



Mayor and Cabinet

Report title: 2020/21 Budget Report

Date: 05 February 2020

Key decision: Yes

Class: Part 1

Ward(s) affected: All

Contributors: Acting Chief Finance Officer

Outline and recommendations

The purpose of this report is to set out the overall financial position of the Council in relation to 2019/20 and to set the Budget for 2020/21. This report allows the Council Tax to be agreed and housing rents to be set for 2020/21. It sets the Capital Programme for the next three years and the Council's Treasury Strategy for 2020/21.

The report also provides summary information on the revenue budget cut proposals that were presented at Mayor & Cabinet on the 21 November 2018 and the 30 October 2019 for implementation in 2020/21. The approval and successful delivery of these cuts is required in order to help balance the budget for 2020/21 and prepare to address the budget requirement for 2021/22.

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

Timeline of engagement and decision-making

The 2020/21 Revenue Budget cuts were approved by Mayor and Cabinet on the 21 November 2018 and the 30 October 2019.

The Council Tax Base was approved by Council on the 22 January 2020,

1. Summary

1.1 This report sets out the context and range of budget assumptions which Council is required to agree to enable it set a balanced budget for 2020/21. These include the following:

1.2 Capital

- The proposed Capital Programme (General Fund and Housing Revenue Account) budget for 2020/21 to 2022/23 of £551.2m, of which £194.4m is for 2020/21;

1.3 Housing

- A proposed rent increase of 2.7% (an average of £2.56 per week) in respect of dwelling rents, 2.7% (average £0.94 per week) in respect of hostels, and a range of other proposed changes to service charges. The proposed annual expenditure for the Housing Revenue Account is £225.8m, including the capital and new build programme, for 2020/21;

1.4 Schools

- Schools Funding - The provisional 2020/21 Dedicated Schools Grant allocation is £297.4m based on an uplift of £1.84% for Primary and Secondary Schools. With falling rolls and pay inflation this represents a real term reduction for schools.
- Special Needs Funding - Net increase in High Needs Block of £3.4m for 2020/21 following additional funding for 2020/21 from government.
- Early Years Funding - Increase of 8p per hour in the funding for two to four year olds, and supplementary funding to support the two Lewisham nursery schools will continue for 2020/21 at the current level.
- Pupil Premium - funding rates will remain the same as at present and the final allocation will be advised following the 2020 January Census. For reference the allocation for 2019/20 fell to £12.1m

1.5 General Fund

- In respect of the General Fund, the assumed net revenue expenditure budget is £248.714m. This is made up of provisional Settlement Funding from government of £123.149m (revenue support grant and business rates), forecast Council Tax receipts including an increase in Council Tax of 3.99%, a surplus from growth in the Council Tax base and on collection of Council Tax in previous years from the

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Collection Fund, and additional income from Business Rates including a share of the growth from the pilot London Business Rates Pool.

- The changes to the prior year General Fund position to meet the 2020/21 net revenue budget of £248.714m are proposed on the basis of the following assumptions:
 - £16.609m of revenue budget cuts have been agreed for 2020/21;
 - £6.500m of corporate budget for risks and pressures in 2020/21, of which it is being recommended that the full £6.500m of specific identified budget pressures be funded from the start of the year;
 - An assumed 3.99% increase in Band D Council Tax for Lewisham's services for 2020/21; including the 1.99% increase in the core Council Tax as announced in the provisional Local Government Finance Settlement and 2% increase for the Social Care precept.

1.6 Grants

- In addition to the Public Health grant, the Council will continue to receive the other main grants - New Homes Bonus, Better Care Fund, improved Better Care Fund (including winter pressures), and Social Care Grant as part of the one year settlement for 2020/21.

1.7 Medium Term Financial Outlook

- The report looks to the medium term financial outlook and notes the prospects for the budget in 2021/22, cuts required, and the continued work by officers to meet identified potential budget shortfalls in future years. These are estimated at circa £40m over the following three years, 2021/22 and 2023/24. The report provides an update on the Government's review of relative needs and resources which now has the revised later implementation date of 1 April 2021.

1.8 Treasury

- The report updates the Council's Treasury Management Strategy for both borrowing and investments. The proposed approach and levels of risk the Council takes in its Treasury functions remain broadly the same as last year, and officers continue to explore alternative investment options and further opportunities to undertake debt restructuring in order to reduce balance sheet risk and best fund the capital plans set out.

1.9 Fees and Charges

- This report also presents the 2020/21 proposed fees and charges and related annual increase for the majority of chargeable services.

2. **Recommendations**

- 2.1 It is recommended that the Mayor considers the comments of the Public Accounts Select Committee of 4 February 2020 and notes that Mayor and Cabinet decisions on the budget report will then be taken formerly with the budget update report on the 12 February.
- 2.2 That, having considered the views of those consulted on the budget, and subject to consideration of the outcome of consultation with business ratepayers and subject to proper process, as required, the Mayor:

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Capital Programme

- 2.3 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;
- 2.4 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;
- 2.5 recommends that Council approves the 2020/21 to 2022/23 Capital Programme of £551.2m, as set out in section 5 of this report and attached at Appendices W1 and W2;

Housing Revenue Account

- 2.6 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;
- 2.7 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;
- 2.8 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;
- 2.9 sets an increase in the hostels accommodation charge by 2.7% (or £0.94 per week), in accordance with formula rent calculations;
- 2.10 approves the following average weekly increases/decreases for dwellings for:

2.10.1 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)

2.10.2 service charges to Lewisham Homes managed dwellings:

• 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)

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- 2.11 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
- 2.12 approves an increase in garage rents by 2.4% (£0.38 per week) for Brockley and Lewisham Homes residents;
- 2.13 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;
- 2.14 agrees the HRA budget strategy cut proposals in order to achieve a balanced budget in 2020/21, as attached at Appendix X1;
- 2.15 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

- 2.16 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.
- 2.17 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.
- 2.18 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;
- 2.19 notes a reduction in the Central Services Schools Block (CSSB) of £0.776m to £4.645m, previously committed to support additional high needs costs;
- 2.20 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.
- 2.21 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:
- 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.
- 2.22 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.
- 2.23 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.
- 2.24 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

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- by 8p. Schools Forum has approved the split broadly at 50% to 50% to support deprivation and inclusion;
- 2.25 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;
- 2.26 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

- 2.27 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;
- 2.28 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 8 of the report and summarised in Appendix Y1;
- 2.29 agrees and asks Council to agree the allocation of £6.500m in 2020/21 be set aside for corporate risks and pressures;
- 2.30 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;
- 2.31 agrees to recommend to Council that a General Fund Budget Requirement of £248.714m for 2020/21 be approved;
- 2.32 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 £1,641.29 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 £6.41 (i.e. 1.99%) from £320.51 to £326.92, in line with the GLA's draft budget proposals;
- 2.33 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;
- 2.34 asks that the Acting Chief Finance Officer issues cash limits to all Directorates once the 2020/21 Revenue Budget is agreed;
- 2.35 notes that the Acting Chief Finance Officer's Section 25 Statement will be presented in the Budget Update Report on the 13 February 2019 for approval;
- 2.36 agrees and asks Council to agree the draft statutory calculations for 2020/21 as set out at Appendix Y5;
- 2.37 notes and asks Council to note the prospects for the revenue budget for 2021/22 and future years as set out in section 9;
- 2.38 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;
- 2.39 notes and endorses the Council's continuing participation in the London Business Rates Pool, as approved on the 17 January 2018, for 2020/21.

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Other Grants (within the General Fund)

- 2.40 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;

Fees and charges

- 2.41 approves and endorses the approach to setting 2020/21 fees and charges for chargeable services in section 9 of the report and attached at Appendix Y7.

Treasury Management Strategy

- 2.42 approves and recommends that Council approves the prudential indicators and treasury indicators, as set out in section 11 of this report;
- 2.43 approves and recommends that Council approves the Annual Investment Strategy and Credit Worthiness Policy, set out in further detail at Appendix Z2;
- 2.44 approves and recommends that Council approves the Capital Strategy 2020/21, set out in further detail at Appendix Z5;
- 2.45 approves and recommends that Council approves the Minimum Revenue Provision (MRP) policy as set out in section 11 of this report;
- 2.46 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;
- 2.47 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
- 2.48 approves and recommends that Council approves a minimum sovereign rating of AA-.

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.

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- **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.

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.
- 3.3 As noted in the 2019/20 budget, the Council's strong and resilient framework for prioritising action has served the organisation well in the face of austerity and on-going cuts to local government spending. This continues to mean, that even in the face of the most daunting financial challenges facing the Council and its partners, we continue to work alongside our communities to achieve more than we could by simply working alone.
- 3.4 This joint endeavour helps work through complex challenges, such as the pressures faced by health and social care services, and to secure investment in the borough, for new homes, school improvements, regenerating town centres, new and renewed leisure opportunities and improvement in the wider environment. This work has and continues to contribute much to improve life chances and life opportunities across the borough through improved education opportunities, skills development and employment. Of course, there is still much more that can be done to realise our ambitions for the future of the borough; ranging from our work to bring the Bakerloo Line extension here to support housing supply and business growth, through to our nationally recognised programmes of care and support to some of our most vulnerable and troubled families.
- 3.5 It remains clear that the Council cannot do all that it once did, nor meet all those expectations that might once have been met, for we are in a very different financial position than just a decade ago. Severe financial constraints have been imposed on Council services with cuts to be made year on year on year, and this on-going pressure is addressed in this report, incorporating further budget cuts for 2020/21 and noting the continued outlook for austerity to at least 2023/24. This is pending the Fair Funding Review (FFR) and Business Rates Retention (BRR) consultations now due to conclude in 2020 and coming into effect from April 2021.

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

- 4.1 The 2020/21 Budget Report is structured as follows:

Section 1	Summary
Section 2	Recommendations
Section 3	Policy Context

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

5. Background

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

National Context

- 5.2 Following the financial crisis of 2008 to 2010, the government has chosen to manage the national finance pressures largely through public sector spending reductions and limited investment. The impact to date has been a falling deficit but with debt levels continuing to rise and a large productivity gap. As a result, the financial outlook for the Council, remains extremely challenging.
- 5.3 The Bank of England November 2019 report identified that underlying UK Gross Domestic Product (GDP) was slowing in 2019 due to weaker global growth and Brexit uncertainties. As a result Consumer Price Index (CPI) inflation has fallen further below the bank's target of 2% and is expected to remain then until 2022. For 2019 quarter 3 CPI is expected to be 1.5%.
- 5.4 The Office of Budget Responsibility (OBR) December 2019 report highlighted the following in respect of the UK public finances in 2019/20:
- Borrowing has risen for five of the past nine months but less than originally anticipated;
 - Government year to date receipts are growing at 2.3% for the year as a whole;
 - Government spending year to date is up 3.3%, slightly above forecast; and
 - Net debt is 0.9% of GDP lower than anticipated a year ago at just over 80% of GDP.

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- 5.5 These economic forecasts continue to contain an above average level of uncertainty pending the outcomes still to impact the UK following the decision to leave the EU.

Local Government

- 5.6 The provisional Local Government Finance Settlement was announced on 20 December 2019, with the final settlement expected around the 13 February 2020. This is a one year settlement pending the fair funding review expected to take effect from 1 April 2021.
- 5.7 Along with the settlement announcement, the Government confirmed the continuation of the Social Care (SC) precept on Council Tax in 2020/21, created to give local authorities who are responsible for social care the ability to raise new funding to spend exclusively on Adult Social Care. In 2019/20, the Council applied a SC precept of 2%. In 2020/21, the Council is again permitted to apply a maximum precept of 2%. This will generate an extra £2.3m of revenue for Adult Social Care.
- 5.8 The Government also announced that the limit by which Councils can increase their core Council Tax (inclusive of levies) without a referendum, has reverted back to the pre-2018/19 maximum level of 2%. This will generate approximately £2.3m of revenue for the Council.
- 5.9 The Government has decided not to continue with the 75% Business Rates Pilot Pools, including the London pool. However, London Government through decisions made collectively by the London Councils Leaders Committee and the London Mayor has agreed, in principle, to extend its business rates retention pool in 2020/21 covering the GLA and the 33 London billing authorities. This was confirmed in the provisional local government finance settlement, and the arrangements for the pool will be as follows:
- the locally retained share will revert back to the 2017-18 position – a 67% locally retained share split 37% for the GLA and 30% for the 33 billing authorities;
 - the central share payable to MHCLG would therefore be 33%;
 - Revenue Support Grant would be reinstated for the 33 local authorities (although this could be zero in some cases) rather than being paid via retained business rates (as applied in 2018/19 and 2019/20) based on the numbers confirmed in the provisional 2020/21 settlement. The GLA's revenue support grant and the TfL capital investment grant will – as in 2017/18 – continue to be paid via retained business rates;
 - London will continue to pay a single tariff payment to MHCLG via the pool;
 - The levy on growth would be reinstated and there would be a single collective payment to MHCLG calculated and paid post year end via the NNDR3 reconciliation process. A key benefit of pooling is that the collective levy rate would be lower and therefore London collectively would expect to pay a reduced levy in monetary terms.
- 5.10 The Council approved Lewisham's involvement in the London Pool in December 2018 and the Mayor is asked to note that Lewisham will continue its involvement in the pool and ask Council to endorse this.
- 5.11 With 2020/21 being effectively a roll forward year, the Government is undertaking a fundamental review of the way Local Government is financed effective from 2021/22. The fair funding review will set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources, using the best available evidence. Sitting alongside this is a review of the Business Rates retention arrangements, which aims to reform the elements of the business rates retention system in England from 2021/22 onwards.

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- 5.12 For each of the past six years the Council has used reserves at an average of £3.5m per year to set a balanced budget as the ability to identify, agree, and implement further cuts to service budgets has become ever harder. The government's decision to 'roll-forward' the 2019/20 SFA to 2020/21 means the budget cuts already agreed are sufficient to balance the 2020/21 budget, without the need to draw on reserves.
- 5.13 While this position is confirmed for one year only, officer's medium term assumptions are that this recognises this higher funding baseline will be the starting point for the fair funding review. Nonetheless, due to the uncertainty surrounding the government's fair funding review coming into effect from April 2021 and the fact that there still remains significant pressure in future years on the Council's limited resources to meet the growing demands of the people it serves, the Council fully expected to have to continue to seek further cuts for future year's budgets. The use of reserves will need to be considered from 2021/22 if sufficient measures are not found to set a balanced budget each year.
- 5.14 Budget cuts of £16.6m have so far been approved for 2020/21. Assuming the measures proposed and the 2020/21 budget as set out in this report are agreed, it is expected that the Council will need to identify further cuts of circa £40m for the following three years, 2021/22 to 2023/24.

Budget context

- 5.15 The Council serves a population of 304,000 people who live in 134,000 households. Residents of Lewisham are diverse, with people of more than 70 nationalities speaking over 170 languages. The number of residents is also growing; in 2019 the population rose by 3,000 people and this growth is forecast to continue with the population rising by 56,000 to 360,000 (or 18%) by 2041.
- 5.16 The Council works hard to be available for residents when they need it. Through the Customer Services access point, the Council responds to over 500,000 items of correspondence and receives over 18,000 visits a year. In addition, through the registry office, the Council processes over 7,500 births, deaths and marriages.
- 5.17 In addition to supporting a diverse and growing population, the budget contributes to the Council's commitment to extend local democracy through our local assembly programme – 61 local assembly meetings took place throughout the borough in 2018/19. Underpinning our dedication to diversity and openness, by the end of last year, Lewisham had welcomed 31 refugees in nine families to the Borough and remains committed to welcoming more.
- 5.18 The budget supports a wide range of age groups across more than 600 individual services.
- 5.19 For young people, the schools' budget provides for 77 maintained schools from nursery level through to secondary. This means 85% (30,711) of all school age children attend one of our maintained schools.
- 5.20 Our Strategic Housing service benefits a large number of residents. The work done with partners to deliver Social Housing and Temporary Accommodation helps provide for the accommodation needs of a quarter of our households with 30,800 households in social housing and 2,350 in temporary accommodation.
- 5.21 The Borough has over 9,000 businesses registered and, in line with our corporate priority to assist with access to high-quality job opportunities, the budget funds adult education and apprenticeships. In 2018/19 over 3,800 adults were in education provided by Lewisham and to date 80% of these have progressed to further education or employment. Additionally, Lewisham has supported 518 apprentices through the Mayor's apprenticeship scheme since 2010; with 74% progressing into permanent employment.

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- 5.22 The Adult Social Care service provides a range of support to vulnerable users that helps them remain active and independent: 2,350 (or 8%) of those over 65 and 1,265 (or 1%) of the 18-64 population received a service from Lewisham in 2018/19. As well as physical care needs, these services provide support to those with mental health or disability needs.
- 5.23 The budget also maintains key universal services such as libraries; arts and entertainment centres and sports and recreation facilities. Our residents regularly use and value these services. For example; our 13 libraries had two million visits and 500,000 items borrowed in 2018/19. This represented a 1.5% increase in visits on the previous year. There are also circa. 1,500,000 visits to the leisure centres each year.
- 5.24 Maintaining a clean and green environment is beneficial for all. The amount of waste recycled, composted or re-used is growing year on year. Each week Lewisham waste services collect 2,200 tonnes of waste from households. And thanks to the efforts of residents, the Council are currently able to keep 25% of that waste from being incinerated. These efforts have also resulted in 17,638 tonnes of waste to be recycled this year.
- 5.25 The Council is also responsible for maintaining 397km of roads and 12km of footpaths. The Environment service sweeps the town centres daily and main residential streets weekly. The Council also manages the parking service, including permits and enforcement.
- 5.26 Residents enjoy the Borough's green spaces and the budget supports the work that the Green Scene service does to maintain the high standard of Lewisham's parks. There are 47 parks in the borough and 15 of these have the coveted 'Green Flag' rating. Our achievements in this service area have been recognised by our residents with 74% of residents who responded to the 2018 'Parks and Open Spaces survey' felt the standard of the parks in Lewisham has been maintained at a good or fair level. The Council also ranked first in the "Good Parks for London" group in 2017 and 2018.
- 5.27 The rest of the report sets out the position of the financial settlements as they impact on the Council's overall resources:
- Capital Programme for 2019/20 to 2022/23;
 - Housing Revenue Account (HRA) and level of rents for 2020/21;
 - Dedicated Schools Grant (DSG) for 2020/21;
 - General Fund Revenue Budget for 2020/21;
 - Other Grants for 2020/21;
 - Council Tax level for 2020/21; and
 - Treasury Management Strategy for 2020/21.

6. Capital Programme

- 6.1 In reviewing the Council's overall financial position, the Capital Programme is considered first. This is to ensure that any revenue implications of capital decisions are taken into account in building the revenue budget. The Capital Programme budget for 2020/21 to 2022/23 is proposed at £551.2m, of which £194.4m is for 2020/21.
- 6.2 This section of the report is structured as follows:
- Update on 2019/20 Capital Programme
 - Proposed Capital Programme 2020/21 to 2022/23

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- Future schemes and resources

Update on 2019/20 Capital Programme

- 6.3 Progress in delivering the 2019/20 Capital Programme has been reported to Mayor & Cabinet and the Public Accounts Select Committee regularly throughout the year. The latest forecast projection was that the revised budget allocated for the year of £170.1m, and reported to the Public Accounts Select Committee on 16 December 2019, would be delivered this year. However, at this stage, the revised budget shows a decrease of £1.0m to the last reported budget figure, due to the re-profiling of some budgets.
- 6.4 Overall spend to date on the re-profiled budget suggest 50% of the plan will be delivered in 2019/20. The Housing Revenue Account (HRA) in particular is behind plan. The Building for Lewisham programme and stock condition survey for the HRA capital programme are being reviewed. Assuming affordability and viability, these delays in planned works will be rolled forward to future years and the plan updated.
- 6.5 The scale of the capital programme is growing in line with the Corporate Strategy priority for more homes. This is a significant and ambitious commitment and officers are working to improve their profiling of this work.

Current position on the major projects in the 2019/20 Capital Programme (i.e. those over £1m in 2019/20)

2019/20 Capital Programme	Revised Budget (Dec 2019)	Revised Budget (Feb 2020)	Spend to 31 Dec 2019	Spend to date (Revised Budget)
	£m	£m	£m	%
GENERAL FUND				
Schools - Pupil Places Programme	7.0	7.0	5.2	74%
Schools - Other Capital Works	5.9	5.9	4.0	68%
Highways & Bridges - LBL	3.5	3.5	2.7	77%
Highways & Bridges - TfL	3.2	3.4	0.7	21%
Highways & Bridges - Others	1.4	1.4	0.8	57%
Catford town centre	2.3	2.3	1.5	65%
Asset Management Programme	2.4	2.7	1.9	70%
Smart Working Programme	2.7	2.7	2.3	85%
Beckenham Place Park	3.0	3.0	2.8	93%
Private Sector Grants and Loans	3.8	1.8	0.9	50%
Achilles St. Development	7.3	7.2	0.5	7%
Residential Portfolio Acquisition	45.7	45.7	42.2	92%
Other General Fund schemes	6.3	6.5	1.1	17%
TOTAL GENERAL FUND	94.5	93.1	66.6	72%
HOUSING REVENUE ACCOUNT				

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2019/20 Capital Programme	Revised Budget (Dec 2019)	Revised Budget (Feb 2020)	Spend to 31 Dec 2019	Spend to date (Revised Budget)
Building for Lewisham Programme	22.0	22.0	1.2	5%
HRA Capital Programme	52.0	52.0	16.2	31%
Other HRA schemes	1.6	2.0	0.3	15%
TOTAL HOUSING REVENUE ACCOUNT	75.6	76.0	17.7	23%
TOTAL CAPITAL PROGRAMME	170.1	169.1	84.3	50%

Proposed Capital Programme 2020/21 to 2022/23

6.6 The Council's proposed Capital Programme for 2020/21 to 2022/23 is currently £551.2m, as set out in Table A1:

Table A1: Proposed Capital Programme for 2020/21 to 2022/23

	19/20 £m	20/21 £m	21/22 £m	22/23 £m	3 year total £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	0.0	0.0	9.0
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

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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	0.8	7.5
	93.1	58.1	19.2	8.7	86.0
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	215.3	141.5	551.2

- 6.7 The resources available to finance the proposed Capital Programme are as set out in Table A2 below:

Table A2: Proposed Capital Programme Resources for 2020/21 to 2022/23

	19/20 £m	20/21 £m	21/22 £m	22/23 £m	3 year total £m
General Fund					
Prudential Borrowing	48.6	18.6	0.0	0.0	18.6
Grants and Contributions	25.7	19.1	4.7	0.3	24.1
Capital Receipts	5.5	3.4	1.1	0.0	4.5
Reserves / Revenue	13.3	17.0	13.4	8.4	38.8
	93.1	58.1	19.2	8.7	86.0
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	215.3	141.5	551.2

- 6.8 A table of major projects can be found at Appendix W1 and a full list of changes to the Programme since last year's budget report is shown in Appendix W2.
- 6.9 Members will note that the General Fund resources available to finance capital projects decrease over the term of the Programme. This reflects the Council's prudent approach to long-term planning, with grants for later years not taken into

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account until they have been confirmed, and capital receipts only being taken into account when they have been received or are reasonably certain of being received. The Council prudently avoids entering into long-term expenditure commitments until there is more certainty as to how they can be financed.

- 6.10 Detailed proposals, specific scheme funding arrangements, and procurement approach will be brought forward to Members for decision as individual projects are worked up and brought forward. Should this lead to changes being required to the plan these will be reported as part of the regular monitoring information provided.
- 6.11 Members will also note the significant proposed borrowing increase of £302.5m to deliver the HRA plans. This is primarily to support the Building for Lewisham programme and will likely extend the HRA to its sustainable financial borrowing and cash flow limits.
- 6.12 No changes are proposed at this stage to the existing General Fund revenue contributions to capital (CERA) of £2.0m per year from General Fund. The revenue funding line also includes amounts transferred to reserves in previous years for schemes which at that time, had not been delivered.
- 6.13 The Capital Programme will be further updated to include future grants, once these are known and will also include the year-end outturn expenditure and resourcing. This is expected to be reported to Members before the summer recess and will not impact on delivery of the Programme for 2020/21.
- 6.14 The paragraphs below set out a descriptive overview of the key delivery objectives of the capital programme major schemes.

Schools – School Places Programme

- 6.15 Primary place demand has levelled off recently across London and the priority for school place delivery has shifted mainly to Special Educational Need and Disability provision. Four schemes are currently in development and delivery over the next 3 years to 2022. They include:
 - Works to Ashmead Primary in Brockley to expand from one to two forms of entry. Works commenced in April last year and are due to be completed by summer this year. The project will deliver a new standalone block adjacent to Lewisham Way, improved landscaping within the site and a new entrance and enhanced public realm area to the South of the site.
 - Greenvale School, in Whitefoot ward, is Lewisham's community special school for children and young people between the ages of 11 and 19 years who have significant learning difficulties. A new satellite facility to accommodate an additional 93 students will be constructed on the site of the former Brent Knoll building in Perry Vale. The design stage is currently underway, and works are expected to commence onsite later this year.
 - New Woodlands, in Downham Ward, is a special school which supports children from 5 to 16 who have Social, Emotional and Mental Health (SEMH) special educational needs. The school recently began admitting Key Stage 4 students, and works to expand the facility took place over the summer holidays last year, ensuring that the school can provide a full curriculum. The works included minor remodelling and refurbishment of the existing building, provision of a new food technology practical room, and improvements to existing landscaping and external play areas. The final works to the boundary treatment will be carried out over the Easter holidays this year.

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- Watergate is Lewisham's primary special school for children between the ages of three and eleven years who have severe learning difficulties, located in Bellingham Ward. Approval has been granted to expand the school by 59 places through the construction of a new teaching block on the existing site. A feasibility has been conducted and is currently being reviewed with a view to commencing design work this year.

Schools – Minor Works Capital Programme

- 6.16 The School Minor Works Programme (SMWP) is an ongoing programme of minor capital works to existing community school buildings, primarily relating to mechanical and electrical infrastructure and building fabric needs. The programme is grant funded by central government.

Highways & Bridges

- 6.17 The Council continues to invest resources in maintaining its 397km of highway borough roads, most notably through its annual programme of carriageway and footway resurfacing works. The budget for carriageways has allowed 70 roads (or part of a road) to be resurfaced each year. Until 2017, the majority of these roads were those in the worst condition and categorised as “Red” – lengths of road in poor overall condition and in need of immediate further engineering assessment and planned maintenance. In 2019/20 resurfacing to 72 roads (or part of road) to around 22km of roads funded from the Council's Capital programme and other external sources was carried out. As a result of this carriageway resurfacing programme, the focus has moved to works to roads classified with the Condition Index of “Amber” – lengths of road which, without a planned early intervention could result in further severe defects and move the Condition Index to “Red”. From a visual inspection survey in April 2019 there are around 54km of roads where the condition of part of these roads are either classified as “Red” or “Amber” and therefore will require resurfacing works. There is an ongoing resurfacing maintenance commitment because the condition of the carriageways deteriorate through wear, age, excavations and failures.
- 6.18 The proposal is that in 2020/21 approximately 30 roads (10km of carriageways) will be resurfaced. The balance of focus is to move towards footways works where there are approximately 70 roads where the footways are categorised as “Red” and a further 220 roads classified as “Amber”. The proposal is to carry out essential footway replacement works in 2020/21 in approximately 25 roads.
- 6.19 The Council's long-term investment strategy is taking effect, as since 2013 the number of annual insurance claims against the Council for carriageway defects has reduced by approximately 50%. The proposed Capital Programme Budget for 2020/21 to 2022/23 includes a reduced budget allocation of £2.5m per annum for carriageway and footway resurfacing (down from £3.5m per annum) in order to free up resource to invest into other high priority capital schemes. This will be closely monitored and, resources permitting, the programme adjusted on a priority basis.

Catford Town Centre

- 6.20 Architects Studio Egret West are working with officers to develop a master plan to guide the regeneration of the Town Centre. The plan will be completed in spring 2020 and will form the basis of any future plan for the Town Centre along with input from Viability Assessors, Construction Programme Advisors and an independent Planning

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Consultant. The Masterplan will be used as an evidence base for the emerging Local Plan.

- 6.21 Work is also continuing with TfL on the agreed proposal to realign the South Circular A205 through the Town Centre. Greater London Authority (GLA) Housing Infrastructure Funding (HIF) of £10m has been secured on condition that the road is delivered by TfL. Subject to an approved design, early work is expected to start by the last quarter of 2020/21.
- 6.22 Meanwhile, the engagement activity of Team Catford has continued to build on the programme of social engagement started in 2016. The Team's work is expected to continue through the development of the master plan and beyond. It is expected that the draft Masterplan will be presented to M & C in early summer. Subject to this being endorsed the next step would involve public consultation with a return to M & C thereafter to seek approval to endorse the final version.

Asset Management Programme

- 6.23 Funding from the Asset Management Programme (AMP) has continued to support reactive and much needed capital works across the operational corporate estate. This has included fabric works such as roof replacement and mechanical works; including, boiler replacements and lift repairs across the estate of approximately 90 buildings and sites. More recently, the programme has funded works to the Civic Suite, Registry Office and some essential works as part of the main Laurence House refurbishment programme. A full condition survey of the corporate estate has recently been completed. The results will help define the future investment need of the estate and underpin the use of the AMP capital programme funding for future years.

Broadway Theatre

- 6.24 A recent condition survey of the Broadway Theatre building shows that the building is currently not fully complaint in a number of areas. Urgent work is required to address key risk areas of building failure. Permanent closure of the theatre is a significant risk if these urgent works are not carried out.
- 6.25 The proposed works include a full rewire of the theatre, replacement fire detection equipment, new emergency lighting, and improvements to support disabled access etc.
- 6.26 Given the significant amount of investment needed it is likely that the theatre may need to be temporarily closed for approximately a year to enable the work to be carried out effectively and efficiently. The works are proposed to start in 2020.

Lewisham Library

- 6.27 The roof of the library is in urgent need of repair. This was identified as part of recent condition survey of the building which also highlighted a number of key areas of failing across the building structure and M&E services. The roof's condition puts the entire building fabric and services at risk.
- 6.28 The report also found the mechanical and public health services (MEPH) within the building are generally at or past their life expectancy. The general condition of all elements is poor with some obvious signs of deterioration and failures including hot water plant and ventilation systems. In addition, the two lifts serving the building requires major overhaul.

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- 6.29 Mayor and Cabinet agreed that officers look at options that will sustain the library service provision into the future. A number of options are currently being explored which includes the nearby Library Resource Centre site in Hither Green. A key option is the redevelopment of both sites to provide a new purpose built library with some housing. A number of very high level scenarios are being developed but there is estimated investment required of £3.5m for the most viable option.

Old Town Hall

- 6.30 Officers are developing a programme of investment works for the Old Town Hall. The investment will address immediate health and safety as well as compliance requirements of the building. It will secure the continued use of the building by Lewisham Homes and other tenants for the medium term while plans for future office accommodation continue to be developed and delivered as part of the Catford Town Centre Masterplan.
- 6.31 The investment will address works in the following areas: roof; windows; welfare (toilet refurbishment); fire doors; heating and ventilation; drainage and soil stack; lighting improvements; flooring; general repairs and some internal and external improvements. Lewisham Homes, who currently occupy over 60% of the building have also expressed a desire to capitalise on the proposed works to improve the general office environment for their staff. The proposed works will be carried out in the 2020/21 financial year.

Lewisham Homes – Property Acquisition

- 6.32 This funding supports the delivery of the Lewisham Homes acquisitions programme that secures properties for temporary accommodation for homeless households, making a saving on the Council's spend on bed & breakfast accommodation.

Fleet vehicle replacement

- 6.33 This budget will finance the replacement of 75 vehicles in the Council's fleet in order to meet the approaching Low Emissions Zone (LEZ) changes in October 2020.

Smart Working Programme

- 6.34 The Smarter Working programme seeks to consolidate offices and release sites for future redevelopment in Catford town centre, whilst refurbishing the council's main office site, Laurence House, to ensure it is fit for purpose until new council offices can be built. The ground floor was refurbished last year to provide a modern, welcoming and better functioning reception for the council. Refurbishment work on floors 1 to 5 was completed in October. The works includes an improved welfare provision, delivering new meeting rooms and kitchens, improving the heating and ventilation system, new energy efficient LED lighting, decoration and a layout and furniture which supports and encourages agile working. Further work is now being scoped out to deliver similar improvements to the library, customer services centre and the civic suite. The proposed works will be delivered next year.

Edward Street

- 6.35 Edward St will provide 34 new high-quality temporary accommodation homes for local families in housing need. Start on site planned early 2020 following tender and contractor appointment.

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Residential Portfolio Acquisition – Hyde Housing Association

- 6.36 The acquisition of a portfolio currently comprising 120 residential properties from Hyde Housing Association, as per a report to Mayor & Cabinet on 13 March 2019. This will be reviewed in 2022/21 to ensure the properties, in particular those out of borough, are still meeting the Council's needs.

Achilles Street

- 6.37 Residents on the Achilles Street Estate have now voted for the redevelopment of the estate to go ahead. Work is underway to carry out due diligence ahead of appointing an architect with estate residents. The scheme will deliver new homes for all existing residents as well as a significant number of new council owned homes for social rent.

Ladywell Leisure Centre Development site

- 6.38 The redevelopment of the former Ladywell Leisure Centre Site continues to progress with planning applications due later in 2020. This mixed-use development will see over 200 new homes come forward and will be the largest residential development that the Council has directly delivered. In 2019, a budget of £2.55m was approved by Mayor and Cabinet to take the scheme forward to planning and to fund the feasibility of the relocation of PLACE/Ladywell

Traveller's site relocation

- 6.39 The latest site search for a Gypsy and Traveller site has identified a site at Pool Court as the most appropriate location to develop a new Gypsy and Traveller site for the borough. The construction cost of the 6-pitch site is estimated at £1.8m including design fees and other costs.
- 6.40 A section of the identified site is owned by Network Rail and the rest by the Council. The acquisition cost of the Network Rail section of the site is estimated at up to £2m. The Capital programme already has an allocation of circa £1.1m, including historic GLA grant, to support the scheme. The total cost for the development of the Pool Court site to provide 6 pitches to meet the Gypsy and Traveller Housing need is approximately £3.8m, with additional budget of £2.7m now allocated in the plan.

Beckenham Place Park

- 6.41 The restoration of Beckenham Place Park (to the western side of the railway) has been completed.
- 6.42 The listed stable block is now home to the new park café and environmental education centre, and the long anticipated restored landscape, with its reinstated lake, is being enjoyed by thousands of local people. The stable yard itself will become an arrival and visitor's hub, as new tenants take up occupation of the cottages over the next year. The new play facilities are much loved, as part of the restored pleasure grounds, and the previously derelict Gardener's cottage is now fully restored and re-purposed as a hub for volunteer activity in the park, in the midst of the new community garden. Open water swimming now takes place on the lake, and visitors will be encouraged to explore the breadth and nature of Lewisham's largest park on new paths and trails.

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Building for Lewisham Programme update

- 6.43 The Building for Lewisham (BfL) programme supersedes the Housing Matters Programme. In January 2020, the Mayor and Cabinet approved recommendations to advance and expand the Council's housebuilding programme to meet the corporate objectives set for the period between 2018 and 2022. The M&C paper sets out the context for the capital programme budget identified in this report.
- 6.44 The BfL programme will deliver a significant proportion of new council housing for the borough. Funding has currently been agreed for the continuation of the former New Homes Better Places programme and for a series of additional infill sites. In addition, funding for feasibility and preparation of planning and tender information for major strategic projects at Ladywell, Achilles Street Estate and Catford has been allocated; as well as funding for wider feasibility studies for sites across the borough.
- 6.45 Whilst the majority of this programme will be funded from the Housing Revenue Account, a number of sites currently sit within the General Fund. These are detailed elsewhere in this report.
- 6.46 The Council, via its development agent, Lewisham Homes, will also be investigating acquisition opportunities on land and sites from the market. These schemes offer an opportunity to deliver more homes on an expedited timescale and potentially can provide cross-subsidy for the directly delivered sites within the BfL programme.
- 6.47 The current consolidation of the BfL programme notes funding for 1,422 new homes across a mix of tenures. This has been modelled over a 40 year period and has been inflation-adjusted accordingly. However, the assumptions used in this report represent an over-programming of developments and not all developments modelled will necessarily come forward. Therefore, this represents the most budget-intensive scenario. The financial and programme risk associated with the BfL programme will be monitored closely and mitigations implemented accordingly. Should any material changes to this budget be required, approval from Members will be sought.
- 6.48 The programme is supported by grant funding from the GLA via the Building Council Homes for London Programme. Plans model this as providing £37.7m at a rate of around £100,000 per social unit. In addition to this, the Council will continue to subsidise the programme with the use of Right to Buy 1-4-1 receipts.
- 6.49 The majority of spend for the remainder of 2019/20 relates to feasibility and planning application preparation for the new homes programme and delivery of a number of schemes by Lewisham Homes on site. Around 340 new social homes are forecast to achieve planning permission or start on site in 2020.

HRA Capital Programme

- 6.50 Lewisham Homes are responsible for ensuring council owned stock under their management is brought up to and maintained to a decent homes level, covering both internal and external works. Lewisham Homes are leading on the delivery of the programme (under delegated powers) in consultation and agreement with the Council. A full stock condition survey is currently underway. This will be used to identify and prioritise the capital works required.

Future schemes and resources

- 6.51 The Regeneration and Capital Programme Delivery Board comprises key officers involved in the planning and delivery of the capital programme. This Board has responsibility and accountability for the delivery of all regeneration and capital projects and programmes of the built environment and is also responsible for

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ensuring that all projects and programmes are adequately and appropriately resourced.

- 6.52 The key objectives of the Board are to ensure that a consistent and corporate approach is taken to the development and authorisation of all project and programme initiation documents and the associated financing and funding of projects and programmes. It meets every two months and ensures that a corporate approach is taken to the monitoring, management and delivery of all projects and programmes. It reports through to the Regeneration and Capital Programme Board which is chaired by the Executive Director for Housing, Regeneration & Environment.
- 6.53 The General Fund Capital Programme is financed by a number of sources, including capital receipts, central government grants, developer's contributions, the revenue budget and Prudential Borrowing. There is very limited scope to commit any further amounts of revenue budget to finance capital spend, and there is also a finite amount of capital receipts forecast. This means the Council will have to look to finance any new schemes going forward from either grant monies or Prudential Borrowing. Also contributions from developers via s106 and Community Infrastructure Levy (CIL) may be an increasingly important source of finance for the Council's plans.
- 6.54 During 2020/21, updates on the Capital Programme will be reported to Mayor & Cabinet and the Public Accounts Select Committee on a regular basis. As capital receipts and other resources come into the Council, it may be possible to bring new schemes onto the programme. These additions to the programme will be put forward for approval by members as part of the Capital Programme update reports.

Summary

- 6.55 The proposed 2020/21 to 2022/23 Capital Programme totals £551.2m (General Fund £86.0m and HRA £465.2m) and includes all the Council's capital projects. It sets out the key priorities for the Council over the next three financial years and will be reviewed regularly. The Capital Programme is set out in more detail in Appendices W1 and W2.

7. Housing Revenue Account (HRA)

- 7.1 This section of the report considers the Housing Revenue Account (HRA). The budgeted expenditure for the HRA in 2020/21 is £225.8m, including the capital and new build programme.

- 7.2 It is structured as follows:

- Update on the HRA financial position for 2019/20;
- Update on the HRA Business Plan; and
- Future Years' Forecast.

Update on the HRA financial position for 2019/20

- 7.3 The HRA is budgeted to spend over £100m in 2019/20. The latest forecast on the HRA for 2019/20, is that net expenditure can be contained within budget by the year end. There are currently minimal reported pressures which can, if necessary, be mitigated by the use of once-off contingencies, reserves and revenue working balances. Expenditure against repairs & maintenance budgets is expected to be contained within the sums allocated.

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Update on the HRA Business Plan

- 7.4 The Housing self-financing system was implemented on 1 April 2012 when the HRA subsidy scheme was abolished. The 30 year financial model has been developed based on current management arrangements and rental income estimates, updated for efficiencies and cost pressures. In addition, policy objectives such as sheltered housing and new build plans are incorporated in the modelling.
- 7.5 The plan has undergone a major revision following the Government's announcement in the July 2015 budget statement and subsequent legislation for a 1% reduction in social rents applied each year for four years from 2016/17 to 2019/20.
- 7.6 The impact of the change in policy resulted in a cumulative rent reduction of £25.0m for the four year period 2016/17 to 2019/20 (£1.9m 2016/17, £2.6 2017/18, £7.6m 2018/19, £12.9m 2019/20). Cumulatively this was calculated as removing £374m from the 30 year business plan.
- 7.7 The HRA financial model has been further updated for current guidance that from April 2020 government will allow councils with social housing stock to return to the previous formula rent method of rent increase calculations until at least 2025. This method of rent increase is based on prior the September's CPI + 1%. The budget proposes this be implemented in Lewisham to become effective for rental increases applied from April 2020 onwards. For the financial year 2020/21, as the September 2019 CPI was 1.7%, the overall increase will be 2.7% (1.7% + 1.0%).
- 7.8 In order to protect the business plan and provide the same level of investment and services, any reduction in income will need to be off-set though increased efficiencies and reprioritisation of investment requirements.
- 7.9 A review of current investment needs and priorities has been undertaken, based on updated surveys and inflation estimates. This includes assumptions on future liabilities, programmes, cuts, and other requirements. These assumptions will be used to inform the resource need and identify potential gaps in funding and opportunities for additional income and grants.
- 7.10 The plan also contains costs associated with the new build programme currently being implemented by the authority. Table B1 provides an illustration of the expected HRA budget for the next five years, which includes the current 2.7% rent increase estimates for 2020/21. The HRA debt cap which was imposed when the self-financing regime was implemented (£127.3m) has now been abolished. The HRA will now be subject to prudential borrowing rules (as per General Fund and as described more fully in the Treasury Strategy at section 11 below).

Table B1: Update on the HRA Business Plan

HRA Income & Expenditure Estimates - 5 year Forecast	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
Income					
Rental income	(69.3)	(74.5)	(78.6)	(82.1)	(85.1)
Tenants service charge income	(6.2)	(6.3)	(6.4)	(6.5)	(6.6)
Leasehold service charge income	(4.7)	(4.8)	(4.9)	(5.1)	(5.2)
Hostel charges and grant income	(1.4)	(1.4)	(1.4)	(1.4)	(1.5)
Major Works recoveries	(5.0)	(4.1)	(5.7)	(5.6)	(5.6)

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Other income	(1.6)	(1.6)	(1.6)	(1.6)	(1.6)
Interest earned on balances	(1.1)	(0.6)	(0.6)	(0.6)	(0.2)
Total Income	(89.3)	(93.3)	(99.2)	(102.9)	(105.8)
Expenditure					
Management costs	37.1	37.8	38.6	39.5	39.8
Repairs & maintenance	16.0	16.4	16.8	17.1	17.4
PFI Costs	6.9	7.5	8.0	8.4	8.6
Interest & other finance costs	2.4	6.9	10.9	13.5	14.3
Depreciation	23.5	23.8	24.3	24.7	25.2
Revenue Contribution to Capital	3.5	0.5	0.0	0.0	0.2
Total Expenditure	89.4	92.9	98.6	103.2	105.5
Surplus/(deficit)	(0.1)	0.4	0.6	0.3	0.3
Opening HRA reserves	7.7	7.6	8.0	8.6	8.9
Contribution to/(Drawdown) from reserves	(0.1)	0.4	0.6	0.3	0.3
Closing HRA Reserves	7.6	8.0	8.6	8.9	9.2
Forecast Capital Programme & Funding					
Capital programme (including decent Homes)	38.9	31.5	43.2	42.4	42.9
Building for Lewisham Programme	97.5	164.6	89.6	56.4	19.7
Total Capital Expenditure	136.4	196.1	132.8	98.8	62.2
Capital Programme Funded By:					
MRR Opening Balance	0.0	0.0	0.0	0.0	0.0
Revenue Contribution to Capital	(3.5)	(0.5)	(0.0)	(0.0)	(0.2)
Depreciation	(23.5)	(23.8)	(24.3)	(24.7)	(25.2)
Grants & Capital Receipts	(20.8)	(37.8)	(28.6)	(45.9)	(12.0)
Borrowing	(88.6)	(134.0)	(79.9)	(28.2)	(25.2)
Total Capital Funding	(136.4)	(196.1)	(132.8)	(98.8)	(62.2)
Capital shortfall	0.0	0.0	0.0	0.0	0.0
HRA Actual Debt Level (Forecast)	101.4	235.4	315.3	343.5	368.7

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- 7.11 As can be seen from the above table, the expected total expenditure, before financing, for the HRA in 2020/21 is £225.8m, comprising £89.4m operational costs and £136.4m capital and new build costs.

Future Years' Forecast

- 7.12 The key purpose of the proposed HRA budget is to ensure that there are sufficient resources to support lifecycle works, such as; repairs and maintenance and a key priority for the current administration, delivery of new social homes in the borough.
- 7.13 There is an ongoing process to identify opportunities for efficiencies to deliver services for improved value for money and this is described in Appendix X1. Although no direct cuts have been identified so far for 2020/21, any cuts and efficiencies delivered against the HRA business model and future budgets can be re-invested to off-set constrained rent rises or to help bridge any investment gap identified. Discussions are ongoing to identify appropriate cuts and 'target' management and maintenance costs per unit. For example, there is already an assumed reduction in the Lewisham Homes fee in 2020/21 to reflect stock losses through Right to Buy Sales.
- 7.14 Separate reports which set out in detail the proposals relating to service charges for Brockley and Lewisham Homes residents are attached at Appendix X2 and Appendix X3, respectively.

Rental Income and allowances

- 7.15 Following completion of the legislative requirements for four years of rental contraction, Government have confirmed rents will return to the previous method of rent increase calculations for 2020/21 onwards. This is based on the previous formula rent calculation of CPI + 1%. This will be for a minimum five year period to financial year 2025/26. For the purpose of business and financial planning, it is assumed that that rental charges will be increased in line with this guidance.
- 7.16 At the present time, the financial models used by the council forecast CPI to be 2.0% annually over this period (in line with the Office for Budget Responsibility forecasts). It should be noted that any variation to this could put additional pressure on the financial forecasts for the HRA.
- 7.17 CPI at September 2019 was 1.7%, therefore rents are expected to increase by 2.7% for 2020/21 (1.7% + 1%), and rise by CPI + 1% for at least the next four years to 2025.
- 7.18 A 2.7% increase in average rents for 2020/21 will equate to an average increase of £2.56 over a 52 week period. This will increase the full year average dwelling rent for the London Borough of Lewisham from £94.98 to £97.54 per week (pw). The proposed increase will result in additional income of £1.800m to the HRA when compared to 2019/20 income levels.
- 7.19 A rent rise higher than the rent limit calculation, set by Government, will result in additional recharges to the HRA via the Housing Benefit (HB) subsidy limitation charges. Any rise above this level will be lost through additional limitation recharges and therefore result in no benefit to the HRA.
- 7.20 Tenants were asked to provide comments and feedback on the proposed rent changes and illustration for inclusion in the Mayor & Cabinet budget report at meetings held with Brockley PFI and Lewisham Homes tenants (see Appendix X2).
- 7.21 The main comments received from Lewisham Homes' residents concerning the proposals for rents was that there are issues of affordability, especially in the light of restricted pay increases and the potential equalities impact. Few comments were received on the increase to service charges.

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- 7.22 No specific comments were received from RB3 Brockley concerning the proposals for rents and garages. The main comments regarding service charges were related to the provision of cost data to residents to undertake independent checks.
- 7.23 Details of the options for the rent & service charge changes for 2020/21 will be presented to the Housing Select Committee on 30 January 2020 and feedback, if any, will be reported in the Budget Update report.
- 7.24 Having regard to the outcomes of the consultations held in November and December 2019 as set out above (and with more detail in Appendices X1, X2, and X3), the Mayor is asked to make a recommendation to full Council that a 2.7% rent increase be agreed as per the rent calculation formula. The new average rent for 2020/21 is likely to be in the region of £97.54pw, an increase of approximately £2.56pw from 2019/20 levels.

Other Associated Charges

- 7.25 There are a range of other associated charges. These include: garage rents, tenants levy, hostels, Linkline, private sector leasing, heating and hot water. These charges and any proposed changes to them for 2020/21 are set out in detail in Appendix X4.

Summary

- 7.26 The gross budgeted expenditure for the HRA in 2020/21 is £225.8m, £89.4m revenue and £136.4m capital. Council is asked to approve a rent increase of 2.7% having considered tenant's feedback following consultation held in December 2019. The current average weekly rent is £94.98 in 2019/20. This will increase to £97.54pw in 2020/21.

Former Tenants' Arrears Write Offs

- 7.27 The HRA self-financing of 2012 means that the Council now has considerably greater control over the long term planning of its Housing Revenue Account. This longer term focus has allowed progress to be made in delivering investment into new Council homes.
- 7.28 As part of the annual review of the HRA and the setting of associated budgets, this long term focus also requires officers to review both the assumptions that underpin long term plans and the operational performance of delivering that plan. In that regard it is important for officers to consider at this time the likelihood of recovering all of the income to which the Council is due.
- 7.29 Regenter B3 have improved the way its income collection processes work and has addressed the majority of historic arrears cases. The percentage of rent collected in 2018/19 was 99.84% and at the latest update, 100.23% had been collected in the current financial year. This high income collection rate strengthens the performance of the HRA and enables greater levels of investment for both existing residents and to build the new Council homes Lewisham so desperately needs.
- 7.30 However, there remains a limited number of historic bad debt cases in which Regenter B3, despite exhausting all possible options, has been unable to collect. In total there are five such cases, some of which date back more than a decade, which in total constitute outstanding arrears of £60,307.22. A summary of these cases is set out at Appendix X7. It is proposed that these are now written off.

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8. Dedicated schools grant and pupil premium

Update on 2019/20 Dedicated Schools Grant

- 8.1 The level of the Dedicated Schools' Grant (DSG) for 2019/20 is £291.093m. The Early Years' element will be revised later to take account of the pupil count which, for early years children, is undertaken in January 2020. The outcome will not be known until June 2020 and for this reason carries a risk.
- 8.2 Overall, the 2019/20 DSG outturn is currently expected to be within budget.
- 8.3 At the end of the 2018/19 financial year, there were 14 schools with deficits. There is a risk that another four schools could go into deficit by the end of 2019/20. Changes in legislation for how deficits in schools are treated now mean that Local Authorities are required to provide a more hands on role to support schools finances. Whilst there continues to remain the expectation that schools are responsible for managing their budgets within their available resources as supported by Local Management in Schools, the reality is that the Local Authority is ultimately responsible for each school including outcomes and standards achieved.
- 8.4 The Department for Education (DfE) from 2019/20, has placed further reporting requirements on schools known as "metric management" to be included in their School Financial Value Standards Return to the DfE. This includes data on average costs for teachers, total spend on teachers, leadership etc. Lewisham is working closely with all schools to ensure they are supported as part of this new requirement and future requirements. To support this process and further transformation work, Schools Forum has agreed £130k through the process of de-delegation to support the finance function.

Dedicated Schools' Grant and Pupil Premium for 2020/21

- 8.5 This section of the report considers the Dedicated Schools' Grant (DSG) and Pupil Premium Grant for 2020/21.
- 8.6 The Dedicated Schools Grant is the main source of funding for Schools and Early Year Providers. The grant is constituted of four parts being Schools Block, Central Services to Schools Block, High Needs Block, and the Early Years Block. There is a national funding formula which determines each of the blocks and collectively determines the overall DSG. The DSG for 2020/21 is provisionally advised as £297.356m. The 2019/20 DSG for comparison was £291.093m so overall the funding is expected to increase by £6.263m. However, it should be noted whilst this remains one overall grant, there remain significant restrictions on the use of each funding block. Table C1 below shows the detailed funding for each of the blocks:

Table C1: Detailed Funding

Year	Schools Block	Central Schools Services block allocation	High Needs Block Allocation	Early Years Block	Total DSG allocation
	£m	£m	£m	£m	£m
2019/20	£209.649	£5.420	£51.498	£24.526	£291.093

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2020/21	£212.135	£4.645	£55.712	£24.865	£297.356
Movement	£2.486	-£0.775	£4.214	£0.339	£6.263

- 8.7 With regards to the Schools Block, the funding receivable for Primary age pupils has seen an increase of £84 per pupil (2020/21 funding is £5,125.27) and Secondary age pupils has seen an increase of £136 per pupil (2020/21 funding is £6,859.10). This has been offset by an overall reduction in pupil numbers of 307. Primary School numbers have reduced by 349, and Secondary school numbers increased by 43. The reduction in Primary Schools is a continuation on the previous year and is now beginning to weigh negatively on the financial stability of some schools.
- 8.8 Whilst there is extra funding in the settlement and schools are being protected, costs are rising by more than funding, exasperated further where pupil numbers are falling. Schools continue to face pressures in their budgets, for example, salary increments, non-teaching pay increase, contract price increases including utilities, and the Apprenticeship Levy. For example over 2018/19 and 2019/20 schools have been expected to meet approximately 3% of the salary budget increases.
- 8.9 The total changes in pupil numbers are as shown in table C2 below: Overall there is a reduction in numbers of 307 which while relatively small at present is a risk for the schools concerned as funding for schools is driven by pupil numbers and associated characteristics (e.g. Free School Meals). This reduction in numbers could potentially have implications for those schools affected.

Table C2: Pupil Numbers

	Oct-19	Oct-18	Change No	Change %
Primary	24,635	24,984	-349	-1.40%
Secondary	11,330	11,287	43	0.38%
Net	35,964	36,271	-307	-0.85%

- 8.10 With regards to High Needs, the Secretary of State for Education announced additional funding to support pressures in special needs which are funded by the High Needs Block. Lewisham has received £4.713m for the 2020/21 year only at this time. During 2020, a national review of the high needs funding formula is expected to take place to consider the appropriateness of the funding model. Mindful that any outcomes are likely to be adjusted within the overall funding envelope, the £4.7m therefore remains at risk for future years. For this reason, only short term, one off or small value decisions can be taken. It should also be noted that in conjunction with the Schools Forum and School representatives, Lewisham is currently working on a mitigation plan to ensure 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. At the time of writing we are awaiting DfE approval.

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The National Funding Formula and the Lewisham Funding Formula

- 8.11 As all Lewisham, schools are protected under the new national funding formula and given that the DfE has run the new national funding model and passed on the funds, the variances for individual school budgets should be limited.
- 8.12 Lewisham, in agreement with Schools Forum, continues to support the use of the National Funding Formula for determining the basis of the Schools budget share. The DfE has confirmed the extension of the soft formula for 2020/21.
- 8.13 The DfE introduced a new formula for determining the growth fund for 2019/20. This resulted in a reduction of approximately £0.300m in our funding for 2019/20 but has resulted in an increased level of funding for 2020/21 of £0.170m to £0.962m.

Minimum Funding Guarantee (MFG)

- 8.14 Local Authorities are allowed to set a pre-16 Minimum Funding Guarantee (MFG) in their local formula, to protect schools from excessive year-on-year changes and to allow changes in pupil characteristics (for example; reducing levels of deprivation in a school) to flow through. Consultation must take place with the Schools Forum.
- 8.15 The MFG must be set between a plus 0.5% and 1.84% per pupil. For 2020/21 in agreement with Schools Forum (14 January 2020), it has been agreed to set the MFG at plus 1.84%. This is an increase on 2019/20 (which was set at 0.20%).

Pupil Premium

- 8.16 The DfE has confirmed that Pupil Premium funding will be at the 2019/20 rates (which have now remained unchanged still since 2017/18). In real terms, this is a reduction in funding. Pupil premium is determined based on a factor known as “free schools meals over 6”. Essentially this means eligibility if a pupil has at any time over 6 consecutive census been eligible for free schools meals. The general trend in eligibility and consequently funding has seen a reduction in London. Lewisham saw a reduction between 2018/19 and 2019/20 of £700k (or 5%). This is in addition to a reduction of £600k from 2017/18 to 2018/19. This trend is anticipated to continue partially due to reduction in overall numbers but also eligibility levels.
- 8.17 In 2020/21, the rate of funding is set at £1,320 per primary child and £935 per secondary child. For looked after children there is an increase to £2,300 per child. Funding for pupil premium will be known after the January 2020 pupil census. For information, the 2019/20 pupil premium figure was £12.158m.

High Needs Block Funding

- 8.18 Under the National Funding Formula the High Needs block is using a formula driven approach. Overall, there is an increase of £4.213m for the High Needs Block. This is offset with a gross reduction of £791k in the Central Schools Support Block of net £0.776k which support High Needs Funding. This is a local decision within Lewisham and has enabled the council to stay within budget.

DSG reporting changes

- 8.19 The DfE undertook a consultation during the summer of 2020/21, which focussed on standardising the reporting requirements for maintained schools with those of academy schools. The main difference being that accountability will be via the local authority. At the time of writing, feedback on the consultation is awaited with the expectation the

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proposed changes will be implemented in full. The main aspect is to strengthen accountability and reporting, mainly by introducing prescribed metrics management to show data such as average cost of teacher, percentage spend on teaching verses leadership etc. Lewisham Schools Finance are currently working with Schools to support them prepare for the anticipated DfE reporting requirement changes and assist as more schools face a tougher financial outlook.

- 8.20 Monitoring of this risk and any required recovery plans will be reported to the Schools

Potential Risks

- 8.21 As set out in this section, there remain a number of risks in respect of funding for schools. These include:
- Impact of any overspends and the resultant requirement to establish a deficit recovery plan if the overspend is greater than 1%. Pressure could potentially fall on the Schools Block, General Fund, or a review of services within CYP;
 - In 2019, the DfE introduced changes which now mean that schools in deficits must be held against the overall schools reserves not exceeding 40%. If, on conversion to an academy, a school has a deficit this must supported by the local authority
 - Schools continue to face pressures arising from changes in policy. Examples include teachers' pay awards, support staff pay award, pension's changes. This could have varying degree of impact for Schools; and
 - Budget plans from Schools suggest that some are operating with a structural deficit dependent on reserves. Schools Finance are working with these schools to mitigate this risk.

9. General Fund Revenue Budget And Council Tax

- 9.1 This section considers the General Fund revenue budget and Council Tax. The General Fund budget for 2020/21, assuming a Council Tax increase of 3.99%, is £248.714m. Details of the cuts approved for 2020/21 are provided at Appendices Y1 and Y2.

- 9.2 It is structured as follows:

- Update on 2019/20 Revenue Budget;
- The Budget Model;
- Budget Cuts;
- Council Tax for 2020/21; and
- Overall Budget Position for 2020/21.

Update on 2019/20 Revenue Budget

- 9.3 The Council's revenue budget for 2019/20 was agreed at Council on 27 February 2019. The general fund budget requirement was set at £243.012m.
- 9.4 During the financial year, monthly monitoring is undertaken by officers and these monitoring reports have been presented quarterly to Mayor and Cabinet and scrutinised by the Public Accounts Select Committee. Significant attention continues to be directed towards volatile budget areas. These are those areas where small changes in activity levels can drive large cost implications. These include, for example: Looked After Children; Nightly Paid Accommodation; and Children Social Care. These areas of

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activity are also informed by risk assessments which are continually reviewed. Significant pressures also exist in Environment Services, magnified since the inception of the new service model in 2016/17, and is subject to ongoing scrutiny and management actions.

- 9.5 Budget holders are challenged to maintain a tight control on spending throughout the year. The Council operates a devolved system of financial accountability with clear delegations and responsibility set out in the financial and procurement regulations and schemes of delegation in the Constitution.
- 9.6 An initial projected overspend of £4.6m was reported at the end of May 2019, reduced to £4m in the July monitoring report. The forecast overspend increased to £5.4m in the October 2019 monitoring report, with £0.5m increases recorded in each of the Children's & Young Peoples, Housing, Regeneration & Environment and Corporate Services directorates and a £0.1m decrease in the Communities directorate.
- 9.7 From July 2019, the budget monitoring reports have reflected the Council's new directorate structure whereby the Customer Services directorate was re-named the 'Housing, Regeneration & Environment' (HRE) directorate and the Resources & Regeneration directorate renamed 'Corporate Services'. Within these directorates, the Regeneration & Place and Planning divisions moved from Corporate Services to Housing, Regeneration & Environment whilst the Public Services and IT & Digital Services divisions moved from HRE to Corporate Services.
- 9.8 In spite of the continued management attention given to seek the containment of costs and, where possible, accelerating service changes to reduce costs, the significant overspending projection remains and management action must continue for the remainder of this year to help bring the projected overspend down.

Directorates

- 9.9 Table D1 sets out the latest forecast budget variances on the General Fund by Directorate, after applying and one year only funding for 'risks and other budget pressures' and reserves funding to Children & Young People, totalling £5.4m.

Table D1: Forecast outturn for 2019/20 as at end of October 2019

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend Nov 2018	% of over/ (under) spend to Net budget
	£m	£m	£m	£m	%
Children & Young People	68.7	(9.8)	58.9	3.7	6%
Community Services	177.6	(85.9)	91.7	(2.3)	-3%
Housing, Regeneration & Environment	119.8	(85.1)	34.6	2.6	8%
Corporate Services	62.2	(28.2)	34.0	1.4	4%
Directorate Totals	427.9	(208.5)	219.4	5.4	2%
Corporate Items	23.6	-	23.6	-	-
Net Revenue Budget	451.5	(208.5)	243.0	5.4	2%

Corporate Financial Provisions

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- 9.10 Corporate Financial Provisions are budgets that are held centrally for corporate purposes and which do not form part of the controllable expenditure of the service directorates. They include Capital Expenditure charged to the Revenue Account (CERA), Treasury Management budgets such as Interest on Revenue Balances (IRB) and Debt Charges, Corporate Working Balances and various provisions for items such as early retirement and voluntary severance. Spend of the Corporate Financial Provisions is expected to be contained within budget by the year-end.
- 9.11 Consideration is now being given to employing the use of corporate measures to balance the budget at year end. It is proposed to meet the 2019/20 budget overspend from provisions and reserves, with the final position declared in the outturn report to Members.

The Budget Model

- 9.12 This section of the report sets out the construction of the 2020/21 base budget. This section is structured as follows:
- Budget assumptions, including: Cuts, Council Tax, and Inflation;
 - New Homes Bonus;
 - Budget pressures to be funded; and
 - Risks and other potential budget pressures to be managed.

Budget assumptions, including: Cuts, Council Tax, and Inflation

- 9.13 The Council has made substantial reductions to its expenditure over the last ten years. Subject to the outcome of the Comprehensive Spending Review (CSR) in 2020 and the outcome of the government's fair funding review, the Council expects to continue to need to make further reductions for at least the next three to four years. This section of the report summarises a series of proposals that would enable the Council to set a balanced budget for 2020/21 as part of a sustainable financial strategy to 2023/24.

Council Tax

- 9.14 Since 2016/17, the government has allowed councils with social care responsibilities to apply a percentage increase on council tax (the Social Care precept), the funds of which are ring-fenced to Adult Social Care services. To date, Lewisham has applied an 8% increase over the four year period. The government is once again allowing councils to apply a maximum 2% Social Care precept in 2020/21. This will generate £2.278m income for ASC. This report proposes that the Mayor recommends that Council approve the 2% ASC precept for 2020/21 to obtain the maximum benefit permitted.
- 9.15 The assumption used in the model for preparing the 2020/21 budget, subject to confirmation by Council, is for a total Council Tax increase (Lewisham element) of 3.99%. A 2% increase for the social care precept and a 1.99% increase in the core element under the revised referendum principle announced along with the provisional Finance Settlement on 20 December.
- 9.16 Should Council choose to set a different Council Tax increase, Members will need to be mindful that any increase below this recommendation will result in additional budget pressures, resulting in greater use of resources in the short term and a higher cuts requirement going forward. Any increase in the core element above this recommendation would require support in a local referendum due to the limit set by the Secretary of State.

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- 9.17 Further information on the options for Council when setting the Council Tax is set out in more detail towards the end of this section.

Inflation

- 9.18 The Government's inflation target for the United Kingdom is defined in terms of the Consumer Price Index (CPI) measure of inflation which excludes mortgage interest payments. Since April 2011, the CPI has also been used for the indexation of benefits, tax credits, and public service pensions.
- 9.19 For financial planning purposes, the Council has previously assumed an average pay inflation of 2% per annum, which equates to approximately £2.5m. 2019/20 is the last year of the current pay settlement. Negotiations via the National Joint Council (NJC) for Local Government have begun to agree a pay award for 2020/21 and future years.
- 9.20 The National Living Wage will rise to £9.30/hr from April 2020, whilst the London Living wage is currently £10.75 per hour. Lewisham's lowest pay band exceeds these amounts. A provision of 2% (£2.5m) has been made to cover 2020/21 pay inflation.
- 9.21 The Council budgets for a non-pay inflation rate budget of 2.5% per annum. This is higher than the forecast CPI inflation rates for 2020 to reflect the underlying commitments in Council contracts. This equates to approximately £2.5m (net) in 2020/21.
- 9.22 Unless pre-defined by statute or otherwise agreed, all services are expected to uplift their fees and charges annually in line with the Council's inflation assumptions, or for full cost recovery if this is higher, to allow for stability in real terms.

New Homes Bonus

- 9.23 The New Homes Bonus (NHB) sits alongside the Council's planning system and is designed to create a fiscal incentive to encourage housing growth. The Ministry of Housing, Communities and Local Government (MHCLG) has been paying the NHB as un-ringfenced grant to enable local authorities to decide how to spend the funding. The scheme design sets some guidance about the priorities that spend should be focused on, in that it is being provided to 'help deliver the vision and objectives of the community and the spatial strategy for the area and in line with local community wishes'.
- 9.24 In the provisional Local Government Finance Settlement statement, the Secretary of State announced that in 2020/21 the baseline level of growth will remain at 0.4%. Due to the delay in the fair funding review and the consequential Settlement Funding Assessment (SFA) 'roll forward', the government announced a one year award of NHB in line with the 2019/20 award. This is for one year only and will not be subject to the legacy payment rules.
- 9.25 The provisional allocation for 2020/21 in Lewisham, including on-going payments, is £6.176m, with the years 1 to 6 allocations of £4.611m dropping out and with the allocation for Year 10 (2020/21) delivery being £1.564m.
- 9.26 The cumulative nature of the NHB is set out in summary in Table D2 below.

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Table D2 – New Homes Bonus Allocation Profile

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Yr 1 – 6 yrs in full	0.706	0.706	-			
Yr 2 – 5 yrs	0.958	0.958	0			
Yr 3 – 5 yrs	2.150	2.150	2.150			
Yr 4 – 4 yrs	2.629	2.629	2.629			
Yr 5 – 4 yrs	1.399	1.399	1.399	1.399		
Yr 6 – 4 yrs		1.889	1.889	1.889	1.889	
Yr 7 – 4 yrs			2.072	2.072	2.072	2.072
Yr 8 – 4 yrs				1.551	1.551	1.551
Yr 9 – 4 yrs					0.989	0.989
Yr10 – 1 yr						1.564
Total Allocation	7.842	9.731	10.139	6.911	6.501	6.176
Less: London LEP top slice	-2.218	0	0	0	0	0
Lewisham Total	5.624	9.731	10.139	6.911	6.501	6.176

- 9.27 The Council produces an Annual Monitoring Report (AMR) which assesses the level of development that has taken place in the Borough. Over the last few years, this shows a trend for falling numbers of new homes becoming available. It identifies the steps being undertaken to progress the regeneration of the borough including the development of strategic sites within the regeneration and growth areas, at Deptford, New Cross and Lewisham Town Centre and looking forward to the potential, the Catford town centre and New Bermondsey. The bringing forward of housing supply in London is a priority for the Council and the London Mayor. A significant amount of planned growth for the borough is yet to come and the AMR provides a housing trajectory that identifies the anticipated amount of residential development in the next 15 years. This is in the context of the draft London Plan, which proposes an increased annual target of 2,117 new homes for the Borough of Lewisham for the next ten years.
- 9.28 In view of the planned growth in housing and associated infrastructure in the borough in future, years it was agreed to commit £0.65m of the NHB allocation per annum to provide delivery support for this. This represents a year-on-year commitment for the Council. Given the planned growth in the Borough over the coming years, the funding will be used to support work to improve the borough's town centres, increase the number of jobs in the borough, provide improved transport links to the rest of London, and plan the necessary infrastructure such as schools, health facilities, and open spaces.
- 9.29 As part of the provisional settlement, the Secretary of State announced that it is the government's intention to consult on the future of the NHB in spring 2020. This will involve moving to a new, more targeted approach to awarding local authorities for delivering new homes. This means the NHB as it is will cease to exist.

Budget Pressures to be funded

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2019/20

- 9.30 In 2019/20, the funds set aside in the budget model to meet specific identified budget pressures and potential budget risks was £6.5m. This was allocated in full to identified risks and pressures.
- 9.31 The majority £4.3m was allocated to Children Social Care with the balance to other service areas such information management, housing development, public services, highways etc.

2020/21

- 9.32 It is recommended that the 2020/21 allocation to meet identified budget pressures and potential budget risks remains at £6.5m. It is also recommended that additional funding of £16.7m received as part of the 2020/21 settlement above the Council's original medium term financial plans (including the £2.3m from the Social Care precept) be added to this to allow the Council to invest in selected budget pressure and growth areas that will present as challenges in future budgets if not corrected.
- 9.33 The majority of the additional £16.7m will be funded from cash sources, namely the Social Care Grant and New Homes Bonus and an additional £1m from corporate items. In terms of accounting for these, it is proposed that £7.5m of these budgets are allocated in line with the decisions of this budget from the corporate risk and pressures monies and £2.3m from the Social Care precept to the relevant Directorates when determining their cash limits for 2020/21.
- 9.34 Using cash budget presents a risk for future years although the medium planning assumptions are that this level of funding for 2020/21 is in recognition of the pressures faced by local authorities and will effectively form the baseline for pending fair funding review.
- 9.35 The budget pressures anticipated in 2020/21 have been reviewed and it is recommended that the following identified pressures are funded now, set against the Corporate Strategy priorities. This includes the reversal of £3m of previously agreed cuts and rightsizing the Children Social Care budget using the Social Care grant.
- 9.36 Table D3 provides a summary of the corporate risk and pressures budget and those pressures and risks that are being recommended to be funded.

Table D3: Summary of 2020/21 budget pressures to be funded

Description	£'000	£'000
Risk & Pressures budget available in 2020/21	6,500	
Social Care Grant	8,400	
New Homes Bonus	5,350	
Social Care Precept	2,278	
Contribution to reverse cuts	1,000	
Total Resources Available for Risks and Pressures in 2020/21		23,528
Recommended Allocations		
Corporate Strategy priorities		
Open Lewisham	-760	
Equalities and inclusion		

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Description	£'000	£'000
Communications		
Promoting Lewisham for Borough of Culture Theatre		
Leadership development		
<i>Tackling the Housing Crisis</i>	-675	
Reducing Housing Benefits subsidy		
<i>Giving Children the best start</i>		
Children Social Care	-7,490	
School catering contract		
Troubled Families		
<i>Building an inclusive economy</i>		
Insourced provision for parks, cleaning, facilities mgt..	-1,130	
Apprentice, BAME and disabled recruitment work		
Economy and partnerships		
Community wealth building through procurement		
<i>Defending health & social care</i>		
Social Care precept from Council Tax	-2,278	
<i>Making Lewisham greener</i>		
Home energy and air quality	-3,230	
Healthier neighbourhoods		
Beckenham Place Park		
Environment Services		
Fleet replacement (build capital fund)		
Highways & Footways (year 6 of 10)		
<i>Building a safer community</i>		
Violence against women and girls and CCTV	-460	
Building control		
Enforcement work		
Total Corporate Strategy priorities		-16,023
Organisational value for money		-2,935
Corporate Services		
Technology and Digital		
Commercial contracts		
Transformation investment		-4,570
Grand Total Funded Pressures		-23,528

Open Lewisham – £0.760m

- 9.37 The commitments to this priority include additional resource to support the promotion of equalities and inclusion through the Council's recruitment and development work and the monitoring thereof across all services through a consistent approach and lens to assess equalities. There is also the previous commitment, agreed in the 2019/20 budget, to make permanent the increased resources to support the Council's

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communications, externally and internally, to improve how we engage with residents to better deliver services. This is consistent with the ambition to promote an open Lewisham as the Council bids to be the Borough of Culture. There is also a reversal of a previous cut to reduce the subsidy to the theatre to enable it to continue as an active venue offering a wide variety of shows and place of engagement for the community.

Tackling the housing crisis – £0.675m

- 9.38 This is revenue monies being directed to an emerging pressure on the service budget as the move to universal credit and reduction in subsidies for the administration of this service increases. In addition, as set out in the separate section above on capital, there is significant investment planned to deliver more social homes in Lewisham to address the housing crisis.

Giving Children the best start - £7.490m

- 9.39 The Children Social Care service continues with the improvement plan to improve their Ofsted rating to at least Good, from Requires Improvement. In 2019/20 £7.0m was used to support the service - £2.3m of grant and £4.7m of once-off corporate monies. The receipt of additional social care grant for 2020/21 will enable this to be covered from government funding rather than the use of reserves again next year. In addition, new proposals for the schools catering contract and the reversal of a previous saving not achieved in the work with Troubled Families are proposed to be funded to enable these services to start the year with the correct budget and focus on changes for the future.

Building an inclusive economy - £1.130m

- 9.40 Consistent with the corporate strategy the Council, when re-procuring services, considers the value and cost of insourcing. Over the past year plans have been developed to bring back in-house the parks, cleaning, and facilities management services. These require ongoing investment to enable them to deliver the increased value expected from these plans. Through the economy and partnerships team it is proposed to maintain the investment in the service to promote employment and take up of apprentices as part of the Council's inclusive growth strategy in 2020/21. This reverses a previously agreed cut and follows through on the commitment, agreed as part of the 2019/20 budget, to continue supporting the commercial and procurement work to extend community wealth building with partners in the Borough.

Defending Health & Social Care - £2.278m

- 9.41 This proposed budget increase applies the Social Care precept to support the work of Adult Social Care services. This will enable the service to continue to work constructively with the health sector and private care market given the continued demand and cost pressures faced with a growing elderly population, work on earlier discharges from hospital into care, and rising costs in a fragile market for care services.

Making Lewisham Greener - £3.230m

- 9.42 The risk and pressures to be invested in against this priority aim to support the Council's commitment to be carbon neutral by 2030 in line with the declared climate emergency. This includes investing in the Council's infrastructure, in particular its vehicles, to be compliant with low emission requirements, address the additional costs

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arising from separating to compost, re-use, and recycle more waste with less to land fill, and work with neighbourhoods to open up Lewisham's green spaces to improve air quality and use of energy in the home.

Building a Safer Community - £0.460m

- 9.43 Despite the loss of other sources of funding, the Council continues to invest in its services for improving enforcement and enhancing protection for the vulnerable in the community. This funding for 2020/21 will be invested to maintain the Council's CCTV coverage, services to women and children at risk, and improve enforcement work across a range of areas.

Organisational value for money - £2.935m

- 9.44 In addition to the corporate strategy the Council is a large and complex organisation. Through the decade of austerity to 2020 the Council's support services have borne a significant proportion of the budget cuts. This was recognised in the 2019/20 budget round and this investment is to reverse some previously agreed cuts and enhance the resourcing for some of these services. In particular; finance, technology, human resources, and the governance and performance teams.

Transformation investment - £4.570m

- 9.45 The 2020/21 settlement and early work by the Council to identify sufficient cuts to meet the budget requirement enables the continued availability of the New Homes Bonus to be invested to support improvement and change work. In addition to the right sizing of service budgets and the addressing of specific corporate strategy priorities requiring growth set out above, investment in culture change and service transformation is critical to prepare the Council for the future and avoid further budget 'salami' cuts.
- 9.46 The new Chief Executive has engaged widely, internally and with partners, since joining at the end of October 2019. The approach has begun to identify the opportunities for change to the way the Council works. There is tremendous commitment, competence, and dedication amongst officers. This is reflected in their ambition to deliver the Council's priorities. To build on these strengths there is a need to refocus some areas of work, realign some services, and renew the organisation's culture.
- 9.47 This transformation investment is needed to improve the Council's effectiveness and efficiency going forward. This transformation will enable; a better critical mass of key services to be marshalled together, inject some capacity where it can have the most impact; and enable different approaches to be adopted to tackle key issues. The investment will be held in 2020/21 to be released as detailed plans to support a three year journey of change come forward and are agreed. Monies unspent in the first year will be held in reserves and carried forward to enable the programme to be delivered effectively.
- 9.48 Funding will be used to support this work; overseen by the Chief Executive and the Management Team it will be developed by staff through change networks. This will promote greater collaborative working to strengthen the Council's culture by helping; reach across structural boundaries, share learning, grow confidence in the ability to make change and improve services.

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Risks and other potential budget pressures to be managed

- 9.49 Following the review of budget pressures within Directorates, there are a number of other risks and issues which, although difficult to quantify with absolute certainty, could prove significant should they materialise.
- 9.50 Officers continue to undertake work to fully assess and monitor these risks. These risks and other potential budget pressures are discussed in more detail below:
- Adult Social Care and Transition;
 - Child Sexual Exploitation;
 - National / London Living Wage;
 - Temporary Accommodation / Homelessness;
 - Redundancy;
 - Disruption costs from the UK leaving the EU; and
 - Unachieved cuts.

Adult Social Care, including Transition demands

- 9.51 As noted above this is an area of continuing pressure for the Council. This is expected to continue into future years. However, the impact of service configuration changes, national policy priorities, the additional funding committed to these services for 2020/21 through the Adult Social Care precept and improved Better Care Fund, and the changes arising from transformation cuts are not yet known or assessed so it is not possible to fully evaluate the risk at this time.

Child Sexual Exploitation

- 9.52 This is a risk area across London which may, if the number of cases locally grows significantly, become a pressure in the future. At present, the service is managing this risk by refocusing existing resources within their current budget and expects to be able to do so through 2020/21. Given these uncertainties, it is not possible to fully evaluate the risk at this time.

National / London Living Wage

- 9.53 In 2015, the Chancellor announced the obligation for all employers to pay at least a national living wage. The Council has for some years now ensured it pays the London Living Wage to staff and contractors where this has been possible to contract for. However, there have remained some areas where this has not always been possible – for example; sub-contractors on some works contracts and contracting for some care services. New European procurement rules and the introduction of the national living wage go some way to closing this remaining gap to ensure all employees are paid a fair wage.
- 9.54 The budget impact of these changes is a risk of additional contract costs to the Council. These will vary according to the contract and areas of spend depending on past practice and how suppliers elect to pass on some or all of these costs. The risk cannot therefore be easily quantified at this time.

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Temporary Accommodation / Homelessness

- 9.55 Government welfare changes, economic pressures on families and individuals, and the chronic supply shortage of affordable housing in London are pressures that directly impact the Council's housing services. These are recognised nationally, by the London Mayor and locally, of course, in Lewisham's strategies. Some monies (e.g. homelessness trailblazer scheme), some policy changes (e.g. changes to the way Universal Credit is being introduced and powers against rogue landlords), and actions the Council are taking to develop and procure more and better accommodation are all being progressed. These should help reduce the risks and service pressures that arise from the growth in temporary accommodation and homelessness in Lewisham. These risks are being carefully monitored but remain significant and cannot be easily quantified in budgetary terms at this time.

Redundancy

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

Disruption costs from the UK leaving the EU

- 9.57 Three years on there remains considerable uncertainty in respect of the form and timing of the UK's future relationship with the EU. At one end of the spectrum, a disorderly departure, could give rise to a number of eventualities that impact Council services directly through its supply chains and partners or via the population who may look to the Council for additional support. Scenario planning and coordination work to prepare continues. However, while these impacts may come at a significant cost and disruption to the delivery of Council services, the likelihood is hard to predict and the scale and areas effected cannot be easily predicted at this time.

Unachieved Cuts

- 9.58 For those cuts agreed there is a risk, as the detailed work to implement them progresses, of delay or changes to the proposals in response to consultations or other factors. While management actions will continue to be taken to fully implement cuts for the coming year such pressures cannot be easily quantified at this stage, especially where possible 'invest to save' commitments or income generation work is required to realise efficiencies and cuts.
- 9.59 Should these pressures arise in the year and are not able to be contained with Directorate budgets, they may become an additional call on corporate provisions and reserves until alternative cuts are agreed and implemented.

Summary of Budget Pressures and Investment

- 9.60 In conclusion, it is a matter of good budgeting to make a general allowance for risk and uncertainty, particularly at such a time of rapid change in the local government sector.
- 9.61 There are some pressures to be funded, which can be quantified within a reasonable range. These fully commit the available £6.5m allocation and additional resources

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received for 2020/21. Including the use of some funding to invest in change and support the transformation work necessary to redesign services and improve the Council's culture to further collaborative working.

- 9.62 There are also a number of other risks and potential budget pressures to consider which are less easy to quantify with any certainty which may become an additional call on reserves through the year if they arise. These will be regularly monitored and reported.

2020/21 Budget Cut Proposals

- 9.63 On the 21 November 2018, the Mayor agreed and delegated £8.434m of budget cut proposals for 2020/21, with necessary consultations undertaken. A summary of these cuts is attached as Appendix Y1 to this report.
- 9.64 In addition, on the 30 October 2019, the Mayor agreed a further £8.175m worth of budget cuts for 2020/21. A summary of these cuts is attached as Appendix Y2 to this report.
- 9.65 These cuts totalling £16.609m have been included in the 2020/21 budget calculation. They must be achieved in order to maintain a balanced budget. The delivery of these cuts will be monitored, any shortfall will have to be covered, in the short term pending services offering alternative proposals, through the use of reserves.
- 9.66 No estimates for Settlement Funding Assessment (SFA) in 2021/22 have been provided by the Government. 2020/21 is effectively a roll forward year for the SFA, and the outcome of the fair funding review is due later on in 2020. The prospects for future funding remain uncertain.

2020/21 Council Tax

- 9.67 In setting the Council's annual budget, Members need to make decisions in respect of the Council Tax.

Collection Fund

- 9.68 Collection Fund surpluses or deficits reflect whether the Council over or under achieves its Council Tax collection targets. Therefore, this requires a calculation to be made of how much the Council has already received for the Council Tax in the current and past years and how much of the outstanding debt it expects to collect.
- 9.69 The statutory calculation was carried out for the 15 January (date prescribed by the relevant statutory instrument). This calculation showed there is an estimated deficit on the Collection Fund in respect of Council Tax, for the years 1994/95 to 2019/20 of £450,000. This reflects the ongoing work of the Public Services team to carefully collect all monies owing to the Council.
- 9.70 This deficit is shared with the precepting authority, the Greater London Authority (GLA), in proportion to relative shares of budgeted Council Tax income in the current financial year. This means that £359,000 of the £450,000 deficit has to be included in the calculation of Lewisham's budget as the additional Council Tax owed and collected in year. The remaining balance of £91,000 is allocated to the GLA.

Council Tax Reduction Scheme

- 9.71 Members should note that the Council agreed on the 22 January 2020 that no changes are to be made to the Council Tax Reduction Scheme (CTRS) for 2020/21 and that the

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Council should continue to pass on the government cuts in funding to working age claimants. Members agreed that the fixed percentage reduction in liability for the working age claimants of the scheme should remain at 25% for 2020/21. This means that everyone of working-age has to continue to pay a minimum of 25% of their council tax liability.

Council Tax Levels

- 9.72 In the 2020/21 Local Government Finance Settlement, the Government announced a 2% limit to the amount by which Councils can increase their Council Tax (inclusive of levies) without a referendum. In addition, there is also the opportunity to increase Council Tax by up to a further 2%, for the Social Care Precept in 2020/21. The government's assumptions in the local government finance settlement 2020/21 include the raising of both Council Tax and the Social Care precept in each and every year to meet the recognised funding pressures faced by the sector.
- 9.73 In 2019/20, the recommendation is that the Council approve a 2% Social Care precept which will provide additional funding of £2.3m, ring fenced for Adult Social Care spend. If implemented this charge has to be identified on the face of the Council Tax bill and made clear in the accompanying guidance for rate payers.
- 9.74 At the same time an increase in core Council Tax of 1.99% (i.e. within the limit of the 2% referendum threshold) would provide additional funding of approximately £2.3m.
- 9.75 In considering cut proposals and the level of Council Tax, Members make political judgements, balancing these with their specific legal responsibilities to set a balanced budget for 2020/21 and their general responsibilities to steward the Council's finances over the medium term.
- 9.76 In 2019/20, the Band D Council Tax in Lewisham is £1,584.45 on a base of 88,405.1 Band D equivalent properties. Of this, £320.51 relates to the activities of the GLA which the Council pays over to them on collection, Lewisham's element is £1,263.94.
- 9.77 The GLA is consulting on a precept of £326.92 (Band D equivalent) for 2020/21 (i.e. £246.98 for the Mayor's Office of Policing and Crime plus £79.94 for non-police services), an increase of £6.41 or 1.99%, and a final decision is expected from them on or after the 24 February 2020.
- 9.78 For 2020/21, the Band D Council Tax in Lewisham is recommended to be £1,641.29 on a base of 90,099.3 Band D equivalent properties (the base was approved by Council on the 22 January). Of this, £326.92 relates to the activities of the GLA which the Council will pay over to them on collection. Lewisham's element will therefore be £1,314.37, which includes a 2020/21 increase of £50.43 (3.99%).
- 9.79 Table D5 below shows, for illustrative purposes, the Council Tax payable by a Lewisham resident in a Band D property in 2020/21 under a range of possible Council Tax increases, and the financial implications of this for the Council. A full Council Tax Ready Reckoner is attached at Appendix Y3.
- 9.80 The starting point is for an assumed 3.99% increase in Lewisham's Council Tax for 2020/21, which includes the maximum core increase permissible without a referendum. Any reduction from this level of increase will reduce the level of income the Council collects and will increase the draw on reserves for 2020/21 and the budget gap in future years.

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Table D5 – Band D Council Tax Levels for 2020/21

Amounts payable by residents - Band D					
Change in Lewisham Council Tax	Lewisham element	GLA element	Total Council Tax	Increase in overall Council Tax	Lewisham Annual income forgone
	£	£	£	%	£m
3.99% increase	1,314.37	326.92	1,641.29	3.59	-
3.50% increase	1,308.18	326.92	1,635.10	3.20	-0.56
3.00% increase	1,301.86	326.92	1,628.78	2.80	-1.13
2.50% increase	1,295.54	326.92	1,622.46	2.40	-1.70
2.00% increase	1,289.22	326.92	1,616.14	2.00	-2.27
1.50% increase	1,282.90	326.92	1,609.82	1.60	-2.84
1.00% increase	1,276.58	326.92	1,603.50	1.20	-3.41
0.50% increase	1,270.26	326.92	1,597.18	0.80	-3.97
Council Tax Freeze	1,263.94	326.92	1,590.86	0.40	-4.54

- 9.81 In January 2020 at the Council meeting, Council set the Council Tax base for 2020/21 and agreed the maximum incentives available to bring properties back into use, charge for second homes, and complete works in the shortest possible time. Council also agreed to continue the Council Tax exemption for Care Leavers up to the age of 25 in the Borough.

Overall Budget Position for 2020/21

- 9.82 For 2020/21, the overall budget position for the Council is an assumed General Fund Budget Requirement of £248.714, as set out in Table D6 below:

Table D6 - 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)

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Detail	Expenditure/ (Income) £m	Expenditure/ (Income) £m
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

- 9.83 The statutory calculation for the 2020/21 budget requirement is attached to this report at Appendix Y5.
- 9.84 At this time, on the budget assumptions for the General Fund set out above, no use of reserves is required for 2020/21 to enable the Council to set a balanced budget.

Fees and Charges – 2020/21

- 9.85 Lewisham Council is involved in a wide range of services and the ability to charge for some of these services has always been a key funding source to support the cost of providing the service. The Local Government Act 2000 gave local authorities a wide power to act for the economic, social and environmental well-being of their areas. The general power to charge for discretionary services was included in the Local Government Act 2003.
- 9.86 The Fees and Charges report aims to ensure a structured, transparent process to review and approve the proposed fees and charges for the coming financial year. The report setting out the fees and charges for 2020/21 and the relevant service commentary are included at Appendix Y7.

Use of Provisions and Reserves

- 9.87 If the need should arise to balance the budget for any in-year pressures using reserves, the Acting Chief Finance Officer advises that ongoing measures should be identified to rectify this position as quickly as possible and in any event, by the following year. The use of once off resources is therefore just delaying the need to make an equivalent level of saving in the following year.
- 9.88 In addition to the above, as part of the accounts closing process, the ability for the Council to replenish reserves for ongoing work planned for over more than one year and the impact of any risks will be reviewed and assessed and reported on. These risks include:

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- Agreed cuts are delayed or not delivered;
- Service pressures cause overspends;
- Transformation and change projects overrun;
- Capital programme overruns hit revenue;
- Service disruption costs arising from the UK leaving the EU; and
- Further cuts are not identified, putting strain on future budgets.

9.89 Further discussion of the use of reserves and planning for future budgets will be reviewed and brought back for Member consideration as part of the next Medium Term Financial Strategy update.

10. Other grants and future years' budget strategy

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

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

- Better Care Fund and improved Better Care Fund 2020/21;
- Public Health Grant 2020/21;
- Social Care Grant; and
- Adult Social Care Precept;

Better Care Fund and improved Better Care Fund

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

10.4 For Lewisham the value in 2019/20 is £23.396m. The allocation for 2020/21 is expected to be at least the same although local allocations have yet to be confirmed. The local plan must be agreed with the Clinical Commissioning Group (CCG) and will require the approval of NHS England.

10.5 The Fund must be used in accordance with the final approved plan and through a section 75 pooled fund agreement. The full value of the element of the Fund linked to non-elective admissions reduction target is to be paid over to Lewisham CCG at the start of the financial year. However, the CCG may only release the full value of this funding into the pool if the proposed admissions reduction target is met. If the target is not met, the CCG may only release into the pool a part of that funding proportionate to the partial achievement of the target. Any part of this funding that is not released into the pool due to the target not being met must be dealt with in accordance with NHS

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England requirements. The partners have agreed contingency arrangements to address this risk and they will continue into 2020/21.

- 10.6 In 2017/18, the government also introduced the improved Better Care Fund (iBCF) to work alongside the BCF. The iBCF in 2019/20 is £13.1m and the grant is expected to continue at the same level in 2020/21. This is intended to fund adult social care activity. Plans for its use in 2020/21 will also require the agreement of local CCG. The grant is likely to be spent in substantially the same way as in 2019/20.
- 10.7 Winter Pressures funding will be paid again in 2020/21, probably at the same level as in 2019/20 (£1.4m for Lewisham) and, as in 2019/20, will be used to meet the extra costs incurred over the winter period from higher levels of hospital discharges as well as preventative work to reduce the need for hospital admissions.

Public Health Grant

- 10.8 In 2019/20, the Council's allocation for Public Health Grant is £23.683m. Indications are that there will be a small real terms increase in 2020/21 but allocations have not yet been published.
- 10.9 The grant remains ring-fenced and the agreed commitment of these funds will therefore need to be reviewed annually.

Social Care Grant

- 10.10 The Autumn 2018 Budget committed £650 million more for social care for 2019/20. This has been increased to £1,500m for 2020/21, with £500m available through the social care precept (see below) and the balance as grant. Lewisham will receive £8.4m of Social Care grant in 2020/21 with the discretion to spend this on both adults and children social care. The budget proposes this will again be mainly allocated to Children's Social Care to ease the pressure on placements spend during the year.

Social Care Precept

- 10.11 The 2% precept on Council Tax for social care (expected to be £2.3m in 2020/21) will be used to address the increase in fees paid to providers of Adult Social Care. Fees are expected to increase above the general rate of inflation and in line with London Living Wage (LLW) / National Living Wage (NLW) rates. An indicative increase of 3.5% would represent a cost pressure of over £2.7m.

11. Treasury Management Strategy

Background

- 11.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the Treasury Management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 11.2 The second main function of the Treasury Management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may

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involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

- 11.3 The contribution the Treasury Management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity and the ability to meet spending commitments as they fall due, either for day-to-day revenue purposes or for larger capital projects. Treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund.
- 11.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, arising usually from capital expenditure, and are separate from the day to day Treasury Management activities.

Treasury Management Strategy for 2020/2021

- 11.5 The Strategy for 2020/21 covers three main areas:
- i/ Capital Issues:
 - Capital Investment Plans
 - Prudential Indicators
 - Minimum Revenue Provision (MRP) Policy
 - ii/ Treasury Management Issues:
 - Borrowing Strategy & Treasury Indicators
 - Debt Rescheduling
 - Investment Strategy
 - Credit Worthiness Policy
 - Prospects for Investment Returns
 - iii/ Non-Treasury Investments
- 11.6 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Ministry of Housing, Community and Local Government's (MHCLG) guidance on Minimum Revenue Provision (MRP) and Investments, and the CIPFA Treasury Management Code.

Capital Investment Plans

- 11.7 The Treasury Management Strategy for 2020/21 incorporates the capital plans of the Council, as set out in section 6 of this Budget Report, which are a key driver of Treasury Management activity.
- 11.8 The Treasury Management function ensures that the Council's cash is organised in accordance with the relevant professional codes so that sufficient cash is available to meet this service activity and the Council's Capital Strategy. This involves both the organisation of the cash flow and, where capital plans require, the arrangement of appropriate borrowing facilities.

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Capital Strategy

- 11.9 The CIPFA revised 2017 Prudential and Treasury Management Codes require all local authorities to produce a Capital Strategy, which will provide the following:
- A high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
 - An overview of how the associated risk is managed; and
 - The implications for future financial sustainability.
- 11.10 The aim of the strategy is to ensure that all elected Members on full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- 11.11 The Capital Strategy is reported separately from the Treasury Management Strategy; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The Capital Strategy shows:
- The corporate governance arrangements for these types of activities;
 - Any service objectives relating to the investments;
 - The expected income, costs and resulting contribution;
 - The debt related to the activity and the associated interest costs;
 - The payback period (MRP policy);
 - For non-loan type investments, the cost against the current market value; and
 - The risks associated with each activity.
- 11.12 The 2020/21 strategy is appended at Appendix Z5.

Prudential Indicators

- 11.13 The Council's forward projections for borrowing as at 31 March 2020 are summarised below. Table E1 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.
- 11.14 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.
- 11.15 The CFR includes any other long-term liabilities (e.g. PFI 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.
- 11.16 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.
- 11.17 The table below table illustrates over/(under) borrowing relative to the CFR.

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Table E1: 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 Requirement at 31 March*	491.4	540.5	632.3	750.4	813.6
Borrowing – over / (under)	-41.3	-76.5	-91.3	-72.2	-67.6

*The Capital Financing Requirement includes the prudential borrowing figures shown in Table A2 of Section 6 - Capital Programme in the 2019/20 Budget Report.

- 11.18 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.
- 11.19 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

- 11.20 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

- 11.21 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 E2.

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Table E2: Operational Boundary

	2018/19 Actual £m	2019/20 Expected £m	2020/21 Forecast £m	2021/22 Forecast £m
Maximum External Debt at 31 March	225.1	311.7	459.2	606.7
Other Long-Term Liabilities	238.9	229.2	219.1	208.0
Operational Boundary for Year	464.0	540.9	678.3	814.7

The Authorised Limit for External Debt

- 11.22 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.
- 11.23 This is a statutory limit determined under Section 3(1) of the Local Government Act 2003, and needs to be set and revised by full Council. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised.
- 11.24 The authorised limits are as set out in Table E3.

Table E3: Authorised Limits for External Debt

	2018/19 Actual £m	2019/20 Expected £m	2020/21 Forecast £m	2021/22 Forecast £m
Operational Boundary for Year	464.0	540.9	678.3	814.7
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	870.7

- 11.25 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 E4 sets out the latest forecasts of the HRA CFR and predicted future borrowing.

Table E4: HRA CFR

	2018/19 Actual £m	2019/20 Expected £m	2020/21 Forecast £m	2021/22 Forecast £m
HRA Borrowing	0.0	88.6	134.0	79.9
HRA Debt (CFR) at 31 March	57.5	146.1	280.1	436.9

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Minimum Revenue Provision (MRP) Policy Statement

- 11.26 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision – VRP). The MRP must be determined by the Council as being a prudent provision having regard to the CIPFA Prudential Code for Capital Finance.
- 11.27 The MRP is the amount the Council charges to the revenue account and does not correspond to the actual amount of debt repaid, which is determined by Treasury related issues. Historically the Council has applied a consistent MRP policy which comprises prudential borrowing being repaid over the useful life of the asset concerned and previous borrowing being repaid at the rate of 4% (equivalent to 25 years) of the outstanding balance.
- 11.28 In 2016/17, this policy was changed to reflect the useful lives of the specific asset classes on the Council's balance sheet. It moved to:
- A straight line MRP of 14% equivalent to seven years for plant and equipment (such as IT and vehicles); and
 - A straight line MRP of 2.5% equivalent to forty years for property (such as land and buildings).
- 11.29 In 2017/18 a third element was added to the Council's MRP policy, whereby no MRP need be charged on capital expenditure where the Council has assessed that sufficient collateral is held at a current valuation to meet the outstanding CFR liability, and that should it be determined at any point that insufficient collateral is held to match the Council's CFR liability a prudent MRP charge will commence.

Borrowing Strategy

- 11.30 The Council's external debt as at 31 March 2020, gross borrowing plus long term liabilities, is expected to be £450.1m. The Council's borrowing strategy is consistent with last year's strategy. The Council is currently maintaining an under-borrowed position in that the CFR is not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow has been used as an alternative funding measure. In the current economic climate, this strategy is considered prudent while investment returns are low and counterparty risk remains an issue to be considered.
- 11.31 The Acting Chief Finance Officer will continue to monitor interest rates in the financial markets and adopt a pragmatic and cautious approach to changing circumstances. For instance, if it was felt that there was a significant risk of a sharp fall in long and short term rates (e.g. due to a marked increase of risks around a relapse into recession or risks of deflation in the economy), then long term borrowings will be postponed and potential rescheduling from fixed rate funding into short-term borrowing considered. Any such decisions would be reported to Mayor & Cabinet and subsequently Council, at the next available opportunity.
- 11.32 Alternatively, if it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast (perhaps arising from an acceleration in the start date and rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks) then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than projected in future years. Once again, any such decisions would be reported to Mayor & Cabinet and subsequently Council, at the next available opportunity.

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Policy on Borrowing in Advance of Need

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

Treasury Indicators

- 11.34 There are three debt related Treasury activity limits. The purpose of these are to restrain the activity of the Treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. These limits need to be balanced against the requirement for the Treasury function to retain some flexibility to enable it to respond quickly to opportunities to reduce costs and improve performance.
- 11.35 The debt related indicators are:
- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
 - Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates; and
 - Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

- 11.36 The Treasury indicators and limits are set out in the following table:

Table E5: Treasury Indicators and Limits

Limits on interest rate exposures	2020/21	2021/22	2022/23
	Upper	Upper	Upper
Limits on fixed interest rates:			
• Debt only	100%	100%	100%
• Investments only:			
When total portfolio >£400m	90%	90%	90%
When total portfolio <£400m	85%	85%	85%
Limits on variable interest rates			
• Debt only	15%	15%	15%
• Investments only	75%	75%	75%
Limits on maturity structure of fixed interest rate borrowing 2020/21			
	Lower	Upper	
Under 12 months	0%	10%	
12 months to 2 years	0%	10%	
2 years to 5 years	0%	10%	
5 years to 10 years	0%	25%	
10 years to 20 years	0%	20%	

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20 years to 30 years	0%	25%
30 years to 40 years	0%	50%
40 years to 50 years	0%	60%
Limits on Maturity structure of variable interest rate borrowing 2020/21		
	Lower	Upper
30 years to 40 years	0%	60%
40 years to 50 years	0%	40%

Long Term Investments Indicator

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

11.38 The indicator and limit is set out in the following table:

Table E6: Treasury Indicators and Limits

Maximum Principal Sums Invested > 365 days			
	2021/22	2022/23	2023/24
	£m	£m	£m
Principal sums invested > 365 days	50.0	50.0	50.0

Debt Rescheduling

11.39 As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate efficiencies by switching from long-term debt to short-term debt. However, these efficiencies will need to be considered in light of the current Treasury position and the size of the cost of debt repayment (premiums incurred).

11.40 The reasons for any rescheduling to take place will include:

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

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

11.42 The Council has £130m of LOBO loans as of 31 March 2020 of which £60m will be in their call period in 2020/21. In the event that the lender exercises the option to change the rate or terms of the loans within their call period, the Council will consider the terms being provided and also the option of repayment of the loan without penalty.

11.43 The Council continuously reviews its debt position to optimise its cash flow. Any consideration of debt rescheduling will be reported to Mayor & Cabinet and subsequently to Council at the earliest meeting possible.

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Annual Investment Strategy

Investment Policy – Management of Risk

- 11.44 The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial instruments (as managed by the Strategic Finance – Treasury team); non-financial investments, essentially the purchase of income yielding assets, are covered in the separate Capital Strategy.
- 11.45 The Council's investment policy has regard to MHCLG's Guidance on Local Government Investments (“the Guidance”), the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (“the CIPFA TM Code”), and CIPFA's Treasury Management Guidance Notes 2019. The Council's investment priorities will be security first, liquidity second, then return.
- 11.46 The Council uses Link Asset Services, Treasury solutions as its external Treasury Management advisor. The Council recognises that responsibility for Treasury Management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information including, but not solely, our treasury advisors. It also recognises that there is value in employing external providers of Treasury Management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.
- 11.47 The Guidance and Code place a high priority on the management of risk. The Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:
1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long term ratings.
 2. **Other information**; ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end, the Council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings, as well as information on outlooks and watches. This is fully integrated into the credit methodology provided by the advisors in producing its colour codings which show the varying degrees of suggested institution creditworthiness. This has been set out in more detail at Appendix Z2.
 3. **Other information sources** used will include the financial press, share prices and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
 4. The Council has defined the list of **types of investment instruments** that the Treasury team are authorised to use in the financial year, and these are listed in Appendix Z2 under the categories of “specified” and “non-specified” investments
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.

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- **Non-specified investment** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by Members and officers before being authorised for use.

5. **Lending limits** (amounts and maturity) for each counterparty will be set through applying the credit criteria provided by the advisors, and are set out in Appendix Z2.
6. **Interest rate limits** are set out in paragraph 11.36 and place restrictions on the exposure to variable and fixed rate investments.
7. The Council has placed a limit on the amount of its investments which are invested for **longer than 365 days** (see paragraph 11.38).
8. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see paragraph 11.52).
9. All investments will be denominated in **sterling**.
10. As a result of the change in accounting standards for 2018/19 under IFRS 9, the Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant changes at the end of the year to the General Fund. In November 2018, MHCLG concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years from 1 April 2018. The Council does not at present have any pooled investments, although is seeking advice on the initial steps required to make such investments.

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

11.49 Investment returns are likely to remain low during 2020/21 but are expected to be on a gently rising trend over the next few years. In light of these predictions for low returns the Council continues to assess, with support from its advisors, the potential risk and return offered by investing for longer (five or more years) in pooled asset funds. This policy is set with regard to the Council's liquidity requirements and to reduce the risk of a forced sub-optimal early sale of an investment; any investments entered into will be on the advice of the Council's advisors and will continue to meet the objectives of security, liquidity and return.

Credit Worthiness Policy

11.50 The Council's Treasury team applies the creditworthiness service provided by its advisors Link 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;

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

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

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

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

The Council's creditworthiness policy has been set out at Appendix Z2.

Country limits

11.52 The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix Z3. This list will be added to, or deducted from, by officers should country ratings change in accordance with this policy.

Prospects for Investment Returns

11.53 Link Asset Services assist the Council to formulate a view on interest rates. Their view is that they do not think the MPC would increase the Bank Rate before any clearing of the fog on Brexit and agreement being reached on a UK/EU trade deal. They are forecasting two rate rises over the next four years. Bank Rate forecasts for financial year ends (March) are:

- 2019/20 0.75%
- 2020/21 1.00%
- 2021/22 1.00%
- 2022/23 1.25%

11.54 The suggested budgeted investment earnings rates for returns on investments placed for periods up to three months during each financial year are as follows (on the assumption that the UK and EU agree a trade deal):

- 2019/20 0.75%
- 2020/21 0.75%
- 2021/22 1.00%

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- 2022/23 1.25%
- 2023/24 1.50%
- 2024/25 1.75%
- Later years 2.25%

- 11.55 The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture. The balance of risks to increases in the Bank Rate is also broadly to the downside, and is dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and the result of the Brexit negotiations.
- 11.56 A more extensive table of interest rate forecasts for 2019/20 onwards, including Public Works Loan Board (PWLb) borrowing rate forecasts, is set out in Appendix Z1.

Non-Treasury Investments

- 11.57 The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such investments tend to be either:
- Policy type investments; whereby capital or revenue cash is advanced for a specific Council objective and will be approved directly through Committee. This may be an advance to a third party for economic regeneration, investments in subsidiaries and joint ventures, etc.
 - Commercial type investments; whereby the objective is primarily to generate capital or revenue resources to help facilitate Council services.
- 11.58 The Council's risk appetite for these investments is reviewed on a case-by-case basis depending on the scale and nature, and strategic fit, of the proposed investment. Where such non-treasury investments exist, they will be identified and summarised at high level within this strategy. The detail and rationale for non-treasury investments will be covered in the separate Capital Strategy.

Subsidiary Companies

- 11.59 The Council has two wholly owned subsidiary companies, Lewisham Homes Limited and Catford Regeneration Partnership Limited (CRPL). It has invested in these subsidiaries as summarised below.
- Lewisham Homes Limited
- 11.60 Lewisham Homes is an arms-length management organisation (ALMO) set up in 2007 as part of the Council's initiative to deliver better housing services and achieve the Decent Homes Standard. The company manages approximately 18,000 homes.
- 11.61 The Council has to date agreed two separate loan facilities with Lewisham Homes, the first on proxy commercial terms financed from internal borrowing and the second on cost-neutral terms financed through the PWLB. Both loans allow Lewisham Homes to purchase properties to address temporary accommodation needs in the borough, and will be repaid on set maturity dates.
- 11.62 Agreement of the property acquisition programme and relevant loan agreements was obtained from Mayor and Cabinet. State Aid issues and other risks and mitigations were considered in the approval of the loan facilities, including for the second loan the requirement for collateral against the loan in order to obtain MRP exemption.
- 11.63 As at 31 March 2020 the Council expects to have advanced £17m of the available

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£20m commercial loan facility, and all £20m of the agreed facility financed from PWLB debt.

Catford Regeneration Partnership Limited (CRPL)

- 11.64 The CRPL is a property investment company created in January 2010 which owns the Catford Shopping Centre and several neighbouring properties used to generate income whilst driving forward a regeneration programme for the town centre and surrounding area.
- 11.65 The Council has existing loan agreements in place with the CRPL, currently on an interest plus principal repayment basis. As at 31 March 2020 the Council expects the outstanding loan principal to be approximately £12.9m.
- 11.66 The state aid compliant loans were advanced as part of the company's initial establishment and to finance new acquisitions as the company grew, approved through reports presented to Mayor & Cabinet.

Besson Street Joint Venture

- 11.67 The Council is an equal equity partner in a joint venture with Grainger Plc. to bring forward the development of the currently vacant Besson Street site to provide properties for the Private Rented Sector on long term tenancies. The Council has invested land at this stage and will be required to put forward an estimated £15-20m of cash to make up its share (50%) of the 40% equity, with 60% borrowing, expected once planning permission for the scheme is granted.

Other Non-Treasury Investments

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

12. Consultation on the budget

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

Rent Setting and Housing Panel

- 12.2. As in previous years, tenants' consultation was undertaken via Housing Panel meetings. This provided tenant representatives of Lewisham Homes with an opportunity on 17 December 2019 at the joint Housing Panel meeting to consider the positions and to feedback any views to Mayor & Cabinet. Tenant representatives of Brockley convened their Brockley Residents' Board on 12 November 2019 to hear the proposals and feedback.

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- 12.3. Details of comments from the residents' meetings have been set out in Appendix X2 and X3.

Business Ratepayers

- 12.4. Representatives of business ratepayers are being consulted online on Council's outline budget between 15 January and 4 February 2020. The results of this consultation will be made available in the Budget Report Update presented to Mayor and Cabinet on 12 February 2020.

13. Financial implications

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

14. Legal implications

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

Capital Programme

- 14.2. 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).
- 14.3. 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, the Council is to take account of affordability, prudence, and sustainability, value for money, stewardship of assets, service objectives, and practicality.
- 14.4. 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

- 14.5. 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.

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- 14.6. 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.
- 14.7. 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.
- 14.8. 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.
- 14.9. 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.
- 14.10. 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

- 14.11. In accordance with the Local Government Act 1992 the Council must set its Council Tax for 2020/2021 before 11th March 2020. By law it may not set the Council Tax before receipt of confirmation of the precept from the precepting authority, the GLA which is anticipated on 24th February. A report will be prepared for the Council meeting on 26th February 2020 on the basis of indications from the GLA but the report will be despatched before their final decision. The Acting Chief Financial Officer will update the Council accordingly before it makes its decision.
- 14.12. Following the introduction of the Local Authorities (Standing Orders)(Amendment) Regulations 2014 the Council's Constitution was amended to require that when the Council votes on key budget and Council Tax decisions, the vote must be recorded. This requirement will apply when the Council meets to set the Council Tax.
- 14.13. 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 produce a balanced budget in 2020/21.
- 14.14. 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

- 14.15. 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 now listed in Appendix Y1 and Appendix Y2. Members are asked now to approve

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and endorse those reductions for this year. 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 annual budget in this report.

- 14.16. 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 will only be available from the 5 February 2020 and any decisions about the Mayor's proposals on the budget are subject to consideration of that consultation response which will be reported to M&C in the budget update report scheduled for the 12 February. Until the outcome of the consultation and any relevant matters are considered by M&C, the decisions sought in this report cannot be final.

Referendum

- 14.17. 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.
- 14.18. 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 Y5.

Robustness of estimates and adequacy of reserves

- 14.19. 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.
- 14.20. The Chief Financial Officer's section 25 statement will be appended to the Budget Report update to Mayor & Cabinet on 12 February 2020 when the M&C will be asked to agree their final recommendations to the Council in respect of the 2020/21 budget.

Treasury Strategy

- 14.21. 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

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the next meeting of the Council.

- 14.22. 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.
- 14.23. 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

- 14.24. 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.
- 14.25. 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).
- 14.26. 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

- 14.27. 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 the decision making requirements of administrative law.

Reasonableness and proper process

- 14.28. 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 Appendix Y1 and Y2. 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

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made by the relevant Executive Director under delegated authority.

- 14.29. 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.
- 14.30. 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

- 14.31. 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

- 14.32. 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

- 14.33. 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. See [*"Legal implications" in the guidance*](#) for more information.

15. Equalities implications

- 15.1. The Equality Act 2010 (the Act) introduced the public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 15.2. In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - advance equality of opportunity between people who share a protected characteristic and those who do not.

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- foster good relations between people who share a protected characteristic and those who do not.
- 15.3. The duty continues to be a “have regard duty”, and the weight to be attached to it is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations. Assessing the potential impact on equality of proposed changes to policies, procedures and practices is one of the key ways in which the Council can demonstrate that they have had ‘due regard’.
 - 15.4. The Equality and Human Rights Commission issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with services and public functions. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at: <http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-act-codes-of-practice-and-technical-guidance/>
 - 15.5. The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:
 1. The essential guide to the public sector equality duty
 2. Meeting the equality duty in policy and decision-making
 3. Engagement and the equality duty
 4. Equality objectives and the equality duty
 5. Equality information and the equality duty
 - 15.6. The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties, and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at: <http://www.equalityhumanrights.com/advice-and-guidance/public-sector-equality-duty/guidance-on-the-equality-duty/>
 - 15.7. The EHRC has also issued Guidance entitled “Making Fair Financial Decisions”. It appears at Appendix Y6 and attention is drawn to its contents.
 - 15.8. Assessing impact on equality is not an end to itself and it should be tailored to, and be proportionate to, the decision being made. Whether it is proportionate for the Council to conduct an Equalities Analysis Assessment of the impact on equality of a financial decision or not depends on its relevance to the Authority’s particular function and its likely impact on people from protected groups, including staff.
 - 15.9. Where proposals are anticipated to have an impact on staffing levels, it will be subject to consultation as stipulated within the Council’s Employment/Change Management policies, and services will be required to undertake an Equalities Analysis Assessment (EAA) as part of their restructuring process.
 - 15.10. It is also important to note that the Council is subject to the Human Rights Act, and should therefore, also consider the potential impact their particular decisions could have on human rights. Where particular cuts have such implications, they 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,

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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.

16. Climate change and environmental implications

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

17. Crime and disorder implications

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

18. Health and wellbeing implications

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

19. Background papers

Short Title of	Date	Location	Contact
Medium Term Financial Strategy	26 June 2019 (M&C)	1st Floor Laurence House	David Austin
2019/20 Revenue Budget Cuts 2020/21 Revenue Budget Cuts	21 November 2018 30 October 2019	1st Floor Laurence House	David Austin
Setting the Council Tax Base & Discounts for Second Homes and Empty Properties	22 January 2020 (Council)	5th Floor Laurence House	David Austin

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20. Glossary

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

21. Report author and contact

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22. Appendices

Capital Programme

W1 2019/20 to 2022/23 Capital Programme – Major Projects

W2 Proposed Capital Programme – Original to latest Budget

Housing Revenue Account

X1 Proposed Housing Revenue Account Cuts 2020/21

X2 Leasehold and Tenants charges consultation 2020/21

X3 Leasehold and Tenants Charges 2020/21 Lewisham Homes

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- X4 Other Associated Housing Charges for 2020/21
- X5 Garage Rent Increase Report 2020/21
- X6 Tenants' rent consultation 2020/21

General Fund

- Y1 Summary of previously agreed budget cuts for 2020/21 (Approved 2018)
- Y2 Summary of previously agreed budget cuts for 2020/21 (Approved 2019)
- Y3 Ready Reckoner for Council Tax 20120/21
- Y4 Chief Financial Officer's Section 25 Statement – *To follow M&C 12 February 2020*
- Y5 Council Tax and Statutory Calculations
- Y6 Summary of risks and pressures to be funded
- Y7 2020/21 Proposed Fees and Charges
- Y8 Making Fair Financial Decisions

Treasury Management

- Z1 Interest Rate Forecasts
- Z2 Credit Worthiness Policy (Linked to Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management)
- Z3 Approved countries for investments
- Z4 Requirement of the CIPFA Management Code of Practice
- Z5 Capital Strategy

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