APPENDIX W1: 2015/16 to 2019/20 Capital Programme – Major Projects

APPENDIX W1

2015/2016 TO 2019/2020 CAPITAL PROGRAMME - MAJOR PROJECTS

Major Projects over £2m	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m	£m	£m
GENERAL FUND						
BSF - Sydenham (D&B)	4.9	1.2				6.1
Schools - Primary Places Programme	28.2	6.0				34.2
Schools - Other Capital Works	8.6	1.4	1.2	1.2	1.2	13.6
Highways & Bridges - TfL	3.9	2.0				5.9
Highways & Bridges - LBL	3.5	4.0	3.5	3.5	3.5	18.0
Catford TC (inc Broadway & Milford Towers) Regeneration	0.4	8.5				8.9
Asset Management Programme - Non Schools	1.1	3.1	3.0	3.0		10.2
Kender and Excalibur Regeneration	2.6	0.6	1.1		1.5	5.8
Heathside & Lethbridge Regeneration	0.3	2.3	5.0			7.6
Lewisham Homes – Property Acquisition	7.0	4.0			9.0	20.0
Ladywell Pop-Up Village	2.8	1.5			.8	5.1
Disabled Facilities Grant	0.7	0.7	0.7	0.7		2.8
Private Sector Grants and Loans	0.6	0.6	0.6	0.6		2.4
Other Schemes	14.7	7.2	1.1	1.1		24.1
	79.3	**43.1**	**16.2**	**10.1**	**16.0**	**164.7**
HOUSING REVENUE ACCOUNT						
Customer Services	6.8	51.3	53.2	.4	.5	112.2
Lewisham Homes	32.0	34.8	36.4	37.2	38.0	178.4
	38.8	**86.1**	**89.6**	**37.6**	**38.5**	**290.6**
TOTAL PROGRAMME	**118.1**	**129.2**	**105.8**	**47.7**	**54.5**	**455.3**

APPENDIX W2: Proposed Capital Programme – Original to latest Budget

APPENDIX W2

PROPOSED CAPITAL PROGRAMME - ORIGINAL TO LATEST BUDGET

	Total £000	Total £000
GENERAL FUND		
Original Budget (Feb 2015)		**120,619**
New Schemes during the year		
2016 Schools Minor Works Programme	2,750	
Grove Park Streetscape Improvements	1,223	
Loan to CRPL (Brookdale)	1,175	
Catford Enterprise Hubs and Creative Workshop Centre	546	
CRM Upgrade (ICT Roadmap Programme)	350	
Thurston Road Industrial Estate – Bust Stop Accessibility & Footway Imp.	223	
Church Grove Group Self –Build Housing	125	
Borough Wide 20 MPH Zone	110	
New Homes , Better Place – Besson Street Development	75	
Deptford Southern Sites Regeneration	75	
Reintegration & Aftercare Lewisham (REAL) Service	51	
Bus Stop Accessibility – Heathside & Lethbridge Estate	24	
Bus Stop Accessibility – Conington Road	21	6,748
19/20 Rolling Programmes		
LBL Highways	3,500	
Schools AMP	1,200	4,700
19/20 New Scheme		
Kender New Build Grant: Phase 3 South (NDC)-		1,485
Approved variations on existing schemes		
14/15 Underspends on various schemes	14,900	
Primary Places Programme – Additional funding	5,983	
Ladywell Pop-up Village – Transferred from HRA	2,460	
TfL Highways programme – Additional Grant	2,192	

Heathside & Lethbridge - Partnership Works (Phase 6) - Additional funding	1,087	
Surrey Canal – NLL (S106 Funded) – Additional Grant	976	
Ladywell Pop-up Village – Additional Budget	800	
Heathside & Lethbridge - Partnership Works (Phase 5) - Additional funding	797	
Cycle Quiteway 1 (S 106 Funded) - Additional Grant	482	
Tackling Empty Homes – Rounds 1& 2 – Additional Grant	324	
Drumbeat 6th Form School (Brockley Site) – Phase 3 – Additional funding	220	
Sydenham Park Footbridge – Additional funding	150	
Monson (HTG) School - Additional funding	100	
Folkestone Garden Improvements – Additional Grant	76	
Deptford High Street Major Scheme – Additional Grant	57	
Other variations	504	31,108
Latest Budget		**164,660**

HOUSING REVENUE ACCOUNT

Original Budget (Feb 2015)		**303,670**
Re-phasing Budgets and addition of 19/20 Budgets		
- LH Underspend	2,466	
- Lewisham Homes	6,387	
- Other HRA schemes including Housing Matters Programme	-19,370	-10,517
Ladywell Pop-Up Village – Transferred to GF		-2,460
Latest Budget		**290,693**
Overall Budget		**455,353**

APPENDIX X1: Proposed Housing Revenue Account Savings 2016/17

X1.1 The HRA strategy and self-financing assessments are continually updated and developed with the view to ensuring resources are available to meet costs and investment needs and are funded for 2016/17 and future years.

X1.2 Savings and efficiencies delivered in the 2016/17 budget can be re-invested to off-sent constrained rent rises or to help bridge any investment gap identified. As a prudent measure the original financial model was developed with no savings identified. Subsequently, discussions have taken place regarding appropriate savings and ‘target’ management and maintenance costs per unit. For example, there is already an assumed reduction in the Lewisham Homes fee in 2016/17 to reflect stock losses through Right to Buy Sales. The savings and growth below are part of the process to reduce costs to enable reinvestment in priority areas. The package of savings proposed by way of this report can mostly be delivered through efficiencies in back office services.

X1.3 Officers, together with Lewisham Homes, have already identified a saving of £1m arising from a reduction in Repairs and Maintenance allocations. This budget has under spent by at least this amount in the last financial year and is expected to do so again in the current year. This is as a result of the Decent Homes improvements carried out over the last four years.

X1.4 Further savings are expected once a review of other assent investment priorities is competed in January 2016.

X1.5 An update of the HRA Strategy, Savings Proposals, proposed rent & service charge increases and comments from consultation with tenant representatives will be reported to Mayor & Cabinet as part of the HRA Rents and budget strategy report. Mayor & Cabinet will make the final budget decisions in the new year.

APPENDIX X2: Leasehold and Tenants Charges Consultation 2016/17

Committee	**Brockley Residents Board**	Item No	
Report Title	**Leasehold and Tenant Charges Consultation**		
Contributor	**Regenter Brockley Operations Manager**		
Class	**Decision**	Date	**December 2015**

1 Summary

1.1 The report sets out proposals to increase service charges to ensure full cost recovery in line with Lewisham Council's budget strategy.

1.2 The report requests Brockley Residents Panel members to consider the proposals to increase service charges based on an uplift of 1.8% for 2016/17 on specific elements. This is based on full cost recovery in line with previous years' proposals.

2 Policy Context

2.1 The policy context for leasehold and tenant service charges is a mixture of statutory and Council Policy.

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

3. Recommendations

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

4. Purpose

4.1 The purpose of the report is to:

- outline the proposals for increases in service charges in line with the contract arrangements for leaseholders and tenants to recover costs incurred for providing these services

5. Housing Revenue Account Charges

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

- Leasehold Service Charges
- Tenant Service Charges

5.2 A service charge levy is applied to Tenants for caretaking, grounds maintenance, communal lighting, bulk waste collection and window cleaning. Tenants also pay a Tenants Fund Levy which is passed onto the Tenants Fund as a grant.

5.3 The key principles that should be considered when setting service charges are that:

- The charge should be fair and be no more or less than the cost of providing the service
- The charge can be easily explained
- The charge represents value for money
- The charging basis allocates costs fairly amongst those receiving the service
- The charge to all residents living in a block will be the same

5.4 The principle of full cost recovery ensures that residents pay for services consumed and minimises any pressures in the Housing Revenue Account in providing these services. This is in line with the current budget strategy.

5.5 In the current economic environment it must however be recognised that for some residents this may represent a significant financial strain. Those in receipt of housing benefit will receive housing benefit on increased service charges. Approximately 50% of council tenants are in receipt of housing benefit.

6. Analysis of full cost recovery

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

Leasehold service charges

6.2 The basis of the leasehold management charge has been reviewed and externally audited this summer to reflect the actual cost of the service. In line with best practice in the sector this is now a fixed cost rather than a variable cost. The management charge is £53.00 for street properties and £145.31 for blocks.

6.3 The uplift in leaseholder charges should reflect full cost recovery for the type of service undertaken. It is proposed that any uplift is applied at 1.8% (RPI (September 2015) +1%).

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

Service	**Leasehold No.**	**Current Weekly Charge**	**New Weekly**	**Weekly Increase**	**% Increase**
Caretaking	371	£3.55	£3.61	£0.06	1.80%
Grounds Maintenance	368	£2.00	£2.04	£0.04	1.80%
Lighting	389	£0.74	£0.75	£0.01	1.80%
Bulk Waste	362	£1.21	£1.23	£0.02	1.80%
Window Cleaning	221	£0.09	£0.09	£0.00	0.00%
Resident Involvement	532	£0.24	£0.24	£0.00	0.00%
Customer Services	532	£0.35	£0.35	£0.00	0.00%
Ground Rent	532	£0.19	£0.19	£0.00	0.00%
General Repairs	237	£0.54	£0.55	£0.01	1.80%
Technical Repairs	400	£0.32	£0.33	£0.01	1.80%
Entry Phone	139	£0.05	£0.05	£0.00	0.00%
Lift	235	£0.30	£0.30	£0.00	0.00%
Management Fee	532	£1.65	£1.65	£0.00	0.00%
Total		**£11.22**	**11.38**	**0.15**	**1.80%**

Tenant service charges

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

6.6 In addition, tenants pay a contribution of £0.13pw to the Lewisham Tenants Fund. At present there are no plans to increase the Tenants Fund charges.

6.7 In order to ensure full cost recovery, tenant's service charges for caretaking, grounds maintenance and other services should be increased in line with the percentage increase applied to leaseholder service charges. Overall, charges are suggested to be increased by an average of £0.78pw which would move the current average weekly charge from £7.72 to £8.50.

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

Service	**Current Weekly Charge**	**New Weekly Charge**	**Weekly Increase**	**% increase**
	£	**£**	**£**	**%**
Caretaking	3.55	4.18	0.63	1.80
Grounds Maintenance	2.00	2.03	0.03	1.80
Communal Lighting	0.74	0.75	0.01	1.80
Bulk Waste	1.21	1.23	0.02	1.80
Window Cleaning	0.09	0.18	0.09	1.80
Tenants fund	0.13	0.13	0.00	0.00
Total	7.72	8.5	0.78	1.80

6.13 The RB3 Board is asked for their views on these charges from April 2016 to March 17. Results of the consultation will be presented to Mayor and Cabinet for approval in February 2016

7. Financial implications

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

8. Legal implications

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

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

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

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

8.4 The timetable for the consideration of the 2016/17 rent levels provides an adequate period to ensure that legislative requirements are met.

8.5 Part III of Schedule 4 of the Local Government and Housing Act 1989 provides that where benefits or amenities arising out of the exercise of a Housing Authority's functions, are provided for persons housed by the authority, but are shared by the community as a whole, the authority shall make such contribution to their HRA from their other revenue accounts to properly reflect the community's share of the benefits or amenities.

8.6 Where as an outcome of the rent setting process, there are to be significant changes in housing management practice or policy, further consultation may be required with the tenants affected in accordance with section 105 of the Housing Act 1985.

9. Crime and disorder implications

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

10. Equalities implications

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

11. Environmental implications

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

12. Conclusion

12.1 Revising the level of charges ensures that the charges are fair and residents are paying for the services they use.

12.2 The additional resources generated will relieve some of the current pressures within Housing Revenue Account and will contribute to the funding of the PFI contract which is contained within the authorities Housing Revenue Account.

If you require any further information on this report please contact

Maxeene McFarlane on 0207 635 1208 or

Maxeene.mcfarlane@pinnacle-psg.com

APPENDIX X3: Leasehold and Tenants Charges and Lewisham Homes Budget Strategy 2016/17

Meeting	**Area Panel**	Item No.	
Report Title	**Leasehold and Tenant Charges 2016/17**		
Report Of	**Director of Resources – Adam Barrett**		
Class	**Decision**	Date	**17th December 2015**

1. Purpose of the Report

This report sets out proposals for residents service charges in 2016/17.

2. Recommendations

That the Area Panel:

2.1 Comment on the proposed service charges for 2016/17.

2.2 Note the average increase in weekly tenant service charge from £7.71 in 2015/16 to £8.75 for 2016/17.

2.3 Note the average increase in weekly leasehold service charge from £13.80 in 2015/16 to £14.76 for 2016/17.

2.4 Note that Lewisham's average tenant service charges at £8.75 per week for 2016/17 remain below the estimated average charge for London Boroughs (£9.30).

3. Background of the Report

3.1 One of Lewisham Homes core objectives is sustainability and this includes ensuring that there is a focus on providing improved services to tenants that are affordable without compromising quality.

3.2 The Lewisham Homes budget process has identified net efficiency savings of £326,000, and these have been passed on to residents and contributed to the proposed 2016/17 charges.

3.3 Lewisham Homes has now taken over responsibility for grounds maintenance. We have invested in new equipment and launched the improved service which, alongside our continued investment in residents' properties, will improve the look, feel and quality of our neighbourhoods.

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

4 Tenant and Leasehold service charges 2016/17

The table below sets out the proposed 2016/17 charges as compared with 2015/16.

Table 1

Services	**Tenant (T)/ Leaseholders (LH)**	**Estimate (per week charge)**		**Change (Inc/-Dec)**
		2015/16	**2016/17**	
		£	**£**	**£**
Caretaking	T & LH	5.82	5.89	0.07
Ground Maintenance	T & LH	0.97	1.63	0.66
Repairs and Maintenance - Building	LH	1.56	2.67	1.11
Repairs and Maintenance Technical	LH	1.06	1.12	0.06
Lifts	LH	2.65	2.62	-0.03
Entry Phone	LH	0.27	0.65	0.38
Block Pest Control	T & LH	1.63	1.56	-0.07
Ground Rent	LH	0.19	0.19	0.00
Sweeping	LH	0.88	0.77	-0.11
Management	LH	3.34	2.89	-0.45
Window Cleaning	T & LH	0.06	0.06	0.00
Bulky House Hold Waste Collection Service	T & LH	0.48	0.48	0.00
Bulk Waste Disposal	T & LH	0.00	0.81	0.81
Insurance	LH	0.87	1.16	0.29
Total excluding energy charges		**19.78**	**22.50**	**2.72**
Communal Lighting	T & LH	1.21	1.08	-0.13
Communal Heating and Hot Water	T & LH	8.01	9.86	1.85
Total energy charges		**9.22**	**10.94**	**1.72**
Grand Total		**29.00**	**33.44**	**4.44**

T & LH – Service Charges to Tenants and Leaseholders

LH – Service Charges to Leaseholders only

5. Analysis of impact due to changes in Service Charges for Tenants

5.1 There is an overall increase of £1.04 for the average tenant service charges from £7.71 to £8.75 per week.

This increase is largely as a result of changed/additional services:-

Grounds Maintenance - enhanced service:	£0.51 (average)
New charge - Bulk Waste disposal:	£0.60 (average)

5.2 Other charges reflect the estimated actual costs of services, such as energy costs, and will vary year on year according to consumption and price fluctuations.

5.5 Table 2, below sets out the impact of the propose charges for Tenants. 75% of tenants will receive an increase of between £0 and £2.00 in 2016/17.

Table 2

Bands of Decrease/Increase	Number of Tenants	% of Total	Income 16-17
Dec - 3.00 plus	126	1%	14,470
Dec - £2.01 to £3.00	11	0%	1,800
Dec - £1.01 to £2.00	35	0%	9,786
Dec - 0 to 1.00	315	2%	177,624
Inc - 0 to 1.00	4,306	33%	840,640
Inc - £1.01 to £2.00	5,544	42%	2,847,530
Inc - £2.01 to £3.00	1,494	11%	994,010
Inc - 3.00 plus	1,369	10%	1,062,730
Grand Total	**13,200**	**100%**	**5,948,589**

6.0 Analysis of Impact due to changes in Service Charges for Leaseholders

6.1 There is an overall increase of 96p for the average leasehold service charges from £13.80 to £14.76 per week. The increase is largely as a result of the enhanced Grounds Maintenance charge (51p average) and the new charge for Bulk Waste disposal (60p average).

6.2 Table 3 below sets out the impact of the changes for leaseholders with 23% of leaseholders receiving an increase of over £3.00 per week for 2016/17.

Table 3

Bands of Decrease/Increase	Number of Leaseholders	% of Total	Income 16-17
Dec - 3.00 plus	207	4%	112,980
Dec - £2.01 to £3.00	167	4%	116,110
Dec - £1.01 to £2.00	324	7%	208,440
Dec - 0 to 1.00	948	20%	557,620
Inc - 0 to 1.00	826	17%	587,700
Inc - £1.01 to £2.00	735	15%	611,840
Inc - £2.01 to £3.00	470	10%	424,281
Inc - 3.00 plus	1,083	23%	1,147,260
Grand Total	**4,760**	**100%**	**3,766,231**

7. Tenant Service Charge Benchmarking

7.1 Accurate service charge benchmarking data is not currently available as it is no longer published by CIPFA until later in the year.

7.2 Using prior years charges as an estimate, the average London Boroughs' tenant charge is £9.30 per week compared with Lewisham Homes proposed 2016/17 charge of £8.75 per week.

If you require further information on this report please contact Adam Barrett on 020 8613 7697 or email adam.barrett@lewishamhomes.org.uk

APPENDIX X4: Other Associated Housing Charges for 2016/17

Garage Rents

1. Allowance has been made for a 0.80% inflationary increase to all garage rents across all managed areas, based on the RPI rate at September 2015. This equates to an average increase of £0.09 per week and raises the average basic charge from £11.56 to £11.65 per week.

2. Garage rents for the Brockley PFI managed area will therefore increase from an average of £8.89 per week to £8.96 per week. This is a change of £0.07per week.

3. Garage rents for the Lewisham Homes managed area will therefore increase from an average of £11.93 per week to £12.03 per week. This equates to an increase of £0.10 per week.

4. The authority will be commissioning a review into rental values across the garage stock, with a view to reporting to Mayor & Cabinet sometime in the next year recommending rental values to take forward in the longer term. Any changes are likely to be consulted on and implemented for financial year 2017/18 onwards

Tenants Levy

5. As part of the budget and rent setting proposals for 2005/6, a sum of £0.13 per week was 'unpooled' from rent as a tenants service charge in respect of the Lewisham Tenants Fund. There was no increase in charges for the period 2009/10 to 2013/14 following consultation with Housing Panels.

6. Lewisham Tenants Fund (LTF) put forward proposals to reduce the levy from £0.13 for 2015/16 to £0.10pw for 2016/17. These were submitted to Housing Panels and agreed. Therefore, the levy for 2016/17 will reduce by £0.03pw to £0.10 per property per week.

Hostel charges

7. Hostel accommodation charges are set based on current Government requirements and will reduce by around 1.0% (£0.39 per week).

8. Hostel services charges are set to achieve full cost recovery, following the implementation of self-financing. For 2016/17, the charge for Caretaking/management and Grounds Maintenance are proposed to be increase by 2.90% or £2.09 per week to reflect inflationary increases. This will move the average charge from £72.99 per unit per week to £75.08 per unit per week.

9. In addition, the charge levied for Heat, Light & Power (Energy) and Water Charges will not be increased due to further analysis on consumption patterns and communal area assumptions, which is now included within the service charge value noted in item 6 above. The charge for Heat, Light & Power will therefore remain the same at £5.24pw. Water charges will decrease from £0.19 to £0.18 a decrease £0.01pw. The charge for Council Tax will be based on the total recharged received from Council Tax section. All charges will be based on the total number of hostel units after being reconfigured resulting in a small increase in the total number of units.

10. Hostel residents were consulted on these proposals via individual letters. Officers also invited hostel residents to meet them to discuss the changes and how these may affect them. However, no comments or representations were received.

11. Lewisham Homes will be introducing an enhanced sheltered housing management service in April 2016 for residents in the councils sheltered housing schemes. Extensive consultation has been undertaken with the residents affected, in order to keep residents fully informed and to shape the service going forward. The new service be introduced at a cost of £23.62 per week, which will be service charged and is eligible to be covered by Housing Benefits. Consequently, the current support charges will be removed and replaced by this new service charge.

Linkline Charges

10. It is proposed to increase Linkline charges for 2016/17 by 2.5%, based on information received from the service provider. Charges will therefore increase from its current level of £5.29 per week to £5.42 per week, an increase of £0.13 per week. There are no proposals to increase the maintenance charge, which will remain at £0.94 per week.

Private Sector Leasing (PSL)

11. Rent income for properties used in the Private Sector Leasing (PSL) scheme is a General Fund resource. Following consultation, the Department for Work and Pensions (DWP) announced that the threshold for 2016/17 for housing benefits subsidy allowances will be based on the January 2011 Local Housing Allowance, less 10%, plus a management fee of £40 per property, subject to a maximum capped amount of £500 per week. It is recommended that rents for private sector leased properties are kept within the 2011/12 weekly threshold, as set out in Table B3 below.

Table B3 - Local Housing Allowances for 2016/17 (used for PSL purposes)

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

Heating & Hot Water Charges

12. As part of last year's rent setting process the Mayor agreed to continue with the current formula methodology for calculating increases in Heating & Hot Water charges to tenants and leaseholders. This formula was originally approved by Mayor & Cabinet in December 2004.

13. The current charging methodology allows a limited inflationary price increase plus a maximum of £2 per week per property increase on the previous years charge. Consumption levels are also updated and included in the formula calculation.

14. A new corporate contract for the supply of electricity and gas was re-let on 1st January 2014. This was a fixed price contract for a 3 year term. Consumption patterns remain under review and form part of the variable element of the contract.

15. The proposal for 2016/17 is for an increase of 23.10% or £1.85 per week for energy usage for communal heating. The increase is a result of a updated energy consumption/usage rates and current purchase prices. This will move the current average charge from £8.01pw to £9.86pw.

16. The proposal for communal lighting is a decrease of 10.75% or £0.13 per week. This will move the current average charge from £1.21pw to £1.08pw. The decrease is due stable energy prices and updated consumption rates. Officers will review the costs and actual energy usage in 2015/16 as part of the monitoring regime for 2016/17 financial year and recommendations brought forward as part of the 2017/18

APPENDIX Y1: Previously agreed budget savings for 2016/17 and 2017/18

Ref	Lewisham Future Work Strand	Amount £'000	
		16/17	17/18
B1	Supporting People	1,174	
D1	Efficiency Review	2,500	2,500
E2	Asset Optimisation	305	670
E3	Asset Optimisation		200
E4	Asset Optimisation	445	100
E5	Asset Optimisation	10	15
F1	Centralisation of business support services		1,000
K1	Crime Reduction	30	
L1	Culture and Community	375	
M1	Non housing stock transfer from the HRA to GF	200	100
O3	Public Services	200	
Q1	Safeguarding and Early Intervention	255	
Q1	Safeguarding and Early Intervention	968	
Q1	Other CSC Budgets		111
	Total proposed savings towards 16/17 General Fund budget requirement	**6,462**	**4,696**

APPENDIX Y2: Proposed revenue budget savings 2016/17 and 2017/18

Saving Proposals delegated on 30 September 2015 - Summary by Thematic Review

Ref	Description	Amount £'000	
		16/17	17/18
A12	Reducing costs of staff management, assessment and care planning	500	200
A16	Prescribed Medication	130	
A16	Dental Public Health	20	
A16	Health Protection		23
A16	Obesity/Physical Activity	232	
A16	Health Inequalities	100	
A16	Workforce development	25	
A16	Redesign through collaboration		580
A17	Sexual Health Transformation		500
F2a	Improve our online offer, starting with environmental services.	148	
F2b	Pushing customers to self-serve online wherever possible.		52
F3	Customer Service Centre reorganisation.	130	43
G2a	Commercial Opportunities: Increase advertising income	300	
G2b	Wireless Concessions: Explore potential to install wireless connections in street furniture using a concession licence in exchange for income.	200	
G2c	Review of regulatory restrictions for the HRA, DSG and Capital Programme and review of treasury management	300	
G2d	Increase sundry debt collection.	250	
I2a	Policy, performance, service redesign and intelligence		180
I2b	Senior management executive support	100	
I2c	Governance		75
I4a	Review of Programmes in Strategy and Mayor and Cabinet Office	150	
I4b	Restructure of Communications after voluntary redundancies	60	
I5	Commissioning and Procurement: undertake base lining of current	500	500

	activity and focus time only on value add activities.		
I6	Insurance and Risk: review liabilities and re-charge premiums to ensure they are contributing for the whole risk, not just direct costs.	300	
I7	Finance non-salary budget and vacancies review	100	150
I8	Minor reorganisation of Legal Services to incorporate Procurement function	50	
I9a	HR support	20	200
I9c	Graduate Schemes	40	
I9d	Social Care Training		100
I10a	Revising infrastructure support arrangements and Contract, systems and supplies review	1,000	1,000
J2c	Schools Infrastructure: Schools Strategic IT support to be traded or withdrawn.	60	58
J2d	Educational Psychologists: Service reorganisation and further trading where possible.	5	
J2e	Estates Management: Service re-organisation, improved coordination with property services, and reduced provision for property consultancy services.	220	
J2f	Free School Meals Eligibility: Service transfer to Customer Services financial assessments team.	17	
J2g	Management Restructure of the Standards and Achievement team.	50	
K4	Reducing the length of time that methadone (Heroin substitute) is prescribed, re-procurement of the main drug and alcohol service, and greater use of community rehabilitation	50	340
M2a	Review of funding streams across housing strategy, development and partnership functions	140	
M2b	Reduction in premises costs	60	
N6	To develop our Trade Waste customer base, improve efficiency and increase income. To negotiate an increased share of income from Parks Events.	250	250
O4	Financial Assessments: Introduce standardisation and efficiencies in	100	

	approach to financial assessments.		
P2a	Restructure of Development Management team and restructure and amalgamation of the Conservation, Urban Design and Planning Policy teams.	185	
P2b	Substitution of part of base budget by alternative funding sources (S.106 and fee income).	45	
P2c	Further increase in charges and changes to funding coupled with savings achievable from a corporate approach to and restructure of employment services.		305
P2d	Review of Statement of Community Involvement (SCI) on the way in which the service consults on planning applications. Efficiency savings based on paper, printing and postage costs.		20
Q3d	Occupational Therapy – management reorganisation	50	
Q3f	Review of MAPP portage with increased health contribution.	120	
Q3g	Joint commissioning with efficiencies through reorganisation and better planning of work.	50	
Q4a	Social care supplies and services reduced spend.	130	240
Q4b	Social care financial management through continued cost control on all areas of spend.	50	50
Q4c	Placements: continuing strategy to use local authority foster placements where possible.		200
	Total proposed savings towards 16/17 General Fund budget requirement	**6,005**	**5,066**

Saving Proposals returning to Mayor & Cabinet following 30 September 2015 - Summary by Thematic Review

Ref	Description	Amount £'000	
		16/17	17/18
A11	Managing and improving transition plans	200	300
A13	Alternative Delivery Models for the provision of care and support services, including mental health	1,100	700
A14	Achieving best value in care packages	600	500
A15	New delivery models for extra care – Provision of Contracts	100	900
A16	Obesity/Physical Activity (Part of L7)	232	
G2e	Parking: Review service level arrangements.		250
H2	Further reductions in Crime, Enforcement and Regulation and Environmental Health		1,200
I3	Reorganisation of how Complaints are managed across the Council.	50	
I9b	TU Secondments	40	
I9e	Realign Schools HR Recharge	100	
I10b	Committee Papers: move to digital access only	100	
J2a	Schools SLA: Apply an above inflation 2.5% increase to schools SLAs.	100	
J2b	Attendance and Welfare: We currently deliver our core statutory offer plus some traded services within this area. A further restructure and increase in traded services could result in further savings.	150	
L5	Reduce the level of grant funding to the voluntary sector by £1,000,000 from 1 April 2017/18. This is the final year of the current main grants programme and will require the reduction/removal of funding from a range of organisations currently receiving funding.		1,000
L6	Library and Information Service: 1. Creation of three Hub Libraries – Deptford Lounge, Lewisham and Downham Health & Leisure Centre – which will carry an enhanced role for face to face contact between the Local Authority and the public to support the digital by default agenda.	400	600

Ref	Description	Amount £'000	
		16/17	17/18
	2. The extension of the Lewisham Community Library Model to Forest Hill, Torridon, and Manor House, in partnership with other council services and community organisations. And the integration of the library provision into the repurposed ground floor space within the Catford complex (Laurence House). 3. The regrading of front line staff to include new functions through the re-training and enhancement of front line roles.		
L7	Change in contractual arrangements relating the leisure services		1,000
N3	Review of Lewisham's Waste Services (Doorstep collection & disposal) Transfer of estates Bulky Waste disposal costs to Lewisham Homes	600	500
N5	Review of Lewisham's Passenger Transport Service.	500	500
Q3a & b	Sensory Teachers (a and b)	250	
Q3c	Educational Psychologists: Further reduction in staffing through not replacing staff	35	
Q3e	Reduce Carers funding	40	
Q5	Youth Service: accelerate tapering of support to Youth Service to statutory minimum (will follow decision on creation of a mutual).	150	150
	Total proposed savings towards 16/17 General Fund budget requirement	**4,747**	**7,600**

Summary of Saving Proposals contributing to the General Fund Budget

Ref	Description	Amount £'000	
		16/17	17/18
All	Previously agreed for 2016/17	6,462	4,696
	Sub Total	***6,462***	***4,696***
All	Delegated to officers on 30 September 2015	6,005	5,066
All	Returning to M&C in due course for decision	4,747	7,600
	Sub Total	***10,752***	***12,666***
	Total proposed savings towards 16/17 General Fund budget requirement	**17,214**	**17,362**

APPENDIX Y3: Ready Reckoner for Council Tax 2016/17

Ready Reckoner for Council Tax 2016/17						
	Budget Requirement	**Council Tax (Band D)**	**Increase / (Decrease)**	**GLA Precept (Band D)**	**Total Council Tax (Band D)**	**Increase / (Decrease)**
	£'M	**£**	**%**	**£**	**£**	**%**
2015/16	246.224	1,060.35		295.00	1,355.35	
Recommended	**236.218**	**1,102.66**	**3.99%**	276.00	**1,378.66**	**1.72%**
	235.810	1097.46	3.50%	276.00	1373.46	1.34%
	235.394	1092.16	3.00%	276.00	1,368.16	0.95%
	234.977	1086.86	2.50%	276.00	1362.86	0.55%
	234.561	1081.56	2.00%	276.00	1,357.56	0.16%
	234.145	1076.26	1.50%	276.00	1352.26	(0.23%)
	233.728	1070.95	1.00%	276.00	1346.95	(0.62%)
	232.896	1,060.35	0.00%	276.00	1,336.35	(1.40%)

APPENDIX Y4: Chief Financial Officer's Section 25 Statement

To follow

APPENDIX Y5: Council Tax and statutory calculations

Council Tax Calculation

As part of the Localism Act 2011, Council Tax may not be increased by 2% or more (inclusive of levies) without triggering an automatic referendum of all registered electors in the borough. In addition, there is also the opportunity to increase Council Tax by up to a further 2% under the new social care precept introduced for 2016/17.This means, for 2016/17, an automatic referendum will now be triggered when the Council Tax increase is 4% or above. The statutory calculation for whether the Council is required to hold a referendum is based upon the 'relevant basic' amount of Council Tax, which under accounting regulations, includes levies. Any final recommendations on Council Tax levels will need to meet statutory requirements.

To date, Lewisham has received no formal provisional notification from its levy bodies for 2016/17. The Environment Agency, the LPFA and the Lee Valley levies have been estimated for 2016/17 (it is assumed they will not change). Formal final notifications are expected to be received week commencing 8th February 2016**.**

Council Tax and Levies

'Relevant Basic' Amount of Council Tax	2015/16	2016/17
Council Tax Base	75,526.1	78,528.58
Council Tax Requirement with Levy (£)	80,084,100	86,590,324
Basic Amount of Council Tax (£)	1,060.35	1,102.66
Increase in basic amount of Council Tax (%)		**3.99%**

Levy bodies for Lewisham	2015/16 £	2016/17 £	Change £
LPFA (estimated)	1,231,690	1,231,690	0
Lee Valley Regional Park (estimated)	226,676	226,676	0
Environment Agency (estimated)	172,889	172,889	0
Total Levies	**1,631,255**	**1,631,255**	**0**

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

Statutory Calculations

1) It be noted that at its meeting on 20 January 2016, the Council calculated the number of **78,528.58** as its Council Tax base for 2016/17 in accordance with the Local Authorities (Calculation of Taxbase) Regulations;

2) The following amounts be now calculated by the Council for the year 2016/17 in accordance with the Local Government Finance Act 1992:

a. **£977,472,136** being the aggregate of the amounts which the Council estimates for gross expenditure, calculated in accordance with Section 32(2)A of the Act;

b. **£741,254,007** being the aggregate of the amounts which the Council estimates for income, calculated in accordance with Section 32(3)A of the Act;

c. **£236,218,129** being the amount by which the aggregate of 2(a) above exceeds the aggregate of 2(b) above, calculated by the Council, in accordance with Section 32A(4) of the Act, as its General Fund budget requirement for the year;

d. **£146,690,805** being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of the Settlement Funding Assessment.

e. **£89,527,324** being the residual amount required to be collected from Council Tax payers. This includes the surplus on the Council's Collection Fund of **£2,937,000.**

f. **£1,102.66** being the residual sum at (e) above (less the surplus on the Collection Fund), divided by the Council Tax base of **78,528.58** which is Lewisham's precept on the Collection Fund for 2016/17 at the level of Band D;

Band	Council Tax (LBL)
	£
A	735.11
B	857.62
C	980.14
D	**1,102.66**
E	1,347.69
F	1,592.73
G	1,837.76
H	2,205.32

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

3) It be noted that for the year 2016/17, the Greater London Authority is currently consulting on the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 (as amended), for each of the categories of dwellings shown below:-

Band	GLA Precept
	£
A	184.00
B	214.67
C	245.33
D	**276.00**
E	337.33
F	398.67
G	460.00
H	552.00

4) Having calculated the estimated aggregate amount in each case of the amounts at 2) (f) and 3) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, assumed the following amounts as the amounts of Council Tax for the year 2016/17 for each of the categories of dwellings shown below:-

Band	Total Council Tax (LBL & GLA)
	£
A	919.11
B	1,072.29
C	1,225.47
D	**1,378.66**
E	1,685.02
F	1,991.40
G	2,297.76
H	2,757.32

Appendix Y6: Making Fair Financial Decisions

Equality and Human Rights Commission

Making fair financial decisions

Guidance for decision-makers

3rd edition, January 2015

B **Introduction**

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

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

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

1B **What the law requires**

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

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

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

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

2B **Aim of this guide**

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

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

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

3B **The benefits of assessing the impact on equality**

By law, your assessments of impact on equality must:

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

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

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

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

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

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

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

• **Make your decisions based on evidence**: a decision which is informed by relevant local and national information about equality is a better quality decision.

Assessments of impact on equality provide a clear and systematic way to collect, assess and put forward relevant evidence.

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

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

4B **When should your assessments be carried out?**

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

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

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

5B **What should I be looking for in my assessments?**

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

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

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

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

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

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

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

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

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

• **What course of action does the assessment suggest that I take? Is it justifiable?**
The assessment should clearly identify the option(s) chosen, and their potential impacts, and document the reasons for this decision. There are four possible outcomes of an assessment of the impact on equality, and more than one may apply to a single proposal:

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

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

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

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

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

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

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

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

6B **What happens if you don't properly assess the impact on equality of relevant decisions?**

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

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

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

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

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

APPENDIX Z1: Interest Rate Forecasts 2016 - 2019

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

Annual Average %	Bank Rate %	PWLB Borrowing Rates % (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar 2016	0.50	2.00	3.40	3.20
Jun 2016	0.50	2.10	3.40	3.20
Sep 2016	0.50	2.20	3.50	3.30
Dec 2016	0.75	2.30	3.60	3.40
Mar 2017	0.75	2.40	3.70	3.50
Jun 2017	1.00	2.50	2.70	3.60
Sep 2017	1.00	2.60	3.80	3.70
Dec 2017	1.25	2.70	3.90	3.80
Mar 2018	1.25	2.80	4.00	3.90
Jun 2018	1.50	2.90	4.00	3.90
Sep 2018	1.50	3.00	4.10	4.00
Dec 2018	1.75	3.10	4.10	4.00
Mar 2019	1.75	3.20	4.10	4.00

APPENDIX Z2: Economic Background

The UK. Economy

Growth Performance

UK GDP growth rates of 2.2% in 2013 and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and although the 2015 growth rate is likely to be a leading rate in the G7 again, it looks likely to disappoint previous forecasts and come in at about 2%. Quarter 1 of 2015 was weak at +0.4%, although there was a short lived rebound in quarter 2 to +0.7% before it subsided again to +0.5% (+2.3% y/y) in quarter 3. The Bank of England's November Inflation Report included a forecast for growth to remain around 2.5% – 2.7% over the next three years. For this recovery, however, to become more balanced and sustainable in the longer term, it still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure.

Employment and wages

The strong growth since 2012 has resulted in unemployment falling quickly to a current level of 5.3%. The MPC has been particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of CPI inflation in order to underpin a sustainable recovery. It has, therefore, been encouraging in 2015 to see wage inflation rising significantly above CPI inflation which has been around zero since February.

Inflation

The November Inflation Report flagged up particular concerns for the potential impact of these factors on the UK. Bank of England Governor Mark Carney has set three criteria that need to be met before he would consider making a start on increasing Bank Rate. These criteria are patently not being met at the current time, (as he confirmed in a speech on 19 January):

- Quarter-on-quarter GDP growth is above 0.6% i.e. using up spare capacity. This condition was met in Q2 2015, but Q3 came up short and Q4 looks likely to also fall short.
- Core inflation (stripping out most of the effect of decreases in oil prices), registers a concerted increase towards the MPC's 2% target. This measure was on a steadily decreasing trend since mid-2014 until November 2015 @ 1.2%. December 2015 saw a slight increase to 1.4%.
- Unit wage costs are on a significant increasing trend. This would imply that spare capacity for increases in employment and productivity gains are being exhausted, and that further economic growth will fuel inflationary pressures.

There is considerable uncertainty around how quickly inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate. There are also concerns around the fact that the central banks of the UK and US currently have few monetary policy options left to them given that central rates are near to zero and huge QE is already in place. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon it was the biggest since February 2013. There are, therefore, arguments that they need to raise rates sooner, rather than later, so as to have some options available for use if there was another major financial crisis in the near future. But it is unlikely that either would raise rates until they are sure that growth was securely embedded and 'noflation' was not a significant threat.

The Eurozone

Growth and inflation

In the Eurozone, in January 2015 the ECB unleashed a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it was intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and looks as if it may maintain this pace in quarter 3. However, the recent downbeat Chinese and Japanese news has raised questions as to whether the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%.

Greece

During July, Greece finally capitulated to EU demands to implement a major programme of austerity. An €86bn third bailout package has since been agreed although it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the initial resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so a Greek exit from the euro may only have been delayed by this latest bailout.

USA

The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015, but then weakened again to 1.5% in quarter 3. The downbeat news in late August and in September about Chinese and Japanese growth and the knock on impact on emerging countries that are major suppliers of commodities, was cited as the main reason for the Fed's decision at its September meeting to pull back from a first rate increase. However, the nonfarm payrolls figure for growth in employment in October was very strong and, together with a likely perception by the Fed. that concerns on the international scene have subsided, has now firmly opened up the possibility of a first rate rise in December.

China

As for China, the Government has been very active during 2015 in implementing several stimulus measures to try to ensure the economy hits the growth target of 7% for the current year and to bring some stability after the major fall in the onshore Chinese stock market during the summer. Many commentators are concerned that recent growth figures could have been massaged to hide a downturn to a lower growth figure. There are also major concerns as to the creditworthiness of much of the bank lending to corporates and local government during the post 2008 credit expansion period. Overall, China is still expected to achieve a growth figure that the EU would be envious of. Nevertheless, concerns about whether the Chinese economy could be heading for a hard landing, and the volatility of the Chinese stock market, which was the precursor to falls in world financial markets in August and September, remain a concern.

Japan

Japan is causing considerable concern as the increase in sales tax in April 2014 suppressed consumer expenditure and growth. In Q2 2015 quarterly growth shrank by -0.3% after a short burst of strong growth of 1.0% during Q1. Japan has been hit hard by the downturn in China during 2015. This does not bode well for Japan as the Abe government has already fired its first two arrows to try to stimulate recovery and a rise in inflation from near zero, but has dithered about firing the third, deregulation of protected and inefficient areas of the economy.

Capita Asset Services Forward View

Economic forecasting remains difficult with so many external influences weighing on the UK. Capita Asset Services undertook its last review of interest rate forecasts on 19 January 2016. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data evolves over time. There is much volatility in rates and bond yields as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 4 of 2016.

The overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. At some future point in time, an increase in investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently to the downside, given the number of potential headwinds that could be growing on both the international and UK scene. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

APPENDIX Z3: Credit Worthiness Policy (Linked to Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management)

Annual investment strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

Specified investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating (AAA) by a credit rating agency.
5. A body that is considered of a high credit quality (such as a bank or building society

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. This criteria is as described below.

Non-Specified Investments: These are any investments which do not meet the specified investment criteria. The Council does not currently invest in non-specified investments. However, in the light of the continued predictions for low savings rates for some time to come, the Council is considering investing in pooled asset funds for periods of over one year. The Council will seek guidance on the status of any fund it may consider using. Appropriate due diligence will also be undertaken before investment of this type is undertaken.

This Council applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

These factors are weighted and combined with an overlay of Credit Default Swap CDS spreads. The end product is a series of ratings (colour coded) to indicate the relative creditworthiness of counterparties. These ratings are used by the Council to determine the suggested duration for investments.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	**Max % of total investments/ £ limit per institution**	**Max. maturity period**
DMADF – UK Government	N/A	100%	6 months
UK Government gilts	UK sovereign rating	£20m	1 year
UK Government Treasury bills	UK sovereign rating	£60m	6 months
Money market funds	AAA	£30m	Liquid
Local authorities	N/A	£10m	1 year
Term deposits with banks and building societies	Yellow* Purple Blue Orange Red Green No Colour	£30m £25m £40m £20m £15m £10m 0	Up to 2 years Up to 2 years Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	£40m £20m £15m £10m 0	Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use

Call accounts and notice accounts	Yellow* Purple Blue Orange Red Green No Colour	£30m £25m £40m £20m £15m £10m 0	Liquid
Pooled asset funds		£50m	At least 5 years

**for UK Government debt, or its equivalent, constant net asset value money market funds and collateralised deposits where the collateral is UK Government debt*

The monitoring of investment counterparties - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Capita Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Executive Director of Resources and Regeneration, and if required new counterparties which meet the criteria will be added to the list. Any fixed term investment held at the time of the downgrade will be left to mature as such investments cannot be broken mid term.

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

APPENDIX Z4: Approved countries for investments

This list is based on those countries which have sovereign ratings of AA- or higher and also, (except - at the time of writing - for Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Capita Asset Services credit worthiness service.

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- U.K.
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar

AA-

- Belgium

APPENDIX Z5: Requirement of the CIPFA Management Code of Practice

Treasury management scheme of delegation

(i) Full Council

- budget consideration and approval;
- approval of annual strategy.
- approval of/amendments to the organisation's treasury management policy statement

(ii) Public Accounts Committee

- receiving and reviewing reports on treasury management policies, practices and activities;

The treasury management role of the section 151 officer

The S151 (responsible) officer

- Recommending treasury management policy for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- approval of the division of responsibilities;
- approving the organisation's treasury management practices;