APPENDIX W1

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

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

APPENDIX W2

PROPOSED CAPITAL PROGRAMME – ORIGINAL TO LATEST BUDGET

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

School Places Programme (19/20 - 22/23)		2,382		
Travellers Site (Pool Court)		2,727		
Excalibur – Estate Regeneration		114		
Highways – LBL		(2,000)		
Pepy's Environmental		(616)		
Asset Management Programme		(500)		
Greystead Estate and Fairlawn School		(375)		
Deptford Southern Sites Regen.		813		
CPZ Programme		500		
Mayow Road Housing Development		490		
Beckenham Place Park		200		
Heathside & Lethbridge		52		
Stillness School Kitchen		44		22,695
Rolling Programmes (22/23)				
Highways – LBL		2,500		
Asset Management Programme		2,500		
Tech Refresh		500		
Cash Incentive Scheme		200		5,700
Latest Budget				**187,395**

HOUSING REVENUE ACCOUNT

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

APPENDIX X1: Proposed Housing Revenue Account Savings 2020/21

X1.1 The HRA strategy and self-financing assessments are continually updated and developed with the view to ensuring resources are available to meet costs and investment needs and are funded for 2020/21 and future years.

X1.2 Savings and efficiencies delivered in the 2020/21 budget can be re-invested to off-sent constrained rent rises or to help bridge any investment gap identified. As a prudent measure the original financial model was developed with no savings identified. Subsequently, discussions have taken place regarding appropriate savings and 'target' management and maintenance costs per unit. For example, there is already an assumed reduction in the Lewisham Homes fee in 2020/21 to reflect stock losses through Right to Buy Sales. Although no direct efficiencies/savings are currently being considered for 2020/21, work continues to identify opportunities for cost reductions and efficiencies relating to the HRA business model. Where identified, these savings would be available to off-set future rental losses due to a constrained uplift to protect investment in stock or services.

X1.3 An update of the HRA Strategy, Savings Proposals, proposed rent & service charge increases and comments from consultation with tenant representatives will be reported to Mayor & Cabinet as part of the HRA Rents and budget strategy report. Mayor & Cabinet will make the final budget decisions in the new year.

APPENDIX X2: Leasehold and Tenants Charges Consultation 2020/21

Committee	**Brockley Residents Panel**	Item No	
Report Title	**Leasehold and Tenant Charges Consultation**		
Contributor	**Regenter Brockley Operations Manager**		
Class	**Decision**	Date	**12th November 2019**

1 Summary

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

1.2 The report requests Brockley Residents Panel members to consider the proposals to increase service charges based on an uplift of **3.40%** for **2020/21** on specific elements. This is based on full cost recovery in line with previous years' proposals.

2 Policy Context

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

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

3. Recommendations

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

4. Purpose

4.1 The purpose of the report is to:

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

5. Housing Revenue Account Charges

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

- Leasehold Service Charges

- Tenant Service Charges

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

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

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

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

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

6. Analysis of full cost recovery

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

6.2 Leasehold service charges

The basis of the leasehold management charge has been reviewed and externally audited this summer to reflect the actual cost of the service. The management charge now incorporates Resident Engagement and Customer Service charges which makes this combination £86.22 for street properties and £183.05 for blocks.

6.2.1 The uplift in leaseholder charges should reflect full cost recovery for the type of service undertaken. It is proposed that any uplift is applied at 2.40% RPI (September 2019) +1.00% equates to a total uplift of 3.40%

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

6.3 Leasehold service charges

Service	Leasehold No.	Current Weekly Charge	Weekly Increase	New Weekly Amount	**Increase (3.40%)**
Caretaking	395	£5.76	£0.20	£5.96	3.40%

Grounds Maintenance	395	£3.15	£0.11	£3.26	3.40%
Lighting	395	£1.74	£0.06	£1.80	3.40%
Bulk Waste	395	£1.38	£0.05	£1.43	3.40%
Window Cleaning	221	£0.16	£0.00	£0.16	3.40%
Resident Involvement	558	£0.24	£0.00	£0.24	3.40%
Customer Services	558	£0.38	£0.01	£0.39	3.40%
Ground Rent	558			£0.00	set at £10 per annum
General Repairs	558	£3.50	£0.12	£3.62	3.40%
Technical Repairs	400	£0.69	£0.02	£0.71	3.40%
Entry Phone	139	£0.05	£0.00	£0.05	3.40%
Lift	235	£2.40	£0.08	£2.48	3.40%
Management Fee	558	£2.95	£0.10	£3.05	3.40%
Total		**£22.40**	**£0.75**	**£23.15**	

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

6.3.2 In addition, tenants pay a contribution of £0.15pw to the Lewisham Tenants Fund.

6.3.3 In order to ensure full cost recovery, tenant's service charges for caretaking, grounds maintenance and other services should be increased in line with the percentage increase applied to leaseholder service charges. Overall, charges are suggested to be increased by an average of £0.31 pw which would move the current average weekly charge from £11.06 to £11.37.

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

Service	Current Weekly Charge	Weekly Increase	New Weekly Amount	Increase (3.40%)
Caretaking	£5.30	£0.13	£5.43	3.40%
Grounds Maintenance	£2.27	£0.11	£2.38	3.40%
Communal Lighting	£1.76	£0.02	£1.78	3.40%
Bulk Waste	£1.38	£0.05	£1.43	3.40%
Window Cleaning	£0.20	£0.00	£0.20	3.40%
Tenants fund	£0.15	£0.00	£0.15	
Total	**£11.06**	**£0.31**	**£11.37**	

6.3.5 The RB3 Board is asked for their views on these charges from April 2020 to March 2021. Results of the consultation will be presented to Mayor and Cabinet for approval in Spring 2020.

7. Financial implications

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

8. Legal implications

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

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

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

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

8.4 The timetable for the consideration of the 2020/21 rent levels provides an adequate period to ensure that legislative requirements are met.

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

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

9. Crime and disorder implications

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

10. Equalities implications

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

11. Environmental implications

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

12. Conclusion

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

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

If you require any further information on this report, please contact

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APPENDIX X3: Leasehold and Tenants Charges 2020/21 Lewisham Homes

Meeting	**Resident Engagement Panel**	Item No.	**5**
Report Title	**Leasehold and Tenant Charges 2020/21**		
Report Of	**Director of Finance and Technology – Rowann Limond**		
Class	**Information**	Date	**17th December 2019**

1. Purpose of the Report

1.1 This report sets out proposals for residents service charges in 2020/21. Residents are invited to comment on the proposals which will be fed back to the Mayor as part of the Council's budget setting process.

2. Recommendations

2.1 To consult residents on the service charge proposals and provide feedback to the Mayor.

3. Background of the Report

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

3.2 Each year a review of the actual costs is undertaken as part of the budget setting process and recommendations made to the council in respect of proposed charges.

3.3 Where possible we aim to keep these charges within the inflation rates. It should be noted that the inflation rates as at September 2019 were CPI 1.75 and RPI 2.4%. Although it is proposed to increase the overall charge to tenants by more than CPI the majority of this increase relates to charges from new service such as sweeping.

4. Tenant and Leasehold service charges 2020/21

4.1 The proposed 2020/21 charges as compared with 2019/20 are shown in Appendix

4.2 Increases to service charges for caretaking and grounds maintenance reflect the impact of services such as sweeping being moved into the HRA.

4.3 Changes to repairs and maintenance charges have been modelled on last 3 years actual costs. These charges are estimates and leaseholders will receive a charge adjustment based on actual costs incurred. This charge adjustment will take place in September 2021.

4.4 A proposed increase in communal heating of 13p per week is due to an increase in energy costs.

Appendix 1

Proposed Service Charges 2020/21

Existing Service	Tenant (T) / Leaseholders (LH)	Estimate (per week charge)	Estimate (per week charge)	Change in weekly charge		
		2019/20	2020/21			
		£	£	£	%	
Caretaking	T & LH	6.00	6.36	0.36	6.01%	increase
Ground Maintenance	T & LH	2.00	2.07	0.07	3.33%	increase
Repairs and Maintenance - Building	LH	2.38	2.92	0.54	22.73%	increase
Repairs and Maintenance Technical	LH	0.98	1.03	0.05	4.80%	increase
Lifts	LH	2.75	2.69	-0.05	-1.89%	decrease
Entry Phone	LH	0.74	0.74	0.00	0.00%	no change
Block Pest Control	T & LH	1.66	1.79	0.13	7.92%	increase
Ground Rent	LH	0.19	0.19	0.00	0.00%	no change
Sweeping	LH	1.03	1.02	-0.01	-1.10%	decrease
Management	LH	2.54	2.45	-0.09	-3.64%	decrease
Window Cleaning	T & LH	0.10	0.10	0.00	0.00%	no change
Bulky House Hold Waste Collection Service	T & LH	0.52	0.47	-0.05	-8.99%	decrease
Bulk Waste Disposal	T & LH	0.84	0.85	0.01	0.88%	increase
Insurance	LH	0.94	0.94	0.00	0.00%	no change
Total excluding energy charges		**22.66**	**23.61**	**0.95**		
Communal Lighting	T & LH	1.12	1.07	-0.04	-3.96%	decrease
Communal Heating and Hot Water	T & LH	10.02	10.29	0.27	2.73%	increase
Total energy charges		**11.14**	**11.37**	**0.23**		
Grand Total		**33.80**	**34.98**	**1.18**		

APPENDIX X4: Other Associated Housing Charges for 2020/21

Garage Rents

1. Garage rents are proposed to rise by 2.4%. This represents an average increase of £0.38pw and would raise the average charge from £15.30pw to £15.68pw. The proposed increase would raise an additional £43k of revenue. Property Services provided a separate consultation report to the residents panel giving further details of the increase to be applied for 2020/21. This is attached as appendix X5 to this report.

2. Garage rents for the Brockley PFI managed area will therefore increase from an average of £11.86 per week to £12.14per week. This is a change of £0.28per week.

3. Garage rents for the Lewisham Homes managed area will therefore increase from an average of £15.82 per week to £16.21 per week. This equates to an increase of £0.39 per week.

4. The authority has commissioned a review into rental values across the garage stock, with a view to reporting to Mayor & Cabinet sometime in the next year recommending rental values to take forward in the longer term. Any additional changes are likely to be consulted on and implemented for financial year 2020/21.

Tenants Levy

5. As part of the budget and rent setting proposals for 2005/6, a sum of £0.13 per week was ‘unpooled’ from rent as a tenants service charge in respect of the Lewisham Tenants Fund. The current charge is £0.15pw.

6. No proposals have been put forward by Lewisham Tenants Fund (LTF) to vary this levy for 2020/21. Therefore the charge will remain at £0.15pw for 2020/21.

Hostel charges

7. Hostel accommodation charges are set based on current Government requirements and will increase by 2.7% (£0.94 per week).

8. Hostel service charges are set to achieve full cost recovery, following the implementation of self-financing. For 2020/21, the charge for Caretaking/management and Grounds Maintenance will remain at current levels. This will leave the average charge at £72.96 per unit per week.

9. In addition, the charge for Heat, Light & Power will also be held at current levels and will remain at £5.98pw. Water charges will not be increased and will remain at £0.20pw. The charge for Council Tax will be based on the total recharged received from Council Tax section. All charges will be based on the total number of hostel units and is forecast to remain unchanged for 2020/21.

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

Linkline Charges

11. The delivery of the service to a 'full visiting service' to better reflect service need was implemented in 2018/19. The resulting annual charge to the HRA for 2019/20 was increased to £410k. Current indications are that an inflationary increase of 2.5% will be applied for 2020/21, increasing the HRA charge by £10k (to £420k for 2020/21). The current linkline charge to HRA residents is £5.96 per week, and does not fully recover the full charge applied to the HRA.

12. Consultation with HRA residents/current users of the service is due to be undertaken in the New Year. The results of any consultation will be reported to Mayor & Cabinet. Consultation would need to be completed by mid-February 2020 to comply with the 28 day statutory notice of charge increases and allow increased charges to be applied from April 2020. However, if consultation is delayed, the charge increase can only be applied from April 2021. There are no proposals to increase the maintenance charge, which will remain at £0.94 per week.

Private Sector Leasing (PSL & PMA)

13. Rent income for properties used in the Private Sector Leasing (PSL) scheme is a General Fund resource. Following consultation, the Department for Work and Pensions (DWP) announced that the threshold for 2017/18 for housing benefits subsidy allowances will be based on the January 2011 Local Housing Allowance, less 10%, subject to a maximum capped amount of £500 per week. It is recommended that rents for private sector leased properties are kept within the 2011/12 weekly threshold, as set out in Table B3 below.

Table B3 - Local Housing Allowances for 2019/20 (used for PSL purposes)

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

Heating & Hot Water Charges

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

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

16. The existing corporate contract for the supply of electricity is let by the property services team with Crown Commercial Services; an Executive Agency of the Cabinet Office. The contract frameworks have been designed to comply with the findings of the Pan Government Energy Project, which recommends that all public sector organisations adopt aggregated, flexible and risk-managed energy procurement with public sector buying organisations.

17. The proposal for 2020/21 is for an increase of £0.27pw or 2.7%. This will move the current charge from £10.02pw to £10.29pw. This is based on the latest available unit rates and consumption data.

18. The proposal for communal lighting is for a reduction of 3.96% or £0.05 per week. This will move the current average charge from £1.12pw to £1.07pw. The reduction is due to updated consumption rates.

19. Officers will review the costs, actual energy usage and new contact prices in both 2019/20 and 2020/21 as part of the monitoring regime. Once the new long-term energy supply contracts are in place, recommendations for changes to charges will be brought forward as part of the 2021/22 budget process.

APPENDIX X5: Garage Rent Increase Report 2020/21

RESOURCES AND REGENERATION Estates Team Report			
Report Title	Rental Increases for Garages		
Key Decision	Yes		**Item No.**
Contributors	**Lewisham Homes, Brockley Residents, Financial and Legal Services**		
Class		**Date: December 2019**	

1. Purpose and Summary of the report

The purpose of this report is to advise the resident panel of the proposed increase in the rent paid by tenants for domestic garages owned by the Council for the next financial year. As is our usual practice, the rents for next year will be increased in line with the Retail Price Index.

2. Recommendation

It is recommended that the Council approves, in principle, an increase in rent for the garage portfolio of 2.4%, to be effective from April 2020. This increase is in line with the increase in the Retail Price Index for the current year.

Blue Badge holders will continue to receive a 50% deduction on the weekly rent.

3. Policy Context

Lewisham's core values as set out in the Corporate Strategy for 2018-2022 are to:

- Put service to the public first;
- Respect all people and all communities;
- Invest in employees;
- Be open, honest and fair in all we do.

Within the context of the Corporate Strategy, the proposal in this report will support the objective of increasing income from the existing estate. The garage portfolio is an opportunity for the Council to closely scrutinize how the resource is managed / utilised, and seek to maximise income where possible, and identify new development opportunities.

It is also an opportunity to monitor and improve the garage letting service delivered to tenants and residents of the borough in accordance with our core value 'Put service to the public first'

4. Background

For the financial year 2019/2020 the garage rentals were increased by 25%. This was following a report by external property consultants Ridge and Partners. Their report advised that the rental levels that were being charged by the Council for its garages were below market rent.

The 25% uplift was therefore imposed in order to correct this and bring rentals back in line with the market.

The larger % increase imposed on tenants in 2018/19 had minimal impact on demand. Whilst a few tenants did vacate their garages at the start of the year, the vast majority stayed on. The current waiting list for garages is approximately 1400 applicants.

For the forthcoming financial year from April 2020 it is intended that the increase imposed is an inflationary one only, in line with the Retail Prices Index, as is our usual practice.

There are approximately 134 Council garage sites in the borough, comprising 182 garage blocks. There are approximately 2,379 individual garages. Approximately 1,801 of the garages are let to Lewisham Homes and Brockley social tenants and 578 are let to non-Lewisham Homes or Brockley social tenants.

A housing tenant with LB Lewisham pays the basic price for a garage (subject to any specific discounts agreed) and a non-housing tenant pays the basic price with the addition of 20% VAT. Blue Badge holders receive a 50% deduction on the weekly rent.

The application of a discount is entirely a discretionary decision on behalf of the Council; garages are not a core social dwelling provision and all could be charged at a higher level, although there is some logic in offering some abatement to housing customers to help mitigate parking issues and neighbourhood management problems.

The highest rent charged is £22.93 per week and the lowest is £11.43 per week. However, some garages are charged at less than the lowest rate per week. These are discounted rates (50% of the full charge) for tenants with blue badges.

5. Financial Implications

The current annual rent roll for the garage portfolio is £1.368M, based on a basic average standard charge of £15.30 per week per garage (i.e. before discounts are applied).

If the rents are increased by RPI as proposed in April 2020, the revised annual rent roll will increase to approximately £1.402M, or £15.68 per week per garage, an uplift of 2.4%, or £0.38 per week on average, and a total increase of approximately £34,000 on the annual rent roll.

6. Legal Implications

The Council's duties in relation to the consultation of tenants on matters of housing management, as set-out in Section 105 of the Housing Act 1985, do not apply to rent levels, nor to charges for services or facilities provided by the authority. There is therefore no requirement to consult with secure tenants regarding the proposed increase in charges. The Council still needs to act reasonably and the decision maker should therefore be satisfied that the increase is reasonable and justified. The general principle is that the Council should be seeking best value.

The Equality Act 2012 (the Act) introduced a new 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.

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

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

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.

The Equality and Human Rights Commission has recently issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled 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 the equality duty. 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-actcodes-of-practice-and-technical-guidance/

The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:
- The essential guide to the public sector equality duty
- Meeting the equality duty in policy and decision-making
- Engagement and the equality duty
- Equality objectives and the equality duty
- Equality information and the equality duty

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-sectorequality-duty/guidance-on-the-equality-duty/

7. Crime and Disorder Implications

There are no specific crime and disorder implications in this report. However, levels of voids could increase in the future if there is a lack of investment. Poorly maintained garages with high vacancy rates can in turn lead to increased levels of crime and anti-social behaviour.

8. Equalities Implications

The proposed 25% increase will be applied across the portfolio to residents and non-residents. Blue badge holders will continue to receive a 50% discount on the weekly rent as existing.

9. Environmental Implications

There are no specific environmental implications in this report.

10. Conclusion

The proposed rental increase is considered to reflect market rent and be sustainable, and will raise additional revenue from the portfolio that can be re-invested.

11. Further Information

If there are any queries on this report, please contact David Lee on extension 49823, david.lee@lewisham.gov.uk

Appendix X6: Tenants' rent consultation 2020/21

The Tenants' rent consultation meetings took place on 17th December 2019 with Regenter B3 (Brockley) managed tenants and 17th December 2019 with Lewisham Homes managed tenants.

Views of representatives on rent and service charge changes & savings proposals.

	Lewisham Homes	Brockley PFI
No of representatives (excl Cllrs)	15+	5
Rent Increase @ 2.7%	See Below	No direct comments
Savings Proposals:-		
No Savings proposed	n/a	n/a
Service Charges inc:		
Heating & Hot Water Charges	See Below	No direct comments
Garage Rents	See Below	No direct comments
Tenants Fund	n/a – no increase proposed	n/a – no increase proposed

Summary of comments made by representatives

Lewisham Homes Panel	**Rent increase:** Residents expressed their concerns that a 2.7% increase in rents was unaffordable and unjustified and takes no account of affordability issues. This is especially in the light of continued restrictions in pay increases for low income and public sector employees In addition, residents would like to see an equalities assessment impact undertaken. Officers responded by informing the panel that they would look into this and report back at the next meeting. A show of hands was held on the rise with the following results; In Favour 0 Against 5 **Tenants Service Charges & Heating & Hot water Charge:** A presentation was given on the proposals. A discussion was held on the issue of service standards and costs. The following information was requested by panel; • What 'pests' are covered by the charge for pest control • Requested details of how the water charges are calculated by Thames Water now that direct billing is in place. Officers informed the panels that these details would be provided for the next meeting. A show of hands was held on the rise with the following results; In Favour 0 Against 5 **Garage Charges:**

	There were complaints regarding the condition of the garages and the justification for increases applied last year. In addition, comments regarding letting units to non-resident were made. Officers responded by informing the panel that this only occurs where there is no waiting list and that tenants are given priority for lettings. In addition, non-residents also pay VAT on the lettings. The panel also requested details to be provided on the following; • The total level of income; • Void rates • Number of lets to non-residents • Expenditure incurred – staffing, repairs etc. A show of hands was held on the garage rise with the following results; In Favour 3 Against 2 **Tenants Fund:** n/a – no increase proposed **Savings Proposals:** n/a

Brockley PFI Area	**Rent increase:** There were no comments received on the proposals for the rent increase **Tenants and Leaseholders Service Charges:** Residents expressed their dissatisfaction on the lack of information provided by the management team regarding meaningful data provision on actual costs and if there has been any challenges, despite this being asked for. Officers responded by informing the panel that there is an independent audit undertaken annually regarding leasehold service charges which ensure that charges applied are reflective of actual costs. Once the audit is complete, accounts are adjusted, if necessary to reflect actual costs. Residents also commented on a lack of attendance of LBL officers at their regular residents meetings with RB3. Officers responded that if there are particular issues, they would be discussed with the management provider RB3 to resolve. **Garage Charges:** There were no comments received on the proposals for the garage rent increase **Tenants Fund:** n/a – no increase proposed **Savings Proposals:** n/a

Appendix X7 - Summary of 5 historic housing debt cases proposed for write off

A summary of the 5 historic debt cases proposed for write off is set out below. In each case any information that might be identifiable to a certain individual or property has been removed.

1. Former Tenant Arrears cases over £10k and prepared for write off

Reference	Balance Including Court Costs	Tenancy Start Date	Tenancy End Date	Case Notes
CASE 1	£10,642.86	26-Mar-07	20-Aug-17	Tenant was evicted from the property. They had a stay application which had been dismissed. Debt has been on the account for a number of years. We have not been able to trace this former tenant and have forwarded details to Medina who also have stated that they cannot find the former occupant. No documents. Last search done 03.06.19
CASE 2	£10,305.30	29-Dec-12	28-May-17	Tenant was evicted from the property for rent arrears. Since the eviction has happened the case has been referred to Medina, who have also undertaken a search. Property had been a sub-let - checks undertaken via Council tax and HB systems – former tenant has not been found via any parties
CASE 3	£11,018.26	25-Feb-02	30-Aug-09	Tenant was evicted for non-payment of rent – since the eviction the case has been referred to debt recovery and tracing agency and the former tenant could not be found in any of the databases and searches (this case is over ten years old and is statute barred).
CASE 4	£11,638.37	07-Feb-11	20-Mar-16	Tenant was in the process of being evicted. However, the property was abandoned prior to the eviction date – we obtained an address for the former tenant in 2016 – but there was no response to any of the letters – there had been issues with the tenant due “mental health” and was being assisted by family members – debt agencies had been appointed but were not able to make contact with the former occupant last attempt of contact was made in June 2016

CASE 5	£16,702.43	23-Jan-06	22-Feb-09	Tenant was evicted as unauthorised Occupant. The case is statute barred. The debt includes an amount of £1,139 for court costs.
Total	**£60,307.22**			

APPENDIX Y1 2020/21 Budget Cuts – Approved November 2018

Ref	Proposal	2020/21 £'000
CHILDREN & YOUNG PEOPLE DIRECTORATE		
CYP01	More efficient use of residential placements	300
CYP03	More systematic and proactive management of the market for Independent fostering	600
CYP04	Commission semi-independent accommodation for care leavers	250
CYP05	Residential framework for young people - Joint South East London Commissioning Programme	200
CYP06	Cease funding for former CYP funded post in Voluntary Action Lewisham	25
Total for Children & Young People Directorate		**1,375**
COMMUNITY SERVICES DIRECTORATE		
COM02	Ensuring support plans optimise value for money	250
COM04	Reduce costs for Learning Disability and Transitions	1,000
COM05	Increased focus of personalisation	482
COM06	Reduction in Mental Health Residential care costs	200
COM07	Reduction in Adult Social Care contribution to Mental Health Integrated Community Services	50
COM08	Change in the public engagement responsibilities for air quality and dedicated funding	60
COM10	Crime, Enforcement & Regulation reorganisation	161
COM15	Extended use of Broadway Theatre	50
COM16	Cultural & Community Development Service Staffing	75
Total for Community Services Directorate		**2,328**
HOUSING, REGENERATION & ENVIRONMENT DIRECTORATE		
CUS02	Income Generation – Increase of Garden Waste Subscription	485
CUS04	Income Generation – Increase in Commercial Waste Charges	300
CUS06	Bereavement Services increase income targets	67
CUS09	Cost reductions in homelessness provision – income generation and net budget reductions	696
RES11	Increase in pre-application fees	100
RES12	Catford complex office rationalisation	250
RES13	Reduction in Business Rates for the Corporate Estate	100
RES14	Corporate Estate Facilities Management Contract Insourcing	100
RES15	Commercial Estate Growth	500
RES17	Beckenham Place Park – income generation	105
RES18	Electric Vehicle charging points	50
Total for Housing, Regeneration & Environment		**2,753**

CORPORATE SERVICES DIRECTORATE		
CUS10	Invest to save – create revenues protection team	394
CUS11	Process automation in Revenues and Benefits	250
CUS13	Invest to save – improve sundry debt collection	480
RES01	Benefits Realisation of Oracle Cloud	350
RES02	Legal fees increase	32
RES03	Executive Office – Administrative Support Staff Reduction	104
RES04	Policy, Service Design and Intelligence – Reduction on staffing	155
RES06	Increase income supporting the Funding Officer post and review the Economy and Partnerships Function	80
RES07	Reduce corporate apprenticeships salaries budget	55
RES10	Cease graduate programme	78
Total for Corporate Services		**1,978**
GRAND TOTAL		**8,434**

APPENDIX Y2 2020/21 Budget Cuts - Approved October 2019

Ref	Proposal	2020/21 £'000	2021/22 £'000	Total £'000
COMMUNITY SERVICES DIRECTORATE				
COM1a	Managing demand at the point of access to adult social care services	1,000		1,000
COM2a	Ensuring support plans optimise value for money	500		500
COM3a	Increase revenue from charging Adult Social Care clients	500		500
COM18	Funding inflationary increase from within the ASC Grant	2,000		2,000
Total for Community Services Directorate		**4,000**		**4,000**
HOUSING, REGENERATION & ENVIRONMENT DIRECTORATE				
CUS15	Cuts to No Recourse to Public Funds service budget	1,000		1,000
CUS16	Operational savings in the Private Sector Housing Agency through service improvements	175		175
Total for Housing, Regeneration & Environment		**1,175**		**3,928**
CORPORATE SERVICES DIRECTORATE				
CUS11a	Process automation in Revenues and Benefits		500	500
CUS14a	Parking service budget review	500		500
RES21	Reduced allocation of inflation to contract cost	1,000		1,000
RES22	Reduced allocation of inflation as dividend for improved ICT Provision	1,500		1,500
Total for Corporate Services		**3,000**	**500**	**3,500**
GRAND TOTAL		**8,175**	**500**	**8,675**

APPENDIX Y3: Ready Reckoner for Council Tax 2020/21

	Budget Requirement Lewisham	Council Tax (Band D)	Increase / (Decrease) Lewisham	GLA Precept (Band D)	Total Council Tax (Band D)	Total Increase / (Decrease)
	£m	£	%	£	£	%
2019/20	**243.012**	**1,263.94**	**4.99%**	**320.51**	**1,584.45**	**5.76%**
2020/21 Recommended	**248.714**	**1,314.37**	**3.99%**	**332.07**	**1,646.44**	**3.91%**
	248.156	1,308.18	3.50%	332.07	1,640.25	3.52%
	247.587	1,301.86	3.00%	332.07	1,633.93	3.12%
	247.017	1,295.54	2.50%	332.07	1,627.61	2.72%
	246.448	1,289.22	2.00%	332.07	1,621.29	2.33%
	245.879	1,282.90	1.50%	332.07	1,614.97	1.93%
	245.309	1,276.58	1.00%	332.07	1,608.65	1.53%
	244.740	1,270.26	0.50%	332.07	1,602.33	1.13%
	244.170	1,263.94	0.00%	332.07	1,596.01	0.73%

APPENDIX Y4: Chief Financial Officer's Section 25 Statement

1. This statement makes reference to the 2020/21 Budget Report to Mayor & Cabinet circulated to all Members.
2. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (CFO) to report to an authority when it is making the statutory calculations required to determine its

Council Tax. The Authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates, included in the budget and the adequacy of the reserves, for which the budget provides. This Statement also reflects the requirements of CIPFA's current Local Authority Accounting Panel (LAAP) Bulletin 99 on 'Local Authority Reserves and Balances'.

3. Section 114 of the Local Government Act 1988, requires the CFO to issue a report to all the Local Authority members to be made by that officer, in consultation with the monitoring officer and head of paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget.

Generally

4. The Council has already made cuts from its annual revenue budget of over £180m since 2010. The Medium Term Financial Strategy (MTFS) was reported to Mayor & Cabinet in June 2019. This set out that an estimated £22m of cuts required by 2020/21. To date saving proposals for £16.6m have been presented for scrutiny and agreed by Mayor & Cabinet for 2020/21.

5. The final Local Government Finance Settlement was announced on the 6 February 2020 as a one year settlement, subject to parliamentary debate and approval. The settlement was positive compared to the MTFS assumptions. As a result the cuts of £16.6m agreed for 2020/21 are sufficient to set a balanced budget for the year, without the need to use reserves.

6. The Council has prepared forecasts beyond 2020/21 to 2023/24. However, these are tentative at this stage as they are be subject to, amongst other things, the results of the next Comprehensive Spending Review, results of the delayed Fair Funding Review, any changes to the business rates regime, and possible changes to health and social care governance and funding arrangements. From the government's financial forecasts and outlook, further reductions to local government funding are to be expected into at least the mid 2020s.

7. The Council continues to take a prudent approach towards financial planning. During these times, the Council will need to weigh up the need to hold reserves and balances against the increased risk to delivery of the budget if services are not transformed so that they are managed within the resources available.

8. The report discusses the use of once-off reserves and balances when considering the in-year financial position, service change opportunities, and cuts requirements to enable members to set a balanced budget. In particular the plan to allocate £4.5m for a three year programme of culture change and service transformation work led by the Chief Executive.

9. This balance of risk and reserves is ever more important for the Council looking to future years as a number of fundamental changes are proposed to the way in which local government will be financed. The emphasis of these changes is focused on local authorities becoming more self-sufficient and less reliant on central government grant.

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

Budget Risks

11. During 2019/20 there have been a number of pressures which have continued due to increasing demographics and legislative changes. For example; demand and costs of children social care, transport costs, and waste disposal costs. Consideration is given in the report to the management and funding of these risks. It is also to be noted that going into a second decade of year on year cuts, the proposals to save money have necessarily become more ambitious,

more risky, and carry a higher level of uncertainty about the exact timing and value they will deliver. Increasingly so where the budget is assuming more income, rather than lower costs, as this activity is more variable.

12. For 2020/21 the budget sets out the significant capital plans and related borrowing requirements to deliver the large Building for Lewisham programme focused on providing need social housing supply in the borough. These plans, their scale, and the complexity of delivering such a programme add significant new risk to the Council's finances.

13. These risks are discussed in more detail in the budget report. In respect of the capital works these are managed scheme by scheme. Officers review required funding (be it from capital receipts, grant support, or borrowing) quarterly. The most recent review was in November 2019 and updated projections are reported regularly to Mayor & Cabinet.

14. In setting this budget, the Council will maintain a level of corporate balances and reserves which should be adequate to deal with any risk associated with the delivery of this budget. The Chief Financial Officer recommends that the un-earmarked reserves are held at the current level of £20.0m. Should the need arise to call upon these reserves during the year, consideration should be given to replenish them as soon as possible.

15. In addition, the Council held Specific Earmarked Reserves which totalled £57m at the end of March 2019 (£70m at March 2018). These funds are earmarked for various future planned spending and to undertake one-off projects or work that does not happen every year. Examples include, the transformation fund, redundancy provisions, elections, replacement of obsolete equipment and contractual claims that may become due (e.g. dilapidations that may become payable on properties we lease from the private sector to provide housing).

16. The 2020/21 budget pressures have been outlined in the main budget report. These include a range of pressures, some of which cannot be quantified at this stage, and include: demographic and market pressures for children and adult services; unachieved cuts; and further potential changes to funding as a result of government legislation and reform. For those that are quantified, funding including the social care precept, contributions of £19m are proposed to be allocated to service budgets. These funds will be transferred to the Directorate budgets at the start of the year. For 2020/21 no specific growth or pressures balance will be held corporately to meet pressures should they emerge during the year. Any such, in year pressures will present as a call on once-off resources until management action or funding as part of the following year's budget is identified to address the pressure.

Budget assumptions

Inflation

17. For financial planning purposes in the budget, the Council anticipates an average inflation of 2.5% per annum for non-pay costs and 2% for pay costs, which equates to approximately £5m for both pay and non-pay costs.

18. Moving forward, officers will need to closely monitor inflationary pressure on contracts, which in many cases, continue to outstrip the current level of Consumer Prices Index (CPI) inflation. In particular, this applies to those areas which are viewed as being particularly sensitive to contract price changes. For example; Adult Social Care, Leisure and Waste services, or long term fixed rate contracts such as the range of PFI contracts which the Council is currently engaged with.

Cuts

Identifying cuts

19. The Council continues to look at reshaping the Council over the medium term. Going into the second decade of year on year spending reductions, even greater innovation, focus on the customer, and collaborative working is required to redesign services and deliver cuts. This

whilst attempting to minimise the impacts on residents and customers reliant on Lewisham Council services.

20. The Council operates officer Star chambers to identify and challenge the development of cuts proposals and change priorities. This was overseen by Cabinet scrutiny and reviews of each service area. A similar approach is proposed for 2020/21, looking in detail at least three years ahead to allow good time to prepare and implement proposals. This work will also be aligned to and guided by the culture change and service transformation plans.

Implementing cuts

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

Budget control

23. Going forward into 2020/21 the Council will continue to maintain its systems for monitoring expenditure and controlling expenditure through Directorate cash limits.

24. During 2019/20 instructions to budget managers were re-affirmed to ensure tight spending on budgets and focus on ensuring the Council's budget position remains within budget at the year-end. However, throughout the year the Council has forecast a persistent overspending position. The forecast outturn position for the year at December 2019 was an overspend of £5.4m. Any overspend at the end of the financial year will have to be met from once off resources.

25. For 2020/21, the budget holders within Directorates will be requested to endorse their cash limits at the start of the financial year and provide confirmation of an ability to deliver their services within the agreed allocated resources.

26. Given the forecast outturn position in 2019/20, the level of cuts required for 2020/21, the pressures and investment funded, and the anticipated significant level of cuts required in the years beyond; it remains important to monitor the progress being made in implementing these cuts throughout the year.

Conclusion

27. The Council has an established and mature approach for producing and maintaining its annual budget. Its financial plans and strategies have contributed to the achievement of the Council's corporate objectives to date. However, anticipated continuing public sector funding reductions in the face of demographic growth and rising demand for services increases the uncertainty on managing future financial pressures within the available resources.

28. 2019/20 concluded a decade of year on year cuts and these reductions continue. The measures taken to date have, in the main, been successful. However, the identification and implementation of cuts is becoming more challenging and taking longer to achieve. This pressure is expected to continue and tight control will need to be exercised over the budget for 2020/21 given the level of risk the Council faces and is taking on through the capital programme. As well as managing within budget, attention also needs to continue to be focussed on the culture change and service transformation work to underpin identifying the cuts necessary to achieve a balanced budget in future years.

29. Should the Council find itself in a position where it does not have the resources to meet expenditure this would lead to the consideration of a Section 114 notice. Whilst the Council does currently have adequate reserves and an established financial management regime, the

budget preparation for both the short and medium term must remain a priority to manage this risk.

David Austin – Director of Corporate Resources

(Acting) Chief Financial Officer – Section 151

February 2020

APPENDIX Y5: Council Tax and Draft Statutory Calculations

Council Tax Calculation

As part of the Localism Act 2011, core Council Tax may not be increased by 2% or more (inclusive of levies) without triggering an automatic referendum of all registered electors in the borough. In addition, there is also the opportunity to increase Council Tax by up to a further 2% under the social care precept for 2020/21. This means, for 2020/21, an automatic referendum will be triggered if the Council Tax increase is 4% or above. The recommended social care precept for 2020/21 is 2%, therefore the recommended total increase is 3.99%. The statutory calculation for whether the Council is required to hold a referendum is based upon the 'relevant basic' amount of Council Tax, which under accounting regulations, includes levies. Any final recommendations on Council Tax levels will need to meet statutory requirements.

To date, Lewisham has so far received formal notification from two levy bodies for 2020/21, i.e. Lee Valley Regional Park and the LPFA. A zero percent increase has been assumed for the Environment Agency.

Council Tax and Levies

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

Levy bodies for Lewisham	**2019/20 £**	**2020/21 £**	**Change £**
LPFA	1,288,308	1,288,738	+430
Lee Valley Regional Park	210,078	210,883	+805
Environment Agency	201,262	201,262	0
Total Levies	**1,699,648**	**1,700,883**	**+1,235**

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

Statutory Calculations

1) It be noted that at its meeting on 22 January 2020, the Council calculated the number of **90,099.3** as its Council Tax base for 2020/21 in accordance with the Local Authorities (Calculation of Tax base) Regulations;

2) The following amounts be now calculated by the Council for the year 2020/21 in accordance with the Local Government Finance Act 1992:

a. **£1,253,975,043** being the aggregate of the amounts which the Council estimates for gross expenditure, calculated in accordance with Section 32(2)A of the Act;

b. **£1,005,261,022** being the aggregate of the amounts which the Council estimates for income, calculated in accordance with Section 32(3)A of the Act;

c. **£248,714,021** being the amount by which the aggregate of 2(a) above exceeds the aggregate of 2(b) above, calculated by the Council, in accordance with Section 32A(4) of the Act, as its General Fund budget requirement for the year;

d. **£123,149,204** being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of the Settlement Funding Assessment.

e. **£7,500,000** being the aggregate of the sums which the Council estimates will be transferred into its general fund from reserves, in relation to part of the 2019/20 London Pilot Pool Growth, and S31 NNDR grant.

f. **£118,064,817** being the residual amount required to be collected from Council Tax payers. This includes a deficit on the Council's Collection Fund of £359,000.

g. **£1,314.37** being the residual sum at (f) above (adding the deficit on the Collection Fund), divided by the Council Tax base of **90,099.3** which is Lewisham's precept on the Collection Fund for 2020/21 at the level of Band D;

Band	Council Tax (LBL)
	£
A	876.24
B	1,022.28
C	1,168.33
D	**1,314.37**
E	1,606.45
F	1,898.53
G	2,190.61
H	2,628.74

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

3) It be noted that for the year 2020/21, the Greater London Authority is currently consulting on the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 (as amended), for each of the categories of dwellings shown below:-

Band	GLA Precept
	£
A	221.38
B	258.28
C	295.17
D	**332.07**
E	405.86
F	479.66
G	553.45
H	664.14

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

Band	Total Council Tax (LBL & GLA)
	£
A	1,097.62
B	1,280.56
C	1,463.50
D	**1,646.44**
E	2,012.31
F	2,378.19
G	2,744.06
H	3,292.88

APPENDIX Y6

Summary of proposed budget pressures to be funded in 2020/21

Description	£'000	£'000
Corporate Strategy priorities		
Open Lewisham		*760*
Equalities and inclusion	140	
Communications	200	
Promoting Lewisham for Borough of Culture	70	
Theatre	50	
Leadership development	300	
Tackling the Housing Crisis		*675*
Reducing Housing Benefits subsidy	675	
Giving Children the best start		*7,490*
Children Social Care	5,900	
School catering contract	690	
Troubled Families	900	
Building an inclusive economy		*1,130*
Insourced provision for parks, cleaning, facilities mgt.	700	
Apprentice, BAME and disabled recruitment work	150	
Economy and partnerships	80	
Community wealth building through procurement	200	
Defencing health & social care		*2,278*
Social Care precept from Council Tax	2,278	
Making Lewisham greener		*3,230*
Home energy and air quality	230	
Healthier neighbourhoods	150	
Beckenham Place Park	200	
Environment Services	350	
Waste costs	750	
Recycling	400	
Fleet replacement (build capital fund)	800	
Highways & Footways (year 6 of 10)	350	
Building a safer community		*460*
Violence against women and girls and CCTV	80	
	80	

Description	£'000	£'000
Building control	300	
Enforcement work		**16,023**
Total Corporate Strategy priorities		
Organisational value for money		**2,935**
Corporate Services	1,070	
Technology and Digital	1,300	
Commercial contracts	565	
Transformation investment		**4,570**
Grand Total Funded Pressures		**23,528**

APPENDIX Y7

Making Fair Financial Decisions

Making fair financial decisions
Guidance for decision-makers

3rd edition, January 2015

Introduction

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

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

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

What the law requires

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

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

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

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

Aim of this guide

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

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

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

The benefits of assessing the impact on equality

By law, your assessments of impact on equality must:

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

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

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

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

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

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

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

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

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

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

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

When should your assessments be carried out?

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

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

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

What should I be looking for in my assessments?

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

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

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

• **Is the purpose of the financial proposal clearly set out?**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX Z1: Interest Rate Forecasts 2020 - 2023

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

Period	Bank Rate	PWLB Borrowing Rates % (including certainty rate adjustment of 20 basis points)			
	%	5 year	10 year	25 year	50 year
Mar 2020	0.75	2.40	2.70	3.30	3.20
Jun 2020	0.75	2.40	2.70	3.40	3.30
Sep 2020	0.75	2.50	2.70	3.40	3.30
Dec 2020	0.75	2.50	2.80	3.50	3.40
Mar 2021	1.00	2.60	2.90	3.60	3.50
Jun 2021	1.00	2.70	3.00	3.70	3.60
Sep 2021	1.00	2.80	3.10	3.70	3.60
Dec 2021	1.00	2.90	3.20	3.80	3.70
Mar 2022	1.00	2.90	3.20	3.90	3.80
Jun 2022	1.25	3.00	3.30	4.00	3.90
Sep 2022	1.25	3.10	3.30	4.00	3.90
Dec 2022	1.25	3.20	3.40	4.10	4.00
Jan 2023	1.25	3.20	3.50	4.10	4.00

APPENDIX Z2: Credit Worthiness Policy (Linked to Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management)

Annual Investment Strategy:

The key requirements of both the Code and the investment Guidance are to set an annual Investment Strategy, as part of its annual Treasury Management Strategy for the following year, covering the identification and approval of following:

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

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

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

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

Non-Specified Investments: These are any investments which do not meet the specified investment criteria, and include certificates of deposit issued by banks or

building societies, corporate bonds, and property funds. Provision has been made in the Strategy to invest in certifcates of deposit as well as pooled asset funds (should the relevant opportunity arise). The Council will seek guidance on the status of any pooled fund or collective investment scheme it may consider using, and appropriate due diligence will also be undertaken before investment of this type is undertaken.

The Council applies the creditworthiness service provided by 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;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

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

The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Futhermore, by using a risk weighted scoring system, it does not give undue precedence to just one agency's ratings.

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

	Minimum credit criteria / colour band	**Max % of total investments/ £ limit per institution**	**Max. maturity period**
DMADF – UK Government	N/A	100%	6 months
UK Government gilts	UK sovereign rating	£20m	1 year
UK Government Treasury bills	UK sovereign rating	£60m	6 months
Money Market Funds - CNAV	AAA	£30m	Liquid
Money Market Funds - LVNAV	AAA	£30m	Liquid
Money Market Funds - VNAV	AAA	£30m	Liquid
Local authorities	N/A	£10m	1 year

Term deposits with banks and building societies	Yellow* Purple Blue Orange Red Green No Colour	£30m £25m £40m £25m £20m £15m Not for use	Up to 5 years Up to 2 years Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	£40m £25m £20m £15m Not for use	Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use
Call accounts and notice accounts	Yellow* Purple Blue Orange Red Green No Colour	£30m £25m £40m £25m £20m £15m Not for use	Liquid
Pooled asset funds		£50m	At least 5 years

*for UK Government debt, or its equivalent, Constant Net Asset Value (CNAV) money market funds and collateralised deposits where the collateral is UK Government debt.

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

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

UK Banks – Ring Fencing: The largest UK banks (those with more than £25bn of retail/Small and Medium-sized Enterprise (SME) deposits) are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt

up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler activities offered from within a ring-fenced bank (RFB) will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the newly-formed entities in the same way that it does others and those with sufficiently high ratings (and other metrics) will be considered for investment purposes.

APPENDIX Z3: Approved Countries for Investments

This list is based on those countries which have sovereign ratings of AA- or higher (we show the lowest rating from Fitch, Moody's and S&P) and also have banks operating in sterling markets which have credit ratings of green or above in the Link Asset Services credit worthiness service.

AAA

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

AA+

- Finland

AA

- Abu Dhabi (UAE)
- France
- U.K.

AA-

- Belgium
- Qatar
- Hong Kong

APPENDIX Z4: Requirement of the CIPFA Management Code of Practice

Treasury Management Scheme of Delegation

(i) Full Council

- budget consideration and approval;
- approval of annual Treasury Management Strategy;
- approval of/amendments to the organisation's Treasury Management policy statement.

(ii) Public Accounts Committee

- receiving and reviewing reports on Treasury Management policies, practices and activities.

The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer has responsibility for:

- recommending Treasury Management policies for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular Treasury Management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the Treasury Management function;
- ensuring the adequacy of Treasury Management resources and skills, and the effective division of responsibilities within the Treasury Management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- approval of the division of responsibilities;
- approving the organisation's Treasury Management practices;
- preparation of Capital Atrategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe;
- ensuring that the Capital Strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority;
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources;

- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities;
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees;
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority;

Appendix Z5: Capital Strategy

Lewisham Council – Capital Strategy 2019/20

1. Capital Expenditure

Overview of Governance processes

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

1.2 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.

1.3 Capital programme budget and spend information is also reported to Mayor & Cabinet and the Public Accounts Select Committee on a quarterly basis as part of the Financial Forecasts reports.

1.4 The Council's Capitalisation policies are set out annually in the Council's Statement of Accounts. Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided it adds value, increases its ability to deliver future economic benefits or service potential, or can be capitalised as a component and exceeds the Council's de-minimis limit of £40,000. Expenditure financed from the government's Devolved Formula Capital Grant is also capitalised on the basis that it increases the school's service potential. Expenditure that only maintains an asset's value (i.e. repairs and maintenance) and does not increase its ability to deliver benefits or services is charged as revenue expenditure when it is incurred.

Capital Expenditure Plans

1.5 The Council's proposed Capital Programme budget for 2020/21 to 2022/23 is £559.5m over three years, of which £194.4m is for 2020/21. This is set out in more detail in table 1 below:

Table 1: Capital Programme Budget

	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	8.4	0.0	**17.4**
Residential Portfolio Acquisition	45.7	0.0	0.0	0.0	**0.0**
Achilles St. Development	7.2	0.0	0.0	0.0	**0.0**
Ladywell Leisure Centre Development site	0.6	1.1	0.7	0.1	**1.9**
Traveller's Site Relocation	0.0	2.1	1.7	0.0	**3.8**
Beckenham Place Park	3.0	0.6	0.0	0.0	**0.6**
Other Schemes	5.3	5.8	0.9	0.7	**7.4**
	93.1	**58.1**	**27.6**	**8.6**	**94.3**
Housing Revenue Account					
Building for Lewisham Programme	22.0	97.5	164.6	89.6	**351.7**

HRA Capital Programme	52.0	37.2	30.6	42.2	**110.0**
Other Schemes	2.0	1.6	0.9	1.0	**3.5**
	76.0	**136.3**	**196.1**	**132.8**	**465.2**
Total Programme	**169.1**	**194.4**	**223.7**	**141.4**	**559.5**

1.6 The resources available to finance the proposed Capital Programme are as set out in table 2 below:

Table 2: Available Resources

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

1.7 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 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.

Future capital expenditure

Children & Young People

1.8 The Council has a statutory responsibility to ensure that there are sufficient school places available for all Lewisham children and young people who need one. Long term projections forecast a growing population for Lewisham, which in turn is expected to drive a demand for more School Places to be delivered through the School Places capital programme, despite a current reduction in demand for mainstream places in the short to medium term – correlating to a subdued birth rate. More widely the Council is continuing to experience an increase in the demand for places for children and young people with Special Educational Needs and Disabilities (SEND), and as such is having to invest in providing additional specialist provision across the borough. The Council will also need to continue to invest in existing School accommodation through the School Minor Works capital programme to ensure the School Estate remains fit for purpose in the years ahead. .

Housing

1.9 London faces one of the most significant housing shortages since the end of the Second World War. The Council's current 30 year financial model for the Housing Revenue Account (HRA) includes provision for the HRA contribution to the delivery of the HRA Social Units from the Building for Lewisham programme. The Council has now set an additional target of a further 1,000 social homes. Half of these will be delivered directly by the Council. A budget of £5.507m to undertake various tasks to bring sites forward to construction or for additional feasibility work was agreed by Mayor and Cabinet in January 2020.

1.10 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.

1.11 On Edward Street in Deptford, a new housing scheme that will provide 34 new homes for use as high-quality temporary accommodation (TA) for homeless families, using the next iteration of the precision manufacturing technology used to build PLACE / Ladywell, received planning permission in November 2018. The development will also provide a community run nursery and commercial space on the ground floor. The build will generate rental income for the Council, as well as delivering significant savings by not having to house 34 families in expensive private temporary accommodation.

1.12 Further TA sites at Mayow Road (26 homes) and Canonbie Road (6 homes) have also been granted planning permission. The scheme at Mayow Road will

also provide six specialist affordable homes for those with autism and/or learning difficulties. This will be delivered with support by the NHS.

1.13 The Council will also deliver high quality private rented sector housing through a joint venture at the Besson Street development in New Cross, due for completion 2023. The scheme will deliver around 230 homes for private rent with 35% at "living rent".

Regeneration

1.14 The Council has ambitious aspirations for Catford town centre which could deliver major improvements to the pedestrian and transport infrastructure while creating opportunities for new homes, shops and other amenities. Officers are working with a master planner, Studio Egret West, to develop a spatial plan or masterplan for Catford. It is expected that the draft masterplan will be presented to Mayor & Cabinet in early Summer. Subject to this being endorsed, the next step would involve public consultation with a return to Mayor & Cabinet thereafter to seek approval to endorse the final version.

1.15 In addition, discussions are ongoing with our partners (for example the Greater London Authority and London Borough of Southwark) around other potential developments and schemes, in particular those with potential transport related investments such as the possible Bakerloo Line Extension and New Bermondsey development.

Asset Management Planning

1.16 In March 2015 the Council published a new corporate Strategic Asset Management Plan 2015-2020 that set management of corporate assets within the framework of the following outcomes:

- Compliance with regulation and responsiveness to risk.
- Improving the quality of services that can be delivered through the corporate asset function.
- Reducing expenditure and exposure to costs; and
- Increasing income generated and collected.

1.17 Further detail can be found in the Council's Strategic Asset Management Plan 2015-2020 via the link below:
https://lewisham.gov.uk/mayorandcouncil/aboutthecouncil/strategies

1.18 The Strategic Asset Management Plan will be updated in 2020.

Restrictions concerning capital finance

1.19 Within the prudential framework there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. The Council's Prudential Indicators are approved by Full Council each year as part of the Budget Report. 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 Capital Financing Requirement (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.

1.20 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 Treasury indicators.

1.21 The Operational Boundary for External Debt 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.

1.22 The Authorised Limit for External Debt is a key prudential indicator which 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. 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.

1.23 Council borrowing in relation to the Housing Revenue Account capital programme is now assessed under the Prudential Borrowing framework following the abolition of the Housing Revenue Debt Cap in December 2018.

2. Debt and borrowing and treasury management

2.1 The latest Treasury Management Strategy, which is within the 2020/21 Budget Report, shows the Council's projection of external debt as in Table 3:

Table 3: Projection of External Debt

	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	552.4	632.5	757.3	820.5
Borrowing – over / (under)	-41.3	-88.4	-91.6	-79.0	-74.5

2.1 Where the Council is under-borrowed and has the resources to do so, internal borrowing may be used to support capital expenditure in particular circumstances; this is considered a prudent approach in the current economic climate while investment returns are low.

2.2 The Minimum Revenue Provision (MRP) is a provision for the repayment of debt over the life of the underlying debt. It is a prudent provision as advised by the CIPFA Prudential Code for Capital Finance.

2.3 The Council's current MRP Policy is based on the useful lives of specific asset classes:

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

2.4 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. To date this has been applied as a measure to the loans advanced to the Council's wholly owned limited company subsidiaries – Catford Regeneration Partnerships and Lewisham Homes.

2.5 The Council's Authorised Limit is £596.9m and Operational Boundary is £540.9m for 2020/21 (see also paragraphs 1.19 and 1.20). The Council's Treasury Management Strategy (including processes, due diligence and defining the authority's risk appetite) is approved annually by Full Council as part of the Council's Budget Report.

3. Commercial Activity

3.1 The consideration of commercial activity within the context of a capital strategy falls into three main areas: new projects/schemes; existing regeneration vehicles (Catford Regeneration Partnership Ltd and Besson Street joint venture); and existing commercial property portfolios.

- As part of the Regeneration and Capital Programme Delivery Board's process of assessing capital bids for funding new projects, the ability of projects and programmes to self-fund or part fund through commercial activity is reviewed as these schemes are progressed subject to sufficient due diligence to ensure that the risk to the Council is minimised or mitigated appropriately. This due diligence primarily takes the form of the preparation of a Project Initiation Document (PID) to achieve initial feasibility and seed funding, and then the production of a full Business Case before further capital funds are made available. The preparation of the full Business Case generally requires independent input from professional services firms to either prepare or review the technical assumptions and costings, as well as the economic and financial impacts and outputs. The Council's risk appetite is generally reviewed on a case by case basis depending on the scale and nature of the proposed investment and its strategic fit.

- The Council also pursues commercial activity separately through the business of its wholly owned company Catford Regeneration Partnership Limited which was established to provide a regeneration vehicle for Catford town centre. The Council transferred land holdings into the vehicle which was funded through state aid compliant lending from the Council. This vehicle now manages these properties on a commercial basis in anticipation of the wider regeneration of the area being delivered under the capital programme.

- The Council has recently established a joint venture in order to deliver around 230 homes for private rent with 35% at "living rent" levels at the Besson Street development in New Cross. As well as providing high quality private rented sector housing, this scheme is expected to deliver an on-going revenue income to the Council that can be reinvested back into Council services.

- The final area of commercial activity is through the existing commercial property estate. These are commercial properties held in the general fund and run on a commercial basis. The Council's commercial property estate comprises 270 assets with a gross rental income of approximately £4.5m. To give some perspective, this income represents approximately 1.85% of the Council's total General Fund net budget of £243m.

4. Non-Treasury Investments

4.1 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

4.2 The Council has to date advanced three separate loans to 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 are to allow Lewisham Homes to purchase properties to address temporary accommodation needs in the borough, and will be repaid on set maturity dates:

Table 4: Lewisham Homes' Loans

Loan Description	Method of Loan Financing	Loan Balance at 31 March 2020	Interest Rate	Loan Period
£20m commercial loan, available in two tranches of £10m as and when properties are purchased	Internal Borrowing	£17.0m	4.3%	10 years from drawdown date (first maturity in November 2025)
£20m cost-neutral loan, available in blocks of at least £2m when required	PWLB	£20.0m	£10.0m at 2.41% £2.0m at 2.61% £8.0m at 2.43%	40 years from drawdown date (first maturity in June 2057)

4.3 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.

Catford Regeneration Partnership Limited (CRPL)

4.4 Three loans totalling £13.5m were advanced to CRPL between 2010/11 and 2016/17 to allow the company to invest in property, and these were consolidated into one loan in February 2017 at an interest rate of 4.3%. An additional loan facility of £3.0m was agreed in 2018/19 at the same rate to further support the company's objectives ahead of the master plan for Catford town centre coming

forward. A drawdown of £0.25m against this new facility took place in July 2018 and a further drawdown of £0.4m took place in February 2019.

Table 5: CRPL Loans

Loan Description	Method of Loan Financing	Forecast Loan Balance at 31 March 2020	Interest Rate	Loan Period
£12.0m advanced in 2010/11; £0.25m advanced in 2015/16; £1.0m advanced in 2016/17; £0.25m advanced in 2018/19 £0.4m advanced in 2018/19	Internal Borrowing	£12.9m	4.3%	28 years remaining (maturing May 2048)

Other Non-Treasury Investments

4.5 In 2017/18 the Council provided a loan of £700,000 to Wide Horizons, an adventure learning charity providing adventure experiences and outreach services across several London boroughs including Lewisham. An equal and corresponding loan was also advanced by the London Borough of Greenwich, providing Wide Horizons with £1.4m to repay an existing social investment business loan ahead of time.

4.6 The appropriate approval was sought from Mayor and Cabinet to proceed with the loan, with authority to finalise the loan terms delegated to the Executive Director for Resources and Regeneration. An appropriate financial review of Wide Horizons was undertaken, highlighting possible risks from insufficient cash flows or income generation to meet loan repayments, although mitigating circumstances were outlined accordingly.

4.7 July 2018 Wide Horizons ceased trading, unable to obtain additional loan financing to meet its financial obligations. The Council has not received any repayments against the £700,000 advanced to the charity in 2017/18.

4.8 The loss to the Council will be recognised in the 2019/20 financial statements after taking into account plans for the three properties returned to the Council and previously leased to Wide Horizons on peppercorn rent.

4.9 The Council also holds minority stakes in the following:

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

5. Other long-term liabilities

5.1 Aside from borrowing, there are a number of other significant long-term liabilities recognised on the Council's balance sheet. The bullet points below outline the nature of these liabilities, their value as at 31 March 2019 and the governance processes around their monitoring and ongoing risk management.

- Pension Liability (£752m). This liability matches a debit balance in the Pensions Reserve and reflects the timing differences which arise from the accounting treatment for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The liability therefore represents a shortfall between the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements regarding the Pension Fund ensure that funding will have been set aside by the Council by the time the benefits are due to be paid.

- Private Finance Schemes (£220m). The Council's contribution towards the cost of PFI schemes is through unitary charge payments which are made

throughout the life of the scheme concerned. The unitary charge payments have been calculated to include three elements: a service charge; the repayment of debt in relation to capital expenditure in delivering the scheme assets; and the finance cost on the borrowing to deliver to initial investment. The long-term liability represents the amount of debt outstanding in relation to capital expenditure; this will be repaid to the contractors through the unitary charge payments over the life of the PFI schemes. The Council employs robust and proactive contract management procedures to ensure that the PFI schemes continue to deliver value for money.

- Provisions (including insurance) (£6m). Provisions are amounts which are set aside where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement at a later date and where a reliable estimate can be made of the amount of the obligation. The Council's insurance programme comprises a mix of external insurance, largely for cover at catastrophe level or where required by contract or lease arrangements, and self-insurance. Dedicated insurance provisions and reserves are maintained to provide 'self-insurance' to meet either uninsured losses or losses that fall below the external insurance excess. The appropriate levels are assessed annually by the Council's insurance actuaries.

6. Knowledge & Skills

6.1 The Council uses Link Asset Services as its external Treasury Management advisors. 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. 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.

6.2 MiFID II is a piece of European legislation which recently came into force. It affects our relationship with all institutions with whom we have a financial relationship, both council and pension fund. The Council have fulfilled a set of tests to prove we are competent investors and have the requisite skills and knowledge in place. As an example, for treasury management, we have provided information on those staff involved from the Acting Chief Finance Officer downwards, to include their qualifications, years in the role, and any regular training attended.