



Mayor and Cabinet

Date: 12 February 2020

Report title: 2020/21 Budget Update Report

Key decision: Yes

Class: Part 1

Ward(s) affected: All

Contributors: Acting Chief Finance Officer

Outline and recommendations

This report provides the Mayor with updates to the 2020/21 Budget Report, presented to Mayor and Cabinet on the 5 February 2020.

The purpose of this report is to finalise the 2020/21 budget for consideration by the Council on 26 February 2020.

The Mayor is asked to consider the recommendations listed in this report at section 2.

Timeline of engagement and decision-making

The 2020/21 Budget Report was presented to Mayor and Cabinet on the 5 February 2020.

REASONS FOR URGENCY AND LATENESS

Lateness: This report was not available for the original dispatch to ensure that any decisions taken by the Mayor & Cabinet on 5 February 2020 could be appropriately considered within this report.

Urgency: Given the significance of the financial constraints that the Council will face over the coming years, it is essential that the Mayor and his Cabinet are updated on any changes affecting the 2020/21 Budget prior to presenting it to full Council.

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

1. Summary

- 1.1. This report presents the Mayor with updates to the main 2020/21 Budget Report presented to Mayor and Cabinet on 5 February 2020, and seeks the Mayor's approval to finalise the recommended 2020/21 Budget for consideration and agreement by the Council on 26 February 2020.

2. Recommendations

- 2.1. That the Mayor:
- 2.2. Notes the changes to the 2020/21 to 2022/23 Capital programme and recommends that Council approves the 2020/21 to 2022/23 Capital Programme of £559.5m, as set out in section 5 of this report and attached at Appendix A;
- 2.3. Agrees to recommend to Council a Band D Council Tax for 2020/21 of £1,314.37 for the Council's element. This is an increase of 3.99% (including a social care precept of 2%), based on a General Fund Budget Requirement of £248.714m for 2020/21;

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

- 2.4. Notes and asks Council to note the Greater London Authority (GLA) precept being increased by £11.56 to £332.07 (Band D equivalent), a 3.6% increase from its 2019/20 level.
- 2.5. Notes and asks Council to approve an overall total Band D Council Tax for 2020/21 of £1,646.44, a 3.91% increase, to include the GLA precept;
- 2.6. Agrees to recommend to Council on 26 February 2020, the statutory calculation of the Budget Requirement for Lewisham for 2020/21, attached at Appendix B;
- 2.7. Agrees to recommend to Council on 26 February 2020, the motion on the budget, attached at Appendix C, including any modifications made to the proposals published in the 2020/21 Budget Report;
- 2.8. Notes the provisional and estimated precept and levies from the GLA and other bodies as detailed in Appendix D and delegates authority to the Acting Chief Finance Officer to include any changes to these in the report for Council;
- 2.9. Notes the final settlement figure for 2020/21 was announced on 06 February and confirmed as £123,149,204;
- 2.10. Notes that there was one response from Business Rate payers to the consultation on the draft Budget which took place from 15 January 2020 to 4 February 2020. Further information is provided in section 5 of this report;
- 2.11. Notes the revised 2020/21 to 2022/23 prudential borrowing numbers as laid out in tables six to nine.
- 2.12. Considers the Section 25 Statement from the Chief Finance Officer. This is attached at Appendix E.

3. Policy Context

- 3.1. The Council's strategy and priorities drive the Budget with changes in resource allocation determined in accordance with policies and strategy. The Council launched its new Corporate Strategy in 2019, with seven corporate priorities as stated below:

Corporate Priorities

- **Open Lewisham** - Lewisham will be a place where diversity and cultural heritage is recognised as a strength and is celebrated.
- **Tackling the housing crisis** - Everyone has a decent home that is secure and affordable.
- **Giving children and young people the best start in life** - Every child has access to an outstanding and inspiring education, and is given the support they need to keep them safe, well and able to achieve their full potential.
- **Building and inclusive local economy** - Everyone can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.
- **Delivering and defending health, social care and support** - Ensuring everyone receives the health, mental health, social care and support services they need.
- **Making Lewisham greener** - Everyone enjoys our green spaces, and benefits from a healthy environment as we work to protect and improve our local environment.
- **Building safer communities** - Every resident feels safe and secure living here as we work together towards a borough free from the fear of crime.

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

Values

- 3.2. Values are critical to the Council's role as an employer, regulator, and securer of services and steward of public funds. The Council's values shape interactions and behaviours across the organisational hierarchy, between officers, and members, between the council and partners and between the council and citizens. In taking forward the Council's Budget Strategy, we are guided by the Council's four core values:
- We put service to the public first.
 - We respect all people and all communities.
 - We invest in employees.
 - We are open, honest, and fair in all we do.

4. Background

- 4.1. The 2020/21 Budget Report was presented to Mayor and Cabinet on the 5 February. Since then, the council has received information that impacts the decisions officers have asked the Mayor to consider and recommend to council.
- 4.2. The purpose of this report is to finalise the 2020/21 budget for consideration by the Council on 26 February 2020.

5. Update on the Council's Current Financial Position

- 5.1. This report updates the main 2020/21 Budget Report through considering the following areas:-
- Capital Programme
 - Dedicated schools Grant and Pupil Premium
 - Revenue Budget and Funding Issues
 - The Greater London Authority (GLA) Precept
 - Final Level of Council Tax
 - The GLA Crossrail Business Rate Levy
 - Response to the Business Rate Payers consultation
 - Treasury Management

Capital programme

- 5.1 The Council has updated the cost of the Edward Street development to include a more realistic full cost of the scheme, an increase of £8.4m. The Capital Programme budget for 2020/21 to 2022/23 is now proposed at £559.6m, of which £194.4m is for 2020/21.

Proposed Capital Programme 2020/21 to 2022/23

- 5.2. The Council's proposed Capital Programme for 2020/21 to 2022/23 is currently £559.5m, as set out in Table 1:

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

Table 1: Proposed Capital Programme for 2020/21 to 2022/23

| | 19/20 | 20/21 | 21/22 | 22/23 | 3 Year Total |
|--|-------------|-------------|-------------|------------|--------------|
| | £m | £m | £m | £m | £m |
| General Fund | | | | | |
| Schools – Schools Places Programme | 7.0 | 10.5 | 4.1 | 1.5 | 16.1 |
| Schools – Minor Works Capital Programme | 3.8 | 0.1 | 0.0 | 0.0 | 0.1 |
| Schools – Other Capital works | 2.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Highways and Bridges – TFL | 3.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Highways and Bridges – LBL | 3.5 | 2.5 | 2.5 | 2.5 | 7.5 |
| Highways - Other | 1.4 | 0.8 | 0.0 | 0.0 | 0.8 |
| Catford Town Centre | 2.3 | 3.7 | 1.1 | 0.0 | 4.8 |
| Asset Management Programme | 2.7 | 1.7 | 2.0 | 2.5 | 6.2 |
| Broadway Theatre- Repairs & Refurbishment | 0.0 | 1.8 | 1.9 | 0.0 | 3.7 |
| Lewisham Library – Repairs & Refurbishment | 0.0 | 1.0 | 2.0 | 0.5 | 3.5 |
| Old Town Hall – Repairs & Refurbishment | 0.0 | 3.0 | 0.9 | 0.0 | 3.9 |
| Lewisham Homes – Property Acquisition | 0.0 | 3.0 | 0.0 | 0.0 | 3.0 |
| Disabled Facilities Grant | 1.2 | 1.6 | 0.0 | 0.0 | 1.6 |
| Private Sector Grants and Loans | 0.6 | 1.7 | 0.6 | 0.0 | 2.3 |
| Fleet Replacement Programme | 0.5 | 8.1 | 0.8 | 0.8 | 9.7 |
| Smart Working Programme | 2.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Edward St. Development | 0.1 | 9.0 | 8.4 | 0.0 | 17.4 |
| Residential Portfolio Acquisition | 45.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Achilles St. Development | 7.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Ladywell Leisure Centre Development site | 0.6 | 1.1 | 0.7 | 0.1 | 1.9 |
| Traveller’s Site Relocation | 0.0 | 2.1 | 1.7 | 0.0 | 3.8 |
| Beckenham Place Park | 3.0 | 0.6 | 0.0 | 0.0 | 0.6 |
| Other Schemes | 5.3 | 5.8 | 0.9 | 0.7 | 7.4 |
| | 93.1 | 58.1 | 27.6 | 8.6 | 94.3 |

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

| | | | | | |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|
| Housing Revenue Account | | | | | |
| Building for Lewisham Programme | 22.0 | 97.5 | 164.6 | 89.6 | 351.7 |
| HRA Capital Programme | 52.0 | 37.2 | 30.6 | 42.2 | 110.0 |
| Other Schemes | 2.0 | 1.6 | 0.9 | 1.0 | 3.5 |
| | 76.0 | 136.3 | 196.1 | 132.8 | 465.2 |
| Total Programme | 169.1 | 194.4 | 223.7 | 141.4 | 559.5 |

- 5.3. The resources available to finance the proposed Capital Programme are as set out in Table 2 below:

Table 2: Proposed Capital Programme Resources for 2020/21 to 2022/23

| | 19/20 | 20/21 | 21/22 | 22/23 | 3 Year Total |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| | £m | £m | £m | £m | £m |
| General Fund | | | | | |
| Prudential Borrowing | 48.6 | 19.9 | 5.6 | 0.0 | 25.5 |
| Grants and Contributions | 25.6 | 15.6 | 4.7 | 0.3 | 20.6 |
| Capital Receipts | 5.6 | 5.6 | 3.9 | 0.0 | 9.5 |
| Reserves / Revenue | 13.3 | 17.0 | 13.4 | 8.3 | 38.7 |
| | 93.1 | 58.1 | 27.6 | 8.6 | 94.3 |
| Housing Revenue Account | | | | | |
| Prudential Borrowing | 0.0 | 88.6 | 134.0 | 79.9 | 302.5 |
| Grants | 0.0 | 20.8 | 37.8 | 28.7 | 87.3 |
| Specific Capital Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reserves / Revenue | 76.0 | 26.9 | 24.3 | 24.2 | 75.4 |
| | 76.0 | 136.3 | 196.1 | 132.8 | 465.2 |
| Total Resources | 169.1 | 194.4 | 223.7 | 141.4 | 559.5 |

- 5.4. A table of major projects and a full list of changes to the Programme since last year's budget report are shown in Appendix A.

Dedicated Schools Grant and pupil Premium

- 5.5. It was reported in the main budget report that in conjunction with the Schools Forum and School representatives, Lewisham is currently working on a mitigation plan to ensure

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

that the current level of increase in High Needs spend remains managed within the overall funding envelope. To support this position, a disapplication request has been made to the DfE to consider using up to £2m of these funds for capital purposes to support the special provisions sufficiency place planning. It can now be reported that DfE approval has now been granted.

Revenue Budget and Funding Issues

Final Settlement Funding Assessment

- 5.6. The Ministry of Housing, Communities and Local Government announced the final settlement figures on 06 February.
- 5.7. The Council's Settlement Funding Assessment for 2020/21 remains the same as the figures published in the main Budget Report of the 5 February.

Overall Budget Position for 2020/21

- 5.8. This remains unchanged from the main Budget Report of 5 February. For 2020/21, the overall budget position for the Council is a General Fund Budget Requirement of £248.714m. The overall position is set out in Table 3 below.

Table 3: Overall Budget Position for 2020/21

| Detail | Expenditure/ (Income) £m | Expenditure/ (Income) £m |
|--|---|---|
| Settlement Funding Assessment (SFA) for 2020/21 | (123.149) | |
| Council Tax 2020/21 at 3.99% increase | (118.424) | |
| Deficit on Collection Fund | 0.359 | |
| Business Rates S31 and Growth | (7.500) | |
| Assumed Budget Requirement for 2020/21 | | (248.714) |
| Base Budget for 2020/21 | 243.012 | |
| Plus: Additional Pay inflation | 2.547 | |
| Plus: Non-pay Inflation | 2.500 | |
| Plus: Budget pressures to be funded from 19/20 fund | 6.500 | |
| Plus: Adult Social Care Precept | 2.278 | |
| Plus: Previous year's budget gap | 7.460 | |
| Plus: Contribution to reversed cuts | 1.026 | |
| Less: Approved cuts for 2020/20 | (16.609) | |
| Total | | 248.714 |

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

Levies

- 5.9. There are three bodies which charge a levy against Lewisham's Council Tax: the London Pensions Fund Authority (LPFA); the Environment Agency; and the Lee Valley Park Authority. No formal notification from these bodies has been received, and officers have estimated the levies and assumed no change. The details of these levies are provided in Appendix D. The Council's 'relevant basic' amount of Council Tax has been calculated and results in a 3.99% increase for 2020/21.

The Greater London Authority Precept

- 5.10. Following the announcement of the police grant settlement on the 22 January, the London Mayor revised his Band D council tax precept proposals for 2020/21. The proposed Band D precept in the 32 boroughs is now £332.07 – an £11.56 or 3.6% rise compared to 2019/20 (comprising an additional £10 for the Metropolitan police and £1.56 for the London Fire Brigade).
- 5.11. The final council tax figure will not be approved formally until after the London Assembly meeting on Monday 24 February – although it is not expected that these figures will change.

Final Level of Council Tax

- 5.12. Table 4 shows Lewisham's overall proposed Council Tax Calculation for 2020/21 and calculation of the Council Tax for Band D for 2020/21, based on the recommended budget requirement of £248.714m.

Table 4: Calculation of Council Tax Requirement and Band D based on spend of £248.714m for 2020/21

| | £ |
|---|--------------------|
| Assumed Budget Requirement for 2020/21 | 248,714,021 |
| Less: 2020/21 Revenue Support Grant | 27,995,906 |
| Less: 2020/21 Baseline Funding Level | 95,153,298 |
| Less: Section 31 Grant and Growth | 7,500,000 |
| Add: Deficit in collection fund | 359,000 |
| Council Tax requirement | 118,423,817 |
| Divide by: Council Tax Base | 90,099.3 |
| Council Tax for Lewisham Services (Band D) | 1,314.37 |
| GLA Precept (Band D) | 332.07 |
| Total recommended Council Tax Band D | 1,646.44 |

- 5.13. The final calculation of Council Tax for different Council Tax bands is shown in Table 5, based on the Band D calculated in Table 4.

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

Table 5: Council Tax for different Council Tax Bands in 2020/21

| Council Tax Band | Fraction | Lewisham Council Tax | GLA Precept | Total Council Tax |
|------------------|------------|----------------------|---------------|-------------------|
| | | £ | £ | £ |
| A | 6/9 | 876.24 | 221.38 | 1,097.62 |
| B | 7/9 | 1,022.29 | 258.28 | 1,280.57 |
| C | 8/9 | 1,168.33 | 295.17 | 1,463.50 |
| D | 9/9 | 1,314.37 | 332.07 | 1,646.44 |
| E | 11/9 | 1,606.45 | 405.86 | 2,012.31 |
| F | 13/9 | 1,898.53 | 479.66 | 2,378.19 |
| G | 15/9 | 2,190.61 | 553.45 | 2,744.06 |
| H | 18/9 | 2,628.74 | 664.14 | 3,292.88 |

Crossrail Business Rate Supplement Policies for 2020/21

- 5.14. In line with the provisions of section 18 of the Business Rate Supplements Act 2009 (the “BRS Act”) the Greater London Authority (GLA) has notified the Authority that it is levying a Business Rate Supplement for the 2020/21 financial year to finance its contribution to the Crossrail project (the “Crossrail BRS”).
- 5.15. For 2020/21 the Mayor of London is maintaining the rateable value condition (or threshold) for the BRS at £70,000 – the same level as in 2019/20. In other words only hereditaments on the local rating list in London with a rateable value above £70,000 will be liable for the BRS in 2020/21 subject to eligible reliefs. This is the same level as applied in 2019/20 and this threshold will be reviewed prior to the confirmation of the BRS policies for 2021-22 as a new rating list is expected to be introduced from 1 April 2021. The BRS multiplier also remains unchanged at 2p.
- 5.16. The GLA estimates that 350 hereditaments in Lewisham will be liable to pay the levy, which is approximately 5.8% of the total hereditaments in the borough and 0.7% of the total in London. This is expected to generate an income of £1.4m.

Business Ratepayers Consultation on the budget

- 5.17. The Council is required under the Local Government Finance Act 1992 to ensure that Business Ratepayers are consulted on the proposed budget. This is to allow businesses to review the changes in the budget for 2020/21 and respond with any comments that they may have.
- 5.18. The consultation ran from the 15 January to the 4 February 2020. There was one response.
- 5.19. The responder made the following comment:

“Overall I think all areas need to have a huge focus on environmental and sustainability improvements. Including radical changes in individual car use. This is something which affects everyone’s daily life and is an unnecessary (for most people) luxury in our borough. Zero funds should be spent which make life easier for car drivers (eg improved

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

parking etc) - rather disincentivise car use financially and invest in active travel. Road, street and community safety and well-being are very important for investment esp for the growing older people and child population.”

- 5.20. The responder also requested further information on what the budget would be spent on. For 2020/21, this information will be provided once the budget is approved by Council on the 26 February, and the budget book produced.

Treasury Management

- 5.21. The changes made to the 2020/21 to 2022/23 Capital Programme as detailed above have require a to change the treasury prudential indicators. This report presents an updated version of the 2020/21 to 2022/23 prudential indicators.

Prudential Indicators

- 5.22. The Council’s forward projections for borrowing as at 31 March 2020 are summarised below. Table 6 shows the actual external debt from Treasury Management operations against the underlying capital borrowing need (the Capital Financing Requirement - CFR) which is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council’s indebtedness, and its underlying borrowing need.
- 5.23. The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset’s life, and so charges the economic consumption of capital assets as they are used.
- 5.24. The CFR includes any other long-term liabilities such as Public Finance Initiative (PFI) or Public Private Partnership (PPP) liabilities. Whilst these increase the CFR and therefore the Council’s borrowing requirement, these types of scheme include a borrowing facility by the PFI or PPP provider and so the Council is not required to separately borrow for these schemes.
- 5.25. Changes in external debt represent upcoming loan maturities, projected prudential borrowing requirements, and an element of general fund borrowing to support the planned costs of new affordable housing.
- 5.26. The table below illustrates over/(under) borrowing relative to the CFR.

Table 6: External Debt Projections

| | 2018/19 Actual £m | 2019/20 Forecast £m | 2020/21 Forecast £m | 2021/22 Forecast £m | 2022/23 Forecast £m |
|----------------------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| External Debt at 1 April | 219.4 | 217.2 | 225.1 | 311.7 | 459.2 |
| Expected Change in External Debt | -2.2 | 7.9 | 86.6 | 147.5 | 78.8 |
| Other Long-Term Liabilities | 232.9 | 238.9 | 229.2 | 219.1 | 208.0 |
| Gross Debt at 31 March | 450.1 | 464.0 | 540.9 | 678.3 | 746.0 |
| Capital Financing | 491.4 | 552.4 | 632.5 | 757.3 | 820.5 |

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

| | 2018/19 Actual £m | 2019/20 Forecast £m | 2020/21 Forecast £m | 2021/22 Forecast £m | 2022/23 Forecast £m |
|-----------------------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Requirement at 31 March* | | | | | |
| Borrowing – over / (under) | -41.3 | -88.4 | -91.6 | -79.0 | -74.5 |

*The Capital Financing Requirement includes the prudential borrowing figures shown in Table 2 above

- 5.27. Within the prudential indicators, there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.
- 5.28. The Acting Chief Finance officer reports that the Council has complied with this prudential indicator in the current year to date and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report.

Limits to Borrowing Activity

- 5.29. There are two parameters of external debt, the ‘operational boundary’ and ‘authorised limit for external debt’, which the Council reports on as part of its Prudential indicators. Both are described in further detail in the following paragraphs.

The Operational Boundary for External Debt

- 5.30. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources. The Council’s operational boundary is set out in Table 7.

Table 7: Operational Boundary

| | 2019/20 £m | 2020/21 £m | 2021/22 £m | 2022/23 £m |
|--------------------------------------|---------------|---------------|---------------|---------------|
| Maximum External Debt at 31 March | 225.1 | 311.7 | 459.2 | 538.0 |
| Other Long-Term Liabilities | 238.9 | 229.2 | 219.1 | 208.0 |
| Operational Boundary for Year | 464.0 | 540.9 | 678.3 | 746.0 |

The Authorised Limit for External Debt

- 5.31. This key indicator represents a control on the maximum level of borrowing, and provides a limit beyond which external debt is prohibited. It reflects the level of external debt which, while not desired, could be afforded in the short term but is not sustainable in the longer term.
- 5.32. This is a statutory limit determined under Section 3(1) of the Local Government Act 2003, and needs to be set and revised by full Council. The Government retains an option

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised.

5.33. The authorised limits are as set out in Table 8.

Table 8: Authorised Limits for External Debt

| | 2019/20 £m | 2020/21 £m | 2021/22 £m | 2022/23 £m |
|--|---------------|---------------|---------------|---------------|
| Operational Boundary for Year | 464.0 | 540.9 | 678.3 | 746.0 |
| Provision for Non Receipt of Expected Income | 56.0 | 56.0 | 56.0 | 56.0 |
| Authorised Limit for Year | 520.0 | 596.9 | 734.3 | 802.0 |

5.34. The Council in previous years has been limited to a maximum HRA CFR through the HRA self-financing regime. In October 2018, the Government announced a policy change in the abolition of the HRA debt cap as at 29 October 2018. As a result, the HRA is now free to borrow (under Prudential rules) what it requires in order to deliver its strategic priorities. Table 9 sets out the latest forecasts of the HRA CFR and predicted future borrowing.

Table 9: HRA CFR

| | 2019/20 £m | 2020/21 £m | 2021/22 £m | 2022/23 £m |
|----------------------------|---------------|---------------|---------------|---------------|
| HRA Borrowing | 0.0 | 88.6 | 134.0 | 79.9 |
| HRA Debt (CFR) at 31 March | 57.5 | 146.1 | 280.1 | 360.0 |

6. Financial implications

6.1. This entire report is concerned with the Council's budget.

7. Legal implications

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

Capital Programme

7.2. Generally, only expenditure relating to tangible assets (e.g. roads, buildings or other structures, plant, machinery, apparatus and vehicles) can be regarded as capital expenditure. (Section 16 Local Government Act 2003 and regulations made under it).

7.3. The Local Government Act 2003 introduced a prudential system of financial control, replacing a system of credit approvals with a system whereby local authorities are free to borrow or invest so long as their capital spending plans are affordable, prudent, and sustainable. Authorities are required to determine and keep under review how much they can afford to borrow having regard to CIPFA's Prudential Code of Capital Finance in Local Authorities. The Code requires that in making borrowing and investment decisions,

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

the Council is to take account of affordability, prudence, and sustainability, value for money, stewardship of assets, service objectives, and practicality.

- 7.4. Section 11 Local Government Act 2003 allows for regulations to be made requiring an amount equal to the whole or any part of a capital receipt to be paid to the Secretary of State. Since April 2013, there has been no requirement to set aside capital receipts on housing land (SI2013/476). For right to buy receipts, the Council can retain 25% of the net receipt (after taking off transaction costs) and is then entitled to enter an agreement with the Secretary of State to fund replacement homes with the balance. Conditions on the use of the balance of the receipts are that spending has to happen within three years and that 70% of the funding needs to come from Council revenue or borrowing. If the funding is not used within three years, it has to be paid to the Ministry of Housing, Communities and Local Government, with interest.

Housing Revenue Account

- 7.5. Section 24 of the Housing Act 1985 provides that a local authority may make such reasonable charges as they determine for the tenancy or occupation of their houses. The Council must review rents from time to time and make such charges as circumstances require.
- 7.6. Under the Local Government and Housing Act 1989, the Council is obliged to maintain a separate HRA (Section 74) and by Section 76 must prevent a debit balance on that account. Rents must therefore be set to avoid such a debit.
- 7.7. By Schedule 4 of the same Act where benefits or amenities arising out of a housing authority functions are provided for persons housed by the authority but are shared by the community, the Authority must make such contribution to the HRA from their other revenues to properly reflect the community's share of the benefits/amenities.
- 7.8. The process for varying the terms of a secure tenancy is set out in Sections 102 and 103 of the Housing Act 1985. It requires the Council to serve notice of variation at least four weeks before the effective date; the provision of sufficient information to explain the variation; and an opportunity for the tenant to serve a Notice to Quit ending their tenancy.
- 7.9. Where the outcome of the rent setting process involves significant changes to housing management practice or policy, further consultation may be required with the tenants' affected in accordance with section 105 of the Housing Act 1985.
- 7.10. Part 7 of the Localism Act 2011 abolished HRA subsidy and moved to a system of self-financing in which Councils are allowed to keep the rents received locally to support their housing stock. Section 174 of the same Act provides for agreements between the Secretary of State and Councils to allow Councils not to have to pay a proportion of their capital receipts to the Secretary of State if he/she approves the purpose to which it would be put.

Balanced Budget

- 7.11. Members have a duty to ensure that the Council acts lawfully. It must set and maintain a balanced budget each year. The Council must take steps to deal with any projected overspends and identify cuts or other measures to bring the budget under control. If the Capital Programme is overspending, this may be brought back into line through cuts, slippage, or contributions from revenue. The proposals in this report are designed to

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

produce a balanced budget in 2020/21.

- 7.12. In this context, Members are reminded of their fiduciary duty to the Council Tax payer, effectively to act as trustee of the Council's resources and to ensure proper custodianship of Council funds.

An Annual Budget

- 7.13. By law, the setting of the Council's budget is an annual process. However, to enable meaningful planning, a number of cuts proposals for 2020/21 were anticipated in the course of the budget process. They were the subject of full report at that time and they are listed in Appendix Y1 and Appendix Y2 of the main report. This report is predicated on taking all of the agreed and proposed budget cuts. If not, any shortfall will have to be met through adjustments to the make-up of the annual budget in this report.
- 7.14. The body of the report refers to the various consultation exercises (for example with tenants' and business) which the Council has carried out/is carrying out in accordance with statutory requirements relating to this budget process. The Mayor must consider the outcome of that consultation with an open mind before reaching a decision about his final proposals to Council. It is noted that the outcome of consultation with business rate payers was available from the 4 February 2020 and any decisions about the Mayor's proposals on the budget are subject to consideration of that consultation response.

Referendum

- 7.15. Sections 72 of the Localism Act 2011 and Schedules 5 to 7 amended the provisions governing the calculation of Council Tax. They provide that if a Council seeks to impose a Council Tax increase in excess of limits fixed by the Secretary of State, then a Council Tax referendum must be held, the results of which are binding. The Council may not implement an increase which exceeds the Secretary of State's limits without holding the referendum. Were the Council to seek to exceed the threshold, substitute calculations which do not exceed the threshold would also have to be drawn up. These would apply in the event that the result of the referendum is not to approve the "excessive" rise in Council Tax. Attention is drawn to the statement of the Secretary of State that the Council may impose a precept of 2% on the Council Tax, ring-fenced for social care provision, and may impose an additional increase of less than 2% without the need for a referendum. The maximum proposed Council Tax increase is 3.99% and therefore below the combined limit.
- 7.16. In relation to each year the Council, as billing authority, must calculate the Council Tax requirement and basic amount of tax as set out in Section 31A and 31B of the Local Government Finance Act 1992. These statutory calculations appear Appendix B of this report.

Robustness of estimates and adequacy of reserves

- 7.17. Section 25 of the Local Government Act 2003 requires, when the authority is making its calculations under s31 of the Local Government Finance Act 1992, the Chief Finance Officer to report to it on:-
- (a) The robustness of the estimates made for the purposes of the Calculations; and
 - (b) The adequacy of the proposed financial reserves.
- 7.18. The Chief Financial Officer's section 25 statement is appended to this report at Appendix E.

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

Treasury Strategy

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

Constitutional provisions

- 7.22. Legislation provides that it is the responsibility of the full Council to set the Council's budget. Once the budget has been set, save for those decisions which he is precluded from, it is for the Mayor to make decisions in accordance with the statutory policy framework and that are not wholly inconsistent with the budget. It is for the Mayor to have overall responsibility for preparing the draft budget for submission to the Council to consider. If the Council does not accept the Mayor's proposals, it may object to them and ask him to reconsider. The Mayor must then reconsider and submit proposals (amended or unamended) back to the Council which may only overturn them by a two-thirds majority.
- 7.23. For these purposes the term "budget" means the "budget requirement (as provided for in the Local Government Finance Act 1992) all the components of the budgetary allocations to different services and projects, proposed taxation levels, contingency funds (reserves and balances) and any plan or strategy for the control of the local authority's borrowing or capital expenditure." (Chapter 2 statutory guidance).
- 7.24. Authorities are advised by the statutory guidance to adopt an inclusive approach to preparing the draft budget, to ensure that councillors in general have the opportunity to be involved in the process. However, it is clear that it is for the Mayor to take the lead in that process and proposals to be considered should come from him. The preparation of the proposals in this report has involved the Mayor and Cabinet, the Council's select committees and the Public Accounts Select Committee in particular, thereby complying with the statutory guidance.

Statutory duties and powers

- 7.25. The Council has a number of statutory duties which it must fulfil by law. It cannot lawfully decide not to carry out those duties. However, even where there is a statutory duty, the Council often has discretion about the level of service provision. Where a service is provided by virtue of a Council power rather than a duty, the Council is not bound to carry out those activities, though decisions about them must be taken in accordance with

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

the decision making requirements of administrative law.

Reasonableness and proper process

- 7.26. Decisions must be made reasonably taking into account all relevant considerations and ignoring irrelevancies. Members will see that in relation to the proposed budget cuts there is a summary at Appendices Y1 and Y2 of the main Budget report. If the Mayor decides that the budget for that service must be reduced, the Council's reorganisation procedure applies if staffing numbers would reduce. Staff consultation in accordance with that procedure will be conducted and in accordance with normal Council practice, the final decision would be made by the relevant Executive Director under delegated authority.
- 7.27. This is particular to the service reductions proposed and set out in Appendices Y1 and Y2 of the main Budget report. It is also imperative that decisions are taken following proper process. Depending on the particular service concerned, this may be set down in statute, though not all legal requirements are set down in legislation.
- 7.28. For example, depending on the service, there may need to be a need to consult with service users and/or others. The requirement to consult may arise by statute or there may be a legitimate expectation of consultation. A legitimate expectation will arise if a specific promise has been made to do something (for example as in the Lewisham Compact with the voluntary sector) or if it has become practice to consult on particular matters. Where there is a requirement to consult, any proposals in this report must remain proposals unless and until that consultation is complete and the responses have been brought back in a further report for consideration with an open mind before any decision is made.

Staff consultation

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

Best Value

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

Integration with health

- 7.31. Members are reminded that provisions under the Health and Social Care Act 2012 require local authorities in the exercise of their functions to have regard to the need to integrate their services with health.

8. Equalities implications

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

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

- 8.2. In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
- 8.3. The duty continues to be a “have regard duty”, and the weight to be attached to it is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations. Assessing the potential impact on equality of proposed changes to policies, procedures and practices is one of the key ways in which the Council can demonstrate that they have had ‘due regard’.
- 8.4. The Equality and Human Rights Commission issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with services and public functions. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at: <http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-act-codes-of-practice-and-technical-guidance/>
- 8.5. The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:
1. The essential guide to the public sector equality duty
 2. Meeting the equality duty in policy and decision-making
 3. Engagement and the equality duty
 4. Equality objectives and the equality duty
 5. Equality information and the equality duty
- 8.6. The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties, and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at: <http://www.equalityhumanrights.com/advice-and-guidance/public-sector-equality-duty/guidance-on-the-equality-duty/>
- 8.7. The EHRC has also issued Guidance entitled “Making Fair Financial Decisions”. It appears at Appendix Y8 of the main Budget Report and attention is drawn to its contents.
- 8.8. Assessing impact on equality is not an end to itself and it should be tailored to, and be proportionate to, the decision being made. Whether it is proportionate for the Council to conduct an Equalities Analysis Assessment of the impact on equality of a financial

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

decision or not depends on its relevance to the Authority's particular function and its likely impact on people from protected groups, including staff.

- 8.9. Where proposals are anticipated to have an impact on staffing levels, it will be subject to consultation as stipulated within the Council's Employment/Change Management policies, and services will be required to undertake an Equalities Analysis Assessment (EAA) as part of their restructuring process.
- 8.10. It is also important to note that the Council is subject to the Human Rights Act, and should therefore, also consider the potential impact their particular decisions could have on human rights. Where particular cuts have such implications, they are dealt with in relation to those particular reports. The equality considerations for the pressures to be funded in 2020/21, for example additional focus on recruitment, organisational development and reporting are positive with a focus on the Corporate Strategy priority to move the Council's workforce to better represent the Borough.

9. Climate change and environmental implications

- 9.1. Section 40 of the Natural Environment and Rural Communities Act 2006 states that: 'every public authority must, in exercising its functions, have regard, so far as is consistent with the proper exercise of those functions, to the purpose of conserving biodiversity'.
- 9.2. Overall there are limited changes to the budget structure and service funded either from agreed reductions or pressures funded. The environment considerations for any cuts were specifically considered as part of those proposals agreed by M&C. The environment considerations for the pressures to be funded in 2020/21, for example air quality, home energy, and healthier neighbourhood initiatives are positive.

10. Crime and disorder implications

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

11. Health and wellbeing implications

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

12. Background papers

- 12.1. 2020/21 Budget Report, Mayor and Cabinet 5 February 2020

13. Report author and contact

- 13.1. David Austin – Acting Chief Finance Officer david.austin@lewisham.gov.uk

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

APPENDIX A

(Appendix W1 in the main budget report)

2019/20 TO 2022/23 CAPITAL PROGRAMME - MAJOR PROJECTS

| Major Projects over £2m | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Total |
|--|--------------|--------------|--------------|--------------|--------------|
| | £m | £m | £m | £m | £m |
| GENERAL FUND | | | | | |
| Schools - School Places Programme | 7.0 | 10.5 | 4.1 | 1.5 | 23.1 |
| Schools – Minor Works Capital Programme | 3.8 | 0.1 | | | 3.9 |
| Schools - Other Capital Works | 2.1 | | | | 2.1 |
| Highways & Bridges - TfL | 3.4 | | | | 3.4 |
| Highways & Bridges - LBL | 3.5 | 2.5 | 2.5 | 2.5 | 11.0 |
| Highways – Others | 1.4 | 0.8 | | | 2.2 |
| Catford town centre | 2.3 | 3.7 | 1.1 | | 7.1 |
| Asset Management Programme | 2.7 | 1.7 | 2.0 | 2.5 | 8.9 |
| Broadway Theatre – Repairs & Refurbishment | 0.0 | 1.8 | 1.9 | 0.0 | 3.7 |
| Lewisham Library – Repairs & Refurbishment | 0.0 | 1.0 | 2.0 | 0.5 | 3.5 |
| Old Town Hall – Repairs & Refurbishment | 0.0 | 3.0 | 0.9 | 0.0 | 3.9 |
| Lewisham Homes – Property Acquisition | | 3.0 | | | 3.0 |
| Disabled Facilities Grant | 1.2 | 1.6 | | | 2.8 |
| Private Sector Grants and Loans | 0.6 | 1.7 | 0.6 | | 2.9 |
| Fleet Replacement Programme | 0.5 | 8.1 | 0.8 | 0.8 | 10.2 |
| Beckenham Place Park | 3.0 | 0.6 | | | 3.6 |
| Smart Working Programme | 2.7 | | | | 2.7 |
| Edward St. Development | 0.1 | 9.0 | 8.4 | | 17.5 |
| Residential Portfolio Acquisition | 45.7 | | | | 45.7 |
| Achilles St. Development | 7.2 | | | | 7.2 |
| Ladywell Leisure Centre Development Site | 0.6 | 1.1 | 0.7 | 0.1 | 2.5 |
| Traveller’s Site Relocation | 0.0 | 2.1 | 1.7 | | 3.8 |
| Other Schemes | 5.3 | 5.8 | 0.9 | 0.7 | 12.7 |
| | | | | | |
| | 93.1 | 58.1 | 27.6 | 8.6 | 187.4 |
| HOUSING REVENUE ACCOUNT | | | | | |
| Building for Lewisham Programme | 22.0 | 97.5 | 164.6 | 89.6 | 373.7 |
| HRA Capital Programme | 52.0 | 37.2 | 30.6 | 42.2 | 162.0 |
| Other Schemes | 2.0 | 1.6 | 0.9 | 1.0 | 5.5 |
| | | | | | |
| Total HRA | 76.0 | 136.3 | 196.1 | 132.8 | 541.2 |
| TOTAL PROGRAMME | 169.1 | 194.4 | 223.7 | 141.4 | 728.6 |

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

(APPENDIX W2 in the main budget report)

| PROPOSED CAPITAL PROGRAMME – ORIGINAL TO LATEST BUDGET | | | |
|---|--|--------------|---------------|
| | | | |
| | | Total | Total |
| | | £'000 | £'000 |
| GENERAL FUND | | | |
| | | | |
| Original Budget (19/20 Budget Report - 27 February 2019) | | | 72,718 |
| | | | |
| Underspends carried-forward from 2018/19 | | | 6,876 |
| New Schemes | | | |
| Residential Portfolio Acquisition - Hyde Housing | | 45,700 | |
| 19/20 Fleet Programme | | 7,798 | |
| Fleet Programme (20/21 - 22/23) | | 2,400 | |
| School Minor Works Programme 19/20 | | 3,299 | |
| Broadway Theatre - Repairs & Refurbishment | | 3,700 | |
| Lewisham Library - Repairs & Refurbishment | | 3,500 | |
| Old Town Hall - Repairs & Refurbishment | | 3,900 | |
| LIP Programme 19/20 | | 3,428 | |
| Ladywell Leisure Centre Development Site | | 2,550 | |
| 43 - 45 Bromley Road | | 755 | |
| Civic Suite - Repairs & Refurbishment | | 600 | |
| Chelwood Nursery Expansion | | 290 | |
| 9-19 Rushey Green Project | | 500 | |
| Wearside Depot - Changing Facilities | | 200 | |
| Acquisition of Homes in inner LHA Area | | 450 | |
| Brockley Rise Centre - Lift Modernisation Project | | 130 | |
| Brookmill Road Nature Reserve Environment Improvements | | 60 | |
| 19 Yeoman St. - Improvement works | | 52 | |
| Foster Memorial Park Improvements | | 46 | |
| Deptford Lounge - Toilet Refurbishment | | 48 | 79,406 |
| | | | |
| | | | |
| Variations to existing schemes | | | |
| Edward St. Development | | 8,375 | |
| Achilles St. Development | | 7,250 | |
| Disabled Facilities Grant | | 639 | |
| Watergate School | | 2,600 | |
| School Places Programme (19/20 - 22/23) | | 2,382 | |
| Travellers Site (Pool Court) | | 2,727 | |

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

| | | | |
|--------------------------------------|--|---------|----------------|
| Excalibur – Estate Regeneration | | 114 | |
| Highways – LBL | | (2,000) | |
| Pepy's Environmental | | (616) | |
| Asset Management Programme | | (500) | |
| Greystead Estate and Fairlawn School | | (375) | |
| Deptford Southern Sites Regen. | | 813 | |
| CPZ Programme | | 500 | |
| Mayow Road Housing Development | | 490 | |
| Beckenham Place Park | | 200 | |
| Heathside & Lethbridge | | 52 | |
| Stillness School Kitchen | | 44 | 22,695 |
| | | | |
| | | | |
| Rolling Programmes (22/23) | | | |
| Highways – LBL | | 2,500 | |
| Asset Management Programme | | 2,500 | |
| Tech Refresh | | 500 | |
| Cash Incentive Scheme | | 200 | 5,700 |
| | | | |
| | | | |
| Latest Budget | | | 187,395 |

HOUSING REVENUE ACCOUNT

| | | | |
|---|--|---------|----------------|
| Original Budget (2019/20 Budget Report - 27 February 2019) | | | 272,000 |
| | | | |
| | | | |
| Re - Phasing of Budgets (19/20 - 21/22) | | 136,430 | |
| 22/23 HRA Budgets | | 132,800 | 269,230 |
| | | | |
| | | | |
| Latest Budget | | | 541,230 |
| | | | |
| | | | |
| | | | |
| Revised Capital Programme Budget (2019/20 - 22/23) | | | 728,625 |

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

APPENDIX B

Statutory Calculations

- 1) It be noted that at its meeting on 22 January 2020, the Council calculated the number of **90,099.3** as its Council Tax base for 2020/21 in accordance with the Local Authorities (Calculation of Tax base) Regulations;
- 2) The following amounts be now calculated by the Council for the year 2020/21 in accordance with the Local Government Finance Act 1992:
 - a. **£1,253,975,043** 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. **£1,005,261,022** being the aggregate of the amounts which the Council estimates for income, calculated in accordance with Section 32(3)A of the Act;
 - c. **£248,714,021** 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. **£123,149,204** 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. **£7,500,000** being the aggregate of the sums which the Council estimates will be transferred into its general fund from reserves, in relation to part of the 2019/20 London Pilot Pool Growth, and S31 NNDR grant.
 - f. **£118,064,817** being the residual amount required to be collected from Council Tax payers. This includes a deficit on the Council's Collection Fund of £359,000.
 - g. **£1,314.37** being the residual sum at (f) above (adding the deficit on the Collection Fund), divided by the Council Tax base of **90,099.3** which is Lewisham's precept on the Collection Fund for 2020/21 at the level of Band D;

| Band | Council Tax (LBL) |
|-------------|--------------------------|
| | £ |
| A | 876.24 |
| B | 1,022.29 |
| C | 1,168.33 |
| D | 1,314.37 |
| E | 1,606.45 |
| F | 1,898.53 |
| G | 2,190.61 |
| H | 2,628.74 |

Being the amounts given by multiplying the amount at (g) 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

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

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 2020/21, 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 | 221.38 |
| B | 258.28 |
| C | 295.17 |
| D | 332.07 |
| E | 405.86 |
| F | 479.66 |
| G | 553.45 |
| H | 664.14 |

4) Having calculated the estimated aggregate amount in each case of the amounts at 2) (g) and 3) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, assumed the following amounts as the amounts of Council Tax for the year 2020/21 for each of the categories of dwellings shown below:-

| Band | Total Council Tax (LBL & GLA) |
|-------------|--|
| | £ |
| A | 1,097.62 |
| B | 1,280.57 |
| C | 1,463.50 |
| D | 1,646.44 |
| E | 2,012.31 |
| F | 2,378.19 |
| G | 2,744.06 |
| H | 3,292.88 |

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

APPENDIX C

Motion for the Mayor to Recommend to Council

Having considered:

- (i) an officer report, the comments of the Public Accounts Select Committee of 4 February 2020, and a presentation from the Cabinet Member for Resources;
- (ii) the views of those consulted on the budget as required and subject to proper process and consultation;

The Mayor, from the options available, is asked to recommend that Council:

Capital Programme

- 1.1 notes the 2019/20 Quarter 3 Capital Programme monitoring position and the Capital Programme potential future schemes and resources as set out in section 5 of this report;
- 1.2 notes the significant proposed rise in prudential borrowing of more than £300m by 2020/23, primarily to fund the Building for Lewisham programme capital plans;
- 3.1 recommends that Council approves the 2020/21 to 2022/23 Capital Programme of £559.5m, as set out in section 5 of this report and attached at Appendices W1 and W2;

Housing Revenue Account

- 1.3 notes the consultation report on service charges to tenants' and leaseholders in the Brockley area, presented to area panel members on 12 November 2019, as attached at Appendix X2;
- 1.4 notes the consultation report on service charges to tenants' and leaseholders and the Lewisham Homes budget strategy presented to area panel members on 17 December 2019 as attached at Appendix X3;
- 1.5 sets an increase in dwelling rents of 2.7% (an average of £2.56 per week) – as per the formula rent calculations outlined in section 6 of this report;
- 1.6 sets an increase in the hostels accommodation charge by 2.7% (or £0.94 per week), in accordance with formula rent calculations;
- 1.7 approves the following average weekly increases/decreases for dwellings for:
 - 1.7.1 service charges to non-Lewisham Homes managed dwellings (Brockley);

| | | |
|-------------------------|-------|---------|
| • caretaking | 3.40% | (£0.13) |
| • grounds | 3.40% | (£0.11) |
| • communal lighting | 3.40% | (£0.02) |
| • bulk waste collection | 3.40% | (£0.05) |
| • window cleaning | 3.40% | (£0.00) |
| • tenants' levy | 0% | (£0.00) |
 - 1.7.2 service charges to Lewisham Homes managed dwellings:

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

- caretaking 5.58% (£0.33)
- grounds 3.80% (£0.09)
- window cleaning 0% (£0.00)
- communal lighting -3.94% -(£0.05)
- block pest control 7.93% (£0.13)
- waste collection -42.04% -(£0.22)
- heating & hot water -0.39% -(£0.04)
- tenants' levy 0% (£0.00)
- bulk waste disposal 1.35% (£0.01)
- sheltered housing 1.00% (£0.24)

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

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

1.9 approves an increase in garage rents by 2.4% (£0.38 per week) for Brockley and Lewisham Homes residents;

1.10 notes that the budgeted expenditure for the Housing Revenue Account (HRA) for 2020/21 is £225.8m, split £89.4m revenue and £136.4m capital, which includes the decent homes and new build programmes;

1.11 agrees the HRA budget strategy cut proposals in order to achieve a balanced budget in 2020/21, as attached at Appendix X1;

1.12 agrees to write off five cases of Former Tenants' Arrears as set out in section 6 and Appendix X7, totalling £60,307.22;

Dedicated Schools Grant and Pupil Premium

1.13 agrees and recommends that Council agrees, subject to final confirmation of the allocation, that the provisional Dedicated Schools Grant allocation of £ 212.135m be the Schools' Budget (Schools Block) for 2020/21.

1.14 notes that the funding in respect of each of the blocks continues to be based on the National Funding Formula. A "soft formula" remains in place for the Schools Block for 2020/21, however Lewisham Council has agreed to mirror the principles of the National Funding Formula to distribute the Schools Budget Share.

1.15 agrees and asks Council to agree that Minimum Funding Guarantee for the schools block be set at a plus 1.84% for 2020/21 as supported by Schools Forum;

1.16 notes a reduction in the Central Services Schools Block (CSSB) of £0.776m to £4.645m, previously committed to support additional high needs costs;

1.17 notes a provisional increase in the High Needs Block of £4.213m, effectively reduced to a net increase of £3.438m when offset by the CSSB reduction.

1.18 to note that schools have raised concern with Lewisham Council, as to the "cost pressures" arising from large numbers of Special Education Needs (SEN) support and Education Health Care Plans (EHCP) and that Schools Forum have agreed:

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

- additional funded support for Schools with outlier number of EHCP greater than 3%. It is anticipated that this will affect around eight schools.
 - SEN team to progress pilot working with schools to develop agreed process and strategy for pupils with SEN support who do not have EHCP.
- 1.19 notes and asks Council to note a small increase of £16k to the Central Services from the Schools Block component of the DSG for demand led statutory services.
- 1.20 notes and asks Council to note that the Early Years Block position is provisional pending January 2019 and 2020 pupil counts; and to further note that within the supplementary funding for Nursery Schools (determined within the Early Years Block) will continue for 2020/21 with an increase of £0.339m.
- 1.21 notes and asks Council to note the Department for Education (DfE) has confirmed that the Lewisham hourly rate per pupil for 3 and 4 year olds will increase from £5.62, to £5.70 (i.e. 8p per hour from 2020/21). The hourly rate for 2 year olds will also increase by 8p. Schools Forum has approved the split broadly at 50% to 50% to support deprivation and inclusion;
- 1.22 notes and asks Council to note the Pupil Premium Funding rates for 2020/21 will remain at current levels, set in 2017/18, thereby resulting in a further real term reduction;
- 1.23 notes and asks Council to note that the 2020/21 pupil premium allocation will be confirmed pending the January 2020 census.

General Fund Revenue Budget

- 1.24 notes and asks Council to note the projected overall variance of £5.4m (or 2%) against the agreed 2019/20 revenue budget of £243.012m as set out in section 8 of this report and that any year-end overspend will be met from corporate reserves and provisions;
- 1.25 endorses and asks Council to endorse the budget cut proposals of £16.6m as per the Mayor and Cabinet meetings of the 21 November 2018, and 30 October 2019, as set out in section 9 of the report and summarised in Appendix Y1;
- 1.26 agrees and asks Council to agree the allocation of £6.500m in 2020/21 be set aside for corporate risks and pressures;
- 1.27 agrees and asks Council to agree the allocation of £23.528m of corporate risks and pressures, social care precept, new homes bonus, and social care grant in 2020/21 to be invested in funding quantified budget pressures and opportunities;
- 1.28 agrees to recommend to Council that a General Fund Budget Requirement of £248.714m for 2020/21 be approved;
- 1.29 asks Council to agree to a 3.99% increase in Lewisham's Council Tax element. This will result in a Band D equivalent Council Tax level of £1,314.37 for Lewisham's services and £1,646.44 overall. This represents an overall increase in Council Tax for 2020/21 of 3.59% and is subject to the GLA precept for 2020/21 being increased by £11.56 (i.e. 3.6%) from £320.51 to £332.07, in line with the GLA's draft budget proposals;
- 1.30 notes and asks Council to note the Council Tax Ready Reckoner which for illustrative purposes sets out the Band D equivalent Council Tax at various levels of increase. This is explained in section 8 of the report and is set out in more detail in Appendix Y3;
- 1.31 asks that the Acting Chief Finance Officer issues cash limits to all Directorates once the 2020/21 Revenue Budget is agreed;
- 1.32 approves the Acting Chief Finance Officer's Section 25 Statement at Appendix Y4;
- 1.33 agrees and asks Council to agree the draft statutory calculations for 2020/21 as set out at Appendix Y5;

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

- 1.34 notes and asks Council to note the prospects for the revenue budget for 2021/22 and future years as set out in section 9;
- 1.35 agrees and asks officers to continue to develop firm proposals to redesign and transform services and bring them forward in good time to support the work towards a cuts round to help plan early and meet the future forecast budget shortfalls;
- 1.36 notes and endorses the Council's continuing participation in the London Business Rates Pool, as approved on the 17 January 2018, for 2020/21.

Other Grants (within the General Fund)

- 1.37 notes and asks Council to note the adjustments to and impact of various specific grants for 2020/21 on the General Fund as set out in section 10 of this report;

Treasury Management Strategy

- 1.38 approves and recommends that Council approves the prudential indicators and treasury indicators, as set out in section 11 of this report;
- 1.39 approves and recommends that Council approves the Annual Investment Strategy and Credit Worthiness Policy, set out in further detail at Appendix Z2;
- 1.40 approves and recommends that Council approves the Capital Strategy 2020/21, set out in further detail at Appendix Z5;
- 1.41 approves and recommends that Council approves the Minimum Revenue Provision (MRP) policy as set out in section 11 of this report;
- 1.42 agrees and recommends that Council agrees to delegate to the Acting Chief Finance Officer authority during 2020/21 to make amendments to borrowing and investment limits provided they are consistent with the strategy and there is no change to the Council's authorised limit for borrowing;
- 1.43 approves and recommends that Council approves the credit and counterparty risk management criteria, as set out at Appendix Z2, the proposed countries for investment at Appendix Z3, and that it formally delegates responsibility for managing transactions with those institutions which meet the criteria to the Acting Chief Finance Officer; and
- 1.44 approves and recommends that Council approves a minimum sovereign rating of AA-.

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

APPENDIX D

Relevant Amounts of Council Tax and Levies

To date, Lewisham has not received formal notification from its levy bodies for 2020/21. A zero percent increase has therefore been assumed. An updated position will be provided in the Council report.

Council Tax and Levies

| 'Relevant Basic' Amount of Council Tax | 2019/20 | 2020/21 |
|--|----------------|----------------|
| | | |
| Council Tax Base | 88,405.1 | 90,099.3 |
| Council Tax Requirement with Levy (£) | 111,738,742 | 118,423,817 |
| Basic Amount of Council Tax (£) | 1,263.94 | 1,314.37 |
| Increase in basic amount of Council Tax (%) | 4.99% | 3.99% |

| Levy bodies for Lewisham | 2019/20 £ | 2020/21 £ | Change £ |
|---------------------------------|----------------------|----------------------|---------------------|
| LPFA | 1,288,308 | 1,288,308 | 0 |
| Lee Valley Regional Park | 210,078 | 210,078 | 0 |
| Environment Agency | 201,262 | 201,262 | 0 |
| Total Levies | 1,699,648 | 1,699,648 | 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).

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

APPENDIX E

APPENDIX Y4: Chief Financial Officer's Section 25 Statement

1. This statement makes reference to the 2020/21 Budget Report to Mayor & Cabinet circulated to all Members.
2. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (CFO) to report to an authority when it is making the statutory calculations required to determine its Council Tax. The Authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates, included in the budget and the adequacy of the reserves, for which the budget provides. This Statement also reflects the requirements of CIPFA's current Local Authority Accounting Panel (LAAP) Bulletin 99 on 'Local Authority Reserves and Balances'.
3. Section 114 of the Local Government Act 1988, requires the CFO to issue a report to all the Local Authority members to be made by that officer, in consultation with the monitoring officer and head of paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget.

Generally

4. The Council has already made cuts from its annual revenue budget of over £180m since 2010. The Medium Term Financial Strategy (MTFS) was reported to Mayor & Cabinet in June 2019. This set out that an estimated £22m of cuts required by 2020/21. To date saving proposals for £16.6m have been presented for scrutiny and agreed by Mayor & Cabinet for 2020/21.
5. The final Local Government Finance Settlement was announced on the 6 February 2020 as a one year settlement. The settlement was positive compared to the MTFS assumptions. As a result the cuts of £16.6m agreed for 2020/21 are sufficient to set a balanced budget for the year, without the need to use reserves.
6. The Council has prepared forecasts beyond 2020/21 to 2023/24. However, these are tentative at this stage as they are be subject to, amongst other things, the results of the next Comprehensive Spending Review, results of the delayed Fair Funding Review, any changes to the business rates regime, and possible changes to health and social care governance and funding arrangements. From the government's financial forecasts and outlook, further reductions to local government funding are to be expected into at least the mid 2020s.
7. The Council continues to take a prudent approach towards financial planning. During these times, the Council will need to weigh up the need to hold reserves and balances against the increased risk to delivery of the budget if services are not transformed so that they are managed within the resources available.
8. The report discusses the use of once-off reserves and balances when considering the in-year financial position, service change opportunities, and cuts requirements to enable members to set a balanced budget. In particular the plan to allocate £4.5m for a three year programme of culture change and service transformation work led by the Chief Executive.
9. This balance of risk and reserves is ever more important for the Council looking to future years as a number of fundamental changes are proposed to the way in which local government will be financed. The emphasis of these changes is focused on local authorities becoming more self-sufficient and less reliant on central government grant.

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

10. For 2020/21 there is also the uncertainty and related risks arising following the withdrawal of the UK from the European Union and the end of the current transition period at the end of December 2020.

Budget Risks

11. During 2019/20 there have been a number of pressures which have continued due to increasing demographics and legislative changes. For example; demand and costs of children social care, transport costs, and waste disposal costs. Consideration is given in the report to the management and funding of these risks. It is also to be noted that going into a second decade of year on year cuts, the proposals to save money have necessarily become more ambitious, more risky, and carry a higher level of uncertainty about the exact timing and value they will deliver. Increasingly so where the budget is assuming more income, rather than lower costs, as this activity is more variable.
12. For 2020/21 the budget sets out the significant capital plans and related borrowing requirements to deliver the large Building for Lewisham programme focused on providing need social housing supply in the borough. These plans, their scale, and the complexity of delivering such a programme add significant new risk to the Council's finances.
13. These risks are discussed in more detail in the budget report. In respect of the capital works these are managed scheme by scheme. Officers review required funding (be it from capital receipts, grant support, or borrowing) quarterly. The most recent review was in November 2019 and updated projections are reported regularly to Mayor & Cabinet.
14. In setting this budget, the Council will maintain a level of corporate balances and reserves which should be adequate to deal with any risk associated with the delivery of this budget. The Chief Financial Officer recommends that the un-earmarked reserves are held at the current level of £20.0m. Should the need arise to call upon these reserves during the year, consideration should be given to replenish them as soon as possible.
15. In addition, the Council held Specific Earmarked Reserves which totalled £57m at the end of March 2019 (£70m at March 2018). These funds are earmarked for various future planned spending and to undertake one-off projects or work that does not happen every year. Examples include, the transformation fund, redundancy provisions, elections, replacement of obsolete equipment and contractual claims that may become due (e.g. dilapidations that may become payable on properties we lease from the private sector to provide housing).
16. The 2020/21 budget pressures have been outlined in the main budget report. These include a range of pressures, some of which cannot be quantified at this stage, and include: demographic and market pressures for children and adult services; unachieved cuts; and further potential changes to funding as a result of government legislation and reform. For those that are quantified, funding including the social care precept, contributions of £19m are proposed to be allocated to service budgets. These funds will be transferred to the Directorate budgets at the start of the year. For 2020/21 no specific growth or pressures balance will be held corporately to meet pressures should they emerge during the year. Any such, in year pressures will present as a call on once-off resources until management action or funding as part of the following year's budget is identified to address the pressure.

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

Budget assumptions

Inflation

17. For financial planning purposes in the budget, the Council anticipates an average inflation of 2.5% per annum for non-pay costs and 2% for pay costs, which equates to approximately £5.1m for both pay and non-pay costs.
18. Moving forward, officers will need to closely monitor inflationary pressure on contracts, which in many cases, continue to outstrip the current level of Consumer Prices Index (CPI) inflation. In particular, this applies to those areas which are viewed as being particularly sensitive to contract price changes. For example; Adult Social Care, Leisure and Waste services, or long term fixed rate contracts such as the range of PFI contracts which the Council is currently engaged with.

Cuts

Identifying cuts

19. The Council continues to look at reshaping the Council over the medium term. Going into the second decade of year on year spending reductions, even greater innovation, focus on the customer, and collaborative working is required to redesign services and deliver cuts. This whilst attempting to minimise the impacts on residents and customers reliant on Lewisham Council services.
20. The Council operates officer Star chambers to identify and challenge the development of cuts proposals and change priorities. This was overseen by Cabinet scrutiny and reviews of each service area. A similar approach is proposed for 2020/21, looking in detail at least three years ahead to allow good time to prepare and implement proposals. This work will also be aligned to and guided by the culture change and service transformation plans.

Implementing cuts

22. There is a risk that one or more budget cuts, in full or in part, may not be delivered on time in the year. The Council operates financial management on the principle of devolved responsibility for budgets to managers in Directorates. This is managed through the monthly budget monitoring process with quarterly updates provided in the budget monitoring reports for members. The extent to which any anticipated cuts are not delivered adds to future pressures, as noted with the £5.4m forecast Directorate overspend for 2019/20.

Budget control

23. Going forward into 2020/21 the Council will continue to maintain its systems for monitoring expenditure and controlling expenditure through Directorate cash limits.
24. During 2019/20 instructions to budget managers were re-affirmed to ensure tight spending on budgets and focus on ensuring the Council's budget position remains within budget at the year-end. However, throughout the year the Council has forecast a persistent overspending position. The forecast outturn position for the year at December 2019 was an overspend of £5.4m. Any overspend at the end of the financial year will have to be met from once off resources.

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>

25. For 2020/21, the budget holders within Directorates will be requested to endorse their cash limits at the start of the financial year and provide confirmation of an ability to deliver their services within the agreed allocated resources.
26. Given the forecast outturn position in 2019/20, the level of cuts required for 2020/21, the pressures and investment funded, and the anticipated significant level of cuts required in the years beyond; it remains important to monitor the progress being made in implementing these cuts throughout the year.

Conclusion

27. The Council has an established and mature approach for producing and maintaining its annual budget. Its financial plans and strategies have contributed to the achievement of the Council's corporate objectives to date. However, anticipated continuing public sector funding reductions in the face of demographic growth and rising demand for services increases the uncertainty on managing future financial pressures within the available resources.
28. 2019/20 concluded a decade of year on year cuts and these reductions continue. The measures taken to date have, in the main, been successful. However, the identification and implementation of cuts is becoming more challenging and taking longer to achieve. This pressure is expected to continue and tight control will need to be exercised over the budget for 2020/21 given the level of risk the Council faces and is taking on through the capital programme. As well as managing within budget, attention also needs to continue to be focussed on the culture change and service transformation work to underpin identifying the cuts necessary to achieve a balanced budget in future years.
29. Should the Council find itself in a position where it does not have the resources to meet expenditure this would lead to the consideration of a Section 114 notice. Whilst the Council does currently have adequate reserves and an established financial management regime, the budget preparation for both the short and medium term must remain a priority to manage this risk.

David Austin – Director of Corporate Resources
(Acting) Chief Financial Officer – Section 151
February 2020

Is this report easy to understand?

Please give us feedback so we can improve.

Go to <https://lewisham.gov.uk/contact-us/send-us-feedback-on-our-reports>