

PUBLIC ACCOUNTS SELECT COMMITTEE / MAYOR & CABINET			
REPORT TITLE	2015/16 to 2017/18 Medium Term Financial Strategy		
KEY DECISION		Item No.	6
WARD	All		
CONTIBUTORS	Executive Director for Resources & Regeneration		
CLASS	Part 1	Date:	09 & 16 July 2014

REASONS FOR LATENESS AND URGENCY

This report was not available for the original dispatch because it was necessary to analyse in greater detail the budget model variances. The report is urgent and cannot wait until the next meeting of the Public Accounts Select Committee on 22 September 2014 as this is too far into the financial year for this Committee to consider the Council's predicted forecast position to inform plans for making savings.

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

1. EXECUTIVE SUMMARY

- 1.1. The Medium Term Financial Strategy (MTFS) for 2015/16 to 2017/18 sets out the Council's medium term financial plan. It includes a review of the Council's overall financial position bringing together the outturn for 2013/14, the forecast for the current financial year of 2014/15, and considers prospects for 2015/16 and future years.
- 1.2. The strategy forecasts a reduction in resources of a minimum of £46.8m (21%) between 2014/15 and 2017/18. At the same time spending projections, including pay and prices and provision for budget pressures related to an increasing population and changing demographic needs, estimate that minimum additional spending of £39.7m (15%) will be required to meet those needs. Whilst assumptions will continue to be updated the broad scale of the challenge is not expected to change fundamentally.
- 1.3. The Council estimated the level of savings required for the four year period 2014/15 to 2017/18 at £95m. Of this £8m of savings were agreed in the 2014/15 budget. Further work has been done on the budget model for this report which involved reviewing the model and refining the assumptions used. The revised model reduces the savings requirement for the period 2015/16 to 2017/18 to £84.6m. This is down from £87m (£95m old budget gap - £8m savings agreed).

- 1.4. The Council has developed the Lewisham Future Programme to address the budget gap. The report sets out the main areas covered by the Lewisham Future Programme. The immediate target is now to deliver £38.8m of savings to bridge the budget gap for 2015/16.
- 1.5. In respect of the budget gap of £84.6m from 2015/16 to 2017/18, officers have outline proposals in the region of £31m to bring forward for Members consideration in the Autumn, £21m of which relate to 2015/16.
- 1.6. This report also presents a specific proposal where officers are seeking the Mayor's approval to proceed to the next stage. The proposal relates to voluntary sector grants where authority is sought to go out to consultation on the allocation of funds through the voluntary sector grants programme (see Appendix 4).

2. PURPOSE

- 2.1. The main purpose of this report is to set out the medium term financial position for the Council over the next three years and the assumptions on which this is based. It also provides an overview of the current financial situation and provides an update on the delivery of the savings programme for 2015/16.
- 2.2. The MTFFS covers the following areas:
 - It sets out the expected resource envelope that the Council's General Fund must operate within in 2015/16, attempts to project funding in future years, and identifies the main factors that might affect this.
 - It sets out service and other spending projections (e.g. Housing Revenue Account, Capital Programme, Dedicated Schools Grant) and the main factors that may affect these.
 - It projects the General Fund budget gap which is the difference between the resource envelope and spending projections. This includes some sensitivity analysis for a base, medium and worst projection for each year, depending on the assumptions made.
 - It sets out the measures the Council needs to take to address the budget gap through the Lewisham Future Programme.

3. RECOMMENDATIONS

- 3.1. The Mayor is recommended to endorse the 2015/16 to 2017/18 Medium Term Financial Strategy.
- 3.2. The Mayor is asked to agree to the commencement of a three month consultation on the proposed draft criteria, application process, and £1.5m budget reduction for the new grants programme.

4. STRUCTURE OF THE REPORT

- 4.1. The Report is structured as follows:
 1. Executive Summary

2. Purpose
3. Recommendations
4. Structure of the report

STRATEGIC REVIEW

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

MEDIUM TERM FINANCIAL STRATEGY

9. Introduction
10. Resource Envelope
11. Revenue Expenditure Assumptions
12. General Fund Budget Gap
13. Addressing the Budget Gap
14. Housing Revenue Account
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SUMMARY AND IMPLICATIONS

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

STRATEGIC REVIEW

5. INTRODUCTION

- 5.1. The MTFs represents the start of the Council's formal budget process, which concludes with the setting of the overall Budget each year. The Budget Report

for 2015/16 will be presented to Mayor & Cabinet in January 2015 and full Council in February 2015.

- 5.2. This report sets out the scope of the Council's financial planning which includes: the General Fund; Housing Revenue Account; the Dedicated Schools Grant and the Capital Programme.
- 5.3. The key objectives of the 2015/16 to 2017/18 Strategy are to:
- plan the Council's finances over a three year period to take account of local improvement priorities and national priorities;
 - ensure that the Council's corporate priorities continue to drive its financial strategy and resource allocation;
 - assist the integration of business and financial planning processes;
 - ensure that the plan takes account of: stakeholder and partner consultation; external drivers; capital investment; budget risk assessments; and expected developments in services;
 - ensure that the Council's medium term financial strategy is linked to other internal strategies and plans; and
 - ensure that the final agreed budget reflects all these considerations.
- 5.4. Over the last four years, the Council has undertaken a major budget reduction programme to manage the difficult financial challenge it has been faced with. In the period 2010/11 to 2014/15 the Council has identified savings of £93m. The financial outlook for the Council and the public sector as a whole remains extremely challenging. The Government has re-affirmed the need for significant reductions in public sector expenditure over the medium term. The Council has already seen the effects of these in its revenue budget settlements for the previous and current financial years and in the reduction of capital resources provided to the Council.
- 5.5. The focus of the MTFFS is the Council's General Fund budget. Whilst it is very important, particularly at a time of financial constraint, to identify ways in which services can be delivered more effectively across traditional organisational and financial boundaries, the nature of the current financial austerity regime is such that most of the budget reductions have to come from Council General Fund services. Having a sound General Fund MTFFS, and a strategy for responding to the challenges it presents, is an essential pre-requisite to ensuring effective responses from all of the services the Council directs and influences.

6. LOCAL POLICY CONTEXT

- 6.1. The Council's strategy and priorities drive the medium term financial planning process, with changes in resource allocation determined in accordance with policies and priorities. *Shaping our future* is Lewisham's Sustainable Community Strategy. It covers the period for 2008 to 2020 and sets out a vision for Lewisham and the priority outcomes that organisations, communities and individuals can

work towards to make this vision a reality. The key priorities are set out at Appendix 1 for reference.

- 6.2. In taking forward the Council's Budget Strategy, in engaging our residents, service users and employees, and in deciding on the future shape, scale and quality of services, we will be driven by the Council's four core values:
- We put service to the public first.
 - We respect all people and all communities.
 - We invest in employees.
 - We are open, honest and fair in all we do.

7. THE NATIONAL POLICY CONTEXT

- 7.1. The Chancellor of the Exchequer made his 2014 Budget speech on 19 March this year. He set out the latest key economic forecasts which showed an improved position from his December 2013 Spending Round Speech with the economy growing at a faster rate than previously announced. The forecast for growth for 2014 was revised upwards to 2.7% compared to the previous figure of 2.4%. 2015 is now forecast at 2.3% (previously 2.2%), and the 2016 forecast remains the same.
- 7.2. Despite the improving economic position, the Government remains committed to cutting public sector spending. On-going protection for key spending areas, including health, schools and overseas development, means spending cuts fall on other spending areas, including local authorities. Within the local authority sector, the Government has reversed some of the mechanisms in the local government finance system for equalising needs and resources. The consequence is a much larger reduction in resources for areas of higher deprivation, typically poorer urban areas.
- 7.3. The consequence for Lewisham is plain. The Settlement Funding Assessment (the total amount the government assumes to come from Revenue Support Grant and business rates) fell by 10% in 2014/15 and is set to fall by 15% in 2015/16. In addition, government funding results in a higher proportion of their spending from grant and business rates, with a lower proportion funded from Council Tax. So the cuts, which are already larger in inner city areas, are magnified by the more limited proportion of revenue made up by Council Tax.
- 7.4. The expected continuing improvement in economic activity will have a beneficial impact on aspects of the Council's services. It should help drive regeneration within the borough, leading to more businesses and jobs as well as additional housing. The Council will achieve some direct financial benefits from these developments, including additional Council tax, New Homes Bonus and a share of increased business rates. There will also be benefits to Lewisham residents in terms of more jobs and more housing. However, the consequence of other aspects of government policy, such as failure to curb rising house prices and welfare reform impact on levels of homelessness, will have a significant continuing adverse impact on Lewisham residents and, together with demographic pressures, will lead to increased pressure on services.

- 7.5. Other economic indicators will have an impact on the Council's spending. Inflation is expected to remain at around 2% but real wages are increasing and it will be difficult for local government – and other parts of the public sector – to continue to keep pay increase below the rate of inflation. In addition, the expected increase in interest rates, with the governor of the Bank of England forecasting interest rates in the region of 2.5% by 2017/18, will affect the authority's finances. In this case it should be beneficial since interest on the Council's cash balances will rise while interest on Council debt, which is mainly funded from long term fixed interest loans, will be largely unaffected.

8. BUDGET UPDATE

2013/14 Financial accounts

- 8.1. The Council's draft final accounts for 2013/14 have been prepared and were reviewed by the Audit Panel on 24 June 2014, before being submitted for audit by the Council's external auditor, Grant Thornton. A separate report on the Council's final outturn position for revenue and capital budgets was presented to Mayor & Cabinet at the 25th June 2014 meeting.
- 8.2. The Council's final 2013/14 revenue outturn position was a Directorate underspend of £1.8m. The Housing Revenue Account (HRA) and the Dedicated Schools Grant were both spent to budget. Capital expenditure for the year was £114.4m. This represents 96% of the revised forecasted year-end expenditure budget of £119.8m

2014/15 Budget

- 8.3. The 2014/15 budget was approved by Council on the 26 February 2014. The overall budget position for the Council is a net General Fund Budget Requirement of £268.1m, as set out in Table 1 below. Further detail is provided in the Corporate Budget Book at Appendix 5.

Table 1 - Overall Budget Position for 2014/15

Detail	Expenditure/ (Income) £m	Expenditure/ (Income) £m
Settlement Funding Assessment (SFA) for 2014/15	(186.5)	
Council Tax 2014/15 at 0% increase	(78.4)	
SFA: Adjustment 2014/15	(0.9)	
Surplus on Collection Fund	(2.3)	
Assumed Budget Requirement for 2014/15		(268.1)
Base Budget for 2013/14	284.6	
Less: Previously agreed savings for 2014/15	(24.5)	
Less: Once off use of provisions and reserves	(4.0)	
Plus: Pay inflation	1.1	

Detail	Expenditure/ (Income) £m	Expenditure/ (Income) £m
Plus: Non-pay Inflation	3.4	
Plus: Budget pressures to be funded	3.6	
Plus: Risks and other potential budget pressures	3.9	
Total		268.1

2014/15 General Fund Revenue Budget Monitoring

- 8.4. Officers continue to undertake regular revenue budget monitoring in 2014/15. The first revenue budget monitoring report was presented to the Public Accounts Select Committee on 9th July. This was based on information to the end of May 2014 and forecast a year-end overspend of £11.2m. The main service areas overspending are:
- Clients with No Recourse to Public Funds £5.2m,
 - Childrens Social Care £2.4m, and
 - Adult Services £2.3m.
- 8.5. The Executive Director noted that, in setting the council's budget for 2014, a sum of £3.9m was set aside and is being held corporately for managing 'risks and other budget pressures'. This is for items which although difficult to quantify with absolute certainty, could prove significant should they materialise. Amounts required will be confirmed by the year end.

Housing Revenue Account Monitoring

- 8.6. The forecast position for the Housing Revenue Account is to spend to budget for 2014/15.

Dedicated Schools Grant

- 8.7. The forecast position for the Dedicated Schools Grant is to spend to budget for 2014/15.

Capital Programme

- 8.8. The overall spend this financial year to the end of May 2014 is £15.2m. This is 11% of the revised 2014/15 budget.

MEDIUM TERM FINANCIAL STRATEGY (MTFS)

9. INTRODUCTION

- 9.1. The MTFS takes a forward view of the likely financial position of the Council over the next three years. This strategy does not seek to duplicate or replace any of the Council's other policies and strategies.
- 9.2. The financial strategy has produced a model with financial forecasts that aim to deliver the Council's priorities and identifies the constraints of the significant financial challenges it faces.
- 9.3. The MTFS projects:
 - a. the resource envelope the Council's General Fund must operate within in future years;
 - b. service and other spending pressures and the main factors that may affect these; and
 - c. the General Fund budget gap which is the difference between the resource envelope and the spending projections.
- 9.4. As the level of uncertainty regarding funding is high for both 2016/17 and 2017/18, the strategy has modelled three indicative scenarios, the base case, the medium case, and the worst case scenarios. The base case is assumed to be the most likely expected to happen. These scenarios are based on a number of local and national assumptions which have been made based on the information available (Please see Appendix 2).

10. RESOURCE ENVELOPE

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

Settlement Funding Assessment (SFA)

- 10.2. Local authorities currently receive funding from the government via the Settlement Funding Assessment (SFA). This consists of the local share of business rates, and Revenue Support Grant. The first Settlement Funding Assessment in 2013-14, which formed the starting point for setting Revenue Support Grant until 2020, was called the Start-Up Funding Assessment.
- 10.3. As part of the 2014/15 Settlement Finding Assessment, the Government also announced provisional figures for 2015/16. Table 2 below sets out the SFA for Lewisham from 2013/14 to 2015/16. The total reduction in funding was 10.4% in 2014/15 and is expected to be 14.8% for 2015/16.

Table 2: Make-up of Lewisham's Settlement Funding Assessment, 2013/14 to 2015/16

	2013/14	2014/15	2015/16	Change 13/14 to 14/15	Change 14/15 to 15/16
	£'000	£'000	£'000	%	%
Revenue Support Grant	124.9	101.7	71.7	-18.6%	-29.5%
Business Rate Top-up (to reflect Lewisham's low business rate base)	68.3	69.6	71.6	+1.9%	+2.9%
Retained Business Rates	14.8	15.1	15.5	+2.0%	+2.7%
Total SFA	208.1	186.4	158.8	-10.4%	-14.8%

Projection of Settlement Funding Assessment for 2016/17 and 2017/18

- 10.4. The Local Government Association published projections in its June 2013 Future Funding Outlook report that it expected average cash reductions in funding for local government of 8% in 2016/17 and 7% each year from 2017/18 until 2019/20, based on national government spending projections and the assumption that health, schools' and overseas development spending would continue to be protected in real terms.
- 10.5. There are two factors in particular that could mean that the reductions in SFA in Lewisham are greater than the amounts assumed in the LGA publication:
- The reductions assumed in the LGA report apply to all funding for local government. To the extent that grants such as Public Health grant are likely to be protected in cash terms, the percentage increase would be greater in SFA;
 - Since 2010/11, grant reductions have systematically been greater in areas with higher levels of deprivation, typically inner city areas.
- 10.6. The anticipated total SFA for the next three years is shown in Table 3 below. The assumptions used in each of the projections are stated in Appendix 2.

Table 3: Total SFA Future Year Projections

	2015/16 Expected	2016/17 Projection	2017/18 Projection	Change 2015/16 to 16/17	Change 16/17 to 17/18
	£m	£m	£m	%	%
Base Case	158.8	148.7	138.3	-6.8*	-7.5
Medium Case	N/A	145.5	133.8	-9.1	-8.7
Worst Case	N/A	142.2	128.0	-11.7	-11.1

*The 2015/16 base includes £2.9m of Council tax freeze grant and SFA adjustment grant, therefore the % reduction in grant is less than the 8% predicted by the LGA.

Business rate income

- 10.7. Following changes to the local government finance system which came into effect in 2013/14, the Council retains 30% of the business rate income it receives, with 20% going to the GLA and 50% paid to government. Each year the Council receives an amount (the top-up) from central government. The Council's business rate income is therefore materially impacted by the national tax take and to a lesser degree by growth in business rates locally (see Table 2 above).
- 10.8. The base case assumption is a 2% rise above inflation in business rate valuations in the Borough. This and other assumptions are stated in Appendix 2.

Council Tax income

- 10.9. Council Tax income is affected by growth in the number of properties in the borough, the rate of Council Tax collection, and decisions about the level of Council Tax. For the purposes of the MTFs, it has been assumed that there will be no increase in Council Tax. The MTFs does include assumptions growth in properties in the borough and rate of Council Tax collection. These are set out in Appendix 2.
- 10.10. Forecast Council Tax income from 2015/16 to 2017/18 is set out in Table 4. using the assumptions in Appendix 2.

Table 4: Council Tax Income Future Year Projections

	2014/15 Actual	2015/16 Expected	2016/17 projection	2017/18 projection
		£m	£m	£m
Base	78.4	80.8	81.6	82.4
Medium	N/A	N/A	81.0	81.6
Worst	N/A	N/A	80.3	80.8

11. REVENUE EXPENDITURE ASSUMPTIONS

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

Pay

- 11.2. There was a pay award of 1% for local government workers in 2013/14 following a number of years with no pay awards. The pay award for 2014/15 is still to be agreed but the employers have offered a 1% increase in line with national funding assumptions. The base model has assumed that pay awards will remain at 1% in future years. Sustaining pay awards below inflation will become increasingly difficult and the medium and worst case models make variations to this assumption. The assumptions used in the MTFs are stated in Appendix 2.

Employer pension contributions

- 11.3. As with most Councils, the Lewisham Pension Fund has a significant deficit reflecting the nature of a final salary scheme, the available return on investments, and the increased longevity of staff who have retired. Changes to the scheme affecting the contributions made by employees, the age at which benefits can be taken, and the calculation of the benefits and indexing arrangements have helped to address pressures on the Pension Fund but not eliminated the deficit.
- 11.4. As a result of the last Valuation of the Pension Fund assets and liabilities at 31st March 2013, an additional £1m per annum needs to be put into the Pension Fund. This is on top of the 21.5% of basic pay that the Council contributes for those staff who are members of the Fund (about 90%). The next valuation is at 31st March 2016 and has effect from 2017/18. The assumptions used in the projections are stated in Appendix 2.

Employer national insurance contributions

- 11.5. Changes to the State Pension scheme which take effect from 1 April 2016 will mean that there is a universal pension. Previously staff in the local government pension scheme opted out of the second state pension. The universal pension rules will mean that there will no longer be a lower employer (or employee) national insurance contribution for opted out employees.
- 11.6. The employer's national insurance contribution for the 82.5% of staff who are in the Local Government Pension Scheme will therefore increase from 10.4% to 13.8% on earnings between about £8,000 and £40,000 per annum. There will also be a loss of the 3.4% rebate on earnings between about £5,500 and £8,000. This is estimated to cost General Fund services an additional £2.0m per annum from 2016/17.
- 11.7. The base, medium and worst case models all build in the cost of this change. No allowance has been made for the possibility of further changes to other changes that the Government might make to employer National Insurance contributions. For example, as a way of responding to funding pressures in health and social care.

General price inflation assumptions

- 11.8. General price inflation is calculated on non-pay expenditure on General Fund services (excluding internal recharges and housing benefit payments). A proportion of this expenditure is contractual with indices linked to inflation but in

many cases the Council is in a position to re-negotiate increases or switch to lower value providers. For the purposes of these projections, it is assumed that all prices go up by inflation, which in 2015/16 has been estimated at 2.5%. The assumptions used in the projections beyond 2015/16 are in Appendix 2.

General fees and charges assumptions

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

Further budget pressures and risks

- 11.10. Forecasting the impact of demand changes is the most difficult aspect of the MTFS. But the MTFS needs to make allowance for the potential impact of these. The key challenges that impact on the demand for Council services are as follows:
- Population growth – this particularly affects people based services such as adult and children's social care. But it also affects general demand for universal services such as leisure and cultural services and school places;
 - Ageing population – this affects care for the very elderly but also impacts on care for younger adults and children with disabilities who are living longer as a result of improvements in medical care. It also has a direct impact on the funding the Council needs to provide for the London-wide concessionary fares scheme;
 - Household growth – this impacts on property based services such as refuse collection and waste disposal;
 - Impact of government policy – improvements in economic well-being and reduction in crime should potentially mean less demand for Council services. However, the shortage of housing, the impact of welfare changes, and policy toward people with No Recourse to Public Funds are all having a major impact on social needs within the borough. This is reflected directly through the number of families the Council has to accommodate in bed and breakfast and expenditure incurred on families with No Recourse to Public Funds. It also affects the ability of families to cope with economic and social pressures, with potential consequence for the number of children at risk or who need to be placed in care; and
 - Impact of reducing preventative services – reductions in budgets for preventative services such as early years, the youth service and aspects of adult social care provision are likely to affect demand for acute services including children at risk, children involved in crime, adults in residential accommodation and so on.

- 11.11. The Council is pro-actively trying to address these demand pressures and seeks to ensure wherever possible that the changes it has to make to services reduce rather than increase demand. These include, for example, measures to support people with a social care need at home, prevent children coming into care, increase the supply of affordable housing, reduce household and commercial waste disposal, as well as rigorous application of criteria for access to services.
- 11.12. Other pressures, such as the cost of transition of children with disabilities into adult services or when specific grants are withdrawn, are assumed to be managed within service budgets.
- 11.13. Nevertheless, with significant population growth forecast additional demand in some services is unavoidable. Therefore, the Council annually provides £7.5m for growth from demand and other unavoidable pressures in the. The model assumes this will continue for future years.

Specific grant assumptions

- 11.14. The following assumptions have been made in the projections on specific grants which fund services:
- The Public Health grant – this grant is £20.1m in both 2014/15 and 2015/16. The base case assumes that this will remain at £20.1m at this level. The medium and worst case assume that it will reduce by 5% per annum from 2016/17 onwards.
 - The Better Care Fund – this grant is £6.3m in 2014/15 and increases to £19.7m in 2015/16. £3.1m of the increase is for new burdens and is therefore neutral. The balance of growth is intended for social care funding that could reduce health spending, including offsetting budget reductions that would otherwise have had to be made in adult social care. These arrangements have to be jointly agreed with the local Clinical Commissioning Group (CCG).
 - Adult Social Care new burdens funding – the government has announced funding of £1.6m for the additional costs in 2015/16 of implementing the Care Act 2014 (Dilnot) reforms. The changes include a move to national eligibility criteria, new thresholds below which people do not have to pay for care, new maximum lifetime contributions to the cost of care, and the ability to defer payment for care. Some of the changes take effect from April 2015 but the main changes associated with new thresholds and maximum life-time contributions take effect from April 2016. The Care Act could have very large final consequences for the Council but it is not possible at this stage to estimate what these will be or to assess the extent to which the government will fund them. No provision is therefore made for impact of this in the base, medium or worst cases.
 - The Council receives a number of other grants but most are relatively small or directly related to specific projects. For example, funding we receive from the London Mayor's Office for Policing and Crime (MOPAC) to support crime reduction work. Any changes to these other grants will have to be met with an equivalent reduction in service spend to ensure it will have a neutral impact on the budget gap.

Other Income and Expenditure Items

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

Capital financing charges

- 11.16. Capital financing charges include all revenue costs relating to the Council's outstanding borrowing in terms of principal repayments and interest charges. They also include a contribution to the cost of the Building Schools for the Future Private Finance Initiative (PFI), historic debt the Council has to pay in relation to the former Inner London Education Authority, and provision for capital spending which is charged directly to revenue. These costs are offset by income from the Catford Regeneration Partnership Limited and interest on the Council's revenue balances.
- 11.17. The main factors that affect projections of capital financing charges are the level of borrowing for capital purposes, the level of the Council's cash balances, and interest rates. The MTFS assumes that all capital spending will be funded either from grant, capital receipts, capital reserves or be charged direct to revenue. It also assumes that cash balances remain at their current level. Changes to interest rates should not affect borrowing costs as the Council borrows long term at fixed rates. If interest rates rise the Council receives more interest. However, the projections have not built in any assumptions about changes to interest rates as timing remains uncertain and any rise is likely to be small in the near term. The assumptions used in the projections are stated in Appendix 2.

Levies

- 11.18. These cover the London Pension Fund Authority, the Environment Agency and Lee Valley. The Council has been provided indicative totals for levies in 2015/16. The assumptions used in the projections are stated in Appendix 2.

Added years pension costs

- 11.19. In the past, staff who retired early were awarded additional assumed years in the Pension Fund with the additional cost being charged to the General Fund. Although added years stopped being awarded some years ago, the Council has an on-going commitment for those staff who were awarded added years in the past. The assumptions used in the projections are stated in Appendix 2.

Other known future years budget adjustments

- 11.20. There are three further adjustments that are included within the budget projections for future years, as follows:
- Concessionary fares – the cost of concessionary fares to the Council changes each year to reflect increases in population entitled to concessionary fares,

increases in fares themselves, and changes to the basis for allocation of costs between boroughs. Transport for London has provided projections for boroughs through to 31 March 2015. From 2015/16 onwards, the projections assume an increase of 5% each year.

- Highways and footways maintenance – the 2014/15 budget report included a proposal to switch highways and footways maintenance funding from capital to revenue in order to avoid the build up of prudential borrowing charges. To fund this, it was agreed that £350k growth would be provided each year in the revenue budget together with funding that would be released within the capital financing charges budget as a result of prudential borrowing no longer being required.
- Controlled Parking Zones (CPZ) review – the CPZ review involves review of three existing CPZ areas and the potential introduction of new CPZs. Net loss of parking income from the review of the existing zones is estimated at £200k in a full year, but this should be more than offset by estimated additional net income of £400k from new CPZs.

Education Services Grant

- 11.21. This is a grant carved out of Revenue Support Grant which is an assessment of the amount the Council needs to fund local authority education functions which it would no longer be responsible for if all schools in its area were Academies or Free Schools. Lewisham's 2014/15 allocation is £4.8m but the government has consulted on a proposed 20% reduction in 2015/16 on the overall amount available. In addition, although the grant is not ring-fenced, it will reduce if schools opt out of local authority control. The assumptions made on Education Services Grant are listed in Appendix 2.

New Homes Bonus

- 11.22. The New Homes Bonus is a grant paid by central government to local councils for increasing the number of homes in use. The grant is paid each year for six years. It's based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes.
- 11.23. Growth in the number of properties in Lewisham will lead to an increase in the New Homes Bonus although this will be offset from 2017/18 onwards as funding for properties for which New Homes Bonus was allocated in earlier years of the system drop out of the calculation. The government has also announced a top-slice of £70m of New Homes Bonus to fund Greater London Authority (GLA) led projects in 2015/16. Although the government has not said what it will do post 2015/16, it is assumed that this top-slice will remain in place in subsequent years.
- 11.24. In 2014/15 the Council's allocation is £6.4m. £650k of this has been committed within the revenue budget to additional spending requirements resulting from the provision of new housing. The balance is held in provisions for anticipated growth in Lewisham. The funding will be used to improve the borough's town

centres, increase in the number of jobs in the borough, provide improved transport links to the rest of London and build upon the necessary infrastructure such as schools, health facilities and open spaces..

- 11.25. A strategic review of these demands, combined with the forecast growth in new homes expected in the Borough, is being conducted to potentially release resources to the General Fund to cover relevant expenditure. This will be reported separately to Mayor and Cabinet later in 2014/15.

Council Tax Freeze Grant

- 11.26. The government will provide additional grant funding to support Councils that freeze Council Tax in both 2014/15 and 2015/16. Local authorities will receive funding equivalent to a 1% increase in Council Tax. This is budgeted at £0.9m in 2014/15 and £1.9m in 2015/16. The funding in 2014/15 and £0.9m of the funding in 2015/16 reflects the decision to freeze Council Tax in 2014/15. Payment of the further £1.0m in 2015/16 assumes the Council will freeze Council Tax in 2015/16. From, 2016/17 onwards, this funding is assumed to transfer to Revenue Support Grant.

12. GENERAL FUND BUDGET GAP

- 12.1. Using the medium term resource envelope and revenue expenditure projections stated above the resulting overall forecast position for the authority is shown in Table 8 below:

Table 8: Summary of Projected Financial Position

	Base Case			Medium Case			Worst Case		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
	£m								
Total Resources	242.6	230.5	221.2	242.6	226.0	215.2	242.6	221.6	207.9
Service Revenue Expenditure	(246.8)	(258.9)	(270.0)	(246.8)	(261.0)	(275.2)	(246.8)	(266.2)	(283.6)
Other Revenue Expenditure	(34.6)	(35.9)	(35.8)	(34.6)	(36.3)	(36.4)	(34.6)	(36.9)	(37.2)
Cumulative Savings Required	38.8	64.3	84.6	38.8	71.3	96.4	38.8	90.8	112.9
Annual Budget Gap Required	38.8	25.5	20.3	38.8	32.5	25.2	38.8	52.0	22.1

- 12.2. Taking the base case scenario as the expected position, it shows the annual measures required to bridge the budget gap from 2015/16 to 2017/18 are £38.8m, £25.5 and £20.3m. A total of £84.6m over the three years to 2017/18. This is a substantial budget gap for the Council, especially as previous savings made from 2010/11 to 2014/15 have totalled £93m. The next section of this report looks at what the Council is currently doing to address the gap in order to produce a balance budget.
- 12.3. The medium case scenario has been modelled to show the effect that slight changes in the assumptions will have on the overall budget gap. Here the culmulative budget gap to 2017/18 increases by £11.8m to £96.4m. Although it is not anticipated that the budget gap figure will be this high, funding for the years 2016/17 and 2017/18 remains uncertain, especially as 2015 is a general election year and new funding policies may be established.
- 12.4. The worst case scenario is the most unlikely scenario projected. The culmulative budget gap to 2017/18 increases by £28.3m to £112.9m. This scenario demonstrates the difficulty the Council could potentially face if the very worst happens. Once again it is prudent to show these figures as the future funding remains unknown.

13. ADDRESSING THE BUDGET GAP

Lewisham Future Programme

- 13.1. The Lewisham Future Programme, established in the Autumn of 2013, is the Council's organisational approach to deliver savings in order to address the budget gap. The Programme focuses on the areas of greatest spend, recognising that in many consecutive years of spending reductions even greater innovation, focus on the customer, and cross-cutting thinking is required to deliver savings whilst attempting to minimise the impact on residents and customers of Lewisham.
- 13.2. The estimated budget gap for 2014/15 to 2017/18 were recognised at £95m following the financial settlement in December 2013. Savings of £8m were identified for 2014/15.

The Lewisham Future Programme Board (LFP)

- 13.3. The Lewisham Future Programme Board was established to manage delivery of these changes and to develop options for the Mayor and Council to consider. The board is chaired by the Chief Executive and consists of all Executive Directors plus the Head of Corporate Resources and the Head of Service Design and Customer Insight.
- 13.4. Its objective is to oversee a programme of change which will ensure that Lewisham's public services continue to be relevant and responsive to the community, in a way that provides opportunities and meets the Council's statutory obligations. It is recognised that the impact of the LFP will be fundamental and require innovative solutions that re-focus and re-shape services to meet this objective.

- 13.5. The role of the Board is in two parts: 1) to develop savings options for Mayor and Council to consider and then, once consulted upon and agreed, 2) to implement the changes.
- 13.6. Work to date has focused on developing options via 18 service and cross-cutting based reviews, each led by Heads of Service across the organisation. Each review has been provided an indicative target to help frame the scale of change needed. These targets are set between 10-40% of the net budget and 5-25% of the gross budget. The reviews are summarised in the Table 9 below

Table 9: LFPB Reviews

Thematic reviews – total £66m	Target £m	Cross cutting reviews – total £29m	Target £m
Smarter & deeper integration of social care & health	25	Management & corporate overheads	7
Supporting people	3	Schools effectiveness services	2
Sharing services (and third party spend)	12	Crime reduction	1
Efficiency review	10	Culture & community services	3
Asset rationalisation	9	Housing & non-HRA funded services	1
Corporate & business support services	3	Environmental services	4
Income generation	3	Public services	1
Enforcement & regulation	1	Planning & economic development	1
NB - £8m of the £95m savings listed here were agreed for 2014/15.		Safeguarding & early intervention services	7
		Customer transformation	2

Progress to Date

- 13.7. The Board has initiated, assessed and challenged a range of possible savings options. From these options a number of work strands have been identified, £8m of savings agreed and further provisional savings proposals totalling £31m to 2017/18 are being drawn up. Of these, approximately £21m relate to the 2015/16 financial year. This leaves a savings gap for 2015/16 alone, assuming all proposals are agreed, of £17.8m.
- 13.8. The Chief Executive is also undertaking a near-zero based budget challenge process with Heads of Service which may lead to further savings proposals.

13.9. In addition to the above, officers are looking at measures to reduce demand through existing service strategies and approaches being developed as part of the Lewisham Future Programme. New cross-Council activity monitoring and forecasting is being introduced so that the major risks in this area can be tracked and early action taken to address them. The activity data being monitored is as follows:

- Children in care;
- Children on remand;
- Special Education Needs transport;
- Families with No Recourse to Public Funds;
- Families in Temporary Accommodation;
- Adults receiving home in residential settings and at home; and
- Waste tonnages.

13.10. In addition, the Council holds various revenue reserves for the risk of events that may disrupt 'business as usual' activities. These have been maintained with the uncertainty prevailing from austerity. In 2014/15 the Council started using (£3m of) these reserves to smooth the budget process.

13.11. The Council holds £12m of un-earmarked reserves and corporate provisions for unforeseen events. A review of the current reserves and provisions will be undertaken as part of the 2015/16 budget setting process. This will evaluate how they might best be used to mitigate the financial risks to the Council as it transforms and reshapes services.

Revenue Budget Savings Process

13.12. The next steps are for:

- 1) the proposals to be presented to members for scrutiny and decision;
- 2) the LFP to continue informal member level discussions around key service areas; and
- 3) the Board to continue to develop further savings proposals for 2015/16 and future years.

13.13. The Board has agreed to putting savings forward as they are ready this year, and the provisional timetable for scrutiny and decision making is shown in Table 10 below. These savings decisions and any further savings that may be identified after these rounds will then be collated and included in the usual budget process in February 2015.

Table 10: Budget Timetable – Key Dates

Month	Key Stage
September 2014	Select Committees - Revenue Budget Savings report
October 2014	Select Committees - Revenue Budget Savings report
	PAC and Mayor & Cabinet - Treasury Management Mid Year report
November 2014	PAC and Mayor Cabinet - Revenue Budget Savings
	Select Committees – 2 nd Revenue Budget Savings report
December 2014	Provisional Local Government Finance Settlement
	Select Committees – 2 nd Revenue Budget Savings report
	PAC – 2 nd Revenue Budget Savings Report
January 2015	Final Local Government Finance Settlement
	Mayor & Cabinet – 2 nd Revenue Budget Savings Report
February 2015	National Non Domestic Rates consultation session
	Greater London Authority sets the Budget and Precept for 2015/16
	Notification of Precepts and Levies
	PAC - the 2015/16 Budget Report
	Mayor & Cabinet agrees the Budget & Council Tax 2015/16
March 2015	Council approves Budget & Council Tax for 2015/16

14. HOUSING REVENUE ACCOUNT

- 14.1. The Housing Revenue Account (HRA) is a statutory account which sets the Landlord costs and income for the housing stock.
- 14.2. The HRA now operates with a 30 year business plan which allows the housing strategy to be updated and implements long term planning on resources and asset maintenance.
- 14.3. The plan contains a long-term assessment of the need for investment in assets, such as Decent Homes and other cyclical maintenance requirements, as well as forecasts on income streams such as rents, in line with rent restructuring.

15. DEDICATED SCHOOLS GRANT

- 15.1. Lewisham was allocated a Dedicated School Grant (DSG) of £267.6m for 2014/15.
- 15.2. The current Government believes that there is an inequality in the funding of schools. With similar schools or pupils in different locations attracting different levels of funding. As a first step to addressing this, the government have

allocated an additional £350m in 2015/16, to increase the per-pupil budgets for those local areas that they consider to be the least fairly funded.

- 15.3. The current consultation on the process of allocating the additional £350m will not result in any extra funding for Lewisham. The government proposals are based on bringing all local authorities funding up the average level. It is not known how many years investment this would require. With the extra cost of London salaries built into the current settlement Lewisham's funding is above the national average and over the next few years indications are that we would not receive any growth.
- 15.4. The government still wish to bring in a national funding formula, the earliest that this could be implemented being April 2016. It is not known whether this would operate at individual school level or local authority level. It does leave the possibilities of movement of funding between authorities.

16. CAPITAL PROGRAMME

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

Capital Programme Schemes and Resources 2014/2018

- 16.2. The estimated resources available, the forecast spend and the under programming within the 2014/15 to 2017/18 Committed Capital Programme are set out in Table 11 below:

Table 11: Capital Programme Resources and Forecast Expenditure 2014/15 to 2017/18 (as at June 2014)

SCHEMES	2014/15	2015/16	2016/17	2017/18	Total
	£000	£000	£000	£000	£000
General Fund	87,906	31,476	26,138	14,018	159,538
HRA	48,554	49,384	58,131	82,208	238,277
	136,460	80,860	84,269	96,226	397,815
RESOURCES					
Prudential Borrowing	3,602	2,000	3,598	27,400	36,600
Grants and Contributions	82,323	38,238	11,342	767	132,670
General (Capital Receipts, Reserves, Revenue)	50,535	40,622	69,329	68,059	228,545
	136,460	80,860	84,269	96,226	397,815

- 16.3. The proposed 2014/15 to 2017/18 Capital Programme totals £398m and brings together all capital projects across the Council. It sets out the key priorities for the Council over the next four years and is the subject of regular review.
- 16.4. Over the next four years the Council faces a period of financial uncertainty as revenue funding is cut and Government grants are reduced or terminated. This places increased reliance on the Council's capacity to generate capital receipts from asset sales to fund infrastructure development. For this reason, any new projects or programmes will need to clearly demonstrate a sound business case for investment.

17. RISK MANAGEMENT

- 17.1. A critical element of the Council's medium term financial planning processes is to ensure that the financial consequences of risk are adequately reflected in the Council's budgets. The Council's risk register sets out those strategic and corporate risks which could materialise, together with the key risk areas in service budgets and associated mitigating measures. These include failure to contain expenditure within agreed cash limits, not meeting the revenue budget savings target and under achievement of income, as well as more specific risks on certain budgets.

SUMMARY AND IMPLICATIONS

18. CONCLUSION

- 18.1. The Medium Term Financial Strategy sets out initial estimates of the scale of financial challenge the Council will face over the medium term to 2017/18. It presents the outturn for 2013/14, summarises the current financial position for 2014/15, and looks forward to 2015/16 and later years.
- 18.2. The next stages in the development of the financial strategy will be further refinement of the Council's longer term forecasting in light of the next Spending Round and the Council's development of the proposals by the Lewisham Future Programme. The Council will have to make further difficult decisions to prepare for future shortfalls.
- 18.3. It is difficult to predict the Council's finances after 2015/16 especially as 2015 is a general election year. However, it remains true that more challenging times lie ahead and it is inevitable that austerity becomes the new norm. Local authorities have largely acknowledged that deep changes are required if they are to continue to deliver positive outcomes for their citizens. What is not yet clear is how authorities can continue to make this happen in practice and what local government will look like in future.

19. FINANCIAL IMPLICATIONS

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

20. LEGAL IMPLICATIONS

- 20.1. The purpose of this report is to develop a medium term approach in support of better service and financial planning. Members are reminded that the legal requirements are centred on annual budget production, and that indicative decisions made for future years are not binding.
- 20.2. The Local Government Act 2000 and subsequent regulations and guidance says that it is the responsibility of the full Council to set Lewisham's budget, including all of its components and any plan or strategy for the control of the Council's capital expenditure. Regulations provide that it is for the Executive to have overall responsibility for preparing the draft budget for submission to the full Council to consider. Once the budget has been set, it is for the Mayor & Cabinet to make decisions in accordance with the statutory policy framework and the budgetary framework set by the Council.
- 20.3. Where there are proposals for a reduction to a service which the Council is either under a statutory duty to provide, or which it is providing in the exercise of its discretionary powers and there is a legitimate expectation that it will consult, then consultation with all service users will be required before any decision to implement the proposed saving is taken. The outcome of such consultation must be reported to the Mayor. Where the proposed savings will have an impact upon staff, then the Council will have to consult the staff affected and their representatives in compliance with all employment legislative requirements and the Council's own employment policies.

21. EQUALITIES IMPLICATIONS

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

22. ENVIRONMENTAL IMPLICATIONS

- 22.1. There are no environmental implications directly arising from the report.

23. CRIME & DISORDER IMPLICATIONS

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

24. BACKGROUND PAPERS

Title of Document	Date	File Location	Contact Officer
Budget Report 2014/15	29 th February 2012 (Full Council)	5 th Floor Laurence House, Corporate Resources	David Austin

Final Revenue and Capital Outturn 2013/14	25 th June 2014 Mayor and Cabinet	5 th Floor Laurence House, Financial Services	Selwyn Thompson
2014/15 Budget Monitoring Report	9 th July 2014 Public Accounts Committee	5 th Floor Laurence House, Financial Services	Selwyn Thompson

25. APPENDICES

Appendix 1 – Corporate Priorities

Appendix 2 – Summary of MTFS Assumptions

Appendix 3 – Glossary of Terms

Appendix 4 – Voluntary Sector Grants criteria

Appendix 5 – Corporate Budget Book

For further information on this report please contact

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APPENDIX 1 – LEWISHAM CORPORATE PRIORITIES

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

Sustainable Community Strategy

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

Corporate Priorities

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

APPENDIX 2 - SUMMARY OF ASSUMPTIONS

	Base case	Medium case	Worst case
Resource envelope			
Settlement Funding Assessment	<ul style="list-style-type: none"> 8% cash reduction in 16/17 and 7% each year thereafter £2.9m added to baseline used for 2016/17 calculation for consolidation of Council Tax freeze grant for 2014/15 and 2015/16 and Settlement Funding Assessment Adjustment grant Nothing additional is included for projected population growth as this is assumed to be included in the government's SFA calculation 	<ul style="list-style-type: none"> 10% cash reduction in 16/17 and 8% each year thereafter £2.9m added to baseline used for 2016/17 calculation for consolidation of Council Tax freeze grant for 2014/15 and 2015/16 and Settlement Funding Assessment Adjustment grant Nothing additional is included for projected population growth as this is assumed to be included in the government's SFA calculation 	<ul style="list-style-type: none"> 12% cash reduction in 16/17 and 10% each year thereafter £2.9m added to baseline used for 2016/17 calculation for consolidation of Council Tax freeze grant for 2014/15 and 2015/16 and Settlement Funding Assessment Adjustment grant Nothing additional is included for projected population growth as this is assumed to be included in the government's SFA calculation
Retained business rates	<ul style="list-style-type: none"> 2% real terms increase each year from 2015/16 from growth in rateable value base 3% reduction in 2015/16 from appeals against 2005 and 2010 valuations 	<ul style="list-style-type: none"> 1% real terms increase each year from 2015/16 from growth in rateable value base 5% reduction in 2015/16 from appeals against 2005 and 2010 valuations 	<ul style="list-style-type: none"> No real terms change in rateable value base 7% reduction in 2015/16 from appeals against 2005 and 2010 valuations
Council Tax income	<ul style="list-style-type: none"> No change in Council Tax level 1% increase each year in property base from 2015/16 onwards 1% change in Council Tax base in 2015/16 to reflect inclusion of projected in-year growth in Council Tax base report CT collection rate of 96.5% each 	<ul style="list-style-type: none"> No change in Council Tax level 0.75% increase each year in property base from 2015/16 onwards 1% change in Council Tax base in 2015/16 to reflect inclusion of projected in-year growth in Council Tax base report CT collection rate of 96.0% each 	<ul style="list-style-type: none"> No change in Council Tax level 0.5% increase each year in property base from 2015/16 onwards 1% change in Council Tax base in 2015/16 to reflect inclusion of projected in-year growth in Council Tax base report CT collection rate of 95.5% each

	Base case	Medium case	Worst case
	year from 2015/16 onwards	year from 2015/16 onwards	year from 2015/16 onwards
Settlement Funding Assessment Adjustment Grant	<ul style="list-style-type: none"> £0.9m in 2014/15 and 2015/16 Consolidated in RSG from 2016/17 	<ul style="list-style-type: none"> £0.9m in 2014/15 and 2015/16 Consolidated in RSG from 2016/17 	<ul style="list-style-type: none"> £0.9m in 2014/15 and 2015/16 Consolidated in RSG from 2016/17
Surpluses/deficits on Collection Fund	<ul style="list-style-type: none"> £3m surplus declared for 2014/15, of which Lewisham share is £2.3m. This is taken into account in 2015/16 budget 	<ul style="list-style-type: none"> £3m surplus declared for 2014/15, of which Lewisham share is £2.3m. This is taken into account in 2015/16 budget 	<ul style="list-style-type: none"> £3m surplus declared for 2014/15, of which Lewisham share is £2.3m. This is taken into account in 2015/16 budget
Service spending assumptions			
Pay awards	<ul style="list-style-type: none"> 1% through to 2017/18 	<ul style="list-style-type: none"> 1% in 2015/16 2% from 2016/17 onwards 	<ul style="list-style-type: none"> 2% in 2015/16 3% from 2016/17 onwards
Employer pension contributions	<ul style="list-style-type: none"> £1m added each year until 2016/17 No change from 2017/18 onwards 	<ul style="list-style-type: none"> £1m added each year until 2017/18 	<ul style="list-style-type: none"> £1m added each year until 2017/18
Employer national insurance contributions	<ul style="list-style-type: none"> £2m increase in 2016/17 (removal of 3.4% reduction for employees who are opted out) put to pressures and risks 	<ul style="list-style-type: none"> £2m increase in 2016/17 (removal of 3.4% reduction for employees who are opted out) put to pressures and risks 	<ul style="list-style-type: none"> £2m increase in 2016/17 (removal of 3.4% reduction for employees who are opted out) put to pressures and risks
General price inflation	<ul style="list-style-type: none"> 2.5% increase each year in non-pay budgets 	<ul style="list-style-type: none"> 2.5% increase each year in non-pay budgets 	<ul style="list-style-type: none"> 2.5% increase each year in non-pay budgets
General fees and charges	<ul style="list-style-type: none"> 2.5% increase each year in fees and charges budgets 	<ul style="list-style-type: none"> 2.5% increase each year in fees and charges budgets 	<ul style="list-style-type: none"> 2.5% increase each year in fees and charges budgets
Pressures and risks	<ul style="list-style-type: none"> £6.5m growth each year (in addition to increase in Pension Fund contributions) 	<ul style="list-style-type: none"> £6.5m growth each year (in addition to increase in Pension Fund contributions) 	<ul style="list-style-type: none"> £6.5m growth each year (in addition to increase in Pension Fund contributions)
New legislation	<ul style="list-style-type: none"> Nothing allowed 	<ul style="list-style-type: none"> Nothing allowed 	<ul style="list-style-type: none"> Nothing allowed

	Base case	Medium case	Worst case
Specific grants in service budgets			
Public Health grant	<ul style="list-style-type: none"> No change 	<ul style="list-style-type: none"> 5% reduction each year from 2016/17 	<ul style="list-style-type: none"> 5% reduction each year from 2016/17
Other Expenditure Items			
Capital financing charges	<ul style="list-style-type: none"> No new borrowing Borrowing requirement reduces by the amount of repayment of debt through Minimum Revenue Provision Consolidated Rate of Interest on borrowing remains at 2013/14 rate General Fund investments remain unchanged Interest on investments remains 0.5% 	<ul style="list-style-type: none"> No new borrowing Borrowing requirement reduces by the amount of repayment of debt through Minimum Revenue Provision Consolidated Rate of Interest on borrowing remains at 2013/14 rate General Fund investments remain unchanged Interest on investments remains 0.5% 	<ul style="list-style-type: none"> No new borrowing Borrowing requirement reduces by the amount of repayment of debt through Minimum Revenue Provision Consolidated Rate of Interest on borrowing remains at 2013/14 rate General Fund investments remain unchanged Interest on investments remains 0.5%
Levies	<ul style="list-style-type: none"> As projected for 2015/16 Zero increase from 2016/17 Historic GLC liabilities funded from reserves 	<ul style="list-style-type: none"> As projected for 2015/16 2% increase from 2016/17 Historic GLC liabilities funded from reserves 	<ul style="list-style-type: none"> As projected for 2015/16 2% increase from 2016/17 Historic GLC liabilities funded from reserves
Added years pensions costs	<ul style="list-style-type: none"> Charges to HRA netted off 2% reduction per annum 	<ul style="list-style-type: none"> Charges to HRA netted off 1% reduction per annum 	<ul style="list-style-type: none"> Charges to HRA netted off No reduction
2014/15 budget pressures and risks	<ul style="list-style-type: none"> All used and allocated to service spend 	<ul style="list-style-type: none"> All used and allocated to service spend 	<ul style="list-style-type: none"> All used and allocated to service spend
Non-ring fenced grants			
Council Tax freeze grant	<ul style="list-style-type: none"> £0.9m in 2014/15 and 2015/16 for 	<ul style="list-style-type: none"> £0.9m in 2014/15 and 2015/16 for 	<ul style="list-style-type: none"> £0.9m in 2014/15 and 2015/16 for

	Base case	Medium case	Worst case
	2014/15 freeze <ul style="list-style-type: none"> • Further £1.0m in 2015/16 for 2015/16 freeze • Consolidated in RSG from 2016/17 	2014/15 freeze <ul style="list-style-type: none"> • Further £1.0m in 2015/16 for 2015/16 freeze • Consolidated in RSG from 2016/17 	2014/15 freeze <ul style="list-style-type: none"> • Further £1.0 in 2015/16 for 2015/16 freeze • Consolidated in RSG from 2016/17
Education Services Grant	<ul style="list-style-type: none"> • 20% national reduction in 2015/16 	<ul style="list-style-type: none"> • 20% national reduction in 2015/16 • 5% reduction each year from 2015/16 for opt out from local authority control 	<ul style="list-style-type: none"> • 20% national reduction in 2015/16 • 10% reduction each year from 2015/16 for opt out from local authority control

APPENDIX 3 - GLOSSARY OF TERMS

Actuarial valuation

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

Baseline funding level

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

Budget Requirement

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

Capital expenditure

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

Capital Programme

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

Capital Receipts

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

Capping

This is the power under which the Government may limit the maximum level of local authority spending or increases in the level of spending year on year, which it considers excessive. It is a tool used by the Government to restrain increases in Council Tax. The Council Tax cap, currently 2%, means that any local authority in England wanting to raise Council Tax by

more than 2% in 2014/15 must consult the public in a referendum, Councils losing a referendum would have to revert to a lower increase in their bills.

CIPFA

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

Collection fund

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

Collection Fund surplus (or deficit)

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

Contingency

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

Council Tax Base

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

CPI and RPI

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

Dedicated schools grant (DSG)

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

Financial Regulations

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

Financial Year

The local authority financial year commences on 1st April and finishes on the following 31st March.

General Fund

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

Gross Domestic Product (GDP)

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

Gross expenditure

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

Housing Revenue Account (HRA)

A separate account of expenditure and income on housing that Lewisham must keep. The account is kept ring-fenced from other Council activities.

The Government introduced a new funding regime for social housing within the HRA from April 2012.

Individual authority business rates baseline

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

Levies

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

Local share

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

Net Expenditure

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

New Homes Bonus

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

Prudential Borrowing

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

Revenue Expenditure

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

Revenue Support Grant (RSG)

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

Section 151 officer

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

Settlement Funding Assessment (SFA)

A local authority's share of the local government spending control total which comprises its Revenue Support Grant for the year in question and its baseline funding level (in 2013/14 this was called the Start-up funding allocation).

Specific Grants

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

Spending Review

The Spending Review is an internal Government process in which the Treasury negotiates budgets for each Government Department. The 2010 SR set government spending for the four financial years up to 2014/15, the 2013 SR set spending for a single year 2015/16. The next spending review is expected in 2016.

Start-up funding allocation (SUFA)

Refer to Settlement Funding Assessment.

Treasury Management

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

APPENDIX 4

Safer Stronger Communities Select Committee			
Report Title	Main Grants Programme 2015 to 2018	Item No	X
Contributors	Head of Community & Neighbourhood Development		
Class	Part 1	Date	15/7/14

1. Purpose of Report

- 1.1 This report provides details of the proposed consultation on the new main grants programme and seeks the views of members of the Safer Stronger Select Committee prior to approval to consult being sought from Mayor and Cabinet on 16 July 2014.

2. Background

- 2.1 The current main grants programme was agreed by Mayor and Cabinet Contracts in July 2011. Funding was awarded for two and a half years from October 2011 to the end of March 2014 to 73 organisations. An extension to the programme for a further year was agreed in December 2013 taking the current funding to 31 March 2015.
- 2.2 As part of the Lewisham Futures Board programme officers were asked to consider reductions to the main grants budget. A proposal to reduce the £5.9million budget by £1.5million is contained within the Medium Term Finance Strategy report that will be presented to Mayor and Cabinet on 16th July 2014.
- 2.3 This paper is the first of several opportunities that the Safer Stronger Select Committee will have to input into the grants process. Additional reports will be brought to the committee at the end of the 3 months consultation prior to the programme opening to applications and in April 2015 prior to funding decisions being taken at Mayor and Cabinet Contracts.

3. Consultation

- 3.1 The Lewisham Compact with the Voluntary and Community Sector requires the council to undertake 3 month consultation of changes that affect their funding. The attached draft consultation document provides information about the proposed new grant programme criteria, application process and the proposed overall reduction to the grants

budget. Organisations and individuals can respond to the consultation in any form they choose but a set of questions and response form are included to guide them.

- 3.2 The consultation will open on 30th July 2014 and run until 29th October 2014. A full report on the consultation outcome will be brought to Safer Stronger Select Committee.

4. Conclusion

- 4.1 The draft consultation pack for the main grants programme is provided for members of the Safer Stronger Select Committee to scrutinise. Officers will be available at the meeting to answer questions about the consultation process and the proposed programme.



London Borough of Lewisham

Consultation on proposed changes to main grants programme

July 2014

Cultural and Community Development Service
2nd Floor, Laurence House
1 Catford Road, London SE6 4RU
Community.Enterprise@lewisham.gov.uk

Part 1 – About this Consultation

Topic of this consultation

1. This consultation is about the proposed new priorities for Lewisham Council's main grants programme and associated application process. We want to seek views on the proposed grants criteria and the application process.
2. The consultation also seeks views about an indicative reduction to the main grants budget which is being proposed as part of a major review of the council's budget in order to achieve savings of £95million in the next 4 years.

Audience

3. The consultation is aimed at voluntary and community organisations that provide services in London Borough of Lewisham. We would also welcome the views of other public or private sector partners who work with the voluntary and community sector in Lewisham.

Duration

4. The consultation will be open for 3 months from 30th July 2014. The deadline for responses is 29th October 2014.

How to Respond

5. There are several ways to respond to this consultation:
 - By e-mail to: Community.Enterprise@lewisham.gov.uk
 - By post to: Community Enterprise Team, 2nd Floor, Laurence House, 1 Catford Road, London SE6 4RU
 - By attending a consultation meeting

There will be consultation meetings on:

30th July at 2.30pm at the Civic Suite Catford

Xxx September at 7pm at xxxxxx

Places at these consultation meetings must be booked in advance by emailing Community.Enterprise@lewisham.gov.uk. Due to the size of the venue places are limited to one person per organisation at each meeting.

After the Consultation

6. Once the consultation has closed all responses will be considered and a summary of responses collated and included in a report to Mayor and Cabinet Contracts on 12th November 2014. This report will seek approval for the main grants programme 2015/16 criteria, proposed budget level and permission to invite applications for funding.

Part 2 – Background

Background

7. The current main grants programme was agreed by Mayor and Cabinet Contracts in July 2011. Funding was awarded for two and a half years from October 2011 to the end of March 2014 to 73 organisations. Funding was provided over four themes; Children and Young People, Building Social Capital, Gateway Services and Communities that Care. An extension to the programme for a further year was agreed in December 2013 taking the current funding to 31 March 2015.

Lewisham Council Commitment to Grant Aid programme

8. Although the third sectors role within the commissioning of local public services has grown, the council recognises that their continues to be a need for grant aid investment for the following reasons:
 - A recognition of the importance of maintaining an independent sector that can act as a critical friend to challenge public sector policy and delivery.
 - A recognition of the key role that the sector plays in building civic participation, providing a voice for seldom heard residents and providing community intelligence.
 - A recognition of the great diversity of the sector and the need to engage with small and emerging groups as well as large established organisations.
 - A recognition of the sector's potential to take risks and innovate which does not always sit easily within commissioning frameworks.
 - A recognition that third sector organisations have been key delivery partners for a wide range of targeted short term initiatives. Grant aid provides a level of security for organisations ensuring that there is a strong sector ready to work in partnership with us.

Lewisham Council Financial Position

9. Over the last x years the council has made reductions to its budget of xx. This represented xxx% of the controllable budget. The grant aid budget was largely protected during that savings phase with only a small reduction of £500k of unallocated funds. The remaining grants budget is £5.9million.
10. Lewisham Council needs to make a further £95million reduction to its controllable budget over the next 4 years. This equates to approximately 30% of the controllable budget. For this reason the council has been undertaking a fundamental review of all its budgets.

Part 3 – The proposal

Proposed reduction to the grant aid budget

11. In the context of the unprecedented scale of the reduction to the council budget it is proposed to make an indicative reduction of £1.5million to the £5.9 million grants budget. This equates to 25% of the budget.

Our Proposed funding approach

12. It is our view that in these times of diminishing resources the need for collaboration is greater than ever. Our intention is to fund a group of organisations that are committed to working with each other and us to ensure the best possible outcomes for Lewisham's

residents with our shared resources. We intend to take a dynamic approach to grant aid that allows for flexibility over the period of funding to ensure that we are able to respond together to changing needs and priorities. We are not just looking to fund organisations but to enlist active partners who are as passionate about Lewisham as we are and have the drive and capacity to make a difference to people's lives.

13. In order to achieve this we have thought about the profile of organisations that we are seeking to fund and what they would bring to a funding partnership. Further detail of this partner profile can be found at appendix A in the draft grants criteria and guidance.

Proposed themes and priorities

14. In establishing the priority themes for the grants programme we have considered:

- The level of need locally
- The contribution the third sector can make to meeting the priority
- The availability of other sources of funding locally

The programme themes are:

- 1) Strong and Cohesive Communities
- 2) Communities that Care
- 3) Access to Advice and Counselling
- 4) Widening access to Arts and Sports

15. Full details of the proposed themes are contained at Appendix A in the draft grants criteria and guidance.

Proposed timetable and application process

16. The outcome of this consultation will be presented to Mayor and Cabinet contracts on 12th November. Approval of the revised criteria and permission to open to applications will be sought. The Mayor and Cabinet Contract's decision is subject to potential call in by the Overview and Scrutiny Business Panel and therefore applications will not formally open until 26th November. In the interim we will be holding networking events for each theme group in the week commencing 17th November to enable organisations to discuss any potential collaborations. There will be application surgeries during December and the deadline for applications will be 4th February 2015.
17. Applications will be assessed during February and draft recommendations will be sent to organisations by 30th March 2015. Any organisations that are currently in receipt of grant aid will also be sent 3 months notice of a proposed change to their grant aid at that point. Information will be provided about the appeals process. All draft recommendations and appeals will be presented to Mayor and Cabinet Contracts for decision in April 2015. The date of this meeting has not yet been confirmed. The new grants will be implemented from 1st July 2015 and current main grant funding will be extended for 3 months subject to organisations continuing to meet the conditions of grant aid and Mayor and Cabinet approval.

18. **Key dates:**

30 July 2014	consultation opens
29 th October 2014	consultation closes
12 th November 2014	Mayor and Cabinet approval of proposed grants programme.
26 th November 2014	applications open
4 th February 2015	application deadline
30 th March 2015	draft recommendations and 3 months notice provided

April 2015 tbc

Mayor and Cabinet decisions on grant allocations

1st July 2015

new grants commence.

Proposed Assessment Process

19. Applications will be assessed against both the partner profile and the theme criteria. There will be a three stage assessment process with initial officer assessment of individual applications followed by a theme lead reviewing each assessment for consistency and drawing up a set of recommendations for the theme to be presented to a senior officer panel.

Part 4 – Consultation Questions

20. We are happy to receive responses to this consultation in any format but we are particularly keen to hear your views on the following:
- a. The council has retained its commitment to grant aid for the voluntary and community sector. Our rationale for this is laid out in paragraph 8 above. Do you agree that grant aid is important? Is there anything missing from the rationale?
 - b. The council needs to save £95million over the next 4 years. This equates to approximately 30% of the controllable budget. The council has been able to protect the main grants budget during previous savings rounds but the scale of reductions still to be found mean that it is unlikely that the grants budget can continue to be protected. A saving of 25% is proposed. Do you feel that this is fair and proportionate? Please give reasons.
 - c. If the proposed saving to the grants budget is agreed which of the following approaches to implementing the reduction do you feel would provide the best outcomes for Lewisham's residents?
 - i) Funding a similar number of organisations as are currently funded but at a reduced level.
 - ii) Funding less organisations but being able to retain the current average funding levels.
 - d. Do you feel the areas covered in the partners profile in Appendix A are the right ones? What's missing? What would you do differently?
 - e. Do you feel the priority themes are the right ones? What's missing? What would you do differently?
 - f. We are undertaking an equalities assessment of the proposed changes. Do you feel that the proposed changes would have a negative or positive impact on Lewisham residents on the basis of their race, gender, faith/religious belief, disability, age, sexual orientation, gender assignment or marital status? Please provide comments on the impact you feel the proposed changes could have, which groups you feel may be affected and any action you feel we could take to mitigate any potentially negative impact.

You may wish to use the response form at Appendix B.



Corporate Budget Book

2014/15

Corporate Budget Book 2014/15

1. INTRODUCTION

The corporate budget book outlines Lewisham Council's plan for revenue and capital expenditure on its services and infrastructure for 2014/15. The budget was developed in the context of a three to five year medium term financial strategy and will allow us to build on the achievements of previous years.

For 2014/15, the Council's net revenue general fund budget totals £268.1m. The budget has been developed within the context of a framework of financial controls.

The Capital Programme totals £385.9m for 2014/15 to 2017/18 (General Fund £137.9m and HRA £248.0m) and brings together all the capital projects across the Council.

Budget monitoring and control throughout the financial year will ensure that the Council maintains control over the delivery and expenditure of the services it provides for the people of Lewisham.

Corporate Budget Book 2014/15

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2. THE BUDGET BUILD UP

2.1. General Fund Services

The General Fund includes services such as Children’s Services, Social Services, Leisure Services, Transport, Regulatory Services, and the corporate activities required to coordinate and manage the work of the Council.

General Fund services (i.e. those other than associated with the provision of council housing and schools) are financed by:

- Nationally – Settlement Funding Assessment (SFA) which is made up of Revenue Support Grant (RSG) and Business Rates Baseline;
- Local taxpayers – through the Council Tax;
- Local service users – through fees and charges.

Lewisham’s planned General Fund net expenditure for 2014/15 is £268.1m (2013/14 was £284.6m). This is referred to as the “Budget Requirement” and is funded from a combination of Council Tax, certain specific grants and any funding from reserves. Funding for schools is financed separately through the Dedicated Schools Grant. Table 1 shows how the Budget Requirement for 2014/15 is built up. Table 2 shows the net expenditure by Directorate.

Table 1 – Budget Requirement 2014/15

Detail	Income £m	% of Budget
<i>RSG for 2014/15</i>	101.7	38%
<i>Business rates baseline</i>	84.8	32%
Sub Total - SFA for 2014/15	186.5	70%
Council Tax 2014/15	78.4	29%
SFA: Adjustment 2014/15	0.9	0%
Surplus on Collection Fund	2.3	1%
Assumed Budget Requirement	268.1	

Table 2 – Net Expenditure 2014/15

Directorate	2014/15 £m	2013/14 £m	Change £m	Change %
CYP	61.5	66.7	-5.3	-8%
COM	109.3	119.7	-10.4	-9%
CUS*	43.5	47.7	-4.2	-9%
R&R* & Corporate	53.8	50.5	3.3	7%
Budget	268.1	284.6	-16.6	-6%

* 13/14 restated for move of IMT service from R&R to CUS

2.2. Paying for General Fund Services

For 2014/15, the Directorate gross revenue expenditure is £1,093.3m. This is reduced by income from fees & charges and specific grants of £825.2m. The amount allocated to each directorate is summarised in Table 3 and Section 3, and detailed in Sections 4 to 9.

Table 3 – Directorate Cash Limits Summary 2014/15

Directorate	Gross Exp. £m	Income £m	Net Exp. £m
CYP	482.1	-420.6	61.5
COM	176.7	-67.4	109.3
CUS	331.2	-287.7	43.5
R&R & Corporate	103.3	-49.5	53.8
Totals	1,093.3	-825.2	268.1

2.3. Breakdown of Income 2014/15

Description	£m
Govt Grant Income	
Dedicated Schools Grant (DSG)	248.6
Pupil Premium	17.3
Education Services Grant	4.8
Public Health Grant	20.1
Rent Allowances	182.3
Rent Rebates	54.2
Other Govt Grants	53.0
Fees and Charges	39.5
Interest and Investment	1.9
Rent	10.1
Recharges	167.8
Other Income	25.6
2014/15 Working Budget	825.2

Corporate Budget Book 2014/15

2.4. Reconciliation between the 2013/14 and 2014/15 Budgets.

Tables 4&5 below show the budget changes from the prior year to arrive at the 2014/15 budget:

- At the Council level, and
- By Directorate.

The key to both tables is provided after Table 4.

Table 4 – Reconciliation at the Council level

Description	£m
2013/14 Total Budget (year end position)	284.6
Changes to arrive at the 2014/15 budget:	
• Savings agreed (1)	-24.5
• Inflation - increase in prices	4.3
• Pressures & other risks (2)	7.5
• Once-off use of reserves	-3.0
• Council Tax Freeze Grant 2014/15	-0.9
• Other technical adjustments (3)	0.1
• One off funding not carried forward (4)	0.0
2014/15 Working Budget	268.1

- (1) A breakdown of the savings agreed as part of the budget setting process for 2014/15 can be found in the Budget Report to Full Council on 26 February 2014 at Section 8 and Appendix Y1.
- (2) A full list of pressures and risks for 2014/15 are detailed in section 8.20-8.45 of the Budget Report 2014/15 to Full Council on 26 February 2014.
- (3) This includes a transfer of £8.3m to move the Information Management and Technology (IMT) service from Resources & Regeneration to Customer Services.
- (4) This is made up of once-off funding allocated to directorates during 2013/14 which is not carried forward and does not form part of the on-going budget in 2014/15.

Table 5 – Reconciliation by Directorate

Description	CYP £m	COM £m	CUS £m	R&R £m	Corporate Items £m	Total £m
2013/14 Total Budget (year end position)	66.7	119.7	36.1	57.1	5.0	284.6
Changes to arrive at the 2014/15 budget:						
• Savings agreed (1)	-5.6	-9.8	-2.6	-4.0	-2.5	-24.5
• Inflation - increase in prices	0.1	0.4	0.1	0.1	3.6	4.3
• Pressures & other risks (2)	0.5		0.8	0.2	6.0	7.5
• Once-off use of reserves					-3.0	-3.0
• Council Tax Freeze Grant 2014/15					-0.9	-0.9
• Other technical adjustments (3)	-0.1	0.2	9.7	-8.3	-1.4	0.1
• One off funding not carried forward (4)	-0.1	-1.2	-0.6	-3.9	5.8	0.0
2014/15 Working Budget	61.5	109.3	43.5	41.2	12.6	268.1

3. DIRECTORATE SUMMARIES

This section outlines the gross expenditure and income of each of the General Fund Directorates (objectively) and the gross expenditure and income budgets broken down by the type of spend (subjectively).

The tables also provide a comparison to the prior year's end of year budget position.

Corporate Budget Book 2014/15

3.1. Overall Subjective Summary by Directorate

2014/15 Budget - £m	CYP	COM	CUS	R&R	Corporate Items	To/(from) Reserves	Total
Expenditure:							
Employee Costs	174.3	33.9	35.6	22.5			266.3
Running Costs	211.4	130.2	289.0	21.4	30.6	-3.0	682.6
Internal Recharges	85.6	11.2	0.2				97.0
Capital Charges	10.8	1.4	6.4	9.2	19.6		47.4
Total Expenditure:	482.1	176.7	331.2	53.1	50.2		1,093.3
Income							
External sources	-318.5	-54.7	-274.2	-7.4	-2.3		-657.1
Internal Recharges	-102.1	-12.7	-13.5	-4.5	-35.3		-168.1
Total Income	-420.6	-67.4	-287.7	-11.9	-37.6		-825.2
Net Budget 2014/15	61.5	109.3	43.5	41.2	12.6		268.1
Prior Year Comparison							
Net Budget 2013/14	66.7	119.7	36.1	57.1	5.0		284.6
Variance (£m)	-5.2	-10.4	7.4	-15.9	7.6		-16.5
Variance (%)	-8%	-9%	20%	-28%	152%		-6%

4. DIRECTORATE FOR CHILDREN & YOUNG PEOPLE

4.1. Service description

Schools

The Directorate is responsible for the services provided by::

- 2 Nursery Schools for 244 pupils,
- 1 Pupil Referral Unit (PRU) for 128 pupils,
- 64 Primary schools for 24,371 pupils,
- 5 Special Schools for 624 pupils,
- 9 Secondary Schools for 9,005 pupils, and
- 2 All through Schools for 1,270 pupils.

Children's Social Care

Covers all Children's Social Care functions, and all functions related to individual children with complex and/or special educational needs. The service works with children who need to be looked after and safeguarded from harm. The service provides support to families to promote children's upbringing in their own families, provided that this is consistent with the child's welfare.

Partnerships and Targeted Services for Children and Young People

The service provides all early intervention services, including the Children's Centres, Targeted Family Support (including Troubled Families coordination), support for Teams Around the Child and Teams Around the Family across the partnership; the Attendance and Welfare service; the Youth Service and Not in Education or employment Training (NEET) reduction delivery function; support for schools re crime and liaison with the Youth Offending Service (YOS); securing integrated workforce strategy and practice across the partnership. The Service also includes health commissioning for children and young people on behalf of the Clinical Commissioning Group (CCG), integrated commissioning; all partnership functions including the Children and Young People's Strategic Partnership Board and associated groups; liaison with the Voluntary and Community Sector (VCS); and Inspections.

Standards and Achievement

The Service includes all functions related to raising standards of achievement in schools; governors; elective home education; the Educational Psychology service, improving schools' and settings' capacity to meet the needs and raise standards for all children; and the music service. The Service also includes Looked After Children education; universal early years education and care, including responsibilities for Private, Voluntary and Independent providers and childminders; the PRUs; education for school

phobics and others with a medical need.

Resources and Performance

The Service provides support functions for the Directorate, Schools Forum and schools including arrangements for the financial management of the free entitlement offer for two, three and four year olds. It provides a traded HR service for schools, provides a strategic estates management function for Local Authority (LA) maintained schools and a traded service for statutory maintenance responsibilities, a client monitoring function for the school meals contract covering 64 schools. The service also provides free school meals eligibility checks for parents. The service provides all the Directorate's performance functions and includes business support for the Executive Director's office, including equalities, corporate liaison work, service planning, and business continuity support to schools.

Education Infrastructure

Service portfolio covers all places planning and delivery of those places across early years, mainstream school places and Special Education Needs (SEN) places; capital clienting for schools, including Information and Communication Technology (ICT).

4.2. Overall subjective summary by Service Area for CYP

2014/15 Budget - £m	Schools	Children Social Care	Partnerships & Targeted Services	Standards & Achievement	Resources & Performance	Education Infrastructure	Total
Expenditure:							
Employee Costs	144.0	14.1	5.5	5.3	4.7	0.7	174.3
Running Costs	71.2	65.8	8.1	23.4	41.2	1.7	211.4
Internal Recharges	1.3	1.5	0.1	0.3	82.4		85.6
Capital Charges	7.2		0.2	0.1	3.3		10.8
Total Expenditure:	223.7	81.4	13.9	29.1	131.6	2.4	482.1
Income							
External sources	-218.9	-44.6	-1.7	-24.6	-28.7		-318.5
Internal Recharges	-1.3	-0.9	-1.3	-1.4	-96.6	-0.6	-102.1
Total Income	-220.2	-45.5	-3.0	-26.0	-125.3	-0.6	-420.6
Net Budget 2014/15	3.5	35.9	10.9	3.1	6.3	1.8	61.5
Prior Year Comparison							
Net Budget 2013/14	6.5	34.3	12.6	6.1	5.2	2.0	66.7
Variance (£m)	-3.0	1.6	-1.7	-3.0	1.1	-0.2	-5.2
Variance (%)	-46%	5%	-13%	-49%	21%	-10%	-8%

5. DIRECTORATE FOR COMMUNITY SERVICES

5.1. Service description

The Directorate works with a wide range of public, private and voluntary partners including the Primary Care Trust, the Metropolitan Police, local voluntary and community organisations and local business.

Together with these partners, the Directorate is committed to the vision of 'Building Stronger Communities across Lewisham' by creating:

- healthy and caring communities,
- vibrant, active and inclusive communities, and
- safer and secure communities.

To achieve this, the Directorate seeks to build independence and inter-dependence in local communities, strengthen the social fabric of the borough, promote the voice and role of the voluntary and community sector and secure improved services that support independence, health and well being in Lewisham.

The Directorate encompasses a number of key service areas:

- Adult Social Care,
- Crime Reduction and Supporting People,
- Culture and Community Development,
- Public Health
- Strategy & Performance

Within these service areas, the Directorate provides support for libraries, arts and entertainment, adult education, community development, crime reduction and safer neighbourhoods, and sports and recreation.

The Directorate also provides social care services to vulnerable adults helping them to maintain their independence and where possible to remain living in their own homes. In addition, it supports children and young people who are involved in, or who are the victims of, crime.

5.2. Overall subjective summary by Service Area for Community Services

2014/15 Budget - £m	Adult Social Care	Crime Reduction & Supporting People	Culture and Community Development	Public Health	Strategy & Performance	Total
Expenditure:						
Employee Costs	18.7	4.1	8.0	1.5	1.6	33.9
Running Costs	86.7	15.5	14.0	13.0	1.0	130.2
Internal Recharges	7.5	1.1	2.6			11.2
Capital Charges	0.3		1.1			1.4
Total Expenditure:	113.2	20.7	25.7	14.5	2.6	176.7
Income						
External sources	-25.8	-7.2	-7.0	-14.5	-0.2	-54.7
Internal Recharges	-7.0	-1.0	-2.7		-2.0	-12.7
Total Income	-32.8	-8.2	-9.7	-14.5	-2.2	-67.4
Net Budget 2014/15	80.4	12.5	16.0	0.0	0.4	109.3
Prior Year Comparison						
Net Budget 2013/14	82.8	18.4	18.4	0.0	0.1	119.7
Variance (£m)	-2.4	-5.9	-2.4	0.0	0.3	-10.4
Variance (%)	-3%	-32%	-13%	0%	300%	-9%

6. DIRECTORATE FOR CUSTOMER SERVICES

6.1. Service Description

The Directorate's strategic aims are:

- Working collaboratively, drive forward the vision for excellent customer services across the borough.
- Work together across service boundaries to provide excellent support to the organisation through a range of specialist services.
- Develop, value and motivate staff, equipping them to deliver excellent services.
- Creating a safe, attractive, healthy and sustainable environment for the benefit of local people.

Environment Division:

The division includes the following service areas - Waste Management (refuse & recycling); Cleansing; Green Scene (parks and open spaces); Trading Standards and street markets; Environmental Health and Enforcement; Fleet and Bereavement Services.

Public Services Division:

The division provides the 'front door' to a wide range of services across the Council. This division includes

ServicePoint (AccessPoint, CallPoint and Registration); Benefits; Revenues; Emergency Planning; and Parking Management.

Strategic Housing and Regulatory Services

Division:

This division includes the following service areas - Housing strategy and programmes; Housing Needs (including Housing Options and Homesearch); and Private Sector Housing.

Service Design and Innovation Division:

This division is responsible for leading the Council's work on customer service transformation and supports services across the Council in delivering better, more customer focused services. It also provides strategic and practical support to service areas within the Directorate and the Customer Services Management team.

Information Management and Technology

This division co-ordinates and manages the provision and maintenance of ICT tools; identifying, supporting and leading transformation/continuous improvement that can be enabled or assisted by ICT.

6.2. Overall Subjective Summary by Service Area for Customer Services

2014/15 Budget - £m	Environment	Public Services	Strategic Housing & Business Regulatory Services	Service Design & Innovation	IMT	Total
Expenditure:						
Employee Costs	20.3	8.2	4.4	1.3	1.4	35.6
Running Costs	19.8	253.7	8.7	0.1	6.7	289.0
Internal Recharges				0.2		0.2
Capital Charges	1.5	0.2	3.3		1.4	6.4
Total Expenditure:	41.6	262.1	16.4	1.6	9.5	331.2
Income						
External sources	-7.3	-255.8	-10.2	-0.1	-0.8	-274.2
Internal Recharges	-12.0	-0.9		-0.2	-0.4	-13.5
Total Income	-19.3	-256.7	-10.2	-0.3	-1.2	-287.7
Net Budget 2014/15	22.3	5.4	6.2	1.3	8.3	43.5
Prior Year Comparison						
Net Budget 2013/14	22.3	5.1	6.9	1.8	11.6 ¹	47.7
Variance (£m)	0.0	0.3	-0.7	-0.5	-3.3	-4.2
Variance (%)	0%	6%	-10%	-28%	-28%	-9%

¹ This figure and other comparator figures for IMT are included in the directorate total for 2013/14 although they were part of Resources and Regeneration directorate.

7. DIRECTORATE FOR RESOURCES & REGENERATION

7.1. Service description

The Directorate has a key enabling role for the Authority, facilitating service delivery through a structured framework of support, advice and guidance. It is committed to regenerating the borough, working in partnership to create sustainable communities.

Planning and Economic Development

Provide employment and business support for the local economy; maintenance of the local economic assessment; strategic leadership on business employment and the European Union (EU). Development and use of land in the long term public interest are achieved through a positive and proactive approach to shaping, considering, determining and delivering development proposals.

Regeneration and Asset Management

Work to renew the physical fabric of the borough, sustainably and enhance the overall economic well being of Lewisham through programme management capital delivery, building schools for the future, town centre regeneration; asset strategy, facilities management and maintenance of the corporate estate;

and Transport (including highways improvement and lighting).

Corporate Support Services

Personnel and Development

Facilitate the development of a flexible and responsive workforce to ensure modern, high quality services; and support delivery of the Council's people management strategy objectives.

Legal and Electoral Services

Ensure legal compliance, facilitate the fulfilment of Council objectives in a way that is resistant to legal challenge, and ensure robust decision making processes. Electoral Services facilitate maximum participation in electoral registration and the democratic electoral process.

Corporate Resources

Facilitate the Council's Strategic Finance activities (setting the budget, providing corporate finance and procurement advice, and performing treasury management functions and managing the Pension Fund) to support delivery of Council objectives.

Oversee processes for managing and mitigating risks; coordinate and provide assurance on the framework of

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internal control; and deliver professional guidance and support for investigations, insurance provision and health & safety.

Finance

Provide overall planning and direction for the medium term (revenue and capital) financial strategy; manage the treasury and pension funds; provide financial support for managers and administrative support for back office business processes; administer the pension fund, provide a payroll service; maintain a strategic overview of corporate procurement activity, ensuring compliance and probity.

Policy and Governance

Oversees generic policy development, evaluating emerging themes and issues of strategic importance. Support for elected Members in fulfilment of their duties as ward representatives, decision makers and scrutiny councillors, helping them achieve greater democracy and public engagement in the local decision making process.

Strategy

Provide corporate leadership, bringing local public agencies together to deliver the Sustainable Community Strategy priorities; leads on the Council's

community governance agenda; supports the work of Mayor and Cabinet in their leadership roles; promotes the reputation of the Council, working to enhance service delivery through information campaigns, building sustainable relationships and dialogue with residents and other stakeholders.

7.2. Overall Subjective Summary by Service Area for Resources & Regeneration

2014/15 Budget - £m	Planning	Regen. & Asset Mgt	Exec Office	HR	Law	Corporate Finance	Finance	Policy & Gov'n.	Strategy	Total
Expenditure:										
Employee Costs	2.8	5.0	0.2	2.6	2.4	1.0	4.7	1.9	1.9	22.5
Running Costs	0.6	12.5		0.4	0.3	4.3	1.1	1.5	0.7	21.4
Internal Recharges										
Capital Charges		3.0					6.2			9.2
Total Expenditure:	3.4	20.5	0.2	3.0	2.7	5.3	12.0	3.4	2.6	53.1
Income										
External sources	-1.6	-3.4		-0.1	-0.2	-1.3	-0.4		-0.4	-7.4
Internal Recharges		-2.0		-0.2	-0.2	-1.0	-1.1			-4.5
Total Income	-1.6	-5.4		-0.3	-0.4	-2.3	-1.5	0.0	-0.4	-11.9
Net Budget 2014/15	1.8	15.1	0.2	2.7	2.3	3.0	10.5	3.4	2.2	41.2
Prior Year Comparison										
Net Budget 2013/14	2.2	17.6	0.2	3.1	2.3	3.1	10.9	3.5	2.4	45.3
Variance (£m)	-0.4	-2.5	0.0	-0.4	0.0	-0.1	-0.4	-0.1	-0.2	-4.1
Variance (%)	-18%	-14%	0%	-13%	0%	-3%	-4%	-3%	-8%	-9%

8. HOUSING REVENUE ACCOUNT

The HRA is a separate statutory account which shows the expenditure and income on the provision of the Council's housing stock of approximately 15,050 dwellings.

8.1. Service description

The Local Government and Housing Act 1989 prescribes that the HRA must not operate at a net cost to the General Fund. The cost of providing and maintaining the Council's Housing stock must be met primarily from rents and charges to tenants.

The HRA is funded from the following sources:

Revenue Services	%
Tenants Rents	61
Government Grant (PFI & Decent Homes)	33
Fees and charges	6

8.2. Tenants' Rents

The average rent for a Council dwelling in 2014/15 is £95.97 per week. This is an average increase of £4.61 from the 2013/14 average, a rise of 5%.

8.3. HRA Budget Subjective Summary by Service

2014/15 Budget - £m	Public Services	Environment	Strategic Housing & Business Regulatory Services	IMT	Strategy & Performance	Total
Expenditure:						
Employee Costs			1.4	0.1	0.4	1.9
Running Costs	17.1	81.8	1.1	0.8	5.6	106.4
Internal Recharges		19.7			19.4	39.1
Capital Charges		-5.8			27.8	22
Total Expenditure:	17.1	95.7	2.5	0.9	53.2	169.4
Income						
External sources	-0.1		-2.3		-137.2	-139.6
Internal Recharges		-16.9	-2.3		-10.6	-29.8
Total Income	-0.1	-16.9	-4.6		-147.8	-169.4
Net Budget 2014/15	17	78.8	-2.1	0.9	-94.6	0.0
Prior Year Comparison						
Net Budget 2013/14	17.2	85.7	-2.3	0.9	-101.6	0.0
Variance (£m)	-0.2	-6.9	-0.2	0.0	-7.0	0.0
Variance (%)	-1%	-8%	-9%	0%	-7%	0%

9. Capital Programme

9.1 The Authority's Capital Programme

The Capital Programme for 2014/15 to 2017/18 is as illustrated in the table below.

Major Projects over £2m	2014/15	2015/16	2016/17	2017/18	Total
	£m	£m	£m	£m	£m
GENERAL FUND					
BSF - Sydenham (D&B)	9.9	4.7	1.2		15.8
BSF - Brent Knoll (D&B)	5.6				5.6
BSF - Hatchem Temple Grove	0.9				0.9
BSF - ICT in Schools	0.5	0.5	0.4	0.4	1.8
Schools - Primary Places Programme	25.1	8.9	9.4		43.4
Schools - Other Capital Works	7.7	1.2	1.2	1.2	11.3
Highways & Bridges - LBL	3.5	3.5	3.5	3.5	14.0
Catford TC (inc Broadway & Milford Towers) Regeneration	2.8	2.0	3.6		8.4
Deptford Town Cen & High St Imps	0.1				0.1
Asset Management Programme - Non Schools	2.5	2.5	2.5	2.5	10.0
ICT - Tech Refresh	0.5	0.5	0.5	0.5	2.0
Kender and Excalibur Regeneration	1.9	0.8	0.6	1.1	4.4
Heathside & Lethbridge Regeneration	2.8	3.7	1.5	1.6	9.6
Property Acquisition – Hamilton Lodge/Canonbie Rd					
Disabled Facilities Grant	1.0	0.7	0.7	0.7	3.1
Private Sector Grants and Loans	0.8	0.6	0.6	0.6	2.6
Aids, Adaptations, Disabilities	0.4	0.4	0.4	0.5	1.7
Other Schemes	2.1	1.1	0.0	0.0	3.2
	68.1	31.1	26.1	12.6	137.9
HOUSING REVENUE ACCOUNT					
Customer Services	0.8	0.7	0.7	0.7	2.9
Lewisham Homes	57.5	48.7	57.4	81.5	245.1
	58.3	49.4	58.1	82.2	248.0
TOTAL PROGRAMME	126.4	80.5	84.2	94.8	385.9