0	1	0	0	0
Gender Reassignment	1	0	0	0	0	0

Marriage and Civil Partnerships	1	0	0	0	0	0
Pregnancy and Maternity	0	0	1	0	0	0
Religion and Belief	0	0	1	0	0	0
Sexual orientation		0	0	0	0	0
Socio-Economic Inequality	3	0	1	0	0	0
Totals	2 – high/ medium 10 - low	1 – high/ medium 0 - low	0 – high/ medium 7 - low	0 – high/ medium 0 - low	1 – high/ medium 0 - low	0 – high/ medium 0 - low

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High/ medium/ low positive impacts identified through the EIA Screening process

	Chief Executive	CYP	Community Services	Corporate Resources	Place	Housing
Age	1	2	0	1	0	0
Disability	1	1	1	1	1	0
Ethnicity	1	1	0	1	0	0
Gender	1	0	0	1	1	0
Gender Reassignment	1	0	0	0	0	0
Marriage and Civil Partnerships	1	0	0	0	0	0
Pregnancy and Maternity	1	0	0	0	0	0
Religion and Belief	1	0	0	0	1	0
Sexual Orientation	1	0	0	0	0	0

Socio-Economic Inequality	1	2	0	0	0	0
Totals:	0 – high/ medium 10 - low	3 – high/ medium 3 - low	1 – high/ medium 0 - low	3 – high/ medium 1 - low	3 – high/ medium 0 - low	0 – high/ medium 0 - low

Cumulative analysis of the data above provides information about the scale of impact that proposed changes are likely to have on residents/ service users within the borough of Lewisham Overall:

- EIA screenings have identified the potential for 21 instances of negative impact on groups possessing protected characteristics.
- Screenings have further identified 24 instances of positive impact on groups possessing protected characteristics.
- A total of 42 EIA screenings were completed as part of the savings process
- A total of 3 full Equality Impact Assessments have been completed as part of this process. Several further EIAs are committed to be delivered once savings have been agreed and work can commence on delivery of proposals.

However, it should be noted that this analysis does not provide detailed information about what specifically the impact will be, or mitigations that are either already in place or intended to be put in place. Some of this information has been provided as part of the impact summary listed below, but more detailed information should be sought from the completed Equality Impact Assessments or Impact Assessment Screenings which are published alongside the Budget.

This analysis also does not recognise disproportionate impact which is not directly related to groups possessing a shared protected characteristic or facing socio-economic inequality. An example of this is impact which could be caused to those who speak a different language, serve in the armed forces or service users who are uneasy about changing the setting in which they interact with the Council, with no specificity about who those service users may be. These impacts have been identified through full EIAs, which expand the focus on those impacted and are not limited to those possessing protected characteristics in the way in which EIA screenings are.

5. Impact summary

The impact of proposed budget savings in specific areas has been broken down into Council Directorates, and within those sections, into Divisions within the Council. Although there are some savings which cut across multiple Divisions, the majority can be assessed on the basis of the Directorate which is primarily responsible for their delivery.

Chief Executive’s Office

The budget for the Chief Executive’s Office provides funding for the following Council Divisions:

- Communications and Engagement
- Law and Corporate Governance
- People and Organisational Development

Savings proposals from this Directorate are anticipated to have a minimal direct impact on service users as a result of the Directorate’s function primarily providing corporate support to other Council officers, rather than providing a direct service to residents. Budget changes to his area will predominantly impact Council staff, although there some changes will impact on residents.

In terms of protected characteristics, changes from this Directorate are likely to have a disproportionate impact on age as a result of changes to Lewisham Life primarily affecting this area, and other changes having a minimal impact across all areas. For those without internet access, Lewisham Life can act as a key source of information, and although the Council's 2021 residents survey identified that 94% of Lewisham residents are internet users, it also highlighted non-internet usage is significantly higher among:
• The Financially Stretched ACORN category (13%)
• Those aged 75+ (45%)

The Fairer Lewisham Duty outlines the Council's responsibility to take account of and attempt to mitigate the impact of changes on people who are disadvantaged as a result of their socio-economic status, as well as the intersectional impact of changes such as this one. The specific proposal relating to Lewisham Life is being mitigated through attempts to seek sponsorship and raise funds so publication of Lewisham Life can resume on a quarterly basis. It is felt that through this mitigation, the equalities impact of this change can be reduced or eliminated entirely.

Other changes within the Chief Executive's Directorate relating to the Civic Events Function, Policy Team, Executive Support Team and People and OD team will all have a staffing impact in terms of potentially increasing workload for Council Officers. There are no substantial or disproportionate equalities implications for these changes, but all impacts are being mitigated through monitoring by relevant line managers and strategic service planning to ensure capacity is used effectively.

Specific EIA screenings carried out for each of the proposed savings that impact staff have not identified any disproportionate impact with regards to protected characteristics on the staff who are affected. This is as a result of changes being made to vacant roles, and therefore impacts being across entire teams, rather than being felt by individuals.

Changes made within the Electoral Services Team also broadly have a neutral or minimal impact. The saving to remove non-statutory freepost reply envelope and scanning service is noted for its potential impact on those who are more likely to vote by post. However, it is noted that Lewisham now receives a higher percentage of online responses than any other London authority. In order to ensure the impact of this change has been fully considered, an Equalities Impact Analysis has been completed.

Additionally, the scrapping of direct letters to households regarding Voter ID is noted to have a low impact on several groups possessing a protected characteristic. The full EIA for this saving details extensive mitigation to reduce this impact, including a new A4 poll card in a reply envelope, with the statutory wording about Voter ID displayed prominently on the front and reverse of the poll card.

Housing

The Budget for the Housing Directorate provides funding for each of the following Divisions:

- Housing Strategy
- Housing Quality and Investment
- Housing Resident Engagement and Services

However, for the purpose of this EIA screening, changes to the budget for the Housing Revenue Account (HRA) are not being focused on. As a result of this, the information directly below refers only to the Housing Strategy Division, as this draws on the General Fund.

Savings proposed from within this Division focus on increasing efficiency without reducing the service or quality of service which is being provided. Examples of savings such as this are the reduction of two Property Negotiator posts, capitalising the salary of the Housing Casework Officer to the HRA and increasing savings from the Temporary Accommodation Reduction Project. All of these projects note a neutral impact on anyone possessing a protected characteristic as part of their EIA Screening.

Corporate Resources

The budget for the Corporate Resources Directorate provides funding for each of the following Divisions:

- Finance
- IT and Digital Services
- Resident and Business Services

Savings proposed from within the Finance Division are focused on internal processes which do not interact with service users, such as the internal audit process. IEA screenings for these savings do not identify any impact on those possessing protected characteristics. The savings themselves are focused on the deletion of vacant posts, improving contract efficiency and budget adjustments to remove historical anomalies. Of the five proposed changes from within this Division, there are none which note an impact through their screenings.

Similar to the above, changes proposed to IT and Digital Services have not identified any disproportionate impacts through their screening processes. The savings proposed from this Division focus on the deletion of vacant posts, ceasing using of the recruitment and talent acquisition service, and contractual cost reductions and equipment relocations within the data centres. In addition to a neutral impact on service users, a very minimal impact on staff has been identified as a result of deleted posts having been held vacant for a protracted period of time, and mitigations being put in place to ensure changes to technology utilised by staff is *“co-ordinated, managed and communicated in a way that will cause minimum disruption to staff.”*

Of the three changes proposed to the Resident and Business Services Division, there has been no impact identified through the EIA screening process for either the reduction in printing/ stationary costs or the deletion of posts which have been held vacant for up to one year. Reductions in staff numbers will be mitigated through the recruitment of a new Operations Manager to better manage resources. On a savings proposal titled FM Energy, a positive impact has been identified including three medium impacts, with one low impact. These will affect:

- Age
- Ethnicity
- Gender
- Disability (low impact)

The cause of this positive impact through the saving is noted as a result of invoice validation creating a positive change for service users through improvement the management of our energy payments.

Children and Young People

The budget for the Children and Young People Directorate provides funding to the following areas:

- Children's Social Care
- Education Services
- Families Quality and Commissioning

Of the four proposals within the Children's Social Care directorate, two savings have identified an impact through the screening process. A saving related to Building Lewisham children's residential homes is identified as having a positive impact. This is as a result of less reliance on placement market and more cost control. An EIA screening identifies a particular positive impact on ethnicity as a result of this change, this is caused by some children in care being able to remain in their community, not placed elsewhere in a part of the country that has less cultural/racial diversity. It is noted in relation to this saving that a full EIA will be completed to ensure that all potential impacts have been properly considered.

A saving from the Children's Social Care Division to reduced spot purchasing of youth support has identified a potential negative impact that more young people could risk entering care if an alternative is not in place. This will disproportionately impact young people, but can be mitigated through the expansion of an 'in house' service as an alternative to commissioned resource.

The Education Services Division has proposed a number of savings measures as part of this budget. Proposed savings to Access, Inclusion and Participation amount to £220k and are identified as having a neutral impact across all groups possessing protected characteristics. This is as a result of analysis already having been carried out over a period of three years which has determined less places are required, and there remains sufficient capacity support the primary aged children in Lewisham schools. It is noted that a reduction in staffing levels may impact on reducing exclusions for Lewisham CYP. However, this will be mitigated by the rollout of initiatives such as Mental Health Support Teams in Schools.

The savings from Short Breaks Review are identified as having a possible negative impact across two characteristics, those who are disabled and those who face socio-economic inequality (although not a protected characteristic, this is reviewed as part of a recommendation from the Fairer Lewisham Duty). This impact is as a result of changes to Targeted Short Breaks may leading to some children receiving reduced packages of support. It should be noted that this will not be universal and some children will receive increased provision as a result of the change. A full EIA screening will be completed as part of the review process to ensure all potential impacts are understood and, where possible, mitigated.

There are no other impacts noted through the screening process for additional savings within the Education Services Division.

There are five proposed savings from within the Families, Quality and Commissioning Division. Of these five, two savings have identified a positive impact on groups possessing a protected characteristic, and three have identified a neutral impact. Positive impacts to service users include ensuring a consistent level of business support across the organisation through changes to ways of working, and plans to redesign service delivery to create a seamless and consistent offer of support that will further prevent inequality of access to service provision. The overall impact for service users will be positive, with anticipated increases in access and more targeted provision to ensure we reach and engage more families from communities not currently accessing existing provision.

It should be further noted that changes proposed from this division are also identified as having either a positive or neutral impact on staff.

Place

The budget for the Place Directorate provides funding to the following areas:
- Inclusive Regeneration
- Public Realm
- Planning

Two savings proposals have been submitted by the Inclusive Regeneration Division. One of these savings has identified a neutral impact across all assessed areas. This is as a result of utilising S106 to offset any potential risk to planned Jobs and Skills activity, therefore maintaining service provision at its current level.

A proposal from this division relating to Council Offices Rationalisation is identified as impacting those with a disability or those who face health/ social care challenges. Although there is a positive impact identified across a range of protected characteristics because of this change, there are potential risks to staff who access mental health services or who need specific workstations as reasonable adjustments for declared disabilities. A full Equality Impact Assessment has identified a number of mitigations to ensure that transition between buildings is as smooth as possible for the circa 83 staff who currently work in Holbeach. This includes completing a staff survey of those impacted and ensuring that services, such as the Youth Offending Service, are given appropriate space within Laurence House to carry out their work in a manner which is appropriate for their service users.

It should be noted that positive impacts from the changes referred to above include a reduction in concern about anti-social behaviour amongst female staff entering/leaving the Holbeach office, staff and clients benefiting from a more modern building with lifts, accessible toilets, powered doors, and an improvement in facilities for those with a faith a religion.

One saving has been identified by the Public Realm Division. This saving relates to implementing new processes, procedures and management arrangements to increase commercial waste income. There is no projected impact across protected characteristics as a result of this change, and it is noted that staff are trained to support all individuals including those with protected characteristics to deliver an excellent service and support additional needs where required.

Community Services

The budget for the Community Services Directorate provides funding to the following areas:
- Adult Integrated Commissioning
- Systems Transformation
- Adult Social Care
- Communities, Partnerships and Leisure
- Public Health

It should be noted that a number of proposed changes from this Directorate cut across Divisions within it, and some services are more reliant on external grant funding which does not directly impact the general fund.

Six savings measures have been proposed by Adult Social Care, with none having identified disproportionate negative impacts across protected characteristics. In some instances, this is as a result of an assumption that additional funding will be provided over and above current MTFS assumptions through increased grant funding. In addition to this, one savings also relate to new approaches to re-charging, where service provision will not be reduced, but costs will be carried outside of the Council's General Fund.

This Division has identified a positive impact through the EIA Screening process in relation to a Care Homes Review Proposal, which will require collaborative multi-disciplinary work arrangements that support providers to manage more complex residents effectively and safely. This saving is identified as having a positive impact on residents who have a disability, primarily as a result of more complex service users being more effectively supported whilst in care homes.

The Communities, Partnerships and Leisure division has proposed three savings which have identified no disproportionate positive or negative impact on either residents or service users through the EIA screening process. Changes proposed by this Division relate to a reduction in funding for the London Youth Games, a reduction in resources to invest in parks infrastructure and a one off Savings of £100K for 2023/24 and 2024/25 from the core budget contribution to the uplift on Salaries at Adult Learning Lewisham.

One saving has been proposed by the Public Health Division, and relates to Neighbourhood Community Development Partnerships (NCDPs). This saving would repurpose funding for NCDPs and they will therefore not restart within the borough, having been paused since the start of the Covid-19 pandemic. As service users that would have been attendees of the NCDP funded projects for the 2019/2020 period include younger residents, residents over 60 years and residents from Black, Asian and Minority Ethnic communities, a disproportionate potential impact from this saving has been identified. However, this impact is assessed as being low, with effective mitigations in place such as the South-East London Integrated Care Board (SEL ICB) work to develop integrated neighbourhood teams that may provide some degree of mitigation to not having NCDPs in place.

6. Mitigation

As a result of the scale and variety of measures, a summary of mitigations has been grouped in the above section (section 5), so they can be more easily read across as to which saving they refer to.

More detailed information on all mitigations that are in place can be found in the individual Equality Impact Screenings and full Equality Impact Assessments.

7. Service user journey that this decision or project impacts

As this impact assessment encompasses a wide range of separate service user journeys and project impacts, this information is provided via the full Equality Impact Screenings and Assessments that have been completed for savings where a negative impact on one or more groups possessing a protected characteristic has been identified.

Signature of Director	

APPENDICES W1 to Z6 (2024/25 BUDGET REPORT)

Y8b: Budget Growth EIA

Author	Alex Glanz	**Directorate**	Chief Executive’s
Date	24/01/24	**Service**	Chief Executive’s Office

1. The activity or decision that this assessment is being undertaken for

Cumulatively for allocated funding increases within the Budget 2024/25.

This EIA is a summary of all Equalities Analyses which have been undertaken in relation to growth funding which has been allocated across Lewisham Council for the 2024/25 Budget.

2. The protected characteristics or other equalities factors potentially impacted by this decision

<table>
<tr><td>☒ Age</td><td>☒ Ethnicity/Race</td><td>☒ Religion or belief</td><td>☒ Language spoken</td><td rowspan="5">☐ Other, please define:</td></tr>
<tr><td>☒ Gender/Sex</td><td>☒ Gender identity</td><td>☒ Disability</td><td>☒ Household type</td></tr>
<tr><td>☒ Income</td><td>☒ Carer status</td><td>☒ Sexual orientation</td><td>☒ Socio Economic status</td></tr>
<tr><td>☒ Marriage and Civil Partnership</td><td>☒ Pregnancy and Maternity</td><td>☒ Refugee/Migrant/ Asylum seeker</td><td>☒ Health & Social Care</td></tr>
<tr><td>☒Nationality</td><td>☒ Employment</td><td>☒ Armed forces</td><td></td></tr>
</table>

A decision taken on where growth is allocated across the Council will have an impact on all residents of the borough of Lewisham, and therefore all protected characteristics and equalities factors are impacted. The decision to allocate funding will be a positive impact for all those who utilise the services which will see their budgets increased, some of which are universal services or corporate services which support the delivery of universal ones.

3. The evidence to support the analysis

Evidence for this EIA is taken predominantly from the Council’s 2021 Census Data. Outlined below is a summary of the demographics within the borough of Lewisham. It should be noted that more detailed information about who is accessing services which the Council provides are held by those service teams. For the purposes of this EIA, evidence has been taken from all residents of Lewisham, as well as Lewisham staff.

As is noted above, this is as a result of cumulative decisions being taken on the budget impacting all residents. This is contrary to decisions taken by specific services, where evidence will be taken from service users where appropriate.

Please see the supporting evidence detailed in Appendix Y9a ('3. The evidence to support the analysis').

4. The analysis

This Equalities Impact Analysis is a cumulative summary of all EIAs and EIA screenings which have been completed in relation to growth funding which has been allocated in the 2024/25 budget.

All EIAs that have been completed for growth funding have identified either a positive or neutral impact to groups sharing a protected characteristic. Some of these EIAs have identified a high positive impact across specific characteristics, such as the impact of increased funding for the Concessionary Awards Team and the impact that will have on disabled and elderly residents. There is also a cumulative positive impact identified for all staff within Lewisham Council as a result of funding for a nationally agreed salary uplift, and instances where teams are able to be expanded to cope with a substantially increased workload.

As is noted below, there are disproportionalities in terms of some groups receiving a larger positive impact than others because they are disproportionately reflected either in the Council's workforce or its service users. This is noted particularly in relation to increases in funding for Temporary Accommodation and for the Children and Young People Directorate.

5. Impact summary

<u>Staff Salary Funding</u>

This area of growth refers to the decision to provide funding for salary increases to all Council Officers. The nature of funding increases has been agreed at a national level, and is not a Council decision, therefore the impact of how funding is allocated has not been recognised through the equalities analysis. However, the decision to provide funding for salary increases will have a positive impact across all protected characteristics and equalities factors.

Information on the make-up of the Council's workforce and the representation of groups sharing different protected characteristics is below:

Equality Group	**Council staff profile**	
	%	No.
Gender		3030
Female	58.2%	1764
Male	41.8%	1266
Ethnicity	100.0%	3030
Asian	5.0%	150

Black	39.6%	1201
Mixed	5.1%	155
Other	1.5%	46
White	44.7%	1354
Unavailable	4.1%	124
BME	51.2%	1552
Disability	100.0%	3030
Yes	9.3%	281
No	71.5%	2167
Unavailable	19.2%	582
Sexual orientation	100.0%	3030
Heterosexual	71.1%	2153
LGBTQ+	3.1%	93
PNTS	24.1%	729
Unknown	1.8%	55
Age	100.0%	3030
16-19	0.3%	8
20-29	8.7%	264
30-39	18.4%	557
40-49	22.8%	690
50-59	30.8%	932
60+	19.1%	579
Grade	100.0%	2702
SC3 - SC5	20.0%	541
SC6 -SO2	30.3%	818
PO1 - PO5	33.2%	898
PO6 - PO8	10.5%	283
SMG - Executive	6.0%	162

The Equalities Impact Analysis for the increase in salary funding does specifically note the disproportionate number of white employees at senior levels of the Council, as well the disproportionate number of women who are employed at Lewisham Council. Other disproportionalities are noted throughout the report, but there are no negative impacts identified because of this decision.

Legal Services Funding

This increase in funding for Legal Services is designed to deal with increased demand pressures, particularly within Adult’s and Children’s Services, as well as disrepair claims. The funding will have a neutral impact across the service as this legal work is required, and funding is intended to resolve a provide support for demand which is already present.

It is identified through the Equalities Impact Screening for this increase in funding that a better service will be delivered to all Council clients which are supported by the legal team, and therefore any impact that this decision does have will be positive.

Corporate Support for delivery of Quality Housing

This relates to a decision to invest an additional £1 million in corporate support for the delivery of new housing supply in the borough and the necessary investment in its existing housing stock. There is no impact on staffing associated with this proposal, the funding will support corporate budgets to fund the borrowing and accounting costs of the capital programme.

Although the majority of groups possessing protected characteristics are noted by the Equalities Analysis to be neutrally impacted by this decision, there is a specific positive impact on:

- **Age** – school provision will support our children and young people. Housing will benefit all of those eligible.
- **Disability** – the capital programme includes funding for adaptations to homes to support those who require it.
- **Pregnancy and maternity** - school provision will support new families within the borough.
- **Socio-Economic Status** - improved social infrastructure, in particular housing supports those unable to afford private purchase/rent.

It is further noted in the Equalities Analysis that there will be an additional positive impact for partners of the Council, which may result in improvements for service users. This is because of them relying on physical assets being delivered/improved/maintained via the capital programme, and would include our schools, health partners, TfL, etc…

Children and Young People

This relates to a decision to provide funding primarily focussed towards children and young people. This is associated with funding pressures related to children supported by a social worker and children with SEN needs.

In the last two years, while the number of children in care has reduced as have the number in more expensive residential care, the unit costs for children requiring a higher level of need has increased significantly. This has been recognised as a national pressure by the DfE. Through a range of actions the directorate has been seeking to reduce costs, but it must be recognised that with a national shortage of appropriate residential placements that there are times when the Council has to pay increased fees in order to provide accommodation for children in care and meet its statutory requirements. In addition, due to historic practice the age profile of children in care in Lewisham is higher than average. This means that there are more adolescents with complex needs than would be expected, and a bulge of care leavers which the Council has continued responsibility for. Next year the number of care leavers is expected to start to reduce.

Each year the number of children identified as having a high level of special educational needs and requiring an Education, Health and Care plan has gone up by roughly 105. Once again this is a national trend. While the direct support costs associated with this increase sits within the High Needs Block of the Dedicated Schools Block, there is also a pressure on the General Fund, in particular Home to School Transport and staffing costs (Educational Psychologists and SEN Caseworkers). Overall, the increased investment here helps the Council to meet its statutory responsibilities in relation to this group of children and young people.

The impact of this funding is registered in the equalities screening as neutral across all groups possessing protected characteristics. This is as a result of much of the work that the funding is allocated to support already being underway. However, it should be noted that, had the Council chosen not to provide this funding, their would have been a significant negative impact across a number of groups possessing a protected characteristic who use the services provided by the Children and Young People Directorate, particularly children. Therefore although this increase in funding has been registered as neutral, the decision to allocate the funding has avoided a negative impact being felt.

Growth allocation for Temporary accommodation service

This relates to a decision to allocate base budget growth of £8m and an additional £1.9m one off funding for 2024/25 to help address pressures in the temporary accommodation service. A full Equalities Impact Analysis has been undertaken in relation to this decision, and notes that it will have a positive impact across all protected characteristics and equalities factors.

It is noted in the EIA for this decision that there is disproportionate representation across a number of protected characteristic in terms of homelessness applications. This includes age, race, maternity, ethnicity and income. Some supporting data for this has been included below:

Ethnicity	%
Black or Black British Caribbean	28.7%
Black or Black British African	22.2%
White - English/Welsh/Scottish/Northern Irish/British	20.0%
Refused / Unspecified	7.7%
White Other	4.6%
Other ethnic group - Other	4.4%
White and Black Caribbean	2.9%
Asian or Asian British Other	2.6%

Black or Black British Other	2.0%
Mixed/Multiple Ethnic - White and Black Caribbean	1.7%
Mixed/Multiple Ethnic - Other	1.3%
Mixed/Multiple Ethnic - White and Black African	0.4%
White Irish	0.4%
Asian or Asian British Bangladeshi	0.2%
Asian or Asian British Chinese	0.2%
Asian or Asian British Indian	0.2%
Asian or Asian British Pakistani	0.2%
Other ethnic group - Arab	0.2%
White Gypsy or Irish Traveller	0.2%
Total	**100%**

This Equalities Analysis Assessment recognises that the award of the funding will have a greater impact on specific groups because they have a higher representation within the overall service user profile. The impact on these groups will be positive as additional funding will provide the council with more options in which to assist homeless households and help to find properties within the borough and in neighbouring boroughs.

Insurance Reserve Unwinding

This Equalities Impact Screening relates to a decision to unwind a saving of £300k within the Corporate Resources Directorate. An equalities screening has been completed for this decision and notes that there is no impact on any groups sharing a protected characteristic as a result of this.

Adult Social Care – General Non-Pay inflation

This Equalities Impact Screening relates to a decision to allocate a 1% uplift to non-pay related funding within Adult Social Care. It is not anticipated that this decision will have an impact on any group possessing a shared protected characteristic or equalities factor.

Public Health Funerals

This is a proposed increase to the funding for Public Health Funerals, a service the Council provides to arrange funerals for Lewisham residents who are deceased but who have either (a) nobody able to arrange or (b) prepared to arrange the funeral on their behalf. As there is no data gathered that profiles any characteristics for the deceased, equality impacts for this growth have been identified as neutral across all protected characteristics. As managing public health funerals is limited to the team responsible for administering these internally, the EIA does not note any impact on partners or other staff as a result of this additional funding.

Concessionary Awards Team

This EIA focuses on an increase in funding for the Concessionary Awards Team. This funding allows the team to continue to effectively administer the freedom pass scheme. As this scheme is utilised by elderly and disabled residents, the EIA notes that an increase in funding, and the Council's continued ability to provide this scheme effectively, will have a positive impact across groups possessing those two protected characteristics.

In terms of the scale of this impact, the Freedom Pass is currently provided to 5,752 disabled residents, and is spread across the following age profile:

- Age 65 and over 28,508
- Age 55 – 64 2,001
- Age 45 – 54 1,161
- Age 35 – 44 892
- Aged 25 – 34 801
- Under 25 years of age 423

As a result of the number of people who are positive impacted by the freedom pass scheme, the EIA has identified a high positive impact as a result of this additional funding.

6. Mitigation

All decisions listed above relate to increases in funding which is being provided through the budget. As a consequence of this, all impacts that have been noted through the equalities screening/ equalities analysis process are positive or neutral.

Therefore, no mitigations are required to prevent negative impacts.

7. Service user journey that this decision or project impacts

As this Equality Impact Assessment is a cumulative summary of a number of separate decisions which are being taken across the Council in relation to growth allocations through the 2024/25 budget, it relates to a large number of potential service user journeys.

Information on these journeys can be found in the specific Equalities Impact Analyses which this EIA has drawn information from.

Signature of Director	

APPENDIX Y9: Making Fair Financial Decisions

Equality and Human Rights Commission

Making fair financial decisions
Guidance for decision-makers

3rd edition, January 2015

APPENDICES W1 to Z6 (2024/25 BUDGET REPORT)

Introduction

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

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

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

What the law requires

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

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

The law requires that public authorities demonstrate that they have had 'due regard' to the aims of the equality duty in their decision-making. Assessing the potential impact on equality of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can demonstrate that they have had 'due regard'.

It is also important to note that public authorities subject to the equality duty are also likely to be subject to the Human Rights Act 1998. We would therefore recommend that public authorities consider the potential impact their decisions could have on human rights.

Aim of this guide

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

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

We have also produced detailed guidance for those responsible for assessing the impact on equality of their policies, which is available on our website at www.equalityhumanrights.com.

The benefits of assessing the impact on equality

By law, your assessments of impact on equality must:

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

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

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

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

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

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

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

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

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

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

When should your assessments be carried out?

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

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

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

What should I be looking for in my assessments?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX Z1: Interest Rate Forecasts 2024 - 2026

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecast below is based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast, made on 8 January 2024, sets out a view that both short and long-dated interest rates will gradually fall, as the Bank of England sees the inflation rate falling. The government is also providing a limited package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices without increasing inflation.

Link now expect the MPC will keep Bank Rate at 5.25% during the first half of 2024 to combat on-going inflationary and wage pressures. We do not think that the MPC will increase Bank Rate above 5.25%.

Table Z1.1: The current PWLB rate forecasts below are based on the Certainty Rate

Period	Bank Rate	PWLB Borrowing Rates % (including certainty rate adjustment of 20 basis points)			
	%	5 year	10 year	25 year	50 year
Mar 2024	5.25	4.5	4.70	5.20	5.00
Jun 2024	5.25	4.40	4.50	5.10	4.90
Sep 2024	4.75	4.30	4.40	4.90	4.70
Dec 2024	4.25	4.2	4.30	4.80	4.60
Mar 2025	3.75	4.1	4.20	4.60	4.40
Jun 2025	3.25	4.00	4.10	4.40	4.20
Sep 2025	3.00	3.80	3.80	4.30	4.10
Dec 2025	3.00	3.70	3.70	4.20	4.00
Mar 2026	3.00	3.60	3.60	4.2	4.00
Jun 2026	3.00	3.60	3.60	4.1	3.90
Sep 2026	3.00	3.50	3.50	4.1	3.90
Dec 2026	3.00	3.50	3.50	4.1	3.90

PWLB Rates

Gilt yield curve movements have narrowed, with the short part of the curve seeing yields fall through recent weeks whilst the longer-end continues to reflect inflation concerns. At the time of writing there is <30 basis points difference between the 5 and 50 year parts of the curve.

The balance of risks to the UK economy:

- The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus could keep gilt yields high for longer).

- **The Bank of England** has increased the Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- Despite the recent tightening to 5.25%, the **Bank of England proves too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- The pound weakens because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer term US treasury yields rise strongly if inflation remains more stubborn there than the market currently anticipates, consequently pulling gilt yields up higher.

Projected gilt issuance, inclusive of natural maturities and QT, could be too much for the markets to comfortably digest without higher yields consequently.

APPENDIX Z2: Extract from Credit Worthiness Policy

(Linked to Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management)

Annual Investment Strategy

The key requirements of both the CIPFA Code of Practice on Treasury Management in the Public Services and Department for Levelling Up, Housing and Communities (DLUHC's) 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 the 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. These are investments with a body or in an investment scheme described as high quality or with;

  i. The United Kingdom Government;

  ii. A local authority in England or Wales (as defined in section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland;

- Non-specified investments. These are long term investments and any investment that falls outside the minimum counterparty criteria identified within the strategy.

The investment policy proposed for the Council is:

Strategy guidelines: The main strategy guidelines are contained in the body of the treasury strategy statement.

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. They also include investments which were originally classed as being non-specified investments, but which would have been classified as specified investments apart from originally being for a period longer than 12 months, once the remaining period to maturity falls to under twelve months. 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, housing association, 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; and

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, as shown in the table further below.

Non-Specified Investments: These are long term investments and any investment that falls outside the minimum counterparty criteria identified within the strategy and do not meet the specified investment criteria. These include certificates of deposit issued by banks or building societies, fixed deposits with building societies that do not meet the basic secruity requirements of specified investments, corporate bonds, and property funds. Provision has been made in the Strategy to invest in a limited number of lower rated building societies within the restrictions set out, certifcates of deposit with both banks and building societies, and pooled asset funds (should the relevant opportunity arise). The Council will seek guidance on the status of any pooled fund or collective investment scheme 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 Group. 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;
- Credit Default Swap (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 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 Link Group creditworthiness service uses a wider array of information other than just primary ratings. Futhermore, by using a risk weighted scoring system, it does not give undue precedence to just one agency's ratings.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are outlined below.

Table Z2.1: The Criteria, Time Limits and Monetary Limits of Institution or Investment Vehicles

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
DMADF – UK Government	N/A	100%	6 months
UK Government gilts	UK sovereign rating	£40m	1 year

UK Government Treasury bills	UK sovereign rating	£60m	6 months
Money Market Funds - CNAV	AAA	£30m	Liquid
Money Market Funds - LVNAV	AAA	£30m	Liquid
Money Market Funds - VNAV	AAA	£30m	Liquid
Local authorities	N/A	£25m	1 year
Term deposits with banks and building societies	Yellow* Purple Blue Orange Red Green No Colour	£30m £25m £40m £25m £20m £15m Not for use**	Up to 5 years Up to 2 years Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use**
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	£40m £25m £20m £15m Not for use**	Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use**
Term deposits or CDs with building societies on Link's counterparty list rated 'No colour'	BBB-	£10m	Up to 3 months
Call accounts and notice accounts	Yellow* Purple Blue Orange Red Green No Colour	£30m £25m £40m £25m £20m £15m Not for use	Liquid
Pooled investment 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.*
*** except for those building societies rated BBB- or higher as set out elsewhere in the table.*

The monitoring of investment counterparties: The credit rating of counterparties will be monitored regularly, on at least a weekly basis. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Group as and when ratings change, and the impact of those changes are assessed 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 upon maturity. Any counterparty failing to meet the criteria will be removed from the lending list immediately, 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.

Sole reliance will not be placed on the use of this external service. In addition, the Council will make use of market data and information on any external support for banks to help support its decision-making process.

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 Z3: Benchmarking Extract

The following three pages present an extract, with glossary, of the Council's treasury benchmarking report as at 30 September 2023.

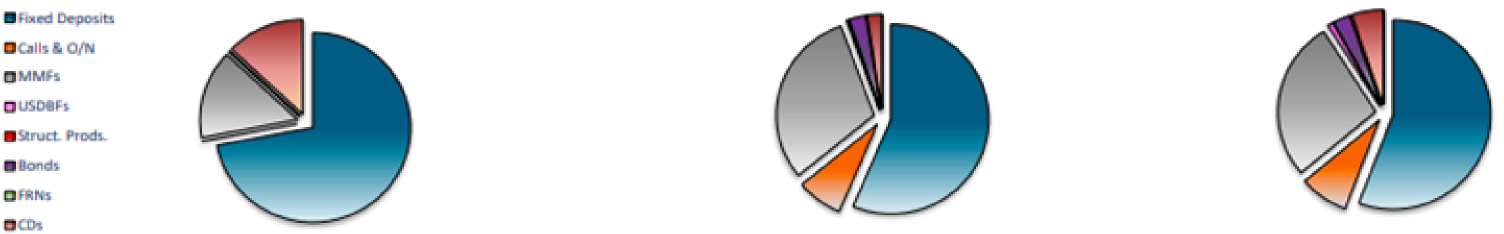
Table Z3.1: London Borough of Lewisham Summary Sheet

London Borough Of Lewisham

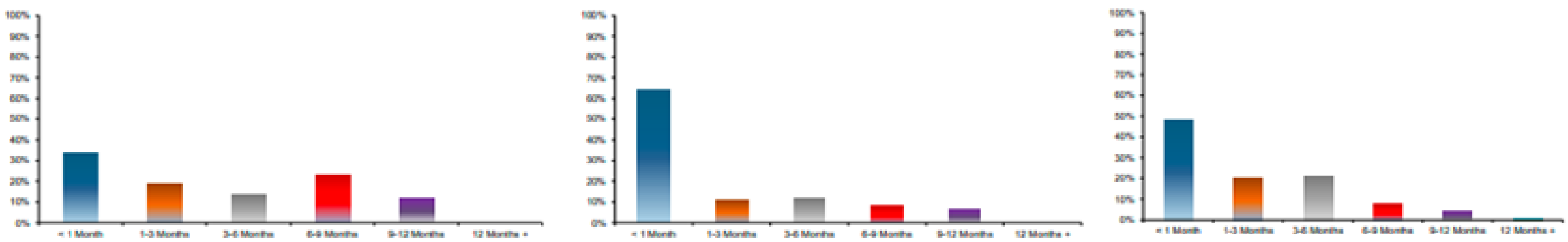
Summary Sheet

	London Borough Of Lewisham	Benchmarking Group 2 (15)	London (22)
		Basic Portfolio Characteristics	
WARoR	5.24%	5.07%	4.99%
WAM	110	61	151
WATT	258	139	227
WA Credit Risk	3.69	2.40	2.32
Model WARoR	5.00%	5.06%	5.06%
Difference	0.24%	0.01%	-0.07%
Model Band	4.85% - 5.14%	4.92% - 5.20%	4.92% - 5.21%
Performance	Above	Inline	Inline

Asset Breakdown



Maturity Profiles



Is this report easy to understand?
Please give us feedback so we can improve.
Go to https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports

Table Z3.2: London Borough of Lewisham Peer Comparison

London Borough Of Lewisham

Peer Comparison

	London Borough Of Lewisham	Benchmarking Group 2 (15)		London (22)		Population Average (229)	
Basic Characteristics							
Principal	£347,400,000	£266,125,348		£252,210,013		£108,273,109	
WARoR	5.24%	5.07%		4.99%		5.09%	
WAM	110	61		151		79	
WATT	258	139		227		154	
WA Credit Risk	3.69	2.40		2.32		2.81	
Portfolio Breakdown							
Fixed Deposits	71.96%	56.36%	14	55.70%	19	54.85%	203
Calls & O/N	0.00%	7.68%	6	8.16%	8	11.44%	158
MMFs	15.08%	30.44%	13	27.19%	18	28.24%	185
USDBFs	0.00%	0.33%	1	0.90%	1	0.67%	13
Struct. Prods.	0.00%	0.00%	0	0.00%	1	0.22%	5
Bonds	0.00%	2.79%	1	2.88%	3	1.42%	13
FRNs	0.00%	0.00%	0	0.00%	0	0.10%	1
CDs	12.95%	2.40%	2	5.17%	3	3.05%	23
Institution Breakdown							
Banks	84.92%	39.03%	13	40.97%	0	45.21%	214
Building Socs.	0.00%	1.70%	3	4.37%	2	2.53%	49
Government	0.00%	28.50%	10	25.73%	20	23.08%	134
MMFs	15.08%	30.44%	13	27.19%	6	28.27%	185
USDBFs	0.00%	0.33%	1	0.90%	1	0.60%	13
MLDBs	0.00%	0.00%	0	0.00%	16	0.09%	1
Other	0.00%	0.00%	0	0.83%	1	0.22%	10
Domestic/Foreign Exposure							
Domestic	23.03%	55.89%	15	59.59%	9	62.02%	222
Foreign	61.89%	13.34%	6	12.32%	1	9.08%	86
MMFs	15.08%	30.44%	13	27.19%	6	28.30%	185
USDBFs	0.00%	0.33%	1	0.90%	1	0.60%	13
Maturity Structure							
< 1 Month	33.79%	63.75%		47.57%		55.13%	
1-3 Months	18.71%	10.89%		19.99%		17.21%	
3-6 Months	12.95%	11.48%		20.73%		16.77%	
6-9 Months	23.03%	7.71%		7.35%		5.46%	
9-12 Months	11.51%	6.16%		4.15%		4.05%	
12 Months +	0.00%	0.00%		0.21%		1.39%	

Table Z3.3: Definitions for Table Z3.2

WARoR	Weighted Average Rate of Return	This is the average annualised rate of return weighted by the principal amount in each rate.
WAM	Weighted Average Time to Maturity	This is the average time, in days, till the portfolio matures, weighted by principal amount.
WATT	Weighted Average Total Time	This is the average time, in days, that deposits are lent out for, weighted by principal amount.
WA Risk	Weighted Average Credit Risk Number	Each institution is assigned a colour corresponding to a suggested duration using Link Asset Services' Suggested Credit Methodology 1 = Yellow; 1.25 = Pink 1; 1.5 = Pink 2, 2 = Purple; 3 = Blue; 4 = Orange; 5 = Red; 6 = Green; 7 = No Colour
Model WARoR	Model Weighted Average Rate of Return	This is the WARoR that the model produces by taking into account the risks inherent in the portfolio.
Difference	Difference	This is the difference between the actual WARoR and the model WARoR; Actual WARoR minus Model WARoR.

APPENDIX Z4: Economic Update from Link Asset Services

UK Economy (as at 31 December 2023)

- The third quarter of 2023/24 saw:
  - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
  - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS "experimental" rate of unemployment has remained low at 4.2%;
  - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
  - Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022;
  - The Bank of England holding Bank Rate at 5.25% in November and December;
  - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with the Halifax house price index recently pointing to a 1.7% year on year increase whilst Nationwide's December data pointed to a -1.8% year on year decrease.

However, the full weakness in real consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.

- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank’s key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.
- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That’s the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank’s forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that “further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures”. And it stuck to the familiar script, saying that policy will be “sufficiently restrictive for sufficiently long” and that “monetary policy is likely to need to be restrictive for an extended period of time”. In other words, the message is that the MPC is not yet willing to endorse investors’ expectations that rates will be cut as soon as May 2024.

- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.
- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% in early January, with further declines likely if the falling inflation story is maintained.
- Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from $1.21 in November to $1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.
- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February 2023. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

Table Z4.1: High/Low/Average PWLB Rates for 01.04.2023 – 29.12.2023

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%
	1 Year	**5 Year**	**10 Year**	**25 Year**	**50 Year**
Low	4.65%	4.14%	4.20%	4.58%	4.27%
Date	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.51%	5.73%	5.45%
Date	06/07/2023	07/07/2023	22/08/2023	17/08/2023	28/09/2023
Average	5.62%	5.16%	5.01%	5.29%	5.00%
Spread	1.71%	1.79%	1.31%	1.15%	1.18%

The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries.

The S&P 500 and FTSE 100 have struggled to make much ground through 2023.

MPC Meetings 2nd November and 14th December 2023

- On 2nd November, the Bank of England's Monetary Policy Committee (MPC) voted to keep Bank Rate on hold at 5.25%, and on 14th December reiterated that view. Both increases reflected a split vote, the latter by 6 votes to 3, with the minority grouping voting for an increase of 0.25% as concerns about "sticky" inflation remained in place.
- Nonetheless, with UK CPI inflation now at 3.9%, and core inflating beginning to moderate (5.1%), markets are voicing a view that rate cuts should begin in Q1 2024/25, some way ahead of the indications from MPC members. Of course, the data will be the ultimate determinant, so upcoming publications of employment, wages and inflation numbers will be of particular importance, and on-going volatility in Bank Rate expectations and the gilt yield curve can be expected.
- In addition, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has kept short-term rates in the range of 5.25%-5.50%, whilst the ECB has moved its Deposit rate to a probable peak of 4%. Markets currently expect both central banks to start cutting rates in 2024.

Creditworthiness

There have been few changes to credit ratings over the quarter under review. However, officers continue to closely monitor these, and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

Investment Counterparty Criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

Investment Counterparty Criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

APPENDIX Z5: Approved Countries for Investment

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, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

Based on the lowest available rating.

AAA

- Australia,
- Denmark,
- Germany,
- Netherlands,
- Norway,
- Singapore,
- Sweden,
- Switzerland.

AA+

- Canada,
- Finland,
- USA.

AA

- Abu Dhabi (UAE).

AA-

- Belgium,
- France,
- Qatar,
- U.K.

APPENDIX Z6: Requirement of the CIPFA Treasury Management Code of Practice

Treasury Management Scheme of Delegation

(i) Full Council

- Budget consideration and approval;
- Approval of annual Treasury Management Strategy; and
- Approval of/amendments to the organisation's adopted clauses and 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;
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe;
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority;
- ensuring that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources;
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities;

- provision to Members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees;
- ensuring that Members are adequately informed and understand the risk exposures taken on by an authority; and
- ensuring that the authority has adequate expertise, either in-house or externally, to carry out the above.