

Public Accounts Select Committee Agenda

Tuesday, 5 February 2019

7.00 pm

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 Tuesday, 5 February 2019.

Janet Senior, Acting Chief Executive
Monday 28 January 2019

Councillor Jim Mallory (Chair)	
Councillor Louise Krupski (Vice-Chair)	
Councillor Abdeslam Amrani	
Councillor Patrick Codd	
Councillor Alan Hall	
Councillor Mark Ingleby	
Councillor Paul Maslin	
Councillor Joan Millbank	
Councillor Bill Brown (ex-Officio)	
Councillor Juliet Campbell (ex-Officio)	

MINUTES OF THE PUBLIC ACCOUNTS SELECT COMMITTEE

Thursday, 20 December 2018 at 7.00 pm

PRESENT: Councillors Jim Mallory (Chair), Louise Krupski (Vice-Chair), Abdeslam Amrani, Patrick Codd, Alan Hall, Mark Ingleby, Paul Maslin and Joan Millbank

ALSO PRESENT: Councillor John Muldoon, Councillor Amanda De Ryk (Cabinet Member for Finance, Skills and Jobs (job share)), Timothy Andrew (Scrutiny Manager), David Austin (Head of Corporate Resources), Mala Dadlani (Group Finance Manager, Children and Young People), Lynne Farrow (Group Finance Manager, Customer Services), John Johnstone (Group Finance Manager, Resources and Regeneration), Katharine Nidd (Strategic Procurement and Commercial Services Manager), Selwyn Thompson (Head of Financial Services) and Natasha Valladares (Executive Advisor)

1. Minutes of the meeting held on 7 November 2018

- 1.1 The Committee discussed the minutes of the meeting held on 7 November 2019, the following key points were noted:
- The update on information requested at the last meeting relating to adult social care had arrived too late for the Committee to give it full consideration.
 - The response to the Committee's comments on children's social care (as a result of the Committee referral at its 25 September meeting) was awaited from Mayor and Cabinet.
- 1.2 **Resolved:** that the minutes of the meeting held on 7 November be agreed as an accurate record.

2. Declarations of interest

- Cllr Ingleby declared a non-prejudicial interest as a Director of Lewisham Homes in relation to item five.
- Cllr Hall declared a non-prejudicial interest as a contributor to item four and a non-prejudicial interest in relation to item seven as a Member of the London Cooperative Council.
- Cllr Mallory declared a non-prejudicial interest in relation to item five as the Chair of the Pupil Referral Unit.

3. Responses from Mayor and Cabinet

- 3.1 There were none.

7. Income generation update

The agenda was varied in order to take this item first.

- 7.1 Katherine Nidd (Strategic Procurement and Commercial Services Manager) introduced the report. The following key points were noted:
- The paper included an update on key pieces of work to date. The Committee's thoughts were also sought on the income generation strategy.

- The three year strategy was designed to build good quality sustainable practices into Council ways of working. The development of good practice would provide a solid foundation for more entrepreneurial ways of working.
- The strategy was also designed to establish quality systems and processes and it was supported by an updated charging policy. A new fees and charges report was also in development which would detail the comprehensive review that was being carried out across the Council.
- Further work would take place to develop the Council approach to introducing a commercial and entrepreneurial culture.
- The Council's approach to income generation and commercialisation would only be sustainable if the Council also sought to develop an entrepreneurial culture, in order to support officers to give full consideration to the costs of delivering services and opportunities for commercialisation as well as a robust and consistent framework for developing, assessing and evaluating new income initiatives.

7.2 Katherine Nidd responded to questions from the Committee, the following key points were noted:

- Lots of the Council's services were statutory and the level of charging was therefore set nationally and could not be altered locally. A number of others were discretionary fees and charges which could only be charged for to fully recover costs. The areas with the most opportunities for income generation were those areas in which services could be traded as commercial activities. As long as there was sufficient demand for commercial services and the market would accept the price then the Council could gain income.
- The Association of Public Service Excellence (APSE) had been carrying out an income generation review in the environmental services division. The approach taken and the lessons learned from the review could be used in other areas of the Council.
- The schools service level agreement had been closely reviewed in recent years and officers had developed a more commercial mindset about how to develop and market services for schools. More work was being carried out to maximise the benefits of this work and to ensure that full cost models had been developed for each service traded.
- The income generation strategy had been developed to ensure that ownership for activity was distributed to services across the Council, but that oversight and governance was held more centrally.
- There would be named individuals responsible for activities in the fees and charges review.
- Consideration was being given to the future resourcing of the corporate support for strategic procurement and commercial services work. The roles of the officers working in this area might have to change as the work become more embedded across the Council.
- The Council joined the CIPFA benchmarking club in October. Figures provided in the report were from last year (before Lewisham was a member) in future the figures would include Lewisham and these would be reported to the Committee.
- Just having benchmarking figures did not necessarily provide good information because the ways in which Councils provided information varied. There were also considerable regional variations.
- Processes had been put in place to consistently review proposals for future income generation and commercialisation projects, these formed part of the strategy.

- The income generation board had cross directorate representation, which ensured coordination of activities across the Council.
- All of the proposals brought forward would first consider the statutory framework for the delivery of services as well as the potential customer base for any service and the Council's other policies and wider strategies.
- There was a short form business case process for smaller scale projects and initiatives. The income generation board process was also adaptable (as required), even though the board was the single route via which new projects would initially be assessed.
- There were not income generation targets for fees and charges but work was taking place to review how services might increase their customer base.
- For new ideas, the business case process would ensure that testing would be carried out in order to assess what potential there was to gain income.
- The Council's renewed focus on insourcing might provide opportunities for sharing services with other public bodies.

7.3 In the Committee's discussions the following key points were also noted:

- Members were concerned about the cyclical nature of the work on income generation and commercialisation at the Council and were worried that the current enthusiasm and effort for work at the Council might be lost should there be a change of staffing arrangements.
- The Committee highlighted the need for meaningful income targets.
- Members noted the perception in Lewisham's communities about charges for services in addition to the cost (and burden) of Council tax.

7.4 David Austin (Head of Corporate Resources) addressed the Committee, the following key points were noted:

- It was proposed that future growth of £200k be made available to fund strategic procurement and commercial services work. This was dependent on the outcome of the pilot (of which the delivery of the income generation strategy was one part).
- Whilst there were risks and caveats - it should be noted that -of the cuts recently agreed, 25% were income generation proposals for next year and for the following years proposals the figure was 35%.

7.5 Councillor Krupski (Vice Chair of the Committee) introduced a briefing (attached to the minutes) about recent events and sessions she had attended on income generation and commercialisation. The following key points were noted:

- She welcomed the opportunity to explore this issue on the Committee's behalf.
- The briefing provided a summary of some of the activities taking place to develop municipal entrepreneurialism.
- The central aim of the municipal entrepreneurialism approach was to create a robust local economy in order to keep people working in the locality, to target council spending and to ultimately reduce the reliance on services.
- Councils were trying to maximise the amount of money they were making whilst ensuring the best quality services for local people.
- Birmingham was a particularly strong authority in this area.
- There had to be through understanding of the risks and benefits of all projects. Lewisham was currently quite risk averse. The Council should accept that some projects might fail. With sufficient numbers of projects, the net effect would be positive.

- Staff could not be expected to carry out their day jobs and deliver new income generation projects at the same time.
- There should be a Cabinet Member responsible for income generation and an officer accountable for corporate support.
- Council processes should not be overly bureaucratic.
- Decisions should be made early on about how additional income from projects should be re-invested.
- A culture of challenge should be engendered across the Council.
- The Council should decide on its 'red lines' politically before it started projects.
- 'Quick wins' and early successes could help to bolster a culture of change.
- There should be sharing of best practice with other public authorities.

7.6 The Committee discussed the update from Cllr Krupski, the following key points were noted:

- The cautious mindset that was prevalent at the Council should change.
- The Council should be strengthening local businesses to thrive.
- The Council should continue to support the development of business hubs.
- There was concern about the perception of failure at the Council and the importance of protecting public spending.
- There were limited opportunities for charging in the areas of children's and adults social care spending, which were the largest areas of Council spending.
- Ideas that were successful in different areas of the country were not necessarily applicable in Lewisham.
- Further consideration would be given to future invitations to address the Committee about income generation (potential options included Association of Public Service Excellence and representatives of Birmingham City Council).

7.7 **Resolved:** The Committee agreed to share its views with Mayor and Cabinet, as follows-

- The Committee welcomes officers' report on income generation and is pleased with the comprehensiveness of the new income generation strategy. The Committee endorses the new strategy and recommends that it is agreed by Mayor and Cabinet.
- Pending a decision by Mayor and Cabinet on the income generation strategy and the new fees and charges framework, the Committee looks forward to a future report on fees and charges in due course (a provisional update has been included on the Committee's work plan for March 2019).
- The Committee anticipates progress on cultural change at the Council to stimulate commercial thinking and to bolster entrepreneurial activity. It is eager that this change permeates throughout all of the Councils directorates, divisions and services.
- The Committee believes that the Council should retain corporate support for procurement and commercial services in order to coordinate and support this work.
- The Committee asks that, in a years' time, officers return with a comprehensive review of the first year of the strategy and that this includes an assessment of the areas that have been considered and potential future income targets.
- The Committee endorses the work carried out by its Vice-Chair and it has attached the briefing she has provided to its referral.

6. Social value policy

This item was considered after the income generation update.

- 6.1 Katherine Nidd introduced the report, the following key points were noted:
- The Council was already compliant with the Public Services (Social Value) Act 2012 but the report introduced a significant improvement to the Council's work in this area.
 - There was the potential for collaborative work with other public institutions in the borough via the work with the 6 anchor institutions formed following the Poverty Commissions report of 2017.
 - The Council's procurement processes were always fair and transparent but the new policy made it clear (to officers and suppliers) that the Council placed significant weight on social value both at the point of procurement but also throughout the life of each contract.
 - The policy built on best practice from other areas.
 - Consideration had been given to all of the Council's existing strategies and policies in determining the proposed Key Performance Indicators (KPIs) and measures of social value to be derived from contracts.
 - There was a social value officer at the Council who would assist in tracking the implementation and progress of social value measures in contracts.
- 6.2 Katherine Nidd responded to questions from the Committee, the following key points were noted:
- The policy would complement the core areas of the service commissioning the contract within through the method statements of the procurement process.
 - Issues of social value had to relate to the works, goods or services being provided. Issues outside of the scope of the contract could not be taken into account.
 - The Council would keep the social value KPIs and measures under review, including the ongoing monitoring and collation of data - however - resources and officer time for auditing suppliers more generally was limited.
 - Reference to the 'healthy streets' initiative, the Council's ambition for the A21 spine and air quality would be referenced as appropriate in the new policy.
 - Consideration had been given to the potential for supporting local businesses through the policy.
 - The Council would encourage suppliers to meet the Council's ambitions for social value through the competitive tendering process, and that some initiatives would form part of the core contract requirements. For example, payment of the London Living Wage was a clear Council policy.
- 6.3 In Committee discussions the following key points were also noted:
- Members recognised the limitations inherent in issuing and managing contracts but it was felt that the policy was too cautious.
 - The Council's legal advice on a number of issues had been overly cautious for a number of years.
 - The issue of asthma should be included in the area of the policy relating to health.
 - There was no need to include non-smoking in the workplace as a key performance indicator for contracts because it was already a legal requirement.
- 6.4 **Resolved:** that the Committee would share its views with Mayor and Cabinet as follows:

- The Committee welcomes the social value policy. However, it urges Mayor and Cabinet to provide direct, sustained and determined political will in order to challenge officers to achieve the highest possible social value from all of Lewisham's contracts.
- The Committee believes that the Council should be able to ensure that, where practical, the supply chain for Council contracts also provides social value to Lewisham.
- The Committee recommends that there be regular and diligent monitoring of contractors to ensure that they are adhering to both the technical requirements and the wider spirit of the Council's ambitions for social value. The Committee also believes that consideration should be given to changing key performance indicators over time to ensure that the Council is achieving ongoing high quality value from its contracts.
- The Committee believes that air quality and other environmental issues should receive much greater prominence in the new policy.

5. Financial forecasts 2018-19

This item was considered after the social value policy.

5.1 Selwyn Thompson (Head of Financial Services) introduced the report, the following key points were noted:

- The report provided the monitoring position to the end of October 2018. It covered the main areas of the Council's financial business.
- The Oracle Cloud system was being rolled out across the organisation and officers were increasingly confident in using it.
- There had been a small reduction in overspending.
- Additional information would be provided in future reports about the progress towards the implementation of the cuts.
- Additional funding had been added to the CYP budget to help manage overspending in the directorate.
- Officers in the directorate were working closely with finance officers to thoroughly monitor and manage expenditure in the CYP directorate.
- Community Services had benefitted from additional funds for winter pressures. Further work would take place to agree how this funding would be allocated.
- There were continued pressures in the Customer Services directorate relating to environmental services and the shared IT service.
- Additional information about capital expenditure had been included in the report, as requested.

5.2 Selwyn Thompson responded to questions from the Committee, the following key points were noted:

- Officers would review the budgets for CCTV and the latest position on the budget for Beckenham Place Park.
- Further information would be sought on the costs and income from the pantomime in the Catford Broadway theatre.
- Council tax collection was slightly down on projections. It was anticipated that the lifetime collection (over four or five years) would meet the target. Information would be provided about the reporting of income from council tax from previous years.
- The shared IT service overspend resulted from Southwark entering the arrangement as a partner rather than as a customer (meaning that savings

were made by Southwark, rather than to the shared service). The cut would have to be reversed in order to balance the budget. Nonetheless, significant savings had been achieved by the service over a number of years.

- The CYP directorate improvement board was making good progress. It incorporated officers from a number of different areas (including finance, HR and policy).
- Budget costs and accountabilities were being reviewed in all areas of children's services.
- Officers would provide additional information about overspending outside of the three regularly reported budget heads (local authority fostering, agency fostering and residential placements) as well as additional information about the overspends for these three areas.

5.3 In Committee discussions the following key points were also noted:

- There should be an update on overspending in the Council's budget before the draft 2019-20 budget was considered at the Committee's meeting in February 2019.
- The risk assessment for an imminent OFSTED should be included in the section on the Children and Young People's directorate.
- Members were concerned that the CCTV service was underspending but that cameras were not working in a number of places.
- The Audit Panel had requested that the Committee should consider the management of the Catford Regeneration Partnership. A referral would be forthcoming.
- There were concerns about the changes to the funding available for the regeneration of Beckenham Place Park following the withdrawal of funds from the Environment Agency.
- Members considered that there were some serious weaknesses in the financial forecasts reports and the performance of the Council's internal audit functions.
- Members remained concerned about overspending in the shared IT service.

5.4 **Resolved:** that the report be noted and that the additional information and clarifications (on the CCTV budget, Council tax collection, income from the pantomime, the budget for the regeneration of Beckenham Place Park and budget heads for CYP services) requested be provided.

4. Finance control review

This item was considered after the financial forecasts.

4.1 David Austin (Head of Corporate Resources) introduced the report, the following key points were noted:

- The report had been commissioned by Ian Thomas (the Council's previous chief executive) within narrow but specific terms. It was carried out by Bill Roots, the Chair of the Internal Control Board.
- It reviewed financial planning, the budget, the monitoring of the budget and internal controls. Findings from the report related to these areas.
- It acknowledged that the current environment was challenging for councils.
- It found that the Lewisham's financial systems were clear and that the relevant information was available. However, it also noted that there were areas for improvement.

- There were five areas in which recommendations were made but officers had considered the full report and developed 21 actions.

4.2 Councillor Hall addressed the Committee, the following key points were noted:

- He had contributed directly to the report by meeting with Bill Roots.
- The report found significant weaknesses in internal control and was damning in its findings.
- The report should be referred to Mayor and Cabinet. It should also be considered by full Council. The Council should take ownership of the action plan.
- Councillors should listen closely to advice from external experts.
- An independent report should be commissioned on the housing revenue account (HRA).
- He was concerned about the information available to the Council's Audit Panel.
- The Council should consider full cost accounting for its regeneration schemes.
- There had been a failure of the Council's internal financial controls.

4.3 David Austin responded to questions from the Committee, the following key points were noted:

- The Internal Control Board was formed of the Council's Executive Management Team (EMT) chaired by an independent person (Bill Roots). Its role was to ensure that EMT considered wider governance and control issues guided by independent oversight.
- Officers had produced the action plan that accompanied the report.
- The issues raised in the report were of importance but they did not constitute a failure of internal control.
- He would hand over responsibilities for internal control due to his increased management responsibilities.
- The issue of full cost accounting could be revisited. If the Council was going to be more commercially minded it might want to return to this form of accounting. It was labour intensive to do and was stopped previously as part of efficiency savings.
- The regulations around the HRA meant that funds could not be transferred to the general fund.
- The Council could not (and would not) use accounting technicalities to move funds from the HRA to the general fund. Officers did not believe that this is what was proposed in the report but further consideration would be given to the recommendation.
- Lewisham Homes accounted for HRA expenditure and there were clear boundaries around its spending and the Council's general fund.

4.4 In the Committee discussions the following key points were also noted:

- Further consideration should be given to the accounting of funds between the HRA and the general fund.
- Members expressed concerns about the Council's finances and its future ability to manage overspending.

4.5 **Resolved:** That the report should be considered by the Audit Panel and Mayor and Cabinet. The Committee agreed that it would share its views with Mayor and Cabinet as follows:

- The Committee welcomes the financial control review. It recommends that Mayor and Cabinet should give it careful consideration before seeking detailed

responses on each of the issues raised, including: the finances of children and young people's services; adult social care; the housing revenue account; health services; income generation; IT and the general culture of monitoring at the Council.

- The Committee also requests that the response return to the Committee with additional clarification around expenditure and accounting between the housing revenue account and the general fund.

8. Mid-year treasury management review

This item was considered after the financial control review.

8.1 David Austin provided an overview of the report and responded to questions from the Committee. The following key points were noted:

- Under the prudential code the Council was required to focus on security, liquidity and return (in order of importance). The Council had taken the position that it should retain liquidity of funds in the short term.
- Consideration had been given to investing in property funds but recent uncertainty in the property market had encouraged the Council to remain cautious.
- The Council kept a short term amount of cash (£60-70m) available to meet monthly expenditure.
- Consideration was given to investments over the short term whilst continued caution was exercised due to uncertainty in the economy.
- The Council's money was public money that had to be available for spending on services.
- The crisis eight years ago had created questions for councils about LOBO (lender option/borrower option) loans and investments in Icelandic Banks.

8.2 **Resolved:** that the report be noted.

9. Select Committee work programme

9.1 **Resolved:** that the budget would be the substantive item on the agenda for the Committee's meeting on 5 February 2019 and that the Chair would decide on the appropriate format for the meeting.

10. Referrals to Mayor and Cabinet

10.1 **Resolved:** that the Committee's views under items four, six and seven be referred to Mayor and Cabinet.

The meeting ended at 10.20 pm

Chair:

Date:

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Public Accounts Select Committee		
Title	Declaration of interests	
Contributor	Acting Chief Executive	Item 2
Class	Part 1 (open)	5 February 2019

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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Public Accounts Select Committee		
Title	Responses to referrals	
Contributor	Scrutiny Manager	Item 3
Class	Part 1 (open)	5 February 2019

1. Purpose

To advise the Committee of responses to its referrals.

2. Recommendations

2.1 The Committee is recommended to receive the response to its referral.

3. Responses to referrals

3.1 At its meeting on 12 December 2018 Mayor and Cabinet considered a response to the Committee's referral on children's social care.

3.2 The response is appended to this report.

4. Financial implications

4.1 There are no financial implications arising from the implementation of the recommendation in this report.

5. Legal implications

5.1 The Constitution provides for Select Committees to refer reports to the Mayor and Cabinet, who are obliged to consider the report and the proposed response from the relevant Executive Director; and report back to the Committee within two months (not including recess).

Background documents

Minutes of the meetings of Mayor and Cabinet on 12 December 2018:
<https://tinyurl.com/mandc12december18>

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MAYOR AND CABINET			
Report Title	Response to Public Accounts Committee 25 th September 2018 – Cost pressures in Children’s Social Care		
Key Decision	No	Item No.	
Ward	All		
Contributors	Executive Director for Children and Young People		
Class	Open	Date:	12 December 2018

1. Summary

- 1.1 This report responds to a referral to Mayor and Cabinet made by the Public Accounts Committee on 25th September 2018 following their consideration of a report on the budget issues in Children’s Social Care (CSC).

2. Recommendation/s

It is recommended that the Mayor and Cabinet:

- 2.1 Approves the response from the Executive Director for Children and Young People to the comments from the Public Accounts Select Committee.
- 2.2 Agrees that this report should be forwarded to the Public Accounts Select Committee.

3. Background

- 3.1 On 25th September, the Public Accounts Select Committee received a report on the Children’s Social Care budget, following this budget reporting a significant overspend in 2017/18. This report explained the statutory basis for CSC services, the regulatory framework and drivers of demand and spend in CSC. The report also explained the work being put in place to improve the service, ahead of an Ofsted inspection likely to be early in 2019. This work included a significant strand of work targeted specifically at reducing costs, particularly the costs of placements of children looked after.

4. Referral

- 4.1 The Public Accounts Committee discussed the report at length and made the following referral.
- 4.2 The Committee notes the report and recognises the severity of the budget issues raised.

4.3 The Council must learn lessons from the problems and issues raised.

Referral 1

PAC recommended that improved, more accurate and more detailed financial information is produced in relation to this budget and properly utilised by the relevant officers; and that regular monitoring reports are received by the Public Account Select Committee on this budget;

Response

Officers take regular financial forecast reports to the Public Accounts Select Committee. Going forward, these reports will provide more detailed analysis for areas of budget risk, including Children Social Care and a more comprehensive narrative on the proposed management action to mitigate such risks. They will include analysis of activity as well as spend to better enable members to understand trends and the effectiveness of budgetary control as well as transformation work.

Referral 2

PAC expects that action is taken to reduce cost pressures, such as transport.

Response

The CSC Improvement Plan is in place, with delivery overseen by the CSC Improvement Board chaired by the Lead Cabinet Member for School Improvement and Children's Services. This includes work which aims, through improved practice and better support for families, to reduce demand for high cost services generated by children becoming looked after. This is underway (as set out in a report to the CYP Select Committee 6th December 2018) but takes time to implement and take full effect and sits in the context of increasing numbers of children becoming looked after nationally. The next milestone in this work will be the sign off of the new Placements Sufficiency Strategy which is scheduled for February 2019. The budget for home school transport for children with special educational needs and disabilities sits outside the CSC budget, in the wider CYP general fund budget and is also an area of overspend (in common with most other councils). This is subject to a detailed review with a view to carrying out a programme of further transformation in terms of managing demand for and provision of transport services.

Referral 3

PAC noted that "best practice costs less", with particular regard to management and staffing, and looks forward to changes being made to current practice that will lead to this result.

Response

As mentioned above, the CSC Improvement Plan addresses quality of social work practice as well as systems and processes to improve support for

families in a way that aims to reduce numbers of children becoming looked after. A key strand of the Improvement Plan is the introduction of a 'Contextual Safeguarding' approach to work with teenagers. This is an approach developed in a number of local authorities, including Hackney, where a specialist, multi agency approach is taken for older children for whom the main risks exist outside the home. This too aims to reduce the number of children becoming looked after.

This is not however a 'quick fix' and sits in the context of increasing demand for children's social care generated by austerity. Rigorous performance management will however allow the Improvement Board to monitor progress in tackling demand for 'high end' services.

Referral 4

PAC notes and welcomes the fact that a recommendation to increase the base budget for this service, so it is more realistic, will be considered by Mayor and Cabinet on 10 October 2018; however, any future increase to the base must be considered within the context of the Council's overall priorities and financial strategy and follow further monitoring to ensure the necessary efficiencies have meanwhile taken place.

Response

The base budget for CSC is still being reviewed, following a review of the staffing structure and the Children's Placements Sufficiency Strategy. The issues raised by PAC will be taken into account.

Referral 5

In relation to the referrals above, the Committee acknowledges the need for, and welcomes the prospect of, a new and comprehensive improvement strategy; notes the outline improvement plan appended to the report presented to the Committee; notes that a more detailed plan has been produced that is currently in draft form; and welcomes the prospect of a better financial framework – including the accounting for costs in other related services to Children's Social Care – to support the plan, as referred to above.

Response

As mentioned above, the CSC Improvement Plan is in place, monitored by the CSC Improvement Board. There is also a monthly meeting on the CSC budget led by the Lead Member for School Improvement and Children's Services and the Lead Member for Resources. The summary Improvement Plan is also being reported to CYP Select Committee on 6th December 2018.

5. Financial implications

- 5.1 There are no financial implications directly arising from this report.

6. Legal implications

6.1 There are no legal implications directly arising from this report.

7. Crime and Disorder Implications

7.1 There are no specific crime and disorder implications arising from this report.

8. Equalities Implications

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

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

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

8.3 It is not an absolute requirement to eliminate unlawful discrimination, harassment, victimisation or other prohibited conduct, or to promote equality of opportunity or foster good relations between persons who share a protected characteristic and those who do not. It is a duty to have due regard to the need to achieve the goals listed above. The weight to be attached to the duty will be dependent on the nature of the decision and the circumstances in which it is made. This is a matter for Mayor and Cabinet, bearing in mind the issues of relevance and proportionality. Mayor and Cabinet must understand the impact or likely impact of the decision on those with protected characteristics who are potentially affected by the decision. The extent of the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.

8.4 The Equality and Human Rights Commission (EHRC) has issued Technical Guidance on the Public Sector Equality Duty and statutory guidance. The Council must have regard to the statutory code in so far as it relates to the duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found on the EHRC website.

8.5 The EHRC has issued five guides for public authorities in England giving advice on the equality duty. The 'Essential' guide provides an overview of the equality duty requirements including the general equality duty, the specific

duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice.

- 8.6 The equalities impact of the CSC Improvement Programme is being assessed as part of management of the project, but CSC serves the most disadvantaged young people, disproportionately from BME.

9. Environmental Implications

- 9.1 There are no specific environmental implications arising from this report.

If there are any queries arising from this report, please contact Sara Williams 0208 314 6301.

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PUBLIC ACCOUNTS SELECT COMMITTEE		
Report Title	Report Back on Matters Raised by the Audit Panel	
Key Decision	No	Item No. 4
Ward		
Contributors	Senior Committee Manager	
Class	Part 1	Date: 5 February 2019

1. Purpose of Report

To report back on matters raised by the Audit Panel following their consideration of the Catford Regeneration Partnership Limited – 2017/18 Internal Audit Review Update at their meeting on 11 December 2018.

Catford Regeneration Partnership Limited – 2017/18 Internal Audit Review Update

- 1.1** Following consideration of an officer report and in-depth discussion about concerns raised at the meeting, Audit Panel Members agreed to make the following recommendation to the Public Accounts Select Committee:
- 1.2** Audit Panel recommends that the Public Accounts Select Committee be requested to look into the operation of the Catford Regeneration Partnership Limited.

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Public Accounts Committee			
Report Title	2019/20 Draft Budget Report		
Key Decision	No	Item No.	5
Ward	All Wards		
Contributors	Executive Director for Resources & Regeneration		
Class	Part 1	5 February 2019	

1. EXECUTIVE SUMMARY

- 1.1. This report presents the draft 2019/20 Budget report to the Public Accounts Committee for consideration.
- 1.2. The budget report sets out the range of budget assumptions which Council is required to agree to enable it to set a balanced budget for 2019/20. The report is being presented to Public Accounts Committee to enable it consider the report and feedback its comments to Mayor and Cabinet on the 6 February.
- 1.3. The recommended net revenue expenditure budget is £243.012m. This is resourced by the provisional Settlement Funding from government of £121.175m (revenue support grant and business rates), forecast Council Tax receipts including an increase in Council Tax of 4.99%, a surplus from growth in the Council Tax base and on collection of Council Tax in previous years from the Collection Fund, and additional income from Business Rates including a share of the growth from the London Business Rates Pool.
- 1.4. The report sets out the position of the financial settlements as they impact on the Council's overall resources:
 - Capital Programme for 2018/19 to 2022/23;
 - Housing Revenue Account (HRA) and level of rents for 2019/20;
 - Dedicated Schools Grant (DSG) for 2019/20;
 - General Fund Revenue Budget for 2019/20;
 - Other Grants for 2019/20;
 - Council Tax level for 2019/20; and
 - Treasury Management Strategy for 2019/20.

2. PURPOSE

- 2.1. The purpose of this report is to present the 2019/20 Budget Report that needs to be scrutinised to enable Mayor and Cabinet consider the comments of the Public Accounts Committee before making recommendations to Council on the 27 February 2019.

3. RECOMMENDATION

- 3.1. Members are invited to scrutinise the draft 2019/20 Budget Report attached as an appendix to this cover report and provide feedback to the Mayor & Cabinet at the meeting on the 6 February 2019.

4. STRUCTURE OF THE BUDGET REPORT

- 4.1. The report is structured into the following sections with supporting Appendices.

- 4.2. The 2019/20 Budget Report is structured as follows:

Section 1	Executive Summary
Section 2	Purpose
Section 3	Recommendations
Section 4	Structure of the Report, Policy Context, and Background
Section 5	Capital Programme
Section 6	Housing Revenue Account
Section 7	Dedicated Schools Grant and Pupil Premium
Section 8	General Fund Revenue Budget, Savings, and Council Tax
Section 9	Other Grants and Future Years' Budget Strategy
Section 10	Treasury Management Strategy
Section 11	Consultation on the Budget
Section 12	Financial Implications
Section 13	Legal Implications
Section 14	Human Resources Implications
Section 15	Crime and Disorder Implications
Section 16	Equalities Implications
Section 17	Environmental Implications
Section 18	Conclusion
Section 19	Background Documents and Further Information
Section 20	Appendices

5. FINANCIAL IMPLICATIONS

- 5.1. The entire budget report deals with the Council's Budget. Therefore, the financial implications are explained throughout.

6. LEGAL IMPLICATIONS

- 6.1. The legal implications are referred to in the full Budget Report.

7. HUMAN RESOURCES IMPLICATIONS

- 7.1. There are no specific human resources implications arising from this report.

8. CRIME AND DISORDER

- 8.1. There are no specific crime and disorder implications arising from this report.

9. EQUALITIES

- 9.1. These are referred to in the full Budget report

10. ENVIRONMENTAL IMPLICATIONS

- 10.1. There are no specific environmental implications arising from this report.

11. CONCLUSION

- 11.1. The Budget Report sets out the information necessary for the Council to set the 2019/20 budget. Updates will be made to the report at Mayor & Cabinet on 13 February 2019. Final decisions will be taken at the meeting of full Council on 28 February 2019.

For further information on this report, please contact:

David Austin

Acting Chief Finance Officer 020 8314 9114

Shola Ojo

Principal Accountant 020 8314 7778

APPENDIX

2019/20 Budget Report

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MAYOR & CABINET			
REPORT TITLE	2019/20 Budget Report		
KEY DECISION	Yes	Item No.	
WARD	All		
CONTRIBUTORS	Executive Director for Resources & Regeneration		
CLASS	Part 1	Date	6 February 2019

1. EXECUTIVE SUMMARY

1.1 This report sets out the range of budget assumptions which Council is required to agree to enable it to set a balanced budget for 2019/20. These include the following:

- The proposed Capital Programme (General Fund and Housing Revenue Account) budget for 2019/20 to 2021/22 of £344.7m, of which £142.2m is for 2019/20;
- The proposed rent decrease of 1.0% (an average of £0.96 per week) in respect of dwelling rents, 1.0% (average £0.36 per week) in respect of hostels, and a range of other proposed changes to service charges. The proposed annual expenditure for the Housing Revenue Account is £169.6m, including the capital and new build programme, for 2019/20;
- The provisional 2019/20 Dedicated Schools Grant allocation is £290.880m. The Department for Education has also confirmed that the Pupil Premium funding rates will remain the same as present, the final allocation will be advised following the 2019 January Census. For information the total Pupil Premium allocation in 2018/19 is £16.4m. Potentially the Pupil Premium Figure could be lower for 2019/20 being a combination of overall reduction on pupil numbers and those eligible.
- In respect of the General Fund, the assumed net revenue expenditure budget of £243,012m. This is made up of provisional Settlement Funding from government of £121.175m (revenue support grant and business rates), forecast Council Tax receipts including an increase in Council Tax of 4.99%, and a surplus from growth in the Council Tax base and on collection of Council Tax in previous years from the Collection Fund.
- The changes to the prior year General Fund position to meet the 2019/20 net revenue budget of £243.012m are proposed on the basis of the following assumptions:
 - £7.963m of revenue budget cuts have been agreed for 2019/20;
 - £1.307m of revenue budget cuts for 2019/20 are to be re-presented to Mayor and Cabinet for approval as soon as possible;

- £6.500m of corporate budget for risks and pressures in 2019/20, of which it is being recommended that £6.500m of specific identified budget pressures be funded with nothing set aside for identified but as yet un-quantified risks;
- £5.0m use of the New Homes Bonus reserve for revenue purposes for one year with the position to be reviewed for 2020/21;
- Once-off reserves are used to fund the current savings shortfall of £2.461m for 2019/20 to balance the budget, pending further proposals to make this up; and
- An assumed 4.99% increase in Band D Council Tax for Lewisham's services for 2019/20; including the 2.99% increase in the core Council Tax as announced in the Local Government Finance Settlement and 2% increase for the Social Care precept.

1.2 The report looks to the medium term financial outlook and notes the prospects for the budget in 2020/21, savings required, and the continued work by officers to meet identified potential budget shortfalls in future years. These are estimated at circa £29m over the following two years, 2020/21 and 2021/22.

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

2. PURPOSE

2.1 The purpose of this report is to set out the overall financial position of the Council in relation to 2018/19 and to set the Budget for 2019/20. This report allows for the Council Tax to be agreed and housing rents to be set for 2019/20. It sets the Capital Programme for the next three years and the Council's Treasury Strategy for 2019/20.

2.2 The report also provides summary information on the revenue budget savings proposals that were presented at Mayor & Cabinet on 21 November 2018 for implementation in 2019/20. The approval and successful delivery of these savings is required in order to help balance the budget for 2019/20 and prepare to address the budget requirement for 2020/21.

3. RECOMMENDATIONS

3.1 It is recommended that the Mayor considers the comments of the Public Accounts Select Committee of 5 February 2019 and notes that Mayor and Cabinet decisions on the budget report will then be taken formerly with the budget update report on the 13 February

3.2 That, having considered the views of those consulted on the budget, and subject to consideration of the outcome of consultation with business ratepayers and subject to proper process, as required, the Mayor:

Capital Programme

3.3 notes the 2018/19 Quarter 3 Capital Programme monitoring position and the Capital Programme potential future schemes and resources as set out in section 5 of this report;

3.4 recommends that Council approves the 2019/20 to 2021/22 Capital Programme of £344.7m, as set out in section 5 of this report and attached at Appendices W1 and W2;

Housing Revenue Account

3.5 notes the consultation report on service charges to tenants' and leaseholders in the Brockley area, presented to area panel members on 27 November 2018, as attached at Appendix X2;

3.6 notes the consultation report on service charges to tenants' and leaseholders and the Lewisham Homes budget strategy presented to area panel members on 13 December 2018 as attached at Appendix X3;

3.7 sets a decrease in dwelling rents of 1.0% (an average of £0.96 per week) – as per the requirements from government as presented in section 6 of this report;

3.8 sets a decrease in the hostels accommodation charge by 1.0% (or £0.36 per week), in accordance with Government requirements;

3.9 approves the following average weekly increases/decreases for dwellings for:

3.10 service charges to non-Lewisham Homes managed dwellings (Brockley);

- caretaking 4.30% (£0.22)
- grounds 4.30% (£0.09)
- communal lighting 4.30% (£0.07)
- bulk waste collection 4.30% (£0.06)
- window cleaning 4.30% (£0.01)
- tenants' levy 15.0% (£0.02)

3.11 service charges to Lewisham Homes managed dwellings:

- caretaking 3.27% (£0.19)
- grounds 3.63% (£0.07)
- window cleaning 11.11% (£0.01)
- communal lighting 0.88% (£0.01)
- block pest control 1.84% (£0.03)
- waste collection 8.33% (£0.04)
- heating & hot water 1.31% (£0.13)
- tenants' levy 15.38% (£0.02)
- bulk waste disposal 3.70% (£0.03)
- sheltered housing 1.00% (£0.24)

- 3.12 approves the following average weekly percentage changes for hostels and shared temporary units for;
- service charges (hostels) – caretaking etc.; no change
 - energy cost increases for heat, light & power; no change
 - water charges increase; no change
- 3.13 approves an increase in garage rents by 25% (£2.37 per week) for Brockley residents and 25% (£3.06 per week) for Lewisham Homes residents;
- 3.14 notes that the budgeted expenditure for the Housing Revenue Account (HRA) for 2019/20 is £169.6m, split £99.9m revenue and £69.7m capital, which includes the decent homes and new build programmes;
- 3.15 agrees the HRA budget strategy savings proposals in order to achieve a balanced budget in 2019/20, as attached at Appendix X1;

Dedicated Schools Grant and Pupil Premium

- 3.16 Agrees and recommends that Council agrees, subject to final confirmation of the allocation, that the provisional Dedicated Schools Grant allocation of £290.880m be the Schools' Budget for 2019/20.
- 3.17 Notes that the funding in respect of each of the blocks continues to be based on the National Funding Formula. A "soft formula" remains in place for the Schools Block, however Lewisham Council has agreed to mirror the principles of the National Funding Formula to distribute the Schools Budget Share.
- 3.18 Agrees and asks Council to agree that Minimum Funding Guarantee for the schools block be set at a plus 0.20% for 2019/20 as supported by Schools Forum;
- 3.19 Notes the continuing pressures facing the High Needs Block Agrees and agrees the transfer of £1m from the Schools Block to the High Needs Block as agreed with Schools Forum.
- 3.20 Notes an overall increase in the High Needs Block of £2m of which £0.7m relates to the Secretary of States recent statement providing £300m to Local Authorities to support pressure in the High Needs Block, with the remaining increase arising from factors determining the High Needs Block methodology adding £1m on top of this funding.
- 3.21 To recognise that despite the increase in High Needs Funding, there continues to remain upward pressure on costs, arising from a combination of increase in pupils with specialist need, more complex need and associated costs.
- 3.22 Notes and asks Council to note that the Early Years Block position is provisional pending January 2019 and 2020 pupil counts; and to further note that within the supplementary funding for Nursery Schools (determined within the Early Years Block) will continue for 2019/20 the provisional allocation suggests a minor increase of £7k.

- 3.23 Notes and asks Council to note a small increase of £15k to the Central Services to Schools Block Component of the DSG.
- 3.24 Notes and asks Council to note the Pupil Premium Funding rates for 2019/20 will remain at current levels thereby resulting in a real term reduction in spending. To furthermore note that the funding levels have not increased since 2017/18.
- 3.25 Notes and asks Council to note that the 2019/20 pupil premium allocation will be confirmed pending the January 2019 census; and to note for information that 2018/19 pupil premium was £16.4m. The 2019/20 figure could potentially be lower as a result of reduction in overall pupil numbers coupled with overall reduction in Free School Meal Eligibility numbers.
- 3.26 Notes and asks Council to note the latest financial position in schools and the likely future cost pressures on schools.

General Fund Revenue Budget

- 3.27 Notes and asks Council to note the projected overall variance against the agreed 2018/19 revenue budget of £241.281m as set out in section 8 of this report and that any year-end overspend will have to be met from reserves;
- 3.28 Endorses and asks Council to endorse the budget cut proposals of £7.963m as per the Mayor and Cabinet meeting of the 21 November 2018, as set out in section 8 of the report and summarised in Appendix Y1;
- 3.29 In relation to budget cut proposal RES16, approves and asks the Council to endorse the proposed budget cut of £140k in 2019/20, as set out in section 8 and in Appendix Y2 of this report;
- 3.30 Notes that budget cut proposals COM12,14 and 17, CUS03 and CUS08 summarised in Appendix Y2 and totalling £1.167m in 2019/20, will re-presented to Mayor and Cabinet for approval as soon as possible as part of the budget calculation for 2019/20;
- 3.31 Agrees and asks Council to agree the transfer of £5.0m in 2019/20 from the New Homes Bonus reserve to the General Fund for one year to meet funding shortfalls and that the position be reviewed again for 2020/21;
- 3.32 Agrees and asks Council to agree the use of £2.461m reserves to meet the budget gap in 2019/20;
- 3.33 Agrees and asks Council to agree the allocation of £6.500m in 2019/20 be set aside for corporate risks and pressures.
- 3.34 Agrees and asks Council to agree the allocation of all the £6.500m set aside for corporate risks and pressures in 2019/20 to fund quantified budget pressures;
- 3.35 Agrees to recommend to Council that a General Fund Budget Requirement of £243.012m for 2019/20 be approved.

- 3.36 Asks Council to agree to a 4.99% increase in Lewisham's Council Tax element. This will result in a Band D equivalent Council Tax level of £1,263.94 for Lewisham's services and £1,584.45 overall. This represents an overall increase in Council Tax for 2019/20 of 5.76% and is subject to the GLA precept for 2019/20 being increased by £26.28 (i.e. 8.9%) from £294.23 to £320.51, in line with the GLA's draft budget proposal;
- 3.37 Notes and asks Council to note the Council Tax Ready Reckoner which for illustrative purposes sets out the Band D equivalent Council Tax at various levels of increase. This is explained in section 8 of the report and is set out in more detail in Appendix Y3;
- 3.38 Asks that the Interim Chief Finance Officer issues cash limits to all Directorates once the 2019/20 Revenue Budget is agreed;
- 3.39 Notes that the Interim Chief Finance Officer's Section 25 Statement will be presented in the Budget Update Report on the 13 February 2019 for approval;
- 3.40 Agrees and asks Council to agree the draft statutory calculations for 2019/20 as set out at Appendix Y5;
- 3.41 Notes and asks Council to note the prospects for the revenue budget for 2020/21 and future years as set out in section 9;
- 3.42 Agrees that officers continue to develop firm proposals and bring them forward as soon as possible to help meet the future forecast budget shortfalls;

Other Grants (within the General Fund)

- 3.43 Notes and asks Council to note the adjustments to and impact of various specific grants for 2019/20 on the General Fund as set out in section 8 of this report;

Treasury Management Strategy

- 3.44 Approves and recommends that Council approves the prudential indicators and treasury indicators, as set out in section 10 of this report;
- 3.45 Approves and recommends that Council approves the Annual Investment Strategy and Credit Worthiness Policy, set out in further detail at Appendix Z2;
- 3.46 Approves and recommends that Council approves the Capital Strategy 2019/20, set out in further detail at Appendix Z5;
- 3.47 Approves and recommends that Council approves the Minimum Revenue Provision (MRP) policy as set out in section 10 of this report;
- 3.48 Agrees and recommends that Council agrees to delegate to the Executive Director for Resources & Regeneration authority during 2019/20 to make amendments to borrowing and investment limits provided they are consistent with the strategy and there is no change to the Council's authorised limit for borrowing;

- 3.49 Approves and recommends that Council approves the credit and counterparty risk management criteria, as set out at Appendix Z2, the proposed countries for investment at Appendix Z3, and that it formally delegates responsibility for managing transactions with those institutions which meet the criteria to the Executive Director for Resources & Regeneration; and
- 3.50 Approves and recommends that Council approves a minimum sovereign rating of AA-.

4. STRUCTURE OF THE REPORT, POLICY CONTEXT, AND BACKGROUND

4.1 The 2019/20 Budget Report is structured as follows:

- Section 1 Executive Summary
- Section 2 Purpose
- Section 3 Recommendations
- Section 4 Structure of the Report, Policy Context, and Background
- Section 5 Capital Programme
- Section 6 Housing Revenue Account
- Section 7 Dedicated Schools Grant and Pupil Premium
- Section 8 General Fund Revenue Budget, Savings, and Council Tax
- Section 9 Other Grants and Future Years' Budget Strategy
- Section 10 Treasury Management Strategy
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- Section 16 Equalities Implications
- Section 17 Environmental Implications
- Section 18 Conclusion
- Section 19 Background Documents and Further Information
- Section 20 Appendices

POLICY CONTEXT

4.2 The Council's strategy and priorities drive the Budget with changes in resource allocation determined in accordance with policies and strategy. The Council's vision "together, we will make Lewisham the best place in London to live, work and learn" was adopted by the Lewisham Strategic Partnership as part of the Sustainable Community Strategy, along with six over-arching priorities:

[Sustainable Community Strategy](#)

- **Ambitious and achieving:** where people are inspired and supported to their potential.
- **Safer:** where people feel safe and live free from crime, antisocial behaviour, and abuse.
- **Empowered and responsible:** where people are actively involved in their local area and contribute to supportive communities.
- **Clean, green, and liveable:** where people live in high quality housing and can care for and enjoy their environment.
- **Healthy, active and enjoyable:** where people can actively participate in maintaining and improving their health and well-being.
- **Dynamic and prosperous:** where people are part of vibrant communities and town centres, well connected to London and beyond.

Corporate Priorities

The Council's ten 'enduring' priorities were agreed by full Council and are the principal mechanism through which the Council's performance is reported and through which the impact of saving and spending decisions are assessed. The Council's priorities also describe the Council's contribution to the delivery of Lewisham's Sustainable Community Strategy priorities.

- **Community Leadership and Empowerment:** developing opportunities for the active participation and engagement of people in the life of the community.
- **Young people's achievement and involvement:** raising educational attainment and improving facilities for young people through partnership working.
- **Clean, green, and liveable:** improving environmental management, the cleanliness and care for roads and pavements, and promoting a sustainable environment.
- **Safety, security, and a visible presence:** partnership working with the police and others to further reduce crime levels and using Council powers to combat anti-social behaviour.
- **Strengthening the local economy:** gaining resources to regenerate key localities strengthen employment skills and promote public transport.
- **Decent Homes for all:** investment in social and affordable housing to achieve the decent homes standard, tackle homelessness, and supply key worker housing.
- **Protection of children:** better safeguarding and joined up services for children at risk.
- **Caring for adults and older people:** working with health services to support older people and adults in need of care.
- **Active, healthy citizens:** leisure, sporting, learning, and creative activities for everyone.
- **Inspiring efficiency, effectiveness, and equity:** ensuring efficiency and equity in the delivery of excellent services to meet the needs of the community.

Values

- 4.2 Values are critical to the Council's role as an employer, regulator, securer of services and steward of public funds. The Council's values shape interactions and behaviours across the organisational hierarchy, between officers, and members, between the council and partners and between the council and citizens. In taking forward the Council's Budget Strategy, we are guided by the Council's four core values:
- We put service to the public first.
 - We respect all people and all communities.
 - We invest in employees.
 - We are open, honest, and fair in all we do.
- 4.3 As noted in the 2018/19 budget, the Council's strong and resilient framework for prioritising action has served the organisation well in the face of austerity and on-going cuts to local government spending. This continues to mean, that even in the face of the most daunting financial challenges facing the Council and its partners, we continue to work alongside our communities to achieve more than we could by simply working alone. The Council is currently reviewing a draft Corporate Strategy which is expected to be adopted for 2019/20. While certain priorities may be refined to focus on the commitments made in this administration's manifesto, these values and the work underway will align with the emerging Corporate Strategy.
- 4.4 This joint endeavour helps work through complex challenges, such as the pressures faced by health and social care services, and to secure investment in the borough, for new homes, school improvements, regenerating town centres, new and renewed leisure opportunities and improvement in the wider environment. This work has and continues to contribute much to improve life chances and life opportunities across the borough through improved education opportunities, skills development and employment. Of course, there is still much more that can be done to realise our ambitions for the future of the borough; ranging from our work to bring the Bakerloo Line extension here to support housing supply and businesses grow, through to our nationally recognised programmes of care and support to some of our most vulnerable and troubled families.
- 4.5 However, it remains clear that the Council cannot do all that it once did, nor meet all those expectations that might once have been met, for we are in a very different financial position than just a few years ago. Very severe financial constraints have been imposed on Council services with cuts to be made year on year on year, and this on-going pressure is addressed in this report, incorporating further budget savings for 2019/20 and noting the continued outlook for austerity to at least 2021/22. This outlook is in the context that, while the government has stated an end to austerity, local government is not a protected area of public spend and funding continues to be cut. This is pending the Fair Funding Review (FFR) and Business Rates Retention (BRR) consultations leading into the Comprehensive Spending Review (CSR), due to conclude in the summer of 2019 and set the local authority funding and spending expectations for the coming years.

BACKGROUND

National

- 4.6 At a national level the requirement to rebalance the public finances, and therefore the financial outlook for the Council, remains extremely challenging. Despite the

government's announcement of the end of austerity in 2018, local government is not one of the protected areas of public spending (such as health, education, defence, or international development) and therefore significant real term reductions in local government resources are forecast to continue. There is also the short term (and possibly longer) uncertainty of the UK's leaving the EU which may distort public spending priorities in 2019.

- 4.7 The Office for Budget Responsibility (OBR) produced its Economic and Fiscal outlook in October 2018 to inform the Chancellors 2018 budget. Although there has been a significant improvement in the reduction of the deficit compared to predictions in March 2018, these improvements have been absorbed by the Prime Minister's promise of higher spending on the National Health Service (NHS) made in June. The remaining Budget policy measures were a range of near-term commitments that gradually diminish over the forecast, leaving the national deficit in 2022/23 little changed overall.
- 4.8 The OBR forecasts that the economy will grow more slowly than expected in March 2018 and has revised Gross Domestic Product (GDP) growth in 2018 down from 1.5% to 1.3%. On average, the economy is expected to grow at 1.6% in 2019, 1.4% in 2020 and 2021, before picking back up to 1.6% by 2023. Again these forecasts may vary considerably depending on the form and timing of negotiations around the UK leaving the EU.
- 4.9 In December 2018, inflation, measured by the Consumer Price Index (CPI), is at 2.2%, 0.2% above the government's target. The Retail price Index (RPI) is at 2.7% significantly lower than this time last year (4.1%).
- 4.10 Inflation is expected to fall slightly, and remain steady at 2.1% in 2019. It is then expected to be in line with the target rate at around 2% from 2020 until 2022.
- 4.11 Latest ONS data shows the unemployment rate was at 4.1% between August and October 2018. This is forecast to fall again to 4% by March 2019, against the backdrop of significant and prolonged wage growth pressures in the economy since the financial crash in 2008.
- 4.12 Clearly these economic forecasts maintain an about average uncertainty due to the timing and outcomes still to impact the UK following the decision to leave the EU.

Local Government

- 4.13 The provisional Local Government Finance Settlement was announced on 13 December 2018, with the final settlement expected in early February 2019. Following the four year settlement offer in 2016, which 97% of councils accepted, (including Lewisham), the settlement for 2019/20 confirms the resource allocations consistent with the 2016 four year offer.
- 4.14 Along with the settlement announcement, the Government confirmed the continuation of the Adult Social Care (ASC) precept created to give local authorities who are responsible for social care the ability to raise new funding to spend exclusively on Social Care. In 2017/18, Councils were given additional flexibility to raise the ASC precept sooner by being able to raise up to 3% in each of 2017/18 and 2018/19 but by no more than 6% in total over the three years 2017/18 to 2019/20. In 2017/18, Lewisham's ASC precept was raised by the maximum 3%, and in 2018/19 by 1%. This means the Council

is still able to increase its ASC precept by a total of 2% in 19/20. This 2% will generate an approximate extra £2.1m of revenue for the Council.

- 4.15 The Government also announced that the limit of 2.99% by which Councils can increase their core Council Tax (inclusive of levies) without a referendum, introduced in 2018/19, will continue in 2019/20. This is an extra 1% and will generate an approximately £3.3m of revenue for the Council.
- 4.16 More widely the direction of travel for local government finance continues confirming Government's intention to phase out the Revenue Support Grant. Ahead of the Government's next CSR in the summer of 2019, the London Business Rates Pilot Pool will operate for another year, and will still include all London Boroughs and the Greater London Authority (GLA). The retention pilot has however changed from a 100% pool to a 75% pool. This means London Government will only retain 75% of rates collected, compared to the 50% authorities retain if not part of a pooling arrangement.
- 4.17 Under the 2019/20 system, the London Borough of Lewisham will retain 48% of all business rates collected within the borough, 27% is attributed to the Greater London Authority and the remaining 25%, known as the Central Share, is passed to the Government. Under the 100% London pilot scheme for 2018/19, there was no central share and rates collected were shared 63% and 37% between Lewisham and the GLA respectively. This change for 2019/20 effectively reduces the benefit of pooling by 50% for the Boroughs compared to 2018/19.
- 4.18 With 2019/20 the last year of the four year settlement, the Government is undertaking a fundamental review of the way Local Government is financed effective from 2020/21. The fair funding review will set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources, using the best available evidence. Sitting alongside this is a review of the Business Rates retention arrangements, which aims to reform the elements of the business rates retention system in England from 2020/21 onwards.
- 4.19 The Government is currently consulting on both these reviews and the Council is aiming to respond to both consultations, working with partners in London, by the 21 February 2019 when they close.
- 4.20 For each of the past five years the Council has used reserves, New Homes Bonus and Earmarked reserves, to set a balanced budget as the ability to identify, agree, and implement further cuts to service budgets has become ever harder. Five years on, the continuing use of reserves to set the annual budget and urgency for the Council to further reduce its budget has not diminished the imperative for cuts. There still remains significant pressure on the Council's limited resources to meet the growing demands of the people it serves.
- 4.21 Over the past five years, the Lewisham Future Programme (LFP) has carried out fundamental reviews of services and driven organisational change in order to meet the required reductions in spending needed to set balanced budgets. The LFP was stopped in 2018/19 given the leadership changes at the top of the organisation. This was to enable a review of progress and ensure alignment to the new administration's priorities. The approach taken for cuts planned for 2019/20 and beyond recognised the need for a rigorous 'back to basics approach', focusing on the Directorates accountability for delivering services to budget.

- 4.22 The acting chief executive conducted internal reviews of all services against their business plans to assess performance and progress with 'invest to save' initiatives. The new chief executive then held officer STAR chamber sessions. Targets were not set by service area or work strand. Executive Directors and Heads of Service were asked to set out the full range of cuts that could potentially be made (including any investment required) for 2019/20 and 2020/21, setting out the risks and possible mitigations, up to their boundaries with statutory responsibilities. These officer proposals were then subject to Member scrutiny before being taken to Mayor and Cabinet in November 2018.
- 4.23 Budget cuts of £7.963m have so far been approved for 2019/20, and £8.494m for 2020/21. Further cuts of £1.307m in 2019/20 and £440k in 2020/21 are to be re-presented to Mayor and Cabinet for approval. If approved, the total revenue budget cuts to be applied in 2019/20 is £9.270m. Any unapproved cuts or any delay in approval will result in an equivalent drawdown from reserves to cover the gap in the budget this will create.
- 4.24 Assuming the measures proposed and the 2019/20 budget as set out in this report are agreed, it is expected that the Council will need to identify further savings of circa £28.5m for the following two years, 2020/21 and 2021/22, after allowing for the £7.5m of cuts for 2019/20 not found so rolled forward and the £8.9m of cuts currently identified for 2020/21. This will bring the total savings in cash terms made by the Council over twelve years 2010/11 to 2021/22 to over £200m, after committing £46m of reserves to set a balanced budget in the six years from 2014/15 to 2019/20 to facilitate and manage service changes to protect citizens.
- 4.25 The rest of the report sets out the position of the financial settlements as they impact on the Council's overall resources:
- Capital Programme for 2018/19 to 2022/23;
 - Housing Revenue Account (HRA) and level of rents for 2019/20;
 - Dedicated Schools Grant (DSG) for 2019/20;
 - General Fund Revenue Budget for 2019/20;
 - Other Grants for 2019/20;
 - Council Tax level for 2019/20; and
 - Treasury Management Strategy for 2019/20.

5. CAPITAL PROGRAMME

- 5.1 In considering the Council's overall financial position, the Capital Programme is considered first. This is to ensure that any revenue implications of capital decisions are taken into account. The Capital Programme budget for 2019/20 to 2021/22 is proposed at £344.7m, of which £142.2m is for 2019/20.
- 5.2 This section of the report is structured as follows:
- Update on 2018/19 Capital Programme
 - Proposed Capital Programme 2019/20 to 2021/22
 - Future schemes and resources

Update on 2018/19 Capital Programme

- 5.3 Progress in delivering the 2018/19 Capital Programme has been reported to Mayor & Cabinet and the Public Accounts Select Committee regularly throughout the year. The latest forecast projection was that the revised budget allocated for the year of £137.8m, and reported to Mayor & Cabinet on 21st November 2018, would be delivered this year. However, at this stage, the revised budget shows a decrease of £50.5m to the last reported budget figure, due to the re-profiling of mainly HRA budgets.

Current position on the major projects in the 2018/19 Capital Programme (i.e. over £1m in 2018/19)

2018/19 Capital Programme	Revised Budget (November 2018)	Revised Budget (February 2019)	Spend to 31 December 2019	Spent to Date (Revised Budget)
	£m	£m	£m	%
GENERAL FUND				
Schools - Pupil Places Programme	5.6	3.6	2.3	64
Schools - Other Capital Works	6.0	4.8	2.6	54
Highways & Bridges - LBL	3.1	3.1	2.6	84
Highways & Bridges - TfL	2.9	3.8	0.5	13
Highways & Bridges - Others	3.4	3.4	0.6	18
Catford town centre	4.7	1.0	0.9	90
Asset Management Programme	4.2	2.4	1.0	42
Heathside & Lethbridge Regeneration	1.1	1.1	0.1	9
Excalibur Regeneration	2.6	2.6	0.8	31
Lewisham Homes property purchase	8.0	8.0	8.0	100
Private Sector Grants and Loans	3.0	3.0	0.7	23
Fleet Replacement Programme	2.9	2.9	2.9	100
Beckenham Place Park	4.0	3.2	2.0	63
Smart Working Programme	2.1	1.9	0.8	42
Edward St. Development	2.5	0.1	0.0	0
Travellers Site Relocation	1.1	0.0	0.0	0
ICT – Tech Refresh	0.9	1.6	0.2	13
Other General Fund schemes	7.3	5.6	1.6	29
TOTAL – GENERAL FUND	65.4	52.1	27.6	53
HOUSING REVENUE ACCOUNT				
Housing Matters Programme	28.0	5.1	2.5	49
Decent Homes Programme	43.6	29.0	14.5	50
Other HRA schemes	0.8	1.1	0.3	27
TOTAL – HOUSING REVENUE ACCOUNT	72.4	35.2	17.3	49
TOTAL – CAPITAL PROGRAMME	137.8	87.3	44.9	51

- 5.4 The capital programme for 2018/19 has seen a number of schemes progress well with the main areas of capital spend involving highways maintenance, the provision of school places, and housing. Further detail on major schemes is set out below.

Highways

- 5.5 During 2018/19, investment from Transport for London (TfL) has been used to deliver major improvements to local streets, as part of the Local Implementation Plan (LIP) programme. This includes the completion of the Deptford High Street scheme, as part of TfL's major schemes programme, and builds on the continued regeneration of the town centre area. It also includes major works in Dartmouth Road (Forest Hill), Baring Road (Grove Park) and Sangley Road (Catford South) to provide improved pedestrian environments, support local businesses, and reduce traffic speeds.
- 5.6 Following the release of a new Mayor's Transport Strategy for London, a thorough review of the Council's LIP transport strategy is now underway, that will consider the Council's investment priorities for highways and transport over the next 5 years. As part of this review, the new strategy will need to consider the implications of cuts to the annual formula grants received from TfL, expected to be over £300,000 a year, as well as a two-year pause on maintenance funding from TfL. In September 2018, the new strategy was approved in draft by Mayor & Cabinet, and will focus on creating "Healthy Neighbourhoods" that reduce traffic flows, improve air quality, and create better environments for walking and cycling, as well as delivering speed reduction measures that support the Council's Borough-wide 20mph limit.
- 5.7 To offset the annual funding cuts from TfL, the Highways & Transport service continues to have success in bidding for additional funding, including being one of only seven London Boroughs to be awarded Liveable Neighbourhoods funding to deliver "Healthy Streets", as well as the proposed Cycle Superhighway which will run the full length of A200 Evelyn Street.
- 5.8 In addition, the Council continues to invest resources in maintaining its highway assets, most notably through its £3.5million programme of carriageway and footway resurfacing works. The budget for carriageways allows for 60 to 70 roads to be resurfaced each year and, until 2017, the majority of these roads were those in the worst condition and categorised as "Red" - lengths of road in poor overall condition and in need of immediate further engineering assessment with a planned maintenance soon. In 2018, the council carried out resurfacing to 67 roads from the Council's programme.
- 5.9 As a result of the resurfacing programme, it is now anticipated that the Council will have repaired all those roads with a Condition Index of "Red" category by early 2019. The focus will now move to works to roads classified with Condition Index of "Amber" (lengths of road where some deterioration is apparent, which should be investigated within one year to determine the optimum time for planned maintenance treatment). Without a planned early intervention within a year or two, could result into further severe defects and move the Condition Index to "Red". Early intervention using appropriate design, based on carriageway coring information and other factors like bus routes, high volume of traffic, usage and environment will result in better value for money. There are still some 386 roads classified as Amber that require essential works and the Council's long-term investment strategy in effect since 2013, has seen the number of annual insurance claims against the Council for carriageway defects reduced by half.

- 5.10 As progress continues on the condition of carriageways, the balance of focus will also move towards the footways programme where there are still approximately 70 roads categorised as Red and the proposal is to carry out essential repairs to at least 10 roads each year.

Schools

Schools - School Places Programme

- 5.11 Since December 2015, the Regeneration and Place Division has been working with colleagues in the Children and Young People's Directorate to develop a longer term strategy for the delivery of school places to meet identified needs across the borough and to do so in a sustainable and efficient manner. As part of this, a new cross directorate governance structure has been implemented and a new procurement strategy agreed; utilising two-stage design and build contracts which transfer risk away from the Council to the contractors. As primary place demand has levelled off recently across London, the priority for the programme is Special Educational Need and Disability provision. Four schemes are currently in development stages, two due for completion in 2019 and two by 2020.

Schools – Minor Works Capital Programme

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

Early Years Programme

- 5.13 Works have taken place at three nurseries within the borough since 2017, providing additional facilities to enable the delivery of 30 hours free childcare per week, in line with government policy.

Housing Regeneration

- 5.14 In the past year, progress has been maintained on the Council's two main housing regeneration projects, at Heathside & Lethbridge and at Excalibur, which in combination will deliver 1,500 high quality new homes, of which half will be affordable homes of varying types. At Heathside & Lethbridge, phase 4 completed this year delivering 121 new social homes, and all of the remaining residents on the old estate have now been successfully re-housed. At Excalibur, the first new homes have completed, enabling the first residents to move out of their pre-fab homes into high quality modern homes at protected social rents.
- 5.15 Across the housing delivery programme, there have been a number of achievements. As of December 2018, 429 of last administration's 500 social home programme are either complete, on-site or have received planning permission. All homes that make up this programme will have started on site in 2019. As well as the 500 new social homes, the Council has committed to delivering 1,000 additional new social homes over the next four years. A programme of sites, to fulfil the Council's share of this commitment, is

expected to be prepared by spring 2019. More than 100 homes have now been purchased by Lewisham Homes to provide better and more financially viable accommodation for homeless households.

- 5.16 On Edward Street in Deptford, a new housing scheme that will provide 34 new homes for use as high-quality temporary accommodation for homeless families, using the next iteration of the precision manufacturing technology used to build PLACE/Ladywell received planning permission in November 2018. The development will also provide a community run nursery and commercial space on the ground floor. The build will generate rental income for the Council, as well as delivering significant savings by not having to house 34 families in expensive private temporary accommodation.
- 5.17 In relation to existing homes, in this past year Lewisham Homes has commenced Decent Homes works on the final homes required to achieve 100% decent homes, which is a significant landmark. Alongside this, the Council has helped 72 households with disabled facilities grant funding to make homes safer and more suitable. The priority in the coming year will be to continue to respond to the lessons learnt from the Grenfell tragedy. Aluminium Cladding Materials (ACM) on three Lewisham Homes' blocks has already been removed and will be replaced in the next financial year. The Council and Lewisham Homes will continue to work closely in partnership on any other investment requirements as they arise.

Other Schemes

Catford Town Centre

- 5.18 A masterplanner, Studio Egret West, has been appointed to develop a spatial plan or masterplan for Catford. The masterplan work which started in July this year will run for approximately one year. At the end of the process, the Council is expected to have a comprehensive masterplan that delivers on the Council's strategic objectives for a viable Town centre and as well as on local aspirations of its residents. TfL continues to be a key partner in progressing the road realignment which forms part of the masterplan process. Work has also continued on the engagement, meanwhile use and place making initiatives started in 2016. These activities continue to reach out to thousands of people and have led to growing interest in the overall regeneration of the Town Centre. The challenge for 2019 is to complete the masterplan process and begin the process of developing a strategy for delivery of the strategic outcomes it contains.

Beckenham Place Park

- 5.19 The restoration of the west side of Beckenham Place Park has secured planning and listed building consent. Preparatory works commenced in winter 2017 and the main restoration of the landscape and a number of listed buildings commenced in April 2018. Work to the west side of the park will be complete by summer 2019. Works to the east side of the park led by the Environment Agency to create a flood storage scheme for the River Ravensbourne have been put on indefinite hold following a significant increase in the cost of delivering their proposals. Council officers are investigating alternative ways of bringing investment to the east side of the park.

Smart Working Programme

5.20 The Smarter Working programme seeks to consolidate offices and release sites for future redevelopment in Catford town centre, whilst refurbishing the Council's main office site, Laurence House, to ensure it is fit for purpose until new council offices can be built. The ground floor has been refurbished to provide a modern, welcoming and better functioning reception for the Council. It opened to staff and the public in October 2018. Work has commenced on refurbishing floors 1 to 5, improving and extending toilet provision, delivering new shared workspaces and meeting rooms, improving the heating and ventilation system, new energy efficient LED lighting, decoration and a layout and furniture which supports and encourages agile working. The programme of work will continue until the autumn of 2019.

Asset Management Programme

5.21 Over the past few years, the Asset Management Programme (AMP) has provided resources to fund much needed capital works across the operational corporate estate. These have been reactive works to building fabric such as roof replacement and mechanical works including boiler replacements and lift repairs across the estate of approximately 80 sites.

5.22 More recently, the programme has funded essential works to the Civic Suite, Laurence House reception as well as impending emergency repair works to the Broadway Theatre and other key sites and buildings.

5.23 Officers are in the process of commissioning a condition survey of the entire operational corporate estate of approximately 105 buildings across the circa 80 sites. The survey will help inform a future corporate capital works programme for the estate.

Proposed Capital Programme 2019/20 to 2021/22

5.24 The Council's proposed Capital Programme for 2019/20 to 2021/22 is currently £344.7m, as set out in Table A1:

Table A1: Proposed Capital Programme for 2019/20 to 2021/22

	18/19	19/20	20/21	21/22	3 Year Total
	£m	£m	£m	£m	£m
General Fund					
Smarter Working Programme	1.9	0.9	0.0	0.0	0.9
Schools – Pupil Places and other Capital Works	8.5	12.4	7.3	0.7	20.4
Highways, Footways and Bridges	10.3	3.5	3.5	3.5	10.5
Regeneration Schemes	5.8	13.5	0.0	1.1	14.6
Lewisham Homes Property Acquisition	8.0	6.0	0.0	0.0	6.0
Town Centres and High Street Improvements	0.5	2.1	0.8	0.0	2.9
Asset Management Programme	2.5	2.5	2.5	2.5	7.5

Fleet Replacement Programme	2.9	0.0	0.0	0.0	0.0
Beckenham Place Park	3.2	2.5	0.6	0.4	3.5
Other Schemes	8.5	3.6	1.5	1.3	6.4
	52.1	47.0	16.2	9.5	72.7
Housing Revenue Account	35.2	95.2	113.4	63.4	272.0
Total Programme	87.3	142.2	129.6	72.9	344.7

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

Table A2: Proposed Capital Programme Resources for 2019/20 to 2021/22

	18/19	19/20	20/21	21/22	3 Year Total
	£m	£m	£m	£m	£m
General Fund					
Prudential Borrowing	8.7	16.4	0.8	1.1	18.3
Grants and Contributions	20.1	20.2	8.0	0.7	28.9
Capital Receipts	6.4	1.6	0.0	0.0	1.6
Reserves / Revenue	16.9	8.8	7.4	7.7	23.9
	52.1	47.0	16.2	9.5	72.7
Housing Revenue Account					
Prudential Borrowing	0.0	0.0	18.9	25.0	43.9
Grants	0.0	18.0	10.9	7.1	36.0
Specific Capital Receipts	0.0	7.5	6.5	5.0	19.0
Reserves / Revenue	35.2	69.7	77.1	26.3	173.1
	35.2	95.2	113.4	63.4	272.0
Total Resources	87.3	142.2	129.6	72.9	344.7

5.26 A table of major projects can be found at Appendix W1 and a full list of changes to the Programme since last year's budget report is shown in Appendix W2.

5.27 Members will note that the General Fund resources available to finance capital projects decrease over the term of the Programme. This reflects the Council's prudent approach to long-term planning, with grants for later years not taken into account until they have been confirmed, and capital receipts only being taken into account when they have been received or are reasonably certain of being received. The Council prudently avoids entering into long-term expenditure commitments until there is more certainty as to how they can be financed.

5.28 No changes are proposed at this stage to the existing General Fund revenue contributions to capital (CERA) of £2.0m per year from General Fund. The revenue

funding line also includes amounts transferred to reserves in previous years for schemes which, at that time, had not been delivered.

- 5.29 The Capital Programme will be further updated to include future grants, once these are known and will also include the year-end outturn expenditure and resourcing. This is expected to be reported to Members before the summer recess and will not impact on delivery of the Programme for 2019/20.

Future schemes and resources

- 5.30 The Regeneration and Capital Programme Delivery Board comprises key officers involved in the planning and delivery of the capital programme. This Board has responsibility and accountability for the delivery of all regeneration and capital projects and programmes of the built environment and is also responsible for ensuring that all projects and programmes are adequately and appropriately resourced.
- 5.31 The key objectives of the Board are to ensure that a consistent and corporate approach is taken to the development and authorisation of all project and programme initiation documents and the associated financing and funding of projects and programmes. It meets every two months and ensures that a corporate approach is taken to the monitoring, management and delivery of all projects and programmes. It reports through to the Regeneration Board which is chaired by the Executive Director for Customer Services.
- 5.32 The General Fund Capital Programme is financed by a number of sources, including capital receipts, central government grants, the revenue budget, S106 and Community Infrastructure Levy (CIL). As per table A2, General Fund resources totalling £72.7m have been committed towards financing the budgeted spend over the next three financial years.
- 5.33 In addition to the £72.7m of committed resource, there is an estimated £31.3m of uncommitted resource that is expected to become available over the next three years, mainly arising from forecast capital receipts and the Council's Community Infrastructure Levy. Therefore, the maximum possible capital programme budget over the next three years, aside from new Prudential Borrowing, would be a total of £104m.
- 5.34 During 2019/20, updates on the Capital Programme will be reported to Mayor & Cabinet and the Public Accounts Select Committee on a regular basis. As capital receipts and other resources come in to the Council, it may be possible to bring new schemes onto the programme. These additions to the programme will be put forward for approval by members as part of the Capital Programme update reports.

Summary

- 5.35 The proposed 2019/20 to 2021/22 Capital Programme totals £344.7m (General Fund £72.7m and HRA £272.0m) and includes all the Council's capital projects. It sets out the key priorities for the Council over the next three financial years and will be reviewed regularly. The Capital Programme is set out in more detail in Appendices W1 and W2.

6. HOUSING REVENUE ACCOUNT

- 6.1 This section of the report considers the Housing Revenue Account (HRA). The budgeted expenditure for the HRA in 2019/20 is £169.6m, including the capital and new build programme.
- 6.2 It is structured as follows:
- Update on the HRA financial position for 2018/19;
 - Update on the HRA Business Plan; and
 - Future Years' Forecast.

Update on the HRA financial position for 2018/19

- 6.3 The HRA is budgeted to spend over £100m in 2018/19. The latest forecast on the HRA for 2018/19, is that net expenditure can be contained within budget by the year end. There are currently minimal reported pressures which can, if necessary, be mitigated by the use of once-off contingencies, reserves and revenue working balances. Expenditure against repairs & maintenance budgets is expected to be contained within the sums allocated.

Update on the HRA Business Plan

- 6.4 The Housing self-financing system was implemented on 1 April 2012 when the HRA subsidy scheme was abolished. The 30 year financial model has been developed based on current management arrangements and rental income estimates, updated for efficiency savings and cost pressures. In addition, policy objectives such as sheltered housing and new build plans are incorporated into the modelling.
- 6.5 The plan has undergone a major revision following the Government's announcement in the July 2015 budget statement to legislate for a 1% reduction in social rents to be applied each year for the next four years from 2016/17. The legislation was passed in March 2016.
- 6.6 The impact of the change in policy is a total reduction of forecast rental income within the business plan of £12.9m in 2019/20 (£1.9m 2016/17, £2.6 2017/18, £7.6m 2018/19). The expected cumulative rent reduction over the four years 2016/17 to 2019/20 is £25.0m, with £374.0m being lost over the life of the 30 year business plan.
- 6.7 As the Government's proposals are enacted by legislation, the authority has no choice other than to implement the rent reduction. In order to protect the business plan and provide the same level of investment and services, the reduction in income will need to be off-set though increased efficiencies and reprioritisation of investment requirements.
- 6.8 A review of current investment needs and priorities has been undertaken, based on updated surveys and inflation estimates. This includes assumptions on future liabilities, programmes, savings, and other requirements. These assumptions will be used to inform the resource need and identify potential gaps in funding and opportunities for additional income and grants.
- 6.9 The plan also contains costs associated with the new build programme currently being implemented by the authority. Table B1 provides an illustration of the expected HRA budget for the next five years, which includes the current 1% rent reduction estimates to 2019/20. The HRA debt cap which was imposed when the self-financing regime was

implemented (£127.3m) has now been abolished. The HRA will now be subject to prudential borrowing rules (as per General Fund and as described more fully in the Treasury Strategy at section 10 below).

Table B1: Update on the HRA Business Plan

HRA Income & Expenditure Estimates - 5 year Forecast	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
Income					
Rental income	-68.1	-69.4	-73.8	-76.1	-79.1
Tenants service charge income	-6.2	-6.3	-6.4	-6.5	-6.6
Leasehold service charge income	-4.6	-4.7	-4.8	-4.9	-5.1
Hostel charges and grant income	-1.3	-1.4	-1.4	-1.4	-1.4
Major Works recoveries	-7.7	-4.7	-4.1	-5.6	-5.6
Other income	-1.7	-1.7	-1.7	-1.7	-1.7
Interest earned on balances	-1.0	-0.6	-0.4	-0.4	-0.4
Total Income	-90.6	-88.8	-92.6	-96.6	-99.9
Expenditure					
Management costs	36.2	36.6	37.3	37.8	38.5
Repairs & maintenance	15.9	16.0	16.4	16.6	16.9
PFI Costs	6.6	7.1	7.7	8.1	8.4
Interest & other finance costs	2.9	3.5	4.5	5.9	7.2
Depreciation	23.3	23.6	24.0	24.4	24.8
Revenue Contribution to Capital	15.0	54.1	2.3	3.4	3.8
Total Expenditure	99.9	140.9	92.2	96.2	99.6
Surplus/(deficit)	-9.3	-52.1	0.4	0.4	0.3
Opening HRA reserves	69.0	59.7	7.6	8.0	8.4
Contribution to/(Drawdown) from reserves	-9.3	-52.1	0.4	0.4	0.3
Closing HRA Reserves	59.7	7.6	8.0	8.4	8.7
Forecast Capital Programme & Funding					
Capital programme (including decent Homes)	57.9	36.0	31.4	43.1	42.3
New Build construction & on-going costs (Net)	11.8	60.0	20.0	16.6	3.2
Total Capital Expenditure	69.7	96.0	51.4	59.7	45.5
Capital Programme Funded By:					
MRR Opening Balance	-30.8	0.6	0.0	0.0	0.0
Revenue Contribution to Capital	-15.0	-54.1	-2.3	-3.4	-3.8
Depreciation	-23.3	-23.6	-24.0	-24.4	-24.8
Capital Receipts	0.0	0.0	0.0	0.0	0.0
Borrowing	0.0	-18.9	-25.1	-31.9	-16.9
Total Capital Funding	-69.1	-96.0	-51.4	-59.7	-45.5
Capital shortfall	0.6	0.0	0.0	0.0	0.0
HRA Actual Debt Level (Forecast)	57.5	76.4	101.5	133.4	150.3
HRA Self-financing Settlement Debt Level (was £127.3m)	n/a	n/a	n/a	n/a	n/a

- 6.10 As can be seen from the above table, the expected total expenditure, before financing, for the HRA in 2019/20 is £169.6m, comprising £99.9m operational costs and £69.7m capital and new build costs.
- 6.11 The Council continually considers how best to respond to the challenges and opportunities of the HRA self-financing system. The combination of the new system and the significant housing pressures may, in due course, cause the Council to adopt new management arrangements in order to optimise delivery of policy objectives.

Future Years' Forecast

- 6.12 The key purpose of the proposed HRA budget is to ensure that there are sufficient resources to support lifecycle works, such as; repairs and maintenance, the Decent Homes programme and, a key priority for the current administration, delivery of new social homes in the borough.
- 6.13 There is an ongoing process to identify opportunities for savings and efficiencies to deliver services for improved value for money and this is described in Appendix X1. Although no direct savings have been identified so far for 2019/20, any savings and efficiencies delivered against the HRA business model and future budgets can be re-invested to off-set constrained rent rises or to help bridge any investment gap identified. Discussions are ongoing to identify appropriate savings and 'target' management and maintenance costs per unit. For example, there is already an assumed reduction in the Lewisham Homes fee in 2019/20 to reflect stock losses through Right to Buy Sales.
- 6.14 Separate reports which set out in detail the proposals relating to service charges for Brockley and Lewisham Homes residents are attached at Appendix X2 and Appendix X3, respectively.

Rental Income and allowances

- 6.15 The average weekly rent is currently £96.39 in 2018/19.
- 6.16 Due to the requirements to comply with Government legislation, rents are expected to reduce by 1% each year for a four year period starting 2016/17 and until 2019/20.
- 6.17 A 1% reduction in average rents for 2019/20 will equate to an average decrease of £0.96 over a 52 week period. This will reduce the full year average dwelling rent for the London Borough of Lewisham from £96.39 to £95.43 per week (pw). The proposed decrease will result in a loss of £0.700m of rental income to the HRA when compared to 2018/19 income levels.
- 6.18 Government has confirmed rents will return to the previous method of rent increase calculations once the rental contraction requirements have been completed. This is based on CPI + 1%. For the purpose of business and financial planning, it is assumed that that rental charges will be increased in line with Government guidance of CPI + 1%. Any variation to this could put additional pressure on the financial forecasts for the HRA.
- 6.19 A rent rise higher than the rent limit calculation, set by Government, will result in additional recharges to the HRA via the Housing Benefit (HB) subsidy limitation charges.

Any rise above this level will be lost through additional limitation recharges and therefore result in no benefit to the HRA.

- 6.20 Tenants were asked to provide comments and feedback on the proposed rent changes and illustration for inclusion in the Mayor & Cabinet budget report at meetings held with Brockley PFI and Lewisham Homes tenants (see Appendix X2).
- 6.21 No comments were received from Lewisham Homes' residents concerning the proposals for rents. Few comments were received on the increase to service charges.
- 6.22 No comments were received from RB3 Brockley concerning the proposals for rents and service charges.
- 6.23 Details of the options for the rent & service charge changes for 2019/20 will be presented to the Housing Select Committee on 31 January 2019 and feedback, if any, will be reported in the Budget Update report.
- 6.24 Having regard to the outcomes of the consultations held in November/December 2018 as set out above (and with more detail in Appendices X1, X2, and X3), the Mayor is asked to make a recommendation to full Council that a rent decrease be agreed to accord with Government requirements. The new average rent for 2019/20 is likely to be in the region of £95.43pw, a reduction of approximately £0.96pw from 2018/19 levels.

Other Associated Charges

- 6.25 There are a range of other associated charges. These include: garage rents, tenants levy, hostels, Linkline, private sector leasing, heating and hot water. These charges and any proposed changes to them for 2019/20 are set out in detail in Appendix X4.

Summary

- 6.26 The gross budgeted expenditure for the HRA in 2019/20 is £169.6m, £99.9m revenue and £67.6m capital. Council is asked to approve a rent decrease having considered Government requirements and tenant's feedback following consultation held in November/December 2018. The current average weekly rent is £96.39 in 2018/19. This will reduce to £95.43pw in 2019/20.

7. DEDICATED SCHOOLS GRANT AND PUPIL PREMIUM

Update on 2018/19 Dedicated Schools Grant

- 7.1 The level of the Dedicated Schools' Grant (DSG) for 2018/19 is £290.785m. The Early Years Element will be revised later to take account of the pupil count which for early years children is undertaken in January 2019. The outcome will not be known until June 2019 and for this reason carries a risk.
- 7.2 Overall, the 2018/19 DSG outturn is currently expected to be within budget.
- 7.3 At the end of the 2017/18 financial year, there were 14 schools that had deficits. There is a risk that another 7 schools could go into deficit by the end of 2018/19. Changes in

the legislation reflecting deficits in schools now means that Local Authorities will be required to provide a more hands on role to support schools finances. Whilst there continues to remain general expectation that schools are responsible for managing their budgets within their available resources as supported by Local Management in Schools, the reality is that the Local Authority is ultimately responsible for each school including outcomes and standards achieved.

Dedicated Schools' Grant and Pupil Premium for 2019/20

- 7.4 This section of the report considers the Dedicated Schools' Grant (DSG) and Pupil Premium Grant for 2019/20.
- 7.5 The Dedicated Schools Grant is the main source of funding for Schools and Early Year Providers. The grant is constituted of four parts being Schools Block Central Services to Schools Block, High Needs Block and the Early Years Block. There is a national funding formula which determines each of the blocks and collectively determines the overall DSG. The DSG for 2019/20 is provisionally advised as £290.88m. The 2018/19 DSG for comparison was £290.785m so overall the funding is broadly flat lined, although there is movement within the funding blocks. Table C1 below shows the detailed funding for each of the sub blocks:

Table C1: Detailed Funding

Year	Schools Block £m	Central Schools Services block allocation £m	High Needs Block Allocation £m	2019-20 Early Years Block £m	2019-20 total DSG allocation £m
2018/19	210.998	5.405	50.183	24.200	290.785
2019/20	209.649	5.420	51.606	24.205	290.880
Movement	-1.349	0.015	1.423	0.006	0.095

- 7.6 With regards to Schools Block the funding receivable for Primary age pupils has seen a small increase of £17.63 (2019/20 funding is £5,041.65) and Secondary age pupils has seen an increase of £45.99 (2019/20 funding is £6,722.65). This has been offset by an overall reduction in pupil numbers of approximately 400.
- 7.7 With regards to the High Needs Block, the Secretary of State for Education announced additional funding to support pressures in special needs which are funded by the High Needs Block. There was a national uplift of £300m, Lewisham has received £700k of this funding which has been applied as baseline increase to 2018/19. The movement shown above is therefore the £1.4m made up of £1m for High Needs Formula Funding and £356k transfer from the post 16 grant to the DSG (intended to be a net neutral). We are expecting pressures on the High Needs Block for the foreseeable future which is not unique to Lewisham. It should be noted that Lewisham has remained within the funding available for many years whilst many London Boroughs have continuously overspent.
- 7.8 The Department for Education (DfE) has confirmed that the funding for Pupil premium will be at the 2018/19 unit values. In real terms this is a reduction in funding. Pupil premium is determined based on a factor known as "free schools meals over 6". Essentially this means eligibility if a pupil has at any time over 6 consecutive census been eligible for free schools meals. The general trend in eligibility and consequently funding has seen a reduction in London. Lewisham saw a reduction between 2017/18

and 2018/19 of £600k, i.e. £3.5%. This trend is anticipated to continue partially due to reduction in overall numbers but also eligibility levels. Determination of this grant for 2019/20 is based on January 2019 so at the time of writing is not known. For information, the 2018/19 figure was £16.4m.

Dedicated Schools' Grant for 2019/20

- 7.9 The DSG for 2019/20 has provisionally been set by the DfE at £290.880m. The Early Years Block is provisional. The DSG is now approximately £50m (or 21%) larger than the Council's Net General Fund budget.
- 7.10 The DfE has converted the funding model to an amount per pupil basis (excluding premises factors). For Lewisham this results in Primary and Secondary age pupils receiving, £5,041.65 (increase of £17.63) and £6,722.65 (increase of £45.99) respectively. For Primary Schools this is the 12th highest (Tower Hamlets is highest at £5,922.81), and for Secondary Schools this is the 11th highest (Hackney is highest at £7,872.97) from a total of 149 local authorities in the country. The London average is for primary £4,739.82 and for secondary £6,247.26. The area cost adjustment for Lewisham remains at 21%.
- 7.11 Whilst there is extra funding in the settlement and schools are being protected, costs are rising by more than funding, exasperated further where pupil numbers are falling.
- 7.12 Schools continue to face pressures in their budgets, for example, salary increments, non-teaching pay increase, contract price increase including utilities, and Apprenticeship Levy. The DfE has made a commitment to support funding for teachers pay increase and pension for 2019/20 at a national level. The exact details and School by School impact will be known once the supporting grant information is known.
- 7.13 The total change in pupil numbers are as shown in table C2 below: Overall there is a reduction in numbers of 403. As funding receivable by Schools is driven by pupil numbers and associated characteristics (e.g. Free School Meals), the reduction in numbers could potentially have implications for those schools affected.

Table C2: Pupil Numbers

	Oct-18	Oct-17	Change	
Primary	24,984	25,354	-370	-1.5%
Secondary	11,287	11,320	-33	-0.3%

The National Funding Formula and the Lewisham Funding Formula

- 7.14 As all Lewisham schools are protected under the new national funding formula and given that the DfE has run the new national funding model and passed on the funds, the variances for individual school budgets should be limited.
- 7.15 Lewisham in agreement with Schools Forum continues to support the use of the National Funding Formula for determining the basis of the Schools budget share. The DfE has confirmed the extension of the soft formula for 2019/20 and now for 2020/21.

7.16 The DfE introduced a new formula for determining the growth fund for 2019/20. This has resulted in a reduction of approximately £300k in our funding. The 2019/20 allocation is £792k.

Minimum Funding Guarantee (MFG)

7.17 Local Authorities are now allowed to set a pre-16 Minimum Funding Guarantee (MFG) in their local formula, to protect schools from excessive year-on-year changes, and to allow changes in pupil characteristics (for example, reducing levels of deprivation in a school) to flow through. Consultation must take place with the Schools Forum.

7.18 The MFG must be set between a plus 0.5% to minus 1.5% per pupil. For 2019/20 in agreement with Schools Forum (17 January 2019), it has been agreed to set the MFG at plus 0.20%. This is a slight reduction on 2018/19 (which was set at 0.28%), but is necessary to support the pressure on the High Needs Block by facilitating the transfer of £1m from the Schools Block to the High Needs Block.

Pupil Premium

7.19 In 2019/20, the rate of funding is set at the same level as 2017/18, for primary and secondary children. This is £1,320 per primary child and £935 per secondary child. For looked after children there is an increase to £2,300 per child. Funding for pupil premium will be known after the January 2019 pupil census. For information, the 2018/19 pupil premium figure was £16.4m.

High Needs Block Funding

7.20 Under the National Funding Formula the High Needs block is using a formula driven approach. Overall, there is an increase of £2.4m for the High Needs Block.

7.21 The factors include:

- Pupil element - The basic entitlement ensures that local authorities receive resources for all the pupils that they fund in their area, with £4,000 nationally for each pupil in a special school but adjusted by area costs. The Lewisham figure is therefore £4,822. It provides an equivalent to the funding that mainstream schools get for all their pupils, and that colleges receive through the 16-19 national funding formula. Lewisham currently gets funded for 749 pupils as part of this calculation £3.612m.
- Formula Driven Funding - Proxy factors are designed to target funding to local authorities in proportion both to their size, as indicated by their population of 2 to 18 year olds, and to their relative level of need. These relate to;
 - Deprivation;
 - Low attainment; and
 - Health and disability.

7.22 Additional growth announced by the Secretary of State - On the 16 December 2018, the Secretary of State announced a recognition of pressures facing local authorities for Special Educational Needs (SEN). The value of this additional funding for Lewisham is £700k.

- 7.23 There is a new change streamlining funding from the post 16 grant to the DSG – this is £335k. This is anticipated to be a net neutral for 2019/20 but could potentially result in pressure going forward as this is a baseline adjustment.

DSG reporting changes

- 7.24 With effect from 2019/20, Local Authorities will be required to report the overall DSG position on the various statutory returns. There will now be a requirement for LAs to submit a detailed recovery plan (in agreement with Schools Forum) should they be in a deficit, and where the deficit exceeds 1% of their budget. For Lewisham this is a £2.9m threshold. It should be noted that this covers overall cumulative positions.
- 7.25 Monitoring of this risk and any required recovery plan will be reported to the Schools Forum and to Members via the regular monitoring reports provided to both.

Potential Risks

- 7.26 Impact of any overspends, should they exceed £2.9m and the resultant requirement to establish a deficit recovery plan. Pressure could potentially fall on the Schools Block, General Fund or review of services within CYP.
- 7.27 Following the revision to the School Loans Policy, there is a risk that if a school converts to an academy the deficit reverts to the Local Authority. The latest monitoring suggests £4m covering 14 Schools. This figure is for guidance only as circumstance in schools continue to change.
- 7.28 Schools continue to face pressures arising from changes in policy. Examples include teachers' pay awards, support staff pay award, pension's changes. This could have varying degree of implications for Schools.

8. GENERAL FUND REVENUE BUDGET AND COUNCIL TAX

- 8.1 This section considers the General Fund revenue budget and Council Tax. The General Fund budget for 2019/20, assuming a Council Tax increase of 4.99%, is £243.012m. Details of the savings anticipated for 2019/20 are provided at Appendices Y1 and Y2.

- 8.2 It is structured as follows:

- Update on 2018/19 Revenue Budget;
- The Budget Model;
- Saving proposals;
- Council Tax for 2019/20; and
- Overall Budget Position for 2019/20.

Update on 2018/19 Revenue Budget

- 8.3 The Council's revenue budget for 2018/19 was agreed at Council on 21 February 2018. The general fund budget requirement was set at £241.281m.
- 8.4 During the financial year, monthly monitoring is undertaken by officers and these monitoring reports have been presented quarterly to Mayor and Cabinet and scrutinised

by the Public Accounts Select Committee. Significant attention continues to be directed towards volatile budget areas. These are those areas where small changes in activity levels can drive large cost implications. These include, for example: Looked After Children; Nightly Paid Accommodation; and Adult Social Care. These areas of activity are also informed by risk assessments which are continually reviewed.

- 8.5 Budget holders are challenged to maintain tight control on spending throughout the year. The Council operates a devolved system of financial accountability with clear delegations and responsibility set out in the financial and procurement regulations and schemes of delegation in the Constitution.
- 8.6 An initial projected overspend of £14.8m was reported at the end of May 2018, constructed in the absence of forecasting information from the introduction of a new finance system and budget monitoring tool. It was based on a combination of information from other systems, previous year outturn and budget changes. The forecast was increased to £17.4m in the July 2018 monitoring report, once the new finance system was fully operational.
- 8.7 In October 2018, Mayor & Cabinet agreed to commit £1.7m of 2018/19 unallocated risk & other budget pressures to Children’s Social Care. In addition to this, £4.3m from reserves, in advance of a proposed commitment of £4.3m risk & pressures in the 2019/20 budget, increased the Children’s Social Care base budget by £6m for 2018/19 onwards. In addition to the increased budget position the monitoring demonstrates that since the July position was first reported, the forecast overspend has decreased by £1m.
- 8.8 In spite of the continued management attention given to seek the containment of costs and, where possible, accelerating service changes to reduce costs, the significant overspending projection remains and stringent management action must continue for the remainder of this year to help bring the projected overspend down.

Directorates

- 8.9 Table C1 sets out the latest forecast budget variances on the General Fund by Directorate, after applying the sum for ‘risks and other budget pressures’ and reserves funding to Children & Young People, totalling £6.0m, as noted above.

Table D1: Forecast outturn for 2018/19 as at end of October 2018

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend Nov 2018	% of over/ (under) spend to Net budget
	£m	£m	£m	£m	%
Children & Young People	71.3	(12.3)	59.0	9.6	16%
Community Services	172.2	(81.3)	90.9	(0.9)	-1%
Customer Services	99.4	(57.3)	42.1	1.8	4%
Resources & Regeneration	76.4	(51.2)	25.2	(0.1)	-

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend Nov 2018	% of over/ (under) spend to Net budget
Directorate Totals	419.3	(202.1)	217.2	10.4	
Corporate Items	24.1	-	24.1	-	-
Net Revenue Budget	443.4	(202.1)	241.3	10.4	4%

Corporate Financial Provisions

- 8.10 Corporate Financial Provisions are budgets that are held centrally for corporate purposes and which do not form part of the controllable expenditure of the service directorates. They include Capital Expenditure charged to the Revenue Account (CERA), Treasury Management budgets such as Interest on Revenue Balances (IRB) and Debt Charges, Corporate Working Balances and various provisions for items such as early retirement and voluntary severance. Spend of the Corporate Financial Provisions is expected to be contained within budget by the year-end.
- 8.11 Consideration is now being given to employing the use of corporate measures to balance the budget at year end. It is proposed to meet the 2018/19 budget overspend from reserves.

The Budget Model

- 8.12 This section of the report sets out the construction of the 2019/20 base budget. This section is structured as follows:
- Budget assumptions, including: Savings, Council Tax, and Inflation;
 - New Homes Bonus;
 - Budget pressures to be funded; and
 - Risks and other potential budget pressures to be managed.

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

- 8.13 The Council has made substantial reductions to its expenditure over the last ten years. Subject to the outcome of the CSR in 2019, the Council expects to continue to need to make further reductions for at least the next three to four years. This section of the report summarises a series of proposals that would enable the Council to set a balanced budget for 2019/20 as part of a sustainable financial strategy to 2019/20. Looking beyond 2019/20 still very much depends on the financial implications for the Council from government policy.

Council Tax

- 8.14 In the 2017/18 Settlement, and following its introduction at 2% in 2016/17, the Government confirmed that councils with Adult Social Care responsibilities (upper tier and unitary authorities) were able to increase Council Tax by up to 3% in 2017/18 and 2018/19 subject to a maximum of 6% across the period 2017/18 to 2019/20. The

Government funding calculations assume Councils will raise this additional tax income locally.

- 8.15 In 2017/18, the Council increased the precept by the maximum allowed, 3%, and then by a further 1% in 2018/19. This report proposes a further 2% increase in 2019/20, allowing the Council to obtain maximum benefit from the full 6% allowed.
- 8.16 The assumption used in the model for preparing the 2019/20 budget, subject to confirmation by Council, is for a total Council Tax increase (Lewisham element) of 4.99% (a 2% increase for the social care precept and a 2.99% increase in the core element under the revised referendum principle announced along with the Finance Settlement on 13 December 2018).
- 8.17 If Council choose to set a different Council Tax increase, Members will need to be mindful that any increase below this recommendation will result in additional budget pressures, resulting in greater use of resources in the short term and a higher savings requirement going forward. Any increase in the core element above this recommendation would require support in a local referendum due to the limit set by the Secretary of State.
- 8.18 Further information on the options for Council when setting the Council Tax is set out in more detail towards the end of this section.

Inflation

- 8.19 The Government's inflation target for the United Kingdom is defined in terms of the Consumer Price Index (CPI) measure of inflation which excludes mortgage interest payments. Since April 2011, the CPI has also been used for the indexation of benefits, tax credits, and public service pensions.
- 8.20 As context to the Council's inflationary planning; in October 2018, the OBR reported that the rate of Gross Domestic Product (GDP) growth in the economy was expected to be 1.9% in 2018, growing to 1.6% in 2019 before dipping thereafter and productivity rising by 0.8% in 2018 to 1.2% annually by 2023. The ONS are forecasting CPI inflation in the UK at 2.6% for 2018, falling to 2.0% for 2019 and the years thereafter. These expectations, at least for 2019 and linked to the value of the pound and trade, are likely to be volatile and may change depending on the conclusion of the negotiations with the EU for the UK to leave.
- 8.21 For financial planning purposes, the Council has previously assumed an average pay inflation of 1% per annum, which equates to approximately £1.1m. In April 2018, a final offer was made to and agreed by the unions of a minimum of 2% pay award for 2019/20 by the National Joint Council (NJC) for Local Government Services, with staff on very low pay being offered increases higher than 2% depending on current scale points.
- 8.22 The National Living Wage will rise to £8.21/hr from April 2019, whilst the London Living wage is currently £10.55 per hour. Lewisham's lowest pay band exceeds these amounts. A provision of 3% (£3.3m) has been made to cover 2019/20 pay inflation.
- 8.23 The Council budgets for a non-pay inflation rate budget of 2.5% per annum. This is slightly higher than the forecast CPI inflation rates for 2019 to reflect the underlying

commitments in Council contracts. This equates to approximately £2.46m (net) in 2019/20.

- 8.24 Unless pre-defined by statute or otherwise agreed, all services are expected to uplift their fees and charges annually in line with CPI, or for full cost recovery if this is higher, to allow for stability in real terms.

New Homes Bonus

- 8.25 The New Homes Bonus (NHB) sits alongside the Council's planning system and is designed to create a fiscal incentive to encourage housing growth. The Ministry of Housing, Communities and Local Government (MHCLG) is paying the NHB as un-ringfenced grant to enable local authorities to decide how to spend the funding. The scheme design sets some guidance about the priorities that spend should be focused on, in that it is being provided to 'help deliver the vision and objectives of the community and the spatial strategy for the area and in line with local community wishes'.
- 8.26 In the provisional Local Government Finance Settlement statement, the Secretary of State announced that in 2019/20, the baseline level of growth will remain at 0.4%.
- 8.27 The provisional allocation for 2019/20 in Lewisham, including on-going payments, is £6.501m, with the years 1 to 5 allocations of £7.842m dropping out and with the allocation for Year 9 (2019/20) delivery being £0.989m.
- 8.28 The cumulative nature of the NHB is set out in summary in Table D2 below.

Table D2 – New Homes Bonus Allocation Profile

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Yr 1 – 6 yrs in full	0.706	0.706	0.706	-		
Yr 2 – 5 yrs	0.958	0.958	0.958	0		
Yr 3 – 5 yrs	2.150	2.150	2.150	2.150		
Yr 4 – 4 yrs	2.629	2.629	2.629	2.629		
Yr 5 – 4 yrs		1.399	1.399	1.399	1.399	
Yr 6 – 4 yrs			1.889	1.889	1.889	1.889
Yr 7 – 4 yrs				2.072	2.072	2.072
Yr 8 – 4 yrs					1.551	1.551
Yr 9 – 4 yrs						0.989
Total Allocation	6.443	7.842	9.731	10.139	6.911	6.501
Less: London LEP top slice	0	-2.218	0	0	0	0
Lewisham Total	6.443	5.624	9.731	10.139	6.911	6.501

- 8.29 The Council produces an Annual Monitoring Report (AMR) which assesses the level of development that has taken place in the Borough. Over the last few years this shows a trend for falling numbers of new homes becoming available. It identifies the steps being undertaken to progress the regeneration of the borough including the development of strategic sites within the regeneration and growth areas, at Deptford, New Cross and Lewisham Town Centre and looking forward to the potential, the Catford town centre and New Bermondsey. The bringing forward of housing supply in London is a priority for the Council and the London Mayor. A significant amount of planned growth for the

borough is yet to come and the AMR provides a housing trajectory that identifies the anticipated amount of residential development in the next 15 years. This is in the context of the draft London Plan, which proposes an increased annual target of 2,117 new homes for the Borough of Lewisham for the next ten years.

- 8.30 In view of the planned growth in housing and associated infrastructure in the borough in future years it was agreed to commit £0.65m of the NHB allocation per annum to provide delivery support for this. This represents a year-on-year commitment for the Council. Given the planned growth in the Borough over the coming years, the funding will be used to support work to improve the borough's town centres, increase the number of jobs in the borough, provide improved transport links to the rest of London, and build upon the necessary infrastructure such as schools, health facilities, and open spaces.
- 8.31 Following the provisional LGFS, it maybe that 2019/20 is the last year of the New Homes Bonus scheme as currently constructed. In light of this, it is the Government's intention to explore how to incentivise housing growth most effectively, for example by using the Housing Delivery Test results to reward delivery or incentivising plans that meet or exceed local housing need. Government will consult widely on any changes prior to implementation. Any changes and their impact for Lewisham will be reviewed once the funding model and allocations are confirmed in the CSR 2019.
- 8.32 Given the pressures on the overall budget, and consistent with previous years since 2015/16, it is proposed to use some of the NHB for revenue funding shortfalls. This will be effected by releasing £5.0m of the accumulated reserve balance from the NHB scheme to the General Fund for 2019/20 only.

Budget Pressures to be funded

2018/19

- 8.33 In 2018/19, the funds set aside in the budget model to meet specific identified budget pressures and potential budget risks was £6.5m. In addition to this £6.5m, in the 2017/18 budget £2.130m was left unallocated and held corporately against identified risks. This £2.130m was added to the 2018/19 allocation to make available £8.63m in 2018/19. The total allocated was £6.915m leaving an unallocated amount of £1.715m. This was held corporately against unidentified risks.
- 8.34 An ongoing area of significant financial pressure for the Council are the rising demands and costs of Children's Social Care, including rising demands for assessments and high costs for placement. This is a challenge as the government's funding for social care has mainly been directed to adult provision.
- 8.35 During the year, £1.7m was allocated to Children's Social care from the unallocated amounts held, to reduce part of the pressure on Children's placements. An additional amount of £4.3m was also allocated to this service area from Reserves. In total, £6m was allocated in 2018/19 to the Children's Social Care Placement budget.
- 8.36 The money allocated from reserves acts as a cash injection and its effect is limited to one year only. In order to make a permanent reduction in the cost pressures of that budget, a £4.3m budget allocation is being recommended in 2019/20 as shown below.

2019/20

- 8.37 It is recommended that the 2019/20 allocation to meet specific identified budget pressures and potential budget risks remains at £6.5m.
- 8.38 The budget pressures anticipated in 2019/20 have been reviewed and it is recommended that the following specific identified pressures funded now. In terms of accounting for these, it is proposed that the budgets are allocated in line with the decisions of this budget from the corporate risk and pressures monies to the relevant Directorates when determining their cash limits for 2019/20.
- 8.39 Table D3 provides a summary of the corporate risk and pressures budget and those pressures and risks that are being recommended to be funded.

Table D3: Summary of 2019/20 budget pressures to be funded

Description	£'000	£'000
Risk & Pressures budget available in 2019/20		6,500
Previously committed		
Highways & Footways (year 5 of 10)	-350	
Demand pressures		
CYP Children's Social Care Placement Costs	-4,300	
CYP Subject Access Request team	-300	
COM Community Centres	-80	
COM Youth Offending Service	-150	
RES Banking contract	-100	
CUS Housing Development team	-250	
CUS Sustainability levy	-120	
CUS Information Management team	-500	
CUS Public Services	-350	
Risks & Pressures recommended to be funded		-6,500
Risks & Pressures budget recommend to be held against possible overspends in 2019/20		0

Highways and Footways pressure – £0.35m

- 8.40 The ten year investment programme for the resurfacing of highways and footways in the Borough came to an end in 2013/14 and future funding arrangements had to be established. In 2014/15 it was agreed that an ongoing highways resurfacing budget of £3.0m be established over a ten year period. In the first year, this was funded by a combination of pressures funding, reserves, and the release of existing prudential borrowing budgets as debt was repaid.
- 8.41 Corporate funding of £0.3m for 2019/20 will be provided with an additional £0.3m being added to the budget until 2020/21 and a balance of £0.1m in 2021/22. Therefore, the total allocation over the period is £2.2m, although this will eventually be offset by £0.8m of released budget arising from repaid prudential borrowing over the period 2024/25 to 2033/34.
- 8.42 It was also agreed in 2014/15 to create an ongoing budget of £0.5m for the replacement of footways over a ten year period 2014/15 until 2023/24. For 2019/20, a budget

allocation of £0.05m will be needed with an additional £0.05m being added to the budget for each of the years to 2023/24.

Children's Social Care Placements Budget – £4.3m

- 8.43 This is the injection of funding to the service base budget recognised and agreed during 2018/19 to be funded from reserves (10 October M&C financial monitoring report) pending the 2019/20 budget to put this funding into the base. This combined with the ongoing £1.7m budget added in 2018/19 correct £6m of the Children Social Care overspend.
- 8.44 There remains an expected £6.9m overspend for 2018/19 (after this adjustment) which it is addressed separately below.

Subject Access Request team - £0.3m

- 8.45 During 2017/18 and 2018/19, along with many other public bodies through more commitments to be open and transparent and new regulations in respect of data, the Council has experienced a significant rise in the number of subject access requests, particularly in the Children's area. This caused a significant pressure and involved the Information Commissioners Office. Now the backlog has been addressed and the resources needed to maintain the ongoing service can be more easily identified it is proposed to increase this team's budget by £0.3m. The team will work closely with the Corporate Customer Services team in terms of process and the monitoring of demand.

Community centres £0.08m

- 8.46 Following the rationalisation of community centres in recent years, while this has provided some savings on running costs, it has left Community Services with income targets that have become unachievable without the space from which to run the full range of possible activities previously available. This £80k will correct the service budget, in line with the current service offer.

Youth Offending Service - £0.15m

- 8.47 This proposed budget increase follows recent growth in the demand for these services, noted across London, and positive feedback from an inspection 2018 on the innovative cost effective preventative approach developed for the work being undertaken. This additional budget is therefore a form of 'invest to save' and will strengthen the sustainability of the new ways of working adopted by the team and help to reduce the level of future demand for these services.

Banking Contract - £0.1m

- 8.48 The Council was obliged to retender its banking contract three year's ago when the Cooperative Bank withdrew from the local authority market. The first three years of the contract came with a discount of banking charges and the Council and the Bank (Barclays) worked on developing our relationship and operating requirements. The contract included an original discount for certain banking charges as part of the period which as now ended, giving rise to this ongoing budget pressure. Given the contractual nature of this pressure and the greater time and cost required to move banks it is proposed to fund this pressure until the contract is next retendered.

Housing Development team - £0.25m

- 8.49 The Council has an ambitious housing development programme to complete work on the 500 new Council homes begun in the previous administration, identify and deliver 500 more new Council homes in this administration and work with the market to develop other opportunities as they arise to provide more affordable homes in the Borough. This work at pace requires additional capacity and new capabilities in the regeneration and place team to develop and manage the schemes necessary to meet these priorities. This £0.25m will enable help build the team to inject more momentum to these plans.

Sustainability Levy - £0.12m

- 8.50 This pressure has been considered for the past two years but not funded. The Council has discounts on energy contracts with partners subject to certain volume usage. As user needs have changed these thresholds are not being met and so the levy is no longer achievable. This is a budget correction to anticipate the actual market costs as the Council retenders its contracts in a rising energy cost environment.

Information Management team - £0.5m

- 8.51 Following the on boarding of the London Borough of Southwark, changes in the risk profile for IT services, and the development of a more mature shared service with the London Borough of Brent it has been recognised that the level of work required has grown and income opportunities reduced such that the original service cut of £1m for 2018/19 will not be delivered in full. This £0.5m reverses half the previous saving to reduce the budget gap for the service, currently overspending, to ensure the budget more realistically matches the expected cost of the work required for 2019/20.

Public Services team - £0.35m

- 8.52 Over recent years the service has experienced a number of changes, not all planned, with the roll out of Universal Credit, changing grant and administration funding, and taking on more work to target the collection of income for the Council across a range of areas. These have been offset at different times but other budget underspends but these cannot be relied upon and it will be more effective to put the budgets right to enable the risks to be monitor where they arise, rather than through overspends in other parts of the service. This £0.35m will help the service do this.

Risks and other potential budget pressures to be managed

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

- Unachieved savings.

Adult Social Care, including Transition demands

- 8.55 As noted above this is an area of continuing pressure for the Council. This is expected to continue into future years. However, the impact of service configuration changes, national policy priorities, the additional funding committed to these services for 2019/20 through the Adult Social Care precept and improved Better Care Fund, and the changes arising from transformation savings are not yet known or assessed so it is not possible to fully evaluate the risk at this time.

Child Sexual Exploitation

- 8.56 This is a risk area across London which may, if the number of cases locally grows significantly, become a pressure in the future. At present the service is managing this risk by refocusing existing resources within their current budget and expects to be able to do so through 2019/20. Given these uncertainties it is not possible to fully evaluate the risk at this time.

National / London Living Wage

- 8.57 In 2015 the Chancellor announced the obligation for all employers to pay at least a national living wage. The Council has for some years now ensured it pays the London Living Wage to staff and contractors where this has been possible to contract for. However, there have remained some areas where this has not always been possible – for example; sub-contractors on some facilities contracts and contracting for some care services. New European procurement rules and the introduction of the national living wage go some way to closing this remaining gap to ensure all employees are paid a fair wage. The government has also confirmed that the minimum and living wages will rise faster than inflation to at least 2020.
- 8.58 The budget impact of these changes is a risk of additional contract costs to the Council. These will vary according to the contract and areas of spend depending on past practice and how suppliers elect to pass on some or all of these costs. The risk cannot therefore be easily quantified at this time.

Temporary Accommodation / Homelessness

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

Redundancy

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

Disruption costs from the UK leaving the EU

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

Unachieved Cuts

8.62 For those cuts agreed there is a risk, as the detailed work to implement them progresses, of delay or changes to the proposals in response to consultations or other factors. While management actions will continue to be taken to fully implement savings for the coming year such pressures cannot be easily quantified at this stage, especially where possible 'invest to save' commitments or income generation work may be required to realise efficiencies and cuts.

8.63 Should these pressures arise in the year and are not be able to be contained with Directorate budgets, they may become an additional call on reserves.

One off funding for service budgets

8.64 In addition to the identified pressures to be funded now and those recognised but unfunded pressures above, it is proposed to use reserves to fund pressures on a once off basis in advance for 2019/20. This is a change of approach for 2019/20 as previously services are expected to manage within their budget with emerging pressures addressed in arrears. This change is a trial to forward fund specific expected pressures so the service can manage their budget on a fully funded basis in 2019/20, rather than reporting an overspend.

8.65 The two area Children Social Care and Corporate Services. The Corporate Services funding of £1m is for the growth identified and prioritised in the financial monitoring report to M&C in October 2018. This was for:

- £0.3m for Technology to bring in more technical and procurement expertise to the team
- £0.2m for Communications to strengthen both the internal and external work as the Council continues to change
- £0.2m for Procurement, more specifically income generation and commercialisation, to recognise the value and success of the pilot underway and enable this to become permanent

- £0.3m for Human Resources to support culture change in the organisation through planned leadership development and additional support to managers and staff.

8.66 The Children Social Care investment is a combination of changes, starting by recognising that the service is expected to be overspent by £7.0m at the end of 2018/19. Therefore, unless this is addressed from once off resources as there is not the ongoing resource to do this beyond the £4.3m discussed above, the service would continue to report an overspend in 2019/20. Going into 2019/20, and in advance of seeing the impact of the service improvement plan actions, it is therefore proposed that this overspend be met for one year from:

- £1.6m of agreed service cuts in respect of placement costs
- £2.3m of social care grant taken to reserves and released to children services
- £3.1m of Council reserves provided upfront to start the service in a balanced position for the financial year.

8.67 Careful monitoring by the service and corporately of spend against these once off commitments made in advance will be required through 2019/20.

Summary of Budget Pressures

8.68 In conclusion, it is a matter of good budgeting to make a general allowance for risk and uncertainty, particularly at such a time of rapid change in the local government sector.

8.69 There are some pressures to be funded, which can be quantified within a reasonable range. These fully commit the available £6.5m allocation in the 2019/20 budget and draw £1.0m from reserves to forward fund growth against future year's risk and pressures budget and £5.4m from reserves (part social care grant £2.3m and part earmarked reserves £3.1m) against existing and recognised Children Social Care pressures pending the impact of the service improvement plan actions reducing costs.

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

2019/20 Budget Cut Proposals

8.71 On the 21 November 2018, the Mayor agreed and delegated £7.963m of budget cut proposals for 2019/20, with necessary consultations undertaken. A summary of these cuts is attached as Appendix Y1 to this report.

8.72 In addition, the Mayor agreed that £1.307m worth of budget cuts that were presented in November were to be re-presented for approval, after undergoing public consultation or additional work where necessary. £140k worth of budget cut proposals have been tabled in this report for approval. Further information relating to these cuts is attached at Appendix Y2 to this report. £1.167m worth of cuts in 2019/20 will be brought back to Mayor and Cabinet for approval in the nearest future. The proposed cuts are as summarised in table D4 below:

Table D4: Previously Presented Savings Brought Back for Approval

		2019/20 £'000	2020/21 £'000	Total

RES16	Commercial property investment acquisition	140	140	280
	Sub Total	140	140	280
Yet To Be Brought Back				
		2019/20 £'000	2020/21 £'000	Total
COM12	Cut to main grants budget	600	0	600
COM14	Reduce Local Assembly funds	225	0	225
COM17	Ending the small & faith fund	50	0	50
CUS03	Income Generation – events in parks	200	300	500
CUS08	Close the remaining automated public toilets	92	0	92
	Grand Total	1,167	300	1,467

- 8.73 All the relevant cuts have been included in the 2019/20 budget calculation. They must be achieved in order to maintain a balanced budget. The final approval and delivery of these cuts will be monitored, any shortfall will have to be covered, in the short term, through the use of reserves.
- 8.74 As anticipated in the Medium Term Financial Strategy (July 2018) and following the provisional Local Government Finance Settlement (December 2018), the Executive Director for Resources & Regeneration has been considering options to bridge a budget shortfall in order to balance the budget for 2019/20. It is proposed to use an amount of New Homes Bonus (£5.0m) and an amount of general reserves (£2.461m) in 2019/20.
- 8.75 No estimates for Revenue Support Grant in 2020/21 have been provided by the Government, as 2019/20 is the last year of the four year settlement which began in 2016/17. The prospects for future years' budgets are set out in more detail in section 9 of this report.

2019/20 Council Tax

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

Collection Fund

- 8.77 Collection Fund surpluses or deficits reflect whether the Council over or under achieves its Council Tax collection targets. Therefore, this requires a calculation to be made of how much the Council has already received for the Council Tax in the current and past years and how much of the outstanding debt it expects to collect.
- 8.78 The statutory calculation was carried out for the 15 January (date prescribed by the relevant statutory instrument). This calculation showed there is an estimated surplus on the Collection Fund in respect of Council Tax, for the years 1994/95 to 2018/19 of £2.113m. This reflects the ongoing work of the Public Services team to carefully collect all monies owing to the Council.
- 8.79 This surplus is shared with the precepting authority, the Greater London Authority (GLA), in proportion to relative shares of budgeted Council Tax income in the current financial year. This means that £1.698m of the £2.113m surplus has to be included in

the calculation of Lewisham's budget as the additional Council Tax owed and collected in year. The remaining balance of £415k will be allocated to the GLA.

Council Tax Reduction Scheme

- 8.80 Members should note that the Council agreed on the 23 January 2019 that no changes are to be made to the Council Tax Reduction Scheme (CTRS) for 2019/20 and that the Council should continue to pass on the government cuts in funding to working age claimants. Members agreed that the fixed percentage reduction in liability for the working age claimants of the scheme should remain at 25% for 2019/20. This means that everyone of working-age has to continue to pay a minimum of 25% of their council tax liability.

Council Tax Levels

- 8.81 In the 2019/20 Local Government Finance Settlement, the Government announced the continuation, in 2019/20, of the increase of 1% to the limit by which Councils can increase their Council Tax (inclusive of levies) without a referendum (i.e. 2.99%). In addition, there is also the opportunity to increase Council Tax by up to a further 2% in Lewisham, for the Social Care Precept in 2019/20. The government's assumptions in the local government finance settlement 2019/20 include the raising of both Council Tax and the Social Care precept in each and every year to meet the recognised funding pressures faced by the sector.
- 8.82 In 2019/20, the recommendation is that the Council approve a 2% Social Care precept which will provide additional funding of £2.1m, ring fenced for Adult Social Care spend. If implemented this charge has to be identified on the face of the Council Tax bill and made clear in the accompanying guidance for rate payers.
- 8.83 At the same time an increase in core Council Tax of 2.99% (i.e. within the limit of the 3% referendum threshold) would provide additional funding of approximately £3.2m.
- 8.84 In considering savings proposals and the level of Council Tax, Members make political judgements, balancing these with their specific legal responsibilities to set a balanced budget for 2019/20 and their general responsibilities to steward the Council's finances over the medium term.
- 8.85 In 2018/19, the Band D Council Tax in Lewisham is £1,498.10 on a base of 86,456.6 Band D equivalent properties. Of this, £294.23 relates to the activities of the GLA which the Council pays over to them on collection, Lewisham's element is £1,203.87.
- 8.86 The GLA is consulting on a precept of £320.51 (Band D equivalent) for 2019/20, an increase of £26.28, or approximately 8.9% and a final decision is expected from them on or after the 25 February 2019. Of this increase, £24 will be applied for policing and the balance to fund the London Fire Brigade.
- 8.87 For 2019/20, the Band D Council Tax in Lewisham is recommended to be £1,584.45 on a base of 88,405.1 Band D equivalent properties (the base was approved at Council on the 23 January). Of this, £320.51 relates to the activities of the GLA which the Council will pay over to them on collection. Lewisham's element will therefore be £1,263.94, which includes a 2019/20 increase of £60.07 (4.99%).

- 8.88 Table D5 below shows, for illustrative purposes, the Council Tax payable by a Lewisham resident in a Band D property in 2019/20 under a range of possible Council Tax increases, and the financial implications of this for the Council. A full Council Tax Ready Reckoner is attached at Appendix Y3.
- 8.89 The starting point is for an assumed 4.99% increase in Lewisham's Council Tax for 2019/20, which includes the maximum core increase permissible without a referendum. Any reduction from this level of increase will reduce the level of income the Council collects and will increase the draw on reserves for 2019/20 and the savings gap in future years.

Table D5 – Band D Council Tax Levels for 2019/20

Amounts payable by residents - Band D					
Change in Lewisham Council Tax	Lewisham element	GLA element	Total Council Tax	Increase in overall Council Tax	Lewisham Annual income forgone
	£	£	£	%	£m
4.99% increase	1,263.94	320.51	1,584.45	5.76	0
3.99% increase	1,251.90	320.51	1,572.41	4.96	-1.06
3.50% increase	1,246.01	320.51	1,566.52	4.57	-1.59
3.00% increase	1,239.99	320.51	1,560.50	4.17	-2.12
2.50% increase	1,233.97	320.51	1,554.48	3.76	-2.65
2.00% increase	1,227.95	320.51	1,548.46	3.36	-3.18
1.50% increase	1,221.93	320.51	1,542.44	2.96	-3.71
1.00% increase	1,215.91	320.51	1,536.42	2.56	-4.25
0.50% increase	1,209.89	320.51	1,530.40	2.16	-4.78
Council Tax Freeze	1,203.87	320.51	1,524.38	1.75	-5.31

- 8.90 In January 2019 at the Council meeting, Council set the Council Tax base for 2019/20 and agreed the maximum incentives available to bring properties back into use, charge for second homes, and complete works in the shortest possible time. Council also agreed to continue the Council Tax exemption for Care Leavers up to the age of 25 in the Borough.

Overall Budget Position for 2019/20

- 8.91 For 2019/20, the overall budget position for the Council is an assumed General Fund Budget Requirement of £243.012m, as set out in Table D6 below:

Table D6 - Overall Budget Position for 2019/20

Detail	Expenditure/ (Income) £m	Expenditure/ (Income) £m
Settlement Funding Assessment (SFA) for 2019/20	(121.175)	
Council Tax 2019/20 at 4.99% increase	(111.739)	
Surplus on Collection Fund	(1.698)	

Detail	Expenditure/ (Income) £m	Expenditure/ (Income) £m
Business Rates Levy Surplus	(1.400)	
Business Rates S31 and Growth	(7.000)	
Assumed Budget Requirement for 2019/20		(243.012)
Total Resources available for 2019/20		
Base Budget for 2018/19	241.281	
Plus: Reversal of reserves drawn in 18/19 (once off)	8.570	
Plus: Additional Pay inflation	3.300	
Plus: Non-pay Inflation	2.463	
Plus: Single Persons Discount work	0.500	
Plus: Budget pressures to be funded from 19/20 fund	6.500	
Plus: Adult Social Care Precept	2.129	
Less: Reduction in Bad Debt Provision	(5.000)	
Less: November approved savings for 2019/20	(9.270)	
Less: Use of New Homes Bonus reserve	(5.000)	
Less: Once-off use of reserves	(2.461)	
Total		243.012

- 8.92 The statutory calculation for the 2019/20 budget requirement is attached to this report at Appendix Y5.

Use of Provisions and Reserves

2019/20

- 8.93 Should all the above proposals be agreed, then this would leave a remaining gap of some £7.461m to be funded by the once off use of NHB and general reserves. This is set out in the Table C4 above.
- 8.94 If the need should arise to balance the budget for any in-year pressures using reserves, the Executive Director for Resources & Regeneration advises that on going measures should be identified to rectify this position as quickly as possible and in any event, by the following year. The use of once off resources is therefore just delaying the need to make an equivalent level of saving in the following year.

Invest to Save

- 8.95 The Council agreed £5m for further transformation work in 2018/19, following on from the investment for the previous programme in 2016/17; directed to Digital Transformation, Oracle Cloud, and improvements to Laurence House. As reported in the financial monitoring, not all of this additional investment has been committed as a number of projects were paused with concerns about governance and progress. This also provided the opportunity to re-evaluate the expected benefits and their alignment to the Council's operational needs and new Members priorities.
- 8.96 Looking forward to the challenges the Council continues to face as it cuts, restructures and reshapes services to the needs of the community, it is expected that the need for some services to need to continue to 'invest to save and improve' will remain. An assumption is therefore made in the reserves assessment below for £3m to be

committed in 2019/20. Before being released any drawdown to fund this work will be the subject of a business case report to Mayor and Cabinet to agree the programme governance, objectives, budget and expected benefits and timeframes.

Reserves

- 8.97 One of the challenges going into 2018/19 was the significant overspend position from 2017/18, in particular for the rising spend on Children Social Care. This has put a strain on reserves. Work has been ongoing through the year to learn lessons from this, one of which has been to present more on the Council's reserves. It is also proposed, as discussed in the pressures section above, to agree the use of some reserves at the start of the financial year to underpin selected service budgets, pending actions being taken to bring these budgets back in line on an ongoing basis.
- 8.98 From the opening position for 2018/19, against the Council's balances of £160.1m of earmarked revenue reserves, the following drawdowns from reserves are expected;
- 2018/19 - £20.3m
 - £3.6m 2017/18 cuts not achieved (not funded from NHB)
 - £10.4m service overspend
 - £4.3m in year funding for Children Social Care
 - £2.0m spend on transformation projects
 - 2019/20 – 15.9m
 - £2.5m 2018/19 cuts not achieved (not funded from NHB)
 - £6.4m Children Social Care and Corporate services – planned forward funding from once off resources, pending further work to reduce costs
 - £4.0m other services pending further work to reduce costs – possible overspends
 - £3.0m expected call for investment to support change
- 8.86 In addition to the above, as part of the accounts closing process, the ability for the Council to replenish reserves for ongoing work planned for over more than one year and the impact of any risks will be reviewed and assessed and reported on. These risks include:
- Agreed cuts are delayed or not delivered;
 - Service pressures cause overspends;
 - Transformation and change projects overrun;
 - Capital programme overruns hit revenue;
 - Service disruption costs arising from the UK leaving the EU; and
 - Further cuts are not identified, putting strain on future budgets.
- 8.87 Further discussion of the use of reserves and planning for future budgets will be reviewed and brought back for Member consideration as part of the next Medium Term Financial Strategy update.

9. OTHER GRANTS AND FUTURE YEARS' BUDGET STRATEGY

- 9.1 This section of the report considers the other funding streams which the Council currently receives and implications for future years. These other funding streams are

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

- Better Care Fund 2019/20;
- Public Health Grant 2019/20;
- Social Care Grant;
- Adult Social Care Precept;
- Levies;
- Levy Account Adjustment;
- London Business Rates Pilot Pool; and
- Future Years' Budget Strategy 2020/21 onwards.

Better Care Fund

- 9.2 The national Better Care Fund (BCF) was announced by the Government in the June 2013 Spending Round, to support transformation and integration of health and social care services to ensure local people receive better care. The BCF is a pooled budget paid to the National Health Service (NHS) that shifts resources into social care and community services for the benefit of the NHS and local government. The BCF does not represent an increase in funding but rather a realignment of existing funding streams with new conditions attached.
- 9.3 For Lewisham the value in 2018/19 is £22.156m and the allocation for 2019/20 is expected to be similar. The local plan must be agreed with the CCG and will require the approval of NHS England.
- 9.4 The Fund must be used in accordance with the final approved plan and through a section 75 pooled fund agreement. The full value of the element of the Fund linked to non-elective admissions reduction target is to be paid over to Lewisham Clinical Commissioning Group (CCG) at the start of the financial year. However, the CCG may only release the full value of this funding into the pool if the proposed admissions reduction target is met. If the target is not met, the CCG may only release into the pool a part of that funding proportionate to the partial achievement of the target. Any part of this funding that is not released into the pool due to the target not being met must be dealt with in accordance with NHS England requirements. The partners have agreed contingency arrangements to address this risk and they will continue into 2019/20.
- 9.5 In 2017/18 the government also introduced the improved Better Care Fund (iBCF) to work alongside the BCF which is described above. The iBCF in 2018/19 was £10.470m. In 2019/20 the iBCF increases to £13.1m. This is intended to fund adult social care activity. Plans for its use, which have not yet been finalised, will also require the agreement of local CCG. The grant is likely to be spent in substantially the same way as in 2018/19 with the increase being used to fund the balance in fee increases plus transition and other demographic pressures.
- 9.6 Two other grants were paid in 2018/19 to support adult social care: Adult Social Care Support Grant (£0.855m) and Winter pressures (£1.4m). Winter Pressures funding will be paid again in 2019/20, at the same level as this year, and as in 2018/19 will be used to meet the extra costs incurred over the winter period from higher levels of hospital discharges as well as preventative work to reduce the need for hospital admissions. There will also be a Social Care Support Grant of £2.3m. This can be used to fund either adult or children's social care. Plans for the use of this have not yet been developed.

Public Health Grant

- 9.7 In 2018/19, the Council's allocation for Public Health Grant is £24.325m. National reductions of 2.6% annually have been announced for the next two financial years and the expected 2019/20 Lewisham allocation is £23.863m.
- 9.8 The grant remains ring-fenced and the agreed commitment of these funds will therefore need to be reviewed annually and rebalanced to ensure the reductions are met and funds are directed to those services and activities with the greatest public health benefit. Proposals have been developed and presented to Mayor and Cabinet, which will achieve the necessary reductions in spend for 2019/20.

Social Care Grant

- 9.9 The Autumn Budget committed £650 million more for social care for 2019 to 2020. This includes £240 million towards easing winter care pressures on adult social care (as explained in 9.6 above), with local authorities able to use the remaining £410 million on adults or children's social care. Lewisham's share of this £140m is £2.3m in 2019/20. This will be allocated to Children's Social Care to ease the pressure on the Placements budget during the year.

Adult Social Care Precept

- 9.10 The 2% precept for adult social care (£2.2m in 2019/20) will be used to address the increase in fees paid to providers of care. Fees are expected to increase above the general rate of inflation and in line with LLW/NLW rates. An indicative increase of 3.5% would represent a cost pressure of over £2.7m.

Levies

- 9.11 The Council is required to levy monies totalling in the region of £1.7m for other bodies, in addition to the Council Tax collected on behalf of the GLA (see Collection Fund). These bodies are the London Pension Fund Agency, Lee Valley Regional Park, and Environment Agency. At present the final amounts for 2019/20 have yet to be confirmed and it is therefore assumed these will stay at or close to their 2018/19 levels which are set out in Appendix Y4. Any variations by these bodies will be absorbed in the corporate provisions and corrected for the following year.

Levy Account Adjustment

- 9.12 In the 2019/20 provisional settlement, the Government announced a £180m surplus on the Business Rates Levy Account in 2018-19 (based on 2017-18 outturns). This is the account that collects all the levy payments from authorities and from which any safety net payments are made to those authorities who are below their safety net threshold. In previous years this account has been in deficit and has been funded via a top-slice from SFA. The £180m surplus has been distributed pro rata to 2013-14 Settlement Funding Assessment (SFA). Lewisham's share of this will be £1.4m.

London Business Rates Pilot Pool

- 9.13 The Secretary of State announced the continuation of the London Pilot Pool, albeit at a reduced rate of 75%. This means that in 2019/20, the London Pool will get to keep 75% of Business Rates collected (67% in 2017/18 and 100% in 2018/19).
- 9.14 This means the tier split between the boroughs, the GLA and the MHCLG will be scaled back pro-rata, and will be 48%, 27%, and 25% respectively.

Future Years' Budget Strategy 2020/21 onwards

Revenue Budget

- 9.15 Local government continues to face an extremely challenging financial outlook following a prolonged period of austerity and disproportionate growth in demand for services and is currently undergoing a period of significant change that brings with it growing uncertainty.
- 9.16 2019/20 is final year of the four year Spending Review period. Beyond 2019/20, the outlook for funding remains particularly uncertain due to a number of factors including: the wider performance of the economy as the UK leaves the EU; the outcome of the Spending Review (due in 2019); the conclusion of the Fair Funding Review – that will update the overall formula for distributing funding to local government; and the reset of the business rates retention system as part of the implementation of 75 per cent retention from April 2020.
- 9.17 Alongside the provisional settlement the Government issued two consultations which will both close late February 2019:
- A review of local authorities relative needs and resources - This consultation seeks views on the approach to measuring the relative needs and resources of local authorities, which will determine new baseline funding allocations for all local authorities in England in 2020-21.
 - Business Rates Retention Reform – This consultation seeks views on proposals for sharing risk and reward, managing volatility in income and setting up the reformed business rates retention system.
- 9.18 It is expected that the outcome of these consultations will contribute to shaping the future of Local Government Finance. It is also expected that further information on the 2020/21 provisional funding will be issued sometime between September and October 2019 to allow the Government to get feedback from authorities before the Provisional Settlement announcement is made in December 2019.
- 9.19 The Medium Term Financial Strategy was reported to Mayor & Cabinet in July 2018. This set out that an estimated £53m of cuts required from 2019/20 to 2022/23. This position has been superseded by the cuts proposals submitted to Mayor and Cabinet in November 2018, the provisional local government finance settlement announced in December 2018 and annual review of the statutory calculation for the Collection Fund.
- 9.20 The revised profile for cuts required is now broadly;
- £9.270 to be implemented in 2019/20;

- £7.461m gap remaining for 2019/20 to be met from New Homes Bonus and general reserves;
- £8.934m cuts pre-approved for 2020/21

9.21 If the budget for 2019/20, as set out in this report is agreed, the expected additional cuts required are circa £11.8m by 2020/21, (after applying the previously approved cuts of £8.9m).

9.22 In 2019/20, officers will update the MTFs and look to extend the planning horizon to 2023/24 to include the impact of moving to the 75% retention of business rates. However, this remains difficult pending the detail of the fair funding review and the government's CSR beyond 2019/20 as stated above.

10. TREASURY MANAGEMENT STRATEGY

Background

- 10.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the Treasury Management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 10.2 The second main function of the Treasury Management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 10.3 The contribution the Treasury Management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either for day-to-day revenue purposes or for larger capital projects. Treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 10.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, arising usually from capital expenditure, and are separate from the day to day Treasury Management activities.

Treasury Management Strategy for 2019/20

- 10.5 The Strategy for 2019/20 covers three main areas:
- i/ Capital Issues:
- Capital Investment Plans

- Prudential Indicators
- Minimum Revenue Provision (MRP) Policy

- ii/ Treasury Management Issues:
- Borrowing Strategy & Treasury Indicators
 - Debt Rescheduling
 - Investment Strategy
 - Credit Worthiness Policy
 - Prospects for Investment Returns

- iii/ Non-Treasury Investments

10.6 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Ministry of Housing, Community and Local Government's (MHCLG) guidance on Minimum Revenue Provision (MRP) and Investments, and the CIPFA Treasury Management Code.

Capital Investment Plans

10.7 The Treasury Management Strategy for 2019/20 incorporates the capital plans of the Council, as set out in section 5 of the 2019/20 Budget Report, which are a key driver of Treasury Management activity.

10.8 The Treasury Management function ensures that the Council's cash is organised in accordance with the relevant professional codes so that sufficient cash is available to meet this service activity and the Council's Capital Strategy. This involves both the organisation of the cash flow and, where capital plans require, the arrangement of appropriate borrowing facilities.

Capital Strategy

10.9 The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019/20, all local authorities to an additional report, a Capital Strategy, which will provide the following:

- A high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- An overview of how the associated risk is managed;
- The implications for future financial sustainability

10.10 The aim of this report is to ensure that all elected Members on full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

10.11 The Capital Strategy is reported separately from the Treasury Management Strategy; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The Capital Strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;

- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

10.12 The first version of the report was appended to the 2018/19 Medium Term Financial Strategy for Member scrutiny, and the latest version is included in the 2019/20 Budget Report for full Council approval at Appendix Z5.

Prudential Indicators

10.13 The Council's forward projections for borrowing as at 31 March 2019 are summarised below. Table E1 shows the actual external debt from Treasury Management operations against the underlying capital borrowing need (the Capital Financing Requirement - CFR) which is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness, and its underlying borrowing need.

10.14 The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

10.15 The CFR includes any other long-term liabilities (e.g. PFI liabilities). Whilst these increase the CFR and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI or PPP provider and so the Council is not required to separately borrow for these schemes.

10.16 Changes in external debt represent upcoming loan maturities, projected prudential borrowing requirements, and from 2019/20 onwards an element of general fund borrowing to support the planned costs of new affordable housing.

10.17 The table below table illustrates over/(under) borrowing relative to the CFR.

Table E1: External Debt Projections

	2017/18 Actual £m	2018/19 Expected £m	2019/20 Forecast £m	2020/21 Forecast £m	2021/22 Forecast £m
External Debt at 1 April	190.9	219.4	217.2	251.5	279.2
Expected Change in External Debt	28.5	(2.2)	34.3	27.7	39.6
Other Long-Term Liabilities	236.1	232.9	247.4	243.2	239.2
Gross Debt at 31 March	455.5	450.1	498.9	522.4	558.0
Capital Financing Requirement at 31 March*	487.9	487.3	525.4	555.8	610.5
Borrowing – over / (under)	(32.4)	(37.2)	(26.5)	(33.4)	(52.5)

*The Capital Financing Requirement includes the prudential borrowing figures shown in Table A2 of Section 5 - Capital Programme in the 2019/20 Budget Report.

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

Limits to Borrowing Activity

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

The Operational Boundary for External Debt

- 10.21 This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources. The Council's operational boundary is set out in Table E2.

Table E2: Operational Boundary

	2018/19 Expected £m	2019/20 Forecast £m	2020/21 Forecast £m	2021/22 Forecast £m
Maximum External Debt at 31 March	217.2	251.5	279.2	318.8
Other Long-Term Liabilities	232.9	247.4	243.2	239.2
Operational Boundary for Year	450.1	498.9	522.4	558.0

The Authorised Limit for External Debt

- 10.22 This key indicator represents a control on the maximum level of borrowing, and provides a limit beyond which external debt is prohibited. It reflects the level of external debt which, while not desired, could be afforded in the short term but is not sustainable in the longer term.
- 10.23 This is a statutory limit determined under Section 3(1) of the Local Government Act 2003, and needs to be set and revised by full Council. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised.
- 10.24 The authorised limits are as set out in Table E3.

Table E3: Authorised Limits for External Debt

	2018/19 Expected £m	2019/20 Forecast £m	2020/21 Forecast £m	2021/22 Forecast £m
Operational Boundary for Year	450.1	498.9	522.4	558.0
Provision for Non Receipt of Expected Income	56.0	56.0	56.0	56.0
Authorised Limit for Year	506.1	554.9	578.4	614.0

10.25 The Council in previous years has been limited to a maximum HRA CFR through the HRA self-financing regime. In October 2018, the Government announced a policy change in the abolition of the HRA debt cap as at 29 October 2018. As a result, the HRA is now free to borrow (under Prudential rules) what it requires in order to deliver its strategic priorities. Table E4 sets out the latest forecasts of the HRA CFR and predicted future borrowing.

Table E4: HRA CFR

	2018/19 Expected £m	2019/20 Forecast £m	2020/21 Forecast £m	2021/22 Forecast £m
HRA Borrowing	0.0	0.0	18.9	25.0
HRA Debt (CFR) at 31 March	57.5	57.5	76.4	101.4

Minimum Revenue Provision (MRP) Policy Statement

10.26 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision – VRP). The MRP must be determined by the Council as being a prudent provision having regard to the CIPFA Prudential Code for Capital Finance.

10.27 The MRP is the amount the Council charges to the revenue account and does not correspond to the actual amount of debt repaid, which is determined by Treasury related issues. Historically the Council has applied a consistent MRP policy which comprises prudential borrowing being repaid over the useful life of the asset concerned and previous borrowing being repaid at the rate of 4% (equivalent to 25 years) of the outstanding balance.

10.28 In 2016/17, this policy was changed to reflect the useful lives of the specific asset classes on the Council's balance sheet. It moved to:

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

- A straight line MRP of 2.5% equivalent to forty years for property (such as land and buildings).

10.29 In 2017/18 a third element was added to the Council's MRP policy, whereby no MRP need be charged on capital expenditure where the Council has assessed that sufficient collateral is held at a current valuation to meet the outstanding CFR liability, and that should it be determined at any point that insufficient collateral is held to match the Council's CFR liability a prudent MRP charge will commence.

Borrowing Strategy

10.30 The Council's external debt as at 31 March 2019, gross borrowing plus long term liabilities, is expected to be £450.1m. The Council's borrowing strategy is consistent with last year's strategy. The Council is currently maintaining an under-borrowed position in that the CFR is not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow has been used as an alternative funding measure. In the current economic climate, this strategy is considered prudent while investment returns are low and counterparty risk remains an issue to be considered.

10.31 The Head of Corporate Resources will continue to monitor interest rates in the financial markets and adopt a pragmatic and cautious approach to changing circumstances. For instance, if it was felt that there was a significant risk of a sharp fall in long and short term rates (e.g. due to a marked increase of risks around a relapse into recession or risks of deflation in the economy), then long term borrowings will be postponed and potential rescheduling from fixed rate funding into short-term borrowing considered. Any such decisions would be reported to Mayor & Cabinet and subsequently Council, at the next available opportunity.

10.32 Alternatively, if it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast (perhaps arising from an acceleration in the start date and rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks) then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than projected in future years. Once again, any such decisions would be reported to Mayor & Cabinet and subsequently Council, at the next available opportunity.

Policy on Borrowing in Advance of Need

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

Treasury Indicators

10.34 There are three debt related Treasury activity limits. The purpose of these are to restrain the activity of the Treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. These limits need to be balanced against the requirement for the Treasury function to retain some flexibility to enable it to respond quickly to opportunities to reduce costs and improve performance.

10.35 The debt related indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

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

Table E5: Treasury Indicators and Limits

Limits on interest rate exposures	2019/20	2020/21	2021/22
	Upper	Upper	Upper
Limits on fixed interest rates:			
• Debt only	100%	100%	100%
• Investments only:			
When total portfolio >£400m	90%	90%	90%
When total portfolio <£400m	85%	85%	85%
Limits on variable interest rates			
• Debt only	15%	15%	15%
• Investments only	75%	75%	75%
Limits on maturity structure of fixed interest rate borrowing 2019/20			
	Lower	Upper	
Under 12 months	0%	10%	
12 months to 2 years	0%	10%	
2 years to 5 years	0%	10%	
5 years to 10 years	0%	25%	
10 years to 20 years	0%	20%	
20 years to 30 years	0%	25%	
30 years to 40 years	0%	50%	
40 years to 50 years	0%	60%	
Limits on Maturity structure of variable interest rate borrowing 2019/20			
	Lower	Upper	
30 years to 40 years	0%	60%	
40 years to 50 years	0%	40%	

Long Term Investments Indicator

10.37 This indicator sets a limit on the total principal funds invested for greater than 365 days. This limit is set with regard to the Council's liquidity requirements and to manage the

risks associated with the possibility of loss which may arise as a result of having to seek early repayment, or redemption of, principal sums invested.

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

Table E6: Treasury Indicators and Limits

Maximum Principal Sums Invested > 365 days			
£m	2019/20	2021/22	2022/23
Principal sums invested > 365 days	50.0	50.0	50.0

Debt Rescheduling

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

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

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

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

10.42 The Council has £121m of LOBO loans as of 31 March 2019 of which £25m will be in their call period in 2019/20. In the event that the lender exercises the option to change the rate or terms of the loans within their call period, the Council will consider the terms being provided and also the option of repayment of the loan without penalty.

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

ANNUAL INVESTMENT STRATEGY

Investment Policy – Management of Risk

10.44 The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial instruments (as managed by the Strategic Finance – Treasury team); non-financial investments, essentially the purchase of income yielding assets, are covered in the separate Capital Strategy.

10.45 The Council’s investment policy has regard to MHCLG’s Guidance on Local Government Investments (“the Guidance”), the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (“the CIPFA TM

Code”), and CIPFA’s Treasury Management Guidance Notes 2018. The Council’s investment priorities will be security first, liquidity second, then return.

- 10.46 The Council uses Link Asset Services, Treasury solutions as its external Treasury Management advisor. The Council recognises that responsibility for Treasury Management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to all available information including, but not solely, our treasury advisors. It also recognises that there is value in employing external providers of Treasury Management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.
- 10.47 The Guidance and Code place a high priority on the management of risk. The Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:
1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long term ratings.
 2. **Other information**; ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end, the Council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings, as well as information on outlooks and watches. This is fully integrated into the credit methodology provided by the advisors in producing its colour codings which show the varying degrees of suggested institution creditworthiness. This has been set out in more detail at Appendix Z2.
 3. **Other information sources** used will include the financial press, share prices and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
 4. The Council has defined the list of **types of investment instruments** that the Treasury team are authorised to use in the financial year, and these are listed in Appendix Z2 under the categories of “specified” and “non-specified” investments
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
 - **Non-specified investment** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by Members and officers before being authorised for use.

5. **Lending limits** (amounts and maturity) for each counterparty will be set through applying the credit criteria provided by the advisors, and are set out in Appendix Z2.
6. **Interest rate limits** are set out in paragraph 10.36 and place restrictions on the exposure to variable and fixed rate investments.
7. The Council has placed a limit on the amount of its investments which are invested for **longer than 365 days** (see paragraph 10.38).
8. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see paragraph 10.52).
9. All investments will be denominated in **sterling**.
10. As a result of the change in accounting standards for 2018/19 under IFRS 9, the Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant changes at the end of the year to the General Fund. In November 2018, MHCLG concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years from 1 April 2018. The Council does not at present have any pooled investments, although is seeking advice on the initial steps required to make such investments.

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

10.49 Investment returns are likely to remain low during 2019/20 but will be on a gently rising trend over the next few years. In light of these predictions for low returns the Council continues to assess, with support from its advisors, the potential risk and return offered by investing for longer (five or more years) in pooled asset funds. This policy is set with regard to the Council's liquidity requirements and to reduce the risk of a forced sub-optimal early sale of an investment; any investments entered into will be on the advice of the Council's advisors and will continue to meet the objectives of security, liquidity and return.

Credit Worthiness Policy

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

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;

- sovereign ratings to select counterparties from only the most creditworthy countries.

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

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

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

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

Country limits

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

Prospects for Investment Returns

10.53 Link Asset Services assist the Council to formulate a view on interest rates. On the assumption that the UK and EU agree a Brexit deal in Spring 2019, the Bank Rate is forecast to stay flat at 0.75% until quarter 2 2019 when it is expected to rise to 1.00%, and will increase again to 1.25% by the end of financial year 2019/20. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%

10.54 The suggested budgeted investment earnings rates for returns on investments placed for periods up to three months during each financial year are as follows (on the assumption that the UK and EU agree a Brexit deal in Spring 2019):

- 2018/19 0.75%

- 2019/20 1.00%
- 2020/21 1.50%
- 2021/22 1.75%
- 2022/23 1.75%
- 2023/24 2.00%
- Later years 2.50%

10.55 The overall balance of risks to economic growth in the UK is probably neutral. The balance of risks to increases in the Bank Rate is also probably even, and is dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and the result of the Brexit negotiations.

10.56 A more extensive table of interest rate forecasts for 2019/20 onwards, including Public Works Loan Board (PWLB) borrowing rate forecasts, is set out in Appendix Z1.

Non-Treasury Investments

10.57 The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such investments tend to be either:

- Policy type investments; whereby capital or revenue cash is advanced for a specific Council objective and will be approved directly through Committee. This may be an advance to a third party for economic regeneration, investments in subsidiaries and joint ventures, etc.
- Commercial type investments; whereby the objective is primarily to generate capital or revenue resources to help facilitate Council services.

10.58 The Council's risk appetite for these investments is generally reviewed on a case-by-case basis depending on the scale and nature, and strategic fit, of the proposed investment. Where such non-treasury investments exist, they will be identified and summarised at high level within this strategy. The detail and rationale for non-treasury investments will be covered in the separate Capital Strategy.

Subsidiary Companies

10.59 The Council has two wholly owned subsidiary companies, Lewisham Homes Limited and Catford Regeneration Partnership Limited (CRPL). It has invested in these subsidiaries as summarised below.

Lewisham Homes Limited

10.60 Lewisham Homes is an arms-length management organisation (ALMO) set up in 2007 as part of the Council's initiative to deliver better housing services and achieve the Decent Homes Standard. The company manages approximately 18,000 homes.

10.61 The Council has to date agreed two separate loan facilities with Lewisham Homes, the first on proxy commercial terms financed from internal borrowing and the second on cost-neutral terms financed through the PWLB. Both loans allow Lewisham Homes to purchase properties to address temporary accommodation needs in the borough, and will be repaid on set maturity dates.

- 10.62 Agreement of the property acquisition programme and relevant loan agreements was obtained from Mayor and Cabinet. State Aid issues and other risks and mitigations were considered in the approval of the loan facilities, including for the second loan the requirement for collateral against the loan in order to obtain MRP exemption.
- 10.63 As at 31 March 2019 the Council expects to have advanced £14m of the available £20m commercial loan facility, and all £20m of the agreed facility financed from PWLB debt.

Catford Regeneration Partnership Limited (CRPL)

- 10.64 The CRPL is a property investment company created in January 2010 which owns the Catford Shopping Centre and several neighbouring properties used to generate income whilst driving forward a regeneration programme for the town centre and surrounding area.
- 10.65 The Council has existing loan agreements in place with the CRPL, currently on an interest plus principal repayment basis. As at 31 March 2019 the Council expects the outstanding loan principal to be approximately £13.2m.
- 10.66 The state aid compliant loans were advanced as part of the company's initial establishment and to finance new acquisitions as the company grew, approved through reports presented to Mayor & Cabinet.

Other Non-Treasury Investments

- 10.67 In 2017/18 the Council provided a loan of £700,000 to Wide Horizons, an adventure learning charity providing outdoor adventure experiences and outreach services across several London boroughs including Lewisham. An equal and corresponding loan was also advanced by the London Borough of Greenwich, providing Wide Horizons with £1.4m to repay an existing social investment business loan ahead of time.
- 10.68 The appropriate approval was sought from Mayor and Cabinet to proceed with the loan, with authority to finalise the loan terms delegated to the Executive Director for Resources and Regeneration. An appropriate financial review of Wide Horizons was undertaken, highlighting possible risks from insufficient cash flows or income generation to meet loan repayments, although mitigating circumstances were outlined accordingly.
- 10.69 In July 2018 Wide Horizons ceased trading, unable to obtain additional loan financing to meet its financial obligations. The Council has not received any repayments against the £700,000 advanced to the charity in 2017/18.
- 10.70 The loss to the Council will be recognised in the 2018/19 financial statements.
- 10.71 The Council also holds minority stakes in the following:
- 10% in Lewisham Schools for the Future LEP Limited, a Local Education Partnership established under the Council's Building Schools for the Future (BSF) programme to rebuild and refurbish secondary schools within the borough.
 - Less than 1% in South-East London Combined Heat and Power Ltd (SELCHP), a joint venture with the London Borough of Greenwich for the provision of waste

disposal and waste to energy processes.

- A minority share in Newable Ltd (formerly Greater London Enterprise Ltd) which provides property management and consultancy services.

11 CONSULTATION ON THE BUDGET

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

Rent Setting and Housing Panel

- 11.2 As in previous years, tenants' consultation was undertaken via Housing Panel meetings. This provided tenant representatives of Lewisham Homes with an opportunity on 13 December 2018 at the joint Housing Panel meeting to consider the positions and to feedback any views to Mayor & Cabinet. Tenant representatives of Brockley convened their Brockley Residents' Board on 27 November 2018 to hear the proposals and feedback.
- 11.3 Details of comments from the residents' meetings have been set out in Appendix X2 and X3.

Business Ratepayers

- 11.4 Representatives of business ratepayers are being consulted online on Council's outline budget between 14 January and 1 February 2019. The results of this consultation will be made available in the Budget Report Update presented to Mayor and Cabinet on 13 February 2019.

12. FINANCIAL IMPLICATIONS

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

13. LEGAL IMPLICATIONS

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

Capital Programme

- 13.2 Generally, only expenditure relating to tangible assets (e.g. roads, buildings or other structures, plant, machinery, apparatus and vehicles) can be regarded as capital expenditure. (Section 16 Local Government Act 2003 and regulations made under it).
- 13.3 The Local Government Act 2003 introduced a prudential system of financial control, replacing a system of credit approvals with a system whereby local authorities are free to borrow or invest so long as their capital spending plans are affordable, prudent, and sustainable. Authorities are required to determine and keep under review how much they can afford to borrow having regard to CIPFA's Prudential Code of Capital Finance in Local Authorities. The Code requires that in making borrowing and investment

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

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

Housing Revenue Account

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

Balanced Budget

- 13.11 Members have a duty to ensure that the Council acts lawfully. It must set and maintain a balanced budget each year. The Council must take steps to deal with any projected overspends and identify savings or other measures to bring the budget under control. If

the Capital Programme is overspending, this may be brought back into line through savings, slippage, or contributions from revenue. The proposals in this report are designed to produce a balanced budget in 2019/20.

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

An annual budget

- 13.13 By law, the setting of the Council's budget is an annual process. However, to enable meaningful planning, a number of savings proposals for 2019/20 were anticipated in the course of the budget process. They were the subject of full report at that time and they are now listed in Appendix Y1 and Appendix Y2. Members are asked now to approve and endorse those reductions for this year. This report is predicated on taking all of the agreed and proposed savings. If not, any shortfall will have to be met through adjustments to the annual budget in this report.
- 13.14 The body of the report refers to the various consultation exercises (for example with tenants' and business) which the Council has carried out/is carrying out in accordance with statutory requirements relating to this budget process. The Mayor must consider the outcome of that consultation with an open mind before reaching a decision about his final proposals to Council. It is noted that the outcome of consultation with business rate payers will only be available from the 2 February 2019 and any decisions about the Mayor's proposals on the budget are subject to consideration of that consultation response which will be reported to M&C in the budget update report scheduled for the 13 February. Until the outcome of the consultation and any relevant matters are considered by M&C the decisions sought in this report cannot be final.

Referendum

- 13.15 Sections 72 of the Localism Act 2011 and Schedules 5 to 7 amended the provisions governing the calculation of Council Tax. They provide that if a Council seeks to impose a Council Tax increase in excess of limits fixed by the Secretary of State, then a Council Tax referendum must be held, the results of which are binding. The Council may not implement an increase which exceeds the Secretary of State's limits without holding the referendum. Were the Council to seek to exceed the threshold, substitute calculations which do not exceed the threshold would also have to be drawn up. These would apply in the event that the result of the referendum is not to approve the "excessive" rise in Council Tax. Attention is drawn to the statement of the Secretary of State that the Council may impose a precept of 2% on the Council Tax, ring-fenced for social care provision, and may impose an additional increase of less than 3% without the need for a referendum. The maximum proposed Council Tax increase is 4.99% and therefore below the combined limit.
- 13.16 In relation to each year the Council, as billing authority, must calculate the Council Tax requirement and basic amount of tax as set out in Section 31A and 31B of the Local Government Finance Act 1992. These statutory calculations appear Appendix Y5.

Robustness of estimates and adequacy of reserves

- 13.17 Section 25 of the Local Government Act 2003 requires, when the authority is making its calculations under s31 of the Local Government Finance Act 1992, the Chief Finance Officer to report to it on:-
- (a) the robustness of the estimates made for the purposes of the Calculations; and
 - (b) the adequacy of the proposed financial reserves.
- 13.18 The Chief Financial Officer's section 25 statement will be appended to the Budget Report update to Mayor & Cabinet on 13 February 2019 when the M&C will be asked to agree their final recommendations to the Council in respect of the 2019/20 budget.

Treasury Strategy

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

Constitutional provisions

- 13.22 Legislation provides that it is the responsibility of the full Council to set the Council's budget. Once the budget has been set, save for those decisions which he is precluded from, it is for the Mayor to make decisions in accordance with the statutory policy framework and that are not wholly inconsistent with the budget. It is for the Mayor to have overall responsibility for preparing the draft budget for submission to the Council to consider. If the Council does not accept the Mayor's proposals it may object to them and ask him to reconsider. The Mayor must then reconsider and submit proposals (amended or unamended) back to the Council which may only overturn them by a two-thirds majority.
- 13.23 For these purposes the term "budget" means the "budget requirement (as provided for in the Local Government Finance Act 1992) all the components of the budgetary allocations to different services and projects, proposed taxation levels, contingency funds (reserves and balances) and any plan or strategy for the control of the local authority's borrowing or capital expenditure." (Chapter 2 statutory guidance).

13.24 Authorities are advised by the statutory guidance to adopt an inclusive approach to preparing the draft budget, to ensure that councillors in general have the opportunity to be involved in the process. However, it is clear that it is for the Mayor to take the lead in that process and proposals to be considered should come from him. The preparation of the proposals in this report has involved the Mayor and Cabinet, the Council's select committees and the Public Accounts Select Committee in particular, thereby complying with the statutory guidance.

Statutory duties and powers

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

Reasonableness and proper process

13.26 Decisions must be made reasonably taking into account all relevant considerations and ignoring irrelevancies. Members will see that in relation to the proposed savings there is a summary at Appendix Y2. If the Mayor decides that the budget for that service must be reduced, the Council's reorganisation procedure applies if staffing numbers would reduce. Staff consultation in accordance with that procedure will be conducted and in accordance with normal Council practice, the final decision would be made by the relevant Executive Director under delegated authority.

Staff consultation

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

Best Value

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

Integration with health

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

14 HUMAN RESOURCES IMPLICATIONS

- 14.1. There are no specific human resources implications arising from this report. Any such implications were considered as part of the revenue budget savings proposals presented to Mayor & Cabinet on 21 November 2018. A summary of the cuts proposals are attached at Appendix Y1 and Y2 to this report.

15. CRIME AND DISORDER

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

16. EQUALITIES

- 16.1. The Equality Act 2010 (the Act) introduced the public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 16.2. In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - advance equality of opportunity between people who share a protected characteristic and those who do not.
 - foster good relations between people who share a protected characteristic and those who do not.
- 16.3. The duty continues to be a “have regard duty”, and the weight to be attached to it is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations. Assessing the potential impact on equality of proposed changes to policies, procedures and practices is one of the key ways in which the Council can demonstrate that they have had ‘due regard’.
- 16.4. The Equality and Human Rights Commission issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with services and public functions. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at: <http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-act-codes-of-practice-and-technical-guidance/>
- 16.5. The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:

1. The essential guide to the public sector equality duty
2. Meeting the equality duty in policy and decision-making
3. Engagement and the equality duty
4. Equality objectives and the equality duty
5. Equality information and the equality duty

- 16.6. The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties, and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at: <http://www.equalityhumanrights.com/advice-and-guidance/public-sector-equality-duty/guidance-on-the-equality-duty/>
- 16.7. The EHRC has also issued Guidance entitled “Making Fair Financial Decisions”. It appears at Appendix Y6 and attention is drawn to its contents.
- 16.8. Assessing impact on equality is not an end to itself and it should be tailored to, and be proportionate to, the decision being made. Whether it is proportionate for the Council to conduct an Equalities Analysis Assessment of the impact on equality of a financial decision or not depends on its relevance to the Authority’s particular function and its likely impact on people from protected groups, including staff.
- 16.9. Where savings proposals are anticipated to have an impact on staffing levels, it will be subject to consultation as stipulated within the Council’s Employment/Change Management policies, and services will be required to undertake an Equalities Analysis Assessment (EAA) as part of their restructuring process.
- 16.10. It is also important to note that the Council is subject to the Human Rights Act, and should therefore, also consider the potential impact their particular decisions could have on human rights. Where particular savings have such implications, they are dealt with in relation to those particular reports.

17. ENVIRONMENTAL IMPLICATIONS

- 17.1. Section 40 of the Natural Environment and Rural Communities Act 2006 states that: ‘every public authority must, in exercising its functions, have regard, so far as is consistent with the proper exercise of those functions, to the purpose of conserving biodiversity’. No such implications have been identified in relation to the reductions proposals.
- 17.2. There are no specific environmental implications arising from this report.

18. CONCLUSION

- 18.1. This report sets out the information necessary for the Council to set the 2019/20 budget. Updates will be made to this report at Mayor & Cabinet on 13 February 2019. Final decisions will be taken at the meeting of full Council on 27 February 2019.

19. BACKGROUND DOCUMENTS AND FURTHER INFORMATION

Short Title of	Date	Location	Contact
Medium Term Financial Strategy	11 July 2018 (M&C)	5th Floor Laurence House	David Austin
Savings Proposals for 2019/20	21 November 2018	5th Floor Laurence House	David Austin
Setting the Council Tax Base & Discounts for Second Homes and Empty Properties	23 January 2019 (Council)	5th Floor Laurence House	David Austin

For further information on this report, please contact:

David Austin

Head of Corporate Resources and Acting Chief Finance Officer on 020 8314 9114

Shola Ojo

Principal Accountant, Strategic Finance on 020 8314 7778

20. APPENDICES

Capital Programme

W1 2018/19 to 2021/22 Capital Programme – Major Projects

W2 Proposed Capital Programme – Original to latest Budget

Housing Revenue Account

X1 Proposed Housing Revenue Account Savings 2019/20

X2 Leasehold and Tenants charges consultation 2019/20

X3 Leasehold and Tenants Charges 2019/20 Lewisham Homes

X4 Other Associated Housing Charges for 2019/20

X5 Garage Rent Increase Report 2019/20

X6 Tenants' rent consultation 2019/20

General Fund

Y1 Summary of previously agreed budget savings for 2019/20

Y2 Previously Presented Savings to be Re-presented for Approval

Y3 Ready Reckoner for Council Tax 2019/20

Y4 Chief Financial Officer's Section 25 Statement – *To follow M&C 13 February 2019*

Y5 Council Tax and Statutory Calculations

Treasury Management

Z1 Interest Rate Forecasts

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

Z3 Approved countries for investments

- Z4 Requirement of the CIPFA Management Code of Practice
- Z5 Capital Strategy

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APPENDICES W1 to Z5 2019/20 BUDGET REPORT

APPENDIX W1

2018/19 TO 2021/22 CAPITAL PROGRAMME - MAJOR PROJECTS

Major Projects over £2m	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m
GENERAL FUND					
Schools - School Places Programme	3.6	11.0	7.3	0.7	22.6
Schools – Minor Works Capital Programme	4.0				4.0
Schools - Other Capital Works	0.8	1.4			2.2
Highways & Bridges - TfL	3.8				3.8
Highways & Bridges – LBL	3.1	3.5	3.5	3.5	13.6
Highways – Others	3.4				3.4
Catford town centre	1.0	5.5	0.8	1.1	8.4
Asset Management Programme	2.5	2.5	2.5	2.5	10.0
Excalibur Regeneration	2.6				2.6
Lewisham Homes – Property Acquisition	8.0	6.0			14.0
Disabled Facilities Grant	1.7	0.7	0.7		3.1
Private Sector Grants and Loans	1.3	0.6	0.6	0.6	3.1
Fleet Replacement Programme	2.9				2.9
Beckenham Place Park	3.2	2.5	0.6	0.4	6.7
Smart Working Programme	1.9	0.9			2.8
Edward St. Development	0.1	9.1			9.2
Other Schemes	8.2	3.3	0.2	0.7	12.4
	52.1	47.0	16.2	9.5	124.8
HOUSING REVENUE ACCOUNT					
Aids and Adaptations	0.4	0.4	0.4	0.4	1.6
Hostels Programme	0.7	0.4	0.4	0.4	1.9
Housing Matters Programme	5.1	37.3	77.4	32.0	151.8
Decent Homes Programme	29.0	57.1	35.2	30.6	151.9
	35.2	95.2	113.4	63.4	307.2
TOTAL PROGRAMME	87.3	142.2	129.6	72.9	432.0

APPENDIX W2				
PROPOSED CAPITAL PROGRAMME – ORIGINAL TO LATEST BUDGET				
		Total		Total
		£'000		£'000
GENERAL FUND				
Original Budget (18/19 Budget Report - 21 February 2018)				97,833
Underspend carried-forward from 2017/18				7,638
New Schemes				
Wide Horizon		700		
Algernon Road Area scheme		56		
Watson Street Streetscape Improvements		130		
Creekside Streetscape Improvements (Phase 1)		625		
Ladywell Fields Footpath Improvements Works		63		
Deptford Park		51		
Luxmore Gardens		27		
CCTV Modernisation Plan 2017		870		
Temporary Accommodation – Developments		490		
Forster Memorial Park Improvements		40		
LIP Programme 18/19		3,764		
SMWCP 18/19		3,647		
School Places (18/19 - 21/22)		3,147		13,610
Approved variations on existing schemes				
DHS Local Contribution		150		
Disabled Facilities Grant		541		
Folkestone Garden Improvements		25		
Besson St. Development		595		
Excalibur – Estate Regeneration		452		
Education Catering Investment		(250)		
Deptford Southern Sites		500		
Catford Town Centre – Phase 1		(3,000)		
Grove Park Street Improvements		272		
Ladywell Pop up Village		105		
BSF - Brent Knoll		200		
Asset Management Programme		(1,420)		

Beckenham Place Park		(1,019)		
Milford Towers		1,113		
Church Grove Group Self- Build Housing		(18)		
Chiddingstone Improvement Works		250		(1,504)
Rolling Programmes (21/22)				
Highways – LBL		3,500		
Asset Management Programme		2,500		
Discretionary Grant		600		
Tech Refresh		500		
Cash Incentive Scheme		200		7,300
Latest Budget				124,877
HOUSING REVENUE ACCOUNT				
Original Budget (18/19 Budget Report - 21 February 2018)				173,585
Re - Phasing of Budgets (18/19 - 20/21)		70,215		
21/22 HRA Budgets		63,400		133,615
Latest Budget				307,200
Revised Capital Programme Budget (2018/19 - 21/22)				432,077

APPENDIX X1: Proposed Housing Revenue Account Savings 2019/20

X1.1 The HRA strategy and self-financing assessments are continually updated and developed with the view to ensuring resources are available to meet costs and investment needs and are funded for 2019/20 and future years.

X1.2 Savings and efficiencies delivered in the 2019/20 budget can be re-invested to off-set constrained rent rises or to help bridge any investment gap identified. As a prudent measure the original financial model was developed with no savings identified. Subsequently, discussions have taken place regarding appropriate savings and 'target' management and maintenance costs per unit. For example, there is already an assumed reduction in the Lewisham Homes fee in 2019/20 to reflect stock losses through Right to Buy Sales. Although no direct efficiencies/savings are currently being considered for 2019/20, work continues to identify opportunities for cost reductions and efficiencies relating to the HRA business model. Where identified, these savings would be available to off-set future rental losses due to a constrained uplift to protect investment in stock or services.

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

APPENDIX X2: Leasehold and Tenants Charges Consultation 2019/20

Committee	Brockley Residents Panel	Item No	
Report Title	Leasehold and Tenant Charges Consultation		
Contributor	Regenter Brockley Operations Manager		
Class	Decision	Date	27 November 2018

1 Summary

- 1.1 The report sets out proposals to increase service charges to ensure full cost recovery in line with Lewisham Council's budget strategy.
- 1.2 The report requests Brockley Residents Panel members to consider the proposals to increase service charges based on an uplift of 4.3% for 2019/20 on specific elements. This is based on full cost recovery in line with previous years' proposals.

2 Policy Context

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

3. Recommendations

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

4. Purpose

- 4.1 The purpose of the report is to:
 - outline the proposals for increases in service charges in line with the contract arrangements for leaseholders and tenants to recover costs incurred for providing these services

5. Housing Revenue Account Charges

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

- Leasehold Service Charges
- Tenant Service Charges

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

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

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

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

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

6. Analysis of full cost recovery

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

Leasehold service charges

6.2 The basis of the leasehold management charge has been reviewed and externally audited this summer to reflect the actual cost of the service. In line with best practice in the sector this is now a fixed cost rather than a variable cost. The management charge is £53.00 for street properties and £145.30 for blocks.

6.3 The uplift in leaseholder charges should reflect full cost recovery for the type of service undertaken. It is proposed that any uplift is applied at 4.3% [RPI (September 2018) +1.00%].

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

Leasehold service charges

Service	Leasehold No.	Current Weekly Charge	Weekly Increase	New Weekly Amount	% Increase
Caretaking	393	£5.04	£0.22	£5.26	4.3%
Grounds Maintenance	393	£2.62	£0.11	£2.73	4.3%
Lighting	393	£1.21	£0.05	£1.26	4.3%
Bulk Waste	393	£0.48	£0.02	£0.50	4.3%
Window Cleaning	221	£0.16	£0.01	£0.17	4.3%
Resident Involvement	557	£0.24	£0.01	£0.25	4.3%
Customer Services	557	£0.38	£0.02	£0.40	4.3%
Ground Rent	557	£0.21	£0.01	£0.22	4.3%
General Repairs	557	£1.81	£0.08	£1.89	4.3%
Technical Repairs	400	£0.36	£0.02	£0.38	4.3%
Entry Phone	139	£0.05	£0.00	£0.05	4.3%
Lift	235	£0.33	£0.01	£0.34	4.3%
Management Fee	557	£1.78	£0.08	£1.86	4.3%
Total		£14.67	£0.63	£15.30	

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

6.6 In addition, tenants pay a contribution of £0.15pw to the Lewisham Tenants Fund. At present, there are no plans to increase the Tenants Fund charges.

6.7 In order to ensure full cost recovery, tenant's service charges for caretaking, grounds maintenance and other services should be increased in line with the percentage increase applied to leaseholder service charges. Overall, charges are suggested to be increased by an average of £0.43pw which would move the current average weekly charge from £9.64 to £10.07.

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

Service	Current Weekly Charge	Weekly Increase	New Weekly Amount	% Increase
	£	£	£	
Caretaking	£5.04	£0.22	£5.26	4.3%
Grounds Maintenance	£2.62	£0.11	£2.73	4.3%
Communal Lighting	£1.21	£0.05	£1.26	4.3%
Bulk Waste	£0.48	£0.02	£0.50	4.3%
Window Cleaning	£0.16	£0.01	£0.17	4.3%
Tenants fund	£0.13	0.02	£0.15	Independent increase
Total	£9.64	£0.43	£10.07	

6.9 The RB3 Board is asked for their views on these charges from April 2019 to March 2020. Results of the consultation will be presented to Mayor and Cabinet for approval in Spring 2019.

7. Financial implications

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

8. Legal implications

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

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

- 8.3 Section 103 of the Housing Act 1985 sets out the terms under which secure tenancies may be varied. This requires: -
- the Council to serve a Notice of Variation at least 4 weeks before the effective date;
 - the provision of sufficient information to explain the variation;
 - an opportunity for the tenant to serve a Notice to Quit terminating their tenancy.
- 8.4 The timetable for the consideration of the 2018/19 rent levels provides an adequate period to ensure that legislative requirements are met.
- 8.5 Part III of Schedule 4 of the Local Government and Housing Act 1989 provides that where benefits or amenities arising out of the exercise of a Housing Authority's functions, are provided for persons housed by the authority, but are shared by the community as a whole, the authority shall make such contribution to their HRA from their other revenue accounts to properly reflect the community's share of the benefits or amenities.
- 8.6 Whereas an outcome of the rent setting process, there are to be significant changes in housing management practice or policy, further consultation may be required with the tenants affected in accordance with section 105 of the Housing Act 1985.

9. Crime and disorder implications

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

10. Equalities implications

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

11. Environmental implications

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

12. Conclusion

- 12.1 Revising the level of charges ensures that the charges are fair and residents are paying for the services they use.
- 12.2 The additional resources generated will relieve some of the current pressures within Housing Revenue Account and will contribute to the funding of the PFI contract which is contained within the authorities Housing Revenue Account.

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

Louise Wallace

Contract Manager

or

Sandra Simpson
Project Manager, Leasehold

Brockley.customerservice@pinnaclepsg.co.uk

Or

on 0207 635 1200.

APPENDIX X3: Leasehold and Tenants Charges 2019/20 Lewisham Homes

Meeting	Resident Engagement Panel		Item No.	
Report Title	Leasehold and Tenant Charges 2019/20			
Report Of	Director of Resources			
Class	Decision	Date	13th December 2018	

1. Purpose of the Report

- 1.1 This report sets out proposals for residents service charges in 2019/20. Residents are invited to comment on the proposals which will be fed back to the Mayor as part of the Council's budget setting process.

2. Recommendations

- 2.1 To consult residents on the service charge proposals and provide feedback to the Mayor.
- 2.2 To inform residents of the impact of the government's 1% rent reduction on their rents.

3. Background of the Report

- 3.1 One of Lewisham Homes core objectives is sustainability and this includes ensuring that there is a focus on providing improved services to tenants that are affordable without compromising quality.
- 3.2 The Council's Housing Revenue Account is a ring-fenced account. The account can only contain those charges directly related to the management of the Council's housing stock. By implication, leaseholders must be charged the true cost of maintaining their properties, where the provision of their lease allows. This prevents tenants subsidising the cost to leaseholders, who have purchased their properties.
- 3.3 Current inflation rates are CPI 2.2% and RPI 3.5%
- 3.4 The proposed service charges for tenants and leaseholders at £10.3m is in line with the aggregate service charge income assumed within the HRA plan for 2019/20.

4 Tenant and Leasehold service charges 2019/20

- 4.1 The proposed 2019/20 charges as compared with 2018/19 are shown in Table 1 below. No cuts to services are proposed.

- 4.2 Increases to service charges for caretaking and grounds maintenance reflect the impact of the 2% pay increase.
- 4.3 Changes to repairs and building maintenance charges such as lift maintenance have been modelled on last year's cost levels. These charges are estimates and leaseholders will receive a charge adjustment based on actual costs incurred. This charge adjustment will take place in September 2020.

Table 1: Proposed 2019/20 charges as compared with 2018/19

Existing Service	Tenant (T)/Leaseholders (LH)	Estimate (per week charge)	Estimate (per week charge)	Change in weekly charge	
		2018/19	2019/20		
		£	£		
Caretaking	T & LH	5.81	6.00	0.19	increase
Ground Maintenance	T & LH	1.93	2.00	0.07	increase
Repairs and Maintenance - Building	LH	2.32	2.39	0.07	increase
Repairs and Maintenance Technical	LH	1.00	0.99	-0.01	decrease
Lifts	LH	2.77	2.75	-0.02	decrease
Entry Phone	LH	0.76	0.74	-0.02	decrease
Block Pest Control	T & LH	1.63	1.66	0.03	increase
Ground Rent	LH	0.19	0.19	0.00	no change
Sweeping	LH	1.00	1.03	0.03	increase
Management	LH	2.48	2.54	0.06	increase
Window Cleaning	T & LH	0.09	0.10	0.01	increase
Bulky House Hold Waste Collection Service	T & LH	0.48	0.52	0.04	increase
Bulk Waste Disposal	T & LH	0.81	0.84	0.03	increase
Insurance	LH	0.94	0.94	0.00	No change
Total excluding energy charges		22.22	22.69	0.47	
Communal Lighting	T & LH	1.14	1.15	0.01	increase
Communal Heating and Hot Water	T & LH	9.89	10.02	0.13	increase
Total energy charges		11.03	11.17	0.14	
Grand Total		33.25	33.86	0.61	

T & LH – Service Charges to Tenants and Leaseholders
 LH – Service Charges to Leaseholders only

4.4 The increase in communal heating has increased by 13p from £9.82 to £10.02. This is due to an increase in energy costs.

5.0 Analysis of impact of changes to Tenant Rent Charges

5.1 The government has set a requirement for rents to be reduced by 1% per annum for 4 years from 2016/17. This is the last year of the 4 year rent reductions. From 2020/21 rents are expected to increase by CPI plus 1%.

5.2 Table 3 below sets out the impact of rent reductions shown by property size:

Table 3: Impact of rent reductions shown by property size

Bed size	Average Rent - 2018/19	Average Rent - 2019/20	£ Change	% Change
Bedsit	£72.89	£72.16	-£0.73	-1.00%
1	£84.66	£83.82	-£0.84	-1.00%
2	£95.02	£94.07	-£0.95	-1.00%
3	£111.58	£110.47	-£1.11	-1.00%
4	£127.17	£125.89	-£1.28	-1.00%
5	£152.26	£150.74	-£1.52	-1.00%
6	£154.83	£153.28	-£1.55	-1.00%
7	£154.72	£153.17	-£1.55	-1.00%
Average Total	£96.39	£95.43	-£0.93	-1.00%

5.3 The overall position for the movement in average rent and service charges for tenants from 2018/19 to 2019/20 is a reduction of £0.79, from £105.73 per week to £104.94 per week.

If you require further information on this report please contact Rowan Limond on

020 8613 7697 or email rowan.limond@lewishamhomes.co.uk

APPENDIX X4: Other Associated Housing Charges for 2019/20

Garage Rents

1. Garage rents are proposed to rise by 25%. This represents an average increase of £3.06pw and would raise the average charge from £12.24pw to £15.30pw. The proposed increase would raise an additional £274k of revenue. Property Services provided a separate consultation report to the residents panel giving further details of the increase to be applied for 2019/20. This is attached as appendix X5 to this report.
2. Garage rents for the Brockley PFI managed area will therefore increase from an average of £9.49 per week to £11.86 per week. This is a change of £2.37per week.
3. Garage rents for the Lewisham Homes managed area will therefore increase from an average of £12.66 per week to £15.82 per week. This equates to an increase of £3.16 per week.
4. The authority has commissioned a review into rental values across the garage stock, with a view to reporting to Mayor & Cabinet sometime in the next year recommending rental values to take forward in the longer term. Any additional changes are likely to be consulted on and implemented for financial year 2020/21.

Tenants Levy

5. As part of the budget and rent setting proposals for 2005/6, a sum of £0.13 per week was 'unpooled' from rent as a tenants service charge in respect of the Lewisham Tenants Fund.
6. Lewisham Tenants Fund (LTF) have put forward proposals to vary this levy for 2019/20 by £0.02pw which will raise the charge from £0.13pw to £0.15pw. These were submitted to Housing Panels and agreed. Therefore, the levy for 2019/20 will be increased to £0.15 per property per week.

Hostel charges

7. Hostel accommodation charges are set based on current Government requirements and will reduce by around 1.0% (£0.36 per week).
8. Hostel services charges are set to achieve full cost recovery, following the implementation of self-financing. For 2019/20, the charge for Caretaking/management and Grounds Maintenance will remain at

current levels. This will leave the average charge at £72.96 per unit per week.

9. In addition, the charge for Heat, Light & Power will also be held at current levels and will remain at £5.98pw. Water charges will not be increased and will remain at £0.19pw. The charge for Council Tax will be based on the total recharged received from Council Tax section. All charges will be based on the total number of hostel units and is forecast to remain unchanged for 2019/20.
10. Hostel residents were consulted on these proposals via individual letters. Officers also invited hostel residents to meet them to discuss the changes and how these may affect them. However, no comments or representations were received.

Linkline Charges

11. The delivery of the service to a 'full visiting service' to better reflect service need was implemented in 2018/19. The resulting annual charge to the HRA for 2018/19 was increased to £357k. Current indications are that an inflationary increase of 2.50% will be applied for 2019/20, increasing the HRA charge by £9k (to £366k for 2019/20). The current linkline charge to HRA residents is £5.81 per week, and does not fully recover the full charge applied to the HRA.
12. Consultation with HRA residents/current users of the service is due to be undertaken in the New Year. The results of any consultation will be reported to Mayor & Cabinet. Consultation would need to be completed by mid-February 2019 to comply with the 28 day statutory notice of charge increases and allow increased charges to be applied from April 2019. However, if consultation is delayed, the charge increase can only be applied from April 2020. There are no proposals to increase the maintenance charge, which will remain at £0.94 per week.

Private Sector Leasing (PSL)

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

Table B3 - Local Housing Allowances for 2018/19 (used for PSL purposes)

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

Heating & Hot Water Charges

14. As part of last year's rent setting process the Mayor agreed to continue with the current formula methodology for calculating increases in Heating & Hot Water charges to tenants and leaseholders. This formula was originally approved by Mayor & Cabinet in December 2004.
15. The current charging methodology allows a limited inflationary price increase plus a maximum of £2 per week per property increase on the previous year's charge. Consumption levels are also updated and included in the formula calculation.
16. The existing corporate contract for the supply of electricity is let by the property services team with Crown Commercial Services; an Executive Agency of the Cabinet Office. The contract frameworks have been designed to comply with the findings of the Pan Government Energy Project, which recommends that all public sector organisations adopt aggregated, flexible and risk-managed energy procurement with public sector buying organisations.
17. The proposal for 2019/20 is for an increase of £0.13pw or 1.3%. This will move the current charge from 9.89pw to £10.02pw. This is based on the latest available unit rates and consumption data.
18. The proposal for communal lighting is an increase of 0.88% or £0.01 per week. This will move the current average charge from £1.14pw to £1.15pw. The increase is due to updated consumption rates.
19. Officers will review the costs, actual energy usage and new contact prices in both 2018/19 and 2019/20 as part of the monitoring regime. Once the new long-term energy supply contracts are in place, recommendations for changes to charges will be brought forward as part of the 2020/21 budget process.

APPENDIX X5: Garage Rent Increase Report 2019/20

RESOURCES AND REGENERATION Estates Team Report			
Report Title	Rental Increases for Garages		
Key Decision	Yes		Item No.
Contributors	Lewisham Homes, Brockley Residents, External Consultant, Financial and Legal Services		
Class		Date: November 2018	

1. Purpose and Summary of the report

The purpose of this report is to seek authority to increase the rent paid by tenants for domestic garages owned by the Council.

Currently the rent is increased in April of each year based on the Retail Price Index (RPI). However, following a report by external property consultants Ridge, it is felt that the rents currently being charged are below market rent and that there is scope to increase the revenue from the garage portfolio by a greater margin.

2. Recommendation

It is recommended that the Council approves, in principle, an increase in rent for the garage portfolio of 25%, to be effective from April 2019.

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

3. Policy Context

The Council's vision is to work together to 'make Lewisham the best place in London to live, work and learn'. The key corporate strategic document is the authority's Performance Plan, which sets out the objectives, targets and performance of the authority and includes a section relating to asset management as a cross-cutting issue.

Lewisham's core values are to:

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

Within the context of the Strategic Asset Management Plan (3.5.2) this work will support the objective of increasing income from the existing estate. The garage portfolio is an opportunity for the Council to closely scrutinize how this

resource is being managed / utilised, and seek to maximise income where possible, and identify new development opportunities.

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

4. Background

The Council commissioned Ridge to review and update its garage stock condition survey data in 2017. Ridge and Partners LLP are a firm of property consultants with a high level of expertise in garage portfolios.

As well as providing up to date stock data, the process also included a high-level appraisal of site options, a 'secret shopper' evaluation and consideration of alternative site uses where possible. The exercise also included a comparable review of garage rental levels.

Key findings of the exercise carried out by Ridge included:

- That the garage assets had been largely overlooked in terms of investment, with only basic and responsive repairs carried out
- That the garage assets therefore require re-investment to maintain them to an appropriate standard and to improve their appearance and lettable.
- That, notwithstanding the lack of investment, the rental levels that the Council currently charges for its garages are nevertheless still below market rent

The Ridge survey identified 134 Council garage sites in the borough, comprising 182 garage blocks and 1,655 individual garages. 1,081 of the garages are let to Lewisham Homes and Brockley social tenants and 574 are let to non-Lewisham Homes or Brockley social tenants (e.g. Leaseholders).

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

The application of a discount is entirely a discretionary decision on behalf of the Council; garages are not a core social dwelling provision and all could be charged at a higher level, although there is some logic in offering some abatement to housing customers to help mitigate parking issues and neighbourhood management problems. In reality most social tenants will view a garage as a luxury rather than a necessity and payment at a market rent in a high demand area could be considered as a policy change in order to increase revenue.

The table below shows the breakdown of rents charged by Lewisham Homes/Brockley for 2018/19. The highest rent charged is per week is £22.01 and the lowest is £11.85. However, there are 131 garages charged at less than £11.85 per week. These are discounted rates (50% of the full charge) for tenants with blue badges.

**Breakdown of rent charges
(grouped)**

Rent Charge	Number of tenancies charged	% of tenancies
<=£11.01	131	7.92%
£11.85	911	55.05%
£11.86	68	4.11%
£12.85	3	0.18%
£13.04	1	0.06%
£13.67	1	0.06%
£14.22	450	27.19%
£14.23	8	0.48%
£14.24	22	1.33%
£15.53	2	0.12%
£18.34	42	2.54%
£22.01	16	0.97%
Total	1,655	100.00%

The table below, produced by Ridge, shows a comparison of Lewisham's costs in 2017/18 with adjacent boroughs and a number of private companies that operate locally. The figures for 2018/19 for Lewisham are shown in brackets:-

Provider		Weekly rental cost -Housing tenant	Weekly rental cost -non-Housing tenant
Lewisham Council	Most garages (911 =55.01%) – standard rate	£11.41 (£11.85)	£13.69 (£14.22)
	Some garages (16=0.97%) – highest rate	£17.65 (£18.34)	£21.18 (£22.01)
Southwark Council		£18.62	£27.50
Greenwich Council	Grade A	£1.86	£2.23
	Grade B	£4.35	£5.22
	Grade C	£8.69	£10.43
Lambeth Council		£19	£36
Lock up garages website (private)	Basic garage		Approx. £20-£25
Just Park Website (private)	Basic garage		Approx. £20-£25
Yellow Self Store, Lewisham Way SE14	Garage size store(100 sq ft)		£76

It is clear that with the exception of the very low pricing of LB Greenwich (which is now under review), Lewisham's pricing is lower than the other garage providers. No data could be obtained for LB Bromley.

For 2018/19, Lewisham's standard weekly garage rents increased from £11.79 to £12.24, an increase of 3.8%, based on RPI. For 2019/2020, the RPI increase would be 3.3% to approximately £12.64 per week.

Instead of implementing the usual RPI increase, it is proposed that the rents are increased by 25%. This would increase the standard weekly rate to approximately £15.30, which is considered to reflect market rent. The justification for this level of increase is further underlined by the current waiting list for garages of over 700 applicants, which represents approximately 60% of the total garages that the Council owns.

Following the recent high level review of the garage portfolio, the Council is now in the process of putting together a long term asset management plan, which will set out proposals for a capital investment plan to improve the condition of the stock and provide rental growth.

Despite the current high demand for garages, levels of voids could increase in the future if there is a lack of investment. Poorly maintained garages with high vacancy rates can in turn lead to increased levels of crime and anti-social behaviour.

5. Financial Implications

The current annual rent roll for the garage portfolio is £1.514M, based on a basic charge of £12.24 per week per garage (i.e. before discounts are applied).

If the rents are increased by the usual RPI uplift in April 2019, the revised annual rent roll will be £1.564M, or £12.64 per week per garage, an uplift of 3.3%, or £50,000 overall on the rent roll.

If the rents are increased by 25% in April 2019, as recommended in this report, the revised annual rent roll will be £1.893M, or £15.30 per week per garage, £379,000 overall on the rent roll, before applying discounts and voids loss.

The overall likely increase in income would be in the region of £274,000 after allowing for blue badge discounts and voids.

Some tenants may of course choose to vacate rather than pay this level of increase, but it is anticipated that any new voids will be taken up from the existing waiting list.

6. Legal Implications

The Council's duties in relation to the consultation of tenants on matters of housing management, as set-out in Section 105 of the Housing Act 1985, do not apply to rent levels, nor to charges for services or facilities provided by the authority. There is therefore no requirement to consult with secure tenants regarding the proposed increase in charges. The Council still needs to act

reasonably and the decision maker should therefore be satisfied that the increase is reasonable and justified. The general principle is that the Council should be seeking best value. The tables at section 4 of this report are relevant to this.

The Equality Act 2012 (the Act) introduced a new public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

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

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

The duty continues to be a “have regard duty”, and the weight to be attached to it is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations.

The Equality and Human Rights Commission has recently issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at:
<http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-actcodes-of-practice-and-technical-guidance/>

The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:

- The essential guide to the public sector equality duty
- Meeting the equality duty in policy and decision-making
- Engagement and the equality duty
- Equality objectives and the equality duty
- Equality information and the equality duty

The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at

7. Crime and Disorder Implications

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

8. Equalities Implications

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

9. Environmental Implications

There are no specific environmental implications in this report.

10. Conclusion

The proposed rental increase is considered to reflect market rent and be sustainable, and will raise additional revenue from the portfolio that can be re-invested. The justification for this level of increase is further underlined by the current waiting list for garages of over 700 applicants

11. Further Information

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

Appendix X6: Tenants' rent consultation 2019/20

The Tenants' rent consultation meetings took place on 27th November 2018 with Regenter B3 (Brockley) managed tenants and 13th December 2018 with Lewisham Homes managed tenants.

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

	Lewisham Homes	Brockley PFI
No of representatives (excl Cllrs)	15+	19
Rent Reduction @ 1%	No Comments	No comments
Savings Proposals:-		
No Savings proposed	n/a	n/a
Service Charges inc:		
Heating & Hot Water Charges	See Below	No comments
Garage Rents	See Below	See Below
Tenants Fund	No comments	No comments

Summary of comments made by representatives

Lewisham Homes Panel

Rent reduction:

Agreed with no comments

Tenants Service Charges & Heating & Hot water Charge:

The main comments were related to the provision of services (rather than cost) and what can be done about fly-tipping on estates.

It agreed that bulk waste should be a future agenda item for the residents panel.

Garage Charges:

Some members felt it was a high increase and unfair to increase the charge by so much as some people can't afford a 25% increase.

Officers explained that this was to bring charges in line with commercial letting charges plus inflation and to provide resources for additional investment in the Garage stock

Tenants Fund:

Agreed with no comments

Savings Proposals:

n/a

A full transcript of the comments from the Lewisham Homes panel is included at the end of this summary update.

Brockley PFI Area	<p>Rent reduction:</p> <p>Agreed with no comments</p> <p>Tenants and Leaseholders Service Charges:</p> <p>Agreed with no comments</p> <p>Garage Charges:</p> <p>Query as to why the increase was so large?</p> <p>Officers explained that this was to bring charges in line with commercial letting charges plus inflation.</p> <p>Proposal was agreed by panel members.</p> <p>Tenants Fund:</p> <p>Agreed with no comments</p>
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Full Comments from the Lewisham Homes panel:

Rent Increases for Garages

David Lee (DL) from Lewisham council presented a paper on the proposed garage rent increase.

DL explained external contractors Ridge were contracted to look at garage stock.

The proposal is to increase garage rents by 25%, which would work out as approximately an additional £3 a week.

Garage rent is normally increased in line with the retail price increase (RPI). The proposed increase would see the garages being rented at market value for garages.

There are 700 applicants on the garage waiting list, which is half the portfolio.

Blue badge holders will continue to get a 50% discount.

A member asked if we can improve storage provision for bikes and link this in. There is currently no provision for bikes on estates. DL responded to say this would need to be considered under asset strategy.

DL stated that there needs to be investment in garages or they will further deteriorate. The additional income will be used to reinvest.

A member commented on the garages no longer being big enough for modern cars. But the garages are useful storage space.

A member asked if there was a figure for people currently renting a garage, but in arrears. DL stated they do have figures and that due to standing orders there are very few arrears.

DL stated that the big increase is due to the rise in demand and will put them back in market value. This sort of increase will not happen every year

A member stated they felt the 25% increase is too much and whether there will be any consultation on this.

DL responded to say that they are currently below market value and that this is a correction and that the attendance at REP is part of the consultation.

A member asked why the date on the paper was November. DL responded to say it had been presented at Brockley PFI in November.

A member asked how many garages are void, stating that there are lots of empty garages and dumped cars on the Honor Oak estate. DL responded to say around 10% are void and that they are let readily.

A member asked why the figures in the report don't match.

Adam Barrett responded to say it's just the HRA figures in the report, not general fund.

A member asked if 25% is normal across other London boroughs. DL highlighted the table on the report at the bottom of page 3, which shows charges across other boroughs.

A member stated she felt it was unfair to increase by so much, and to compare it to people who have money, as some people can't afford a 25% increase. She suggested they should be refurbished first as they're in such a bad state and not just put up.

Other members noted that they think it's too much to increase in one go.

Director of Resources asked if the money was necessary to refurbish the garages, is that ok.

A member asked if the resident scrutiny committee could look into it. It was decided that this would have to be some way in the future, and would have to be agreed by REP members as a subject to scrutinise.

The Director of Resources explained that some non-residents hire garages too. CEO asked if this could be a different charge. The DoR stated this could be explored.

DL said there are about 600 non council tenants, about 1,000 are rented by council tenants

A member asked where the revenue currently goes. DL explained it goes in to a pot. DoR explained that the pot is Housing Revenue Account (HRA), but it

could be moved to general fund for better accountability. He will look at how much has been reinvested and send around.

A member highlighted concerns that some garages are being used commercially.

A member asked how people hear about garage availability and why it's rented out to non-council tenants. DL explained they're marketed on the council website. They were rented out privately at a time when there was more supply than demand.

The Chair of the Board asked if there is any other way residents could make their view heard. Community Relations agreed to look into ways to inform residents through the website, social media and other communication means.

Community Relations team will send out report and details of how to feedback on the consultation. The CR team will feed this back to the council by 11 January.

A Summary of Feedback received by The Community Relations Team is shown below:

- Emails were sent to all garage tenants and all involved residents
- 36 people responded to feed back on the proposed garage rent increase.
- 35 of those who responded opposed the proposals.
- Details of the reasons why people are opposed can be found in the table below

Reason	Amount of opposition
Cost	29
Should be social rent	13
Maintenance/ repairs are currently not good	15
Should be improved before increase implemented	10
Cost of consultants	2
Wanted to know new cost	2
Car parking in front of garage	5
Shouldn't be in one go	8
Consultation timescale/ information	4
Will write to MPs/ Councillors	2
Other	1

Lewisham Homes Budget Strategy and Leasehold/ Tenant Service Charge 2019/20

DoR explained that the rents will decrease by 1% in 2019. He went through the relevant paper and explained that the average rents detailed are based on the size of the home. All tenants will received a rent reduction next year.

DoR explained that some service charges are relevant for tenants and leaseholders, some are just for leaseholders. The average service charge increase is 60p a week.

DoR explained that we are mindful of the financial pressure that people are under and that the increase is due to the 2% pay inflation for grounds maintenance and environmental services' staff.

DoR explained when you add the service and rent charge together there is an 80p reduction in total charges.

A member highlighted concerns with freeholders using Lewisham Homes bulk services for free. DoR explained that this is flytipping.

DoR said it would be difficult to charge freeholders and that it's more about enforcement.

A member asked if we could look at the contract leaseholders and freeholders have. Subtenants are absentee landlords can be a problem, which Lewisham Homes foots the bill for.

DoR explained that we can't change a lease once we've entered in to it, but we can enforce the conditions of the lease. We can see if ASB like flytipping is happening, if it's an issue.

Cllr Kelleher asked if we can do something to change leases on new right to buy properties, DoR explained we can look at this.

A member talked about illegal subletting happened a lot. DoR asked if they could provide us with addresses and details of people doing this.

The CEO talked about her time being a caretaker and how it was clear that bulk waste is an issue. She said Lewisham Homes is pretty good and that most issues are societal. She asked caretakers what they felt they could do to prevent. They didn't feel there was much that could be done, and that there is less fly tipping because of bulk waste.

A member stated they felt Lewisham Homes were picking up flytipping that didn't fall into their remit, from private businesses

It was discussed and agreed that bulk waste should be a future agenda item.

A member stated their concerns on Lewisham Homes not acting on intelligence given in relation to fly-tipping, by investigating those who are dumping stuff (fly-tipping).

CEO explained they would need to look at anti-social behaviour and LH's approach more widely, as we're not dealing with it well at the moment.

A member asked about table 1 in DoR's report and queried what an estimate is. DoR explained that it is an average cost, but the actual charges would be block specific, dependent on lifts, etc., the actual charge to tenants and leaseholders will be sent in a letter.

A member asked if residents were charged for an ASB service. The DoR explained that there isn't a specific charge for this, but that elements are covered via home ownership/ housing management charges.

A resident board member asked if the lift charge is realistic, as they are quite old. The DoR explained that if there is a substantial additional charge for this, it will be detailed in the actual charges.

A member from Tanners Hill stated they felt it was unfair that residents are paying a service charge for caretaking, but one of the caretakers is long term sick, so they aren't getting the full service.

DoR explained that the charges are based on the services we presume we are delivering, and that individual issues should be dealt with. The CEO stated she will talk to the head of environmental services about the caretaking issues on Tanners Hill

Councillor Kelleher asked if the insurance was contents too. The DoR explained that is just core building insurance and not contents.

A member asked if there were plans for a roll out of LED lights across all blocks. The CEO said we will be looking at sustainability and affordability across the business. This will include looking at electric cars, due to the congestion charge rise.

APPENDIX Y1: Previously agreed budget savings for 2019/20

Mayor and Cabinet 21 November 2018

Ref	Proposal	2019/20 £'000	2020/21 £'000	Total £'000
CHILDREN AND YOUNG PEOPLE'S DIRECTORATE				
CYP01	More efficient use of residential placements	500	300	800
CYP02	Improved placement process and more efficient systems with rigorous control through operating model and IT	250		250
CYP03	More systematic and proactive management of the market for independent fostering	350	600	950
CYP04	Commission semi-independent accommodation for care leavers	250	250	500
CYP05	Residential framework for young people - Joint South East London Commissioning Programme	200	200	400
CYP06	Cease funding for former CYP funded post in Voluntary Action Lewisham	25	25	50
Total for CYP		1,575	1,375	2,950
COMMUNITY SERVICES DIRECTORATE				
COM01	Managing demand at the point of access to adult social care services	122	0	122
COM02	Ensuring support plans optimise value for money	250	250	500
COM03	Increase revenue from charging Adult Social Care clients	159	0	159
COM04	Reduce costs for Learning Disability and Transitions	900	1,000	1,900
COM05	Increased focus of personalisation	260	482	742
COM06	Reduction in Mental Health Residential care costs	300	200	500
COM07	Reduction in Adult Social Care contribution to Mental Health Integrated Community Services	100	50	150
COM08	Change in the public engagement responsibilities for air quality and dedicated funding	0	60	60
COM09	Cut to intensive housing advice and support service	300	0	300
COM10	Crime, Enforcement & Regulation reorganisation	255	161	416
COM13	Reduction in Arts, Development and Events Funding	85	0	85
COM15	Extend use of Broadway theatre	0	50	50
COM16	Cultural and Community Development Service Staffing	75	75	150
		2,806	2,328	5,134

Total for Community Services Directorate				
CUSTOMER SERVICES DIRECTORATE				
CUS01	Printing reduction	100	0	100
CUS02	Income Generation – Increase of Garden Waste Subscription	278	485	763
CUS04	Income Generation – Increase in Commercial Waste Charges	150	300	450
CUS05	Increase charge for the collection of Domestic Lumber from households	30	0	30
CUS06	Bereavement Services increase income targets	67	67	134
CUS09	Cost reductions in homelessness provision – income generation and net budget reductions	405	696	1,101
CUS10	Invest to save – create revenues protection team	806	394	1,200
CUS11	Process automation in Revenues and Benefits	0	250	250
CUS12	Invest to save – Housing Benefit overpayment recovery improved	480	0	480
CUS13	Invest to save – improve sundry debt collection	0	480	480
CUS14	Parking Service revenue review	500	0	500
Total for Customer Services		2,816	2,672	5,488
RESOURCES AND REGENERATION DIRECTORATE				
RES01	Benefits Realisation of Oracle Cloud	90	350	440
RES02	Legal fees increase	50	32	82
RES03	Executive Office – Administrative Support Staff Reduction	0	104	104
RES04	Policy, Service Design and Intelligence – Reduction on staffing	0	155	155
RES05	Withdrawal of Councillor Car Run Delivery Service	10	0	10
RES06	Increase income supporting the Funding Officer post and review the Economy and Partnerships Function	30	80	110
RES07	Reduce corporate apprenticeships salaries budget	0	55	55
RES08	Insurance costs – premium reduction	30	0	30
RES09	Insurance costs – self insurance reserves	200	0	200
RES10	Cease graduate programme	78	78	156
RES11	Increase in pre-application fees	100	100	200
RES12	Catford complex office rationalisation	0	250	250
RES13	Reduction in Business Rates for the Corporate Estate	0	100	100
RES14	Corporate Estate Facilities Management Contract Insourcing	100	100	200
RES15	Commercial Estate Growth	0	500	500
RES17	Beckenham Place Park – income generation	28	105	133

RES18	Electric Vehicle charging points	50	50	100
RES19	School crossing patrol	0	60	60
Total for R&R		766	2,119	2,885
	GRAND TOTAL	7,963	8,494	16,457

Appendix Y2: Previously Presented Cuts

Cuts Brought Back for Approval

		2019/20 £'000	2020/21 £'000	Total
RES16	Commercial property investment acquisition	140	140	280
	Total	140	140	280

1. Cuts proposal

Proposal title:	Commercial Property Investment Acquisitions
Reference:	RES16
Directorate:	Resources & Regeneration
Head of Service:	Executive Director for Resources and Regeneration
Service/Team area:	Regeneration & Place
Cabinet portfolio:	Mayor
Scrutiny Ctte(s):	Public Accounts Select Committee

2. Decision Route

Cuts proposed*:	Key Decision Yes / No	Public Consultation Yes / No	Staff Consultation Yes / No
Commercial Property Acquisitions £280k	Yes	No	No

3. Description of service area and proposal

Description of the service area (functions and activities) being reviewed:

The existing Commercial Estate is managed by the Estates Team in the Property, Asset Strategy and Estates service area. There are no proposals to review this service or team itself but look to grow the value of the estate that they manage.

Cuts proposal

This proposal is separate to the proposal around growth of the Commercial Estate, as that describes work and opportunities to grow the existing portfolio. This proposal is in relation to becoming more proactive in seeking out opportunities to acquire commercial property investments, using either borrowing or existing revenue reserves.

An investment strategy would set the parameters for investment, for example location, use, lease details and terms, financial parameters, amongst other things.

It is proposed that an initial £5m be put forward for acquisitions, which would be estimated to achieve in the region of £280k per annum.

4. Impact and risks of proposal

Outline impact to service users, partners, other Council services and staff:

No impact to service users or partners, or other Council staff. However, this would require amending the current Treasury Strategy to enable future acquisitions to be made.

Outline risks associated with proposal and mitigating actions:

The main risk however is around investment in commercial real estate at a time of uncertainty in this sector, in particular the medium and long term stability of retail

4. Impact and risks of proposal

based income streams. There is no certain future for the retail market in particular and over investment could have revenue ramifications if, following lease ends, there are significant void periods, particularly if borrowing is set over a longer time frame, for example 40 year borrowing period vs 15 year certain lease term.

Whilst this risk can never be fully mitigated against, certain criteria could be set to try and mitigate as far as possible. For example, an investment strategy could focus on those uses which are more likely to have longevity, even in the retail sector, such as food based convenience stores around station and town centre locations and other such uses. It could also set strict parameters around risk – lease terms, tenant covenant strength etc. Any investment strategy would also need to include an exit strategy.

5. Financial information				
Controllable budget: General Fund (GF)	Spend £'000	Income £'000	Net Budget £'000	
	2,366	(5,560)	(3,195)	
HRA				
DSG				
Health				
Cuts proposed*:	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Commercial Property Acquisitions	140	140		280
Total				
% of Net Budget	4%	4%	%	8%
Invest to save	(5,000)			(5,000)
Does proposal impact on: Yes / No	General Fund	DSG	HRA	Health
	Yes	No	No	No

6. Alignment to Lewisham 2020 priorities

Main priority	Second priority	Lewisham 2020 priorities
D	A	A. Strengthening Community input B. Sharing Services C. Digitising our Services D. Income Generation E. Demand Management
Level of impact on main priority – High / Medium / Low	Level of impact on second priority – High / Medium / Low	
High	Low	

7. Impact on Corporate priorities

Main priority	Second priority	Corporate priorities
5	10	1. Community leadership and empowerment 2. Young people's achievement and involvement 3. Clean, green and liveable 4. Safety, security and a visible presence 5. Strengthening the local economy 6. Decent homes for all 7. Protection of children
Impact on main priority – Positive / Neutral / Negative	Impact on second priority – Positive / Neutral / Negative	
Positive	Neutral	

7. Impact on Corporate priorities		
Level of impact on main priority – High / Medium / Low	Level of impact on second priority – High / Medium / Low	8. Caring for adults and the older people 9. Active, healthy citizens 10. Inspiring efficiency, effectiveness and equity
Medium	Low	

8. Ward impact	
Geographical impact by ward:	No specific impact / Specific impact in one or more
	No specific impact but this is across multiple wards
	If impacting one or more wards specifically – which?

9. Service equalities impact			
Expected impact on service equalities for users – High / Medium / Low or N/A			
Ethnicity:	N/A	Pregnancy / Maternity:	N/A
Gender:	N/A	Marriage & Civil Partnerships:	N/A
Age:	N/A	Sexual orientation:	N/A
Disability:	N/A	Gender reassignment:	N/A
Religion / Belief:	N/A	Overall:	N/A
For any High impact service equality areas please explain why and what mitigations are proposed:			
Is a full service equalities impact assessment required: Yes / No			No

10. Human Resources impact	
Will this cuts proposal have an impact on employees: Yes / No	No

11. Legal implications	
State any specific legal implications relating to this proposal:	
A full report on an investment strategy will need to be considered.	

Cuts To Be brought Back ASAP

		2019/20 £'000	2020/21 £'000	Total
COM12	Cut to main grants budget	600	0	600
COM14	Reduce Local Assembly funds	225	0	225
COM17	Ending the small & faith fund	50	0	50
CUS03	Income Generation – events in parks	200	300	500
CUS08	Close the remaining automated public toilets	92	0	92
	Total	1,167	300	1,467

APPENDIX Y3: Ready Reckoner for Council Tax 2019/20

Ready Reckoner for Council Tax 2019/20

	Budget	Council	Increase /	GLA	Total	Total
	Requirement	Tax	(Decrease)	Precept	Council	Increase /
	L'ham	(Band D)	L'ham	(Band D)	Tax	(Decrease)
					(Band D)	
	£'M	£	%	£	£	%
2018/19	241.281	1,203.87	3.99%	294.23	1,498.10	4.20%
Recommended	243.012	1,263.94	4.99%	320.51	1,584.45	5.76%
	241.943	1,251.90	3.99%	320.51	1,572.41	4.96%
	241.426	1,246.01	3.50%	320.51	1,566.52	4.57%
	240.894	1,239.99	3.00%	320.51	1,560.50	4.17%
	240.362	1,233.97	2.50%	320.51	1,554.48	3.76%
	239.83	1,227.95	2.00%	320.51	1,548.46	3.36%
	239.298	1,221.93	1.50%	320.51	1,542.44	2.96%
	238.766	1,215.91	1.00%	320.51	1,536.42	2.56%
	238.233	1,209.89	0.50%	320.51	1,530.40	2.16%
	237.701	1,203.87	0.00%	320.51	1,524.38	1.75%

Appendix Y4: Chief Financial Officer's Section 25 Statement

To follow in the Budget Update Report 13 February 2019

APPENDIX Y5: Council Tax and Draft Statutory Calculations

Council Tax Calculation

As part of the Localism Act 2011, core Council Tax may not be increased by 3% or more (inclusive of levies) without triggering an automatic referendum of all registered electors in the borough. In addition, there is also the opportunity to increase Council Tax by up to a further 2% under the social care precept for 2019/20. This means, for 2019/20, an automatic referendum will now be triggered if the Council Tax increase is 5% or above. The recommended social care precept for 2019/20 is 2%, therefore the recommended total increase is 4.99%. The statutory calculation for whether the Council is required to hold a referendum is based upon the 'relevant basic' amount of Council Tax, which under accounting regulations, includes levies. Any final recommendations on Council Tax levels will need to meet statutory requirements.

To date, Lewisham has not received formal notifications from its levy bodies for 2019/20 – the Environment Agency, the LPFA and the Lee Valley Regional Park. A zero percent increase has been assumed.

Council Tax and Levies

'Relevant Basic' Amount of Council Tax	2018/19	2019/20
Council Tax Base	86,456.64	88,405.1
Council Tax Requirement with Levy (£)	104,082,555	111,738,742
Basic Amount of Council Tax (£)	1,203.87	1,263.94
Increase in basic amount of Council Tax (%)	3.99%	4.99%

Levy bodies for Lewisham	2018/19 £	2019/20 £	Change £
LPFA	1,285,245	1,285,245	0
Lee Valley Regional Park	209,061	209,061	0
Environment Agency	196,220	196,220	0
Total Levies	1,690,526	1,690,526	0

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

Draft Statutory Calculations

1) It be noted that at its meeting on 16 January 2019, the Council calculated the number of **88,405.1** as its Council Tax base for 2019/20 in accordance with the Local Authorities (Calculation of Tax base) Regulations;

2) The following amounts be now calculated by the Council for the year 2019/20 in accordance with the Local Government Finance Act 1992:

a. **£1,281,752,026** being the aggregate of the amounts which the Council estimates for gross expenditure, calculated in accordance with Section 32(2)A of the Act;

b. **£1,038,740,284** being the aggregate of the amounts which the Council estimates for income, calculated in accordance with Section 32(3)A of the Act;

c. **£243,011,742** being the amount by which the aggregate of 2(a) above exceeds the aggregate of 2(b) above, calculated by the Council, in accordance with Section 32A(4) of the Act, as its General Fund budget requirement for the year;

d. **£121,175,000** being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of the Settlement Funding Assessment.

e. **£8,400,000** being the aggregate of the sums which the Council estimates will be transferred into its general fund from reserves, in relation to the Business Rates Levy Surplus refund, the 2018/19 London Pilot Pool Growth, and S31 NNDR grant.

e. **£113,436,742** being the residual amount required to be collected from Council Tax payers. This includes the surplus on the Council's Collection Fund of £1,698,000.

f. **£1,263.94** being the residual sum at (e) above (less the surplus on the Collection Fund), divided by the Council Tax base of **88,405.1** which is Lewisham's precept on the Collection Fund for 2018/19 at the level of Band D;

Band	Council Tax (LBL)
	£
A	842.63
B	983.06
C	1,123.50
D	1,263.94
E	1,544.82
F	1,825.69
G	2,106.57
H	2,527.88

Being the amounts given by multiplying the amount at (f) above by the number which, in proportion set out in Section 5(1) of the Act, is applicable to

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

3) It be noted that for the year 2018/19, the Greater London Authority is currently consulting on the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 (as amended), for each of the categories of dwellings shown below:-

Band	GLA Precept
	£
A	213.67
B	249.29
C	284.90
D	320.51
E	391.73
F	462.96
G	534.18
H	641.02

4) Having calculated the estimated aggregate amount in each case of the amounts at 2) (f) and 3) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, assumed the following amounts as the amounts of Council Tax for the year 2018/19 for each of the categories of dwellings shown below:-

Band	Total Council Tax (LBL & GLA)
	£
A	1,056.30
B	1,232.35
C	1,408.40
D	1,584.45
E	1,936.55
F	2,288.65
G	2,640.75
H	3,168.90

APPENDIX Z1: Interest Rate Forecasts 2019 - 2022

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

Period	Bank Rate	PWLB Borrowing Rates % (including certainty rate adjustment of 20 basis points)			
		5 year	10 year	25 year	50 year
Mar 2019	0.75	2.10	2.50	2.90	2.70
Jun 2019	1.00	2.20	2.60	3.00	2.80
Sep 2019	1.00	2.20	2.60	3.10	2.90
Dec 2019	1.00	2.30	2.70	3.10	2.90
Mar 2020	1.25	2.30	2.80	3.20	3.00
Jun 2020	1.25	2.40	2.90	3.30	3.10
Sep 2020	1.25	2.50	2.90	3.30	3.10
Dec 2020	1.50	2.50	3.00	3.40	3.20
Mar 2021	1.50	2.60	3.00	3.40	3.20
Jun 2021	1.75	2.60	3.10	3.50	3.30
Sep 2021	1.75	2.70	3.10	3.50	3.30
Dec 2021	1.75	2.80	3.20	3.60	3.40
Mar 2022	2.00	2.80	3.20	3.60	3.40

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

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

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

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

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

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

Non-Specified Investments: These are any investments which do not meet the specified investment criteria, and include certificates of deposit issued by banks or building societies, corporate bonds, and property funds. Provision has been made in the Strategy to invest in certificates of deposit as well as pooled asset funds (should the relevant opportunity arise). The Council will seek guidance on the status of any pooled fund or collective investment scheme it may consider using, and appropriate due diligence will also be undertaken before investment of this type is undertaken.

The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and

Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

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

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

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

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

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
DMADF – UK Government	N/A	100%	6 months
UK Government gilts	UK sovereign rating	£20m	1 year
UK Government Treasury bills	UK sovereign rating	£60m	6 months
Money Market Funds - CNAV	AAA	£30m	Liquid
Money Market Funds - LVNAV	AAA	£30m	Liquid
Money Market Funds - VNAV	AAA	£30m	Liquid
Local authorities	N/A	£10m	1 year
Term deposits with banks and building societies	Yellow*	£30m	Up to 5 years
	Purple	£25m	Up to 2 years
	Blue	£40m	Up to 1 year
	Orange	£25m	Up to 1 year
	Red	£20m	Up to 6 Months
	Green	£15m	Up to 100 days
	No Colour	Not for use	Not for use
CDs or corporate bonds with banks and building societies	Blue	£40m	Up to 1 year
	Orange	£25m	Up to 1 year
	Red	£20m	Up to 6 Months
	Green	£15m	Up to 100 days
	No Colour	Not for use	Not for use

Call accounts and notice accounts	Yellow* Purple Blue Orange Red Green No Colour	£30m £25m £40m £25m £20m £15m Not for use	Liquid
Pooled asset funds		£50m	At least 5 years

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

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

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

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

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

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will

continue to assess the newly-formed entities in the same way that it does others and those with sufficiently high ratings (and other metrics) will be considered for investment purposes.

APPENDIX Z3: Approved Countries for Investments

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

AAA

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

AA+

- Finland
- USA

AA

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

AA-

- Belgium
- Qatar

APPENDIX Z4: Requirement of the CIPFA Management Code of Practice

Treasury Management Scheme of Delegation

(i) Full Council

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

(ii) Public Accounts Committee

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

The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer has responsibility for:

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

- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees;
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority;

Appendix Z5: Capital Strategy

Lewisham Council – Capital Strategy 2019/20

1. Capital Expenditure

Overview of Governance processes

- 1.1 The Regeneration and Capital Programme Delivery Board comprises key officers involved in the planning and delivery of the capital programme. This Board has responsibility and accountability for the delivery of all regeneration and capital projects and programmes of the built environment and is also responsible for ensuring that all projects and programmes are adequately and appropriately resourced.
- 1.2 The key objectives of the Board are to ensure that a consistent and corporate approach is taken to the development and authorisation of all project and programme initiation documents and the associated financing and funding of projects and programmes. It meets every two months and ensures that a corporate approach is taken to the monitoring, management and delivery of all projects and programmes. It reports through to the Regeneration Board which is chaired by the Executive Director for Resources and Regeneration.
- 1.3 Capital programme budget and spend information is also reported to Mayor & Cabinet and the Public Accounts Select Committee on a quarterly basis as part of the Financial Forecasts reports.
- 1.4 The Council's Capitalisation policies are set out annually in the Council's Statement of Accounts. Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided it adds value, increases its ability to deliver future economic benefits or service potential, or can be capitalised as a component and exceeds the Council's de-minimis limit of £40,000. Expenditure financed from the government's Devolved Formula Capital Grant is also capitalised on the basis that it increases the school's service potential. Expenditure that only maintains an asset's value (i.e. repairs and maintenance) and does not increase its ability to deliver benefits or services is charged as revenue expenditure when it is incurred.

Capital Expenditure Plans

- 1.5 The Council's proposed Capital Programme budget for 2019/20 to 2021/22 is £344.7m over three years, of which £142.4m is for 2019/20. This is set out in more detail in table 1 below:

Table 1: Capital Programme Budget

	18/19	19/20	20/21	21/22	3 Year Total
	£m	£m	£m	£m	£m
General Fund					
Smarter Working Programme	1.9	0.9	0.0	0.0	0.9
Schools – Pupil Places and other Capital Works	8.5	12.4	7.3	0.7	20.4
Highways, Footways and Bridges	10.3	3.5	3.5	3.5	10.5
Regeneration Schemes	5.8	13.5	0.0	1.1	14.6
Lewisham Homes Property Acquisition	8.0	6.0	0.0	0.0	6.0
Town Centres and High Street Improvements	0.5	2.1	0.8	0.0	2.9
Asset Management Programme	2.5	2.5	2.5	2.5	7.5
Fleet Replacement Programme	2.9	0.0	0.0	0.0	0.0
Beckenham Place Park	3.2	2.5	0.6	0.4	3.5
Other Schemes	8.5	3.6	1.5	1.3	6.4
	52.1	47.0	16.2	9.5	72.7
Housing Revenue Account	35.2	95.2	113.4	63.4	272.0
Total Programme	87.3	142.2	129.6	72.9	344.7

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

Table 2: Available Resources

	18/19	19/20	20/21	21/22	3 Year Total
	£m	£m	£m	£m	£m
General Fund					
Prudential Borrowing	8.7	16.4	0.8	1.1	18.3
Grants and Contributions	20.1	20.2	8.0	0.7	28.9
Capital Receipts	6.4	1.6	0.0	0.0	1.6
Reserves / Revenue	16.9	8.8	7.4	7.7	23.9
	52.1	47.0	16.2	9.5	72.7

Housing Revenue Account					
Prudential Borrowing	0.0	0.0	18.9	25.0	43.9
Grants	0.0	18.0	10.9	7.1	36.0
Specific Capital Receipts	0.0	7.5	6.5	5.0	19.0
Reserves / Revenue	35.2	69.7	77.1	26.3	173.1
	35.2	95.2	113.4	63.4	272.0
Total Resources	87.3	142.2	129.6	72.9	344.7

- 1.7 The General Fund resources available to finance capital projects decrease over the term of the Programme. This reflects the Council's prudent approach to long-term planning, with grants for later years not taken into account until they have been confirmed, and capital receipts only being taken into account when they have been received or are reasonably certain of being received. The Council prudently avoids entering into long-term expenditure commitments until there is more certainty as to how they can be financed.

Future capital expenditure

Children & Young People

- 1.8 The Council has a statutory responsibility to ensure that there are sufficient school places available for all Lewisham children and young people who need one. Long term projections forecast a growing population for Lewisham, which in turn is expected to drive a demand for more School Places to be delivered through the School Places capital programme. The Council will also need to continue to invest in existing School accommodation through the School Minor Works capital programme to ensure the School Estate remains fit for purpose in the years ahead.

Housing

- 1.9 London faces one of the most significant housing shortages since the end of the Second World War. The Council's current 30 year financial model for the Housing Revenue Account (HRA) includes provision for up to 500 new units, for social rent purposes, at an average cost of £190k each (adjusted annually for inflation) over the first 10 years of the model. The Council has now set a target of a further 1,000 social homes by 2022. Work continues on the identification and financial impacts of the individual sites associated to the delivery of the new 1,000 additional homes target.
- 1.10 On Edward Street in Deptford, a new housing scheme that will provide 34 new homes for use as high-quality temporary accommodation for homeless families, using the next iteration of the precision manufacturing technology used to build PLACE / Ladywell, received planning permission in November 2018. The development will also provide a community run nursery and commercial space on the ground floor. The build will generate rental income for the Council, as well as delivering significant

savings by not having to house 34 families in expensive private temporary accommodation.

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

Regeneration

- 1.12 The Council has ambitious aspirations for Catford town centre which could deliver major improvements to the pedestrian and transport infrastructure while creating opportunities for new homes, shops and other amenities. A masterplanner, Studio Egret West, has been appointed to develop a spatial plan or masterplan for Catford. The masterplan work which started in July 2018 will run for approximately 1 year. At the end the process, the Council is expected to have a comprehensive masterplan that delivers on the Council’s strategic objectives for a viable Town centre and as well as on local aspirations of its residents.

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

Other

- 1.14 Highways and Transport: following the release of a new Mayor’s Transport Strategy for London, a thorough review of the Council’s Local Implementation Plan (LIP) transport strategy is now underway, that will consider the Council’s investment priorities for highways and transport over the next 5 years. As part of this review, the new strategy will need to consider the implications of cuts to the annual formula grants received from TfL, expected to be over £300,000 a year, as well as a two-year pause on maintenance funding from TfL, at a similar level of reduction. In September 2018, the new strategy was approved in draft by Mayor & Cabinet, and will focus on creating “Healthy Neighbourhoods” that reduce traffic flows, improve air quality, and create better environments for walking and cycling, as well as delivering speed reduction measures that support the Council’s Borough-wide 20mph limit.

- 1.15 The Asset Management Programme will continue to ensure the Council’s operational corporate estate remains fit for purpose and will link to the wider regeneration aims of Catford and the borough. The Smarter Working programme seeks to consolidate offices and release sites for future redevelopment in Catford town centre, whilst refurbishing the Council’s main office site, Laurence House, to ensure it is fit for purpose until new council offices can be built.

Asset Management Planning

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

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

1.17 Further detail can be found in the Council's Strategic Asset Management Plan 2015-2020:

<https://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/strategies/Documents/150330%20SAMP%20Final.docx>

Restrictions concerning capital finance

1.18 Within the prudential framework there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. The Council's Prudential Indicators are approved by Full Council each year as part of the Budget Report. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional CFR for the current and following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

1.19 There are two parameters of external debt, the 'operational boundary' and 'authorised limit for external debt', which the Council reports on as part of its Treasury indicators.

1.20 The Operational Boundary for External Debt is the limit beyond which external debt is not normally expected to exceed. In most cases this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

1.21 The Authorised Limit for External Debt is a key prudential indicator which represents a control on the maximum level of borrowing, and provides a limit beyond which external debt is prohibited. It reflects the level of external debt which, while not desired, could be afforded in the short term but is not sustainable in the longer term. This is a statutory limit determined under Section 3(1) of the Local Government Act 2003, and needs to be set and revised by full Council. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised.

1.22 Council borrowing in relation to the Housing Revenue Account capital programme has until recently been restricted by the Housing Revenue Debt Cap which had been set by government at £127,278,550 for

2018/19. The government has recently announced the abolition of HRA borrowing caps with effect from 29th December 2018. Future HRA borrowing will now be assessed under the Prudential Borrowing framework. Clarification is being sought as to whether any borrowing up to or above the cap would now have to be on the basis of planned repayment, which was not the case for borrowing under the HRA cap.

2. Debt and borrowing and treasury management

2.1 The latest Treasury Management Strategy, which is within the 2019/20 Budget Report, shows the Council's projection of external debt as in Table 3:

Table 3: Projection of External Debt

External Debt Projections	2017/18 Actual £m	2018/19 Expected £m	2019/20 Forecast £m	2020/21 Forecast £m	2021/22 Forecast £m
External Debt at 1 April	190.9	219.4	217.2	251.5	279.2
Change in External Debt	28.5	(2.2)	34.3	27.7	39.6
Other Long-Term Liabilities	236.1	232.9	247.4	243.2	239.2
Gross Debt at 31 March	455.5	450.1	498.9	522.4	558.0
Capital Financing Requirement at 31 March	487.9	487.3	525.4	555.8	610.5
Borrowing – over / (under)	(32.4)	(37.2)	(26.5)	(33.4)	(52.5)

2.2 Where the Council is under-borrowed and has the resources to do so, internal borrowing may be used to support capital expenditure in particular circumstances; this is considered a prudent approach in the current economic climate while investment returns are low. As at 30 September 2018 the Council's estimated internal borrowing was estimated at £10.3m.

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

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

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

2.5 In 2017/18 a third element was added to the Council's MRP policy, whereby no MRP need be charged on capital expenditure where the Council has assessed that sufficient collateral is held at a current valuation

to meet the outstanding CFR liability, and that should it be determined at any point that insufficient collateral is held to match the Council's CFR liability a prudent MRP charge will commence. To date this has been applied as a measure to the loans advanced to the Council's wholly owned limited company subsidiaries – Catford Regeneration Partnerships and Lewisham Homes.

2.6 The Council's Authorised Limit is £554.9m and Operational Boundary is £498.9m for 2019/20 (see also paragraphs 1.19 and 1.20). The Council's Treasury Management Strategy (including processes, due diligence and defining the authority's risk appetite) is approved annually by Full Council as part of the Council's Budget Report.

3. Commercial Activity

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

- As part of the Regeneration and Capital Programme Delivery Board's annual process of securing capital bids for funding new projects, the ability of projects and programmes to self-fund or part fund through commercial activity is reviewed as these schemes are progressed subject to sufficient due diligence to ensure that the risk to the Council is minimised or mitigated appropriately. This due diligence primarily takes the form of the preparation of a Project Initiation Document (PID) to achieve initial feasibility and seed funding, and then the production of a full Business Case before further capital funds are made available. The preparation of the full Business Case generally requires independent input from professional services firms to either prepare or review the technical assumptions and costings, as well as the economic and financial impacts and outputs. The Council's risk appetite is generally reviewed on a case by case basis depending on the scale and nature of the proposed investment and its strategic fit.
- The Council also pursues commercial activity separately through the business of its wholly owned company Catford Regeneration Partnership Limited which was established to provide a regeneration vehicle for Catford town centre. The Council transferred land holdings into the vehicle which was funded through state aid compliant lending from the Council. This vehicle now manages these properties on a commercial basis in anticipation of the wider regeneration of the area being delivered under the capital programme.
- The Council has recently established a joint venture in order to deliver around 230 homes for private rent with 35% at "living rent" levels at the Besson Street development in New Cross. As well as providing high quality private rented sector housing, this scheme is expected to deliver an on-going revenue income to the Council that can be reinvested back into Council services.

- The final area of commercial activity is through the existing commercial property estate. These are commercial properties held in the general fund and run on a commercial basis. The Council's commercial property estate comprises 312 assets with a gross rental income of approximately £3.7m. To give some perspective, this income represents approximately 1.8% of the Council's total budgeted General Fund income of £210m. It should be noted that a budget cut proposal for 2019/20 (RES16), seeks to achieve a budget reduction of £280k from 2020/21 (full achievement) by acquiring new commercial estate properties through an initial £5m investment. An investment strategy will set out the parameters for investment, for example location, use, lease details and terms, and financial parameters.

4. Non-Treasury Investments

4.1 The Council has two wholly owned subsidiary companies, Lewisham Homes Limited and Catford Regeneration Partnership Limited (CRPL). It has invested in these subsidiaries as summarised below.

Lewisham Homes Limited

4.2 The Council has to date advanced three separate loans to Lewisham Homes, the first on proxy commercial terms financed from internal borrowing and the second on cost-neutral terms financed through the PWLB. Both loans are to allow Lewisham Homes to purchase properties to address temporary accommodation needs in the borough, and will be repaid on set maturity dates:

Table 4: Lewisham Homes' Loans

Loan Description	Method of Loan Financing	Loan Balance at 31 March 2019	Interest Rate	Loan Period
£20m commercial loan, available in two tranches of £10m as and when properties are purchased	Internal Borrowing	£14.0m	4.3%	10 years from drawdown date (first maturity in November 2025)
£20m cost-neutral loan, available in blocks of at least £2m when required	PWLB	£20.0m	£10.0m at 2.41% £2.0m at 2.61% £8.0m at 2.43%	40 years from drawdown date (first maturity in June 2057)

4.3 Agreement of the property acquisition programme and relevant loan agreements was obtained from Mayor and Cabinet. State Aid issues and other risks and mitigations were considered in the approval of the loan facilities, including for the second loan the requirement for collateral against the loan in order to obtain MRP exemption.

Catford Regeneration Partnership Limited (CRPL)

4.4 Three loans totalling £13.5m were advanced to CRPL between 2010/11 and 2016/17 to allow the company to invest in property, and these were consolidated into one loan in February 2017 at an interest rate of 4.3%. An additional loan facility of £3.0m was agreed in 2018/19 at the same rate to further support the company's objectives ahead of the master plan for Catford town centre coming forward, and a drawdown of £0.25m against this new facility took place in July 2018. The overall loan repayment schedule allows for interest and principal repayments on a quarterly basis.

Table 5: CRPL Loans

Loan Description	Method of Loan Financing	Forecast Loan Balance at 31 March 2019	Interest Rate	Loan Period
£12.0m advanced in 2010/11; £0.25m advanced in 2015/16; £1.0m advanced in 2016/17; £0.25m advanced in 2018/19	Internal Borrowing	£12.5m	4.3%	39 years remaining (maturing May 2048)

Other Non-Treasury Investments

4.5 In 2017/18 the Council provided a loan of £700,000 to Wide Horizons, an adventure learning charity providing adventure experiences and outreach services across several London boroughs including Lewisham. An equal and corresponding loan was also advanced by the London Borough of

Greenwich, providing Wide Horizons with £1.4m to repay an existing social investment business loan ahead of time.

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

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

4.8 The loss to the Council will be recognised in the 2018/19 financial statements after taking into account plans for the three properties returned to the Council and previously leased to Wide Horizons on peppercorn rent.

4.9 The Council also holds minority stakes in the following:

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

5. Other long-term liabilities

5.1 Aside from borrowing, there are a number of other significant long-term liabilities recognised on the Council's balance sheet. The bullet points below outline the nature of these liabilities, their value as at 31 March 2018 and the governance processes around their monitoring and ongoing risk management.

- Pension Liability (£640m). This liability matches a debit balance in the Pensions Reserve and reflects the timing differences which arise from the accounting treatment for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The liability therefore represents a shortfall between the benefits earned by past and current

employees and the resources the Council has set aside to meet them. The statutory arrangements regarding the Pension Fund ensure that funding will have been set aside by the Council by the time the benefits are due to be paid.

- Private Finance Schemes (£228m). The Council's contribution towards the cost of PFI schemes is through unitary charge payments which are made throughout the life of the scheme concerned. The unitary charge payments have been calculated to include three elements: a service charge; the repayment of debt in relation to capital expenditure in delivering the scheme assets; and the finance cost on the borrowing to deliver to initial investment. The long-term liability represents the amount of debt outstanding in relation to capital expenditure; this will be repaid to the contractors through the unitary charge payments over the life of the PFI schemes. The Council employs robust and proactive contract management procedures to ensure that the PFI schemes continue to deliver value for money.
- Provisions (including insurance) (£5m). Provisions are amounts which are set aside where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement at a later date and where a reliable estimate can be made of the amount of the obligation. The Council's insurance programme comprises a mix of external insurance, largely for cover at catastrophe level or where required by contract or lease arrangements, and self-insurance. Dedicated insurance provisions and reserves are maintained to provide 'self-insurance' to meet either uninsured losses or losses that fall below the external insurance excess. The appropriate levels are assessed annually by the Council's insurance actuaries.

6. Knowledge & Skills

6.1 The Council uses Link Asset Services as its external Treasury Management advisors. The Council recognises that responsibility for Treasury Management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of Treasury Management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

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

Public Accounts Select Committee		
Title	Select Committee work programme 2018-19	
Contributor	Scrutiny Manager	Item 6
Class	Part 1 (open)	5 February 2019

1. Purpose

- 1.1 To advise Committee members of the work programme for the 2018-19 municipal year, and to agree the agenda items for the next meeting.

2. Summary

- 2.1 In July, the Committee drew up a draft work programme for the municipal year 2018-19.
- 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 2018-19 was agreed at the 9 July 2018 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).

4.3 Items within each Select Committee work programme are linked to the Council's corporate priorities. Work is currently underway to develop a new corporate strategy, which will give corporate expression to the priorities of the new administration. Once developed, scrutiny work programmes can be adjusted to reflect the new corporate strategy and corporate priorities, if required.

5. The next meeting

5.1. The following reports are scheduled for the meeting on 20 March 2019:

Agenda item	Review type	Link to corporate priority	Priority
Financial forecasts 18-19	Performance monitoring	Inspiring efficiency, effectiveness and equity	High
Audit Panel update	Standard item	Inspiring efficiency, effectiveness and equity	High
Income generation	In-depth review	Inspiring efficiency, effectiveness and equity	Medium
Asset management	Standard item	Inspiring efficiency, effectiveness and equity	Medium

6. Financial implications

6.1. There are no financial implications arising from the implementation of the recommendations in this report. 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.

7. Legal implications

7.1. 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.

8. Equalities implications

8.1. 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.

8.2. 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.

8.3. 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.

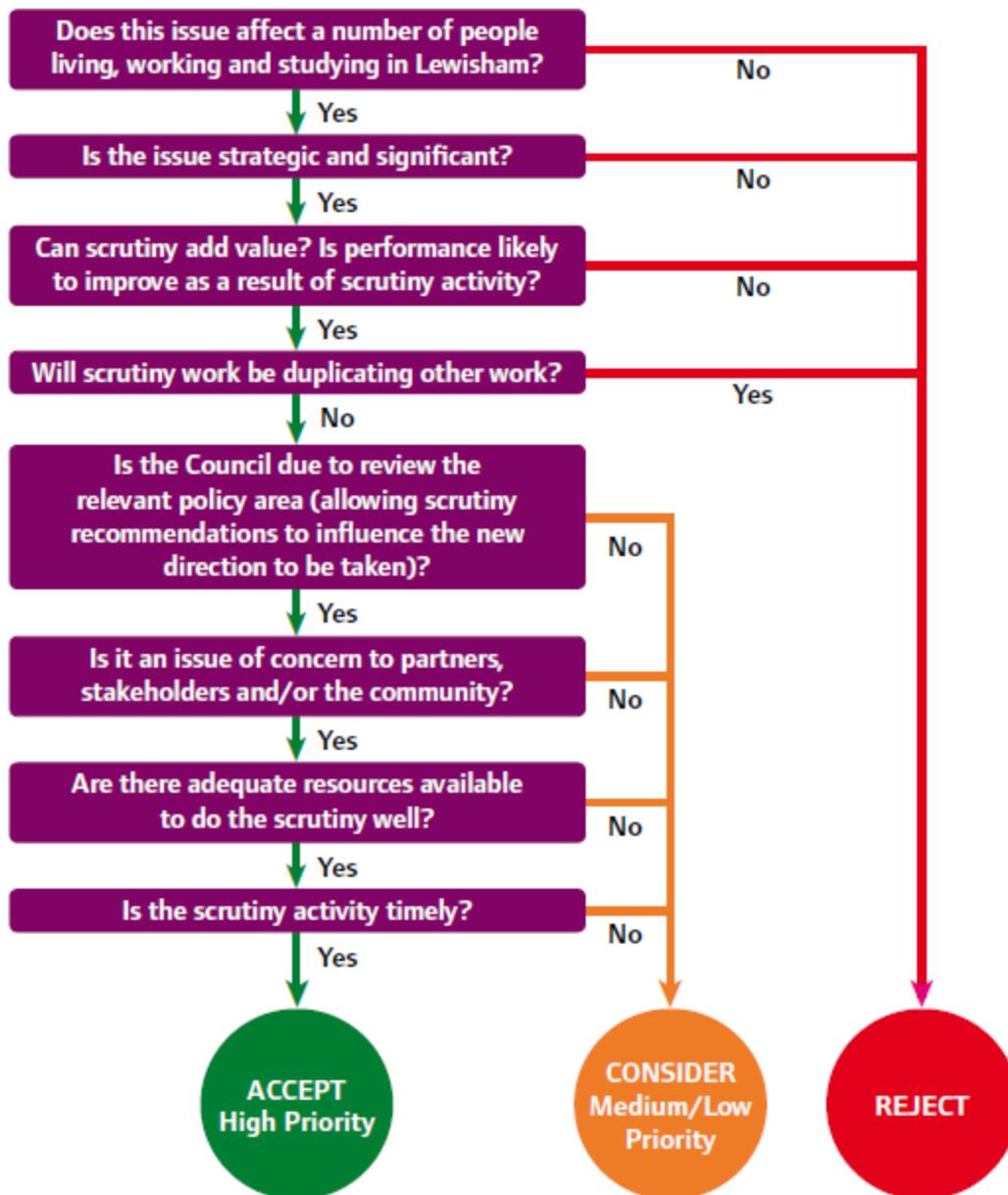
Background documents

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

Appendices

Appendix A – Scrutiny work programme – prioritisation process
Appendix B – 2018-19 work plan
Appendix C – Key decision plan

Scrutiny work programme – prioritisation process



Public Accounts Select Committee Work Programme 2018/19

Programme of work

Work Item	Type of item	Priority	Strategic priority	Delivery deadline	09-Jul	25-Sep	07-Nov	20-Dec	05-Feb	20-Mar
Savings proposals	Performance monitoring	High	CP10	Ongoing			Proposals			
Election of the Chair and Vice-Chair	Constitutional requirement	High	CP10	Jul						
Select committee work programme 2017/18	Constitutional requirement	High	CP10	Ongoing						
Financial forecasts 2018/19	Performance monitoring	Medium	CP10	Mar				Capital programme		
Medium term financial strategy	Performance monitoring	High	CP10	Jul						
Final outturn 2017/18	Performance monitoring	High	CP10	Jul						
Income generation	In-depth review	High	CP10	Ongoing						
Cost pressures in children's social care	Performance monitoring	High	CP10	Sep						
Adult social care budget	Performance monitoring	High	CP11	Nov						
Mid-year treasury management review	Performance monitoring	Medium	CP10	Dec						
Finance control review	Performance monitoring	High	CP10	Dec						
Social value policy	Policy development	High	CP10	Dec						
Annual budget 2019/20	Standard item	High	CP10	Feb						
Asset management	Standard item	Medium	CP10	Dec						
Audit panel update	Constitutional Requirement	High	CP10	Mar						

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

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 February 2019 - May 2019

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.

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
October 2018	Housing Assistance Policy	16/01/19 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Paul Bell, Cabinet Member for Housing		
November 2018	Gambling Statement	16/01/19 Mayor and Cabinet	Aileen Buckton, Executive Director for Community Services and Councillor Joani Reid, Cabinet Member for Safer Communities		
November 2018	Adoption of Perry Vale and Christmas Estate Conservation Area Article 4 Direction and Conservation Area Appraisal	16/01/19 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Mayor Damien Egan, Mayor		
November 2018	Contract Award Carers Specialist Information Advice and Support Service	16/01/19 Mayor and Cabinet	Aileen Buckton, Executive Director for Community Services and Councillor Chris Best, Deputy Mayor		
May 2018	2 PCSA Contract Awards for Stage 1 of two SEND school expansion projects	16/01/19 Mayor and Cabinet	Sara Williams, Executive Director, Children and Young People and Councillor Chris Barnham, Cabinet Member for School Performance		
December 2018	Council Tax Base	16/01/19	David Austin, Head of		

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	Corporate Resources and Councillor Joe Dromey, Cabinet Member for Finance, Skills and Jobs (job share)		
December 2018	Decent Homes Update'	16/01/19 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Paul Bell, Cabinet Member for Housing		
December 2018	Article 4 Direction to withdraw PD rights for change of use from dwelling house (Use Class C3) to small HMOs (Use Class 4)	16/01/19 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Mayor Damien Egan, Mayor		
December 2018	Stillness Junior School Instrument of Government	16/01/19 Mayor and Cabinet	Sara Williams, Executive Director, Children and Young People and Councillor Chris Barnham, Cabinet Member for School Performance		
December 2018	Financial Regulations and the Directorate Schemes of Delegation	16/01/19 Mayor and Cabinet	David Austin, Head of Corporate Resources and Councillor Joe Dromey, Cabinet Member for Finance, Skills and Jobs (job share)		
December 2018	Demolition of Mayow Road Warehouse to build new	16/01/19 Mayor and Cabinet	Kevin Sheehan, Executive Director for		

FORWARD PLAN – KEY DECISIONS					
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	Council Homes		Customer Services and Councillor Paul Bell, Cabinet Member for Housing		
December 2018	Proposal to discontinue Main Grants funding to Lewisham Disability Coalition	16/01/19 Mayor and Cabinet	Aileen Buckton, Executive Director for Community Services and Councillor Jonathan Slater, Cabinet Member for Community Sector		
December 2018	New Homes Better Places: Longfield Crescent	16/01/19 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Paul Bell, Cabinet Member for Housing		
December 2018	Tipping, Transportation & Treatment of Organic Waste Contract award	16/01/19 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Brenda Dacres, Cabinet Member for Parks, Neighbourhoods and Transport (job share)		
August 2018	Council Tax Reduction - Consultation 2019-20	23/01/19 Council	Kevin Sheehan, Executive Director for Customer Services and Councillor Joe Dromey, Cabinet Member for Finance, Skills and Jobs (job share)		

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
October 2018	Council Tax Base	23/01/19 Council	David Austin, Head of Corporate Resources and Councillor Joe Dromey, Cabinet Member for Finance, Skills and Jobs (job share)		
December 2018	Financial Regulations and the Directorate Schemes of Delegation	23/01/19 Council	David Austin, Head of Corporate Resources and Councillor Joe Dromey, Cabinet Member for Finance, Skills and Jobs (job share)		
December 2018	Gambling Statement	23/01/19 Council	Aileen Buckton, Executive Director for Community Services and Councillor Joani Reid, Cabinet Member for Safer Communities		
October 2018	Greenvale expansion phase 1: demolition contract award report	29/01/19 Executive Director for Resources and Regeneration	Kevin Sheehan, Executive Director for Customer Services and Councillor Chris Barnham, Cabinet Member for School Performance		
October 2018	Chelwood Nursery Expansion	29/01/19 Executive Director for Resources and Regeneration	Kevin Sheehan, Executive Director for Customer Services and Councillor Chris Barnham, Cabinet Member for School Performance		

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October 2018	Rockbourne Community Centre Refurbishment	29/01/19 Executive Director for Resources and Regeneration	Kevin Sheehan, Executive Director for Customer Services and Councillor Brenda Dacres, Cabinet Member for Parks, Neighbourhoods and Transport (job share)		
December 2018	Provision of Healthwatch - Extension of Contract	29/01/19 Executive Director for Community Services	Aileen Buckton, Executive Director for Community Services and Councillor Chris Best, Deputy Mayor		
December 2018	Annual Budget 2019-20	06/02/19 Mayor and Cabinet	David Austin, Head of Corporate Resources and Councillor Joe Dromey, Cabinet Member for Finance, Skills and Jobs (job share)		
October 2018	Public Health cuts revised proposals	06/02/19 Mayor and Cabinet	Aileen Buckton, Executive Director for Community Services and Councillor Chris Best, Deputy Mayor		
November 2018	Award of a Printing Services Contract for the ICT Shared Service Authorities	06/02/19 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Kevin Bonavia, Cabinet Member for Democracy, Refugees & Accountability		

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
November 2018	Lewisham Transport Strategy and Local Implementation Plan 2019-2041	06/02/19 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Brenda Dacres, Cabinet Member for Parks, Neighbourhoods and Transport (job share)		
November 2018	Determined Admission Arrangements 2019-20	06/02/19 Mayor and Cabinet	Sara Williams, Executive Director, Children and Young People and Councillor Chris Barnham, Cabinet Member for School Performance		
December 2018	Parking Policy Update	06/02/19 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Brenda Dacres, Cabinet Member for Parks, Neighbourhoods and Transport (job share)		
December 2018	Beckenham Place Park update	06/02/19 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Brenda Dacres, Cabinet Member for Parks, Neighbourhoods and Transport (job share)		
December 2018	Redevelopment of PLACE/Ladywell site	06/02/19 Mayor and Cabinet	Kevin Sheehan, Executive Director for		

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
			Customer Services and Councillor Paul Bell, Cabinet Member for Housing		
November 2018	Corporate Strategy	13/02/19 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Kevin Bonavia, Cabinet Member for Democracy, Refugees & Accountability		
November 2018	Adoption of Charter against Modern Slavery and Approval of 1st Annual Modern Slavery and Human Trafficking Statement	13/02/19 Mayor and Cabinet	Aileen Buckton, Executive Director for Community Services and Councillor Joani Reid, Cabinet Member for Safer Communities		
October 2018	Neighbourhood CIL Strategy	13/02/19 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Mayor Damien Egan, Mayor		
December 2018	Public Health Neighbourhood Grants	13/02/19 Mayor and Cabinet	Aileen Buckton, Executive Director for Community Services and Councillor Jonathan Slater, Cabinet Member for Community Sector		
December 2018	Council Budget Update	13/02/19 Mayor and Cabinet	David Austin, Head of Corporate Resources and Councillor Joe Dromey,		

FORWARD PLAN – KEY DECISIONS					
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			Cabinet Member for Finance, Skills and Jobs (job share)		
	The activation of 10 previously agreed 1 year contract extensions	13/02/19 Mayor and Cabinet	Aileen Buckton, Executive Director for Community Services and Councillor Chris Best, Deputy Mayor		
November 2018	Neighbourhood CIL Strategy	27/02/19 Council	Kevin Sheehan, Executive Director for Customer Services and Mayor Damien Egan, Mayor		
November 2018	Annual Budget 2019-20	27/02/19 Council	David Austin, Head of Corporate Resources and Councillor Joe Dromey, Cabinet Member for Finance, Skills and Jobs (job share)		
November 2018	Adoption of Charter against Modern Slavery and Approval of 1st Annual Modern Slavery and Human Trafficking Statement	27/02/19 Council	Aileen Buckton, Executive Director for Community Services and Councillor Joani Reid, Cabinet Member for Safer Communities		
August 2018	Lewisham Strategic Heat Network Business Case	13/03/19 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Mayor Damien Egan, 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
December 2018	Commissioning of Older Adults Day Services	13/03/19 Mayor and Cabinet	Aileen Buckton, Executive Director for Community Services and Councillor Chris Best, Deputy Mayor		
December 2018	Learning Disability Framework - shortlisting approval	13/03/19 Mayor and Cabinet	Aileen Buckton, Executive Director for Community Services and Councillor Chris Best, Deputy Mayor		
May 2018	Stillness School Kitchen and Dining Hall Contract	19/03/19 Executive Director for Children and Young People	Sara Williams, Executive Director, Children and Young People and Councillor Chris Barnham, Cabinet Member for School Performance		
December 2018	Heathside and Lethbridge Phases 5 & 6 Land Assembly. Part 1 & 2	27/03/19 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Paul Bell, Cabinet Member for Housing		
December 2018	Proposals for private rented sector licensing in Lewisham	27/03/19 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Paul Bell, Cabinet Member for Housing		
December 2018	New Woodlands School Remodelling works Contract	24/04/19 Mayor and Cabinet	Sara Williams, Executive Director, Children and		

FORWARD PLAN – KEY DECISIONS

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	Award		Young People and Councillor Chris Barnham, Cabinet Member for School Performance		

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