

# Public Accounts Select Committee Agenda

Wednesday, 28 June 2017

**7.15 pm,**

Council chamber followed by committee room 3.

Civic Suite

Lewisham Town Hall

London SE6 4RU

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This meeting is an open meeting and all items on the agenda may be audio recorded and/or filmed.

## Part 1

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# Public Accounts Select Committee Members

Members of the committee, listed below, are summoned to attend the meeting to be held on Wednesday, 28 June 2017.

Barry Quirk, Chief Executive  
Tuesday, 20 June 2017

Councillor Maja Hilton (Chair)	
Councillor Chris Barnham (Vice-Chair)	
Councillor Brenda Dacres	
Councillor Amanda De Ryk	
Councillor Carl Handley	
Councillor Simon Hooks	
Councillor Mark Ingleby	
Councillor Roy Kennedy	
Councillor Sophie McGeevor	
Councillor Alan Hall (ex-Officio)	
Councillor Gareth Siddorn (ex-Officio)	

## **MINUTES OF THE PUBLIC ACCOUNTS SELECT COMMITTEE**

**Wednesday, 19 April 2017 at 7.00 pm**

**PRESENT:** Councillors Maja Hilton (Chair), Brenda Dacres, Carl Handley, Simon Hooks and Mark Ingleby

**APOLOGIES:** Councillors Chris Barnham, Paul Bell, Amanda De Ryk, Roy Kennedy and Sophie McGeevor

**ALSO PRESENT:** Councillor Kevin Bonavia (Cabinet Member Resources), Timothy Andrew (Scrutiny Manager), David Austin (Head of Corporate Resources), Louise Comley (Principal Educational Psychologist), Barrie Neal (Head of Corporate Policy and Governance), Janet Senior (Executive Director for Resources & Regeneration), Selwyn Thompson (Head of Financial Services) and Ann Wallace (Service Manager, Children with Complex Needs)

### **1. Confirmation of the Chair and Vice Chair**

- 1.1 Timothy Andrew (Scrutiny Manager) asked the Committee to confirm the outcome of the AGM on 27 March.

Resolved: that the outcome of the AGM on 27 March be agreed and that Councillor Maja Hilton be confirmed as the Chair of the Select Committee and that Councillor Chris Barnham be confirmed as Vice-Chair of the Committee.

### **2. Minutes of the meeting held on 15 March**

- 2.1 There were not enough Members present at the meeting who were also in attendance at the meeting in March to confirm the minutes as an accurate record.

Resolved: that the agreement of the minutes be postponed until sufficient members are present to confirm their accuracy.

### **3. Declarations of interest**

There were none.

### **4. Responses from Mayor and Cabinet**

There were none.

### **5. Management report**

- 5.1 Barrie Neal (Head of Corporate Policy and Governance) introduced the report. The following key points were noted:

- The management report had been considered by the Committee for a number of years on a quarterly basis, most often as an information item.
- The purpose of the report was to serve as a management tool for the Council's executive management team to keep a track of the performance in key areas.

- The report was presented in four sections: performance, projects, risk and finance.
- Over time, the number of performance indicators in the report had been streamlined down to 23.
- At the front of the report the indicators were summarised, further detailed information about the indicators was included in the rest of the report.
- The report used a red, amber, green (RAG) system of indicators - to highlight performance against targets. There was also a system of arrows and symbols that indicated the direction of travel of the different indicators.
- There were currently (February 2017) five red rated areas for management attention.
- There were two areas for management attention relating to performance in timely completion of education, health and care plans (EHCPs) for children and young people. Officers from the Children and Young People's directorate were in attendance to provide further context about performance in this area.

5.2 Ann Wallace (Service Manager, Children with Complex Needs) and Louise Comely (Principal Educational Psychologist) addressed the Committee in relation to the Council's performance in producing EHCPs:

- There had been a significant change in the legislation relating to EHCPs, as well as issues with computer systems and levels of staffing in the team responsible for completing the plans. This had led to delays in completing the plans and a significant backlog of cases had also developed.
- The most significant issue in relation to performance of EHCPs was the change in legislation (from September 2014), which had led to a substantial (30% on average) increase in the level of requests for plans each month.
- EHCP statements were previously required for children who were referred from ages five to 18. The change in legislation meant that they were now required for children and young people referred to the Council from birth to age 25. This had markedly increased the workload of the service.
- There had also been a significant lack of capacity in the workforce. Staffing levels had been increased but there was still a significant backlog of work and the team were dependant on agency staff to fill gaps in capacity. However, in September there would be new educational psychologists joining the team.
- There had also been serious problems with the availability of key IT systems and access to Lewisham Council and Lewisham NHS networks. The new IT system was a real improvement.
- There was a statutory deadline for the completion of EHCPs. However, the completion of each ECHP might require input from a broad range of health and social care professionals so meeting the legislative deadline (which had changed from 26 to 20 weeks) was extremely challenging.
- If there was a problem at any point in the system, this would have an impact on the completion of the plan.
- Performance had begun to improve.

5.3 Barrie Neal, Ann Wallace and Louise Comely responded to questions from the Committee. The following key points were noted:

- A single case officer oversaw the completion of each EHCP but up to 10 professionals might be involved in the assessment of a case before a plan could be completed.
- Once a draft plan was in place it had to be assessed by a panel and officers were required to engage with parents, which meant the timetable for completing assessments was very tight.
- In September, despite the increase in permanent staff, there would still be a need for some agency support.
- There were approximately 30 requests a month for new EHCPs. In some months this could be as high as 50. Before the new legislation - there had been approximately 15-20 requests a month.
- There were 1800 current EHCPs for children and young people that teams were managing and monitoring.
- There were statutory duties to children who were already subject to plans.
- The quarterly financial forecast report to the Committee provided more information about areas of overspend and cost pressures.
- Work was taking place with partners to improve the operation of the Council's Oracle finance system.
- There were individual transformation teams within directorates overseeing the transformation of systems, processes and IT.
- Corporate risks were reported to the internal control board. The board met quarterly and was chaired by an independent expert. Reports from the Board were considered by the Council's Audit Panel.

Resolved: that the report be noted.

## **6. Select Committee work programme**

6.1 The Committee discussed the work programme for 2017-18, the following key points were noted:

- Officers would consider alternative dates for the Committee's next meeting in order to avoid the pre-election period and school holidays.
- Meetings in the pre-election period tended to focus on the essential business of the Council.
- The Committee's usual start time would be moved to 19:30 but this might be varied by the Chair on occasion in order to accommodate agendas that were very full.
- The Lewisham future programme savings proposals would be considered at the Committee's meeting in July alongside the medium term financial strategy.
- Items would need to be moved to accommodate the proper scrutiny of savings proposals.
- The intention would be to consider the item on school budgets alongside the CYP select committee.
- An update on income generation would be considered at the Committee's next meeting.
- An item on PFIs would be considered as soon as possible.
- The consultation on business rates and fair funding was not likely to be available until July.

6.2 The Committee also discussed the potential scope for its in-depth review:

- There were proposals for reviews on private finance initiatives, income generating arms-length companies/investment vehicles, and the cost of living.
- It was agreed that a scoping report would be produced for a review of household budgets in Lewisham. It was proposed that the scope included potential lines of enquiry about the following:
  - Pressures on households in Lewisham, including increases in the costs of transport; caring and essential items.
  - The impact of inflation and pay restraint on Lewisham households.
  - The varied impact of financial pressure on different demographics/households in Lewisham.
  - The impact of Council policy on different households.
- It was proposed that the Committee would look at changes over a ten year period and, if possible, produce projections for the coming years, in order to inform Council policy.
- It was noted that one of the difficulties was about the availability of Lewisham specific data at a micro level. It was highlighted that focusing issues at a micro level might produce lots of anomalies.
- The Committee was mindful of the amount of time it had available to carry out the review.
- It was noted that the Safer Stronger Communities Select Committee would consider a presentation from the Chief Executive on the impact of demographic changes in the borough.

Resolved: to incorporate the changes requested by the Committee into the 2017-18 work programme; to consider alternative dates for the meetings scheduled to be held in June and July in order to take account of pre-election period restrictions; the scrutiny of the Lewisham future programme savings proposals and the intention to jointly scrutinise an item on school budgets with the children and young people's select committee. It was also agreed that: a scoping report would be received, setting out possible key lines of enquiry for a 'household budgets review'. Finally, the Committee agreed to move the usual start time of the meeting to 7:30pm.

**7. Referrals to Mayor and Cabinet**

There were none.

The meeting ended at 8.30 pm

Chair:

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Date:

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<b>Public Accounts Select Committee</b>		
Title	Declaration of interests	
Contributor	Chief Executive	Item 2
Class	Part 1 (open)	28 June 2017

## **Declaration of interests**

Members are asked to declare any personal interest they have in any item on the agenda.

### **1. Personal interests**

There are three types of personal interest referred to in the Council's Member Code of Conduct:

- (1) Disclosable pecuniary interests
- (2) Other registerable interests
- (3) Non-registerable interests

### **2. Disclosable pecuniary interests** are defined by regulation as:-

- (a) Employment, trade, profession or vocation of a relevant person\* for profit or gain
- (b) Sponsorship – payment or provision of any other financial benefit (other than by the Council) within the 12 months prior to giving notice for inclusion in the register in respect of expenses incurred by you in carrying out duties as a member or towards your election expenses (including payment or financial benefit from a Trade Union).
- (c) Undischarged contracts between a relevant person\* (or a firm in which they are a partner or a body corporate in which they are a director, or in the securities of which they have a beneficial interest) and the Council for goods, services or works.
- (d) Beneficial interests in land in the borough.
- (e) Licence to occupy land in the borough for one month or more.
- (f) Corporate tenancies – any tenancy, where to the member's knowledge, the Council is landlord and the tenant is a firm in which the relevant person\* is a partner, a body corporate in which they are a director, or in the securities of which they have a beneficial interest.
- (g) Beneficial interest in securities of a body where:
  - (a) that body to the member's knowledge has a place of business or land in the borough;

(b) and either

- (i) the total nominal value of the securities exceeds £25,000 or 1/100 of the total issued share capital of that body; or
- (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person\* has a beneficial interest exceeds 1/100 of the total issued share capital of that class.

\*A relevant person is the member, their spouse or civil partner, or a person with whom they live as spouse or civil partner.

### 3. Other registerable interests

The Lewisham Member Code of Conduct requires members also to register the following interests:-

- (a) Membership or position of control or management in a body to which you were appointed or nominated by the Council
- (b) Any body exercising functions of a public nature or directed to charitable purposes, or whose principal purposes include the influence of public opinion or policy, including any political party
- (c) Any person from whom you have received a gift or hospitality with an estimated value of at least £25

### 4. Non registerable interests

Occasions may arise when a matter under consideration would or would be likely to affect the wellbeing of a member, their family, friend or close associate more than it would affect the wellbeing of those in the local area generally, but which is not required to be registered in the Register of Members' Interests (for example a matter concerning the closure of a school at which a Member's child attends).

### 5. Declaration and Impact of interest on members' participation

- (a) Where a member has any registerable interest in a matter and they are present at a meeting at which that matter is to be discussed, they must declare the nature of the interest at the earliest opportunity and in any event before the matter is considered. The declaration will be recorded in the minutes of the meeting. If the matter is a disclosable pecuniary interest the member must take no part in consideration of the matter and withdraw from the room before it is considered. They must not seek improperly to influence the decision in any way. **Failure to declare such an interest which has not already been entered in the Register of Members' Interests, or participation where such an interest exists, is liable to prosecution and on conviction carries a fine of up to £5000**
- (b) Where a member has a registerable interest which falls short of a disclosable pecuniary interest they must still declare the nature of the interest to the meeting at the earliest opportunity and in any event before the matter is considered, but they may stay in the room, participate in



consideration of the matter and vote on it unless paragraph (c) below applies.

- (c) Where a member has a registerable interest which falls short of a disclosable pecuniary interest, the member must consider whether a reasonable member of the public in possession of the facts would think that their interest is so significant that it would be likely to impair the member's judgement of the public interest. If so, the member must withdraw and take no part in consideration of the matter nor seek to influence the outcome improperly.
- (d) If a non-registerable interest arises which affects the wellbeing of a member, their, family, friend or close associate more than it would affect those in the local area generally, then the provisions relating to the declarations of interest and withdrawal apply as if it were a registerable interest.
- (e) Decisions relating to declarations of interests are for the member's personal judgement, though in cases of doubt they may wish to seek the advice of the Monitoring Officer.

## **6. Sensitive information**

There are special provisions relating to sensitive interests. These are interests the disclosure of which would be likely to expose the member to risk of violence or intimidation where the Monitoring Officer has agreed that such interest need not be registered. Members with such an interest are referred to the Code and advised to seek advice from the Monitoring Officer in advance.

## **7. Exempt categories**

There are exemptions to these provisions allowing members to participate in decisions notwithstanding interests that would otherwise prevent them doing so. These include:-

- (a) Housing – holding a tenancy or lease with the Council unless the matter relates to your particular tenancy or lease; (subject to arrears exception)
- (b) School meals, school transport and travelling expenses; if you are a parent or guardian of a child in full time education, or a school governor unless the matter relates particularly to the school your child attends or of which you are a governor;
- (c) Statutory sick pay; if you are in receipt
- (d) Allowances, payment or indemnity for members
- (e) Ceremonial honours for members
- (f) Setting Council Tax or precept (subject to arrears exception)

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<b>Children and Young People Select Committee (With the Public Accounts Select Committee)</b>		
<b>Report title</b>	In-depth review into of recruitment and retention of school staff and the financial challenges schools face.	
<b>Key decision</b>	No	Item No
<b>Contributors</b>	Executive Director for Children and Young People Executive Director for Resources and Regeneration	
<b>Class</b>	Part 1	28 June 2017

## 1. Purpose of paper

As part of its work programme the Committee has agreed to undertake an in-depth review into of recruitment and retention of school staff, and has asked that the review considers the financial challenges that schools are dealing with.

## 2. Recommendations

Select Committee is asked to:

Consider the contents of the report and the evidence from officers

## 3. Policy Context

3.1 “Shaping our future” 2008- 2020 is a summary of Lewisham’s Sustainable Community Strategy. There are six priority outcomes which say what our communities should look and feel like in the future. One is “ambitious and achieving” where people are inspired and supported to fulfil their potential by removing the barriers to learning and to encourage and facilitate access to education, training and employment opportunities for all our citizens.

3.2 One of the Council’s corporate priorities is for young people’s achievement and involvement; raising educational attainment and improving facilities for young people through partnership working. This report looks at ensuring that the school can provide these in the longer term.

## 4. Background

4.1 The 1988 Education Reform Act removed the financial control of schools from Local Authorities and gave it to the governing body of the school (and by extension, headteachers). The Local Authority has some continuing responsibilities however particularly in relation to Community Schools in that it employs school staff and owns the land and buildings. However it does not “run” the school on a day to day basis or have the ability to second guess decisions of the Headteacher and Governors. Interventions by the Local Authority are very problematic and have to be considered

only in extreme cases. To illustrate this while the Local Authority will give advice on the appointment of a head teacher, the decision lies with the Governing body.

- 4.2 Councils provide some services to schools but the services they pay for, they are not obliged to take up and they can choose to purchase from elsewhere – this includes school meals, payroll services, HR services and financial services.
- 4.3 Under the School Standards and Framework Act 1998, Local Authorities (LA) are required to draw up a scheme for financing schools (The Scheme). This scheme sets out the financial relationship between the LA and the maintained schools which it funds. It contains requirements relating to financial management and associated issues, which are binding on both the LA and on the schools. Any proposed revisions to the scheme are subject to consultation of Schools Forum for approval pursuant to regulation 27 of The Schools and Early Years Finance (England) Regulations 2015. The Scheme for Lewisham is updated annually, in consultation with the Schools Forum.
- 4.4 In line with national requirements which have been in place for many years, the Scheme gives schools freedom to exercise choice over their spending plans. Like other local authorities, Lewisham can only impose regulations which are consistent with the need for accountability and control over expenditure of public funds. The Scheme expects all schools to set a balanced budget and manage within the resources made available to them. This is specifically a duty on the governing body of the school.
- 4.5 The Scheme provides that in exceptional circumstances a school may have a licensed loan to cover a deficit/loan. Under this provision the school is able to apply to the LA for permission for a loan which will be paid back in subsequent years. A licensed loan to cover a deficit/loan is usually granted where a school has found itself in a deficit position due to changes in circumstances e.g. significant fall in pupil numbers. The licensed deficit/loan will be granted on the basis that some cost reductions may not be possible immediately, either logistically (contracts with staff or service providers or because of risks of detrimental impact on the curriculum or because the reduction in staffing levels may be temporary so that it does not make sense to incur unnecessary redundancy costs.
- 4.6 Before a loan is approved, the school must be able to demonstrate that through its recovery plan it will be able to pay back the loan over the agreed timescale.
- 4.7 Under the scheme any loan in respect of a deficit that is in excess of £500k must be approved by the Mayor as it is a very serious matter for a school to accumulate a deficit of this size. The agreement of smaller loans against deficits is delegated to the Executive Director for Children and Young People.
- 4.8 The school's governing body is responsible for setting the schools budget within its resources and required to continually monitor the spending. The governing body is required to send a budget to the Local Authority by 1<sup>st</sup> May and during the financial year to submit two budget monitoring returns. One at the end of September and one at the end of December.

## 5. New Funding Formula

5.1 The Department for Education issued on the 14 December 2016 its response to the national school funding reform consultation that took place in spring 2016. Sitting alongside the response is a further consultation which ran to the 22 March 2017. This gave greater details of the impact of the national funding formula for the Schools Block and the High Needs Block for both local authorities and schools.

5.2 The impact is less severe than the worst case scenario in the first consultation due to:

1. The introduction of at least £200m of additional funding nationally in 2018/19 and 2019/20 to limit the impact on 'losers'.
2. The inclusion of a 3 per cent funding floor.
3. Additional funding for high needs, ensuring that no LA loses high needs funding as a result of the new formula

5.3 However Lewisham is one of the biggest losers and considered alongside the increased cost pressures set out in 6 below, the impact is very significant.

The full implementation date is set for April 2018 where individual schools funding will be delivered by national funding rates.

5.4 Overall the position in Lewisham is:

		Total £m	Change £m
2016/17 baseline (£m)	Schools block	208.764	
	High needs block	48.652	
	Central school services block	1.424	
	Total	258.841	

	£'000
Large Secondary	200
Small Secondary	150
Large Primary	75
Medium Primary	50
Small Primary	30

Illustrative NFF funding in first year of transition	Schools block	205.870	-2.89	-1.39%
	High needs block	48.652		
	Central school services block	1.459	0.03	
	Total	255.981	2.86	

Illustrative NFF if fully implemented in 2016-17	Schools block	203.006	-5.76	-2.76%
	High needs block	48.652		
	Central school services block	1.513	0.09	
	Total	253.171	5.67	

5.5 The typical size Lewisham schools will see the following scale of reductions over the two year period:

The percentage reduction is a fairly standard at 2.8%. The reduction will be split evenly over the next two years starting from April 2018. School by school reductions can be seen in Appendix A.

5.6 The table below shows the summary position of schools either gaining or losing under the proposed national funding formula.

Region	No of schools losing funding	No of schools that gain/no change	Total % losses
London	1,536	643	70%
East Midlands	698	1,215	36%
East of England	865	1,495	37%
North East	415	629	40%
North West	1,679	1,203	58%
South East	1,175	1,873	39%
South West	582	1,609	27%
West Midlands	1,156	1,017	53%
Yorkshire and the Humber	941	1,137	45%
<b>ENGLAND</b>	<b>9,047</b>	<b>10,821</b>	<b>48%</b>

5.7 The position by Local Authority across London is as follows:

Borough	% change total allocations between current rate and NFF rates
Barking and Dagenham	-0.1%
Barnet	-1.0%
Bexley	1.0%
Brent	-1.9%
Bromley	-0.3%
Camden	-2.8%
Croydon	5.6%
Ealing	2.3%
Enfield	2.5%
Greenwich	-2.3%
Hackney	-2.8%
Hammersmith and Fulham	-2.7%
Haringey	-2.7%
Harrow	-0.7%
Havering	0.6%
Hillingdon	2.6%
Hounslow	0.3%
Islington	-1.5%
Kensington and Chelsea	-2.6%
Kingston upon Thames	1.0%
Lambeth	-2.8%
Lewisham	-2.8%
Merton	4.3%
Newham	-2.6%
Redbridge	4.1%
Richmond upon Thames	1.2%
Southwark	-2.7%
Sutton	1.9%
Tower Hamlets	-2.7%
Waltham Forest	-2.0%
Wandsworth	-1.5%
Westminster	0.7%



## 5.8 Implementation

The DFE have confirmed that they will move to a 'soft' national funding formula in 2018-19. This means that although they will use the national funding formula (once it has been finalised following this consultation) to calculate local authorities' funding allocations, local authorities will still determine individual schools' funding allocations through their own local formula.

- 5.9 In essence as Lewisham loses so much funding, all our schools will be on the minimum funding guarantee in 2018/19. As Lewisham will not have sufficient funding to do otherwise it would seem sensible to introduce the national funding formula straight away. Clarification and discussions will be held with the DFE and before any decision is made, a report will be brought to Forum.
- 5.10 From 2019-20, the national funding formula will be used to calculate the vast majority of each individual school's budget. How the funding in terms of cash will flow between the DFE and schools is unknown.
- 5.11 There is uncertainty in the existing proposals on how long the protection would last.

An Institute of Fiscal Studies report said:

"Government has not said how it will move all schools to main formula after 2019–20. We model three scenarios for transiting all schools to the new formula, all incorporating a maximum annual cash-terms loss of 1.5%. If overall school spending per pupil is frozen in cash terms after 2019–20, all schools get to the main formula by 2029–30. If there is a real-terms freeze to overall spending, all schools get there by 2024–25; and if there is 2% real-terms growth, all schools get there by 2023–24".

The full report is called

***The short- and long-run impact of the national funding formula for schools in England***

And can be found on

<https://www.ifs.org.uk/uploads/publications/bns/BN195.pdf>

- 5.12 The general election has changed the position with both the major parties indicating they want to provide extra resources within the schools funding system. Both the major political parties are stating they do not want to see any school lose under the implementation of the national funding formula. How this works in practice is more complex especially with the interrelationship with the minimum funding guarantee being set at a minus amount. General both parties are highlighting their wish to invest in Education but there is not sufficient detail to determine the exact impact on schools

### 5.13 Early Years Funding

The DFE has issued a new funding formula for Early Years providers. The overall outcome will be that Nursery schools will see very significant reductions in funding, Maintained school nursery classes will see some reduction, generally in the region of £9k per class and the private, voluntary and independent sector will see increases.

The proposed national funding formula for funding local authorities will receive, is made up of:

- 89.5% Pupil numbers
- 8% KS1 FSM numbers
- 1.5% EAL numbers
- 1% DLA numbers
- There is an area cost adjustment based on general labour market costs and rates bills.

Unlike schools funding, early years funding will continue to be distributed by Local Authorities through a local formula. The most significant change to the local funding formula will be that there must be only one universal base hourly rate for all types of providers. Currently this is not the case in Lewisham. The rates we have used are:

- £7.70 Nursery schools
- £4.85/£5.13 Primary schools (dependent upon OFSTED rating)
- £3.84/£4.67 PVI's (dependent upon OFSTED rating)

The Schools Forum set up an EYFS Task Group to look at the proposals in more details.

The key recommendations, agreed by the Forum

- The Universal Base Rate was deferred until April 2018. This enables the school rates to be held up at the expense of PVI rates.
- Currently additional Nursery hours are allocated to children deemed to have social needs. This will be reduced to a third of its current provision. Currently 279 children receive this and the budget is £900k. In the longer term it will not be permissible for Local Authorities to fund additional hours for these type of children.
- The proposals include details of the extra 30 hours implementation of childcare from September 2017. This increase will only be available to working parents

The response to the Early Years consultation now says it is not permissible to allocate additional hours for social need after April 2019.

5.14 The government has guaranteed funding to protect nursery schools for the life of this parliament. Within the settlement the amount of funding for Nursery schools'.

## **5.15 Schools Forums**

There is no clear position on Schools Forums, despite proposals to distribute funding directly to schools and by-pass Schools Forums completely. DfE say that they will consult further on the precise arrangements for 2019-20 when the hard national funding formula will be implemented. This consultation is likely to include proposals for legislative changes and the future role of Schools Forums. London Councils have already argued strongly for the retention of Schools Forums as they provide local flexibility to be able to respond swiftly to changing circumstances.

## **5.16 Central services funding block**

The DfE is proposing to create a new funding block known as the “Central Services funding block” to distribute funding to local authorities to discharge their education statutory duties in relation to all local children. It mainly covers the retained duties element of the former Education Services Grant and the admissions team. It will be formed from the schools block funding that is currently held centrally by local authorities as well as the retained duties element of the Education Services Grant (ESG). It will be distributed to local authorities on a simple formulaic basis. Lewisham gains funding slightly on this but the total block is only £1.5m.

## **5.17 High needs Block**

The DfE also published a high needs national funding formula consultation on the 14th December, which ran until the 22nd March 2017. Under DfE these proposals there will be no cash losses to local authorities as a result of the high needs formula. Clarity will be sought with the DfE as to whether this ‘protection’ means no growth will be funded in the future.

The high needs block has faced considerable financial pressures over the last few years, it has been cash frozen on a per pupil basis in line with the schools blocks but unlike the schools block has not seen rises to match all the increases in pupil numbers. There has been some funding for this but it has been minimal. Most of the high needs block is spent on children that are placed in either maintained schools or the independent sector. Last year’s reductions of £4.1m (10%) were agreed by the schools forum and this year the growth pressure is £1.7m. With most of the spend in schools then there has been a knock on effect to their under budgets.

## **6. Inflationary pressures including changes to employer contributions**

### **6.1 Cost pressures on schools - Schools Budget position 2015/16 and 2016/17**

Over the past two years schools have faced considerable cost pressures, these have resulted mainly from the increases in Pension contributions and national insurance rates. Settlements from central government have been frozen in cash terms per pupil. Although all the extra pupils have been funded. This does mean there are extra resources in the system but does not recognise that if there are more pupils within the system more teachers are needed. Hence schools costs rise through thi as well

The increases in cost pressures in 2015/16 and 2016/17 are shown in the table below.

**Cost pressures within schools**

Budget Heading	% of budget	School Funding £m	Increase	2015/16		2016/17	
				Total	Budget Impact	Total	Budget Impact
Teaching Staff	50%	111	Pay	1.0%	0.5%	1.0%	0.5%
			Pension	1.3%	0.7%	1.0%	0.5%
			Nat. Insurance	0.0%	0.0%	1.5%	0.8%
Other Staff	25%	56	Pay	2.2%	0.6%	1.0%	0.3%
			Pension	0.5%	0.1%	0.5%	0.1%
			Nat. Insurance	0.0%	0.0%	1.5%	0.4%
Energy	1%	2	Prices	-5.0%	-0.1%	0.0%	0.0%
Other supplies	24%	53	Prices	1.0%	0.2%	1.0%	0.2%
<b>Total ISB</b>		<b>222</b>			<b>2.0%</b>		<b>2.8%</b>

This table excludes local issues such as the reduction in the matrix funding

- 6.2 The National Audit Office issues a report on the 14 December 2016 on the future inflation that schools are likely to face over the next few years

The full report can be found

<https://www.nao.org.uk/wp-content/uploads/2016/12/Financial-sustainability-of-schools.pdf>

The report estimates inflationary pressures within the system will amount to 8.7% over the period from 2016/17 to 2019/20.

This is more or less in line with our predications but may be slightly on the low side depending on potential increase in pension contributions for teachers that is likely in April 2019.

- 6.3 The Department for Education estimates that mainstream schools will have to find savings of £3.0 billion (8.0%) by 2019-20 to counteract cumulative cost pressures, such as pay rises and higher employer contributions to national insurance and the teachers' pension scheme. It expects that schools will need to make efficiency savings through better procurement (estimated savings of £1.3 billion) and by using their staff more efficiently (the balance of £1.7 billion).
- 6.4 With the national funding formula proposed reductions of 3% for Lewisham schools and the cost pressures above, schools will have to find reductions of 11% over the next three years. For our largest secondary schools who have income of around £10m this will mean savings of £1m.
- 6.5 Over the last 18 months significant work has been undertaken to make schools aware of the financial constraints and to improve the financial management in schools.

The following support to schools have been delivered last year

- 17 Finance based training sessions
- 66 Finance visits to schools
- 50 HR health checks completed
- 10 reorganisations / redundancy consultations underway

There has been some major developments in order to assist schools in their financial management this has included issue new Self checking budget monitoring and budget planning toolkits.

- 6.6 Last year at this time we were predicting that 17 schools were going into deficit this year but there are now thought to be 13 due to governors' action supported by the Local Authority. It was predicted that 50 schools would have in-deficits but in the end this was reduced to 32. Again this is due to remedial action by governing bodies.

Budget returns and budget monitoring returns are now being made on time with the new escalation process.

The carry forwards held by schools have been steadily reducing over the past two years and fell from £16m to £12m in 2015/16. At the end of last financial year March 2017, the balances held level at £12m. At least this will help some schools weather some of the financial risks they will be exposed to in the future but more importantly an indication that they are getting on top of their finances.

The deadline for schools to submit budget returns to the Local Authority was 1 May, a full month earlier than last year. There are three schools who have not submitted a budget plans this year. Of these, two are working closely with the Local Authority Officers following major changes. The third has been written to, with part of the delay having been caused by sickness absence in the school. At this stage last year there were 20 schools who had not submitted budget plans.

There was a 100% return rate of the Schools Financial Value Standard.

- 6.7 This improvement is not causing us to be compliant however and during the coming year we plan to
- Continue to adhere to our strict timetable
  - Encourage schools to plan their budgets in the autumn term
  - Hold more training course on all aspects of finances
  - Modify our risk based approach to budget challenge and support where ever resources allow, acknowledging that all schools face financial challenges

## 7. **Balancing budgets – experience and quality versus costs”**

The department for Education do issue some data on teachers’ salaries. The table shows below some average teaching costs across the country. The data has to be used with caution as the published data is at a summary level and the table below is calculating an average based on average so may not be technically accurate but will give a reasonably view.

Average	37,426
Median	36,622
Max	44,028
Min	34,971
Lewisham	42,684

Lewisham was ranked the 7<sup>th</sup> highest Local Authority for teachers’ salaries

If costs are compared on the basis of teaching costs per pupil rather than pure teachers’ salaries, Lewisham would be ranked the 14 highest in the country.

Appendix A shows anonymised data for the average salaries in Lewisham and Appendix B across all Local Authorities.

The Sutton Trust back in 2011 produced a Toolkit. The Sutton Trust-EEF Teaching and Learning Toolkit is a summary of educational research which provides guidance for teachers and schools on how to use their resources to improve the attainment of disadvantaged pupils, this was in relation to pupil premium children but the findings are still relevant

The following provides an easy access guide

<https://educationendowmentfoundation.org.uk/resources/teaching-learning-toolkit>

The main finding of the report was the importance of feedback. Feedback is information given to the learner and/or the teacher about the learner’s performance relative to learning goals. It should aim towards (and be capable of producing) improvement in students’ learning.

<b>Public Accounts Select Committee</b>		
Title	Financial Results for 2016/17	
Contributor	Executive Director for Resources and Regeneration	Item 7
Class	Part 1 (open)	28 June 2017

## 1. EXECUTIVE SUMMARY

1.1 This report sets out the financial results for 2016/17. The key areas to note are as follows:

- i. The directorates' net general fund revenue budget was overspent by £9.8m and after applying the corporately held sum of £2.75m for 'risks and other budget pressures' this reduces the overall directorates' overspend to £7m. This has been set out in more detail in sections five to nine of this report.
- ii. The Dedicated Schools Grant (DSG) of £284.7m was in balance at the end of the year. There were nine schools in deficit at the year-end, three primary schools and the pupil referral unit. All of those schools have a licensed deficit agreement or are in the process of applying for one. This has been set out in more detail in section 10 of this report.
- iii. The Housing Revenue Account (HRA) is projecting an additional surplus of £4.1m above the already budgeted surplus of £10.1m, making the total for the year £14.2m. This surplus is expected to be transferred to reserves at the end of the year which will ensure that there are sufficient resources available to fund the current housing programme over the medium term. This has been set out in more detail in section 11 of this report.
- iv. Council Tax collection as at 31 March 2017 was 95.2% and was therefore 0.8% lower than this year's profile.
- v. Business Rates collection as at 31 March 2017 was 99.45% and was therefore 0.25% lower than the same period last year, but 0.45% higher than the overall target rate for the year of 99%.
- vi. The Capital Programme spend as at 31 March 2017 was £70.9m. This represents is 84% of the revised budget of £84.8m. The comparable figure last year was a final spend of £94.1m, which was 80% of the revised budget of £118.1m. This has been set out in more detail in section 13 of this report.
- vii. The net asset worth of the Lewisham Pension Fund as at 31 March 2017 was £1.274bn, which is an increase of some £233m over the course of the year. This has been set out in more detail in section 14 of this report.

## 2. PURPOSE

2.1 The purpose of this report is to set out the financial results for 2016/17 as at 31 March 2017.

### 3. RECOMMENDATION

That members of the Public Accounts Select Committee are asked to:

- 3.1 Note the year-end results for the financial year ended 31<sup>st</sup> March 2017.

### 4. POLICY CONTEXT

- 4.1 Reporting financial results in a clear and meaningful format contributes directly to the Council's tenth corporate priority: 'inspiring efficiency, effectiveness and equity'.

### 5. DIRECTORATE FORECAST OUTTURN

- 5.1 The general fund overspend against the directorate's net controllable revenue budget was £9.8m, as set out in Table 1 below. An original sum of £3.75m was set aside at the time of agreeing the 2016/17 budget and was being held corporately for managing 'risks and other budget pressures'. These were for such items which although difficult to quantify with absolute certainty, could prove significant should they have materialised during the course of the financial year. During the year, £1m of this sum had been allocated toward pressures pertaining to the dry recyclables contract managed within the Customer Services directorate. It is now felt necessary for the remaining sum of £2.75m should be applied to the overspend, the consequence of which will bring the directorates' year end overspend down from £9.8m to £7m for 2016/17. This residual overspend has been covered through the use of once-off corporate resources.

**Table 1 – Directorates' Financial Results for 2016/17**

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Final Outturn	Outturn over/ (under) spend	Variance
	£m	£m	£m	£m	£m	%
Children & Young People (1)	61.7	(14.0)	47.7	54.7	7.0	14.7%
Community Services	174.9	(81.8)	93.1	96.9	3.8	4.1%
Customer Services (2)	101.5	(57.0)	44.5	45.9	1.4	3.1%
Resources & Regeneration	74.2	(47.3)	26.9	24.5	(2.4)	(8.9)%
<b>Directorate Totals</b>	<b>412.3</b>	<b>(200.1)</b>	<b>212.2</b>	<b>222.0</b>	<b>9.8</b>	<b>4.6%</b>
Corporate Items	24.0	0.0	24.0	0	(2.8)	
<b>Net Revenue Budget</b>	<b>436.3</b>	<b>(200.1)</b>	<b>236.2</b>	<b>222.0</b>	<b>7.0</b>	

(1) – gross figures exclude £285m Dedicated Schools' Grant expenditure, pupil premium expenditure £17m, Post 16 Funding £7m, and universal free meals expenditure £2m and all the matching grant income

(2) – gross figures exclude approximately £240m of matching income and expenditure for housing benefits.



## 6 CHILDREN & YOUNG PEOPLE

- 6.1 The directorate overspent by £7.0m. The outturn was higher than forecasts being reported throughout the year. The overall position for the directorate has been set out in Table 2.

**Table 2 – Children & Young People Directorate**

Service Area	Gross Budgeted Spend	Gross Budgeted Income	Net Budget	Final Outturn	Variance over/ (under) spend
	£m	£m	£m	£m	£m
Children's Social Care – includes No Recourse to Public Funds	43.4	(1.5)	41.9	45.8	3.9
Education, Standards and Inclusion	4.0	(2.7)	1.3	1.3	0.0
Targeted Services and Joint Commissioning	14.3	(8.5)	5.8	8.9	3.1
Schools	0	(1.3)	(1.3)	(1.3)	0.0
<b>Total</b>	<b>61.7</b>	<b>(14.0)</b>	<b>47.7</b>	<b>54.7</b>	<b>7.0</b>

\* The government grants include the Adoption Reform Grant, SEND reform grant, Troubled Families grant and Music grant

- 6.2 The most significant cost pressures for the directorate fall within the *children's social care* division which amounts to £3.9m. This compares to a final year-end overspend of £6.3m in 2015/16. This includes an underspend of £0.5m on the *no recourse to public funds* budget. The key issues relating to the directorate's overspends have been set out in the following paragraphs.
- 6.3 The placement budget for *looked after children* showed an overspend of £2.2m. The number of looked after children at the end of the year was 459, this is lowest number recorded for several years, although the number for Lewisham remains higher than those recorded by our statistical neighbours. By way of comparison, at the end of last year it was 465. The cost of residential placements has grown throughout the year. At the end of 2015/16, the cost was on average £3,400 per week, but peaked during the year at £3,700, but has now come back down to £3,500. The overall overspend is made up of adoption allowances of £1.0m and special guardianship orders of £1.2m.
- 6.4 The *children leaving care* service showed an overspend of £0.3m. The overspend as at the end of 2015/16 was £1.3m. The reduction has been mainly achieved through better and improved procurement of accommodation, reducing the costs by some 20%.
- 6.5 There was an additional overspend on the *Section 17* budget unrelated to *no recourse to public funds* of £0.6m. The increase is mainly due to the number of clients who have children presenting themselves to the local authority as intentionally homeless. In 2016/17, this had cost £0.5m. It should be noted that there are costs which fall to this service which are unfunded through care leavers without status and some families where appeal rights have been exhausted. Salaries and wages has overspent by £0.7m. In addition to this, investment of £0.4m was made in order to set up the new 'front door' and there was new investment in technology of £0.2m across the whole directorate.

- 6.6 The other main overspend in the directorate is on schools' transport, where the service ended the year with an overspend of £1.2m. Members will be aware that the cross council review of fleet and passenger transport services is continuing. The numbers of children being transported has reduced over the year. At the beginning of the year, there were some 630 children receiving transport, 396 via Door 2 Door and 234 transported by taxi. The corresponding numbers at the end of the 2016/17 financial year was 357 and 225, giving a total of 582. Despite the reduction in the numbers of children being transported, the cost has not been reduced. Whilst it is positive that the numbers have reduced for children transported by the fleet, the savings can only be made if a bus route is no longer required. The transport budget for 2016/17 has also met the initial costs of the capacity needed to implement the long term policies that will eventually reduce the costs.
- 6.7 There were savings proposals to put forward on education psychologists and multi-agency planning that were not be delivered in full this year and a shortfall of £0.6m materialised. The education psychologists' budget has seen increased spending pressure due to the demand for Education Health and Care Plan, where the numbers issued has doubled this year. In addition, the short breaks budget is expected to overspend by £0.3m, although work is underway to bring this back within budget.
- 6.8 Provision has been made in the accounts for the government's Troubled Families Programme. The Second phase of the programme came into effect in 2015 and runs through to 2020. Part of the income depends on payments by results. In 2016/17, the target was to identify 964 families and make successful claims for 482 families. Some 976 families were identified and claims made for 376. While work continues with these families, it is now uncertain whether retrospective claims will be allowed for these families. Allowance for this has been made in the accounts and as a result a provision of £400k has been made.
- 6.9 The youth service was mutualised during the financial year. The Youth First contract covers the cost of direct frontline youth provision such as the cost of youth workers but also includes the property costs and management support. The total cost of the contract has been met from the CYP directorate budget, although in the past this directorate would only meet the direct service delivery costs. This has allowed savings to made in other directorates which offset this cost, leaving a neutral position for the council overall, but an overspend in the directorate.

## 7. COMMUNITY SERVICES

- 7.1 The directorate was overspent by £3.8m at the end of 2016/17. The overall position for the directorate has been set out in Table 5, and details of significant variations are set out in the paragraphs below.

**Table 3 – Community Services Directorate**

Service Area	Gross budgeted expenditure	Gross budgeted income	Net budget	Forecast Outturn 2016/17	Forecast over/ (under) spend
	£m	£m	£m	£m	£m
Adult Services Division	106.9	(36.1)	70.8	76.0	5.2
Cultural and Community Development	19.0	(7.3)	11.7	10.2	(1.5)
Public Health	17.6	(18.1)	(0.5)	0.4	0.9
Crime Reduction & Supporting People	18.8	(8.7)	10.1	9.2	(0.9)
Strategy & Performance	12.6	(11.2)	1.4	1.1	(0.3)
Reserves	0	(0.4)	(0.4)	0.0	0.4
<b>Total</b>	<b>174.9</b>	<b>(81.8)</b>	<b>93.1</b>	<b>96.9</b>	<b>3.8</b>

- 7.2 The *adult services* division overspent by £5.2m. The largest area of overspend, as forecast, was placement budgets which ended the year with total overspend of £4.3m. The greatest pressures remain on learning disability where the costs of transition clients has added an estimated £2m to adult budgets over the past two financial years. This has been identified as a financial risk, but has not been funded. Pressure on mental health budgets also increased during the year and the net overall overspend for this client group was £0.8m.
- 7.3 The projected overspend includes two further areas identified as budget risks. The year-end variance on Deprivation of Liberty Safeguards (DOLS) work was £0.3m and spend of £0.4m on activity related to the Care Act was charged to adult social care budgets rather than being met corporately, as had been assumed in forecasts.
- 7.4 In 2016/17, there are underspends against the Better Care Fund programme as several larger schemes had yet to start. Part of this underspend was allocated to adult social care budgets, reducing the net service variance by £734k.
- 7.5 The *cultural and community services division* underspent by £1.5m. There was, as projected, an underspend on the budget for the main leisure management contract and associated dilapidations budgets for the leisure centres. The core contract value has reduced over the last few years to reflect the increases in projected usage which were included in the original contract profile. The service underspend increased by £0.2m (to £0.5m) compared to the last monitoring report, but this is the subject of a bid to carry an underspend forward into 2017/18. If approved, this will be reflected against the 'contributions to and from reserves' budget in 2016/17. At year end, there was an underspend of £0.3m on the Libraries Service (including Deptford Lounge). Most of this variance reflected the decision to reduce discretionary service expenditure to address the budget pressures elsewhere in the directorate and staffing variances caused by the service delivery changes following the mid-year changes to the library service.

However, the underspend was increased by slippage on the programme of IT works at the new community libraries; this is the subject of a carry forward request. Adult Learning Lewisham showed an underspend of £0.4m in 2016/17, £0.1m of this represents improvements in income generation. The remaining £0.3m is the carry forward of funding into 2017/18 to reflect spend in the final term of the academic year as spending. This carry forward is shown against 'transfers to reserves' not against the service. There are a number of more minor variances across the division covering the budgets for the core staffing budget for Cultural and Community Development Team, the Broadway Theatre, Community Sector Grants and Community Centres.

- 7.6 In addition to the council's £2m savings target across 2016/17 and 2017/18 for *public health*, these services were also subject to deliver a £2.08m reduction in grant funding in 2016/17 with further reductions expected in the next two financial years. Across 2016/17 and 2017/18, the service therefore has to identify savings in excess of £4m. Action has already been taken to reduce discretionary spend and a report to Mayor & Cabinet in November 2016 proposed consultation on a further set of disinvestments. However, it was not possible during the last financial year by the full level of the funding reduction and the division overspent by £0.9m. This includes a pressure of £0.2m on school nursing budgets.
- 7.7 The year end underspends on *crime reduction and supporting people* was £0.9m. There was a £0.35m underspend on the Supporting People Programme arising mainly from the early achievement of the agreed 2017/18 contract savings. Elsewhere in the division, there was an underspend of £0.3m across staffing and operational budgets in the Crime, Enforcement & Regulation Service. There was also an underspend of £0.2m in the budget for the Prevention & Inclusion Service (PIT) - primarily staffing related pending a restructure. An underspend of £0.4m on core Drug & Alcohol service which resulted primarily from a combination of the enforcement of contract penalties on performance by results contracts and a reduction in Tier 4 rehabilitation activity. Both PIT and the Drug & Alcohol service are largely funded via the public health grant and these underspends are helping to ease the overall pressure on public health funding. The divisional underspends of £1.2m were offset by an overspend of £0.3m on the Youth Offending Service budget. This overspend relates primarily to the budget for secure remand placements which has resulted from a significant upturn in the level of remand placements required by the courts during 2016/17, but there has also an underlying pressure on the core staffing budget.
- 7.8 The *strategy and performance* service which included the directorate management team budget is projected to underspend by £0.3m primarily due to staff vacancies.

## 8. CUSTOMER SERVICES

8.1 The directorate was overspent by £1.4m at the end of 2016/17. The overall position for the directorate has been set out in Table 4, and details of significant variations are set out in the paragraphs below.

**Table 4 – Customer Services Directorate**

Service Area	Gross Budgeted Spend	Gross Budgeted Income	Net Budget	Final Outturn	Variance over/ (under) spend
	£m	£m	£m	£m	£m
Strategic Housing	25.7	(20.2)	5.5	4.0	(1.5)
Environment	35.7	(16.8)	18.9	21.1	2.2
Public Services*	32.5	(19.0)	13.5	13.9	0.3
Technology and Change	7.6	(1.0)	6.6	6.9	0.4
<b>Total</b>	<b>101.5</b>	<b>(57.0)</b>	<b>44.5</b>	<b>45.9</b>	<b>1.4</b>

\* - excludes £240m of matching income and expenditure in respect of housing benefits

8.2 The budget for the *strategic housing service* has underspent by £1.5m. This is as a result of reduced costs relating nightly paid temporary accommodation, a once-off refund of Housing Benefit Subsidy resulting from the audit of the 2015/16 claim and additional rental income from various strands of temporary accommodation.

8.3 The cost of nightly paid temporary accommodation, commonly the number of bed and breakfast cases, has significantly reduced in 2016/17 as a result of the following factors:

- A reduction in the number of tenancies, due to enhanced prevention measures and the provision of alternative temporary accommodation,
- Better procurement of accommodation, for example, the Inter-Borough Accommodation Agreement, a Pan London collaborative approach to procuring temporary accommodation.

8.4 The number of tenancies in nightly paid accommodation as at end of March 2017 was 496, a significant reduction compared to the 546 tenancies at the end of 2015/16. This, together with the measures described above has resulted in a much reduced Housing Benefit Limitation Recharge and a lower requirement for a provision for bad debts, culminating in an underspend of £0.7m.

8.5 In addition to the above, an issue identified as a part of the audit of the 2015/16 Housing Benefit Subsidy Claim resulted in a new claim being submitted to the DWP in November 2016. As a result of the resubmission, the council received a refund in the region of £0.7m in March 2017 in respect of the Housing Benefit Limitation Recharge for 2015/16, giving a total underspend in the nightly paid accommodation budget of £1.4m, before offsetting the additional cost of alternative temporary accommodation and homelessness prevention measures.

8.6 The cost of prevention measures and alternative temporary accommodation exceeds budget provision by £1.2m, made up of £0.6m in incentives paid to landlords and a similar spend on properties acquired under the Private Sector Leasing (PSL) and Privately Managed Accommodation (PMA) schemes.

- 8.7 The incentives paid to landlords is a means of reducing the cost of nightly paid accommodation either by preventing families becoming homeless or retaining PSL landlords. The cost effectiveness of the incentive schemes are under constant review. The table below compares the average costs of a placement in a 2 or 3 bedroom property to the average incentive paid.

	Average incentive paid	Average cost per placement	Average saving per placement
	£k	£k	£k
Inner rate	2.7	5.0	2.3
Outer rate	2.7	8.0	5.3

- 8.8 The PSL and PMA schemes spent above the sum budgeted by some £0.6m. This is due to a higher turnover of tenants as a result of actions to reduce the number of families in nightly paid accommodation. The PSL scheme is also experiencing an increasing number of landlords withdrawing from the scheme and returning to the more lucrative private sector market. Both scenarios result in a loss of rental income and increased repairs and maintenance costs.
- 8.9 The service received £0.9m income in excess of budget from hostels and other Council managed temporary accommodation. The biggest contributor to this surplus was the Milford Towers project where actual income exceeded budget by £0.5m.
- 8.10 Underspends on salaries budgets across the service totalled £0.4m as a result of recruitment drag following several major reorganisations.
- 8.11 The *environment division* has a year-end overspend of £2.2m.
- 8.12 The environment budget includes planned savings in respect of passenger transport provision across the council. The proposal to save £1m over two years was approved by Mayor and Cabinet as a part of the 2016/17 budget process and a Transport Board has been established to oversee its implementation.
- 8.13 The saving would be achieved partly by efficiency savings in the management of the direct provision of transport by the fleet and passenger services section within the environment division, and partly by managing demand and provision within CYP and Community Services, with the latter producing the bulk of the saving. It should be noted that, before the saving could be achieved, a £2.1m overspend on the provision of transport needed to be addressed.
- 8.14 Some progress has been made in this financial year. Changes in provision, together with a reduction in direct costs incurred by Environment, has resulted in the projected recharge from Environment to CYP and Community Services reducing by £0.3m in the current financial year. These reduced costs are reflected, if not separately identified, in the user directorates outturn rather than that of Customer Services and this has resulted in a £0.5m overspend being shown against this budget.
- 8.15 A further £0.5m of the overspend relates to additional vehicle hire costs as a result of a number of vehicles coming to the end of their operational life. The procurement process for the purchase of new vehicles is underway. There was a

report pertaining to the vehicle acquisitions elsewhere on the Mayor & Cabinet agenda.

- 8.16 Waste disposal budgets are projected to overspend by £0.6m. Whilst initiatives such as the garden waste service are designed to reduce the amount of residual waste, the number of properties in the borough has increased by around 2,000 in the past year. This has increased the number of tonnes sent for disposal and costs have increased by £0.3m. In addition to this, disposal charges in relation to fly tipping have risen and new regulations regarding the disposal of fridges have resulted in an overspend of £0.3m on waste disposal costs.
- 8.17 The costs of establishing the new garden waste service were £0.1m in excess of their original estimates. The council will see the benefits of this investment in the current and coming years as the service grows.
- 8.18 A shortfall in commercial waste income of £0.1m has arisen, partly as a result of the reduction in the number of properties in the corporate estate.
- 8.19 The *green scene* budgets have overspent by £0.1m largely as a result of the loss of income from the former Foxgrove Club. The future use of the premises is being considered as a part of the plans for Beckenham Place Park, but at present there is no clear scope for attracting the budgeted level of rental income. The balance of the overspend relates to residual costs resulting from the transfer of estates grounds maintenance to Lewisham Homes and a small overspend in the Arboriculture service
- 8.20 *Bereavement services* are reporting an overspend of £0.2m. This has arisen from increased crematorium maintenance costs and the costs of the mortuary contract with the Royal Borough of Greenwich.
- 8.21 The provision of automated public conveniences no longer funded as a part of the JC Decaux highways contract has resulted in a £0.1m overspend in *the street management* budgets. Small overspends on transport and staffing account for a further £0.1m overspend, bringing the total to £0.2m.
- 8.22 The *public services division* overspent by £0.4m in 2016/17.
- 8.23 Enforcement service income is below budgeted levels by £0.4m. A review of collection rates and options to recover the situation are showing positive signs of improvement and this is expected to continue during 2017/18. It should be noted that, despite being below budget, the service is still earning a net income to the council that would have previously been paid to external providers.
- 8.24 The Registrars Service is showing an income shortfall of £0.1m. This is due to reduced income earnings in relation to citizenship following a change in the legislation.
- 8.25 This is partially offset by an underspend of £0.3m in the parking service. The underspend is as a result of increased income of £0.5m, offset by increased legal fees and banking charges, both of which correlate to the level of income received, of £0.2m.

8.26 The balance of the overspend, £0.1m, relates to the Housing Benefit Subsidy budget. This represents 0.01% of the gross budget of over £223m.

8.27 The *technology and change* division continues to forecast an overspend of £0.4m. This is mostly as a result of increased costs in Microsoft licenses.

## 9. RESOURCES AND REGENERATION

9.1 The directorate underspent by £2.4m. The size of underspend is greater than had been forecast during the course of the year and the overall position for the directorate has been set out in Table 6.

**Table 6 – Resources and Regeneration Directorate**

Service Area	Gross Budgeted Spend	Gross Budgeted Income	Net Budget	Final Outturn	Variance over/ (under) spend
	£m	£m	£m	£m	£m
Corporate Resources	5.3	(2.5)	2.8	2.9	0.1
Corporate Policy & Governance	4.4	(0.1)	4.3	3.9	(0.4)
Financial Services	4.8	(1.3)	3.5	3.3	(0.2)
Executive Office	0.2	0.0	0.2	0.2	0.0
Human Resources	3.0	(0.3)	2.7	1.9	(0.8)
Legal Services	3.1	(0.4)	2.7	2.5	(0.2)
Strategy	2.5	(0.3)	2.2	1.8	(0.4)
Planning	2.6	(1.4)	1.2	1.2	0.0
Regeneration & Place	48.2	(40.1)	8.1	7.6	(0.5)
Reserves	0.0	(0.8)	(0.8)	(0.8)	0.0
<b>Total</b>	<b>74.2</b>	<b>(47.3)</b>	<b>26.9</b>	<b>24.5</b>	<b>(2.4)</b>

9.2 The *corporate policy & governance* division (£0.4m), the *financial services* division (£0.2m), the *human resources* division (£0.8m), the *strategy* division (£0.4m) and the *legal services* division (£0.2m) have all achieved underspends which are principally driven by underspending on salaries costs and on supplies and services. In the *planning* division, there was no overall variance against budget as the end of the financial year.

9.4 The *regeneration & place* division has achieved an underspend £0.5m. This is despite there being a £0.5m underachievement of income in relation to large format advertising and small cell wireless devices, which has been substantially addressed for 2017/18 via a budget pressure allocation. There has been an overachievement of income within the Operational Asset Management section, including income from commercial properties, of approximately £0.4m and underspending on employee costs of c. £0.3m. There have also been receipts of One Public Estate grant funding (£0.25m) which will be utilised in 2017/18.

9.5 The *corporate resources* division has overspent by £0.1m due to increased motor insurance premiums. This is an area of the insurance market that is hardening with rising costs and a higher premium tax following last year's budget.

## 10. DEDICATED SCHOOLS' GRANT



- 10.1 The overall position on the Dedicated Schools' Grant (DSG) budget settlement for 2016/17 is set out in Table 6.

**Table 6 – Dedicated Schools' Grant Settlement for 2016/17**

DSG Area	Before Academy Recoupment	After Academy Recoupment
	£m	£m
Schools block	218.24	191.43
Early years block	22.48	22.48
High needs block	43.97	43.12
Total additions for non-block funding	0.05	0.05
<b>Total DSG allocation</b>	<b>284.74</b>	<b>257.09</b>

**Note:** The above table excludes the Pupil Premium (£17m), Post 16 funding (£6m) and Universal Free School Meals Grant (£3m), making total funds of £311m.

- 10.2 There were 9 secondary schools in deficit at the year-end, 3 primary schools and the pupil referral unit. All of those schools have a licenced deficit agreement or are in the process of applying for one.
- 10.3 Total school balances rose slightly from £12.4m at the end of 2015/16 to £12.7m at the end of 2016/17.
- 10.4 The overall DSG had a small surplus of £0.01m at the year end. Within this there was an overspend on special educational needs and early years, but this was offset by an underspend on capital expenditure from revenue.

## 11. HOUSING REVENUE ACCOUNT

- 11.1 The Housing Revenue Account (HRA) is reporting expenditure to its budget position after transfers to reserves as at 31 March 2017. Table 7 sets out the budgets and year end variances by services. It should be noted that an additional surplus of £4.1m above the budgeted value of £10.1m surplus, making a total of £14.2m was achieved in 2016/17, compared to the additional surplus figure of £1.6m which was previously reported. As with previous years, the surplus is transferred into reserves and reinvested in HRA services in future years as a part of the 30 year business plan.

**Table 7 – Housing Revenue Account**

	Expenditure Budget	Income Budget	Net Budget	Final Outturn	Variance over/ (under) spend
	£m	£m	£m	£m	£m
Customer Services - Housing	11.9	(3.5)	8.4	9.8	1.4
Lewisham Homes & R&M	36.7	0	36.7	35.3	(1.4)
Resources	2.1	0	2.1	1.6	(0.5)
Centrally Managed Budgets	50.3	(97.5)	(47.2)	(46.7)	0.5
<b>Total</b>	<b>101.0</b>	<b>(101.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

- 11.2 Lewisham Homes manages certain budgets on behalf of the council in addition to those formally delegated to them. Following two years of underspending, the

repairs and maintenance budget has underspend again this year. This in part reflects the continued investment in the decent homes programme, which has tended to reduce demand for day to day repairs and maintenance as properties are brought up to standard. The final underspend was £1.4m, an increase of £0.9m compared to the previous report.

- 11.3 A review of asset management spending requirements has been undertaken and officers are currently considering the outcome. It is envisaged that any underspend in repairs and maintenance will be reinvested in revised asset management priorities arising from the review.
- 11.4 An end of year review of bad debt provisions has resulted in a reduction of the required contribution by £2.8m.
- 11.5 In addition to the underspend in repairs and maintenance budgets, and bad debt provision, the surplus includes £2.3m arising from increased tenants' rental, leaseholder service charge and other income. The former has arisen due to lower than budgeted void rates in respect of tenanted properties. The additional leaseholder income is as a result of adjustments to prior year charges following completion of the annual leaseholder audit and a small variance between budgeted levels and actual bills raised. However, major works income was £4.2m less than budgeted, partly off-set by an underspend in the HRA Capital Programme.
- 11.6 Reduced interest costs of £0.4m, an adjustment to Insurance costs of £0.5m and an unused contingency of £0.3m are the most significant variations that contribute to the balance of the surplus.
- 11.7 Overall, the HRA has made a surplus on its activities during 2016/17. It will continue to build upon its reserves on an annual basis and this is mainly to ensure that there are sufficient resources available to fund the current 30 year business plan which seeks to continue to invest in decent homes and to significantly increase the supply of housing in the borough over the medium to long term.
- 11.8 After transfers to reserves, the HRA is reporting a balanced budget position.

## **12. COLLECTION FUND**

- 12.1 As at 31 March 2017, £109.8m of council tax had been collected. This represents 95.2% of the total amount due for the year of £115.3m. This is 0.8% below the overall target of 96%. The rate achieved at this time last year was also 95.2%.
- 12.2 Business rates collection is at 99.5% for 2016/17, which is 0.25% less than the same period last year, but 0.5% than the overall target rate for the year of 99%.

## **13. CAPITAL EXPENDITURE**

- 13.1 The overall spend for 2016/17 is £70.9m, which is 84% of the revised budget of £84.8m. The comparable expenditure figure last year was a final spend of £94.1m, which was 80% of the revised budget of £118.1m. Table 8 below

provides a breakdown of the budget and expenditure for both the general fund and the HRA.

**Table 8 – Capital Programme**

2016/17 Capital Programme	2016/17 Revised Budget	2016/17 final spend	Spend (Revised Budget)
	£m	£m	%
Community Services	1.0	1.1	107
Resources & Regeneration	14.3	12.7	89
Children and Young People	17.0	13.2	78
Customer Services	1.1	1.4	128
Housing (General Fund)	14.6	13.8	95
<b>Total General Fund</b>	<b>48.0</b>	<b>42.2</b>	<b>88</b>
Housing Matters Programme	15.3	9.9	65
Decent Homes Programme	21.5	18.8	87
<b>Total HRA</b>	<b>36.8</b>	<b>28.7</b>	<b>78</b>
<b>Total Expenditure</b>	<b>84.8</b>	<b>70.9</b>	<b>84</b>

13.2 Table 9 shows the current position on the major projects in the 2016/17 general fund capital programme, i.e. those over £1m in 2016/17.

**Table 9**

2016/17 Capital Programme	2016/17 Revised Budget	2016/17 Final Spend	Spend (Revised Budget)
	£m	£m	%
Housing Regeneration Schemes (Kender, Excalibur, Heathside and Lethbridge)	5.1	3.2	63
School Places Programme	9.7	6.8	70
BSF - Sydenham	2.2	2.3	105
Other Schools Capital Works	3.9	3.1	79
Surrey Canal – North Lewisham Links	1.0	0.8	80
Disabled Facilities / Private Sector Grants	1.7	1.1	65
Asset Management Programme	1.5	1.4	93
Acquisition – Hostels Programme	1.6	1.4	88
Property Acquisition – Lewisham Homes	3.0	6.0	200
Highways and Bridges (TfL)	5.0	4.8	96
Highways and Bridges (LBL)	3.5	3.1	89
<b>Total Major Projects</b>	<b>38.2</b>	<b>34.0</b>	<b>86</b>
Other Projects	9.8	8.2	84
<b>Total Major Projects (General Fund)</b>	<b>48.0</b>	<b>42.2</b>	<b>88</b>

- 13.3 The main sources of financing the programme include grants and contributions, and capital receipts from the sale of property assets. Some £45m has been received in 2016/17, comprising £14.9m (net) from housing right-to-buy sales, £1.6m from other sales and £28.5m of grant and contributions.

## 14. TREASURY MANAGEMENT AND PENSION FUND

### Treasury Management

- 14.1 The overall treasury management portfolio as at 31 March 2017 has been set out in Table 10.

**Table 10 - Treasury Position as at 31 March 2017**

	Outstanding at 31 March 2017	Average Coupon Rate	Average Remaining Duration	Outstanding at 31 March 2016
	£m	%	Years	£m
<b>Fixed Rate Borrowing</b>				
Public Works Loans Board	76.7	5.44	21.6	78.0
Market Debt	89.2	4.71	36.9	88.3
Sub Total – Fixed Rate Borrowing	165.9			166.3
<b>Variable Rate Borrowing</b>				
Public Works Loans Board	0.0	0.0	0.0	0.0
Market Debt	25.0	4.54	21.8	25.0
Sub Total – Variable Rate Borrowing	25.0			25.0
<b>Total Debt</b>	<b>190.9</b>			<b>191.3</b>
<b>Investments</b>				
Internally Managed	372.5	0.64	116 days	330.5
<b>Total Cash Managed</b>	<b>372.5</b>			<b>330.5</b>

- 14.2 It has been the council's strategy to borrow up to the level of the government's assessment of the council's underlying need to borrow which is termed the Capital Financing Requirement (CFR). The net increase in CFR in 2016/17 was £0.9m, this being £10.0m lower than the increase for 2015/16. When maturing debt is considered, the net borrowing requirement for 2016/17 was minus £0.4m, this being £11.3m less than the net borrowing requirement of £10.9 in 2015/16, as set out in Table 11.

**Table 11 – Capital Financing Requirement for 2016/17**

	2016/17	2015/16
	£m	£m
Opening CFR	241.7	230.8
Prudential Borrowing	7.0	12.5
MRP/Voluntary Repayment	(6.1)	(1.6)*
Closing CFR	242.6	241.7

<b>Increase/(Decrease)</b>	<b>0.9</b>	<b>10.9</b>
Maturing Debt	(1.3)	-
<b>Net Borrowing Requirement</b>	<b>(0.4)</b>	<b>10.9</b>

\*there was a one-off pre 2015/16 adjustment to MRP policy in 2015/16

- 14.3 In previous years, the difference between CFR and external debt has been met from the borrowing of internally held funds. As at 31 March 2017, this internal borrowing totalled £51.7m. There was no new borrowing in the year 2016/17. Table 12 sets out the comparative position of CFR and debt.

**Table 12 – Debt and CFR Movement in 2016/17**

	<b>2016/17</b>	<b>2015/16</b>
	<b>£m</b>	<b>£m</b>
Capital Financing Requirement	242.6	241.7
External Debt	190.9	191.3
<b>Difference</b>	<b>51.7</b>	<b>50.4</b>

### Pension Fund

- 14.4 The net asset worth of the Lewisham Pension Fund as at 31 March 2017 was £1.274bn. This represents an increase of some £233m over the course of the year, where the closing net assets of the scheme as at 31 March 2016 were valued at £1.041bn. This is principally attributable to an increase in stock valuation during the year.
- 14.5 The Pension Fund is, and is likely to remain, 'cash negative'. That is, the benefits paid out in any year are likely to exceed the contributions paid in. This is entirely normal for a Pension Fund of this maturity and is fully taken into account in the investment strategy.

## **15. FINANCIAL IMPLICATIONS**

- 15.1 This report concerns the financial results for the 2016/17 financial year. However, there are no financial implications in agreeing the recommendation of this report.

## **16. LEGAL IMPLICATIONS**

- 16.1 The Council must act prudently in relation to the stewardship of Council taxpayers' funds. The Council must set and maintain a balanced budget.

## **17. CRIME AND DISORDER ACT IMPLICATIONS**

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

## **18. EQUALITIES IMPLICATIONS**

- 18.1 There are no equalities implications directly arising from this report.

**19. ENVIRONMENTAL IMPLICATIONS**

19.1 There are no environmental implications directly arising from this report.

**20. HUMAN RESOURCES**

20.1 There are no human resources implications directly arising from this report.

## 21. CONCLUSION

- 21.1 The overall net general fund overspend against the directorates' net general fund budgets was £9.8m. After applying the sum of £2.75m which was set aside in agreeing the 2016/17 budget for 'risks and other budget pressures', this brings the final overspend down to £7m.
- 21.2 Since the start of the financial year and the first public report of the financial forecast position to Mayor & Cabinet in July 2016, the Executive Directors have continued to put in place a number of measures designed to alleviate the council's overall budget pressures to help bring spending back into line with budget. These measures have included the strengthening of local controls on particular expenditure in the short term.
- 21.3 As the new financial year begins, with a new set of challenges in terms of the delivery of revenue budget savings, the council will continue to apply sound financial controls. It is clear that the short and medium-term outlook will remain difficult. However, the Executive Director for Resources and Regeneration will continue to work with directorate management teams across the council to effect the necessary continued actions to manage their services.
- 21.4 Members should note that the Budget Book for 2017/18 has now been published and available for viewing on the council's website. This provides the starting point for the 2017/18 budget monitoring programme.

## BACKGROUND PAPERS AND FURTHER INFORMATION

Short Title of Report	Date	Location	Contact
Budget 2017/18	22 February 2017 (Council)	5 <sup>th</sup> Floor Laurence House	Selwyn Thompson
Financial Forecasts 2016/17	July 2016 and 11 November 2016 and February 2017 (M&C)	5 <sup>th</sup> Floor Laurence House	Selwyn Thompson
Financial Outturn 2015/16	June 2016 (M&C)	5 <sup>th</sup> Floor Laurence House	Selwyn Thompson
Budget 2016/17	24 February 2016 (Council)	5 <sup>th</sup> Floor Laurence House	Selwyn Thompson

### **For further information on this report, please contact:**

Selwyn Thompson, Head of Financial Services, London Borough of Lewisham,  
5<sup>th</sup> Floor, Laurence House on 020 831 46932

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Public Accounts Select Committee		
Title	Select Committee work programme 2017-18	
Contributor	Scrutiny Manager	Item 8
Class	Part 1 (open)	28 June 2017

## 1. Purpose

- 1.1 To advise Committee members of the work programme for the 2017-18 municipal year, and to agree the agenda items for the next meeting.

## 2. Summary

- 2.1 In April, the committee drew up a draft work programme for the municipal year 2017-18.
- 2.2 The work programme can be reviewed at each Select Committee meeting to take account of changing priorities.

## 3. Recommendations

- 3.1 The Committee is asked to:

- Note the work plan attached at **Appendix B** and discuss any issues arising from the programme;
- Look at the items scheduled for the next meeting and clearly specify the information and analysis required, based on desired outcomes, so that officers are able to meet expectations;
- Review all forthcoming key decisions, attached at **Appendix C**, and consider any items for further scrutiny.

## 4. Work programme

- 4.1 The work programme for 2017-18 was agreed at the 19 April 2017 meeting.
- 4.2 The Committee is asked to consider if any urgent issues have arisen that require scrutiny and if any existing items are no longer a priority and can be removed from the work programme. Before adding additional items, each item should be considered against agreed criteria. The flow chart attached at **Appendix A** may help Members decide if proposed additional items should be added to the work programme. The Committee's work programme needs to be achievable in terms of the amount of meeting time available. If the Committee agrees to add additional item(s) because they are urgent and high priority, Members will need to consider which medium/low priority item(s) should be removed in order to create sufficient capacity for the new item(s).

## 5. The next meeting

5.1. The following reports are scheduled for the meeting on 13 July 2017:

Agenda item	Review type	Link to corporate priority	Priority
In-depth review evidence session 1	In-depth review	Inspiring efficiency, effectiveness and equity	High
Medium term financial strategy	Performance monitoring	Inspiring efficiency, effectiveness and equity	High
Financial forecasts 2017-18	Performance monitoring	Inspiring efficiency, effectiveness and equity	High

5.2. The Committee is asked to specify the information and analysis it would like to see in the reports for these items, based on the outcomes the committee would like to achieve, so that officers are clear on what they need to provide for the next meeting.

## 6. Date of next meeting

6.1. The date of the next meeting is Thursday 13 July 2017.

## 7. Financial implications

7.1. There may be financial implications arising from some of the items on the work programme (especially reviews) and these will need to be considered when preparing those items/scoping those reviews.

## 8. Legal implications

8.1. In accordance with the Council's Constitution, all scrutiny select committees must devise and submit a work programme to the Business Panel at the start of each municipal year.

## 9. Equalities implications

9.1. The Equality Act 2010 brought together all previous equality legislation in England, Scotland and Wales. The Act included a new public sector equality duty, replacing the separate duties relating to race, disability and gender equality. The duty came into force on 6 April 2011. 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.

9.2. 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.

9.3. There may be equalities implications arising from items on the work programme and all activities undertaken by the Committee will need to give due consideration to this.

## **10. Crime and disorder implications**

10.1. There may be crime and disorder implications arising from some of the items that will be included in the work programme (especially reviews) and these will need to be considered when preparing those items/scoping those reviews.

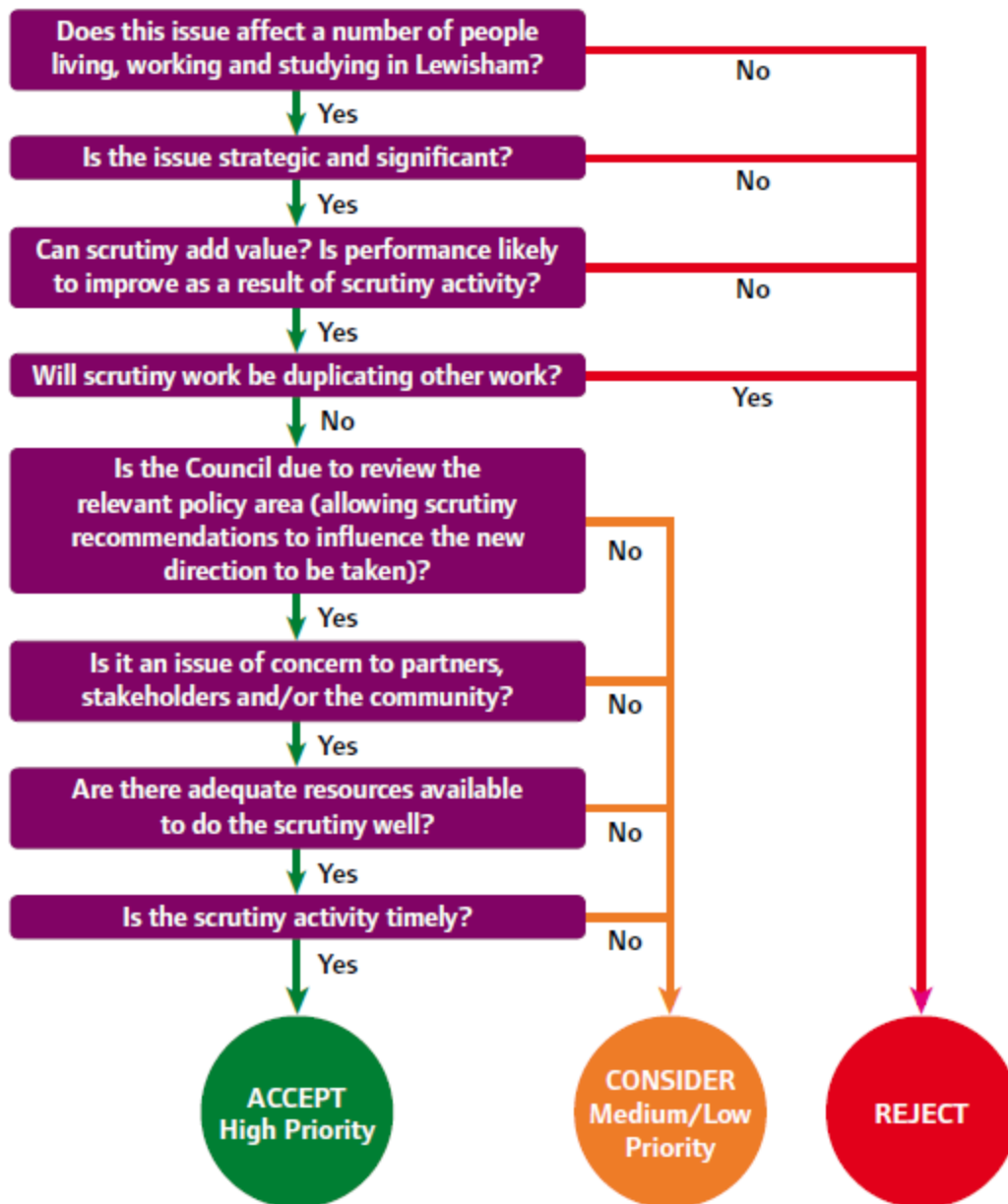
## **11. Background documents**

Lewisham Council's Constitution  
Centre for Public Scrutiny: The Good Scrutiny Guide

## **12. Appendices**

Appendix A – Scrutiny work programme – prioritisation process  
Appendix B – 2017-18 work plan  
Appendix C – Key decision plan

## Scrutiny work programme – prioritisation process



**Public Accounts Select Committee Work Programme 2017/18**

**Programme of work**

Work Item	Type of review	Priority	Strategic priority	Delivery deadline	19-Apr	28-Jun	13-Jul	27-Sep	16-Nov	20-Dec	06-Feb	21-Mar
Lewisham Future Programme	Performance monitoring	High	CP10	Ongoing			Savings	Savings				
Election of Chair and Vice-Chair	Constitutional requirement	High	CP10	Apr								
Select committee work programme 2017/18	Constitutional requirement	High	CP10	Ongoing								
Income generation and commercialisation	Performance monitoring	High	CP10	Jun								
Management report	Performance monitoring	Medium	CP10	Ongoing								
School budgets (Jointly with CYP select committee)	Performance monitoring	High	CP 2	Jun								
IT Strategy update	Standard item	High	CP10	Jun								
Final outturn 2016/17	Performance monitoring	Medium	CP10	Jun								
Medium term financial strategy	Standard item	Medium	CP10	Jul								
Financial forecasts 2017/18	Performance monitoring	High	CP10	Ongoing								
Mid-year treasury management review	Performance monitoring	Medium	CP10	Nov								
Household budgets in-depth review	In-depth review	High	CP10	Dec		Scope	Evidence	Evidence	Evidence	Report	Report	
Private finance initiatives	Standard item	Medium	CP10	Jun								
Annual complaints report	Performance monitoring	Low	CP10	Dec								
Asset management update	Performance monitoring	Medium	CP10	Dec								
Annual budget 2018/19	Standard item	High	CP10	Jan								
Business rates consultation	Standard item	High	CP10	Tbc								
Audit panel update	Constitutional Requirement	Low	CP10	Mar								

	Item completed
	Item on-going
	Item outstanding
	Proposed timeframe
	Item added

Meetings					
1)	Wed	19 Apr	5)	Thu	16 Nov
2)	Wed	28 Jun	6)	Wed	20 Dec
3)	Thu	13 Jul	7)	Tue	6 Feb
4)	Wed	27 Sep	8)	Wed	21 Mar

Shaping Our Future: Lewisham's Sustainable Community Strategy 2008-2020		
	Priority	
1	Ambitious and achieving	SCS 1
2	Safer	SCS 2
3	Empowered and responsible	SCS 3
4	Clean, green and liveable	SCS 4
5	Healthy, active and enjoyable	SCS 5
6	Dynamic and prosperous	SCS 6

Corporate Priorities		
	Priority	
1	Community Leadership	CP 1
2	Young people's achievement and involvement	CP 2
3	Clean, green and liveable	CP 3
4	Safety, security and a visible presence	CP 4
5	Strengthening the local economy	CP 5
6	Decent homes for all	CP 6
7	Protection of children	CP 7
8	Caring for adults and older people	CP 8
9	Active, healthy citizens	CP 9
10	Inspiring efficiency, effectiveness and equity	CP 10

## FORWARD PLAN OF KEY DECISIONS

### Forward Plan July 2017 - October 2017

This Forward Plan sets out the key decisions the Council expects to take during the next four months.

Anyone wishing to make representations on a decision should submit them in writing as soon as possible to the relevant contact officer (shown as number (7) in the key overleaf). Any representations made less than 3 days before the meeting should be sent to Kevin Flaherty, the Local Democracy Officer, at the Council Offices or kevin.flaherty@lewisham.gov.uk. However the deadline will be 4pm on the working day prior to the meeting.

A “key decision”\* means an executive decision which is likely to:

- (a) result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates;
- (b) be significant in terms of its effects on communities living or working in an area comprising two or more wards.

August 2016	<b>The Wharves Deptford - Compulsory Purchase Order Resolution</b>	21/06/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
May 2017	<b>Evaluation of the Sustainable Community Strategy</b>	21/06/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Joe Dromey, Cabinet Member Policy &		

**FORWARD PLAN – KEY DECISIONS**

Date included in forward plan	Description of matter under consideration	Date of Decision Decision maker	Responsible Officers / Portfolios	Consultation Details	Background papers / materials
			Performance		
May 2017	<b>Memorandum of Understanding on Participation of Central London Forward for Purposes of Employment and Skills Devolution and joint working procurement of Work and Health Programme</b>	21/06/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
March 2017	<b>CRPL Business Plan 2017-18</b>	21/06/17 Council	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
February 2017	<b>New Homes Programme</b>	28/06/17 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
February 2017	<b>Beckenham Place Park Programme Update</b>	28/06/17 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Rachel Onikosi, Cabinet Member Public Realm		
February 2017	<b>Deptford Southern Housing Sites - Part 1 &amp; Part 2</b>	28/06/17 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
March 2017	<b>Response to Consultation on</b>	28/06/17	Aileen Buckton,		



<b>FORWARD PLAN – KEY DECISIONS</b>					
<b>Date included in forward plan</b>	<b>Description of matter under consideration</b>	<b>Date of Decision Decision maker</b>	<b>Responsible Officers / Portfolios</b>	<b>Consultation Details</b>	<b>Background papers / materials</b>
	<b>Policy for Supported Travel Young People Attending College and Adults Eligible for Adult Social Care</b>	Mayor and Cabinet	Executive Director for Community Services and Councillor Chris Best, Cabinet Member for Health, Wellbeing and Older People		
May 2017	<b>Medium Term Financial Strategy</b>	28/06/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
February 2017	<b>IT Network re-procurement Brent and Lewisham shared service</b>	28/06/17 Mayor and Cabinet (Contracts)	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
May 2017	<b>Contract Award Bulge Class Sandhurst school</b>	11/07/17 Overview and Scrutiny Education Business Panel	Sara Williams, Executive Director, Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		
March 2017	<b>Achilles Street Regeneration Proposals</b>	19/07/17 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
	<b>Air Quality Campaign 17-18</b>	19/07/17	Aileen Buckton,		

**FORWARD PLAN – KEY DECISIONS**

Date included in forward plan	Description of matter under consideration	Date of Decision Decision maker	Responsible Officers / Portfolios	Consultation Details	Background papers / materials
		Mayor and Cabinet	Executive Director for Community Services and Councillor Rachel Onikosi, Cabinet Member Public Realm		
January 2017	<b>Catford Regeneration Programme Parts 1 and 2</b>	19/07/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
February 2017	<b>Extending the shared IT service to Southwark</b>	19/07/17 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Kevin Bonavia, Cabinet Member Resources		
May 2017	<b>Financial Monitoring 2017/18</b>	19/07/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
	<b>Joint Strategic Depot Review</b>	19/07/17 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Rachel Onikosi, Cabinet Member Public Realm		
	<b>Medium Term Financial Strategy</b>	19/07/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and		

<b>FORWARD PLAN – KEY DECISIONS</b>					
<b>Date included in forward plan</b>	<b>Description of matter under consideration</b>	<b>Date of Decision Decision maker</b>	<b>Responsible Officers / Portfolios</b>	<b>Consultation Details</b>	<b>Background papers / materials</b>
			Councillor Kevin Bonavia, Cabinet Member Resources		
May 2017	<b>Housing Acquisitions Part 2</b>	19/07/17 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
May 2017	<b>Lewisham Future Programme 2018/19 Revenue Budget Savings</b>	19/07/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
May 2017	<b>Lewisham Adoption Service Statement of Purpose and Children's Guides</b>	19/07/17 Mayor and Cabinet	Sara Williams, Executive Director, Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		
May 2017	<b>Lewisham Fostering Service Statement of Purpose and Children's Guides</b>	19/07/17 Mayor and Cabinet	Sara Williams, Executive Director, Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		
	<b>New Homes Programme Parts 1 &amp; 2</b>	19/07/17 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and		

**FORWARD PLAN – KEY DECISIONS**

Date included in forward plan	Description of matter under consideration	Date of Decision Decision maker	Responsible Officers / Portfolios	Consultation Details	Background papers / materials
			Councillor Damien Egan, Cabinet Member Housing		
	<b>PLACE / Deptford: Precision Manufactured Temporary Accommodation</b>	19/07/17 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
May 2017	<b>Transfer of the Applications Support Function to the LB Brent Shared Service</b>	19/07/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
	<b>Modification to Decision to expand Addey and Stanhope School - Delayed implementation</b>	19/07/17 Mayor and Cabinet	Sara Williams, Executive Director, Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		
	<b>Amalgamation of Sandhurst Infant School and Sandhurst Junior School - Permission to consult</b>	19/07/17 Mayor and Cabinet	Sara Williams, Executive Director, Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		
	<b>Delivering additional school places for Children and Young People with Special Educational Needs and</b>	19/07/17 Mayor and Cabinet	Sara Williams, Executive Director, Children and Young People and Councillor Paul Maslin,		

<b>FORWARD PLAN – KEY DECISIONS</b>					
<b>Date included in forward plan</b>	<b>Description of matter under consideration</b>	<b>Date of Decision Decision maker</b>	<b>Responsible Officers / Portfolios</b>	<b>Consultation Details</b>	<b>Background papers / materials</b>
	<b>Disabilities (SEND) - Permission to consult</b>		Cabinet Member for Children and Young People		
	<b>Gypsy and Traveller Local Plan Update</b>	19/07/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
April 2017	<b>Proposed revision to the contract structure of the Downham Health &amp; Leisure Centre PFI</b>	19/07/17 Mayor and Cabinet (Contracts)	Aileen Buckton, Executive Director for Community Services and Councillor Joan Millbank, Cabinet Member Third Sector & Community		
May 2017	<b>Sydenham Park Footbridge Contract Award</b>	19/07/17 Mayor and Cabinet (Contracts)	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
February 2017	<b>Telephony re-procurement</b>	19/07/17 Mayor and Cabinet (Contracts)	Kevin Sheehan, Executive Director for Customer Services and Councillor Kevin Bonavia, Cabinet Member Resources		
May 2017	<b>Sangley and Sandhurst Road Highway Improvement Scheme Contract Award</b>	19/07/17 Mayor and Cabinet (Contracts)	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		

**FORWARD PLAN – KEY DECISIONS**

Date included in forward plan	Description of matter under consideration	Date of Decision Decision maker	Responsible Officers / Portfolios	Consultation Details	Background papers / materials
	<b>Interim Food and Garden Waste Contract</b>	25/07/17 Overview and Scrutiny Business Panel	Kevin Sheehan, Executive Director for Customer Services and Councillor Rachel Onikosi, Cabinet Member Public Realm		
	<b>Update and preferred provider position refurbishment of Ladywell Playtower.</b>	13/09/17 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
May 2017	<b>Audited Accounts and Pension Fund Accounts 2016/17</b>	20/09/17 Council	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
May 2017	<b>Financial Regulations and Directorate Schemes of Delegation</b>	20/09/17 Council	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
May 2017	<b>Report of the Barriers to Participation Working Party</b>	20/09/17 Council	Janet Senior, Executive Director for Resources & Regeneration and Councillor Suzannah Clarke, Chair Planning Committee C		
May 2017	<b>Community Services Youth Review</b>	04/10/17 Mayor and Cabinet	Aileen Buckton, Executive Director for		

<b>FORWARD PLAN – KEY DECISIONS</b>					
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		(Contracts)	Community Services and Councillor Joan Millbank, Cabinet Member Third Sector & Community		
	<b>Deptford Lounge &amp; Tidemill School Facilities and Centre Management</b>	06/12/17 Mayor and Cabinet	Sara Williams, Executive Director, Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		

**FORWARD PLAN – KEY DECISIONS**

<b>Date included in forward plan</b>	<b>Description of matter under consideration</b>	<b>Date of Decision Decision maker</b>	<b>Responsible Officers / Portfolios</b>	<b>Consultation Details</b>	<b>Background papers / materials</b>



<b>Public Accounts Select Committee</b>		
<b>Title</b>	Household budgets review: scoping paper	
<b>Contributor</b>	Scrutiny Manager	Item 8 – appendix D
<b>Class</b>	Part 1 (open)	28 June 2017

## **1. Purpose of paper**

- 1.1 At its meeting on 19 April 2017, when agreeing on items for its 2017-18 work programme, the Committee decided to undertake an in-depth review into the pressures on household budgets in Lewisham.
- 1.2 This paper seeks to establish a rationale for the review, it provides some background information on the current situation within Lewisham and it sets out proposed terms of reference.
- 1.3 The in-depth review process is outlined at Appendix A.

## **2. Recommendations**

- 2.1 The Select Committee is asked to:
  - note the content of the report,
  - consider and agree the proposed terms of reference for the review, outlined in section 6 and the timetable, outlined in section 7.

## **3. Policy context**

- 3.1 Lewisham has a sustainable communities strategy<sup>1</sup>, which sets out a vision of a borough which is dynamic and prosperous - where people are part of vibrant communities and town centres, well connected to London and beyond. The content of this paper reflects this vision.
- 3.2 The content of this paper is also consistent with the Council's corporate priorities<sup>2</sup>:
  - The Council is committed to strengthening the local economy by gaining resources to regenerate key localities and strengthening employment skills.
  - It is a Council priority to protect children and to help working families with access to affordable childcare.
  - There is an overarching Council priority to inspire efficiency, effectiveness and equity in the delivery of services.

## **4. Meeting the criteria for a review**

<sup>1</sup> [Lewisham's Sustainable Communities Strategy](#)

<sup>2</sup> [Lewisham Council's Corporate Priorities](#)

- 4.1 A review into household budgets meets the criteria for carrying out a scrutiny review, because:
- it affects a large number of people living , working or studying in Lewisham; it is also likely that it has a disproportionate impact on sections of Lewisham’s population, including those with protected characteristics;
  - there will be a new administration following the local government elections in 2018 so the Council will be reviewing all of its areas of policy.

## 5. Background

### **The global financial crisis and the cost of living**

- 5.1 The global financial crisis in 2007/08 shook the foundations of Britain’s banking sector and spilled over into the rest of the economy, prompting the government to act in order to stabilise the country’s financial industry.
- 5.2 As the government took emergency measures to stabilise Britain’s banks, households began to reduce their spending. The Office for National Statistics (ONS) subsequently reported that by the end of 2008 total spending by households fell for the first time since 1968. Household spending then fell for a further two quarters, for the first time since the records began.
- 5.3 As the situation began to stabilise and uncertainty about jobs and the cost of living eased, the pressure on household budgets decreased. However, as highlighted during the discussion about Britain leaving the European Union at the Committee’s meeting in April 2017, the country is entering into a period of uncertainty and the pressure on household budgets is likely to become an increasing issue of concern for Lewisham residents.
- 5.4 Recent reports<sup>3</sup> have indicated that inflation<sup>4</sup> is increasing, raising the cost of everyday items, which is in turn putting pressure on household budgets. Figures from the ONS show that inflation is now at its highest level since 2013, following a steady increase over time.

### **The Council’s budget challenge**

- 5.5 In the period following from the financial crisis, the government moved to reduce its spending and the requirement for borrowing. It drew on the resources of the public sector to make deep and sustained reductions in spending on services. The cuts to funding for local government have had a major impact on the ways in which services are managed and delivered.
- 5.6 The Council has had to make significant reductions in its budget in the years following the financial crisis. The Lewisham Future Programme is the Council’s organisational approach to making these savings. The Programme

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<sup>3</sup> ONS, consumer price inflation:  
<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/apr2017>

<sup>4</sup> Consumer price inflation, is a measure of the cost of goods and services to households:  
<https://www.ons.gov.uk/economy/inflationandpriceindices/articles/consumerpriceindicesabriefguide/2016>

has enabled officers to identify a set of thematic and cross-cutting reviews, from which the Council will target its savings activities. Some examples of these include: smarter assessment arrangements and deeper integration of health and social care, incorporating public health; approaches to safeguarding and early intervention services; opportunities for asset rationalisation; a strategic review of income generation and the drive to make further reductions in management and corporate overheads.

5.7 The Council has committed to shielding frontline services from cuts, with the intention that the most vulnerable are protected from the most reductions in service. Nonetheless, it is expected that the Council will need to identify further savings of about £32.6m for the following two years, 2018/19 to 2019/20. This will bring the total savings in cash terms made by the Council in the decade to 2020 to nearly £200m.

5.8 Budget reports considered by the Public Accounts Committee indicate that there is an outlook for austerity until at least 2020/21. Yet, the level of cuts required by the Government is becoming increasingly difficult for the Council to deliver. In two of the past three years, the Council has used its reserves to balance its budget and at the end of each of these years directorate budgets have been overspent as officers find it more difficult to deliver savings and maintain services at the same time. In the budget report to Council in the spring of 2017 it was reported that:

‘...the Council cannot do all that it once did, nor meet all those expectations that might once have been met, for we are in a very different financial position than just a few years ago. Very severe financial constraints have been imposed on Council services with cuts to be made year on year on year...’  
(Budget report 2017, p8)

### **The role of scrutiny**

5.9 Scrutiny Committees in Lewisham are proactive in their attempts to improve the lives and wellbeing of people in Lewisham. There are a number of reports and reviews, which are related to the issue of household budgets. Some examples are given below.

5.10 The Public Accounts Select Committee’s 2012 review of fairness in procurement, pay and employment practices at the Council drew on work carried out by fairness commissions at other councils. The Committee welcomed Lewisham’s efforts to ensure equality in the workforce. It also welcomed the Council’s support for paying employees the London living wage in Lewisham, both to direct employees of the Council and to employees paid by sub-contractors.

5.11 The Committee’s review was carried out over a series of evidence gathering sessions and feedback from the local community was also sought. The Committee recognised that public services were a significant employer in the Borough and it wanted to determine how the Council could make residents more aware of opportunities at the Council for the employment of local people – in particular on trainee and apprenticeship schemes.

- 5.12 The Sustainable Development Select Committee's review of financial exclusion in Lewisham (also in 2012) sought to explore the problems experienced by people without access to financial products and services. Members were concerned about the impact of the recession on vulnerable households in Lewisham. The Committee sought to explore how residents could gain better access financial products and how they might be better supported to avoid getting into financial difficulty.
- 5.13 The Committee also found that there were increased pressures on those who are financially excluded, or likely to become excluded, including:
- Increased unemployment and lack of job opportunities
  - Increased costs of living
  - Increased rents, especially within the private rented sector
  - Rising energy bills
  - Changes to benefits system
- 5.14 The Committee took a range of evidence from partners, including support organisations and Lewisham's credit union. Members recommended that a financial inclusion partnership be set up to bring together partners in Lewisham in order to avoid vulnerable households becoming financially excluded.
- 5.15 The Safer Stronger Communities Select Committee's poverty review in 2016 took evidence from officers and external witnesses about the extent of poverty, and its impact, in Lewisham. The Committee's resulting report and recommendations led the Council's executive to set up a commission to explore the causes, and potential solutions, to the issue of poverty in the borough.

### **Lewisham's poverty commission<sup>5</sup>**

- 5.16 At the beginning of September 2016, Mayor and Cabinet considered a response to the recommendations of the Safer Stronger Communities Select Committee's poverty review. The Mayor appointed Councillor Dromey as the cabinet lead for coordinating the Council's efforts to tackle poverty. It also agreed the creation of a 'poverty taskforce' to develop a comprehensive poverty strategy for Lewisham.
- 5.17 Setting up the Lewisham Poverty Commission in February 2017, Councillor Dromey (Commission Chair), said that it would be '...looking to develop innovative policy responses that can make a real difference, even in these difficult times'.<sup>6</sup> The Council has invited representatives of organisations with a special interest in poverty to work alongside councillors, who have local knowledge and experience, in order to develop new policy approaches to tackling poverty in the borough. The Commission's members are:

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<sup>5</sup>See: <http://councilmeetings.lewisham.gov.uk/documents/s43839/Poverty%20Review.pdf>

<sup>6</sup> Poverty commission: <https://www.lewisham.gov.uk/news/Pages/New-poverty-commission-launched.aspx>

- Councillor Joe Dromey (Chair) Cabinet Member for Policy and Performance
- Councillor Brenda Dacres
- Councillor Colin Elliott
- Councillor Joyce Jacca
- Councillor Joan Millbank, Cabinet Member for Third Sector and Community
- Councillor James J-Walsh
- Alice Woudhuysen, London Campaign Manager, Child Poverty Action Group
- Bharat Mehta CBE, Chief Executive, Trust for London
- Bill Davies, Head of Policy, Central London Forward
- Claire Mansfield Head of Research, New Local Government Network
- Debbie Weekes-Bernard Policy and Research Manager, Joseph Rowntree Foundation
- Gloria Wyse, Lewisham Citizens
- Dr Simon Griffiths, Senior Lecturer in Politics, Goldsmiths

5.18 The Commission has held two meetings, receiving information from officers and external witnesses about causes of and potential solutions to poverty. The Commission has agreed that, in order to focus its work, it will prioritise these areas:

- Child poverty, childcare and lone parent unemployment
- Work, skills and the role of anchor institutions
- Housing

5.19 The Commission has also developed case studies of 'lived experiences' of residents in the borough. Officers supporting the Commission have been in contact with residents and residents groups in order to better understand the impact of poverty in individuals' lives.

5.20 The work of the Commission is being closely followed by the Safer Stronger Communities Select Committee. A poverty summit will be held in July 2017 before the Commission completes its review in the autumn.

### **Pressure on household budgets**

5.21 The headline figures for inflation and employment were highlighted in the Council's spring budget report: 'Subdued earnings growth and higher inflation will mean that real income growth stalls in 2017, putting pressure on household budgets.' (Budget report 2017, p9)

5.22 At its meeting in early April, the Public Accounts Select Committee discussed the pressures on household budgets. Members gave examples of families in their wards that were struggling to make ends meet and there was concern about the potential impact of rising rates of inflation on households that were already struggling to manage the costs of living.

- 5.23 Households in receipt of benefits have been particularly badly hit by restraint in public spending. The benefits cap and the under occupancy levy (more commonly known as the bedroom tax) have had a significant impact on those on low incomes. Evidence<sup>7</sup> from the Trussell Trust (network of UK food banks) indicates that the requirement for emergency food parcels has increased each year since the financial crisis.
- 5.24 The Committee is mindful that the Safer Stronger Communities Select Committee and latterly the Poverty Commission have been exploring broad issues around poverty and low incomes in Lewisham. It is conscious that households in poverty are often in acute need and that policy needs to ensure that the most vulnerable are protected. Nonetheless, the Committee is also concerned about the cost of living for households with average incomes.
- 5.25 As noted above, Members are particularly concerned at present, because of rising levels of inflation. Figures from the ONS indicate that inflation has been rising since late 2015 and it is now at its highest level since 2013. The chart below sets out the change in inflation over the past ten years:



8

- 5.26 It is evident that in the intervening years since the crisis of 2008 the picture has been mixed for households on average incomes. At its peak, inflation has remained below 5% and official figures indicate that there has been a sustained reduction in unemployment. In London, the period following the crisis saw a slight fall in average house prices. However, prices have since rebounded to record levels. Rents and mortgage costs have continued on their upward trajectory, maintaining pressure on household budgets. The

<sup>7</sup> Trussell Trust, end of year stats: <https://www.trusselltrust.org/news-and-blog/latest-stats/end-year-stats/>

<sup>8</sup>ONS: CPIH inflation over 12 months: <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/l55o/mm23>

concern remains that the prolonged<sup>9</sup> impact of the financial crisis and current levels of political and economic uncertainty have weakened the resilience of households to pressure on their budgets.



### Financial resilience

- 5.27 There is evidence that many households are vulnerable sudden changes in their circumstances, meaning that there is very little financial buffer for families dealing with emergencies. Recent figures<sup>11</sup> show that across the UK, levels of household savings are steadily reducing, removing the protection from unexpected changes in circumstances.
- 5.28 The IPPR's work on the income crisis indicates that between 2014 and 2015 there were 950,000 households in the UK in income crisis, meaning that they were unable to pay two or more of their essential bills at any one time<sup>12</sup>. The research indicates that many of the households in crisis were working families:

'Income crisis is associated with those who are economically precarious, yet it should not be thought of as a problem that only effects those on benefits or with the lowest incomes. The majority of households in income crisis have at

<sup>9</sup> 'Long shadow' of the financial crisis hits incomes: <http://www.bbc.co.uk/news/business-39130490>

<sup>10</sup> ONS, house price index, March 2017 -

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/mar2017>

<sup>11</sup> ONS, Strong growth in consumer spending drives fall in household saving ratio:

<https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/articles/monthlyeconomiccommentary/mar2017#strong-growth-in-consumer-spending-drives-fall-in-household-saving-ratio>

<sup>12</sup> IPPR, the 'not quite managings' the depth of income crisis in the UK:

[http://www.ippr.org/files/publications/pdf/The-not-quite-managings-depth-of-income-crisis-in-the-UK\\_Apr2017.pdf?noredirect=1](http://www.ippr.org/files/publications/pdf/The-not-quite-managings-depth-of-income-crisis-in-the-UK_Apr2017.pdf?noredirect=1)

least one adult in work. Many own their own homes, and more than half contain children.’ (IPPR 2017, p3)

- 5.29 Using the family resources survey, the IPPR found that that three percent of households were most frequently behind with their Council tax bills, followed by energy and water. It also found that whilst housing costs were the highest proportion of households’ outgoings, there were less frequently behind on paying their rent or mortgage costs.

### **Minimum income standard**

- 5.30 The Joseph Rowntree Foundation has carried out research to determine what people in the UK believe is a minimum acceptable standard of living<sup>13</sup>. Researchers ask groups of participants to determine what necessities households need to have in order to reach an acceptable minimum standard of living. The results of the assessment are challenged and refined by other groups until such point that there is consensus about what constitutes a minimum acceptable standard. ‘...a minimum is more than about survival alone. However, it covers needs not wants; necessities, not luxuries; items that the public think people need in order to be part of society.’ (Joseph Rowntree Foundation, 2016)

- 5.31 Participants in the research are split into four groups representing four different households:

- Retired couple
- Couple with young children
- Couple without children
- Single parent household

- 5.32 Groups are asked to comment on the decisions made by other groups until a consensus can be reached about what constitutes a minimum standard. The level of detail in the standard is high. Researchers have collected a range of household items and clothing and determined replacement cycles. Nutritionists assess the household requirements for food shopping and calculations have been made for the costs of services and activities.

- 5.33 Using the same methodology, the Trust for London has created a minimum income standard for London. The Trust’s London report sets out several key differences between the MIS in London and elsewhere in the UK. As might be anticipated, a significant difference in costs is due to the price of housing in London. There are also differences in the cost of childcare, transport and leisure activities.

### The difference between poverty and minimum incomes

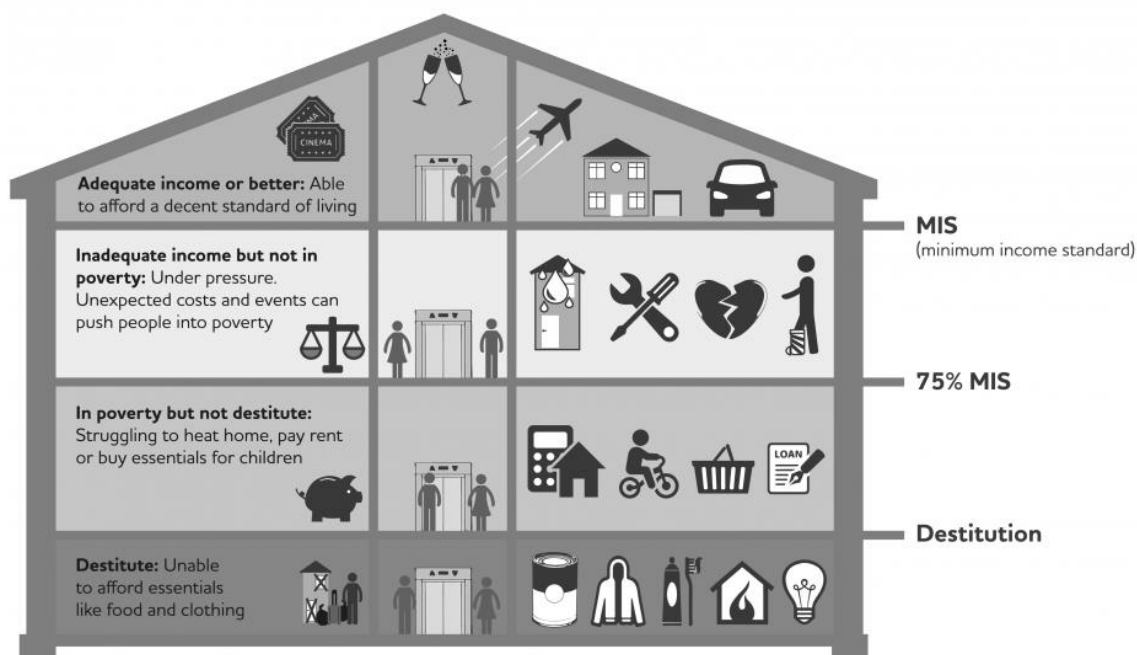
- 5.34 The minimum income standard and discussions about poverty are related but people who fall below the standard are not always considered to be in

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<sup>13</sup> JRF - Minimum income calculator- <https://www.jrf.org.uk/minimum-income-calculator-do-you-earn-enough-basic-standard-living>



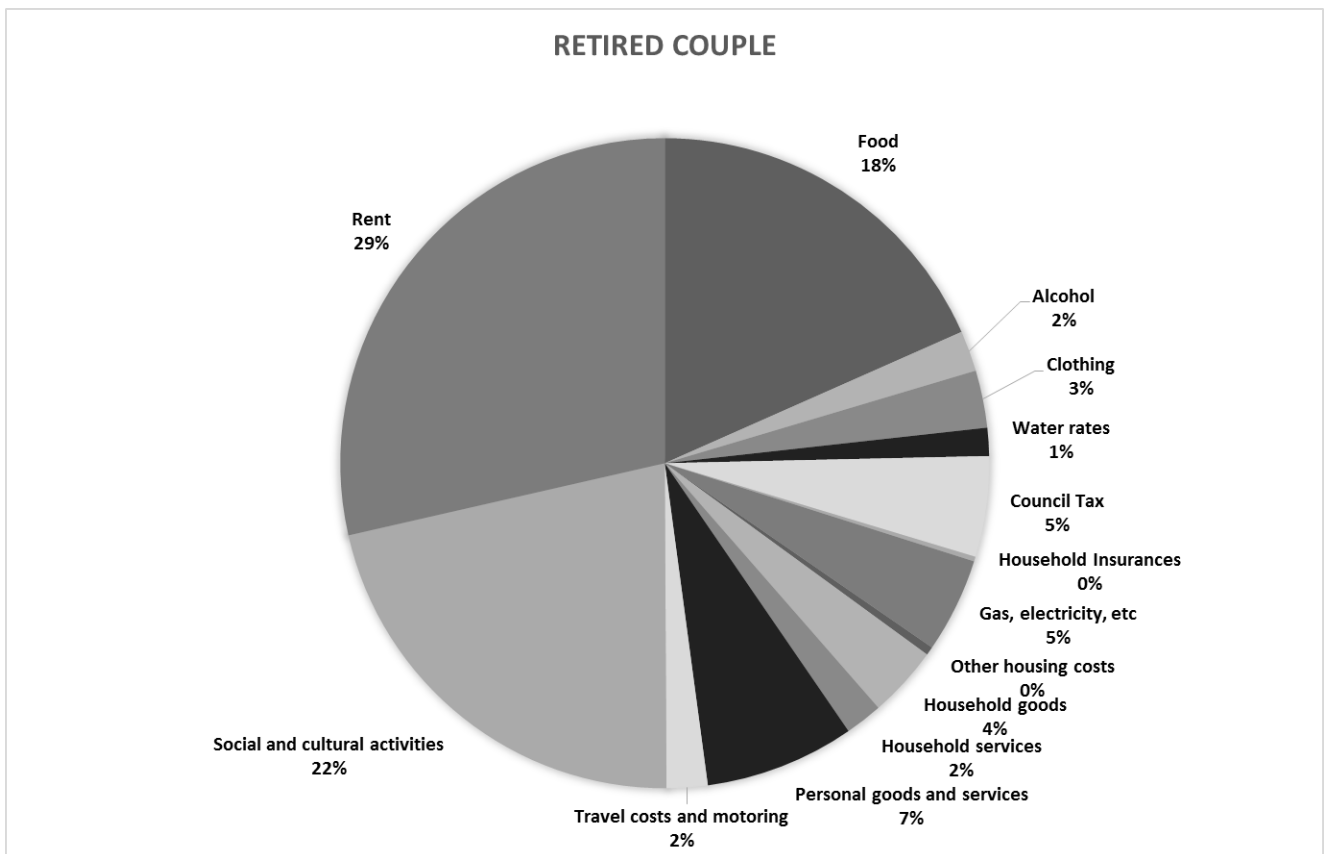
poverty. The picture below illustrates how the minimum income standard and discussions about poverty are related.



5.35 Lewisham’s Poverty Commission was tasked with agreeing a definition for poverty for the borough. It has accepted the definition being used by the Joseph Rowntree Foundation: ‘When a person’s resources (mainly their material resources) are not sufficient to meet their minimum needs (including social participation).’<sup>14</sup>

5.36 The Joseph Rowntree Foundation and its partners have also developed a minimum income calculator to demonstrate the different levels of income households need in order to meet the minimum income standard. The calculator also itemises household expenditure to indicate how much will be spend on various items. Using the minimum income calculator, a set of household budgets have been created (below). In the calculator, it is assumed that all of these households are in rental properties and that they are living in inner London. The charts set out an approximated proportion of each of these households’ income is spent on each of the key items:

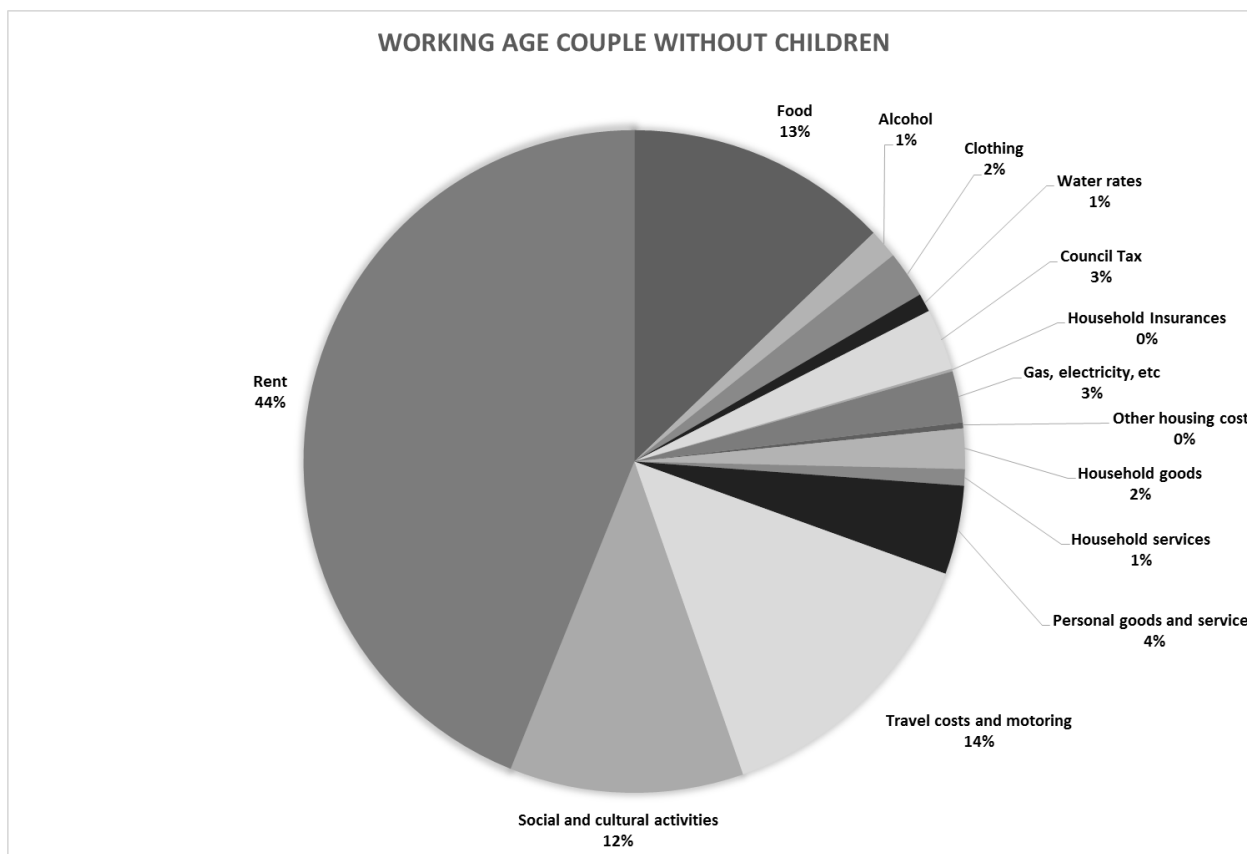
<sup>14</sup> JRF, a definition of poverty, <https://www.jrf.org.uk/report/definition-poverty>



5.37 Five highest areas of household expenditure: rent, social and cultural activities, food, personal goods and service, council tax (similar to the cost of gas and electricity).

**Rent**

5.38 By far the largest proportion of this household’s income is spent on rent. However, at an approximation of £131pw/£569pcm, this would be at the very lowest end of the private rental market in Lewisham. It should be born in mind that the research sets out the minimum standard deemed necessary, rather than expectations about what might be desirable.

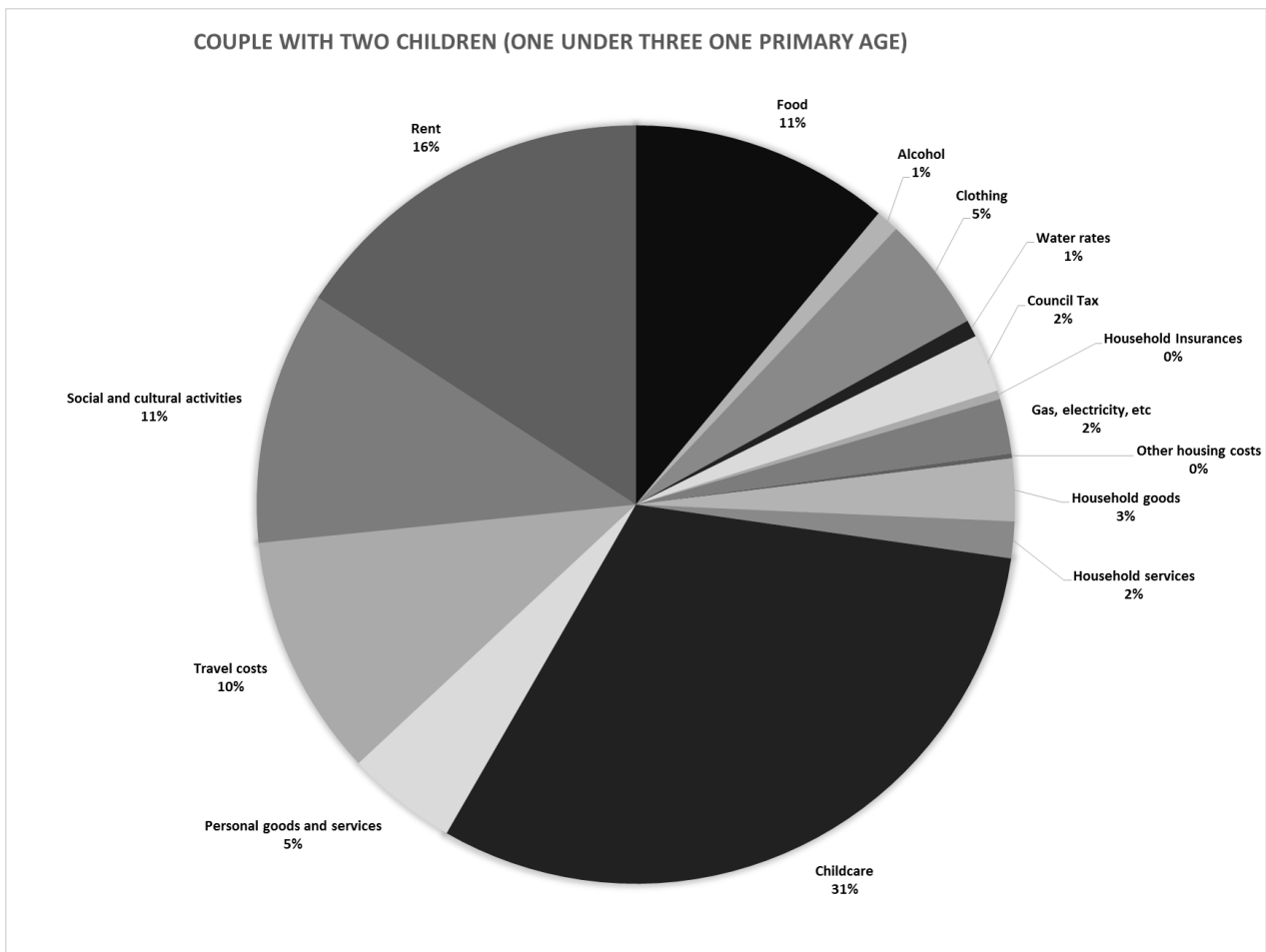


5.39 Five highest areas of household expenditure: rent, travel costs and motoring, food, personal goods and services, social and cultural activities.

### Travel costs

5.40 In the London minimum income standard research participants decided that a car was not a minimum requirement for any household. The high cost of travel and motoring reflects the likely costs of travel into central London for work. Whilst the Mayor of London has committed to controlling the cost of travel on the Transport for London network<sup>15</sup> – a monthly zone 1-4 travel card remains at £181.70.

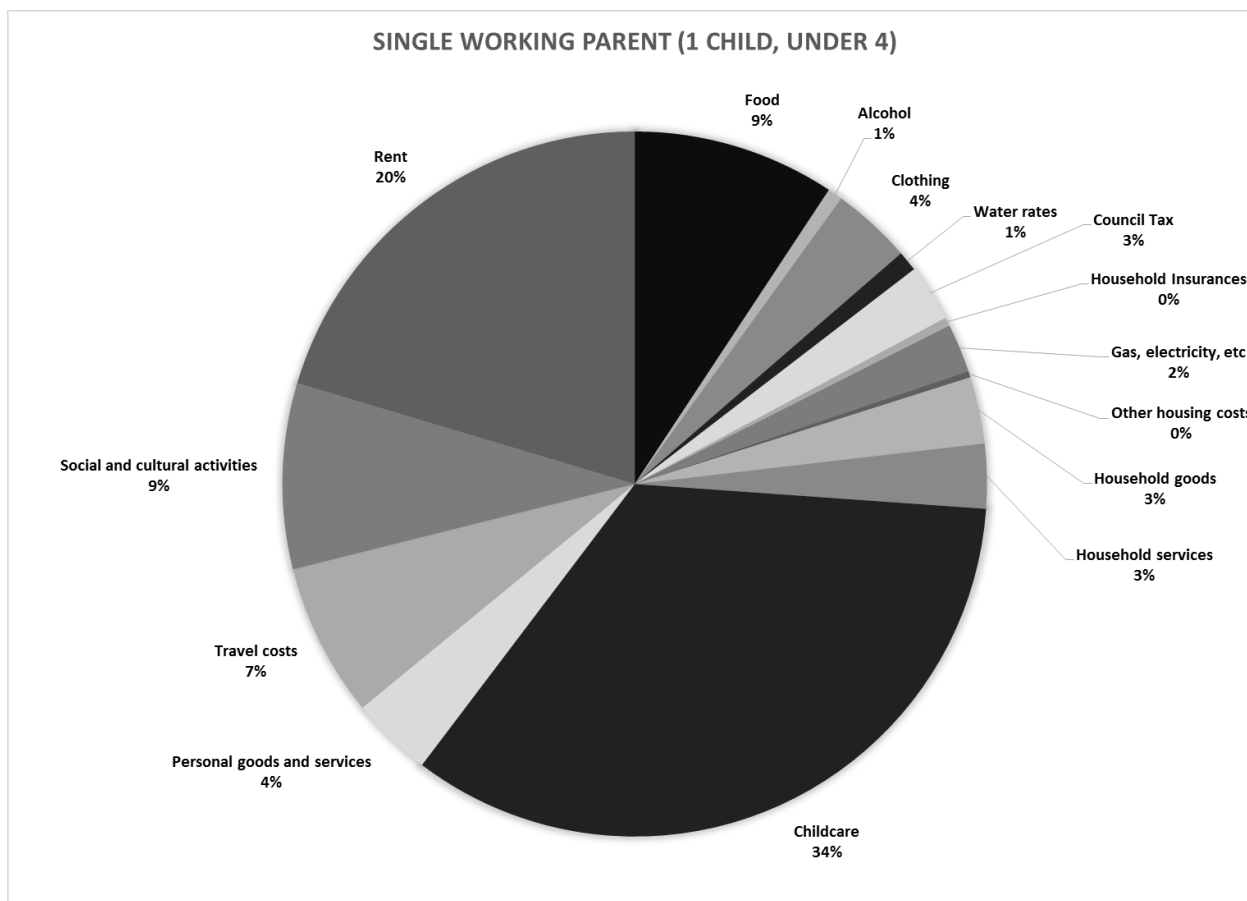
<sup>15</sup>Formal Mayoral Decision confirms TfL fares frozen until 2020: <https://www.london.gov.uk/press-releases/mayoral/tfl-fares-frozen-until-2020>



5.41 Five highest areas of household expenditure: childcare, rent, food, social and cultural activities, travel costs and motoring.

**Social and cultural activities**

5.42 The minimum income standard for London includes enhanced costs for social and cultural activities in London. It is likely that this represents the importance of interaction outside the household, it's also likely that it reflects the limited space that people have in their homes for entertainment or for leisure activities in comparison to other parts of the UK.



5.43 Five highest areas of household expenditure: childcare, rent, food, social and cultural activities, travel costs and motoring.

### **Childcare**

5.44 The cost of childcare for single parent households represents a far greater proportion of household income than for all other household types. In fact, weekly childcare costs represent the sum of the next four highest elements of this household's expenditure (rent, food, social and cultural activities & travel costs and motoring) combined.

5.45 The impact of high childcare costs on single parent households is a key focus of Lewisham's Poverty Commission. The Commission has recognised that a high proportion of the single households are women and that a significant number are unemployed.

5.46 The Children and Young People Select Committee has the responsibility for reviewing the childcare sufficiency statement. An update on Lewisham's childcare strategy was considered at the Committee's meeting in January 2017<sup>16</sup>.

<sup>16</sup> Children and Young People Select Committee agenda 11 January 2017:  
<http://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=134&MId=4152&Ver=4>

## **The impact of Council policy on household budgets**

### Housing

- 5.47 Lewisham has a corporate priority to ensure that there are decent homes for all, it includes the following key objectives:
- 1: Helping residents at times of severe and urgent housing need
  - 2: Building the homes our residents need
  - 3: Greater security and quality for private renters
  - 4: Promoting health and wellbeing by improving our residents' homes
- 5.48 The Housing Select Committee has been reviewing the implementation of the strategy, it received its most recent update at the meeting on 26 June 2017. The Council has ambitious plans to build new Council homes and to ensure that residents are able to access affordable housing. The Housing Select Committee has explored different options and novel approaches for providing new housing, including: shared ownership properties, the potential for self-building and affordable rent models.
- 5.49 The Poverty Commission has also made housing a priority issue. The Commission has received evidence about the pressure faced by households on low incomes to find affordable housing options.

### Childcare

- 5.50 The Council has a minor role in the direct provision of childcare. However, the Childcare Act 2006 requires local authorities in England to ensure a sufficiency of childcare in the local area. The Council's sufficiency statement is an appraisal of the cost and availability of childcare in the local area. Whilst the high cost of childcare was recognised as a factor, the conclusion of the most recent sufficiency statement was that there is adequate and affordable childcare in Lewisham.

### Low incomes

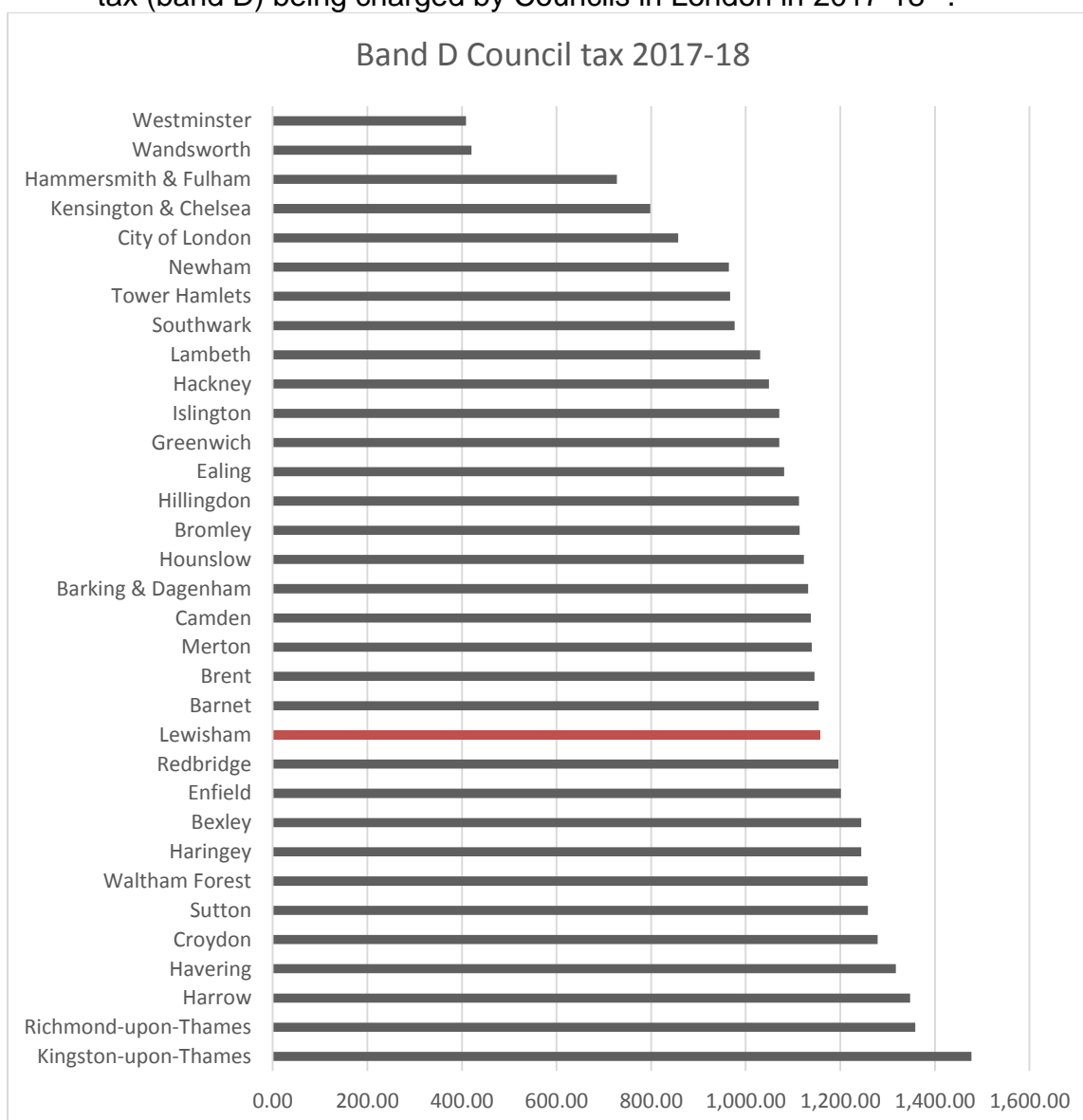
- 5.51 Scrutiny tends to focus on poverty – because this is where the Council has the ability to make the most impact. Past scrutiny has focused on the measures that the Council can take to make to its employment practices, such as increasing the availability of flexible working for staff, and the potential to provide advice and information to people on low incomes.
- 5.52 The Sustainable Development Select Committee has responsibility for scrutinising the Council's approach to employment and skills. In autumn 2016 it received the most recent update on the implementation of the work and skills strategy, which set out the levels of employment and unemployment in the borough. The strategy highlighted the actions being taken across the following themes:
- Develop strong partnerships across all sectors
  - Develop improved labour market intelligence
  - Maximise social value opportunities with employers and enterprise
  - Improving local skills training to equip adults for work opportunities

- Deliver employment support for those with the most complex needs
- Encourage residents in employment to progress

### Council tax

5.53 The Council has a direct impact on household budgets through the rate it sets for tax. Each year, when considering the budget, the Council makes an assessment of the increase that will be required in order to maintain services. There is also a Council tax reduction scheme<sup>17</sup> for people who are unable to pay their full share of Council tax.

5.54 In 2017-18, Lewisham increased Council tax by 2% with an additional increase of 1.99% to fund social care. Nonetheless, Lewisham is not an outlier in terms of its Council tax rates. The chart below sets out the levels of council tax (band D) being charged by Councils in London in 2017-18<sup>18</sup>.



<sup>17</sup> Lewisham council tax reduction scheme: <https://www.lewisham.gov.uk/myservices/benefits/council-tax-reduction-scheme/Pages/default.aspx>

<sup>18</sup> London Councils – <http://www.londoncouncils.gov.uk/our-key-themes/local-government-finance/local-taxation-council-tax-and-business-rates/council-tax>

## 6. Key lines of Inquiry

### The factors influencing household budgets

- What are the key factors in Lewisham that stop people reaching the MIS?

### Income crisis

- Are the key drivers of income crisis and pressure on household budgets (housing, travel, childcare), the same in Lewisham as they are elsewhere in London and are there other issues that the Committee might have missed in its initial discussions?

### The role of the Council

- Are there practical steps the Council can take to support households to reach the minimum income threshold, given the current pressing financial climate?
- What are the future implications of the Committee's findings for the development of Council policy?
- What systems does the Council have in place to support people who are facing income crisis?
- What is the role of Members in supporting people who are facing income crisis?

## 7. Timetable

The Committee is asked to consider the outline timetable for the review as set out below.

### **First evidence-taking session** (13 July 2017)

- Invite to the Trust for London to help the Committee better understand the minimum income standard. Following this session, Members should agree what information they need to gather as part of the local assemblies focus group sessions (see below)

### **Liaison with the Poverty Commission** (To be agreed)

- The Chairs of Public Accounts Committee and the Poverty Commission should meet to discuss shared objectives and potential areas of overlap between the work of the two groups.

### **Discussions at local assemblies** (September/October 2017)

- The Committee should allocate at least three ward assemblies for Members to run short focus groups about pressures on household budgets.

### **Second evidence taking session** (27 September 2017)

- Information on the child care sufficiency statement (ED CYP)
- Council tax relief (ED R&R)
- Income crisis support from the Council (ED CUS)



**Third evidence-taking session** (16 November)

- Positive ageing council
- Carers Lewisham
- Citizens advice

**Recommendations and final report** (20 December)

- The Committee will consider a final report presenting all the evidence taken and agree recommendations for submission to Mayor and Cabinet.

**8. Further implications**

At this stage there are no specific financial, legal, environmental or equalities implications to consider. However, each will be addressed as part of the review.

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# How to carry out an in-depth review



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