KEY DECISION*

Council

Report title: 2024/25 Budget Report

Date: 28 February 2024

Key decision: Yes

Class: Part 1

Ward(s) affected: All

Contributors: Executive Director for Corporate Resources

Outline and Recommendations

The purpose of this report is to set out the overall financial position of the Council in relation to 2023/24 and to set the Budget for 2024/25. This report allows Council Tax to be agreed and housing rents to be set for 2024/25. It sets the Capital Programme for the next four years and the Council's Treasury Strategy for 2024/25.

The report provides information on the revenue budget reduction proposals necessary to help balance the budget for 2024/25, the allocation of budget growth to meet inflation pressures and service overspending and prepare to address the budget requirement for 2025/26.

Council is asked to consider the recommendations listed in this report at Section 2.

Timeline of engagement and decision-making

The Greater London Authority have confirmed their Budget and precept proposals.

Mayor and Cabinet approved the draft 2024/25 Budget Report for recommendation to Full Council on the 7 February 2024.

Public Accounts Select Committee considered the draft 2024/25 Budget Report on the 29 January 2024.

Financial Monitoring P8 was approved by Mayor and Cabinet on 24 January 2024.

The Council Tax Base was approved by Council on the 17 January 2024.

1. Summary

1.1 This report sets out the context and range of budget assumptions which Council is required to agree to enable it to set a balanced budget for 2024/25. These include the following:

1.2 General Fund

- In respect of the General Fund, the assumed net revenue expenditure budget is £293.838m. This is made up of provisional Settlement Funding from government (revenue support grant and business rates), the inclusion of Section 31 grant relating to business rates funding and forecast Council Tax receipts including an increase in Council Tax of 4.99% with the detail set out in Section 6.
- The changes to the prior year General Fund position to meet the 2024/25 net revenue budget of £293.838m are proposed on the basis of the following assumptions:
    - £7.945m of revenue budget reductions have been included for 2024/25, of which £2.315m were previously agreed and £5.630m assumed to be agreed and implemented.
    - An assumed 4.99% increase in Band D Council Tax for Lewisham's services for 2024/25; including the 2.99% increase in the core Council Tax as announced in the provisional Local Government Finance Settlement and 2% increase for the Adult Social Care precept.
    - £36.709 of funding allocated for risks and pressures in 2024/25, primarily to cover the services reporting a £30m overspend in 2023/24.
    - £1.844m of additional pay inflation to cover the gap from 2023/24.
    - £5.816m of pay inflation for 2024/25.
    - £4.401m of non-pay inflation for 2024/25.

1.3 Dedicated Schools Grant, Pupil Premium and Additional Autumn Statement Funding

- The 2024/25 overall Dedicated Schools Grant (DSG) allocation is £363.126m (a 7% increase) (of which, £40.225m is part of the Early Years Block and remains provisional). Of this money, the Council will passport through the monies

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

allocated to the Academy schools and notes that £11.381m relates to national policy changes on the EY entitlement offer being extended, so is effectively linked to new responsibilities.

- Schools block – A net increase of £9.63m (4%).
- Central Services to Schools block – A net reduction of £0.295m (10%). This funding is for services that support schools including admission.
- High Needs block – A net increase of £2.373m (3%). This funding supports those young people with Special Needs. In addition, Schools Forum have agreed to supplement this budget by £0.7m in 2024/25 and the Council continues to work with the Department for Education (DfE) on the national cumulative deficit being carried by Councils for running these services.
- Early Years block – A net increase of £15.381m (38%). Overall, there is an increase in the hourly rates for 3-4 year olds from £6.33 to £7.24 (14%) and for 2 year olds £7.52 to £10.64 (41.4%) and the introduction of new funding for 2 year olds with working parent entitlement from 1 April 2024 at £10.64 and under 2 year olds from 1 September 2024 at an hourly rate of £14.52.

- Pupil Premium - funding rates are confirmed to increase by circa 1-2%, however the school-by-school final allocation will be advised in the summer 2024. The 2023/24 pupil premium figure is currently £15.167m.
- Pupil numbers have decreased by a net 251, with a 351 decrease in primary and a 100 increase in secondary pupil numbers.

1.4 Housing

- A proposed rent increase at a maximum permissible of 7.7% (an average of £8.57 per week) in respect of dwelling rents, 7.7% (average £3.10 per week) in respect of hostels, and a range of other proposed changes to service charges on the same basis. The proposed annual expenditure for the Housing Revenue Account (HRA) is £224.3m in 2024/25, including the capital and new build programme.
- The proposed Capital Programme (HRA) budget for 2024/25 to 2028/29 of £620.8m, of which £112.8m is for 2024/25;
- Prior to the in-sourcing, from the 1 October 2023, of the Council's Arms Length Management Organisation (ALMO) – Lewisham Homes developed action plan to manage the problems related to damp and disrepair. These include undertaking property MOT's, to fully identify damp & disrepair within the Councils stock.
- Continuing to conduct urgent reviews and physical inspections of every property on the damp and disrepair logs.
- Upon completion of MOT's/surveys, repairs and follow-up actions are being taken to resolve the issues identified. This may require the allocation of additional resources which may not be fully forecasted within the current HRA budget allocations. Discussions are on-going with service heads on how to fund the cost of these repairs which may result in capital plans being reprioritised for existing stock.

1.5 Other Income and Grants

- Section 6 of the report sets out the detail of changes to other sources of income, including grants.

- The following grants continue into 2024/25 and are broadly unchanged from 2023/24: Public Health Grant (£26.9m), Better Care Fund (£10.9m for the Council) and the Improved Better Care Fund (£14.9m).
- The following grants have increased and being used to fund pressures for 2024/25: Social Care Grant (£27.9m) and the ASC Market Sustainability and Improvement Fund (£6.0m).
- The following grants have continued but at significantly reduced levels and are being used to fund once off pressures only: New Homes Bonus (£2.0m) and Services Grant (£0.6m).
- The Discharge Grant provided in 2023/24 replaced monies already provided by Health partners and did not provide capacity for new growth, although this has been increased in 2024/25 to £3.5m it will be needed in full to meet additional demand.
- On 24 January 2024 government announced an additional £500m nationally of funding for councils with responsibility for adults and children's social care, distributed through the Social Care Grant. The allocation of this will be made in the Budget on the 6 March 2024. This additional funding will replace the £1.5m planned once off use of reserves in 2024/25.

1.6 Treasury

- The report updates the Council's Treasury Management Strategy for both borrowing and investments. The proposed approach and levels of risk the Council takes in its Treasury functions remains prudent, in-line with last year, and officers continue to explore alternative investment options and opportunities to undertake debt restructuring in order to reduce cashflow, balance sheet risk and best fund the capital plans set out.
- There are no material changes to the strategy.

1.7 Capital

- The proposed Capital Programme (General Fund and Housing Revenue Account) budget for 2024/25 to 2027/28 is £558.0m; split £171.0m (31%) for the General Fund and £387.0m (69%) for the Housing Revenue Account. Of this programme £207.7m is for 2024/25 with £112.8m on the General Fund and £114.3m on the Housing Revenue Account.

2. Recommendations

2.1 It is recommended that Council approve the recommendations shown below in respect of the 2024/25 Budget.

2.2 That, having considered the views of those consulted on the budget, and subject to proper process, as required, Council:

General Fund Revenue Budget

2.3 note the 2023/24 forecast projected overall variance of £19.9m, after the use of corporate provisions and reserves, or 7.5% of the agreed budget of £263.680m as set out in Section 6 of this report and that this year-end overspend will be met from corporate provisions and reserves;

2.4 endorse the budget cut reduction measures of £2.315m and £8.423m, with an anticipated assumed minimum delivery of £5.6m in 2024/25, as set out in Section 6 of the report and summarised in Appendix Y1 and Y2a and Y2b;

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

2.5 agree the allocation of £54.277m of resources from; the corporate risks and pressures, adult social care precept, new homes bonus, social care grant, ASC market sustainability and improvement fund, discharge grant, New Homes Bonus and Services Grant in 2024/25 to be invested in funding quantified budget pressures and opportunities, both recurring and once-off, as set out in Section 6;

2.6 agree a General Fund Budget Requirement of £293.838m for 2024/25 be approved;

2.7 agree to a 4.99% increase in Lewisham's Council Tax element. This will result in a Band D equivalent Council Tax level of £1,566.58 for Lewisham's services and £2,037.98 overall. This represents an overall increase in Council Tax for 2024/2/25 of 5.8% and is subject to the GLA precept for 2024/25 being increased by £37.26 (i.e. 8.58%) from £434.14 to £471.4, in line with the GLA's draft budget proposals;

2.8 note the Council Tax Ready Reckoner which, for illustrative purposes, sets out the Band D equivalent Council Tax at various levels of increase. This is explained in Section 6 of the report with more detail in Appendix Y4;

2.9 consider the Section 25 Statement from the Chief Finance Officer, the Executive Director for Corporate Resources. This is attached at Appendix Y5;

2.10 agree the draft statutory calculations for 2024/25 as set out at Appendix Y6;

2.11 note the prospects for the revenue budget for 2024/25 and future years as set out in Sections 6 and 7;

2.12 agree and ask officers to continue to develop firm proposals to redesign and transform services and inform the capital strategy by bringing them forward in good time to support the work towards a savings and investment round to help plan early to meet the future forecast medium term finance strategy objectives;

Other Grants (within the General Fund)

2.13 note the adjustments to and impact of various specific grants for 2024/25 on the General Fund as set out in Section 6 of this report;

Dedicated Schools Grant and Pupil Premium

<u>Schools Block</u>

2.14 note the provisional gross Dedicated Schools Grant (DSG) allocation of £363.126m before the Department's adjustments to fund Academy schools;

2.15 note the provisional DSG allocation for £240.662m be the Schools' Budget (Schools Block) for 2024/25 covering both maintained schools and academies, and that this includes £7.5m of funding that schools currently receive via the Mainstream Additional Grant;

2.16 agree, as recommended by Schools Forum, the once-off transfer of circa £0.7m of Schools Block funding to the High Needs Block;

<u>Central Schools Services Block (CSSB)</u>

2.17 note the construct and allocation of £3.014m for the CSSB block allocation for 2024/25, a reduction of circa £0.295m from the £3.309m 2023/24 allocation;

<u>High Needs Block (HNB)</u>

2.18 note the provisional HNB £79.225m to support the Council's statutory duty with regards to Special Education Needs (SEN), a net increase of £2.373m relative to 2023/24. And that the HNB will be finalised in March for deductions arising for institutions funded by the Education and Skills Funding Agency (ESFA);

<u>Early Years Block (EYB)</u>

2.19 note the Dedicated Schools Grant allocation to the EYB of £40.225m;

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

2.20 note that the Department for Education has increased hourly funding for 3 and 4 year olds from £6.33 to £7.24 (14.4%) and with respect to 2 year old disadvantaged funding, the hourly rate has increased from £7.52 to £10.64 (41.5%);

2.21 note the introduction of new funding from 1 April 2024 for 2 year old working parent entitlement of £10.64 per hour and new funding for under 2 year olds from 1 September 2024 at £14.52 per hour;

Pupil Premium

2.22 note that the pupil premium will continue in 2024/25, that the per-pupil funding is expected to increase by 1% for primary and 2% for secondary, with the total quantum confirmed in summer 2024;

Housing Revenue Account

2.23 note the consultation report on proposed service charge increases to tenants and leaseholders in the Brockley area, presented to tenants and leaseholders on 2 November 2023, as attached at Appendix X2a and X2b;

2.24 note the consultation report on proposed service charge increases to tenants and leaseholders presented to the remaining tenants and leaseholders on 13 November 2023 as attached at Appendix X3.

2.25 agree to set an increase in dwelling rents of 7.7% (an average of £8.57 per week) – as per the Governments formula rent increases to be applied to rents for 2024/25 and as outlined in section 9 of this report;

2.26 agree to set an increase in the hostels accommodation charge by 7.7% (or £3.10 per week), in accordance with Governments direction for formula rent increases to be applied to rents for 2024/25;

2.27 approve the following average weekly increases/decreases for dwellings for:

2.27.1 service charges to PFI managed dwellings (Brockley) to ensure full cost recovery and 9.9% inflationary uplift for 2024/25;

• caretaking	9.9%	(£0.35)
• grounds	9.9%	(£0.21)
• communal lighting	9.9%	(£0.01)
• bulk waste collection	9.9%	(£0.15)
• window cleaning	9.9%	(£0.00)
• tenants' levy	0.00%	(£0.00)

2.27.2 service charges to Council managed dwellings:

• caretaking	7.70%	(£0.59)
• grounds	7.70%	(£0.10)
• window cleaning	7.70%	(£0.03)
• communal lighting	7.70%	(£0.10)
• block pest control	7.00%	(£1.80)
• waste collection	7.70%	(£0.07)
• heating & hot water	7.70%	(£1.23)
• tenants' levy	0.00%	(£0.00)
• bulk waste disposal	7.70%	(£0.05)

- sheltered housing 0.00% (£0.00)

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

- service charges (hostels) – caretaking etc.; 7.70% or £5.92pw energy cost increases for heat, light & power; 10.0% or £0.71pw;
- water charges increase; 7.70% or £0.02pw;

2.28 approve an increase in garage rents by 8.90% (£1.58 per week) for Brockley PFI and Council residents as outlined in Appendix X4;

2.29 note that the budgeted expenditure for the Housing Revenue Account (HRA) for 2024/25 is £224.3m, split £111.5m revenue and £112.8m capital, which includes the decent homes and new build programmes;

Treasury Management Strategy

2.30 approve the Treasury Management Strategy 2024/25 including the prudential indicators and treasury indicators;

2.31 approve the Annual Investment Strategy and Creditworthiness Policy, set out in further detail at Appendix Z2;

2.32 approve the Investment Strategy as set out in Section 10 of this report, along with the operational boundary & authorised limit for the year as set out in tables D4 and D5 in this report;

2.33 approve the Minimum Revenue Provision (MRP) policy as set out in Section 10.27 of this report;

2.34 agree to delegate to the Executive Director of Corporate Resources the authority during 2024/25 to make amendments to borrowing and investment limits provided they are consistent with the strategy and there is no change to the Council's authorised limit for borrowing;

2.35 approve the overall credit and counterparty risk management criteria, as set out at Appendix Z2, the proposed countries for investment at Appendix Z5, and that it formally delegates responsibility for managing transactions with those institutions meeting the criteria to the Executive Director for Corporate Resources.

Capital Programme

2.36 approve the 2024/25 to 2027/28 Capital Programme of £558.0m as set out in Section 11 of this report and Appendix W1;

2.37 agree to delegate to the Executive Director for Corporate Resources authority to amend the scheme mix within the Capital programme to respond to the risks as set out as long as this is done within the total programme parameters approved and that regular updates on the capital programme, reflecting any changes, are regularly reported back to Mayor & Cabinet.

3. Policy Context

3.1 The Council's strategy and priorities drive the Budget with changes in resource allocation determined in accordance with policies and strategy. The Council launched its Corporate Strategy in November 2022, with seven corporate priorities as stated below:

Corporate Priorities

3.2 The Council's corporate priorities are:

- Cleaner and Greener,
- Strong Local Economy,
- Quality Housing,
- Children and Young People,
- Safer Communities,
- Open Lewisham,
- Health and Wellbeing.

Values

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

- Ambitious;
- Inclusive;
- Collaborative;
- Accountable;
- Trustworthy.

3.4 The setting a balanced budget for 2024/25 directly supports the achievement of the 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. Appendix Y3 sets out how the proposed budget for 2024/25 would align to the seven priorities set out above.

3.5 As noted in the 2023/24 budget, the Council's strong and resilient framework for prioritising action has served the organisation well in the face of reductions to local government spending, growth in demand for services with a growing population and increasing costs due to inflation. This continues to mean, that even in the face of the most daunting financial challenges facing the Council and its partners, we continue to work alongside our communities to achieve more than we could by simply working alone.

3.6 This joint endeavour helps work through complex challenges, such as the pressures faced by health and social care services and housing, and to secure investment in the borough for new homes, school improvements, regenerating town centres, renewed leisure opportunities and improvement in the wider environment. This work has and continues to contribute much to improve life chances and life opportunities across the borough through improved education opportunities, skills development, and employment. Of course, there is still much more that can be done to realise our ambitions for the future of the borough; ranging from our work to support housing supply and business growth, through to our programmes of care and support to some of our most vulnerable and troubled families.

3.7 It remains clear that the Council cannot do all that it once did, nor meet all those expectations that might once have been met, for we are in a very different financial position than just a decade ago. Severe financial constraints have been imposed on Council services with budget reductions to be made year on year on year. The Council's responses to this on-going pressure are addressed in this report; including further budget reduction proposals for 2024/25 and noting that the Autumn Statement suggested that Local Government funding from 2025/26 would be severely constrained. This is pending a long overdue reset of the Fair Funding arrangements and review of Council Tax and Business Rates as revenue raising mechanisms to fund local services.

3.8 At the same time, as set out at Section 6 of the report, the use of resources to address risks and pressures through positive investments is an opportunity. These investments are also supported via the capital programme at Section 11. This spending deals with both existing pressures, principally for overspending services, additional significant inflationary pressures and supports the Council in refocusing and changing services where new opportunities and expectations for how the Council can better deliver them to support the community are identified.

3.9 The cost of living crisis continues to impact our residents, businesses, and the Council alike and the proposed 2024/25 budget seeks to continue to best support the borough as a whole.

4. Structure Of the Report, Policy Context, And Background

4.1 The 2024/25 Budget Report is structured as follows:

Section 1	Summary
Section 2	Recommendations
Section 3	Policy Context
Section 4	Structure of the Report
Section 5	Background
Section 6	General Fund Revenue Budget and Council Tax
Section 7	Future Years' Budget Strategy and Risks
Section 8	Dedicated Schools Grant and Pupil Premium
Section 9	Housing Revenue Account
Section 10	Treasury Management Strategy
Section 11	Capital Programme
Section 12	Consultation on the Budget
Section 13	Financial Implications
Section 14	Legal Implications
Section 15	Equalities Implications
Section 16	Climate Change and Environmental Implications
Section 17	Crime and Disorder Implications
Section 18	Health and Wellbeing Implications
Section 19	Background Papers
Section 20	Glossary
Section 21	Report Author and Contact
Section 22	Appendices

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

5. Background

5.1 This section sets out the main national macro-economic and public spending position, the current position in respect of local government finance, and some of the key Council services as context for the Budget spending details.

National Context

5.2 In 2023, the United Kingdom's economy was still in a period of recovery. Gross Domestic Product (GDP) growth for the for the last three months to December 2023 has been flat at around 0.6% as at December 2023. However, the growth outlook for 2024 is less positive with an expectation that the economy experiences GDP growth of 0.0% as at Q4 of 2024 based on the Bank of England forecast in November 2023.

5.3 The UK unemployment rate rose slightly to 4.3% in 2023, and this continues to be a pressure in terms of concerns for shortages of workers in the UK economy. Inflation rose to 11.1% in October 2022 and has now reduced to 4.0% in December 2023, but it is still above the long term target of 2%. The public sector often experiences a lag in inflation (through its retrospective agreement of inflation in contracts and wage negotiations) and it was the persistently high level of inflation which forced the Bank of England to increase interest rates to 5.25%. Based on the current Bank of England forecasts and recent escalating global uncertainties impacting trade, the expectation is that interest rates are likely to remain at or close to these levels for an extended period.

5.4 The cost of living crisis refers to the fall in "real" disposable incomes that the UK has experienced since the financial crash in 2008 but more acutely since late 2021. Most recently it is being caused predominantly by high inflation outstripping wage and benefit increases, and although the recent falls in inflation have helped to reduce the cost of living crisis, the situation for many persists.

5.5 Public debt remained high at around 101.2% of GDP in Q2 of 2023, and the intention of Government, as set out in the Chancellors Budget in March 2023 and unchanged in the Autumn Statement, is to reduce this over the next four years to 2027/28. The consequence of this, along with recent tax cuts, is a contributing factor to the expected reduction in public sector funding over this same period. With the recognition that, as an unprotected area for government spending, local government risks bearing a significant and disproportionate share of these reductions from 2025.

5.6 Overall, the UK economy in 2023 was slowly recovering from the global pandemic with low GDP growth rate. The challenge of the cost of living crisis, inflation above the Bank of England target, and high levels of public debt, are all issues which the UK Government and Bank of England still have to manage appropriately to reduce the risk of recession and rising unemployment. In addition, the wars in Ukraine and Gaza and uncertainty over the safety of trade routes through the Suez Canal all increase the overall risks to the UK economy.

Local Government

5.7 The final Local Government Finance Settlement was announced on 5 February 2024. This is another one year only settlement pending the review of relative needs and resources (also known as the fair funding review).

5.8 The settlement has provided a potential increase of 6.6% in council core spending power in cash terms for Lewisham. Existing funding streams will continue including the Adult Social Care Market Sustainability and Improvement Funding and the Discharge Fund. The government expects these will support councils to meet the extra cost and demand-led pressures to keep providing services at pre-pandemic levels. Despite this, there is continuing widespread concern from the Local Government Association and others that there remains a significant funding gap for the sector to meet all its statutory service requirements, for example temporary accommodation and social care. The government's response to this has been to allow Councils to increase their council tax by the adult social care precept element and the overall social care grant funding.

5.9 Along with the settlement announcement, the Government confirmed the continuation and an increase of 2% to the Adult Social Care (SC) precept on Council Tax in 2024/25, created to give local authorities who are responsible for social care the ability to raise new funding to spend exclusively on Adult Social Care. Since 2016/17, when this was additional local tax burden flexibility was introduced, the Council has raised the SC precept. Applying the maximum precept of 2% for 2024/25 will generate an extra £2.698m of revenue for Adult Social Care services.

5.10 The Government also announced that the limit by which Councils can increase their core Council Tax (inclusive of levies) without a referendum, remains at a maximum level of 2.99%.

5.11 With 2024/25 effectively being another roll forward year with some growth on specific grants, the fundamental review of the way local government is financed has again been deferred until at least the 2026/27 financial year, and potentially later. The fair funding review will set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources, using the best available evidence as the current method is based on indices from 2013/14. Alongside this the overdue reform of the Business Rates Retention arrangements, which aims to reform the elements of the business rates retention system in England.

5.12 While this position is confirmed for one year only, officer's medium-term assumptions are that this recognises a higher funding baseline, including all the housing, health, social care and market sustainability grants, as the starting point for the fair funding review, but excluding the services grant. Nonetheless, due to the uncertainty surrounding the public finances overall and levelling up intentions of the government, the local government fair funding review, combined with the expectation that demand for services continues to grow, the Council fully expects to have to continue to seek savings to balance future year's budgets.

5.13 Last year the Council was able to set its budget without planning to use reserves. However, the 2023/24 forecast overspend position at £19.9m is such that it has been necessary to identify and implement both in year budget reduction proposals and bring forward new proposals for 2024/25. The Council has identified £7.945m of savings necessary to set a balanced budget, being £2.315m which were previously and a further £5.630m which have been identified for inclusion in the base budget for 2024/25.

Cost of Living Crisis

5.14 The Cost of Living crisis is still having severe detrimental effects on households across the country, with Lewisham residents being particularly vulnerable due to their comparatively low income and high deprivation levels (Lewisham being ranked eighth in London and 63 nationally on the Indices of Multiple Deprivation).

5.15 On the 23 of November 2022, Council passed a motion to declare a Cost of Living emergency in the Borough. This called on the Government to use its powers to support people through the worst financial crisis to hit the country in decades. Following this, a programme of action was developed by Lewisham Council to support residents through the crisis by utilising existing resources, securing funding from identified sources to support delivery, and enhancing partnership work across the Borough with the voluntary community sector and anchor institutions.

5.16 The programme addresses the following areas in relation to the Cost of Living Crisis:

- Food justice,
- Energy advice and fuel poverty,

- Income maximisation,
- Debt triage,
- Warm Welcomes (more detail below), and
- Communications.

5.17 In April 2023, Lewisham Council launched the food justice action plan in partnership with a range of local partners to combat food insecurity by:

- Reducing the risk of Lewisham residents experiencing food injustice;
- Ensuring children and young people have access to nutritious, sustainable and culturally appropriate sources of food throughout the year;
- Co-ordinating resources to maximise the support available to those in crisis;
- Promoting and developing 'Money First' approaches where appropriate.

5.18 Since this action plan was published, almost £0.09m from the Community Food Justice Grants has been distributed to support 19 of the community food project providers in the Borough.

5.19 The Council has invested over £0.2m of Public Health and local area NHS funding into the food justice programme. This has helped to fund local food-giving projects such as social supermarkets and foodbanks.

5.20 Furthermore, during 2023/24 the Council has invested over £2.2m from the Household Support Fund to expand free school meals for all primary school children, including holiday activities, and a further £1m has been distributed to schools to contribute to feeding children via localised schemes and investment in school kitchens.

5.21 In line with energy advice and fuel poverty support, during 2022/23, the Council supported over 1,150 households in Lewisham and reprocured the South London fuel poverty advice service. To allow community energy partners to deliver practical support to households facing fuel poverty, the Council provided £0.3m of funding. In 2023/24 £0.2m of funding was provided for residential energy efficiency measures.

5.22 In line with income maximisation, Lewisham Council has supported over 1,150 residents with income gains of almost £0.5m as at December 2023.

5.23 In partnership with Policy in Practice, the Council have contacted over 1,200 households to increase uptake of Pension Credits of approximately £1.6m.

5.24 Following its success during 2022/23, Lewisham Council worked in partnership with Lewisham Local to relaunch Warm Welcomes during 2023/24. Warm Welcomes is an initiative which makes local places accessible for residents to stay warm, have some refreshments and find out about services in their area in light of the current Cost of Living crisis.

5.25 In collaboration with Citizens Advice Lewisham pop-up services across the Borough have been hosted on a weekly basis, to provide residents with Cost of Living support. The provision of advice outreach via Citizens Advice has also utilised funding from the Household Support Fund.

5.26 Lewisham Council has received four iterations of the Household Support Fund, of which the 2023/24 iteration totalled over £5.3m. The continuation of this Fund into 2024/25 has not been confirmed by central Government at this stage. If no longer provided this will negatively impact the supply of free school meals and Cost of Living payments, amongst other things.

5.27 The Council will also continue to support resident financially through income maximisation and debt triage to reduce the negative impact of this possible withdrawal of funding.

5.28 Lewisham Council has also provided support via Lewisham Works, the Council's directly delivered employment service. Through this service, the Council has already supported over 600 residents with bespoke 1:1 holistic employment and training support. This has led to 250 residents securing good work tailored to their needs, and 250 gaining new skills.

5.29 Councillors also resolve to continue working with partners to support local communities, particularly the most vulnerable, through the coming months, by:

- Continuing our award-winning apprenticeships programme and jobs and skills service to support Lewisham residents into good, sustainable jobs;
- Building on Lewisham Council's status as a Living Wage Council to become a Living Wage Place to create more well-paid local jobs for local people;
- Driving increased social value outcomes and benefits from our supply chains and contractors via our procurement activities and practices.

5.30 In addition to Council led programmes, Lewisham is lucky to have an incredible network of community groups, charities, and other local organisations, that offer a wide range of support. The webpage for Cost of Living support can be found here: https://lewisham.gov.uk/myservices/cost-of-living

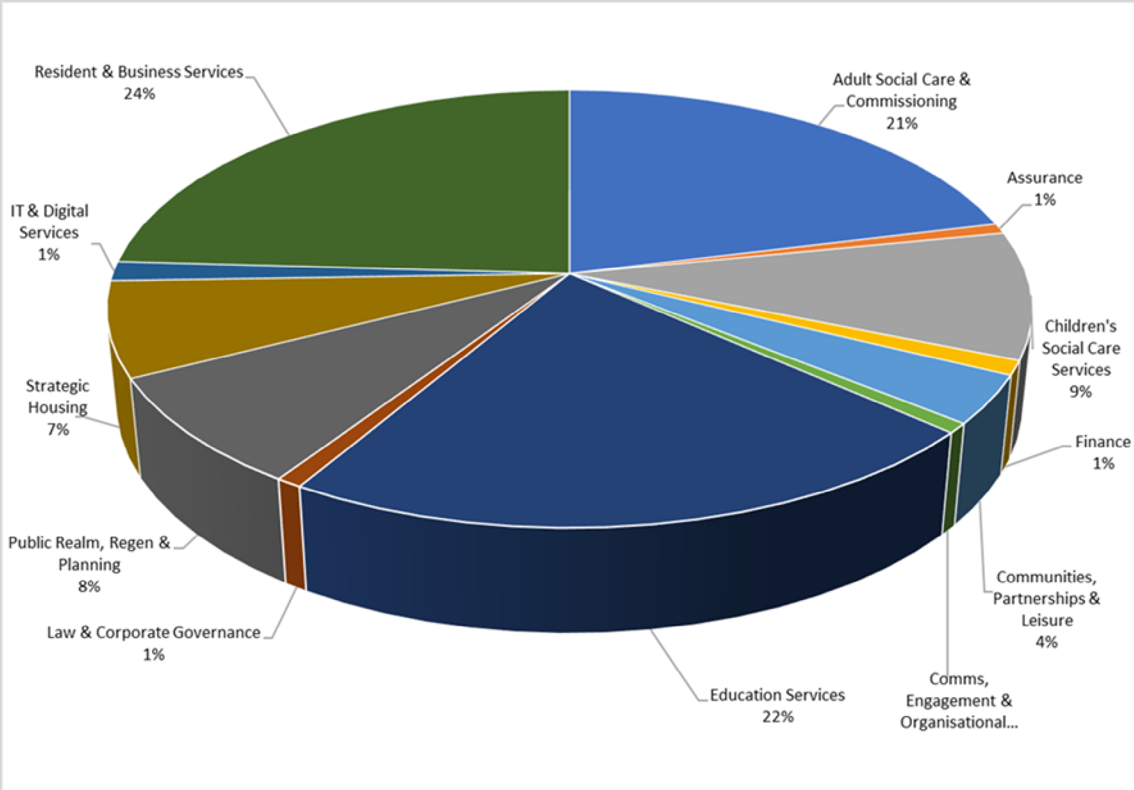
5.31 This webpage offers residents links to a range of services to support them during this difficult time, including: food support; coping with debt; warm welcomes; extra support for those with children; support staying warm; help with employment and training; help with household bills; mental health and well-being advice; and finally links for those fortunate enough to be able to support others through donating to the Lewisham Local Cost of Living crisis appeal or through volunteering opportunities with Lewisham Local.

Budget Context

5.32 The Council spends over £1.32bn annually on services for residents. The gross expenditure budgets for each general fund service area (excluding the HRA) in the Council are as below:

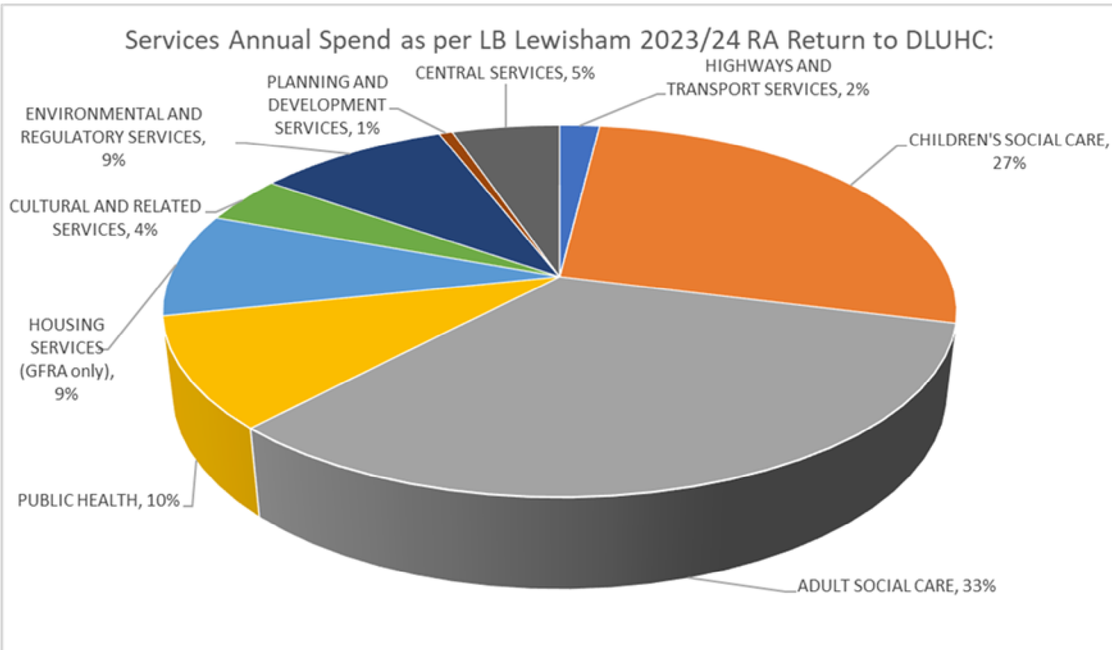
Is this report easy to understand?
Please give us feedback so we can improve.
Go to https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports

2023/24 Gross Expenditure of £1.32bn



Resident and Business Services gross budgets include Housing benefits being transferred to claimants and Education Services gross budgets include Housing benefits being transferred to claimants and includes DSG being transferred to schools.

5.33 In respect of the services element of this annual spend, it is the gross spend built from the £264m general fund budget and income from grants, fees and charges, the money is directed as follows:



5.34 The Council serves a population of 300,553 people (census 2021) who live in 132,416 households. Residents of Lewisham are diverse, with 35.6% of the population born outside of the UK. The number of residents is also growing; and has grown by nearly

9% since the last census in 2011 which is higher than both the increase for London of 7.7% and the overall increase for England of 6.6%. As at the date of the most recent census, Lewisham now ranks 44th for total population out of 309 local authority areas in London, moving up one place in a decade, and is the 13th most densely populated of the 33 London boroughs. More information on the make-up of the borough can be found on the Lewisham Observatory – Welcome to the Lewisham Observatory site.

5.35 The Council works hard to be available for residents when they need it. Through the Customer Services access point, the Council received 86,775 calls during 2022/23. In addition, through the registry office, the Council processed 8,516 births, deaths and marriages in 2022/23.

5.36 In addition to supporting a diverse and growing population, the budget contributes to the Council's commitment to extend local democracy. In 2023, Lewisham Council undertook a second report as part of a series of surveys to better understand challenges facing Small to Medium Enterprises with ethnically diverse owners.

5.37 Lewisham continues to welcome more of those seeking asylum in the UK, including continuation of the 25% 'sanctuary' discount for Council Tax, which was introduced in 2023/24, to ensure residents eligible for a single person discount are not financially worse off as a result of housing a refugee. The Council also continues to welcome Ukrainian refugees fleeing the war with Russia. In addition to specific support for refugees, the Council provided support for the cost of Council Tax to over 22,000 households.

5.38 The budget supports a wide range of age groups across more than 600 individual services.

5.39 For young people, the schools' budget provides for 72 maintained schools from nursery level through to secondary. The Borough had the highest school attendance in inner London for primary and secondary. With 97% of pupils attending a "Good" or "Outstanding" school. Furthermore, the Council ran over 40 holiday programme days with free activities and lunches for school children and young people aged 4 to 16.

5.40 Our Strategic Housing service benefits a large number of residents. The work done with partners to deliver Social Housing and Temporary Accommodation helps provide for the accommodation needs of residents. As at the end of 2022/23, Lewisham Council were landlords of 11,953 general needs accommodation households, 484 sheltered accommodation households and 2,718 temporary accommodation households (including partnership placements). The Council made 1,045 social lets to households on the housing register in 2022/23. However, the number of individuals in temporary accommodation continues to rise, specifically in nightly paid services, partially due to the ongoing cost of living crisis. During 2022/23, work-on-site commenced for 328 social housing dwellings.

5.41 The Borough has over 11,500 businesses registered and, in line with our corporate priority to assist with access to high-quality job opportunities, the budget funds adult education and apprenticeships. During 2022/23, the Council supported 66 apprentices to undertake work and help another 37 employees upskill.

5.42 The Adult Social Care service provides a range of support to vulnerable users that helps them remain active and independent, with 1,461 older and vulnerable residents being supported to return to everyday life following a hospital stay during 2022/23. The service undertook 6,822 adult social care assessments and reviews and supported 3,558 older and vulnerable residents to stay independent across all packages of care. As well as physical care needs, these services provide support to those with mental health or disability needs. The national Social Care reforms which are in part being delayed will impact how we deliver services to resident. The provisional Local Government Finance Settlement includes further funding towards the implementation of these changes in 2024/25, although more will be required in future years as the full impact of the new legislation is understood and quantified.

5.43 The budget also maintains key universal services such as libraries, arts and entertainment centres and sports and recreation facilities. In 2022/23 the Council had 976,649 library visits and 1,332,539 leisure centre visits.

5.44 Maintaining a clean and green environment is beneficial for all. The amount of waste recycled, composted, or re-used is growing year on year. In 2022/23 the service collected 85,392 tonnes of household waste of which 19,367 tonnes of recycling was recycled, composted, or sent for reuse. The service also made 227,760 commercial bin and sack collections.

5.45 The Council is responsible for maintaining roads and footpaths within the Borough. During 2022/23, the Council delivered eight new school streets, 23 new cycle hangars and 35 new electric vehicle charging points. Lewisham Council also manages the parking service, including permits and enforcement, and within 2022/23 74,670 parking permits were approved. These are service areas which will play a significant part in supporting the delivery of a zero-carbon borough.

5.46 Residents enjoy the Borough's green spaces, and the budget supports the work that the Green Scene service does to maintain the high standard of Lewisham's parks. There are 48 parks in the borough of which 23 parks (and green spaces) hold the coveted 'Green Flag' rating.

5.47 In 2023, the Council adopted the first Affordable Workspace Strategy for Lewisham, with a focus on the creative sector along with other key growth areas. We provided over £2.3m in grant funding to the expansion of Cockpit Arts, which opened in December 2023. This delivered over 15,000 sq ft of new and refurbished workspace for creatives.

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

- General Fund Revenue Budget for 2024/25;
- Council Tax level for 2024/25;
- Other Grants for 2024/25;
- Dedicated Schools Grant (DSG) for 2024/25;
- Housing Revenue Account (HRA) and level of rents for 2024/25;
- Treasury Management Strategy for 2024/25; and
- Capital Programme for 2024/25to 2027/28.

6. General Fund Revenue Budget and Council Tax

6.1. This section considers the General Fund revenue budget and Council Tax. The General Fund budget for 2024/25, assuming a Council Tax increase of 4.99%, is £293.838m. Further details of the budget reduction measures included for 2024/25 are provided at Appendices Y1, Y2a and Y2b.

6.2. It is structured as follows:

- Update on 2023/24 Revenue Budget;
- The Budget Model, including:
  - Settlement Funding Assessment; Council Tax, Grants, and Budget Reduction Proposals;

- Budget Pressures to fund;
- Overall Budget Position for 2024/25.

Update on 2023/24 Revenue Budget

6.3. The Council's revenue budget for 2023/24 was agreed at Council on 1 March 2023. The general fund budget requirement was set at £263.680m.

6.4. The financial position of the council is monitored on a monthly basis by officers with support from the Finance team. These monitoring reports are presented monthly to the Executive Management Team (EMT) and quarterly to Mayor and Cabinet and scrutinised by the Public Accounts Select Committee.

6.5. Budget holders are challenged to maintain a tight control on spending throughout the year. The Council operates a devolved system of financial accountability with clear delegations and responsibility set out in the financial and procurement regulations and schemes of delegation in the Constitution.

6.6. The November (period 8) budget monitoring report was reported to Mayor and Cabinet in January 2024. This report presented a pressure of £19.9m on General Fund budgets after the commitment of £11.5m from corporate provisions and reserves.,

Directorates

6.7. Table A1 sets out the latest forecast budget variances on the General Fund by Directorate based on November budget monitoring.

Table A1: Forecast outturn for 2023/24 as at end of November 2023

General Fund	Net Budget 2023/24	Forecast Outturn 2023/24	Period 8 Forecast Variance 2023/24
	£m	£m	£m
Children & Young People	75.2	92.2	17.0
Community Services	85.6	88.7	3.2
Housing	.4	18.3	9.9
Place	19.4	20.2	0.8
Corporate Resources	38.0	35.9	(2.1)
Chief Executives	11.2	12.4	1.2
Salary Pay Award	0.0	1.5	1.5
Directorate Totals	**237.7**	**269.2**	**31.4**
Corporate Provisions and Reserves	0.0	(11.5)	(11.5)
Corporate Items	26.0	26.0	0.0
Corporate Budget Totals	**26.0**	**14.5**	**(11.5)**
General Fund Totals	**263.7**	**283.7**	**19.9**

6.8. The paragraph below explains the reported position at Period 8 in summary. The full detail is as reported to Mayor and Cabinet on the 24 January:

Children and Young People - £17.0m Pressure

6.9. *Children's Social Care:* The Projected overspend for Children's Social care in 2023/24 is £14.1m, an adverse movement of £5m since Period 4. This adverse movement is mainly due to an increase in spend on care placements (£10.8m). The number of high-cost children, with these children having longer stays than previously anticipated due to

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

challenges moving them into suitable lower cost placements and the impact of a net increase in care being provided to other children looked after. Other smaller elements of the overspend include salary costs (£1.5m over) and various such as s17 and No Recourse to Public Funds payments (£31.8m over).

6.10. The Directorate continues to develop stronger prevention services and work towards more intervention and support strategies.

6.11. *Education Services:* The Projected overspend for Education services in Period 8 is £3.7m, an adverse movement of £0.9m since Period 4, due primarily to the level of demand on home to school transport and children with complex needs.

6.12. *Families, Qualities and Commissioning:* The projected underspend for Family, Quality and Commissioning for 2023/24 is £0.8m, an improvement of £0.3m on the Period 4 position due to mitigating actions taken by the service. The service is currently undergoing a period of transition and transformation as it works towards an intervention and support model, making best use of government grants, such as the Supporting Families Grant and funding from Public Health and the Integrated Care Board (formally CCG).

Community Services - £3.2m Adverse

6.13. *Adult Social Care and Commissioning:* There is a £3.5m forecast overspend at Period 8, an adverse movement of £2.5m since Period 4. The adverse movement is due to increases in the number of Learning Disabilities transition clients from Children's Social care, which are now reflected in the forecast. There is also an increase in Learning Disabilities supported accommodation costs for revised care packages and some higher spend on agency staff than anticipated to manage the hospital discharge process.

6.14. This position is after the committement of some once off resources set aside corporately in the 23/24 budget for the impact of Fair Cost of Care reform. Reliance on these once off contributions must be addressed through savings in the 24/25 service plan, including delivery of the committed savings plans.

6.15. *Communities Partnerships & Leisure:* An underspend of £0.3m is expected within the service due to additional income across the service and a reduction in the general fund subsidy to the Adult Lewisham Learning Service.

Place - £0.8m Adverse

6.16. *Public Realm:* A balanced position is reported on the Division, an overall improvement of £1m since Period 4. Pressures remain on service areas such as Street Environmental Services due to operational costs in refuse collection. These are being offset in year by income overachievements and in-year once-off cost reduction measures within the Division.

6.17. *Planning:* There is a £0.6m pressure on the Planning division, which continue to experience staffing pressures and national delay in setting new planning application fees. Building Control are forecasting a £0.2m overspend due to a reduction in income levels.

6.18. *Regeneration:* £0.2m overspend due to unachieved income generation savings.

Housing - £9.9m Adverse

6.19. *Strategic Housing:* £9.9m pressure reported at Period 8, a £0.9m adverse movement since Period 4. At November 2023 there are 1,181 people in nightly paid services compared to 764 in April 2021 and 985 in April 2022. In addition, people are staying longer in Temporary Accommodation (TA) as the service is unable to move them out due to the lack of suitable alternative accommodation. The specific pressures were presented in more detail in the Period 8 report to Mayor and Cabinet of the 24 January.

6.20. As well as the demand and supply pressures, they include the impact of the Housing Benefit limitation recharge, income arrears in the current econoimic environment, and the cost of repairs and incentive payments to help prevent homelessness. Various mitigations are being pursued to bring down these pressures, including incentives and acquisition of additional properites to meet the demand.

Corporate Resources - £2.1m Favourable

6.21. *Resident and Business Services:* £1m underspend due to the reduction in supported accommodation costs and additional income from debt collection activities.

6.22. *IT and Digital Services:* £0.3m underspend due primarily to vacancies being held within the team where recrtuitment continues to prove challenging.

6.23. *Finance and Assurance:* are broadly balanced.

6.24. *Concessionary Fares:* £0.7m underspend in respect of the payments due to the Greater London Authority (GLA) for those people travelling on public transport who are eligible for free or discounted travel. These costs are expected to rise in 2024/25 with fare increases and as demand continues to recover post pandemic.

Chief Executive - £1.1m Adverse

6.25. *Law and Governance:* £1.4m oversepnd based on a £1.8m pressure in Legal Services due to agency and external expenditure to deliver Social Care legal work (challenges recruiting in this area) and the level of workload. There are also cost pressures on property work as well as the more complex Capital development schemes, this includes disputes, contract drafting, advice on grants/structuring/tax VAT/grant regimes. Partially mitigated by a £0.4m underspend due to vacancies within Policy and Information Governance teams.

6.26. *People & Organisational Development and Communications and Engagement:* £0.3m underspend due to vacancies across the services, held to mitigate some of the Council's financial pressure.

Corporate Provisions and Reserves - £11.5m Adverse

6.27. Corporate Provisions are budgets held centrally for corporate purposes and do not form part of the controllable expenditure of the service directorates. They include Capital Expenditure charged to the Revenue Account (CERA), Treasury Management budgets such as Interest on Revenue Balances (IRB) and Debt Charges, Corporate Working Balances and various provisions for items such as early retirement strain and voluntary severance.

6.28. It is planned that Corporate Provisions and Reserves will contribute £11.5m of funding to support the Council's inflationary pressures and to support service risks released against the overspend in line with the previously agreed budget reduction measures to reduce the forecast overspend.

6.29. Given that the forecast outturn position is a £19.9m overspend (after the planned use of provisions and reserves) the funding of this will fall to the remaining provisions budgets (if available) and then reserves, with the final position declared in the outturn report to Members.

The Budget Model

6.30. This section of the report sets out the construction of the 2024/25 base budget. This section is structured as follows:

- Budget assumptions, including:
    - Settlement Funding Assessment,
    - Council Tax,

    - Grants, and
    - Budget Reductions.
- Budget pressures to be funded.

6.31. The Council has made substantial reductions to its expenditure over the last thirteen years. Subject to the outcome of the future multi-year Comprehensive Spending Review (CSR) and the outcome of the government's fair funding review, now not expected earlier than 2025/26, the Council expects to continue to need to make further reductions for at least the next three to four years (see Section 7). This section of the report summarises a series of proposals that would enable the Council to set a balanced budget for 2024/25 as part of a sustainable financial strategy to 2027/28.

Settlement Funding Assessment (SFA)

6.32. The final Local Government Finance Settlement of the 5 February 2024 confirmed the level of funding available to the Council for 2024/25, consisting of the Council's share of the Revenue Support Grant (RSG) and its Baseline Funding Level (BFL); collectively the Settlement Funding Assessment (SFA).

6.33. Pending the Fair Funding review, 2024/25 has effectively been a roll forward of 2023/24, with no amendments to the funding formula or approach. The RSG has been uplifted in-line with September 2023 Consumer Price Index (CPI) inflation of 6.7%. The approach to setting the BFL has also remained consistent with the small business rate multiplier again frozen for 2024/25 whilst the standard multiplier will increase with CPI. Local authorities are compensated for the income shortfall for the under indexation of the multiplier for the small business rate multiplier via the section 31 grant.

6.34. In addition to this compensation, Local Authorities have continued to receive section 31 grant to compensate for the previous change to uplifting the multiplier by the typically lower CPI rather than Retail Price Index (RPI). Whilst this change is not new, the recent high levels of inflation, coupled with the differential between RPI and CPI, has meant that the level of the s31 grant has grown substantially over the previous two years. The Council had not previously built this grant into base budget, holding it back as a contingency for in-year overspends. A change to this strategy was signalled in the July 2023 Medium term Financial Strategy (MTFS). This was to recognise the levels of service spending pressure requiring funding coupled with continuing significant overspends in-year. It is appropriate that £15m of this grant be injected when setting the base budget for 2024/25. This further increases the Council's reliance on Government grants which remain at risk of substantial change through the long awaited Fair Funding Review.

6.35. The percentage combined increase in the SFA for 2024/25 is 4.65%. The total increase is £6.091m for 2024/25 and brings the overall SFA level to £137.197m. This and the £15m of section 31 grant will be used to fund the base budget for 2024/25.

2024/25 Council Tax

<u>Collection Fund</u>

6.36. Collection Fund surpluses or deficits reflect whether the Council over or under achieves its Council Tax collection targets. Therefore, this requires a calculation to be made of how much the Council has already received for the Council Tax in the current and past years and how much of the outstanding debt it expects to collect.

6.37. The statutory calculation was carried out for the 15 January (date prescribed by the relevant statutory instrument). This calculation showed there is an estimated surplus on the Collection Fund in respect of Council Tax, for the years to 2023/24 of £2.638m. This reflects the ongoing work of the Public Services team to carefully collect all

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

monies owing to the Council and the prior adjustments made to the assumed collection rate given the impact of Covid-19.

6.38. This surplus is shared with the precepting authority, the Greater London Authority (GLA), in proportion to relative shares of budgeted Council Tax income in the current financial year. Taking account of the cumulative surplus and the forecast contributions for prior year deficits, £2.043m is forecast to be the net surplus to be included in the calculation of Lewisham’s budget as the additional Council Tax collected in year and transferred to a collection fund reserve against potential future year deficits. The remaining balance of £0.595m is allocated to the GLA.

Council Tax Reduction Scheme

6.39. Members should note that the Council agreed on the 17 January 2024 that no changes are to be made to the Council Tax Reduction Scheme (CTRS) for 2024/25. Members agreed that the fixed percentage reduction in liability for the working age claimants of the scheme should remain at 75% for 2024/25. This means that everyone eligible and of working-age has to continue to pay a minimum of 25% of their council tax liability.

Council Tax Levels

6.40. Since 2016/17, the government has allowed councils with social care responsibilities to apply a percentage increase on council tax (the Adult Social Care precept). The additional income being ring-fenced to Adult Social Care (ASC) services. To date, Lewisham has applied a 14% increase over the seven year period. The government is once again allowing councils to apply a precept for 2024/25 of 2%. For 2024/25 this will generate £2.698m of additional income for ASC services.

6.41. This report proposes that Council approve the 2% ASC precept for 2024/25 to obtain the maximum benefit permitted. If implemented this charge has to be identified on the face of the Council Tax bill and made clear in the accompanying guidance for rate payers.

6.42. The final Local Government Finance Settlement announced on the 5 February 2024 confirmed the intention for a core referendum principle of up to 3% (previously 2%) in 2024/25, as announced at the Autumn Statement on the 22 November 2023. This is in addition to the flexibility to raise the Adult Social Care Precept set out above.

6.43. The government’s assumptions in the local government finance settlement 2024/25 include the raising of both Council Tax and the Adult Social Care precept in each and every year to meet the recognised funding pressures faced by the sector. This increase in core Council Tax of 2.99% (i.e. within the limit of the 3% referendum threshold) would provide additional funding of approximately £4.0346m.

6.44. In considering budget reduction proposals and the level of Council Tax, Members make political judgements, balancing these with their specific legal responsibilities to set a balanced budget for 2024/25 and their general responsibilities to steward the Council’s finances over the medium term.

6.45. Should Council choose to set a different Council Tax increase, Members will need to be mindful that any increase below this recommendation will result in additional budget pressures, resulting in greater use of reserves in the short term and require additional cuts for the 2024/25 budget to be identified. Any increase in the core element above this recommendation would require support in a local referendum due to the limit set by the Secretary of State.

6.46. In 2023/24, the Band D Council Tax in Lewisham is £1,926.27 on a base of 88,904.9 Band D equivalent properties. Of this, £434.14 relates to the activities of the GLA which the Council pays over to them on collection. Lewisham’s element is £1,492.13.

6.47. The GLA is consulting on a precept of £471.40 (Band D equivalent) for 2024/25, an increase of £37.26 or 8.58%, and a final decision is expected on or after the 22 February 2024.

6.48. For 2024/25, the Band D Council Tax in Lewisham is recommended to be £2,037.98 on a base of 90,414.0 Band D equivalent properties (the base was approved by Council on the 17 January 2024). Of this, £471.40 relates to the activities of the GLA which the Council will pay over to them on collection, an 8.58% increase. Lewisham's element will be £1,566.58, which includes a 2024/25 increase of £74.45 (4.99%).

6.49. Table A2 below shows, for illustrative purposes, the Council Tax payable by a Lewisham resident in a Band D property in 2024/25 under a range of possible Council Tax increases, and the financial implications of this for the Council. A Council Tax Ready Reckoner is also attached at Appendix Y4.

6.50. The starting point is for an assumed 4.99% increase in Lewisham's Council Tax for 2024/25, which includes the maximum core increase permissible without a referendum. Any reduction from this level of increase will reduce the level of income the Council collects and will increase the draw on reserves for 2024/25 and the budget gap in future years.

Table A2: Band D Council Tax Levels for 2024/25

Amounts Payable by Residents - Band D					
Uplift in Lewisham Council Tax	Lewisham Element (inc. Precept)	GLA Element	Total Council Tax	Increase in Total Council Tax vs. 2023/24	Lewisham Annual Income Forgone vs. 4.99% Uplift
	£	£	£	%	£m
4.99% increase	1,566.58	471.40	2,037.98	5.80	-
3.99% increase	1,551.67	471.40	2,023.07	5.03	(1.35)
2.99% increase	1,536.74	471.40	2,008.14	4.25	(2.70)
1.99% increase	1,521.82	471.40	1,993.22	3.48	(4.05)
1.00% increase	1,507.05	471.40	1,978.45	2.71	(5.38)
0.50% increase	1,499.59	471.40	1,970.99	2.32	(6.06)
Council Tax Freeze	1,492.13	471.40	1,963.53	1.93	(6.73)

Levies

6.51. There are three bodies which charge a levy against Lewisham's Council Tax: the London Pensions Fund Authority (LPFA); the Environment Agency; and the Lee Valley Park Authority. The details of these levies are provided in Appendix Y6.

2024/25 Grants

6.52. This section of the report considers the other funding streams which the Council currently receives and relies on for 2024/25 and future years. The critical point for the budget is that spend of these grants is managed by the Council to ensure commitments are maintained within the resources available. This is to avoid putting additional pressure on the General Fund.

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

- New Homes Bonus;
- Better Care Fund and improved Better Care Fund 2024/25;

- Discharge Fund;
- Public Health Grant 2024/25;
- Social Care Grant;
- Market Sustainability and Improvement Fund; and
- Services Grant.

New Homes Bonus

6.54. The New Homes Bonus (NHB) sits alongside the Council's planning system and is designed to create a fiscal incentive to encourage housing growth. The Department for Levelling Up, Housing and Communities (DLUHC) pays the NHB as un-ringfenced grant to enable local authorities to decide how to spend the funding. The scheme design sets some guidance about the priorities that spend should be focused on, in that it is being provided to 'help deliver the vision and objectives of the community and the spatial strategy for the area in line with local community wishes'.

6.55. In the final Local Government Finance Settlement statement, the Secretary of State announced that for 2024/25 the NHB would continue for one more year but without legacy payments.

6.56. The allocation for 2024/25 in Lewisham is £1.993m, this is a significant increase on the £0.114mm received in 2023/24 Given the uncertain nature of this funding, or indeed the grant, the NHB is treated in the Budget as one off monies to be used to support temporary accommodation above the growth built into base, but not recurring spend, while the necessary savings are identified, agreed and implemented.

Better Care Fund and improved Better Care Fund

6.57. The national Better Care Fund (BCF) was announced by the Government in the June 2013 Spending Round, to support transformation and integration of health and social care services to ensure local people receive better care. The BCF is a pooled budget paid to the National Health Service (NHS) that shifts resources into social care and community services for the benefit of the NHS and local government. The BCF does not represent an increase in funding but rather a realignment of existing funding streams with new conditions attached.

6.58. For Lewisham the value of the BCF in 2024/25 has not yet been announced although it is expected that this may increase by approximately 5%, or circa £600k more than the 2023/24 funding of £27.442m. The local plan must be agreed with the Integrated Care Board (ICB) which replaces the Lewisham Clinical Commissioning Group (CCG) and will require the approval of NHS England.

6.59. The Fund must be used in accordance with the final approved plan and through a section 75 pooled fund agreement. The full value of the element of the Fund linked to non-elective admissions reduction target will be paid over to Lewisham ICB at the start of the financial year. However, the ICB may only release the full value of this funding into the pool if the proposed admissions reduction target is met. If the target is not met, the ICB may only release, into the pool, a part of that funding proportionate to the partial achievement of the target. Any part of this funding that is not released into the pool due to the target not being met must be dealt with in accordance with NHS England requirements. The partners have agreed contingency arrangements to address this risk and they will continue into 2024/25.

6.60. In 2017/18, the government also introduced the improved Better Care Fund (iBCF) to work alongside the BCF. The iBCF in 2023/24 was £14.941m and this grant has not been increased for 2024/25. It is intended to fund adult social care activity. Plans for its use in 2024/25 will also require the agreement of the local ICB. The grant is likely to be spent in substantially the same way as in 2023/24.

Discharge Fund

6.61. The final Local Government Finance Settlement contained a grant that was first provided in 2023/24, the Discharge Fund, ring fenced for ASC and intended to support capacity and discharge. This grant allocation for 2024/25 is £3.491m but is generally a like-for-like replacement of previous funding made available from the ICB for discharge pressures and is therefore passed to ASC in 2024/25 to meet the existing service commitment.

Public Health Grant

6.62. In 2023/24 the Council's allocation for Public Health Grant is £26.9m, the allocation for 2024/25 is £27.6m, an increase of £0.7m (circa 2.6%), which is significantly below inflation.

6.63. The grant remains ring-fenced and the agreed commitment of these funds will therefore need to be reviewed annually by the Director of Public Health in consultation with the section 151 officer.

Social Care Grant

6.64. The provisional Local Government finance settlement in December 2023 committed £1.506bn more for Social Care grant nationally for 2024/25. This has increased Lewisham's grant from £23.4m in 2023/24 to £27.9m in 2024/25 (a 19% increase on top of a 60% increase last year). This grant comes with the discretion to spend it on both adults and children social care, although Government has since indicated that they expect c70% of the grant be used for ASC. The Budget proposes that the increase be used in 2024/25 to fund pressures within both Children's and Adults Social Care, including salary and non-salary inflation pressures, maintaining the 70% allocation to ASC.

6.65. On 24 January 2024 government announced an additional £500m nationally of funding for councils with responsibility for adults and children's social care, distributed through the Social Care Grant. The allocation of this was provided in the final Local Government Settlement on 5 February 2024. This provided additional 'top up' (once off) funding of £2.85m which will be used to support pressures funding in childrens' social care and contingency for further social care pressures on a once off basis in 2024/25.

6.66. The detail is set out in the allocation of resources to pressures later in this section.

Market Sustainability and Improvement Fund (MSIF)

6.67. In 2021 Government announced wide-ranging and ambitious reform of the adult social care system, intended to protect people from unpredictable costs, offer more choice and control over care received, offers outstanding quality and be accessible to those that need it. This reform must be underpinned by a sustainable care market. To support this ambition and fund the implementation of the reforms government announced an additional £1.4bn of funding over the next three years. For Lewisham in 2023/24 this was a grant allocation of £3.203m. This funding was ring-fenced for Adult Social Care pressures arising from the implementation of the reforms to support the care market.

6.68. While the ASC funding reforms have been pushed back to October 2025, the existing Market Sustainability and Fair Cost of Care Fund has been combined with the £400m of ringfenced new funding, also set out in the Autumn Statement. Funding has been distributed using the ASC relative needs formula, and for Lewisham this equates to £5.984m of funding, or £2.781m of new funding. However, the settlement has also rolled in the previous MSIF Workforce Fund, which reduces the net growth. The government expects this grant funding to enable local authorities to make tangible improvements to adult social care in particular to address discharge delays, social care waiting times, low fee rates and workforce pressures in the adult social care sector. There are reporting requirements against these objectives.

Services Grant

6.69. The Services grant was introduced in 2022/23 and the Council allocation was £6.6m. The Department of Levelling Up Communities and Housing (DLUCH) explicitly stated that the Services Grant was a one-off funding source and will not be taken into consideration for transitional protection or as part of core funding when the Fair Funding Review takes place. As such, this funding was not used to support our baseline funding requirement but instead provided us with once-off capacity to manage the financial risks being carried. Whilst there has been a third year allocation of this grant, it has significantly reduced to £0.6m for 2024/25 (down from £3.7m in 2023/24). Again the Council will not rely on this grant for ongoing budget funding and will utilise it to support emerging one off pressures in 2024/25 as set out in this section.

2024/25 Budget Reduction Proposals

6.70. In previous years various budget reduction measures for 2024/25 were agreed in December 2020, February 2021 and February 2022 by Mayor and Cabinet and these total £2.315m. These proposals included both Executive and non-Executive decisions and a summary of these cuts is attached as Appendix Y1 to this report.

6.71. The Council published its Medium Term Financial Strategy (MTFS) on the 19 July 2023, utilising assumptions available at that time to forecast what the likely funding shortfall would be for the period 2024/25 – 2027/28. This analysis produced a cumulative budget gap over the four year period of circa £15m, but with no budget gap requiring new savings in 2024/25.

6.72. That position was updated and revised over the Summer, notably to reflect increased service pressures in childrens' and adults social care and temporary accommodation, as well as more stubborn than expected inflation. This culminated in a revised MTFS going to Public Accounts Select Committee in November 2023.

6.73. Given the increased costs seen in the overspending position, and the lack of expectation that Government would provide new or additional funding based on the Autumn Statement (and now confirmed in the provisional Local Government Finance Settlement), officers began the process to identify measures to reduce both the 2023/24 overspend and the resultant 2024/25 pressures requiring funding.

6.74. This process identified proposals totalling £7.523m for 2024/25. As part of this officers were also asked to provide a 'deliverability confidence' factor for each proposal. This reflected the potential risk to achieving the reduction in full, and in part mitigates the future risk of non-delivery of the initiative. After applying the deliverability factor the net savings figure is £6.305m for 2024/25. In addition, there were a number of items which were either capital savings or once off, which were excluded for base budget setting purposes, meaning that the figure utilised for the 2024/25 budget is £5.630m. This builds on the £2.315m of initiatives identified and approved in 2021/22 and 2022/23 for delivery in 2024/25.

6.75. Of the proposals put forward, £1.108m (£877m net) require Mayor and Cabinet approval and £7.315m (£5.428m net) are officer decisions for implementation. The proposals which require Mayor and Cabinet approval will be brought forward as required under the Council's Constitution, with many of these relating to the generation of income and approved by Mayor and Cabinet on the 7 February 2024. These proposals are set out in detail in Appendices Y2a and Y2b.

6.76. These total net budget reduction measures of £7.945m (the £2.315m previously agreed and the £5.630m net new) have been included in the 2024/25 budget calculation. They must be achieved in order to maintain a balanced budget and manage the established overspend. The delivery of these cuts will be monitored, any shortfall will have to be

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

covered, in the short term pending services offering alternative proposals, through the use of reserves.

Budget Pressures to be Funded

2023/24

6.77. In 2023/24, the funds set aside in the budget model to meet specific identified budget pressures and potential budget risks was £25.131m. This was supplemented by £10.102m of additional Social Care grant uplift, the £2.280m of the new Market Sustainability and Fair Cost of Care Fund grant and the ASC precept of £2.525m. Furthermore, the £0.114m of New Homes Bonus and £3.696m of Service Grant was utilised for once off pressures, totalling pressures and identified risks funding of £43.848m in 2023/24.

2024/25

6.78. The MTFS presented to PASC in November set aside £31.01m for inflation, budget pressures and risks for 2024/25. This was based on the assumed increases in funding generated from the SFA, Council Tax and the £15m of section 31 grant supported by assumed budget reduction measures to further increase capacity to fund pressures. Following the announcement of the provisional Local Government Finance Settlement, and the finalisation of the budget reduction proposals, this level of funding has been revised to £35.405m, principally through the inflation allocated in the SFA.

6.79. To this it is recommended that the £1.950m of the £3.852m of additional social care grant which was received for 2022/23 but not taken into base budget, plus the £4.539m of additional social care grant for 2024/25 be used to address current pressures. It is also recommended that the £2.781m of growth in the ASC Market Sustainability and Improvement Fund (further netted off for the rolling in of the MSIF Workforce Fund) be included, though ring-fenced to ASC. In addition, the uplift in the Discharge Fund of £1.397m will also be ring-fenced to ASC. These actions will provide £10.667m of funding for social care base budgets, with the risk remains that in the event that these are reduced or withdrawn in future years then additional pressures will fall directly onto the Council's service budgets via a greater call on Council Tax or the SFA.

6.80. To the funding of these pressures can be added the NHB of £1.993m, and a third year, although significantly reduced, allocation of the Services Grant of £0.604m for 2024/25. The late announcement of the Social Care grant 'top up' of £2.850m will also be utilised for children's social care and social care pressures emerging during 2024/25. These can only fund once off pressures given the temporary nature of these grants.

6.81. In terms of accounting for these elements of growth in the Budget, it is proposed that these investments and pressures are allocated in line with the decisions of this Budget from the corporate risk and pressures monies and £2.698m from the Adult Social Care precept to the relevant Directorates when determining their cash limits for 2024/25. These will be set out in the Budget book to be published before the start of the financial year.

6.82. Using cash budgets (in particular grants such as the Social Care Grant and ASC Market Sustainability and Improvement Fund) presents a structural risk for future years, although the medium planning assumptions are that this level of funding for 2024/25 from government is in recognition of the continuing funding pressures faced by local authorities and will effectively have to form part of any future baseline funding assessment.

6.83. The budget pressures anticipated in 2024/25 have been reviewed and it is recommended that the following identified pressures are funded now, set against the Corporate Strategy priorities. Table A3 provides a summary of the corporate risk and pressures budget and those pressures and risks that are being recommended to be funded. The detail of these and the allocation between once off and ongoing funding is in Appendix Y7.

Table A3: Summary of 2024/25 Budget Pressures to be Funded

Description	£'000	£'000
Adult Social Care precept	2,698	2,698
Ongoing		
Inflation, Risk & Pressures budget available in 2024/25	35,405	
ASC Market Sustainability and Improvement Fund (net)	2,781	
2022/23 Social care grant uplift (taken in arrears)	1,950	
2024/25 Social care grant uplift (additional)	4,539	
2024/25 Discharge Fund (additional)	1,397	
		46,072
Once-off		
New Homes Bonus	1,993	
Services Grant	664	
Top Up Social Care Grant	2,850	
		5,507
Total Resources Available for Risks and Pressures in 2024/25		**54,277**
Recommended Allocations		
Corporate Strategy Priorities		
Quality Housing	-10,993	
Children and Young People	-17,086	
Health and Wellbeing	-10,781	
Total Corporate Strategy priorities		**-38,860**
Organisational value for money Corporate Services Technology and Audit		**-2,006**
Salary inflation for 2024/25		**-5,816**
Salary uplift shortfall for 2023/24		**-1,844**
Non-pay inflation for 2024/25		**-4,401**
Pressure Contingency		**-1,350**
Grand Total Funded Pressures		**-54,277**

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

Temporary Accommodation (-£9.993m)

6.84. The costs and demand for temporary accommodation have increased significantly during 2023/24, growing beyond the £3.5m of budget growth allocated in 2023/24. This pressure is three fold in that the number of people in nightly paid accommodation has grown (from 764 in April 2021 to 985 in April 2022 to now 1,181 in November 2023). People are also staying longer in temporary accommodation as the service is unable to move them out due to the lack of suitable alternative accommodation and there is additional pressure on the service in terms of landlord payments and recharges for Housing Benefit payments which have exceeded the caps and limits (otherwise known as HB limitation recharges) and not covered through the Department for Work and Pensions (DWP) Housing Benefit claim.

6.85. This is a recognised national pressure and there is therefore competition across London which further exacerbates this issue. Whilst there are a number of actions which the service are taking to reduce and minimise the budget pressure, given the persistent and systemic nature of this pressure it is prudent to ensure that this is fully funded in 2024/25. To note, the £1.993m of New Homes Bonus has been allocated to this pressure on a once off basis and will not be built into base budget and therefore action will need to be taken in 2024/25 to address this to ensure that the 2025/26 budget setting process is not reliant on this temporary funding.

Corporate Support for Delivery of Quality Housing (-£1.000m)

6.86. The Council’s commitment to both the delivery of new housing supply in the borough and the necessary investment in its existing housing stock is both ambitious and necessary. The capital programme as set out in Section 11 provides the detail of the level of investment and the funding sources for this. Whilst much of the programme can be funded via the use of grants and receipts, there is a large proportion of this which will be funded via the use of borrowing. This borrowing will have a revenue impact in terms of both the direct cost of borrowing (interest and principal repayment) as well as the requirement under the regulations to make a Minimum Revenue Provision (see Section 10 for more detail). These will collectively increase the annual revenue costs to the Council and thus pressure funding must be allocated corporately to meet this.

Children and Young People (-£17.086m)

6.87. The funding provided to Childrens and Young People is intended to fund the established overspends in both children’s social care and general fund education services.

6.88. In children’s social care the main cost pressure is in placements. The placements pressure in 2022/23 was £4.4m, the increase since then (despite the number of children supported being relatively stable) is due to the cost per child, as the children receiving support have higher levels of need. A major problem is finding appropriate placements due to challenges in the national residential market as identified in last year’s national review of Children’s Social Care. As a consequence more bespoke placements have had to be created which can be very expensive. One of the key drivers for cost is staff ratios, negotiations with providers often lead to the provider mandating much higher staffing levels than we would recommend in order for them to accept the placement.

6.89. The directorate have been working towards more intervention and support strategies, this involves improved commissioning work with the PAN London Commissioning Alliance to secure more favourable rates and work undertaken to create alternative capacity such as the Amersham and Northover in house provision as well as further support offered to parents and young people. Further opportunities similar to this are being sought, however these are medium to long term solutions.

6.90. As these actions embed, the expectation is for a stabilisation in placement numbers and costs with a focus in the longer term of working towards a reduction in the cost base. However, there is a risk this reduction will be offset by increased costs associated with early intervention and support work including staffing and section 17 intervention such as mental health, legal etc.

6.91. In education services the primary persistent overspend is in the cost of home to school transport for Special Education Need (SEN) pupils, this is after £1.5m of pressures funding was included in 2023/24.

6.92. Whilst there are a number of actions which the service are taking to reduce and minimise the budget pressure, given the persistent and systemic nature of this pressure it is prudent to ensure that this is fully funded in 2024/25. To note, the late announcement of the 'top up' social care grant has in part been utilised to support the pressures funding and is once off in nature and therefore action will need to be taken in 2024/25 to address this to ensure that the 2025/26 budget setting process is not reliant on this temporary funding.

Health and Wellbeing: Concessionary Fares (-2.500m)

6.93. The concessionary fares budget is held within Corporate Resources but is shown on a separate line reflecting that this is not expenditure that the service can influence. The expenditure is based on the number of people travelling on public transport who are eligible for free or discounted travel and is set annually by the Greater London Authority (GLA) and payable to it. It is expected that the expenditure in 2024/25 will be £2.500m more than the budgeted level based on information provided to the Council in September 2023.

Health and Wellbeing: Public Health Funerals (-£0.080m)

6.94. Under the Public Health (Control of Diseases) Act 1984, local authorities are responsible for organising public health funerals. This type of funeral arrangement happens where a person dies within the borough and when no relatives of the decease can be found, or the relatives of the deceased cannot or will not arrange a funeral. A public health funeral cannot be 'applied for' as an alternative funeral arrangement choice by members of the public. There has been an increase in the number of referrals since 2021 and this trend has continued through 2023/24. Whilst the cause of the increase is inconclusive it is likely that the cost of living crisis is a factor. As this is a statutory function of the Council additional funding is needed to support this pressure.

Health and Wellbeing: Adult Social Care (-£8.201m)

6.95. As set out in the paragraphs above, there a number of specific ring-fenced grants provided for specific elements of adult social care, including the ASC Market Sustainability and Improvement Fund and the Discharge Fund which are to be allocated to adult social care to meet the expected demand in services. This will enable the service to ensure that the legislative changes and reform implementation, especially the Fair Cost of Care and able to be delivered in line with Government requirements whilst not destabilising an already fragile marketplace for care services. The funding available for discharge costs essentially replaces existing funding available from the ICB. In addition to this the adult social care precept raised is to be applied to adult social care services.

6.96. The uplift in Social Care grant has also been utilised to support growth and pressures within the services, and whilst government states that this is to be utilised to support both adults and children's social care, there is an expectation that c70% of this is allocated to ASC. The growth and pressures funding provided in 2024/25 complies with this expectation.

Organisational value for money (-£2.006m)

6.97. In addition to the corporate strategy the Council is a large and complex organisation. Over the precious decade the Council's support services have borne a significant proportion of the budget cuts. This was recognised in the 2019/20 and 2020/21 budget round and this investment is to ensure that the resourcing for some corporate services remains sufficient. In particular; resident services and technology – which has underpinned the Council's ability to transform its ways of working and engagement with residents during and post pandemic. In addition work as part of the capital strategy is underway to assess the level of capital investment required to sustain the Council's technology infrastructure in a secure, resilient, and optimal state.

6.98. In prior years savings were taken from the corporate insurance reserves to ensure that where these were deemed to be increasing beyond the levels required to prudently provide for potential claims that these were drawn down on to support front line service budgets. These savings were time limited and the reserve levels are now considered to be at the level where further contributions to revenue budgets can no longer be made.

6.99. Finally there is a £1.000m pressure in Legal Services due to agency and external expenditure to deliver Social Care legal work (challenges recruiting in this area) and the level of workload. There are also cost pressures on property work as well as the more complex Capital development schemes, this includes disputes, contract drafting, advice on grants/structuring/tax VAT/grant regimes. This reflects the pressures reported in 2023/24 and require funding to sustain the level of service required to support the Council.

Inflation

6.100. The Government's inflation target for the United Kingdom is defined in terms of the Consumer Price Index (CPI) measure of inflation which excludes mortgage interest payments. Since April 2011, the CPI has also been used for the indexation of benefits, tax credits, and public service pensions.

6.101. 2023 has seen CPI reduce from its 40 year highs in 2022, with the rate reducing from its highest point of 10.7% in November 2022 to a figure of 4.6% in October 2023. However, the reduction in inflation was slower than originally forecast and there is a lag between the rate of CPI and the level of inflation experienced by the Council through its contract inflation uplift obligations and salary negotiations and agreements.

6.102. This was reflected between the agreed Medium Term Finance Strategy in July 2023, where the Council was assuming to budget 3% for pay award and 2.5% for non-pay inflation, and the MTFS presented to PASC which provided for inflationary uplift to both pay and net non-pay budgets of 4%.

6.103. There remains some risk that if inflation does not return to the Bank of England's long term forecast of 2% as quickly as expected that there may be additional pressures in 2024/25 and/or 2025/26. This will be reviewed and reported to Members as part of the 2024/25 MTFS process and regular financial monitoring.

6.104. Unless pre-defined by statute or otherwise agreed, all services are expected to uplift their fees and charges annually in line with inflation, or for full cost recovery if this is higher, to allow for stability in real terms.

Salary inflation 2024/25 (-£5.816m)

The 2024/25 assumed salary uplift has been based on a pay award of 4%. This reflects a judgement based on the final 2023/24 agreement which averaged to almost 6%, and the current and forecast levels of inflation anticipated for 2024/25.

Salary inflation 2023/24 unfunded (-£1.844m)

6.105. The 2023/24 budget growth of £7.120m for the pay award was equivalent to 5%, this was set based on the final 2022/23 agreement which averaged to almost 6%, and in the absence of an agreed position. The final agreed settlement for 2023/24 equates to

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

an average uplift of circa 6%, which has created a forecast budget shortfall of £1.844m in 2023/24 which has been funded in year from reserves or corporate provisions. This increase needs to be permanently funded in 2024/25.

Non-pay inflation (-£4.401m)

6.106. The revised MTFS assumed a 4% uplift for net non-pay inflation which equates to £4.401m. This is in addition to any specific pressures funding set out above, and it's the Council's assumption fees and charges are uplifted by inflation to partially offset this pressure.

Pressures Contingency (-£1.350m)

6.107. Given the ongoing pressures in key services, predominantly children's social care and temporary accommodation, and the concern that inflation will not fall as quickly as planned, it is considered prudent to hold (on a once off basis) a contingency for pressures of £1.350m. This is funded from a combination of the Services Grant and a proportion of the 'top up' Social Care grant and will enable the Council to absorb some increases during the year. However, this is not permanent budget, but once off in nature and measures will need to be identified during the year to ensure that there is no ongoing reliance on this funding.

Summary of Budget Pressures and Investment

6.108. In conclusion, it is a matter of good budgeting to make a general allowance for risk and uncertainty, particularly at such a time of rapid change in the local government sector.

6.109. There are some pressures to be funded, which can be quantified within a reasonable range. These fully commit the MTFS allocation and additional resources received for 2024/25.

6.110. There are also a number of other risks and potential budget pressures to consider which are less easy to quantify with any certainty which may become an additional call on reserves through the year if they arise. These will be regularly monitored and reported. However, due to the immediate spending pressures faced and unlike in previous years, we are unable to set aside any of the base Budget to fund these risks should they emerge during 2024/25. There is the £1.350m allowance of once off monies to fund in year pressures but any further pressures will have to be met from corporate provisions and reserves pending action being taken to bring spending back in line with the available Council resources and Budget.

Overall Budget Position for 2024/25

6.111. For 2024/25, the overall budget position for the Council is an assumed General Fund Budget Requirement of £293.838m, as set out in Table A4 below:

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 A4: Overall Budget Position for 2024/25

Detail	Expenditure/ (Income) £m	Expenditure/ (Income) £m
Settlement Funding Assessment (SFA) for 2024/25	(137.197)	
Council Tax 2024/25 at 4.99% increase	(141.641)	
Section 31 grant	(15.000)	
Assumed Budget Requirement for 2024/25		**(293.838)**
Base Budget for 2023/24	263.680	
Plus: Additional Pay inflation 2024/25	5.816	
Plus: Pay Inflation 2023/24	1.844	
Plus: Non-pay Inflation	4.401	
Plus: Budget pressures to be funded	34.011	
Plus: Adult Social Care Precept	2.698	
Less: Uplift in Social Care Grant 2022/23	(1.950)	
Less: Uplift in Social Care Grant 2024/25	(4.539)	
Less: Net Market Sustainability and Improvement Fund	(2.781)	
Less: Discharge Fund	(1.397)	
Less: New overspend reduction proposals	(5.630)	
Less: Agreed cuts	(2.315)	
Total		**293.838**

Note: *the uplift in Social Care grant and Market Sustainability and Improvement Fund grants will be fully applied to growth and pressures within social care in accordance with the final Local Government Finance Settlement but not built into the net base budget requirement.*

6.112. The statutory calculation for the 2024/25 budget requirement is attached to this report at Appendix Y6.

6.113. At this time, on the budget assumptions for the General Fund set out above, no use of reserves to set the balanced base budget is required for 2024/25.

Use of Provisions and Reserves

6.114. If the need should arise to balance the budget for any in-year pressures using reserves, the Executive Director for Corporate Resources advises that ongoing measures should be identified to rectify this position as quickly as possible and in any event, by the following year. The use of once off resources is therefore just delaying the need to make an equivalent level of saving in the following year.

6.115. In addition to the above, as part of the accounts closing process, the ability for the Council to replenish reserves for ongoing work planned for over more than one year and the impact of any risks will be reviewed and assessed and reported on. These risks include:

- Agreed budget reduction proposals experience delays or are not delivered;
- Service pressures cause overspends;
- Transformation and change projects overrun or do not deliver the anticipated benefits;
- Capital programme overruns hit revenue; and

- Further savings are not identified, putting strain on future budgets.

6.116. Further discussion of the use of reserves and planning for future budgets form part of the s151 officer's section 25 report at Appendix Y5 and will continue to be reviewed and brought back for Member consideration as part of the next Medium Term Financial Strategy in 2024.

7. Future Years Budget Strategy and Risks

7.1. This section of the report considers the updated forecast Medium Term Financial Strategy for the Council, as amended in November 2023, and presented to PASC and the key financial risks associated with both the draft budget for 2024/25 and the longer term risks associated with the four year financial planning window.

Future Years Budget Strategy

7.2. Utilising the information available at that time to form assumptions as to the likely income receivable and costs pressures to be funded, the Council forecast what the likely funding shortfall would be for the period 2024/25 – 2027/28. This analysis produced a base case cumulative budget gap over the four year period of circa £20m before allowing for any future demand pressures and service overspending.

7.3. Essentially the Council will require c£10m per annum to fund a combination of pay and no-pay inflation with some funding available for unavoidable cost pressures. This cannot all be recovered through increases in Council Tax with the difference being the budget gap. Depending on the timing and impact of the Fair Funding Review, the Council will need to identify savings of between £5m - £15m per annum. The amounts are 'spiky' due to the uncertainty of funding reforms and the risk higher due to some of the larger spending services' inability to stay within allocated budgets in recent years.

7.4. For example; on the basis that the key pressure to be managed is that of general market inflation, the MTFS does not provide pressures funding of the scale currently funded in 2023/24 and 2024/25 to support systemic pressures and fragile markets as seen in children's social care and temporary accommodation.

7.5. If pressures such as these arise, or are not adequately managed and mitigated, the scale of reductions required will be equivalently larger.

7.6. This, coupled with the once off nature of the £5.507m of funding assumed to be needed in 2024/25, has resulted in EMT implementing a targeted approach to developing savings from strategic service changes over more than one year. This will also enable discussion of possible upfront investment required for those items which may be invest-to-save schemes linked to the transformation of service delivery and corporate effectiveness as opposed to budget and service reductions. These 'deep dives' into services such as children's social care, SEN transport, temporary accommodation and the HRA more generally will be required to ensure that the Council can reduce its reliance on the once off funding and keep spending within the forecast MTFS Budget resources allowances.

7.7. Existing governance arrangements will be utilised where appropriate to ensure that there is rigorous oversight of the programmes that are brought forward to support these reduction measures. In particular, EMT sitting as a strategic change board.

Risks

7.8. The final Local Government Settlement again provided only a single year rollover settlement and the Autumn Statement suggested that the growth provided in the current spending round would be funded via reductions in spending in future spending rounds. Therefore, officers are reasonably confident in the forecasting for 2024/25, but have had to make their own assumptions for the remaining four year period in the MTFS. The modelling for 2025/26 – 2028/29 is heavily caveated based on this uncertainty.

7.9. The Funding Reforms to Business Rates and the Social Care funding reforms have been further delayed and are not expected until 2026/27 which introduces further risk and uncertainty. However, the new Non-Domestic Ratings Act introduced passed in October 2023 and is effective from 1 April 2024. It provides for separator multipliers to be applied to the small businesses compared to the standard rates and that these can be independently changed and increased. Government has confirmed that they will be freezing the small business multiplier and uplifting the standard rate multiplier by CPI, and that local authorities will be protected via section 31 funding. However, the detail to fully assess the impact of this is not yet available and the longer term impact of the decoupling may introduce increased risk in future years. It also means any return to the London collaboration around a business rate pool remains for the future.

7.10. The scale of social care funding is increasing and Local Government grows ever more reliant on both local taxes and the various social care grants (iBCF, BCF, PH, SCG, market sustainability with a combined value of c£100m) to support services. At £100m and growing these additional grants only committed from one year to the next represent over 33% of the core budget of £293m. Any significant changes to these will increase the risk to the Council which may have to make sudden and drastic changes to service delivery within social care or proportionately reduce other services. The mitigation to this risk would usually be to hold higher levels of reserves to give time to be able to respond but reserves are now declining as being used to support current levels of (over)spending. If this continues beyond the very short term it is not sustainable for the MTFS.

7.11. There also remains the significant risk that the general fund may be required to support both the ring fenced HRA and schools budget. The housing repairs and maintenance costs required to meet the decent homes standard may be unable to be accommodated within the current HRA budget allocations, hence the importance of not overspending the HRA budget in 2024/25 and the request for budget savings of at least 10% on non-repairs HRA budgets. In addition to the SEN transport costs may in the general fund, the statutory override (which ringfences the current circa £14m unfunded SEN deficit to schools reserves) may be lifted, meaning that the general fund reserves would be required to meet this.

7.12. Apart from funding stream risks there are a number of other risks and issues which, although difficult to quantify with absolute certainty, could prove significant should they materialise.

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

- Legislative or policy changes
- Service Investment
- National / London Living Wage;
- Redundancy;
- Unachieved budget reduction;
- Wider public service delivery failure; and
- Further inflation.

Legislative or Policy Changes

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

7.14. There are a number of areas within the Council where it is expected that government will introduce new legislation or policy which will require service changes and drive cost increases. Specifically in waste services, where Government has consulted on resource and waste strategy reforms. For example, the for drinks containers, where consumers will be incentivised to take their empty drinks containers to return points hosted by retailers.

7.15. Combined with Extended Producer Responsibility for packaging, where manufacturers will pay the full costs of managing and recycling their packaging waste, with higher fees being levied if packaging is harder to reuse or recycle.

7.16. Consistency in household and business recycling collections. The Environment Bill requires all local authorities to arrange for the collection of glass, metal, plastic, and paper and card, from households, for recycling. Domestic properties to receive separate weekly food waste collections from households, including flats, and the proposals for the free collection of garden waste and to provide separate collections for dry recycling.

7.17. Though Lewisham currently provide the collection of the glass, metal, plastic, paper and card from household and offers the service to businesses within the borough, we collect co-mingled. Once guidance has been provided, Lewisham will need to carry out a TEEP assessment, to assess whether a single stream service would be Technically, Environmentally and Economically Practicable (TEEP). Lewisham also provide a weekly collection of food waste from kerbside properties; this will now need to be rolled out across the borough to estates and flats.

7.18. In 2020, DLUHC introduced a statutory override that separated local authorities; Dedicated Schools Grant (DSG) deficits from the wider finances, the effect of this override is that the council does not need to make provision from our general reserves to cover the DS deficits. The statutory override was due to end at the end of 2023/24 but has recently been extended until 2025/26. However, the extension of the override is not permanent and the DSG deficit is forecast to be circa £14m by the end of 2023/24. In the event that the override was removed this risk and deficit would fall to the general fund reserve and budget to meet.

Service Investment

7.19. It may be that in addition to the broader, macro-economic pressures set out below, that specific service pressures will arise in year that cannot be contained within existing budget and will require specific and additional funding.

National / London Living Wage

7.20. The Council has for some years now ensured it pays the London Living Wage to staff and contractors where this has been possible to contract for. However, there have remained some areas where this has not always been possible – for example; sub-contractors on some works contracts and contracting for some care services. The recent increases in living wage and focus on modern slavery and ethical charter considerations in procurement rules go some way to closing this remaining gap to ensure all employees are paid a fair wage.

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

Redundancy

7.22. The Council will seek to minimise the impact of cuts on services and jobs. However, a significant proportion of the Council's budget goes on staff salaries and wages, so it will not always be possible to make significant investments in service transformation and redesign to achieve budget cuts over the next four years without an impact on jobs. The cost of redundancy depends on age, seniority, and length of service of the individuals affected, and it is not possible to calculate the overall financial impact at this stage. For these reasons the risk cannot be easily quantified at this time.

Unachieved Budget Reductions

7.23. The strategic governance process for monitoring the delivery of agreed budget reduction measures, overseen by EMT, will provide visibility of progress, risks, challenges, and robust governance of the programme as a whole. Alongside, the PMO will be monitoring and reporting on programme-wide delivery of cuts, risks and equalities impact. Clear roles and responsibilities (between the PMO and service Directors) have been drawn up in order to ensure there are clear lines of accountability.

7.24. In the event that this approach cannot ensure the full delivery of the budget cuts and pressures arise in the year and are not able to be contained with Directorate budgets, they may become an additional call on corporate provisions and reserves until alternative cuts are agreed and implemented.

Wider public service delivery failure

7.25. There is risk from immediate cost of living pressures growing with the risk of future economic growth stalling with associated rising unemployment which sits alongside the risk of service pressures in other areas of the public sector driving need onto local authorities as the public provider of last resort. For example, the risks of failing infrastructure for energy, water and transport, rising health waiting lists and delays to treatment, withdrawal of financial support through the benefits system, and rising crime and anti-social behaviour increasing community tensions. These risks combine with a growing and longer living population in the Borough with greater needs and more vulnerabilities, all of which put demand on Council services at greater cost. Estimating these potential impacts is challenging.

Inflation

7.26. In setting the 2024/25 budget, the Council has budgeted for salary inflation of 4% and (net) non-salary inflation of 4%. In order to remain within these funding parameters services are expected to seek to negotiate contract efficiencies to drive through better value where possible. However, for some contracts this will not be possible due to contractual inflation linked clauses within the contract or negotiation where allowed, e.g. linked to the London Living Wage rather than CPI. It is also possible that for contracts where inflation is held in 2023/24, that this will cause significant upward pressure on costs in 2024/25, in that it won't be possible to absorb inflation for more than one year. Furthermore, the Council only budgets for inflation uplift on a net basis, and if fees and charges are not raised by inflation (and this is possible where these are set by Government) or if the level of demand for the services means that less income is generated overall, this will also increase the inflationary pressure on budgets. Any additional pressures will be met in 2024/25 from reserves and require correction in the 2025/26 budget setting process, meaning that the inflation lag may outstrip current inflation within the economy.

7.27. The Council will ensure that it monitors these and any other risks materialising via the monthly financial monitoring to EMT, and the quarterly reporting to Mayor and Cabinet. These will inform the 2024/25 Medium Term Financial Strategy and the planned 'deep dive' processes will ensure that the reliance on reserves and other once off grants in 2024/25 is reduced and service pressures contained within the forecast budgetary allowances in order to ensure the financial robustness of the Council.

8. Dedicated Schools Grant and Pupil Premium

Update on 2023/24 Dedicated Schools Grant

8.1. The 2023/24 Dedicated Schools Grant (DSG) grant allocation was advised by the Department for Education (DfE) in December 2022. The information provided at that time was the gross figure before academy recoupment, high needs adjustment and revision of the Early Years Block pending January census validation. The table below shows the projected outturn position for the DSG for 2023/24 against the revised funding available. Please note that the Early Years Block remains provisional and will not be confirmed until later in the Summer 2024 (i.e. post closure of accounts).

Table B1: DSG Projected Outturn 2023/24

DSG Projected Outturn	Schools Block	Central School Services Block	High Needs Block	Early Years Block	Total DSG Allocation
	£m	£m	£m	£m	£m
Gross Budget	231.0	3.3	76.9	24.8	336.1
In Year Virement	(0.7)	0	0.7	0	0.0
ESFA Holdback	(47.5)	0.0	(0.4)	0.0	(48.0)
DSG Budget	**182.8**	**3.3**	**77.1**	**24.8**	**288.1**
Expenditure	182.5	3.3	80.1	24.8	290.8
Total Spend	**182.5**	**3.3**	**80.1**	**24.8**	**290.8**
Variance	**(0.3)**	**0.0**	**3.0**	**0.0**	**2.7**

8.2. In the Schools Block there is an underspend in the Growth fund of £0.3m, which will be carried forward, and £0.7m has been agreed with School's Forum to be transferred to support the high needs block and is shown as an in year virement. This forms part of the regulations that enable a maximum transfer of 0.5% in agreement with Schools Forum.

8.3. Whilst the Central Schools Block is forecasting a balanced position this is post the application of corporate support. This element has been decreasing over the previous three years and will continue to do so and therefore there is a risk that this will create a pressure in future years.

8.4. The High Needs continues to show a pressure against the available funding. Lewisham has been progressing a mitigation plan and is now working with the DfE as part of the Delivering Better Value initiative (Phase 3). Lewisham is awaiting the outcome of an application for a £1m, 18 month grant which support further initiatives to arrest the growth of the deficit.

8.5. In the Early Years Block the DfE has confirmed the final numbers for 2022/23 and there is an unused balance of £0.8m. Schools forum has agreed to the proposal to transfer £0.6m to the High Needs Block and £0.2m to support the pressure on the Inclusion Fund. The high needs block forecast includes this income.

8.6. In overall terms the DSG cumulative deficit is expected to be circa £14m at the end of 2023/24 reflecting the pressure on the High Needs Block (after allowing for support from Schools Block and Early Years).

Dedicated Schools Grant and Pupil Premium for 2024/25

8.7. This section of the report considers the Dedicated Schools' Grant (DSG) and the Pupil Premium Grant for 2024/25.

8.8. The Dedicated Schools Grant is the main source of funding for Schools and Early Year Providers. The grant is constituted of four parts, the Schools Block, Central Services Schools Block (CSSB), High Needs Block (HNB), and the Early Years Block (EYB). Funding is based on National Funding Formulae which determines each of the blocks and collectively determines the overall DSG. The gross allocation of DSG for 2024/25 is £363.126m, compared with £336.035m in 2023/24. Representing an increase of £27m.

Table B2: Dedicated Schools Grant 2023/24 vs. 2024/25

	Schools Block	CSSB	High Needs	Early Years	Total
	£m	£m	£m	£m	£m
2024/25	240.662	3.014	79.225	40.225	363.126
2023/24	231.030	3.309	76.852	24.845	336.035
Net Movement	9.632	(0.295)	2.373	15.381	27.091
% Increase/(Decrease)	**4%**	**(10%)**	**3%**	**38%**	**7%**

8.9. It should be noted that this is the gross DSG allocation before the adjustment undertaken by the DfE to recoup funding for Academy Schools and the adjustment necessary for the inter-borough use of high needs places. Within the £15.381m increase for the Early Years Block is £11.381m of funding for national policy changes on the EY entitlement offer being extended, so is effectively linked to new responsibilities. The funding is not guaranteed as it is based on actual take up at specific census dates.

8.10. The Schools Block is the main basis to support the Schools Delegated budget share. Schools' forum met on the 18th January 2024 and agreed to a zero % increase in the Minimum Funding Guarantee (MFG), there are currently 33 schools on MFG. It is proposed that approximately £0.7m be transferred to support the pressure on the high needs block. Of the £9.6m uplift on this grant there is £7.5m of funding that schools currently receive via the Mainstream Additional Grant, as such this is not new money.

8.11. The High Needs Block, which supports SEND, remains under continued financial strain, the increase for 2024/25 is circa £2.373m (i.e. 3%). This is significantly lower than has been the case over the last few years, as such will result in continued pressure on the HNB. A point to note is that the pupil led funding is based on pupils in special schools and units. As the Council's mitigation strategy progresses towards more in house provision, funding should also improve, albeit not at the same cost as stated above. The work and initiatives proposed as part of the DfE Delivering Better Value initiative will further enable the Council to seek to stop the growth in the deficit.

8.12. The Central School Services Block has again been reduced in 2024/25, with a net reduction of £0.295m from 2023/24. There is an expectation that this will continue to reduce year-on-year. This reduces the funding available to support Local Authority Statutory functions.

8.13. The funding for Early Years remains provisional subject to a pupil data cleansing exercise based on January 2024, as such the final budget will not be known until the summer of 2024, which is in line with previous years.

8.14. The Early Years Block will be further complicated by changes in national policy which extends the Early Years offer:

- 3 and 4 Year Old Offer (current offer at £7.24 per hour),
- 2 Year Old Offer - disadvantage (current offer at £7.24 per hour),
- 2 year old working parent entitlement (new offer as at 1st April 2024 at £10.64 per hour), and

- Under 2 years old entitlement covering 9 months to 2 years (from 1st September 2024 at £14.52 per hour).

Pupil Premium Grant for 2024/25

8.15. The pupil premium will continue in 2024/25. Pupil premium is based on factor known as Free School Meals Ever 6. At the time of writing we have been advised of the following increase in the funding rates. The final allocation will not be known until the summer of 2024. The 2023/24 pupil premium figure is currently £15.167m:

- Primary schools £1050, increase of £15 (1%),
- Secondary schools £2570, increase of £40 (2%), and
- Children Looked After £2570 increase of £40 (2%).

Pupil Numbers

8.16. The total changes in pupil numbers are as shown in Table B3 below. Overall, there is a net reduction in numbers of 251 pupils compared with 227 in 2023/24, this represents a net reduction of 0.7%. Whilst relatively small at present, this is the sixth consecutive year of fall and This reduction in numbers could potentially have implications for those schools directly affected.

8.17. The primary numbers are continuing to decrease year-on-year with the secondary schools now benefitting from the previous primary school bulge classes/expansions now feeding into the secondary schools. Also, more secondary school aged children choosing to stay in Lewisham secondary schools.

Table B3: Total Changes in Pupil Numbers from 2023/24 to 2024/25

	Primary Age Pupils	Secondary Age Pupils	Variance
2024/25	22,201	11,728	33,928
2023/24	22,552	11,628	34,179
Variance	**(351)**	**100**	**(251)**
Variance (%)	**(1.56)**	**0.86**	**(0.73)**

Potential Risks

8.18. As set out in this section, there remain a number of risks in respect of funding for schools. These include:

- Impact of any overspends and the resultant requirement to establish a deficit recovery plan if the overspend is greater than 1%. In the event that the deficit cannot be contained, this pressure could potentially fall on the Schools Block, or potentially the General Fund triggering a review of services within CYP.
- In 2019, the DfE introduced changes which now mean that where schools have deficits, these must be held against the overall schools reserves not exceeding 40%.
- Schools continue to face pressures arising from changes in policy. Examples include teachers' pay awards, support staff pay award, and pension's changes. This could have a varying degree of impact for Schools.
- Budget plans from Schools suggest that some are operating with a structural deficit dependent on reserves. Schools Finance are working with these schools to mitigate this risk.

- The rising costs of utilities and other pressures, e.g., increase in contracts such as school meals has not been recognised in full in the funding allocations, and schools may struggle to meet these costs over the coming year.
- The forecast level of inflation may mean that contract uplifts and potential pay awards will continue to outstrip the increases in the funding allocations.
- Cost of living crisis for individuals may potentially mean that more children need additional support.
- Early Years National Policy - as described in this report, there is significant changes in the provision of the Early Years Entitlement offer. The implementation will be over a period of 2 years. The figures provided in this report are based on DfE estimate of take up but will be finalised post census. The under 2's element provides a more specific risk as the funding is allocated for 12 months, whilst the implementation is due from September 2024. There is further complexity arising from the timing of the implementation which has been raised with the DfE.
- The funding allocation for high needs is significantly lower than in previous years and is likely to result in a larger overspend for 2024/25.

9. Housing Revenue Account (HRA)

9.1. The budgeted expenditure for the HRA in 2024/25 is £224.5m, including the capital and full new build programme.

9.2. It is structured as follows:

- Update on the HRA financial position for 2023/24;
- Update on the HRA Business Plan; and
- Future Years' Forecast.

Update on the HRA Financial Position for 2023/24

9.3. The HRA is budgeted to spend over £118m in 2023/24. The latest forecast on the HRA for 2023/24, is that net expenditure cannot be contained within budget by the year end. Revenue Repairs and Maintenance is forecast to overspend by £4.7m as at P6 and Major Works recovery is expected to be lower than budget by approximately £7.9m. Overall the HRA is forecasting a deficit of £6.5m as at P8 after taking management action. This will be mitigated by the use of once-off contingencies, reserves and revenue working balances.

Update on the HRA Business Plan

9.4. The Housing self-financing system was implemented on 1 April 2012 when the HRA subsidy scheme was abolished. The 30 year financial model has been developed based on current management arrangements and rental income estimates, updated for efficiencies and cost pressures. In addition, policy objectives such as decent homes, sheltered housing and new build plans are incorporated into the modelling.

9.5. The plan underwent a major revision in 2015 for a 1% reduction in social rents applied each year for four years from 2016/17 to 2019/20. The impact of the change was a loss of actual rental income of £2.8m when measured against the actual rent roll for the 4 financial years. A loss of £25m against the budgeted resources for the same period and an overall loss of resources assessed at £374.0m over the life of the 30 year business plan.

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

9.6. Subsequently, from April 2020 government lifted the rent reduction policy and allowed councils with social housing stock to return to the previous method of rent increase calculations to at least 2025.This method of rent increase is based on CPI + 1%, which was the Government's policy for rent increases. This method had been implemented in Lewisham and became effective for rental increases applied from April 2020 onwards.

9.7. However, due to the cost-of-living crises and high inflation which would impact on rent increases, Government issued a consultation in September 2022 seeking opinion from Local Authorities on capping rent increases for 2023/24 to 3%, 5% or 7%, or to allow increases to follow the policy guidance of CPI + 1%. Any capping of increases would result in a loss to the HRA. The consultation closed on 12th October 2022.

9.8. The council responded to the consultation and agreed that, like local authorities across London and the country, we were very concerned about the impact of the cost of living crisis on residents and that we are doing everything we can to support residents, target help at those who need it most and that it is right that something is done to protect social housing tenants.

9.9. However, we face significant challenges in doing so and that without further support from Government to mitigate the funding gap, the imposition of a rent cap will severely impact on our ability to maintain decent homes, maintain, and invest in our existing stock, meet building safety and new regulatory requirements, and continue building new social homes.

9.10. It was imperative that the Government recognise the financial pressures on Councils and provide us with additional funding. Significant financial pressures are already bearing down on local authority HRAs. Primarily these pressures have been driven by the previous policy to reduce social housing rents by 1% for four years from 2016/17 but have also been compounded by the impacts of the COVID-19 pandemic, rising inflation impacting on the HRA cost-base and increasing demands on funding as noted above whilst continuing to achieve a balanced HRA.

9.11. While it is essential that rents increases are kept as low as possible, any cap in rent increases should be accompanied by additional funding from the Government, via a grant of some kind or through re-opening of the HRA self-financing settlement, in order to allow housing providers to continue to invest in their stock and meet their obligations.

9.12. The government's response to the consultation was to confirm and issue a notice to the regulator of social housing to cap rent increase to a maximum of 7% in 2023/24, without additional funding to housing providers.

9.13. For financial year 2024/25, Government has not sought to reduce or cap the forecast rent increases which are based on CPI + 1%. The CPI data for September 2023 was 6.7% and therefore rent will increase by 7.7% based on the government's formula rent calculation. This results in 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 HRA stock (as at April 2023) from £111.33pw to £119.91pw.

9.14. The HRA financial model has therefore been updated with current government formula rent calculations at a maximum of 7.7% for financial year 2024/25. Long term rental forecasts are based on the assumption of rent increases based on CPI + 0.5%.

9.15. Our top priority is to make our blocks safe; we also want to get all of our homes to decent homes standard and, particularly following the tragic case of Awaab Ishaak, make all homes safe from damp and mould. Given the age of much of our stock, these works are costly and will severely impact the HRA. The lack of funding from the government means we are increasingly having to choose which of these crucial works to prioritise.

9.16. There is a further complication in that due to recent legislative changes, leaseholders cannot be recharged for some of the fire remediation works leading to further income losses.

9.17. Sustainability and carbon reduction ambitions, as well as improving thermal comfort for our tenants is another pressure on the HRA.

9.18. The Government's inflation target for the United Kingdom is defined in terms of the Consumer Price Index (CPI) measure of inflation. Since April 2011, the CPI has also been used for the indexation of benefits, tax credits, and public service pensions.

9.19. For financial planning purposes, the HRA is assuming average pay inflation, for the longer term of 2% per annum, based on the Governments CPI Inflation target. Non-pay inflation is also based on the Governments CPI inflation target of 2.0% per annum. In the short term, pay inflation is estimated at 5% for 2024/25. Non-pay inflation such as R&M, materials and contract costs are forecast at 6.7% for 2024/25.

9.20. In order to protect the business plan and provide the same level of investment and services, any reduction in income will need to be off-set though increased efficiencies and reprioritisation of investment requirements across stock condition and/or development plans.

9.21. A review of current investment needs and priorities continues to be refreshed, based on updated surveys and inflation estimates. This includes assumptions on future liabilities, such as maintaining decent homes, fire programme, sustainability, planned works and improvements, cuts, and other requirements. These assumptions have been used to inform the resource need and identify potential gaps in funding and opportunities for additional income and grants. Work is continually ongoing to identify and update investment needs. As this work is completed and updated information becomes available, which includes the results of the damp and disrepair MOTs, the resource needs will be updated which may affect future requirements.

9.22. The plan also contains costs associated with the new build programme currently being implemented by the authority. Table C1 provides an illustration of the expected HRA budget for the next five years, which includes the current 7.7% rent increase estimates for 2024/25. The HRA debt cap which was imposed when the self-financing regime was implemented (£127.3m) has now been abolished. The HRA will now be subject to prudential borrowing rules (as per the General Fund).

Table C1: Update on the HRA Business Plan

HRA Income & Expenditure Estimates - 5 year Forecast	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m
Income:					
Rental income	(87.7)	(89.9)	(94.5)	(99.5)	(101.2)
Tenants service charge income	(7.3)	(7.4)	(7.5)	(7.5)	(7.6)
Leasehold service charge income	(6.6)	(6.7)	(6.8)	(7.0)	(7.1)
Hostel charges and grant income	(1.5)	(1.5)	(1.6)	(1.6)	(1.6)
Major Works recoveries	(6.3)	(6.4)	(6.5)	(6.7)	(6.8)
Other income	(1.7)	(1.8)	(1.8)	(1.8)	(1.8)
Interest earned on balances	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Total Income	**(111.5)**	**(114.1)**	**(119.1)**	**(124.5)**	**(126.5)**
Expenditure:					
Management costs	48.2	47.9	49.5	52.9	55.4
Repairs & maintenance	18.2	18.5	18.7	19.9	21.0
PFI Costs	6.8	6.8	6.9	1.7	0.0
Interest & other finance costs	6.6	9.4	12.6	15.5	17.1
Depreciation	26.7	27.2	27.7	28.2	28.6
Revenue Contribution to Capital	5.0	4.1	3.1	5.9	4.3
Total Expenditure	**111.5**	**113.9**	**118.5**	**124.1**	**126.4**
Surplus/(deficit):					
Surplus/(deficit)	**0.0**	**(0.2)**	**(0.6)**	**(0.4)**	**(0.1)**
HRA Reserves:					
Opening HRA reserves	9.6	9.6	9.8	10.3	10.8
Contribution to/(Drawdown) from reserves	0.0	(0.2)	(0.6)	(0.4)	(0.1)
Closing HRA Reserves	**9.6**	**9.8**	**10.3**	**10.8**	**10.9**
Forecast Capital Programme & Funding:					
Capital programme (including decent Homes)	90.1	70.5	55.1	55.1	59.4
New Build construction & on-going costs	22.7	84.0	118.0	49.5	16.4
Total Capital Expenditure	**112.8**	**154.5**	**173.1**	**104.6**	**75.8**
Capital Programme Funded By:					
MRR Opening Balance	0.0	0.0	0.0	0.0	0.0
Revenue Contribution to Capital	(5.0)	(4.1)	(3.1)	(5.9)	(4.3)
Depreciation	(26.7)	(27.2)	(27.7)	(28.2)	(28.6)
GLA Grants	(14.6)	(36.1)	(17.3)	(7.4)	0.0
RTB Receipts	(3.7)	(16.7)	(24.3)	(10.3)	(3.2)
Sale Receipts	(1.0)	(1.0)	(16.4)	(17.1)	0.0
Other Receipts	0.0	0.0	0.0	0.0	0.0
Borrowing	(61.8)	(69.4)	(84.3)	(35.7)	(39.7)
Total Capital Funding	**(112.8)**	**(154.5)**	**(173.1)**	**(104.6)**	**(75.8)**
Capital shortfall	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
HRA Actual Debt Level (Forecast)	**188.4**	**257.9**	**342.3**	**377.9**	**417.5**

Note: *The New Build construction costs includes all approved schemes and unapproved pipeline schemes within the programme and may change as scheme assessments progress.*

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

9.23. As can be seen from the above table, the expected total expenditure, before financing, for the HRA in 2024/25 is £224.3m, comprising £111.5m operational costs and £112.8m capital and full new build costs.

9.24. The HRA capital forecasts in the Table C1 differ from the figures presented in Section 11 (Table E3). This is because the overall capital programme in Section 11 only includes schemes that have been approved by Mayor & Cabinet, whereas the HRA forecast business plan includes both approved schemes and unapproved pipeline schemes.

9.25. The Lewisham Homes ALMO was in-sourced on 1st October 2023 as agreed by Mayor & Cabinet in their meeting of 9th December 2022. Consequently, there is a half year of management fees paid to Lewisham Homes and a half year of direct costs within the HRA budget allocation for 2023/24. Budget allocations will be updated in 2024/25 to reflect the full in-sourcing of the ALMO.

9.26. Work is ongoing to assess the once-off costs of the in-sourcing and savings that may be achieved. A further update will be provided to Mayor & Cabinet once plans are sufficiently progressed.

Future Years Forecast

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

9.28. There is an ongoing process to identify opportunities for efficiencies to deliver services for improved value for money and this will be further developed and implemented in 2024/25. Any savings and efficiencies delivered against the HRA business model and future budgets can be re-invested to off-set constrained rent rises or to help bridge any investment gap identified. Discussions are ongoing to identify appropriate savings. For example, there is already an assumed reduction in management costs in 2024/25 to reflect stock losses through Right to Buy Sales.

9.29. Separate reports which set out in detail the proposals relating to service charges for Brockley and Council housing residents are attached at Appendices X2a and X2b and Appendix X3, respectively.

Rental Income and Allowances

9.30. Following completion of the legislative requirements for 4 years of rental contraction, Government confirmed rents would return to the previous method of rent increase calculations for 2020/21 onwards. This was based on the previous formula rent calculation of CPI + 1% and would be for a minimum 5-year period to financial year 2025/26. For the purpose of business and financial planning, it was assumed that that rental charges will be increased in line with this.

9.31. In line with the formula rent calculation policy, rents for 2024/25 will increase by 7.7% based on CPI of 6.7% (as at September 2023) + 1% for 2024/25 and CPI + 1% up until 2025.

9.32. 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 against 2023/24 income levels.

9.33. It should be noted that the HRA cost base for management and maintenance, materials and capital investment will be inflated based on inflation increases similar to or based on the CPI/RPI output data. In addition, debt interest charges will also increase based on the need to borrow for HRA investment needs and increase in interest rates applied to debt.

9.34. At the present time, for financial planning purposes, the financial models used by the council currently forecast future CPI to be 2.0% annually for the period beyond 2025 and would equate to an annual average increase of 2.5% to be applied to rents. It should be noted that any variation to the forecast CPI rate of 2% would affect the annual average forecasts stated above. The financial model for the HRA is assuming average pay inflation, for the longer term of 2% per annum, based on the Governments CPI Inflation target. Non-pay inflation is also based on the Governments CPI inflation target of 2.0% per annum. In the short term, pay inflation is estimated at 5% for 2024/25. Non-pay inflation such as R&M, materials and contract costs are forecast at 6.7% for 2024/25.

9.35. A rent rise higher than the rent limit calculation, set by Government, will result in additional recharges to the HRA via the Housing Benefit (HB) subsidy limitation charges. Any rise above this level will be lost through additional limitation recharges and therefore result in no benefit to the HRA.

9.36. Tenants were asked to provide comments and feedback on the proposed rent changes and illustration for inclusion in the Mayor and Cabinet budget report at meetings held with Brockley PFI and Council tenants. Full details of residents' feedback, additional comments received, minutes of meetings and the response to the additional comments received are contained in Appendix X1.

9.37. The main comments received from Council residents concerning the proposals for rents and garages was that there are issues of affordability given the current cost of living crises and increase in unemployment. The main comments regarding service charges were questioning value for money as charges are increasing but service delivery is not improving.

9.38. Council residents comments regarding affordability and value for money concerning the proposals for rents, garages and service charges.

9.39. Details of the options for the rent and service charge changes for 2024/25 were presented to the Housing Select Committee on 28th November 2023. The committee noted the contents of the report.

Other Associated Charges

9.40. There are a range of other associated charges. These include garage rents, tenants levy, hostels, Linkline, private sector leasing, heating, and hot water. These charges and any proposed changes to them for 2024/25 are set out in detail in Appendix X4 and Appendix X5.

Summary

9.41. The gross budgeted expenditure for the HRA in 2024/25 is £224.3m, £111.5m revenue and £112.8m capital. Council is asked to approve a rent increase of 7.7% having considered tenant's feedback following consultation held in November 2023 as set out above (and with more detail in Appendices X2, X3, and X4). The current average weekly rent is £111.33 in 2023/24. This will increase to £119.91pw in 2024/25, an increase of approximately £8.57pw from 2023/24 levels.

10. Treasury Management Strategy 2024/25

10.1. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate, with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

10.2. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

10.3. The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity and the ability to meet spending commitments as they fall due, either for day-to-day revenue purposes or for larger capital projects. Treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund.

10.4. Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, arising usually from capital expenditure, and are separate from the day-to-day treasury management activities.

10.5. Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as: "The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

10.6. Additionally, this report sets out the current economic conditions in which the Council is operating in respect of its investments and borrowing. It details the Council's treasury performance (focused on security, liquidity and return in that order) and forecast capital position and provides updates on performance against the current Treasury Management Strategy as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.

10.7. During 2023/24 the Council has not exceeded its Prudential or Treasury indicators. Council investments are managed within the guideline parameters however on 21 November 2023 an investment of £10m was made in Close Brothers Bank for a twelve-month term and this exceeded the guidelines which recommend a maximum of six months term. By 21 May 2024 the Council will be back inside its investment guidelines.

Treasury Management Strategy for 2024/25

10.8. The strategy for 2024/25 covers two main areas:

10.8.1. Capital issues:

- The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans are prudent, affordable, and sustainable;
- The minimum revenue provision (MRP) policy.

10.8.2. Treasury management issues:

- The current treasury position;
- Treasury indicators which limit the treasury risk and activities of the Authority;
- Prospects for interest rates;
- The borrowing strategy;
- Policy on borrowing in advance of need;
- Debt rescheduling;
- The investment strategy;
- Creditworthiness policy; and
- The policy on use of external service providers.

10.8.3. There is a requirement to produce Investment Management Practices for Service and Commercial Investment.

Capital Strategy

10.9. The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to produce a Capital Strategy, which will provide the following:

- A high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- An overview of how the associated risk is managed; and
- The implications for future financial sustainability.

10.10. The aim of the strategy is to ensure that all elected Members on full Council fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

10.11. The Capital Strategy is reported separately from the Treasury Management Strategy; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The Capital Strategy shows:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- For non-loan type investments, the cost against the current market value; and
- The risks associated with each activity.

Capital Position (Prudential Indicators)

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

10.12. The Council's capital expenditure plans are the key driver of treasury management activity. The output of capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans are prudent, affordable and sustainable.

10.13. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes so that sufficient cash is available to meet service activity and the Council's Capital Strategy. This involves both the management and monitoring of cash flows and, where capital plans require, the arrangement of appropriate borrowing facilities.

10.14. Forward projections for borrowing as at 31 March 2024 are summarised below in Table D1, which shows the actual external debt from treasury management operations and other long-term liabilities against the underlying capital borrowing need (the Capital Financing Requirement - CFR) which is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness, and its underlying borrowing requirements.

Capital Expenditure and Financing

10.15. This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Table D1: Capital Expenditure Forecast

Capital Expenditure Forecast	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	£m	£m	£m	£m
Non-HRA	57.3	95.0	57.1	9.2
HRA	88.0	112.7	134.2	88.8
Total	**145.3**	**207.7**	**191.3**	**98.0**

10.16. Table D2 below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

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 D2: Capital Financing Forecast

Capital Financing Forecast	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
	£m	£m	£m	£m
Grants	12.7	29.5	14.4	3.7
S106 & CIL	6.5	98.4	4.5	0.3
Capital Reserves	4.1	2.6	0.8	0
Corporate Reserves	6.4	6.2	0.9	1.7
Capital Receipts	0.1	0.9	1.2	0.5
Right to Buy Receipts	3.9	8.2	4.3	0
Revenue Contribution	0.1	0	0	0
Prudential Borrowing	23.5	39.1	31.0	3.0
General Fund	**57.3**	**94.9**	**57.1**	**9.2**
Grants	4.4	1.7	18.1	13.8
Major Repairs Reserve	26.2	26.7	27.2	27.7
Right to By Receipts	1.4	3.2	13.6	7.6
Revenue Contribution	5.9	2.0	2.2	2.9
Prudential Borrowing	50.1	79.2	73.1	36.8
HRA	**88.0**	**112.8**	**134.2**	**88.8**
Total	**145.3**	**207.7**	**191.3**	**98.0**

10.17. Other long-term liabilities - the above financing need excludes other long-term liabilities, such as PFI (Private Financing Initiative) and leasing arrangements that already include borrowing instruments.

The Council's Borrowing Need or CFR (Capital Financing Requirement) is shown below:

10.18. The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

10.19. The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

10.20. The CFR includes any other long-term liabilities (e.g., PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Authority's borrowing requirement, these types of schemes include a borrowing facility by the PFI, PPP lease provider and so the Authority is not required to separately borrow for these schemes.

Table D3: External Debt Projections

	2022/23 Actual	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m
External Debt at 1 April	224.7	223.5	264.6	372.5	459.7
Expected change in External Debt	(1.1)	41.1	107.9	87.3	19.6
PFI and other Long-Term Liabilities	203.4	182.4	180.7	169.7	158.7
Gross Debt at 31 March	**426.9**	**447.0**	**553.1**	**629.4**	**638.0**
CFR - HRA	99.5	148.6	224.5	292.0	322.1
CFR – General Fund PFI and other Long-Term Liabilities	461.8	480.5	512.7	534.5	526.0
Total Capital Financing Requirement at 31 March	**561.3**	**629.1**	**737.2**	**826.5**	**848.0**
Borrowing – over/(under)	**(134.4)**	**(182.1)**	**(184.1)**	**(197.2)**	**(210.1)**

Treasury Indicators: Limits to Borrowing Activity

10.21. There are two measures of limiting external debt; the 'operational boundary' and 'authorised limit for external debt', which the Council reports on as part of its prudential indicators. Both are described in further detail in the following paragraphs.

The Operational Boundary for External Debt

10.22. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources. The Council's operational boundary is set out in Table D4 below.

10.23. IFRS 16 will come into effect in financial year 2024/25 and operating leases will be recognised on the balance sheet as a liability. The lease finance is a form of debt, so a provision has been included in other long-term liabilities.

Table D4: Operational Boundary

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
Maximum External Debt as at 31 March	264.6	372.5	459.7	479.3
PFI and other Long-Term Liabilities	182.4	180.7	169.7	158.7
Provision for Non-Receipt of Expected Income	56.0	56.0	56.0	56.0
Operational Boundary for Year	**503.0**	**609.1**	**685.4**	**694.0**

The Authorised Limit for External Debt

10.24. This is a key prudential indicator represents a control on the maximum level of borrowing. This represents the legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term but is not sustainable in the longer term.

10.25. This is a statutory limit determined under Section 3(1) of the Local Government Act 2003 and needs to be set and revised by full Council. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised. The authorised limits are as set out in the Table D5.

Table D5: Authorised Limits for External Debt

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Operational Boundary for Year	**503.0**	**609.1**	**685.4**	**694.0**
Additional 10% Margin*	50.3	60.9	68.5	69.4
Authorised Limit for Year	**553.3**	**670.0**	**753.9**	**763.4**

* *The authorised limit is obtained by adding 10% to the Operational Boundary.*

Ratio of Financing Costs to Net Revenue Stream

10.26. This indicator identifies the trend in the cost of capital, (borrowing and PFI and other long-term obligation costs), against the net revenue stream.

Table D6: Ratio of Financing Costs to Net Revenue Stream

	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Ratio of Financing Costs to Net Revenue Stream	12.1%	11.5%	10.0%	11.1%	12.1%

10.27. A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream.

10.28. The Council does not invest in commercial or service investments primarily for a return therefore there in nothing to report for this indicator.

Liability Benchmark

10.29. The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.

10.30. There are four components to the LB:

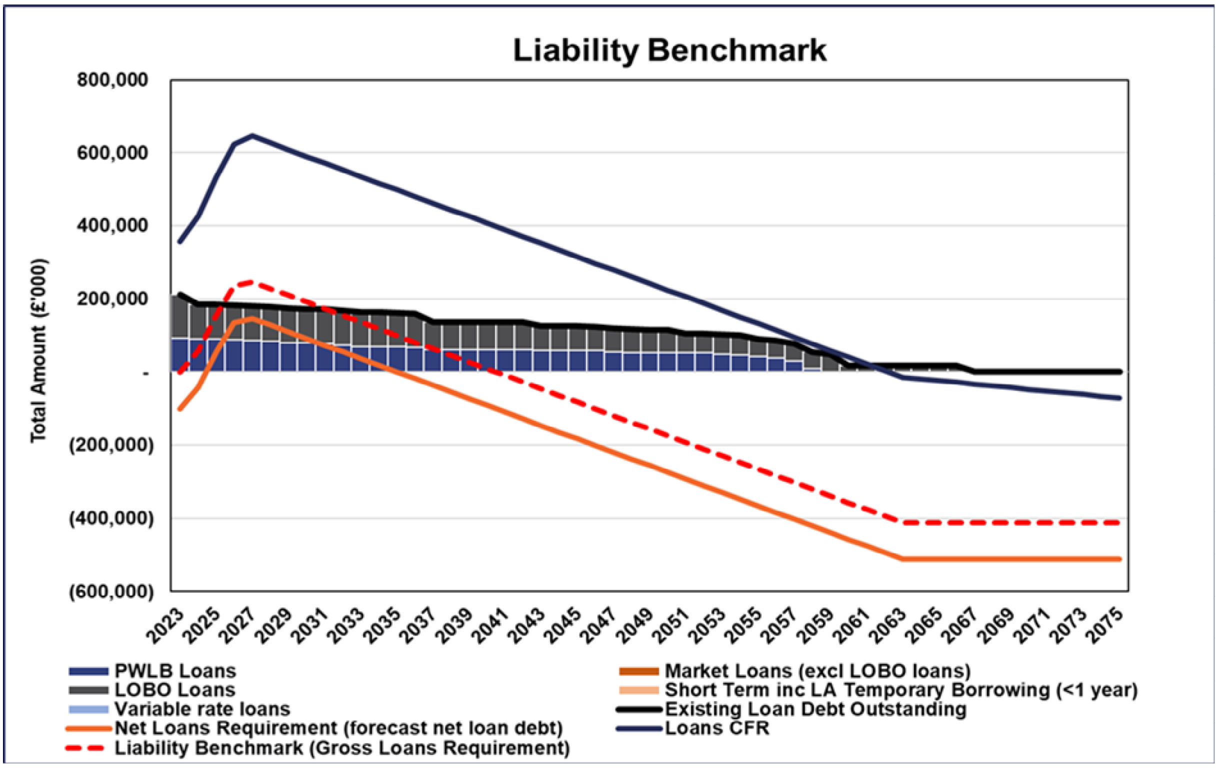
1. Existing loan debt outstanding: the Council's existing loans that are still outstanding in future years.

2. Loans CFR: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.

3. Net loans requirement: this will show the Council's gross loan debt at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

4. Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance (the liquidity allowance is cash that is kept as working capital for day to day expenses of the council).

Graph D1: Liability Benchmark



Minimum Revenue Provision (MRP) Policy Statement

10.31. The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the MRP), although it is also allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision – VRP). The MRP must be determined by the Council as being a prudent provision having regard to the DLUHC (Department for Levelling Up, Housing and Communities) Statutory Guidance on Minimum Revenue Provision.

10.32. The MRP is the amount the Council charges to the revenue account and does not correspond to the actual amount of debt repaid, which is determined by treasury related issues. Historically the Council has applied a consistent MRP policy which comprises prudential borrowing being repaid over the useful life of the asset concerned and previous borrowing being repaid at the rate of 4% (equivalent to 25 years) of the outstanding balance.

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

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

10.34. In 2017/18, a third element was added to the Council's MRP policy, whereby no MRP need be charged on capital expenditure where the Council has assessed that sufficient collateral is held at a current valuation to meet the outstanding CFR liability, and that should it be determined at any point that insufficient collateral is held to match the Council's CFR liability, a prudent MRP charge will commence.

10.35. In 2019/20 the Council commissioned an independent review of its current MRP policy to ensure it is fit for current and future spending plans, as well as a review of historic calculations and a reconciliation to the CFR to identify any potential efficiencies. The review was undertaken by the Council's treasury advisors, Link Group.

10.36. The Council implemented one of the recommendations from the report from 2019/20 onwards, specifically to adjust for an historic overcharging of MRP from 2003/04 as a result of a miscalculation in the 'Adjustment A' figure (an accounting adjustment designed to ensure minimal changes in liability when new capital financing regulations were introduced in 2003/04). The Prudential Code allows for MRP to be reduced appropriately, in line with an authority's own judgement, where Adjustment A reflects an error that increases the current MRP liability. As such, the Council reduced its ongoing liability by reducing its MRP charge to account for the higher Adjustment A figure, whilst additionally offsetting current and future years' MRP charges to recover the historic overcharging since 2003/04.

10.37. Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).The value of the overcharge has been Cumulative VRP overpayments made as at 31 March 2022 is £7.1m.

10.38. There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

10.39. Capital expenditure incurred during the year will not be subject to an MRP charge until the following year, or in the year after the asset becomes operational.

10.40. MRP in respect of assets acquired under Finance Leases or PFI will be charged at an amount equal to the principal element of the annual repayment.

10.41. For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

Borrowing Strategy

10.42. The Council's external debt as at 31 March 2024, gross borrowing plus long term liabilities, is expected to be £447.0m. The Council's borrowing strategy is consistent with last year's strategy.

10.43. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as an alternative funding measure. This strategy is considered prudent while investment returns are lower than the cost of borrowing and counterparty risk remains an issue to be considered.

10.44. The Executive Director for Corporate Resources will continue to monitor interest rates in the financial markets and adopt a pragmatic and cautious approach to changing circumstances. For instance, if it was felt that there was a significant risk of a sharp fall in long and short term rates then long term borrowing will be postponed and potential rescheduling from fixed rate funding into short-term borrowing considered.

10.45. Alternatively, if it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast (perhaps arising from an acceleration in rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks) then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in future years.

Policy on Borrowing in Advance of Need

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

Debt Rescheduling

10.47. Rescheduling of current borrowing in our debt portfolio is more likely to occur now that interest rates have risen to the same level as some of our current loans. The reasons for any rescheduling to take place will include:

- The generation of cash savings and/or discounted cash flow savings;
- Helping to fulfil the Treasury Strategy; and
- Enhancing the balance of the portfolio (to amend the maturity profile and/or the balance of volatility).

10.48. The Council will continue to explore rescheduling opportunities as appropriate in respect of the financing of its PFIs and external loans.

10.49. During 2023/24 two LOBO loans to the value of £25m were repaid and this will leave the Council with LOBO loans to the value of £104m nominal value as at 31 March 2024 of which £25m will be in their call period in 2024/25 for fixed rate LOBO loans, along with £14.9m of capitalised interest in respect of the stepped LOBO loan. In the event that the lender exercises the option to change the rate or terms of the loans within their call period, the Council will consider the terms being provided and also the option of repayment of the loan without penalty.

10.50. Debt rescheduling opportunities will be monitored on a regular basis and if an opportunity arises to repay borrowing on favourable terms then this will be considered by the Executive Director of Corporate Resources. Any debt rescheduling that takes place will be reported to Mayor and Cabinet and subsequently to Council at the earliest meeting possible.

Sources of Borrowing

10.51. The approved sources of long-term and short-term borrowing are:

1. HM Treasury's PWLB lending facility (formerly the Public Works Loan Board).
2. any institution approved for investments (see below).
3. any other bank or building society authorised to operate in the UK.
4. any other UK public sector body.
5. UK public and private sector pension funds (except Lewisham Pension Fund).
6. UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.
7. UK Infrastructure Bank.
8. Insurance companies.
9. investors in capital market bonds and retail bonds issued by the Council.
10. individuals lending via a peer-to-peer platform where appropriate Individuals lending via a peer-to-peer platform where any necessary counterparty checks (for example proof of identity or money laundering requirements) are

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

conducted by the platform.

11. investors in capital market bonds and retail bonds issued by the Council.

10.52. Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

1. Leasing.
2. Hire purchase.
3. Private Finance Initiative.
4. Sale and leaseback.

Investment Strategy & Creditworthiness Policy

Policy – Management of Risk

10.53. The Department for Levelling Up, Housing and Communities (DLUHC) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals predominantly with financial instruments (as managed by the Strategic Finance – Treasury Management Team); non-financial investments, essentially the purchase of income yielding assets, are summarised at the end of this report, and covered in Investment Management Practices (IMPs) and within the separate Capital Strategy.

10.54. The Council's investment strategy has regard to DLUHC's Guidance on Local Government Investments ("the Guidance"), the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"), and CIPFA's Treasury Management Guidance Notes 2021.

10.55. The Council's investment priorities will be security first, liquidity second, then return. The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with regard to the Council's risk appetite.

10.56. In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs to meet the day to day needs of the Council and to meet its obligations. The Council invests its surplus cash in Money Market Funds it makes investment for periods up to 12 months with high credit rated financial institutions.

10.57. The Council uses Link Group, Treasury Services Limited as its external treasury management advisor. The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information including, but not solely, our treasury advisors.

10.58. It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

10.59. The Guidance and CIPFA Treasury Manangement Code places a high priority on the management of risk. The Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties which also enables diversification and thus

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

avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long term ratings.

2. **Other information**; ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end, the Council will engage with its advisors to maintain a monitor on market pricing such as "**credit default swaps**" and overlay that information on top of the credit ratings, as well as information on outlooks and watches. This is fully integrated into the credit methodology provided by the advisors in producing its colour codings which show the varying degrees of suggested institution creditworthiness. This has been set out in more detail at Appendix Z2.
3. **Other information sources** used will include the financial press, share prices and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. The Council has defined the list of **types of investment instruments** that the treasury team are authorised to use in the financial year, and these are listed in Appendix Z2 under the categories of "specified" and "non-specified" investments:
    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year; and
    - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by Members and officers before being authorised for use.
5. **Lending limits** (amounts and maturity) for each counterparty will be set through applying the credit criteria provided by advisors, and are set out in Appendix Z2.
6. **Interest rate limits** are set out in Table D8 below and place restrictions on the exposure to variable and fixed rate investments.
7. The Council Council has placed a limit on the amount of its investments which are invested for **longer than 365 days** see Table D9.
8. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see Appendix Z5).
9. All investments will be denominated in **sterling**.
10. As a result of the change in accounting standards for 2022/23 under IFRS 9, the Council will, on an ongoing basis, consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant changes at the end of the year to the General Fund. (In November 2018 a temporary override allowed local authorities a statutory override to delay implementation of IFRS 9 for five years ending 31/03/23. More recently, a further extension to the over-ride to 31/03/25 has been agreed by Government. The Council does not at present have any pooled investments, though has scope to do so as per the creditworthiness policy in Appendix Z2.

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

10.60. Investments will be made with reference to the core balances and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). In order to maintain sufficient liquidity, the Council will seek to utilise its notice accounts, certificates of deposit, money market funds and short-dated deposits (overnight to three months. The remainder of its investments will be placed in fixed term deposits of up to 24 months to generate improved returns, depending on prevailing market conditions.

10.61. The Council will pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

Creditworthiness Policy

10.62. The Council's Treasury Management Team applies the creditworthiness service provided by the 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;
- CDS spreads that may give early warning of changes in credit ratings; and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

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

- Yellow 5 years*
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour Not to be used**

** For UK Government debt or equivalent and collateralised deposits where the collateral is UK Government debt.*
*** Except for those building societies rated BBB- or higher as set out in the policy and LVNAVs in Money Market Funds.*

Country Limits

10.64. The Council has determined that it will only use approved counterparties from the UK and from other countries with a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix Z5. This list will be added to, or deducted from, by officers should country ratings change in accordance with this policy.

Building Societies

10.65. The Council can invest in UK building societies with a minimum credit rating of BBB- from Fitch (or equivalent), specifically those that are shown on Link Group's lending list only (but which may be rated 'No colour') for a maximum of three months and limited to £20m per institution.

10.66. Very few building societies have credit ratings assigned to them due to the lack of large ticket funding transactions that would warrant a formal credit rating being issued by one of the three main ratings agencies, and only a select few within the top ten by asset size have been issued with one. A credit rating of BBB- remains within the 'investment grade' category, subject to moderate credit risk, which is reflected by the monetary and duration limits as set out above.

10.67. This addition to the strategy was made as a result of economic conditions and the reduced options available for investing at positive yields; in practice it opens up a limited number of two-three additional counterparties for consideration. Officers will continue to monitor the rating movements against these counterparties to ensure that any investments fall within the set criteria.

Treasury Investment

10.68. Investment returns are likely to reduce during 2024/25 as interest rates begin to fall. Inflation has fallen to below 5% and is expected to continue to fall over the next 12 months. In September 2023 the Bank of England paused the increase in the Bank Rate. We have already seen the investment market rates fall in expectation that the Bank of England will bring down rates in the future. The war in Ukraine and the conflict in the Middle East leads to uncertainty as they could cause economic damage to the UK and economies around the world with increased oil and gas prices which will lead to increased inflationary pressures in 2024/25.

10.69. The Council uses the services of its advisor, Link Group, to formulate a view on interest rates; their view is that there will be a gradual fall in the Bank Rate during 2024/25. The UK economic is expected to grow very slowly over the next few years. Given this uncertainty, suggested fixed investment returns are expected to fall and money market funds for short term cash investment will provide a lower return.

10.70. In light of uncertainty in the market the Council will continues to invest in fixed term deposits of 3-12 month duration. The Council will review, with support from its advisors, investments for 2-3 years so that it may be able to fix into a good rate of return if the interest rates are expected to fall in 2024/25.

10.71. The Council's investments will be reviewed on a regular basis so that it can monitor the Council's liquidity requirements and the requirement for cash towards the capital programme. The capital programme is expected to require funding from the Council as set out in Capital Funding in Section 7 of this report. The Council can use the cash from its investments or take out new borrowing to fund the capital programme. Any new investments will be carried out using guidance from the Council's advisors and will continue to meet the objectives of security, liquidity, and return.

10.72. Money Market Fund (MMF) yields have also increased in line with the increases in the Bank of England base rate during 2023/24. The cash held for cash flow purposes can still earn a good return, but it is expected that the Bank of England will reduce the base rate during 2024/25 which will reduce the interest earned from the cash held in the MMF.

10.73. A more extensive table of interest rate forecasts for December 2023 onwards, including Public Works Loan Board (PWLB) borrowing rate forecasts, is set out in Appendix Z1.

Non-Treasury Investments

10.74. Treasury management investments represent the placement of cash in relation to the S12 Local Government Act 2003 investment powers, i.e. they represent investments using the residual cash available to the Council from its day to day activities, under security, liquidity and yield principles.

10.75. The Council recognises that non-treasury investments in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful management. It is also included in the Investment Management Practises. Such investments tend to be either:

- Service type investments; whereby capital or revenue cash is advanced for a specific Council objective and will be approved directly through Committee. This may be an advance to a third party for economic regeneration, investments in subsidiaries and joint ventures, etc.
- Commercial type investments; whereby the objective is primarily to generate capital or revenue resources to help facilitate Council services. The Code of Practice does not allow this type of investment.*

**The Council will not be making investments primarily for a financial return.*

10.76. The Council's risk appetite for these investments is reviewed on a case-by-case basis depending on the scale and nature, and strategic fit, of the proposed investment. Where such non-treasury investments exist, they will be identified and summarised at high level within this strategy. The detail and rationale for non-treasury investments are covered in the separate Capital Strategy.

Subsidiary Companies and Joint Ventures

10.77. The Council has two wholly owned subsidiary companies, Lewisham Homes Limited and Catford Regeneration Partnership Limited (CRPL). It has invested in these subsidiaries as summarised below.

Lewisham Homes Limited

10.78. Lewisham Homes was an arms-length management organisation (ALMO) set up in 2007 as part of the Council's initiative to deliver better housing services and achieve the Decent Homes Standard.

10.79. On 1 October 2023 Lewisham Homes was taken back into the Council and the management of approximately 19,000 homes is now carried out by the Council. However, Lewisham Homes continues to own or lease 253 properties (which are managed on their behalf by the Council) and the Council has to date agreed two separate loan facilities with Lewisham Homes Ltd, the first on commercial terms financed from internal borrowing and the second on cost-neutral terms financed through the PWLB for these properties. Both loans will continue to be serviced by Lewisham Homes Ltd and will be repaid on set maturity dates.

10.80. As at 31 March 2024 the Council has advanced all £20m of the commercial loan facility, and all £20m of the agreed facility financed from PWLB debt.

Catford Regeneration Partnership Limited (CRPL)

10.81. The CRPL is a property investment company created in January 2010 which owns the Catford Shopping Centre and several neighbouring properties used to generate income whilst driving forward a regeneration programme for the town centre and surrounding area.

10.82. The Council has existing loan agreements in place with the CRPL, currently on an interest only basis, with interest being capitalised until 2024/25. As at 31 March 2024 the Council expects the outstanding loan principal to be approximately £16.1m.

Besson Street Joint Venture

10.83. The Council is an equal equity partner in a joint venture with Grainger Plc. to bring forward the development of the currently vacant Besson Street site to provide properties for the Private Rented Sector on long term tenancies. The Council has invested land at this stage and will be required to put forward an estimated £22-27m of cash to make up its share (50%) of the 40% equity, with 60% external long-term borrowing, to be invested once the scheme is built. This is currently forecast to be in 2026/27.

10.84. The Council also holds minority stakes in the following:

- 10% in Lewisham Schools for the Future LEP Limited, a Local Education Partnership established under the Council's Building Schools for the Future (BSF) programme to rebuild and refurbish secondary schools within the borough;
- Less than 1% in South-East London Combined Heat and Power Ltd (SELCHP), a joint venture with the London Borough of Greenwich for the provision of waste disposal and waste to energy processes; and
- A minority share in Newable Ltd (formerly Greater London Enterprise Ltd) which provides property management and consultancy services.

Performance as at 1 January 2024

10.85. The Council is a member of a treasury benchmarking group (organised by Link Asset Services) containing 15 authorities, including 12 other London authorities. An extract from the latest available benchmarking report is shown in Appendix Z3; this shows that the return on investments as at September 2023 is above the benchmarking group model weighted average rate of return, which is adjusted for the risks inherent in the portfolio. The Council's portfolio performance is ahead of the overall benchmarking group, as well as a wider group of 22 London boroughs.

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 D7: Full List of Outstanding Investments Held as at 31 October 2023

Counterparty	Duration	Value	Interest Rate	Interest
	(Days)	£m		£
Fixed Rate Investments – Banks and Building Societies				
Standard Chartered Bank	185	20.0	4.95%	£501,781
Bank of Montreal	364	10.0	4.68%	£466,718
Close Brothers Ltd	183	10.0	5.00%	£252,054
Close Brothers Ltd	183	10.0	5.00%	£252,054
Toronto-Dominion Bank	364	15.0	4.85%	£725,507
Royal Bank of Canada	367	25.0	4.82%	£1,211,603
Australia and New Zealand Banking Group Ltd.	186	10.0	5.96%	£300,449
DBS Bank Ltd	186	10.0	5.87%	£297,520
Bank of Montreal	364	15.0	5.00%	£747,945
National Westminster Bank PLC (RFB)	364	20.0	5.15%	£1,027,178
Toronto-Dominion Bank	364	5.0	5.22%	£260,285
Toronto-Dominion Bank	364	5.0	5.34%	£266,268
Canadian Imperial Bank of Commerce	364	15.0	6.50%	£972,329
OP Corporate Bank plc	364	25.0	6.13%	£1,528,301
DBS Bank Ltd.	183	15.0	5.58%	£419,647
Canadian Imperial Bank of Commerce	364	10.0	5.70%	£568,438
Certificates of Deposit				
Skandinaviska Enskilda Banken AB	364	25.0	5.06%	£1,252,037
Commonwealth Bank of Australia	364	10.0	5.16%	£471,926
Lloyds Bank Corporate Markets Plc (NRFB)	183	10.0	5.64%	£280,822
DNB Bank	364	10.0	5.83%	£578,103
Variable Rate Investments – Money Markets				
BlackRock	N/A	14.3	5.27%	N/A
Federated Hermes	N/A	30.0	5.35%	N/A
Insight	N/A	28.7	5.30%	N/A
Total Investments		**348.0**		

10.86. The current investment counterparty criteria are set out in the Credit Worthiness Policy and included at Appendix Z2 of this report.

Treasury Indicators

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

10.88. The debt related indicators are:

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

10.89. The treasury indicators and limits are set out in Table D8.

Table D8: Limits of Interest Rates

Limits on Interest Rate Exposures	2024/25	2025/26	2026/27
	Upper	Upper	Upper
Limits on fixed interest rates:			
• **Debt**	100%	100%	100%
• **Investments*:**	80%	80%	80%
Limits on variable interest rates			
• **Debt**	15%	15%	15%
• **Investments***	80%	100%	100%
* For this calculation short term investments (less than 12 months) are treated as fixed interest rates. Money Market Funds and Certificates of Deposit are included as variable interest investments.			
Limits on Maturity Structure of Fixed Interest Rate Borrowing 2024/25			
		Lower	Upper
Under 12 months		0%	20%
12 months to 2 years		0%	20%
2 years to 5 years		0%	20%
5 years to 10 years		0%	25%
10 years to 20 years		0%	35%
20 years to 30 years		0%	25%
30 years to 40 years		0%	50%
40 years to 50 years		0%	50%

Limits on Maturity Structure of Variable Interest Rate Borrowing 2024/25		
	Lower	Upper
Under 12 months	0%	5%
12 months to 2 years	0%	5%
2 years to 5 years	0%	5%
5 years to 10 years	0%	5%
10 years to 20 years	0%	5%
20 years to 30 years	0%	5%
30 years to 40 years	0%	15%
40 years to 50 years	0%	10%

Long Term Investments Indicator

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

10.91. The indicator is set out in the table below. As at 31 March 2024, the Council is not expected to hold any investments for longer than 365 days.

Table D9: Treasury Indicators and Limits

Maximum Principal Sums Invested for Longer than 365 days			
	2024/25	2025/26	2026/27
	£m	£m	£m
Limit on principal sums invested for longer than 365 days	50.0	50.0	50.0

Training

10.92. The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

10.93. The Code state that they expect "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance, and decision making.

10.94. The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

10.95. As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified;
- Prepare tailored learning plans for treasury management officers and board/council members;
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.

10.96. The training needs of treasury management officers are periodically reviewed.

10.97. The following training has been undertaken by members of Public Accounts Select Committee on 21 September 2023;

- Link Group 'Introduction to Treasury Management' and further training will be arranged as required.

11. Capital Programme

11.1. This section highlights the 2023/24 Capital Programme position as at November 2023 and also presents the proposed Capital Programme for 2024/25 to 2027/28.

Update on 2023/24 Capital Programme

11.2. Progress in delivering the 2023/24 Capital Programme has been reported to Mayor and Cabinet and the Public Accounts Select Committee throughout the year. The latest position reported to Mayor and Cabinet was as part of the P8 Budget Monitoring Report which went to Mayor & Cabinet on 24th January 2024.

11.3. The revised capital programme budget allocation for the year 2023/24 is now £145.3m, of which £57.3m relates to GF schemes and £88.0m to (HRA) schemes. This is summarised in Table E1.

Table E1: Current position of the 2023/24 Capital Programme

Directorate	Project/Programme	Spend to 30 November 2023	Revised 2023/24 Budget
		£m	£m
GF:			
Directorate of Corporate Resources	ICT - Tech Refresh	0.0	0.0
Directorate of Community Services	Safer Communities	0.2	0.3
Directorate of Community Services	Parks, Sports and Leisure	0.3	0.6
Directorate of Community Services	Beckenham Place Park (Inc. Eastern Part)	0.3	0.8
Directorate of Community Services	LUF Programme - Cultural Hub	0.2	0.3
Directorate of Children & Young People	CYP - Other	0.0	0.0
Directorate of Children & Young People	Education Services - School Places Programme	1.4	1.8
Directorate of Children & Young People	Education Services - School Minor Works Programme	2.4	3.6
Directorate of Children & Young People	Children's Social Care	0.1	1.6
Directorate of Children & Young People	Families, Quality and Commissioning - Youth Service	0.0	0.5
Directorate of Place	Highways & Bridges – TfL	0.2	0.8
Directorate of Place	Highways & Bridges – LBL	1.7	4.8
Directorate of Place	Asset Management Programme	1.3	3.1
Directorate of Place	Corporate Estates Maintenance Programme	1.0	2.2
Directorate of Place	Strategic Regeneration - Lewisham Gateway	2.1	4.2
Directorate of Place	Strategic Regeneration - Catford Programme	0.7	3.1
Directorate of Place	Planning	0.0	0.1

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

Directorate of Place	Public Realm	0.0	0.1
Directorate of Place	Climate Resilience	0.0	0.0
Directorate of Place	LUF Programme - Public Realm	0.0	0.9
Directorate of Housing	General Fund Housing	2.2	27.0
Directorate of Housing	Housing Services	0.8	1.5
	Total GF	**14.9**	**57.3**
HRA:			
Building for Lewisham Programme - HRA	Building for Lewisham Programme - HRA	8.1	21.4
HRA Capital Programme (Inc. Decent Homes)	HRA Capital Programme (Inc. Decent Homes)	30.4	65.6
Housing Management System - HRA	Housing Management System - HRA	-0.1	0.5
Aids & Adaptions	Aids & Adaptions	0.3	0.5
	Total HRA	**38.8**	**88.0**
	Total Capital Programme	**53.7**	**145.3**

11.4. The current in-year expenditure across all projects is 37%. If spend is consistent across the year, we would expect spend at Period 8 to be 66%. This pattern of low spend in the early periods of the year is expected for numerous reasons such as lag times on setting up purchase orders and receiving invoices from suppliers.

11.5. There are also certain projects with large current years budgets, where the spend is forecast to be spent in the latter half of the year. An example of this is the Housing Acquisition Programme which has an in-year budget of £22m yet current spend of £0m.

11.6. As the programme has recently been re-profiled, the budget 2023/24 figures are based on up-to-date cash flow figures. Therefore, barring any major changes to the capital programme, we are expecting to spend close to the budgeted amount of £145.3m.

11.7. The following section outlines what the capital programme will look like over the remainder of 2023/24, and how the spend is expected to pick up to the forecast level:

11.7.1. **CYP** – There are a number of large schemes that have recently started on site, so subject to further delays these will pick up greatly in spend during the last quarter of the year.

11.7.2. **Place** – A large amount of work has been done on a number of these schemes which is yet to be recharged. There are also a number of schemes that are completed in tranches, with the spend coming on the completion of these tranches.

11.7.3. **GF Housing** – The large majority of the remaining 2023/24 spend relates to the Housing Acquisition Programme. This scheme is poised to complete on over 50 purchases in the latter part of the financial year.

11.7.4. **BfL** – In response to ongoing build cost inflation, several schemes have been delayed or put on hold; resulting in significant reprofiling slippage. There are however a number of schemes currently on site or progressing to planning submission and/or contractor tender with spend increasing over the coming months.

11.7.5. **HRA** – Spend has been reasonably consistent over the year, although there has been some slippage against the original budget profile due to issues with suppliers. The spend in the remaining months will likely increase due to a backlog of works to be paid and a number of large internal recharges.

11.8. The financing of the 2023/24 Capital Programme is set out in the Table E2. This shows the sources of funding used to finance the £57.3m General Fund programme, with the majority coming from capital reserves and grants and the £88.0 HRA programme.

Table E2: 2023/24 Capital Programme Financing

	2023/24 £m
GF:	
Capital Receipts	0.1
Capital Reserves	4.1
CIL	0.0
Corporate Reserves	6.4
Grants	12.7
Prudential Borrowing	23.5
Revenue Contribution	0.1
RTB Receipts	3.9
S106	6.5
Total GF	**57.3**
HRA:	
Major Repairs Reserve	26.2
Revenue Contribution	5.9
RTB	1.4
Grants	4.4
Prudential Borrowing	50.1
Total HRA	**88.0**
Total Capital Programme	**145.3**

Proposed Capital Programme 2024/25 to 2027/28

11.9. The proposed Capital Programme budget for the General Fund and Housing Revenue Account for the four years from 2024/25 to 2027/28 is £558.0m. This is split into £171.0 for the General Fund and £387.0m for the Housing Revenue Account. Of this programme, £207.7m is allocated into 2024/25; £94.9m with the General Fund and £112.8m with the Housing Revenue Account. This is detailed in Table E3.

Table E3: Capital Programme 2024/25 – 2027/28

	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m	2027/28 Budget £m	Total Budget £m
GF:					
Directorate of Corporate Resources					
ICT - Tech Refresh	0.6	0.0	0.0	0.0	0.6
Directorate Total	**0.6**	**0.0**	**0.0**	**0.0**	**0.6**
Directorate of Community Services					
Safer Communities	0.2	0.0	0.0	0.0	0.2
Parks, Sports, and Leisure	0.1	0.0	0.0	0.0	0.1
Beckenham Place Park (Inc. Eastern Part)	0.4	0.0	0.0	0.0	0.4
LUF Programme - Cultural Hub	2.7	4.8	0.2	0.0	7.7
Directorate Total	**3.4**	**4.8**	**0.2**	**0.0**	**8.4**

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

Directorate of Children & Young People					
CYP - Other	0.3	0.0	0.0	0.0	0.3
Education Services - School Places Programme	4.6	3.8	0.2	0.0	8.6
Education Services - School Minor Works Programme	3.2	0.0	0.0	0.0	3.2
Children's Social Care	0.3	0.0	0.0	0.0	0.3
Families, Quality and Commissioning - Youth Service	0.7	0.0	0.0	0.0	0.8
Directorate Total	**9.2**	**3.8**	**0.2**	**0.0**	**13.3**
Directorate of Place					
Highways & Bridges – TfL	0.0	0.0	0.0	0.0	0.0
Highways & Bridges – LBL	0.7	0.0	0.0	0.0	0.7
Asset Management Programme	3.8	1.3	0.5	0.5	6.1
Corporate Estates Maintenance Programme	2.8	0.0	0.0	0.0	2.8
Strategic Regeneration - Lewisham Gateway	2.7	0.0	0.0	0.0	2.7
Strategic Regeneration - Catford Programme	11.4	1.2	1.0	0.7	14.4
Planning	0.2	0.0	0.0	0.0	0.2
Public Realm	0.1	0.1	0.1	0.0	0.2
Climate Resilience	0.2	0.0	0.0	0.0	0.2
LUF Programme - Public Realm	8.8	6.4	0.0	0.0	15.2
Directorate Total	**30.5**	**49.0**	**1.6**	**1.2**	**42.5**
Directorate of Housing					
General Fund Housing	48.1	35.7	3.3	7.3	94.4
Housing Services	3.1	3.7	3.9	1.2	12.0
Directorate Total	**51.2**	**39.4**	**7.2**	**8.5**	**106.4**
Total GF	**94.9**	**57.1**	**9.2**	**9.7**	**171.0**
HRA:					
Building for Lewisham Programme - HRA	22.3	63.7	34.4	0.0	120.4
HRA Capital Programme (Inc. Decent Homes)	82.5	66.3	50.8	50.7	250.4
Housing Management System	0.5	0.4	0.0	0.0	0.9
Aids & Adaptions	0.5	0.5	0.5	0.5	2.0
HRA Allowances for Buybacks & Brockley PFI	6.9	3.1	3.2	0.0	13.3
Total HRA	**112.8**	**134.2**	**88.9**	**51.2**	**387.0**
Total Capital Programme	**207.7**	**191.3**	**98.0**	**60.9**	**558.0**

11.10. Although the value of the overall Capital Programme will remain largely the same, the Capital Programme is subject to change for various reasons:

- New schemes may be agreed and added to the programme throughout the remainder of 2023/24 and into future years, reflecting the work of ongoing capital re prioritisation.
- The General Fund capital programme will need to adapt to reflect the priorities of the corporate strategy and the pressures of the Council’s building stock condition.

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

- Some schemes may no longer be seen as viable and may be paused or aborted.
- The Council will continue to look for opportunities to secure additional funding from sources such as grants, which can be used to pursue alternative or additional Capital Projects.
- There will also be a twice-yearly re-profiling exercise, in which project managers will have an opportunity to change the profile of their budget to reflect any changes in the project.
- If a scheme is underspent at the end of a financial year, then the remaining budget will be rolled forward and added to the budget for the following financial year. Therefore, the 2024/25 budget will be amended to include any 2023/24 outturn slippage.

11.11. Proposals to bring forward pipeline schemes or amend individual schemes within the programme will be subject to future Member approvals for their inclusion in the funded capital programme. This will ensure the overall strategic fit and affordability criteria for the programme are assured.

11.12. The Financing of the 2024/25 to 2027/28 Capital Programme is set out in Table E4 below.

Table E4: Proposed Capital Programme Financing 2024/25 to 2027/28

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
GF					
Capital Receipts	0.9	1.1	0.5	1.8	4.3
Capital Reserves	2.7	0.8	0.0	0.0	3.5
CIL	1.3	2.5	0.0	0.0	3.8
Corporate Reserves	6.2	0.9	1.8	1.5	10.4
Grants	29.5	14.4	3.7	0.9	48.4
Prudential Borrowing	39.1	31.1	3.0	5.5	78.7
Revenue Contribution	0.0	0.0	0.0	0.0	0.0
RTB Receipts	8.2	4.3	0.0	0.0	12.5
S106	7.1	2.0	0.3	0.0	9.4
Total GF	**94.9**	**57.1**	**9.2**	**9.7**	**171.0**
HRA					
Major Repairs Reserve	26.7	27.2	27.7	28.2	109.8
Revenue Contribution	2.0	2.2	2.9	5.8	12.9
RTB	3.2	13.6	7.6	0.0	24.4
Grants	1.7	18.1	13.8	0.0	33.6
Prudential Borrowing	79.2	73.1	36.8	17.2	206.3
Total HRA	**112.8**	**134.2**	**88.8**	**51.2**	**387.0**
Total Capital Programme	**207.7**	**191.3**	**98.0**	**60.9**	**558.0**

11.13. The financing breakdown for the General Fund is 54% internally, from either current reserves, anticipated receipts, and grants or contributions (including s106 & CIL) with the remaining 46% to be funded externally from borrowing.

11.14. The financing breakdown for the Housing Revenue Account is 47% internally, from either Grants, Right to Buy Receipts, HRA Revenue Contributions and the Major Repairs Reserve with the remaining 53% to be funded externally from borrowing.

11.15. The financing profile of the Capital Programme is flexible and may change as the Council is constantly looking for external funding opportunities such as additional grants and contributions.

Key Risks to the Capital Programme

11.16. There are many risks to the Capital Programme, some of the key ones are listed below:

- Contractors going into administration and being unable to complete work on projects. This risk has become heightened due to some of the factors listed below. This risk has recently materialised in a number of schemes, most notably the Home Park & Edward Street housing schemes which have now been aborted for this reason, causing losses to the council.
- Increased cost pressures caused by rising inflation rates, which may cause further change to scheme scope to meet with funding availability and could lead to contractors looking to renegotiate scheme costs.
- Delays to projects caused by supply chain disruptions, labour shortages and other factors, which may cause costs to increase due to inflation or additional costs such as storage.
- Council may need to make additional savings meaning certain schemes may need to be paused/aborted. This risk may become more prevalent as the Council is currently forecasting an overspend, and therefore will look to make savings to combat this.
- A project may not deliver the expected benefits.
- A project may not meet the criteria laid out in its funding requirements (for example grant funding with conditions attached), leading to a potential re-payment of this funding. If this materialises then there is a possibility some or all of the funding would need to be repaid.
- Competing priorities for limited resources requires statutory requirements (for example Health & Safety works or changes resulting from new building regulations) to be met first, potentially limiting the number or scale of schemes within the programme.

11.17. These risks will all be carefully considered when both monitoring existing schemes and putting forward recommendations to pause or abort schemes or for potential new schemes.

11.18. Mitigations, particularly around BfL programme, include:

- seeking opportunities to diversify product type (e.g. increasing number of shared ownership homes) and delivery approach (e.g. pursuing acquisitions and investment partnerships in place of direct delivery); and
- continuing to seek additional funding opportunities such as the ability to combine RTB receipts with AHP funding as to reduce pressure on capital programme whilst securing greater delivery.

Capital Programme Highlights

11.19. The paragraphs below set out further details on some of the major capital projects / programmes in the capital programme by directorate.

Directorate of Corporate Resources

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

11.20. *ICT – Tech Refresh:* The Resources Directorate's capital programme currently has a small allocation of approximately of approximately £0.6M earmarked to fund the completion of the Tech refresh project. The capital programme does not include any allocation for further ICT or Tech refreshes within the current MTFS period.

Directorate of Community Services

11.21. *Levelling Up Fund – Cultural Hub:* In June 2022 Mayor and Cabinet approved the submission of a bid to the Government's Levelling Up Fund for Lewisham Town Centre. In early 2023 the Government approved the bid for £19m of Levelling Up Fund with match funding of £5m from the Council. All £24m is capital funding. The bid consists of three projects, one of which is the transformation of Lewisham Library into a Culture and Business Hub. This project has funding of £8m and is currently in planning with works due to start in 2024/25.

Directorate of Children and Young People (CYP)

11.22. The CYP capital programme comprises a range of projects across two main programme areas – Pupil Places Programme and Schools Minor Capital Works Programme. Both programmes are largely funded through grants.

11.23. *School Minor Works Programme:* The School Minor Works Programme is an annual programme of urgent capital infrastructure projects carried out across the borough's school estate. Works in 2023/24 took place at eleven different school sites and included roof replacements; drainage works; heating and hot water system upgrades, and toilet refurbishment. A new programme of works for 2024/25 will be developed early in 2024 and will include any historic carry forward of unspent allocation plus the 2024/25 allocation.

11.24. *Pupil Places Programme:* The focus of this programme is now on provision of Special Educational Needs and Disabilities places across the borough. In 2023/24 works are being carried out to incorporate SEND 'Resource Bases' into five existing mainstream schools, and the permanent Watergate expansion project is currently in the design stage and due to start onsite early in 2024. An estimated £8.6m of spend is forecast for the MTFS period, the majority of which will cover the Watergate School expansion works.

Directorate of Place

11.25. The Place element of the capital programme includes a number of projects / programmes across the core areas of Highways, corporate assets and strategic regeneration. The section below provides a summary narrative of some of the core projects within the Place directorate.

11.26. *Highways:* The Highways programme delivers works covering carriageway resurfacing, bridges and footway works. A new programme of works will be worked on in early 2024 and will include an annual allocation from TfL, as well as other works which will be funded through earmarked reserves.

11.27. *Asset Management Programme (AMP) (Reactive / Unplanned Works):* Funding from the Asset Management Programme (AMP) has continued to support reactive and much needed capital works across the operational corporate estate of 85 buildings including buildings in the Catford complex. Reactive works are undertaken by the Facilities Management team covering three key areas: fabric, mechanical and engineering (M&E) and residual or H&S related.

11.28. *Corporate Estate Management Programme (CEMP) (Planned Works):* A new programme of planned lifecycle capital works across the operation estate began in

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

2021/22 following a condition survey of the estate. The programme, Corporate Estate Maintenance Programme (CEMP), is designed to ensure that the council's assets are invested in and are fit for purpose. Benefits include less interruptions to critical operations due to building or equipment failure, longer asset life, improved efficiency and energy performance, increased safety and compliance, and reduced repair costs. The current programme will deliver improvements to around 32 assets; covering a vast array of repairs and improvements, all of which seek to ensure the buildings are safe, watertight, and fit for purpose for the services being delivered from them. This includes new roofs, new windows, damp and drainage work, improved working conditions for frontline staff, mechanical and electrical improvements, and general decorations.

There is a requirement for a further £5.1m ((2024/25 – £1.8M; 2025/26 – £0.8M; and 2026/27 – £2.4M) funding for the CEMP for the current MTFS (through to 2027/28) to enable continued planned maintenance across the council's corporate estate, however this has not currently been included in the proposed Capital Programme above. We are funding these from reserves so does not impact wider financing considerations.

11.29. *Strategic Regeneration - Catford Town Centre:* In July 2021 Mayor and Cabinet endorsed the Catford Town Centre Framework, which sets out the council's regeneration aspirations for the town centre. This includes a number of early deliverables which form 'phase 1' and plans to redevelop council assets, including Laurence House, the Old Town Hall and Civic Suite, Milford Towers and the shopping centre.

The realignment of the A205 and improvements to the A21 also form part of phase 1. The council has secured £10M Housing Infrastructure Fund grant to support the road scheme and is expecting to make a contribution of up to £3.7m from Community Infrastructure Levy. This contribution will be match funded by TfL. The remaining funding of c. £44M is anticipated to come from Department for Transport's Major Road Network fund, for which TfL are currently progressing a business case application. The council forecasts spend of c.£2M in 23/24 funded via the HIF.

The road realignment creates significant open space in the town centre which will be owned by the council. Initial design work will be paid for by the HIF but further capital expenditure of c.£4.5m will be required to develop the design and deliver the public realm scheme once the road completes. Further funding will need to be identified to cover these costs.

11.30. *Levelling Up Fund – Lewisham Town Centre:* As mentioned in section 1.22.1, in June 2022 Mayor and Cabinet approved the submission of a bid to the Government's Levelling Up Fund for Lewisham Town Centre. In early 2023 the Government approved the bid for £19m of Levelling Up Fund with match funding of £5m from the Council. All £24m is capital funding. The Place elements of this programme will deliver a revitalisation of Lewisham Street Market and improvements to the public. These two elements of the bid have a budget of £16m and are currently in the planning stage, with works anticipated to start in 2024/25.

<u>Directorate of Housing</u>

11.31. *Housing Services - Disabled Facilities Grant (DFG):* The DFG is a capital grant contributing to the cost of home adaptations, to enable eligible disabled people to continue living safely and independently. The Council carried forward £2.1m of unspent grant into 2023/24 and was also awarded an additional £1.6m. The forecast spend for 2023/24 is £1m, meaning that the forecast carryover is £2.7m. This carryover combined with an anticipated further £6m allocated across the MTFS period, means the council has budget over £8m worth of spend across the next 4 years.

11.32. *General Fund Housing:* The General Fund housing scheme delivers temporary accommodation for the Building for Lewisham Programme and facilitates regeneration schemes through land assembly. So far 54 temporary new homes have been created under the scheme and a new scheme was approved by Cabinet in March 2023, to purchase 300 properties for temporary accommodation to deal with pressures in the service. Six additional temporary accommodation homes are also in the planning phase.

HRA

11.33. *BfL:* The Building for Lewisham Programme was agreed by Mayor and Cabinet in January 2020. Since that time the programme has slipped and been adversely affected by COVID 19, high build cost inflation, contractor insolvency and increased interest rates. For schemes in planning and pipeline phases, there has been a review to put some schemes on hold due to viability issues. Delivering the programme as a whole has involved a change of tenure mix to improve viability. The HRA is in need of additional capacity and therefore the -£20m NPV previously agreed for the Building For Lewisham Programme will need to reduce to -£10m NPV to ensure that the HRA has sufficient reserves. For the HRA, 262 new homes have been delivered and a further 97 are on site. Schemes in the planning and pipeline phases amount to a further 851 new homes and will be required to reduce the NPV within the revised limit.

11.34. *HRA Capital Programme (Inc. Decent Homes):* This budget is for works to ensure council owned stock is brought up to and maintained to a decent level, covering both internal and external works. This includes works for damp & disrepair, building safety, refurbishment, and others.

11.35. Further detail on the HRA Capital Programme can be found in Section 9 of this report, along with Appendices X1-X5.

Capital Strategy

11.36. 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 beyond the current MTFS period are detailed in Appendix W1.

Recommendation

11.37. It is recommended that Council approve the 2024/25 to 2027/28 Capital Programme of £559.5m.

12. Consultation on the Budget

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

Rent Setting and Housing Panel

12.2. As in previous years, engagement meetings on rents, service charges and garage rent proposals have taken place in line with the existing arrangements through tenant representatives. A meeting on the 13th of November 2023 presented tenant and leasehold representatives with an opportunity to consider the position and to feedback any views to Mayor & Cabinet. Tenant representatives of Brockley attended a meeting on 2nd of November 2023 to consider the proposals and feedback

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

comments to Mayor & Cabinet.

12.3. Details of comments from the residents' meetings, and officers responses to these, have been set out in Appendices X1, X2a and X2b.

Business Ratepayers Consultation

12.4. Representatives of business ratepayers were consulted online on the Council's indicative net revenue budget between 1 December and 31 December 2023. This consultation was open to all of the over 10,000 businesses registered in Lewisham.

12.5. There were 26 respondents, of which 25 answered a few simple questions to better understand the nature of their business operations. They then provided feedback on the Council's corporate priorities, on what the Council does well and on what the Council could do better.

12.6. Of the 26 responses to the consultation, 20 confirmed that they were paying business rates. Most of the respondents also provided information on specific details as outlined in Table F1 below.

Table F1: Information Provided by Business Ratepayer Consultation Respondents

	Number of Respondents
Type of business operated	
Large Enterprise	0
SME*	11
Micro-enterprise**	12
Charity/Community/Voluntary Sector Organisation	2
Total respondents	**25**
Business rates relief	
Receiving business rates relief	19
Not receiving business rates relief	6
Total respondents	**25**

** Small to medium sized enterprises.*
*** Including sole traders and partnerships.*

12.7. When asked which of the Council's seven priorities they valued the most, most of the respondents answered this and a strong local economy was voted as the most valued. The priorities are outlined in more detail in Section 3 of this report. Table F2 below shows how the respondents voted in more detail.

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 F2: Rankings of the Corporate Priorities by Business Ratepayer Consultation Respondents

Corporate Priority	Number of Respondent Votes			Overall Ranking
	Most Valued Priority	Second Most Valued Priority	Third Most Valued Priority	
A Strong Local Economy	10	4	2	1st
Children & Young People	2	5	2	5th
Cleaner & Greener	2	6	2	4th
Health & Wellbeing	2	6	4	3rd
Open Lewisham	1	0	1	7th
Quality Housing	2	0	1	6th
Safer Communities	5	2	10	2nd
Total Votes	**24**	**23**	**22**	

12.8. See Appendix Y3 to show how each of the corporate priorities are being supported within the Council's budget.

What Lewisham Does Well

12.9. The consultation asked business ratepayers what they believe the Council does well. Of the respondents, 17 provided feedback to this question.

Public Realm – Waste

12.10. Several respondents gave positive feedback regarding the Council's waste services. One particular respondent wrote that commercial waste collection is always on time and that the Council refuse teams 'go the extra mile' to ensure no waste is left behind during their collections.

Inclusive Regeneration

12.11. Positive feedback was given around project growth within the Borough. The respondents made comment towards the Council's investment in Lewisham High Street, and how this allows local businesses to thrive, therefore promoting a strong local economy.

12.12. One respondent also advised that the strong communication channels of the Council with local businesses has made them aware of opportunities for their business.

Community, Partnerships & Leisure

12.13. A number of respondents give positive feedback regarding the green spaces within the Borough. In particular, one respondent commented that our green spaces are valued and well maintained, whilst another positively commented on how these spaces are redeveloped when unused or of poor quality.

12.14. Other areas mentioned within the feedback to this question included environmental policies, diversity, recycling, and the arts.

What Lewisham Could do Better

12.15. The consultation asked business ratepayers what they think the Council could improve on. Of the respondents, 21 provided feedback to this question.

Public Realm – Waste

12.16. A number of respondents raised concerns related to Waste Services within the Borough.

12.17. More specifically, one respondent raised the concern of a lack of public litter bins around Deptford High Steet and New Cross Station.

12.18. The Director for Public Realm notes these comments and advises that the areas will be reviewed, and action will be taken if needed.

12.19. A number of concerns were raised relating to the cleanliness of the streets around the Borough, as well as around fly tipping, graffiti, and public park rubbish collection.

12.20. The Director for Public Realm notes these comments also. The Council will continue to clean streets and take action on fly-tipping when identified or when reported via the Council's website. The Council regularly sweeps the streets and is also currently reviewing the public bin provision around the Borough. The presence of fly-tipping, along with other street-cleaning issues, can also be reported via the Love Clean Streets website or app. Further information on this can be found on the Council's website; https://lewisham.gov.uk/myservices/recycling-and-rubbish/cleaner-lewisham

Public Realm – Highways & Streetscene

12.21. Feedback was given related to the current level of road traffic within the Borough and the negative impact this is having on client footfall in central Lewisham. Respondents also suggested the need for more cycling routes and more emphasis on the safety of cyclists. They would also like to see more encouragement from the Council for residents to choose cycling or walking where possible over other transportation options.

12.22. The Director for Public Realm notes these comments. The Council continues to encourage more sustainable transport through investment in cycling and walking schemes, with cycling facilities and cycle routes, and schemes to reduce traffic dominance. The Council is also investing in agreements with dockless bicycle hire operators.

12.23. Programmes such as the Sustainable Streets programme are aimed at addressing concerns such as these. More information on this programme can be found on the Council's website; https://lewisham.gov.uk/myservices/roads-and-transport/sustainable-streets-programme

Public Realm – Parking

12.24. One particular respondent suggested the idea of a local trader permit when providing feedback to the question. This respondent feels they lose revenue appealing penalty charge notices.

12.25. The Director for Public Realm notes these comments. The Council has been working with its parking contractor to allow local businesses to take cash for short term parking, and the council has a programme to review all current controlled parking zones which will also help with business needs.

Inclusive Regeneration – Business & Partnership

12.26. The respondents addressed support for creative businesses, support for local SMEs, attracting new businesses, working with businesses and organisations which are Black and Multi-Ethnic led and how we fill vacant shops and offices in the Borough.

12.27. The Executive Director for Place notes these comments. There is support for growing a thriving business base in the Borough and for providing support to Lewisham based businesses to grow and succeed. The Council's UK Shared Prosperity Fund grant programmes were launched in September 2022 and are live on the Council's website. These include our Empty Property Grants that businesses can apply for when signing a new lease for a vacant high-street unit and aims to encourage less vacant commercial premises on our high streets. We have also launched a fund aimed specifically at creating more affordable workspace for arts and creative businesses. We also continue to support the Borough's Creative Enterprise Zone through 'SHAPESLewisham'. The website can be found here; https://www.shapeslewisham.co.uk/

12.28. In January 2022 the Council undertook a survey of 550 independent high-street businesses. It was the first survey of this kind to look at the ethnicity of business owners to best support the diversity of our high streets. We continue to deliver a support package for local businesses looking to grow or make those first steps, and will continue to provide support which champions a business base as diverse as our residents. The high street survey showed us that seven in ten independent business owners rate Lewisham as an excellent place to do business and there is long term confidence. We hope this message attracts more businesses to the Borough. We are pleased to see that there have been 4,000 more jobs registered in the Borough of Lewisham since 2020.

Community, Partnerships & Leisure – Arts Funding

12.29. A number of comments were made relating to arts businesses in the Borough and the hope for more funding in this area.

12.30. The Director for Communities, Partnerships & Leisure notes these comments. Lewisham's annual reign as the London Borough of Culture enabled an investment of approximately £4m in arts and culture in Lewisham and the legacy is wide reaching, including a 5-year Cultural Strategy named 'We Are Lewisham – A Cultural Strategy for Lewisham 2023-2028'. A Lewisham Cultural Partnership has been formed to oversee the action planning linked to this strategy.

12.31. The Council continue to invest in multi-year core funding through its Main Grant programme (2022-2025) and it directly funds to 12 arts organisations that tackle inequality and barriers to participation in arts and culture, allowing further investment through organisations individual fundraising capabilities. The Main Grant programme also funds Fundraising Development Manager posts, managed by the sector, one of whom has an arts fundraising specialism and supports inward investment for Lewisham based organisations.

Planning – Housing

12.32. Feedback was given by respondents in relation to the creation of new affordable homes and "ensuring housing investors are controlled".

12.33. The Interim Director for Planning notes these comments. For new housing developments, developers are required to provide new affordable homes as part of the scheme. This is enshrined in planning policy including the latest Local Plan which has been formally submitted to the Secretary of State (through the Planning Inspectorate) for Examination in Public. The council maintains a brown field register which identifies sites suitable for development which includes a considerable number of smaller sites. This list is updated and published annually.

12.34. Developers are required to comply with current national planning policy and local planning policy. Each planning application is assessed on whether the scheme is acceptable in policy terms and development schemes are vetted to establish whether there is a need to improve elements such as affordable homes, transport and highway infrastructure, air quality, open space and school improvements. The scale of this will depend on the nature of the development and developers are encouraged to engage the local community at the early stages of the development prior to a planning application being submitted as well as engaging the local planning authority who can guide the development and establish the level of community benefits. The requirements identified are then controlled by planning conditions and/or by way of a legal agreement with the developer.

Resident & Business Services

12.35. Feedback was given around the difficulties some respondents have in contacting the Council.

12.36. The Director for Resident and Business Services notes these comments. The Revenue and Benefits Service has limited telephone access, but this is in line with the potential number of clients, outstanding work, and demand. The service currently has open telephone lines for 12 hours per week, these being Monday, Tuesday, Thursday, and Friday between 9.00am and 12.00pm. The contact number is 020 8314 6150.

12.37. Performance is significantly above target with the service answering 93% of 330 calls and 94% of 294 calls received in the last two months. Summons surgeries are also offered all day on Wednesdays. In addition, there are a number of on-line options available where customers can access information to help them with enquiries but are also offered the option to submit enquiries for information.

Business Rates

12.38. Finally, respondents suggested that business rates should be reduced generally and there should be more access to grants.

12.39. The Executive Director for Corporate Resources notes these comments. Business Rates is governed by legislation, in particular the Local Government Finance Act 1992. Whilst we appreciate the comments in terms of the charges and applicable reliefs for new businesses, the Council is solely responsible for the billing and collection of Business Rates, not the setting of these. There are several available reliefs and discounts to certain businesses. These can be found on the Councils website; www.lewisham.gov.uk. The Council recommends contacting the business rates team to confirm business rates charges before any business commits to a lease. This will assist with budgeting and forecasting.

Summary

12.40. The consultation was available to all of the businesses registered in Lewisham and 26 responses were received.

12.41. There were a number of comments and concerns raised regarding the level of business rates tax set by Government and the accessibility and level of relief measures available. In setting its General Fund budget the Council recognises the support needed to businesses and is ensuring that its Resident and Business Services division is able to offer support for businesses, whilst recognising that business rates and the relief and grants schemes are set centrally by Government.

12.42. There were also a number of comments provided on the General Fund services affecting businesses in the form of street cleansing, safe streets, housing and arts and culture and the need for the Council to continue to ensure that its services provide value for money. These considerations underpin the ambition of the Corporate Strategy to ensure that our businesses can enjoy a strong local economy.

13. Financial Implications

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

14. Legal Implications

14.1. The setting of the budget is a matter for the Council, having considered recommendations by Mayor and Cabinet. The Council's budget-setting process is set out in its Constitution.

14.2. The Council is obliged by section 151 of the Local Government Act 1972 to make proper arrangements for the management of its financial affairs. It must set and maintain a balanced budget each year. The Local Government Act 2003 introduced a prudential system of financial control whereby the Council is free to borrow or invest so long as its capital spending plans are affordable, prudent, and sustainable. The Council must determine and keep under review how much it can afford to borrow having regard to CIPFA's Prudential Code of Capital Finance in Local Authorities. The Code requires that in making borrowing and investment decisions, the Council must consider affordability, prudence, and sustainability, value for money, stewardship of assets, service objectives, and practicality. Members are also reminded of their fiduciary duty to the Council Tax payer, effectively to act as trustee of the Council's resources and to ensure proper custodianship of Council funds. Furthermore, section 3 of the Local Government Act 1999 places the Council under a duty to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness. Members must have regard to this duty in making decisions in relation to this report.

14.3. Where a service is provided pursuant to a statutory duty, the Council cannot fail to discharge it properly. Where there is discretion as to how to discharge duties, that discretion should be exercised reasonably.

14.4. The Council is required by section 33 of the Local Government Finance Act 1992 to calculate for each financial year the basic amount of its Council Tax. The basic amount of Council Tax must be calculated from the Council Tax base. This base is created by applying a prescribed formula under the Local Authorities (Calculation of Council Tax Base) Regulations 2012. The Council is required to submit its Council Tax base to the GLA between 1 December and 31 January in the financial year preceding the financial year for which the calculation of Council Tax base is made. If it fails to do so, then the GLA is required to determine the calculation for itself, in the manner prescribed in the above Regulations. The amount of Council Tax must be sufficient to meet the Council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.

14.5. Members should have regard to s106 of the Local Government Finance Act 1992 which provides that members who are in arrears on their Council Tax for two or more months may not vote on matters concerning the level of Council Tax or the administration of it.

14.6. Under sections 74 and 75 of the Local Government and Housing Act 1989, the Council is obliged to maintain a separate HRA and prevent a debit balance on that account. Rents must therefore be set to avoid such a debit. Section 24 of the Housing Act 1985 allows the Council to make such reasonable charges as they determine for the tenancy or occupation of their houses. The Council must review rents from time to time and make such charges as circumstances require. The process for varying the terms of a secure tenancy is set out in Sections 102 and 103 of the Housing Act 1985. It requires the Council to serve notice of variation at least four weeks before the effective date; provide sufficient information to explain the variation and give tenants an opportunity to serve a Notice to Quit ending their tenancy

14.7. The Council has carried out budget consultation as set out in this report. Members must consider consultation responses with an open mind before making any decision. The Council should also consider how its decisions will contribute towards meeting it's equalities duties, against other relevant circumstances such as economic and practical considerations. Directorates should undertake detailed impact assessments of major proposals to ensure that any proposals for savings are reasonable and meet Equality Act duties.

15. Equalities Implications

15.1. The Equality Act 2010 (the Act) introduced the public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

15.2. In summary, the Council must, in the exercise of its functions, have due regard to the need to:

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

15.3. The duty continues to be a "have regard duty", and the weight to be attached to it is a matter for the Mayor and Cabinet, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations. Assessing the potential impact on equality of proposed changes to policies, procedures and practices is one of the key ways in which the Council can demonstrate that they have had 'due regard'.

15.4. The Equality and Human Rights Commission issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled "Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice". The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with services and public functions. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at https://www.equalityhumanrights.com/guidance/public-sector

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

1. The essential guide to the public sector equality duty.
2. Meeting the equality duty in policy and decision-making.

3. Engagement and the equality duty.
4. Equality objectives and the equality duty.
5. Equality information and the equality duty.

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

15.7. The EHRC has also issued Guidance entitled "Making Fair Financial Decisions". It appears at Appendix Y9, and attention is drawn to its contents.

15.8. Assessing impact on equality is not an end to itself and it should be tailored to, and be proportionate to, the decision being made. Whether it is proportionate for the Council to conduct an Equalities Analysis Assessment of the impact on equality of a financial decision or not depends on its relevance to the Authority's particular function and its likely impact on people from protected groups, including staff.

15.9. Where proposals are anticipated to have an impact on staffing levels, it will be subject to consultation as stipulated within the Council's Employment/Change Management policies, and services will be required to undertake an Equalities Analysis Assessment (EAA) as part of their restructuring process.

15.10. It is also important to note that the Council is subject to the Human Rights Act, and should therefore, also consider the potential impact their particular decisions could have on human rights. Where particular cuts have such implications, they must be dealt with and considered in relation to those particular proposals before any final decision is made.

15.11. In considering the formation of the 2024/25 Budget it is important to consider how this has changed from the 2023/24, both the impact of each individual budget reduction and budget growth proposal, as well as the cumulative impact of these changes on those with protected characteristics. For each reduction and growth proposal an initial equalities analysis assessment has been undertaken, and a fuller equalities impact assessment where required. The detail of each of these is contained in Appendices Y2a and Y2b, and the summary assessments in Appendices Y8a and Y8b.

16. Climate Change and Environmental Implications

16.1. Section 40 of the Natural Environment and Rural Communities Act 2006 states that: 'every public authority must, in exercising its functions, have regard, so far as is consistent with the proper exercise of those functions, to the purpose of conserving biodiversity'.

16.2. Overall, there are limited changes to the budget structure and services funded either from agreed reductions or pressures funded. The environment considerations for any reductions were specifically considered as part of those proposal. The environment considerations for the pressures to be funded in 2023/24 are generally considered to be positive.

17. Crime and Disorder Implications

17.1. Section 17 of the Crime and Disorder Act 1998 requires the Council when it exercises its functions to have regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area.

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

18. Health and Wellbeing Implications

18.1. There are no specific health and well being implications arising from this report.

19. Background Papers

Short Title of Report	Date	Location	Contact
Medium Term Financial Strategy	19 July 2023 (M&C)	1st Floor Laurence House	David Austin
Medium Term Financial Strategy Update	30 November 2023 (PASC)	1st Floor Laurence House	David Austin
Council Tax Base	17 January 2024 (Council)	1st Floor Laurence House	David Austin

20. Glossary

Term	Definition
Collection Fund	A statement that shows the transactions of the billing authority in relation to non-domestic rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.
General Fund	This is the main revenue account which summarises the cost of all services (except those related to Council Housing and Locally Managed Schools) provided by the Council.
Housing Revenue Account	Reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure and how this is met by rents, subsidy and other income.
Reserves	Amounts set aside for purposes falling outside the definition of provisions made above are considered as reserves.
Revenue Support Grant	A general grant paid by Central Government to local authorities to help them finance the cost of their services, distributed on the basis of government relative needs formulas.

21. Report Author and Contact

David Austin – the Executive Director for Corporate Resources (david.austin@lewisham.gov.uk)

Katharine Nidd – Director of Finance (katharine.nidd@lewisham.gov.uk)

Financial implications on behalf of the Executive Director for Corporate Resources were provided by the report authors.

Legal implications on behalf of the Monitoring Officer were provided by Melanie Dawson.

22. Appendices

Capital Programme

W1 Capital Strategy

Housing Revenue Account

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

X2a Brockley Rent Increase Proposal Report 2024/25

X2b Regenter Service Charge Proposal Report 2024/25

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

X4 Garage Rent Increase 2024/25

X5 Other Associated Charges 2024/25

General Fund

Y1 Summary of Previously Agreed Budget Reduction Proposals for 2024/25

Y2a Budget Reduction Proposals for 2024/25 (Member Decisions)

Y2b Budget Reduction Proposals for 2024/25 (Officer Decisions)

Y3 2024/25 Budget by Corporate Priority

Y4 Ready Reckoner for Council Tax 2024/25

Y5 Chief Financial Officer's Section 25 Statement

Y6 Council Tax and Statutory Calculations

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

Y8a 2024/25 Budget Reductions and Growth Equalities Impact Assessment (EIA): Budget Reductions EIA

Y8b 2024/25 Budget Reductions and Growth Equalities Impact Assessment (EIA): Budget Growth EIA

Y9 Making Fair Financial Decisions

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

Treasury Management

Z1 Interest Rate Forecasts 2024-2026

Z2 Extract from Credit Worthiness Policy

Z3 Benchmarking Extract

Z4 Economic Update from Link Asset Services

Z5 Approved Countries for Investment

Z6 Requirement of the CIPFA Treasury Management Code of Practice

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