

Overview and Scrutiny



Public Accounts Select Committee Agenda

Thursday, 23 September 2021

7.00 pm, Civic Suite, Catford, SE6 4RU

-and- webcast at: <https://lewisham.public-i.tv/core/portal/home>

For more information contact: Timothy Andrew
(timothy.andrew@lewisham.gov.uk - 020 8314 7916)

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 Thursday, 23 September 2021.

Kim Wright, Chief Executive
Wednesday, 15 September 2021

| | |
|---|--|
| Councillor Mark Ingleby (Chair) | |
| Councillor Alan Hall (Vice-Chair) | |
| Councillor Jim Mallory | |
| Councillor Joan Millbank | |
| Councillor Joani Reid | |
| Councillor James Royston | |
| Councillor Paul Maslin (ex-Officio) | |
| Councillor Octavia Holland (ex-Officio) | |



Public Accounts Select Committee

Confirmation of Chair of the Public Accounts Select Committee

Date: 23 September 2021

Key decision: No

Class: Part 1

Contributor: Assistant Chief Executive

Outline and recommendations

Further to the meeting of the Overview and Scrutiny Committee on 21 July 2021, this report informs the Select Committee of the appointment of a new Chair for the Public Accounts Select Committee.

- To confirm the appointment of Councillor Mark Ingleby as Chair of the Public Accounts Select Committee.

1. Summary

- 1.1. On 21 July 2021, the Overview and Scrutiny Committee considered reports on sub-committee appointments and select committee chairing. The Committee resolved that the Public Accounts Select Committee be notified of the allocation of Chair of the Select Committee to Councillor Mark Ingleby.

2. Recommendation

- 2.1. The Select Committee is recommended to:

- Confirm the appointment of Councillor Mark Ingleby as Chair of the Public Accounts Select Committee

3. Further implications

- 3.1. There are no further implications arising from the implementation of the recommendation in this report.

4. Background papers

- 4.1. [Agenda for Overview and Scrutiny Committee 21 July 2021](#)

5. Report contact

- 5.1. Timothy Andrew, Scrutiny Manager, timothy.andrew@lewisham.gov.uk

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Minutes of the Public Accounts Select Committee

Wednesday, 7 July 2021 at 6.30 pm

Present: Councillors Patrick Codd (Chair), Alan Hall (Vice-Chair), Jim Mallory, Joan Millbank, Joani Reid and James Royston and Paul Maslin

Also present: Councillor Mark Ingleby, Councillor James Rathbone, Councillor Amanda De Ryk (Cabinet Member for Finance and Resources), Timothy Andrew (Scrutiny Manager), David Austin (Director of Corporate Services), Kathy Freeman (Executive Director for Corporate Resources), Katharine Nidd (Strategic Procurement and Commercial Services Manager) and Selwyn Thompson (Director of Financial Services)

1. Confirmation of the Chair and Vice-Chair

- 1.1 **Resolved:** It was agreed that Councillor Patrick Codd be confirmed as Chair and that Councillor Alan Hall be confirmed as Vice-Chair of the select committee.

2. Minutes of the meeting held on 17 March 2021

- 2.1 **Resolved:** That the minutes of the meeting held on 17 March 2021 be agreed as an accurate record.

3. Declarations of interest

- 3.1 There were none.

4. Responses from Mayor and Cabinet

- 4.1 There were none.

5. Financial results 2020-21

This was the first substantive item (5).

- 5.1 Kathy Freeman (Executive Director for Corporate Resources) introduced the report - the following key points were noted:

- The final position at the end of 2020-21 was complicated due to the impact of the pandemic and the suspension of a number of 'business as usual activities'.
- A number of areas of the Council were providing business as usual services and also responding to the pandemic.
- The position of the general fund at the end of the financial year appeared positive (indicating a £200k overspend - compared to a predicted overspend of £10m in the autumn last year) - it also contained a significant number of risks.
- The impact of the pandemic resulted in a £41m overspend - which was offset against £56m of covid grant income (from government).
- The balance of the grant is being carried forward into the current year to support covid related overspending being incurred this year.

- The delivery of the cuts programme remains a significant risk. £7m of cuts remain outstanding from last year - and have to be made in addition to the £28m of cuts already agreed for 2021-22.
- The collection fund (for council tax and business rates) was negatively affected by the pandemic - and it is likely that there will be ongoing difficulties (and risks) with collection for a number of reasons.
- The dedicated schools grant was overspent by £5m.
- Significant risks remained in the adult social care budget due to the numbers of hospital discharges in the past year.
- A number of business as usual pressures remain.

5.2 Kathy Freeman responded to questions from the committee (including members attending under standing orders) the following key points were noted:

- Work is continuing to reduce overspending in children's social care - but it is a statutory service and there are limits to the level of savings that can be made. An assessment would be made regarding the level of savings that could be achieved before reconsidering the base budget for the service.
- Adult social care services underspent at the end of last year - partly due to additional funding for hospital discharges.
- A number of pressures were mounting on adult social care at the beginning of this financial year, which would need to be managed. Cuts of £7m had been agreed for the service - which would need to be made this year.
- Reductions in the costs associated with people with no recourse to public funds were as a result of improvements in the service.
- Variations in funding agreements with health services partners are regularly reviewed.

5.3 **Resolved:** That the committee note the report.

6. Medium term financial strategy

This item was considered after the financial results.

6.1 David Austin (Director of Corporate Services) introduced the report. He set out the rationale and process for developing the medium term financial strategy - highlighting the number of risks and uncertainties involved. It was also noted that there is an ongoing programme of cuts being delivered alongside delivery of business as usual and that the medium term financial strategy might need to be amended as further details of funding became available.

6.2 David Austin responded to questions from the committee (including members attending under standing orders). The following key points were noted:

- There are a considerable number of uncertainties and unknown factors influencing medium term financial planning.
- Uncertainty about inflation had been included in the assumptions informing the strategy.
- The capital budget is currently half of the revenue budget - nonetheless- the pressures on the capital budget might have an impact on revenue.
- There are more deferred or drawing members of the pension scheme than those contributing.

- Underspends from service areas are not carried forward from year to year.
- The new homes bonus was coming to an end - as had been anticipated.
- The government has given councils more local discretion on raising funding - but this is capped.
- Children's and adult social care were the council's two biggest budgets - and there is a national discussion taking place about how these services are funded. 90 percent of councils overspent on their children's social care budgets last year - and many will do so again this year.
- Work is taking place through the future Lewisham programme to re-focus and reprioritise the recovery from the pandemic.

6.3 Councillor de Ryk (Cabinet Member for Resources) addressed the Committee - noting the difficult financial circumstances facing councils and the uncertainty surrounding funding. She noted that the Council has to be 'brave and bold' and approach delivery of services differently.

6.4 In the committee discussion the following key points were also noted:

- Information could be made available regarding the financial benefit to the Council arising from new developments and regeneration.
- There was a difference of opinions about the benefits and drawbacks of regeneration.
- Officers were thanked for their work on the medium term financial strategy - in the context of acknowledged ongoing uncertainties.
- The Committee noted the high level of uncertainty regarding the assumptions informing the strategy.

6.5 **Resolved:** That the committee notes the risks with regards to current year financial cuts (with reference to the comments and concerns raised at the meeting) and -

- Notes the 2022-23 to 2025-26 medium term financial strategy and the outline approach being taken to identify cuts proposals required to meet the remaining estimated budget gap of £26m over the next four years.
- Notes the timetable for bringing forward cuts proposals and the 2022-23 budget to full Council in February 2022.

7. Draft contract management framework

7.1 Katherine Nidd (Strategic Procurement and Commercial Services Manager) introduced the report. The following key points were noted:

- It is importance to ensure there is rigour at all points of procurement and contract management - from letting contracts to lessons learnt and re-procurement.
- No other area of public services lets such a wide range of contracts for goods, works and services - which made it very challenging to have a 'one size fits all' approach to contract management in local government.
- The approach would be risk based and proportionate - to make best use of officer time and resources.
- There is lots of good contract management across the Council - but there isn't always consistency in how it is approached.
- The framework would enable an annual compliance check on all contracts.
- Contract management would remain with services (rather than being centralised) with additional support provided to managers with contracts at risk.

7.2 Katherine Nidd responded to questions from the committee. The following key points were noted:

- The framework would drive improvement - but there weren't any initial benchmarks regarding financial benefits that would follow from the new approach.
- Approaches to local contracting and spending were built into the procurement framework.
- There is more detail about the Council's ambition to 'grow the Lewisham pound' in the sustainable procurement strategy.

7.3 Kathy Freeman responded to a question regarding the capacity of the finance team. Noting that work was ongoing to address issues with resourcing. It was also acknowledged that the level of vacancies in the finance function was not sustainable in the long term.

7.4 **Resolved:** That the committee notes the intended contract management framework and the timetable for its delivery.

8. **Select Committee work programme**

8.1 **Resolved:** That the 2021/22 work programme for Public Accounts Select Committee be agreed.

The meeting ended at 8.15 pm

Chair:

Date:



Public Accounts Select Committee

Declarations of Interest

Date: 2021-22

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Chief Executive (Director of Law and Governance)

Outline and recommendations

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

1. Summary

1.1. Members must declare any personal interest they have in any item on the agenda. 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.

1.2. Further information on these is provided in the body of this report.

2. Recommendation

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

3. Disclosable pecuniary interests

3.1 These 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; and
 - (b) 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.

4. Other registerable interests

4.1 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.

5. Non registerable interests

- 5.1. 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).

6. Declaration and impact of interest on members' participation

- 6.1. 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 not 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**
- 6.2. 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 6.3 below applies.
- 6.3. 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.
- 6.4. 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.
- 6.5. 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.

7. Sensitive information

- 7.1. 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.

8. Exempt categories

- 8.1. 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).

9. Report author and contact

- 9.1. Stephen Gerrard, Director of Law and Governance, stephen.gerrard@lewisham.gov.uk,
020 83147648



Public Accounts Select Committee

Treasury Management Mid-Year Review 2021/22

Date: 23 September 2021

Key decision: No.

Class: Part 1.

Ward(s) affected: All

Contributors: Director of Finance

Outline:

The purpose of the draft report for Mayor and Cabinet appended to this report is to set out the following:

- An economic update for the five months of the 2021/22 financial year;
- A review of the Treasury Management Strategy;
- An update on the Council's capital expenditure programme and prudential indicators;
- A review of the Council's investment portfolio for 2021/22;
- A review of the Council's borrowing strategy for 2021/22; and
- A review of compliance with treasury and prudential limits for 2021/22.

Recommendation:

Public Accounts Select Committee are recommended to:

Note the report and the appended draft Treasury Management Mid-Year Review 2021/22 and appendices, and recommend that it be presented to Mayor and Cabinet on the 6 October 2021.

Timeline of engagement and decision-making

3 March 2021 – 2021/22 Budget Report to Council (Section 5.21 onwards: Treasury Management Strategy)

10 February 2021 – 2021/22 Budget Update Report to Mayor & Cabinet

3 February 2021 – 2021/22 Budget Report to Mayor & Cabinet

1. Summary

- 1.1. This report presents the draft Treasury Management Mid-Year Review 2021/22 and appendices due to be presented to Mayor and Cabinet on the 6 October 2021.
- 1.2. The purpose of the draft Treasury Management Mid-Year Review 2021/22 is to set out the following:
 - An economic update for the five months of the 2021/22 financial year;
 - A review of the Treasury Management Strategy;
 - An update on the Council's capital expenditure programme and prudential indicators;
 - A review of the Council's investment portfolio for 2021/22;
 - A review of the Council's borrowing strategy for 2021/22; and
 - A review of compliance with treasury and prudential limits for 2021/22.

2. Recommendations

- 2.1. Public Accounts Select Committee (PASC) are recommended to:

Note the report and the appended draft Treasury Management Mid-Year Review 2021/22 and appendices, and recommend that it be presented to Mayor and Cabinet on the 6 October 2021.

3. Policy Context

- 3.1. The Council's 2018 to 2022 Corporate Strategy identifies seven corporate priorities and four core values which are the driving force behind what we do as an organisation. It sets out a vision for Lewisham and priority outcomes that organisations, communities and individuals can work towards to make this vision a reality. Through the work on Covid recovery these are also supported by the four Future Lewisham themes.
- 3.2. In taking action to implement and review the Council's treasury management function, with the overriding objective to achieve security, maintain adequate liquidity, and seek yield in line with the Council's risk appetite, we will be driven 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; and
 - We are open, honest and fair in all we do.
- 3.3. These core values align with the Council's seven corporate priorities, as follows:
 - **Open Lewisham** - Lewisham is a welcoming place of safety for all where we

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celebrate the diversity that strengthens us.

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

3.4. As the Council seeks to support the borough and its businesses and residents through the pandemic and beyond, this recovery is based on the four key themes of Future Lewisham, these are:

- A Greener Lewisham;
- A healthy and well future;
- An economically sound future; and
- A future we all have a part in.

3.5. The Treasury Management Strategy will directly support the theme of an economically sound future for the borough and its residents.

4. Background

4.1. As per the CIPFA Treasury Management Code of Practice the role of the Committee is receiving and reviewing reports on treasury management policies, practices and activities.

5. Draft Treasury Management Mid-Year Review 2021/22 and appendices

5.1. The draft Treasury Management Mid-Year Review 2021/22 and appendices are attached to this report, the content of which are presented to PASC for review.

6. Financial implications

6.1. There are no direct financial implications arising from this report, all relevant financial implications are in the attached draft report.

7. Legal implications

7.1. There are no direct legal implications arising from this report, all relevant legal implications are in the attached draft report.

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8. Equalities implications

- 8.1. There are no direct equalities implications arising from this report, all relevant equalities implications are in the attached draft report.

9. Climate change and environmental implications

- 9.1. There are no direct climate change and environmental implications arising from this report, all relevant climate change and environmental implications are in the attached draft report.

10. Crime and disorder implications

- 10.1. There are no direct crime and disorder implications arising from this report, all relevant crime and disorder implications are in the attached draft report.

11. Health and wellbeing implications

- 11.1. There are no direct health and wellbeing implications arising from this report, all relevant health and wellbeing implications are in the attached draft report.

12. Background papers

- 12.1. The following papers are appended to this report:
- *Draft Treasury Management Mid-Year Review 2021/22*
 - *Appendix 1 – Interest Rate Forecasts 2021 – 2024*
 - *Appendix 2 – Extract from Credit Worthiness Policy*
 - *Appendix 3 – Benchmarking Extract*
 - *Appendix 4 – Economic Update from Link Asset Services*
 - *Appendix 5 – Approved Countries for Investment*
 - *Appendix 6 – Requirement of the CIPFA Treasury Management Code of Practice*

13. Report author and contact

- 13.1. For more information please contact David Austin, Director of Finance, 1st Floor Laurence House, 020 8314 9249, David.Austin@lewisham.gov.uk.
- 13.2. Financial implications: Katharine Nidd, Head of Strategic Finance, Planning and Commercial.
- 13.3. Legal implications: Mia Agnew, Contracts Lawyer.

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Mayor and Cabinet

Treasury Management Mid-Year Review 2021/22

Date: 06/10/2021

Key decision: No.

Class: Part 1.

Ward(s) affected: All

Contributors: Director of Finance

Outline:

The purpose of this report is to set out the following:

- An economic update for the five months of the 2021/22 financial year;
- A review of the Treasury Management Strategy;
- An update on the Council's capital expenditure programme and prudential indicators;
- A review of the Council's investment portfolio for 2021/22;
- A review of the Council's borrowing strategy for 2021/22; and
- A review of compliance with treasury and prudential limits for 2021/22.

Recommendation:

Mayor and Cabinet are recommended to:

1. Note the report, in particular the macroeconomic updates, performance of investments to date, updates on capital expenditure and borrowing in line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) prudential indicators, and compliance with the Council's Treasury Management Strategy.

Timeline of engagement and decision-making:

3 March 2021 – 2021/22 Budget Report to Council (Section 5.21 onwards: Treasury Management Strategy)

10 February 2021 – 2021/22 Budget Update Report to Mayor & Cabinet

3 February 2021 – 2021/22 Budget Report to Mayor & Cabinet

1. Executive Summary

- 1.1. This report sets out the current economic conditions in which the Council is operating in respect of its investments and borrowing. It details the Council's treasury performance (focused on security, liquidity and return in that order) and forecast capital position as at 31 August 2021 (or alternative date as stated), and provides updates on performance against the current Treasury Management Strategy as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice. Despite the financial impact of the pandemic as described in the paragraph below, the Council has continued to deliver our treasury management activities in accordance with the Treasury Management Strategy agreed by Council on 3 March 2021, maintaining our prudent approach to managing the Council's investment portfolio and in line with CIPFA requirements.
- 1.2. The outbreak of coronavirus in March 2020 and the global response in implementing lockdowns and coordinating economic support packages has created an unprecedented and prolonged period of economic and fiscal uncertainty, the impact of which is likely to be felt for years to come. In the UK, there has been a sharp recovery from February 2021 as a result of the vaccination programme rollout and easing of restrictions, although there will be risks which will likely persist in both the short and medium term, including:
- The pace and scale of any future changes to the UK Bank Rate;
 - Geopolitical risks in Europe, the Middle East and Asia, which could lead to increasing safe haven flows;
 - A resurgence of the Eurozone debt crisis; and
 - UK/EU trade negotiations causing significant economic disruption and a fresh major downturn in the rate of growth.
- 1.3. In terms of Council performance, the overall capital expenditure estimate for 2021/22 has increased from £223.1m as per the 3 March 2021 Budget Report to £252.4m as at 30 July 2021, split between general fund (£93.8m) and housing revenue account (£158.6m). The key changes to the programme include the following:
- Brought forward underspends from 2020/21 – £6.1m
 - Re-profiling of HRA schemes – £5.8m
 - School minor works – £6.8m
 - Transport for London – £2.4m
 - Edward St – £3.6m
 - Other miscellaneous – £4.7m
- 1.4. The Council's Operational Boundary (being the limit which external debt is not normally expected to exceed) and Authorised Limit (being the limit beyond which borrowing is prohibited) have not been breached in the year to date, and no difficulties are envisaged for the current or future years in complying with the Code's requirements for prudential borrowing.
- 1.5. Council investments are managed within the agreed parameters and delivered an annualised average yield for the five months to 31 August 2021 of 0.16% (compared to 0.61% at September 2020). With interest rates continuing to remain low, it is likely that the final 2021/22 yield will fall short of the 0.53% achieved in 2020/21. However, for the risk profile inherent in the portfolio, current performance falls below modelled yield and is below the wider benchmark group of London authorities due to shorter term fixed deposit investments along with; lack of investment in bonds and credit default swaps, and longer term investments in pooled funds compared to other boroughs.
- 1.6. Due to changes in the Treasury Management Strategy that was presented to Mayor & Cabinet in February 2021, and approved by Council in March 2021, the minimum sovereign rating has excluded the UK only in order to place investments with UK

institutions. With 45% of the Council's treasury portfolio currently invested in UK institutions, it was agreed to exclude the UK in the event that the sovereign rating fell below the current AA-. Individual institutions would remain subject to the usual creditworthiness checks as per Investment Strategy.

2. Recommendations

2.1. Mayor and Cabinet are recommended to:

2.1.1. Note the report, in particular the macroeconomic updates, performance of investments to date, updates on capital expenditure and borrowing in line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) prudential indicators, and compliance with the Council's Treasury Management Strategy.

3. Policy Context

3.1. The Council's 2018 to 2022 Corporate Strategy identifies seven corporate priorities and four core values which are the driving force behind what we do as an organisation. It sets out a vision for Lewisham and priority outcomes that organisations, communities and individuals can work towards to make this vision a reality. Through the work on Covid recovery these are also supported by the four Future Lewisham themes.

3.2. In taking action to implement and review the Council's treasury management function, with the overriding objective to achieve security, maintain adequate liquidity, and seek yield in line with the Council's risk appetite, we will be driven 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; and
- We are open, honest and fair in all we do.

3.3. These core values align with the Council's seven corporate priorities, as follows:

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

3.4. As the Council seeks to support the borough and its businesses and residents through the pandemic and beyond, this recovery is based on the four key themes of Future Lewisham, these are:

- A Greener Lewisham;
- A healthy and well future;

- An economically sound future; and
 - A future we all have a part in.
- 3.5. The Treasury Management Strategy will directly support the theme of an economically sound future for the borough and its residents.

4. Structure of the Report

- 4.1. The remainder of this report is structured as follows:

5. Background and Prior Year Outturn
 6. Economic Update
 7. Annual Investment Strategy
 8. Capital Position (Prudential Indicators)
 9. Investment Portfolio 2021/22
 10. Minimum Revenue Provision (MRP) Policy Statement
 11. Borrowing, Treasury Indicators and Debt Rescheduling
 12. Financial Implications
 13. Legal Implications
 14. Equalities Implications
 15. Climate Change and Environmental Implications
 16. Crime and Disorder Implications
 17. Health and Wellbeing Implications
 18. Background Papers
 19. Report Author and Contacts
- Appendix 1 – Interest Rate Forecasts 2021 - 2024
- Appendix 2 – Extract from Credit Worthiness Policy
- Appendix 3 – Benchmarking Extract
- Appendix 4 – Economic Update from Link Asset Services
- Appendix 5 – Approved Countries for Investment
- Appendix 6 – Requirement of the CIPFA Treasury Management Code of Practice

5. Background and Prior Year Outturn

- 5.1. The Council is required to operate a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return. The onset of the coronavirus pandemic has led to unprecedented levels of economic and fiscal uncertainty, making a balanced budget even more challenging to achieve than in the previous years of austerity.
- 5.2. 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 the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses,

and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

- 5.3. The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity and the ability to meet spending commitments as they fall due, either for day-to-day revenue purposes or for larger capital projects. Treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund.
- 5.4. 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.
- 5.5. Accordingly, treasury management is defined as “the management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 5.6. The Council complies with the requirements of the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (revised 2017). The primary requirements of the Code are as follows:
 - a) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities.
 - b) Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
 - c) Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
 - d) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
 - e) Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Public Accounts Select Committee.

a) Capital Strategy

- 5.7. The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to produce a Capital Strategy, which will provide the following:
 - A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
 - An overview of how the associated risk is managed; and
 - The implications for future financial stability.
- 5.8. The aim of the strategy is to ensure that all elected Members on full Council fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite

5.9. 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 strategic investments are usually driven by expenditure on an asset. The Capital Strategy shows:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value; and
- The risks associated with each activity.

5.10. On 10 February 2021, Mayor & Cabinet agreed that the Capital Strategy would be presented later in 2021/22 financial year, now expected in December.

b) 2020/21 Treasury Management Outturn

5.11. The overall treasury management outturn for the year ending 31 March 2021 is set out in the table below:

| Treasury Management Outturn 2020/21 | Outstanding at 31 March 2021 | Average Coupon Rate | Average Remaining Duration | Outstanding at 31 March 2020 |
|---|------------------------------|---------------------|----------------------------|------------------------------|
| | £m | % | Years | £m |
| Fixed Rate Borrowing | | | | |
| Public Works Loan Board | 92.9 | 5.0 | 20.5 | 96.7 |
| Market Loans | 82.5 | 4.2 | 33.0 | 82.5 |
| Subtotal – Fixed Rate Borrowing | 175.4 | 4.9 | 22.8 | 179.2 |
| Variable Rate Borrowing | | | | |
| Public Works Loan Board | 0.0 | 0.0 | 0.0 | 0.0 |
| Market Loans | 37.6 | 2.2 | 37.3 | 37.8 |
| Subtotal – Variable Rate Borrowing | 37.6 | 2.2 | 37.3 | 37.8 |
| Total Debt | 213.0 | 4.8 | 23.1 | 217.0 |

| | | | | |
|---|--------------|-------------|-------------------|--------------|
| Fixed Rate Investments | | | | |
| Banks and Building Societies | 215.0 | 0.21 | 85 (days) | 175.0 |
| Local Authorities | 8.0 | 0.31 | 160 (days) | 13.0 |
| Subtotal – Fixed Rate Investments | 223.0 | 0.22 | 93 (days) | 188.0 |
| Variable Rate Investments | | | | |
| Money Markets | 74.2 | 0.01 | N/A | 114.7 |
| Notice Accounts | 90.0 | 0.25 | 162 (days) | 80.0 |
| Subtotal – Variable Rate Investments | 164.2 | 0.11 | 162 (days) | 194.7 |
| Total Investments | 387.2 | 0.19 | 107 (days) | 382.7 |

5.12. In respect of the net borrowing requirement for 2020/21 was £2.5m, this being £38.2m lower than the net borrowing requirement of £40.7m for 2019/20 as set out in the table

below:

| Net Borrowing Requirement | 2020/21 £m | 2019/20 £m |
|----------------------------------|---------------|---------------|
| Capital Investment | 73.7 | 73.3 |
| Capital Grants | (35.5) | (15.7) |
| Capital Receipts | (11.7) | (9.7) |
| Revenue | (15.9) | (3.0) |
| Net position | 10.6 | 44.9 |
| MRP | (4.1) | (4.0) |
| Maturing Debt | (4.0) | (0.2) |
| Net Borrowing Requirement | 2.5 | 40.7 |

- 5.13. As at 31 March 2021, this internal borrowing was estimated to be £74.6m, which is the difference between the Capital Financing Requirement (CFR) and the Council's actual borrowing.

| Debt and CFR Movement | 2020/21 £m | 2019/20 £m |
|--|---------------|---------------|
| Capital Financing Requirement* | 298.1 | 291.7 |
| External Debt** | (223.5) | (217.0) |
| Difference – Internal Borrowing | 74.6 | 74.7 |

* Excluding other long term liabilities.

**Excluding Fair Value adjustments.

6. Economic Update

- 6.1. The Economic update is provided by the Council's treasury advisors Link Assets Services and is at Appendix 4; this includes commentary on the impact of coronavirus on global markets.

a) Interest Rate Forecasts

- 6.2. The Council's treasury adviser, Link Asset Services, has published its latest interest rate forecasts up to 31 December 2023 as below:

| | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Bank Rate View | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.25% | 0.25% | 0.25% |
| 3 Month average earnings | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.30% | 0.30% | 0.30% |
| 6 Month average earnings | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.10% | 0.20% | 0.30% | 0.40% | 0.50% |
| 12 Month average earnings | 0.20% | 0.20% | 0.20% | 0.20% | 0.20% | 0.30% | 0.30% | 0.40% | 0.50% | 0.60% |
| 5yr PWLB Rate | 1.20% | 1.20% | 1.20% | 1.30% | 1.30% | 1.30% | 1.40% | 1.40% | 1.40% | 1.50% |

| | | | | | | | | | | |
|-----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 10yr PWLB Rate | 1.60% | 1.60% | 1.70% | 1.70% | 1.80% | 1.80% | 1.90% | 1.90% | 1.90% | 2.00% |
| 25yr PWLB Rate | 1.90% | 2.00% | 2.10% | 2.20% | 2.30% | 2.30% | 2.30% | 2.40% | 2.40% | 2.40% |
| 50yr PWLB Rate | 1.70% | 1.80% | 1.90% | 2.00% | 2.10% | 2.10% | 2.10% | 2.20% | 2.20% | 2.20% |

6.3. The coronavirus outbreak has caused huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March 2020 to cut the Bank Rate to 0.25%, latterly it cut this further to 0.10% and it has remained unchanged since August 2020 (as at August 2021 meeting). As shown in the forecast table above, no increase in the Bank Rate is expected within the forecast horizon until June 2023 as economic recovery is expected to be gradual and, therefore, prolonged.

6.4. Furthermore, gilt yields and PWLB rates have fallen around 40 basis points since the beginning of June 2021 in the 25 and 50 year periods; and 10 basis points in some 5 and 10 year PWLB rate forecasts in 2021 and 2022. Additionally, LIBOR and LIBID rates will cease from the end of 2021.

b) Balance of Risks to the UK

6.5. The overall balance of risks to economic growth in the UK is now to the upside though there are still residual risks from variants – both domestically and their potential effects worldwide. There is relatively little domestic risk of increases in the Bank Rate exceeding 0.50% in the next two to three years and, therefore, in shorter-term PWLB rates.

6.6. Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Mutations of the virus could render current vaccines ineffective, and tweaked vaccines may have to be developed to combat these mutations, if these are delayed this could result in further national lockdowns or sever regional restrictions;
- UK/EU trade arrangements could be impacted by complications or lack of co-operation in sorting out the significant issues outstanding which would have a major impact on trade flows and financial services;
- The Bank of England taking action too quickly, or too far, over the next three years to raise the Bank Rate, causing UK economic growth, and increases in inflation, to be weaker than currently anticipated;
- A resurgence of the Eurozone debt crisis;
- Weak capitalisation of some European banks, which could be undermined further depending on the extent of credit losses resultant of the pandemic; and
- Geopolitical risks in Europe, the Middle East and Asia, which could lead to increasing safe haven flows.

6.7. Upside risks to current forecasts for UK gilt yields and PWLB rates include:

- Vaccinations have been even more successful than expected and are eradicating hesitancy around a full return to normal; which will lead to a stronger than currently expected recovery in the UK and other major developed economies; and
- The Bank of England is too slow in its pace and strength of increases in the Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in the Bank Rate faster than currently expected.

7. Annual Investment Strategy

- 7.1. The Treasury Management Strategy Statement (TMSS) for 2021/22 was approved by Council on 3 March 2021.

Investment Policy – Management of Risk

- 7.2. The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals predominantly with financial instruments (as managed by the Strategic Finance – Treasury Team); non-financial investments, essentially the purchase of income yielding assets, are summarised at the end of Section 7 and covered in detail within the separate Capital Strategy.
- 7.3. The Council’s investment policy has regard to MHCLG’s Guidance on Local Government Investments (“the Guidance”), the 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.
- 7.4. The Council’s investment priorities will be security first, liquidity second, then return. The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and within the Council’s risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.
- 7.5. The Council uses Link Group, 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.
- 7.6. The Guidance and CIPFA TM 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 2.
 3. **Other information sources** used will include the financial press, share prices and other such information pertaining to the financial 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 2 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 investments** 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 advisors, and are set out in Appendix 2.
6. **Interest rate limits** are set out in paragraph 11.7 and place restrictions on the exposure to variable and fixed rate investments.
7. The Council has placed a limit on the amount of its investments which are invested for **longer than 365 days** (see paragraph 11.9).
8. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating** (see Appendix 5).
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, on an ongoing basis, 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. The MHCLG enacted a statutory override in 2018/19 for a five year period over the requirement for any unrealised capital gains or losses on marketable pooled funds to be chargeable in year, giving local authorities time to initiate an orderly withdrawal of funds if required. The Council does not at present have any pooled investments, though has scope to do so as per the creditworthiness policy in Appendix 2.

- 7.7. 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). The remainder of its investments will be placed in fixed term deposits of up to 24 months to generate improved returns, depending on prevailing market conditions.

Creditworthiness Policy

- 7.8. The Council's Treasury Team applies the creditworthiness service provided by its advisors Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:
- Credit watches and credit outlooks from credit rating agencies;
 - CDS spreads that may give early warning of changes in credit ratings; and
 - Sovereign ratings to select counterparties from only the most creditworthy countries.

7.9. 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:

- 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, Constant Net Asset Value (CNAV) money market funds and collateralised deposits where the collateral is UK Government debt.

**except for those building societies rated BBB- or higher as set out in the policy.

7.10. The Council's creditworthiness policy has been set out at Appendix 2.

Country limits

7.11. The Council has determined that it will only use approved counterparties from the UK and from other 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 5. This list will be added to, or deducted from, by officers should country ratings change in accordance with this policy.

Prior Updates to Investment Strategy

7.12. For the 2021/22 strategy an additional unspecified investment was added to the creditworthiness policy at Appendix 2, namely the ability to invest in UK building societies with a minimum credit rating of BBB- from Fitch (or equivalent), specifically those that are shown on Link Group's lending list only (but which may be rated 'No colour') for a maximum of three months and limited to £10m per institution.

7.13. Very few building societies have credit ratings assigned to them due to the lack of large ticket funding transactions that would warrant a formal credit rating being issued by one of the three main ratings agencies, and only a select few within the top ten by asset size have been issued with one. A credit rating of BBB- remains within the 'investment grade' category, subject to moderate credit risk, which is reflected by the monetary and duration limits as set out above.

7.14. This addition to the strategy was made as a result of current economic conditions and the reduced options available for investing at positive yields; in practice it opens up a limited number of two-three additional counterparties for consideration. Officers will continue to monitor the rating movements against these counterparties to ensure that any investments fall within the set criteria.

Prospects for Investment Returns

7.15. Investment returns are likely to remain exceptionally low during 2021/22 with little increase in the following two years. The coronavirus outbreak has caused huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March 2020 to cut the Bank Rate to first 0.25%, and then to 0.10%, it has left the Bank Rate unchanged for over one year.

7.16. Money market yields have continued to drift lower and some managers have resorted to trimming fee levels to ensure that net yields for investors remain in positive territory, or zero, where possible. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has resulted in a surplus of cash swilling around

at the very short end of the market with only marginally positive returns.

- 7.17. The Council uses the services of its advisor, Link Group, to formulate a view on interest rates; their view is that there will be no increase in the Bank Rate in the immediate short-term up to at least June 2023 as economic recovery is expected to be gradual and therefore prolonged. Given this uncertainty, suggested investment returns are expected to remain low and money market related instruments will be sub 0.50% for the foreseeable future.
- 7.18. 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.
- 7.19. There is relatively little UK domestic risk of increases or decreases in the Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in the Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields (and so PWLB rates) in the UK.
- 7.20. A more extensive table of interest rate forecasts for September 2021 onwards, including Public Works Loan Board (PWLB) borrowing rate forecasts, is set out in Appendix 1.

Non-Treasury Investments

- 7.21. Treasury management investments represent the placement of cash in relation to the S12 Local Government Act 2003 investment powers, i.e. they represent investments using the residual cash available to the authority from its day to day activities, under security, liquidity and yield principles.
- 7.22. The Council recognises that non-treasury investments in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful 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.
 - Strategic type investments; whereby the objective is primarily to generate capital or revenue resources to help facilitate Council services.
- 7.23. The Council's risk appetite for these investments is reviewed on a case-by-case basis depending on the scale and nature, and strategic fit, of the proposed investment. Where such non-treasury investments exist, they will be identified and summarised at high level within this strategy. The detail and rationale for non-treasury investments are covered in the separate Capital Strategy.

Subsidiary Companies

- 7.24. 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

- 7.25. 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.

- 7.26. 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.
- 7.27. 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.
- 7.28. As at 31 August 2021 the Council has advanced £17m of the available £20m commercial loan facility, and all £20m of the agreed facility financed from PWLB debt.
- Catford Regeneration Partnership Limited (CRPL)
- 7.29. 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.
- 7.30. The Council has existing loan agreements in place with the CRPL, currently on an interest only basis, with interest being capitalised until 2024/25. As at 31 August 2021 the Council expects the outstanding loan principal to be approximately £15.0m.

Other Non-Treasury Investments

Besson Street Joint Venture

- 7.31. The Council is an equal equity partner in a joint venture with Grainger Plc. to bring forward the development of the currently vacant Besson Street site to provide properties for the Private Rented Sector on long term tenancies. The Council has invested land at this stage and will be required to put forward an estimated £22-27m of cash to make up its share (50%) of the 40% equity, with 60% external long-term borrowing, to be invested once the scheme is built. This is currently forecast to be in 2026/27.
- 7.32. 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; and
 - A minority share in Newable Ltd (formerly Greater London Enterprise Ltd) which provides property management and consultancy services.

8. Capital Position (Prudential Indicators)

- 8.1. This section of the report is structured to update on:
- The Council's capital expenditure plans;
 - How these plans are being financed;
 - The impact of any changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
 - Compliance with the limits in place for borrowing activity.

a) Prudential Indicator for Capital Expenditure

- 8.2. The table below shows the original estimates for capital expenditure in 2021/22 as

agreed by Council in March 2021 and the latest revised estimates, with change recorded:

| Capital Expenditure | Budget (M&C Feb 21) £m | Revised Budget Proposed July 2021 £m | Change £m | Change % |
|---|---------------------------------|--|--------------|-------------|
| General Fund | | | | |
| Schools - School Places Programme | 10.4 | 11.8 | 1.4 | 13% |
| Schools – Other (Inc. Minor) Capital Works | 1.7 | 9.5 | 7.8 | 459% |
| Highways & Bridges – LBL | 2.5 | 2.6 | 0.1 | 4% |
| Highways & Bridges – TfL and Others | 0.8 | 2.4 | 1.6 | 200% |
| Catford Town Centre | 0.3 | 1.3 | 1.0 | 333% |
| Asset Management Programme | 2.8 | 3.9 | 1.1 | 39% |
| Other AMP Schemes | 0.9 | 2.9 | 2.0 | 222% |
| Broadway Theatre | 4.8 | 5.3 | 0.5 | 10% |
| CCTV Modernisation | 0.5 | 1.1 | 0.6 | 120% |
| Beckenham Place Park (Inc. Eastern Part) | 1.7 | 1.9 | 0.2 | 12% |
| Catford Phase 1 – Thomas Lane Yard/ CCC | 0.6 | 0.5 | (0.1) | (17%) |
| Catford Station Improvements | 0.3 | 0.4 | 0.1 | 33% |
| Lewisham Gateway (Phase 2) | 3.5 | 3.5 | 0.0 | 0% |
| Disabled Facilities Grant | 2.1 | 1.3 | (0.8) | (38%) |
| Private Sector/Discretionary Grants and Loans | 2.1 | 1.9 | (0.2) | (10%) |
| Lewisham Homes – Property Acquisition | 3.0 | 3.0 | 0.0 | 0% |
| Achilles St Development | 1.0 | 1.0 | 0.0 | 0% |
| Edward St. Development | 8.4 | 12.0 | 3.6 | 43% |
| Place Ladywell | 2.7 | 2.6 | (0.1) | (4%) |
| Deptford Southern Sites Regeneration | 0.3 | 0.3 | 0.0 | 0% |
| Temporary Accommodation - Mayow Rd | 6.6 | 7.0 | 0.4 | 6% |
| Temporary Accommodation - Canonbie Rd | 1.4 | 1.8 | 0.4 | 29% |
| Temporary Accommodation - Sydney Arms | 3.8 | 1.0 | (2.8) | (74%) |
| Temporary Accommodation - Morton House | 0.1 | 1.5 | 1.4 | 1400% |
| Temporary Accommodation- Manor Avenue | 0.0 | 1.2 | 1.2 | N/A |
| Fleet Replacement Programme | 0.8 | 1.6 | 0.8 | 100% |
| Travellers Site Relocation | 3.6 | 3.8 | 0.2 | 6% |
| Other Schemes | 3.6 | 6.7 | 3.1 | 86% |
| Subtotal | 70.3 | 93.8 | 23.5 | 33% |
| Housing Revenue Account | | | | |
| HRA | 152.8 | 158.6 | 5.8 | 4% |
| Total | 223.1 | 252.4 | 29.3 | 13% |

8.3. The overall capital programme for 2021/22 was agreed as £223.1m in March 2021, and revised to £252.4m as at 31 July 2021. The General Fund's revised capital expenditure forecast at July 2021 has increased by £23.5m, or 33%, from the position reported in the March budget report, with material adjustments to several forecasts throughout the programme.

- Within the overall schools programme the estimated spend on school places has increased from £10.4m to £11.8m, whilst estimated spend on the schools minor works programme has increased from £1.7m to £9.5m;
- Asset management programmes have also seen the estimated spend increase from £3.7m to £6.8m.
- Edward Street and other schemes have also seen a significant increase, rising from £8.4m to £12m and £3.6m to £6.7m for the respective projects.

8.4. The HRA increase of £5.8m is down to re-profiling of the current schemes.

b) Financing of the Capital Programme

8.5. The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure in 2021/22. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). If the CFR is positive, the Council may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions

8.6. This direct borrowing need may also be supplemented by maturing debt and other treasury requirements. The table below shows an increase of £17.4m in the amount of prudential borrowing required to meet the revised capital programme; this is the result of new schemes that have been implemented since the budget report was agreed in March 2021, along with an increase in HRA schemes and the re-profiling of projects.

| Capital Expenditure Financing | Original Feb 21 £m | Revised Jul 21 £m | Change £m | Change % |
|-------------------------------|-----------------------|----------------------|--------------|-------------|
| Grants and contributions | 24.5 | 32.8 | 8.3 | 34% |
| Capital Receipts | 7.4 | 7.4 | 0.0 | 0% |
| General reserves / revenue | 19.6 | 23.2 | 3.6 | 18% |
| Subtotal | 51.5 | 63.4 | 11.9 | 23% |
| Borrowing Required | 171.6 | 189.0 | 17.4 | 10% |
| Total | 223.1 | 252.4 | 29.3 | 13% |

c) Prudential Indicators

8.7. Forward projections for borrowing as at 31 March 2021 are summarised in the table below, which shows the actual external debt from treasury management operations and other long-term liabilities 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; any increase to capital expenditure which has not immediately been paid for

through a revenue or capital resource will increase the CFR.

- 8.8. 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.
- 8.9. 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.
- 8.10. Changes in external debt incorporate upcoming loan maturities and projected prudential borrowing requirements in both the General Fund and the Housing Revenue Account (HRA).
- 8.11. The table below illustrates over/(under) borrowing relative to the combined CFR for the General Fund and HRA.

External Debt Projections

| | 2021/22 Forecast £m | 2022/23 Forecast £m | 2023/24 Forecast £m | 2024/25 Forecast £m |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| External Debt at 1 April | 223.5 | 332.0 | 426.5 | 543.0 |
| Change in External Debt | 108.4 | 94.5 | 116.5 | 86.9 |
| Other Long-Term Liabilities | 231.3 | 222.0 | 211.5 | 199.7 |
| Gross Debt at 31 March | 563.2 | 648.5 | 754.5 | 829.6 |
| CFR - HRA | 133.8 | 225.9 | 333.3 | 408.7 |
| CFR – General Fund and Other Long-Term Liabilities | 470.6 | 475.0 | 463.7 | 444.8 |
| Total Capital Financing Requirement at 31 March* | 604.4 | 700.9 | 797.0 | 853.5 |
| Borrowing – over / (under) | (41.2) | (52.4) | (42.5) | (23.9) |

*The Capital Financing Requirement includes the prudential borrowing figures shown in Table E2 of Section 11 - Capital Programme in the 2021/22 Budget Report. The previous year's forecast prudential borrowing for capital did not materialise as expected and there is a risk that this recurs. This will be monitored during the year and reported back. This is a more acute risk given the scale and ambition of the capital programme, particularly in the HRA. We will ensure that we only borrow as the need arises

- 8.12. 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.
- 8.13. The Executive Director for Corporate Resources officer reports that the Council has complied with this prudential indicator in the current year to date and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report.

d) Limits to Borrowing Activity

8.14. There are two measures of limiting 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

8.15. 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 below:

| | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|--------------------------------------|---------------|---------------|---------------|---------------|
| Maximum External Debt at 31 March | 331.9 | 426.5 | 543.0 | 629.9 |
| Other Long-Term Liabilities | 231.3 | 222.0 | 211.5 | 199.7 |
| Operational Boundary for Year | 563.2 | 648.5 | 754.5 | 829.6 |

The Authorised Limit for External Debt

8.16. 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.

8.17. 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.

8.18. The authorised limits are set out as below:

| | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|--|---------------|---------------|---------------|---------------|
| Operational Boundary for Year | 563.2 | 648.5 | 754.5 | 829.6 |
| Provision for Non Receipt of Expected Income | 56.0 | 56.0 | 56.0 | 56.0 |
| Additional 10% Margin | 56.32 | 64.85 | 75.45 | 82.96 |
| Authorised Limit for Year | 675.52 | 769.35 | 885.95 | 968.56 |

9. Investment Portfolio 2021/22

9.1. In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information. As set out in Section 6, it is no longer possible to earn the level of interest rates commonly seen in previous decades as all investment rates are barely above zero now that the Bank Rate is at 0.10%. Given this risk environment and the fact that increases in the Bank Rate are

unlikely to occur before June 2023, investment returns are expected to remain extremely low.

a) Negative Interest Rates

- 9.2. The Bank of England has indicated it is unlikely to introduce a negative Bank Rate. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with significant access to credit, either directly or through commercial banks. In addition, the Government has provided grants to local authorities to help deal with the coronavirus crisis. This has caused some local authorities to have sudden large increases in investment balances, some of which was only very short term until those sums were able to be passed on.
- 9.3. Money Market Fund (MMF) yields have continued to drift lower. Some managers have suggested they might resort to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity, has resulted in a glut of money moving around at the very short end of the market; inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home. However, MMFs are still offering a marginally positive return, as are a number of financial institutions.

b) Performance as at 31 August 2021

- 9.4. The Council held £418m of investments as at 31 August 2021 (£387m at 31 March 2021) and the portfolio annualised yield for the first five months to 31 August 2021 of 0.16% (compared to 0.61% at September 2020). These investments provide some assurance when matched to the level of debt held, represent the reserves held for investment, and provide the working balances and cash flow to support the Council's service delivery.
- 9.5. The Council is a member of a treasury benchmarking group (organised by Link Asset Services) containing 15 authorities, including 12 other London authorities. An extract from the latest available benchmarking report is shown in Appendix 3; this shows that the return on investments as at June 2021 is below the Council's model weighted average rate of return provided by the treasury advisors, which is adjusted for the risks inherent in the portfolio. Portfolio performance is also below the overall benchmarking group, as well as a wider group of 19 London boroughs.
- 9.6. A full list of outstanding investments held as at 31 August 2021 is shown below:

| Counterparty | Duration (Days) | Principal £m | Interest Rate | Interest £ |
|--|-----------------|--------------|---------------|------------|
| Fixed Rate Investments – Banks and Building Societies | | | | |
| Australia and New Zealand Banking Group | 273 | 15.0 | 0.15% | 16,829 |
| Close Brothers Ltd | 183 | 20.0 | 0.25% | 25,068 |
| DBS Bank Ltd. | 184 | 5.0 | 0.12% | 3,025 |
| DBS Bank Ltd | 277 | 5.0 | 0.14% | 5,312 |
| DBS Bank Ltd | 365 | 15.0 | 0.15% | 22,500 |
| Goldman Sachs International Bank | 184 | 20.0 | 0.295% | 29,742 |
| Landesbank Hessen-Thuringen | 273 | 5.0 | 0.06% | 2,244 |
| Landesbank Hessen-Thuringen | 92 | 5.0 | 0.09% | 1,134 |
| Landesbank Hessen-Thuringen | 276 | 10.0 | 0.11% | 8,318 |
| National Bank of Canada | 183 | 25.0 | 0.09% | 11,281 |
| National Westminster Bank PLC (RFB) | 273 | 10.0 | 0.05% | 3,740 |
| National Westminster Bank PLC (RFB) | 276 | 20.0 | 0.13% | 19,660 |
| National Westminster Bank PLC (RFB) | 365 | 10.0 | 0.17% | 17,000 |

| Counterparty | Duration (Days) | Principal £m | Interest Rate | Interest £ |
|--|-----------------|--------------|---------------|------------|
| Norddeutsche Landesbank | 92 | 15.0 | 0.16% | 6,049 |
| SMBC Bank International Plc | 153 | 20.0 | 0.09% | 7,545 |
| Toronto-Dominion Bank | 244 | 20.0 | 0.12% | 16,044 |
| Toronto-Dominion Bank | 365 | 5.0 | 0.12% | 6,000 |
| Fixed Rate Investments – Local Authorities | | | | |
| London Borough of Waltham Forest | 364 | 3.0 | 0.30% | 8,975 |
| Variable Rate Investments – Money Markets | | | | |
| Aberdeen Standard | N/A | 30.0 | 0.01% | N/A |
| BlackRock | N/A | 30.0 | 0.01% | N/A |
| Federated Hermes | N/A | 30.0 | 0.01% | N/A |
| Insight | N/A | 10.0 | 0.00% | N/A |
| Variable Rate Investments – Notice Accounts | | | | |
| Australia and New Zealand Banking Group | 185 | 10.0 | 0.28% | N/A |
| Bank of Scotland Plc (RFB) | 175 | 20.0 | 0.06% | N/A |
| Barclays Bank Plc (NRFB) | 95 | 20.0 | 0.15% | N/A |
| Lloyds Bank Plc (RFB) | 175 | 20.0 | 0.06% | N/A |
| Santander UK Plc | 180 | 20.0 | 0.58% | N/A |

- 9.7. The Executive Director of Corporate Resources confirms that the approved limits within the Annual Investment Strategy were not breached during the first five months of 2021/22.
- 9.8. The current investment counterparty criteria as set out in the Credit Worthiness Policy and included at Appendix 2 of this report are meeting the requirements of the treasury management function, although the current low rate environment and the reluctance of banks and building societies to accept new deposits reduces the available pool of counterparties that meet guideline investment rates.

10. Minimum Revenue Provision (MRP) Policy Statement

- 10.1. 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 MHCLG Statutory Guidance on Minimum Revenue Provision.
- 10.2. 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.
- 10.3. In 2016/17, this policy was changed to reflect the useful lives of the specific asset classes on the Council's balance sheet. It moved to:
- A straight line MRP of 14% equivalent to seven years for plant and equipment (such as IT and vehicles); and
 - A straight line MRP of 2.5% equivalent to forty years for property (such as land and buildings).
- 10.4. In 2017/18 a third element was added to the Council's MRP policy, whereby no MRP need be charged on capital expenditure where the Council has assessed that sufficient collateral is held at a current valuation to meet the outstanding CFR liability, and that should it be determined at any point that insufficient collateral is held to match the Council's CFR liability a prudent MRP charge will commence.

- 10.5. In 2019/20 the Council commissioned an independent review of its current MRP policy to ensure it is fit for current and future spending plans, as well as a review of historic calculations and a reconciliation to the CFR to identify any potential efficiencies. The review was undertaken by the Council's treasury advisors, Link Group.
- 10.6. The Council implemented one of the recommendations from the report from 2019/20 onwards, specifically to adjust for an historic overcharging of MRP from 2003/04 as a result of a miscalculation in the 'Adjustment A' figure (an accounting adjustment designed to ensure minimal changes in liability when new capital financing regulations were introduced in 2003/04). The Prudential Code allows for MRP to be reduced appropriately, in line with an authority's own judgement, where Adjustment A reflects an error that increases the current MRP liability. As such, the Council reduced its ongoing liability by reducing its MRP charge to account for the higher Adjustment A figure, whilst additionally offsetting current and future years' MRP charges to recover the historic overcharging since 2003/04.
- 10.7. The value of the overcharge has been calculated as £10.1m, which will be recovered from 2019/20 over a 10 year period via an annual reduction to MRP. The outstanding value of the overcharge to be recovered as at 31 March 2021 is £8.1m.

11. Borrowing, Treasury Indicators and Debt Rescheduling

Borrowing Strategy

- 11.1. The Council's external debt as at 31 August 2021, gross borrowing plus long term liabilities, is expected to be £463.1m. The Council's borrowing strategy is consistent with last year's strategy. The Council is currently maintaining an under-borrowed position in that the CFR is not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow has been used as an alternative funding measure. In the current economic climate, this strategy is considered prudent while investment returns are low and counterparty risk remains an issue to be considered.
- 11.2. The Executive Director for 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 then long term borrowing will be postponed and potential rescheduling from fixed rate funding into short-term borrowing considered. Any such decisions would be reported to Mayor and Cabinet and subsequently Council, at the next available opportunity.
- 11.3. 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 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 they are projected to be in future years. Once again, any such decisions would be reported to Mayor and Cabinet and subsequently Council, at the next available opportunity.

Policy on Borrowing in Advance of Need

- 11.4. 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 forward CFR estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Treasury Indicators

- 11.5. There are three debt-related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. These limits need

to be balanced against the requirement for the treasury function to retain some flexibility to enable it to respond quickly to opportunities to reduce costs and improve performance.

11.6. The debt related indicators are:

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

11.7. The treasury indicators and limits are set out below:

| Limits on Interest Rate Exposures | 2021/22 | 2022/23 | 2023/24 |
|---|----------------|----------------|----------------|
| | 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 2021/22 | | | |
| | 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 2021/22 | | | |
| | Lower | Upper | |
| 30 years to 40 years | 0% | 60% | |
| 40 years to 50 years | 0% | 40% | |

Long Term Investments Indicator

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

- 11.9. The indicator is set out below. As at 31 August 2021, the Council is not expected to hold any investments for longer than 365 days.

| Maximum Principal Sums Invested for Longer than 365 days | | | |
|---|----------------|----------------|----------------|
| | 2021/22 | 2022/23 | 2023/24 |
| | £m | £m | £m |
| Limit on principal sums invested for longer than 365 days | 50.0 | 50.0 | 50.0 |

Debt Rescheduling

- 11.10. As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate efficiencies by switching from long-term debt to short-term debt. However, these efficiencies will need to be considered in light of the current treasury position and the size of the cost of debt repayment (premiums incurred).
- 11.11. 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; and
 - Enhancing the balance of the portfolio (to amend the maturity profile and/or the balance of volatility).
- 11.12. The Council will continue to explore rescheduling opportunities as appropriate in respect of the financing of its PFIs and external loans.
- 11.13. The Council has £120m of LOBO loans at nominal value as at 31 August 2021, of which £47.5m will be in their call period in 2021/22. In the event that the lender exercises the option to change the rate or terms of the loans within their call period, the Council will consider the terms being provided and also the option of repayment of the loan without penalty.
- 11.14. The Council continuously reviews its debt position to optimise its cash flow. Any consideration of debt rescheduling will be reported to Mayor and Cabinet and subsequently to Council at the earliest meeting possible.
- 11.15. No new external borrowing has been undertaken to date in 2021/22; the increase in PWLB margins over gilt yields in October 2019 and the subsequent consultation on these margins by HM Treasury, together with the impact of coronavirus on the capital programme, has led the Council to make use of internal borrowing where required this financial year.
- 11.16. Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

12. Financial Implications

- 12.1. There are no additional financial implications besides those mentioned elsewhere in this report.

13. Legal Implications

- 13.1. Local authorities are required to produce and monitor 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 so 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.

- 13.2. Under Section 5 of the Local Government Act 2003, 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.
- 13.3. Authority is delegated to the Executive Director of Corporate Resources to make amendments to the limits on the Council's counterparty list and to undertake treasury management in accordance with the CIPFA Code of Practice and the Council's Treasury Policies.

14. Equalities Implications

- 14.1. There are no direct equalities implications arising from this report.

15. Climate Change and Environmental Implications

- 15.1. There are no direct climate or environmental implications arising from this report.

16. Crime and Disorder Implications

- 16.1. There are no direct crime and disorder implications arising from this report.

17. Health and Wellbeing Implications

- 17.1. There are no direct health and wellbeing implications arising from this report.

18. Background Papers

- 18.1. The following papers are appended to this report:
- *Appendix 1 – Interest Rate Forecasts 2021 – 2024*
 - *Appendix 2 – Extract from Credit Worthiness Policy*
 - *Appendix 3 – Benchmarking Extract*
 - *Appendix 4 – Economic Update from Link Asset Services*
 - *Appendix 5 – Approved Countries for Investment*
 - *Appendix 6 – Requirement of the CIPFA Treasury Management Code of Practice*

19. Report Author and Contacts

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19.2. Financial implications: Michael Docherty, Treasury Accountant (Author)

19.3. Legal implications: Mia Agnew, Contracts Lawyer

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APPENDIX 1: Interest Rate Forecasts 2021 - 2024

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table provides Link's latest central view.

| Period | Bank Rate | PWLB Borrowing Rates % (including certainty rate adjustment of 20 basis points) | | | |
|----------|-----------|--|---------|---------|---------|
| | | 5 year | 10 year | 25 year | 50 year |
| Sep 2021 | 0.10 | 1.20 | 1.60 | 1.90 | 1.70 |
| Dec 2021 | 0.10 | 1.20 | 1.60 | 2.00 | 1.80 |
| Mar 2022 | 0.10 | 1.20 | 1.70 | 2.10 | 1.90 |
| Jun 2022 | 0.10 | 1.30 | 1.70 | 2.20 | 2.00 |
| Sep 2022 | 0.10 | 1.30 | 1.80 | 2.30 | 2.10 |
| Dec 2022 | 0.10 | 1.30 | 1.80 | 2.30 | 2.10 |
| Mar 2023 | 0.10 | 1.40 | 1.90 | 2.30 | 2.10 |
| Jun 2023 | 0.25 | 1.40 | 1.90 | 2.40 | 2.20 |
| Sep 2023 | 0.25 | 1.40 | 1.90 | 2.40 | 2.20 |
| Dec 2023 | 0.25 | 1.50 | 2.00 | 2.40 | 2.20 |
| Mar 2024 | 0.50 | 1.50 | 2.00 | 2.50 | 2.30 |

APPENDIX 2: Extract from Credit Worthiness Policy

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

Annual Investment Strategy:

The key requirements of both the CIPFA Code of Practice on Treasury Management in the Public Services and MHCLG's 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 the 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; and
- 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. They also include investments which were originally classed as being non-specified investments, but which would have been classified as specified investments apart from originally being for a period longer than 12 months, once the remaining period to maturity falls to under twelve months. 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, housing association, 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; and
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, as shown in the table further 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, fixed deposits with building societies that do not meet the basic security requirements of specified investments, corporate bonds, and property funds. Provision has been made in the Strategy to invest in a limited number of lower rated building societies within the restrictions set out, certificates of deposit with both banks and building societies, and 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 Group. 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;
- Credit Default Swap (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 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 Group 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* Purple Blue Orange Red Green No Colour | £30m £25m £40m £25m £20m £15m Not for use** | Up to 5 years Up to 2 years Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use** |
| CDs or corporate bonds with banks and building societies | Blue Orange Red Green No Colour | £40m £25m £20m £15m Not for use** | Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use** |

| | | | |
|--|--|---|------------------|
| Term deposits or CDs with building societies on Link's counterparty list rated 'No colour' | BBB- | £10m | Up to 3 months |
| 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.

**except for those building societies rated BBB- or higher as set out elsewhere in the table.

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 Group as and when ratings change, and the impact of those changes are assessed 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 upon maturity. 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.

Sole reliance will not be placed on the use of this external service. In addition, the Council will make use of market data and information on any external support for banks to help support its decision-making process.

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.

APPENDIX 3: Benchmarking Extract

The following three pages present an extract, with glossary, of the Council's treasury benchmarking report as at 30 June 2021.

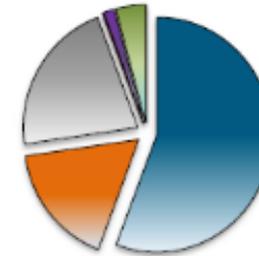
London Borough Of Lewisham

Summary Sheet

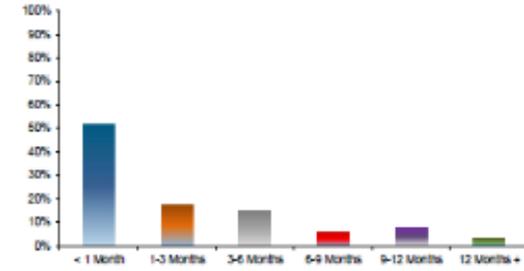
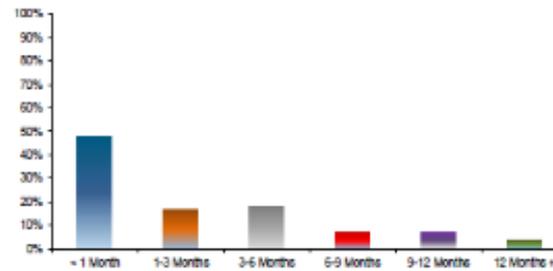
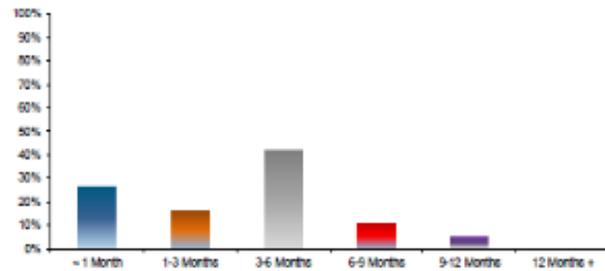
| London Borough Of Lewisham | | Benchmarking Group 2 (15) Basic Portfolio Characteristics | London (19) |
|----------------------------|---------------|--|---------------|
| WARoR | 0.13% | 0.27% | 0.24% |
| WAM | 114 | 95 | 87 |
| WATT | 166 | 206 | 187 |
| WA Credit Risk | 3.86 | 2.81 | 2.80 |
| Model WARoR | 0.18% | 0.26% | 0.23% |
| Difference | -0.05% | 0.01% | 0.01% |
| Model Band | 0.14% - 0.22% | 0.21% - 0.30% | 0.19% - 0.28% |
| Performance | Below | Inline | Inline |

Asset Breakdown

- Fixed Deposits
- Calls & O/N
- MMFs
- USDBFs
- Struct. Prods.
- Bonds
- CDs



Maturity Profiles



London Borough Of Lewisham

Peer Comparison

| | London Borough Of Lewisham | Benchmarking Group 2 (15) | | London (19) | | Population Average (212) | |
|----------------------------------|----------------------------|---------------------------|----|--------------|----|--------------------------|-----|
| Basic Characteristics | | | | | | | |
| Principal | £426,563,000 | £247,970,574 | | £204,483,115 | | £99,774,978 | |
| WARoR | 0.13% | 0.27% | | 0.24% | | 0.17% | |
| WAM | 114 | 95 | | 87 | | 69 | |
| WATT | 166 | 206 | | 187 | | 127 | |
| WA Credit Risk | 3.86 | 2.81 | | 2.80 | | 2.97 | |
| Portfolio Breakdown | | | | | | | |
| Fixed Deposits | 60.48% | 52.67% | 14 | 55.76% | 17 | 39.21% | 170 |
| Calls & O/N | 21.10% | 18.71% | 12 | 17.00% | 15 | 31.89% | 191 |
| MMFs | 18.42% | 22.66% | 14 | 21.49% | 14 | 25.28% | 153 |
| USDBFs | 0.00% | 0.33% | 1 | 0.00% | 0 | 1.13% | 17 |
| Struct. Prods. | 0.00% | 0.13% | 1 | 0.10% | 1 | 0.12% | 3 |
| Bonds | 0.00% | 5.40% | 2 | 1.50% | 1 | 0.77% | 11 |
| CDs | 0.00% | 0.11% | 1 | 4.16% | 1 | 1.59% | 19 |
| Institution Breakdown | | | | | | | |
| Banks | 79.71% | 45.65% | 15 | 43.92% | 18 | 46.20% | 201 |
| Building Socs. | 0.00% | 3.86% | 4 | 5.14% | 5 | 4.80% | 57 |
| Government | 1.88% | 26.25% | 11 | 27.90% | 13 | 21.89% | 127 |
| MMFs | 18.42% | 22.66% | 14 | 22.05% | 15 | 25.32% | 154 |
| USDBFs | 0.00% | 0.33% | 1 | 0.00% | 0 | 1.13% | 17 |
| MLDBs | 0.00% | 0.00% | 0 | 0.00% | 0 | 0.02% | 1 |
| Other | 0.00% | 1.25% | 2 | 0.99% | 2 | 0.64% | 13 |
| Domestic/Foreign Exposure | | | | | | | |
| Domestic | 48.76% | 68.25% | 15 | 70.50% | 19 | 70.00% | 205 |
| Foreign | 32.82% | 8.75% | 9 | 7.44% | 10 | 3.52% | 47 |
| MMFs | 18.42% | 22.66% | 14 | 22.05% | 15 | 25.35% | 154 |
| USDBFs | 0.00% | 0.33% | 1 | 0.00% | 0 | 1.13% | 17 |
| Maturity Structure | | | | | | | |
| < 1 Month | 26.62% | 47.67% | | 51.70% | | 58.68% | |
| 1-3 Months | 15.94% | 16.76% | | 17.50% | | 13.83% | |
| 3-6 Months | 42.20% | 18.04% | | 14.46% | | 16.65% | |
| 6-9 Months | 10.55% | 6.81% | | 5.79% | | 5.12% | |
| 9-12 Months | 4.69% | 6.85% | | 7.50% | | 3.73% | |
| 12 Months + | 0.00% | 3.88% | | 3.06% | | 2.00% | |

Definitions

| | | |
|--------------------|---------------------------------------|--|
| WARoR | Weighted Average Rate of Return | This is the average annualised rate of return weighted by the principal amount in each rate. |
| WAM | Weighted Average Time to Maturity | This is the average time, in days, till the portfolio matures, weighted by principal amount. |
| WATT | Weighted Average Total Time | This is the average time, in days, that deposits are lent out for, weighted by principal amount. |
| WA Risk | Weighted Average Credit Risk Number | Each institution is assigned a colour corresponding to a suggested duration using Link Asset Services' Suggested Credit Methodology 1 = Yellow; 1.25 = Pink 1; 1.5 = Pink 2, 2 = Purple; 3 = Blue; 4 = Orange; 5 = Red; 6 = Green; 7 = No Colour |
| Model WARoR | Model Weighted Average Rate of Return | This is the WARoR that the model produces by taking into account the risks inherent in the portfolio. |
| Difference | Difference | This is the difference between the actual WARoR and the model WARoR; Actual WARoR minus Model WARoR. |

APPENDIX 4: Economic Update from Link Asset Services

UK Economy

- 1.1 On 5th August, the Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; only one MPC member voted to stop these purchases now to leave total purchases at £45bn short of the total target.
- 1.2 Although MPC decisions have very much unchanged over the last year, there was a major shift from indicating no expected tightening any time soon to now flagging up that interest rate increases were on the horizon. There was a disagreement among MPC members, some of whom felt that the forward guidance that the MPC won't tighten policy until inflation "is achieving the 2% inflation target sustainably", had already been met. Although other MPC members did not agree with them, they all did agree that "some modest tightening of monetary policy over the forecast period was likely to be necessary to be consistent with meeting the inflation target sustainably in the medium term".
- 1.3 The MPC was more upbeat in its new 2-3 year forecasts so whereas they had expected unemployment to peak at 5.4% in Q3, the MPC now thought that the peak had already passed. It is noted that the recent spread of the Delta variant has damaged growth over the last couple of months and has set back recovery to pre-pandemic level of economic activity until probably October.
- 1.4 The review of the Bank of England monetary policy has now been completed and it will start to tighten monetary policy by:
 - Placing the focus on raising Bank Rate as "the active instrument in most circumstances"
 - Raising Bank Rate to 0.50% (1.50% previously), before starting on reducing its holdings.
 - Once Bank Rate is at 0.50%, it would stop reinvesting maturing gilts.
 - Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- 1.5 The MPC did not give any indication on when it would start raising Bank Rate. Inflation is currently expected to peak at 4% during 2021. The key issue then is whether this is going to be transitory inflation or whether it will morph into inflation which will bust the MPC's 2% target on an ongoing basis.
- 1.6 Governor of Bank of England said; "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." In other words, the MPC is worried that labour shortages will push up wage growth by more than it expected and that, as a result, CPI inflation will stay above the 2% target for longer.
- 1.7 This then raises the issue as to whether the million or so workers who left the UK during the pandemic, will come back to the UK and help to relieve wage inflation pressures. It is also unknown how trade with the EU will evolve once the pandemic distortions have dissipated, now that the UK no longer has tariff free access to EU markets.

- 1.8 At present, the MPC's forecasts are showing inflation close to, but just below, its 2% target in 2 to 3 years' time. The initial surge in inflation in 2021 and 2022 is due to a combination of base effects, one off energy price increases and a release of pent-up demand hitting supply constraints. However, these effects will gradually subside or fall out of the calculation of inflation.
- 1.9 The issue for the MPC will, therefore, turn into a question of when the elimination of spare capacity in the economy takes over as being the main driver to push inflation upwards and this could then mean that the MPC will not start tightening policy until 2023. The MPC sets its policy as wanting to see inflation coming in sustainably over 2% to counteract periods when inflation was below 2%. While financial markets have been pricing in a hike in Bank Rate to 0.25% by mid-2022, and to 0.50% by the end of 2022, they appear to be getting ahead of themselves. In the view of Link Asset Services, the first increase to 0.25% will be unlikely to come until Q2 2023 and the second to 0.50% until Q1 2024. The second increase would then open the way for the Bank to cease reinvesting maturing bonds sometime during 2024.

USA Economy

- 1.10 Since the Democrats won the elections in late 2020 and gained control of both Congress and the Senate, (although power is more limited in the latter), they have passed a \$1.9trn (8.8% of GDP) stimulus package in March 2021 on top of the \$900bn fiscal stimulus deal passed by Congress in late December. These, together with the vaccine rollout proceeding swiftly to hit the target of giving a first jab to over half of the population within the President's first 100 days, will promote a rapid easing of restrictions and strong economic recovery during 2021. The Democrats have also recently passed a \$1trn fiscal stimulus package aimed at renewing infrastructure over the next decade. Although this package is longer-term, it would also help economic recovery in the near-term.
- 1.11 In the Fed's June meeting, it stuck to its line that it expects strong economic growth this year to have only a transitory impact on inflation which is being temporarily boosted by base effects, spikes in reopening inflation and supply shortages. The big surprise was the extent of the upward shift in the "dot plot" of interest rate projections: having previously expected no hikes until 2024 at the earliest, most officials now anticipate two in 2023, with 7 out of 18 expecting to raise rates next year. This was a first indication that there was rising concern about the risks around inflationary pressures building up on a more ongoing basis and is somewhat hard to reconcile to the words around inflation pressures being only transitory.

Eurozone Economy

- 1.12 The slow rollout of vaccines initially delayed economic recovery in early 2021 but the vaccination rate has picked up sharply since then. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2% which is likely to continue into Q3, though some countries more dependent on tourism may struggle. There is little sign that underlying inflationary pressures are building to cause the European Central Bank any concern.

China Economy

- 1.13 After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of the year; this enabled China to recover all the initial contraction. Policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth.

- 1.14 China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2021. However, the pace of economic growth will fall back after this initial surge of recover from the pandemic. China is also now struggling to contain the spread of the Delta variant through sharp local lockdowns which will damage economic growth. These are also questions as to how effective Chinese vaccines are proving.

Japan Economy

- 1.15 After declaring a second state emergency on 7th January, which depressed growth in Q1 2021, the economy was expected to make a strong recover to pre-pandemic GDP levels in the rest of the year as the slow rollout of vaccines eventually gathers momentum. However, the Delta variant has now raised questions as to whether lockdowns will be needed to contain it and to protect the health service from being overwhelmed.

Global Growth Prospects

- 1.16 World growth was in recession in 2020 but recovered during 2021. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

Gilt Yields/PWLB Rates

- 1.17 There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields.
- 1.18 While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets. Over the year prior to the coronavirus crisis, this resulted in many bond yields up to 10 years turning negative in the Eurozone. In addition, there was, at times, an inversion of bond yields in the US whereby 10 year yields fell below shorter-term yields. In the past, this has been a precursor of a recession.
- 1.19 Gilt yields had, therefore, already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020. After gilt yields initially spiked upwards in March, yields fell sharply in response to major western central banks taking rapid policy action to deal with excessive stress in financial markets during March and starting massive quantitative easing driven purchases of government bonds: these actions also acted to put downward pressure on government bond yields at a time when there was a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in "normal" times would have caused bond yields to rise sharply.
- 1.20 At the start of 2021, all gilt yields from 1 to 8 years were negative: however, since

then all gilt yields have become positive and have risen sharply, especially in medium and longer-term periods. The main driver of these increases has been investors becoming progressively more concerned at the way that inflation has risen sharply in major western economies during 2021, and further increases in inflation are expected. There is also much investor concern that the US Fed is taking a too laid back view that this inflation is purely transitory and that it will subside without the need for the Fed to take any action to tighten monetary policy; this could mean that rates will need to rise faster and sharper if inflation were to get out of control.

1.21 The current PWLB rates are set as margins over gilt yields as follows:

- PWLB Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB Certainty Rate is gilt plus 80 basis points (G+80bps)
- PWLB HRA Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB HRA Certainty Rate is gilt plus 80bps (G+80bps)
- Local Infrastructure Rate is gilt plus 60bps (G+60bps)

As the interest forecast table for PWLB certainty rates, (gilts plus 80bps), above shows, there is likely to be little upward movement in PWLB rates over the next three years as the Bank of England is not expected to raise Bank Rate above 0.25% during that period as inflation is not expected to be sustainably over 2%.

Creditworthiness

1.22 Significant levels of downgrades to Short and Long Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

1.23 Although CDS prices (these are market indicators of credit risk) for banks (including those from the UK) spiked at the outset of the pandemic in 2020, they have subsequently returned to near pre-pandemic levels. However, sentiment can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

Debt Rescheduling

1.24 Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

APPENDIX 5: Approved Countries for Investment

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 Group creditworthiness service.

AAA

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

AA+

- Canada
- Finland
- USA

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- U.K.

APPENDIX 6: Requirement of the CIPFA Treasury 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 adopted clauses and 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 a capital strategy 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;
- ensuring 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; and
- ensuring that the authority has adequate expertise, either in-house or externally, to carry out the above.

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Public Accounts Select Committee

Financial Monitoring 2021/22

Date: 23 September 2021

Key decision: No

Class: Part 1

Ward(s) affected: None Specific

Contributors: Executive Director for Corporate Resources

Outline and recommendations

This report presents the financial monitoring position for the 2021/22 financial year. It sets out the position as at 31 July 2021, noting any exceptional items to the end of August 2021.

The report covers the position on the Council's General Fund, Dedicated Schools Grant, Housing Revenue Account, Collection Fund and Capital Programme. It provides an update on the work done to assess and monitor the financial implications of the Covid-19 response.

The Council-wide financial forecast for General Fund activities is an overspend of £33.2m. The overall position consists of Covid-19 related expenditure of some £23.9m which is met entirely by currently held Covid-19 government grant income. This means that the General Fund 'business as usual' expenditure is currently forecast to overspend by £9.3m. This is an early estimate of the Council's financial position and officers will continue with plans to reduce this overspend.

Financial monitoring will continue throughout the year, and Executive Directors will continue to manage down budget pressures within their directorates in a drive to bring spend back into line with cash-limited budgets.

Timeline of engagement and decision-making

16 September 2021 – 2020/21 Progress Update on 2020/21 external audit process to Audit Panel

23 September 2021 – Period 4 (July) Financial Monitoring 2021/22 to Public Accounts Select Committee

6 October 2021 – Period 4 (July) Financial Monitoring 2021/22 to Mayor & Cabinet

1. Executive Summary

- 1.1. This report sets out the financial forecasts for 2021/22 as at 31 July 2021, noting any exceptional items to the end of August 2021. The key areas to note are as follows:
- i. There is a forecast overspend of £9.3m against the directorates' net general fund revenue budget, after the application of additional government funding to support the local authority's response to the Covid-19 pandemic. This is set out in more detail in sections 6 to 10 of this report
 - ii. The Dedicated Schools Grant (DSG) is currently forecasted to overspend by a cumulative £8.5m at the end of the financial year. There are 12 schools with deficits. This is set out in more detail in section 13 of this report.
 - iii. The Housing Revenue Account (HRA) is currently projecting a balanced budget position. This is set out in more detail in section 14 of this report.
 - iv. As at 31 July 2021, some 34.14% of council tax due and 32.06% of business rates due had been collected. At this point last year, 33.83% of council tax due and 46.35% of business rates due had been collected. This is set out in more detail in section 15 of this report.
 - v. The Capital Programme spend as at 31 July 2021 is £28.4m, which is 11% of the 2020/21 proposed revised capital budget of £252.4m. At this point last year, 10% of the revised budget had been spent, with the final outturn being 70% (£120.1m) of the revised budget of £171.6m. This has been set out in more detail in section 16 of this report and the appendices 3 to 5.

2. Purpose

- 2.0 The purpose of this report is to set out the financial forecasts for 2021/22 as at the end of July 2021, noting any exceptional items to the end of August 2021 and projected to the year-end, 31 March 2022.

3. Policy Context

- 3.0 This financial position demonstrates the impact of the very severe financial constraints which have been imposed on Council services with the cuts made year on year, despite the increasing demand to deliver services to the borough's residents.
- 3.1 The Council's strategy and priorities drive the Budget with changes in resource allocation determined in accordance with policies and strategy. The Council launched its current Corporate Strategy in 2019, with seven corporate priorities as stated below:

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3.2 Corporate Priorities

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

3.3 Values are critical to the Council's role as an employer, regulator, and securer of services and steward of public funds. The Council's values shape interactions and behaviours across the organisational hierarchy, between officers, and members, between the council and partners and between the council and citizens. In delivering our duties, we are guided by the Council's four core values:

- We put service to the public first
- We respect all people and all communities
- We invest in employees
- We are open, honest, and fair in all we do.

3.4 The Council's strong and resilient framework for prioritising action has served the organisation well in the face of austerity and on-going cuts to local government spending. This continues to mean, that even in the face of the most daunting financial challenges facing the Council and its partners, we continue to work alongside our communities to achieve more than we could by simply working alone.

3.5 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, 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. There is still much more that can be done to realise our ambitions for the future of the borough; ranging from our work to support housing supply and business growth, through to our programmes of care and support to some of our most vulnerable and troubled families.

3.6 Over the course of the last 18 months, the Council's business, and the day to day lives of Lewisham's residents, has been turned on its head. In March 2020, Council activity simultaneously ground to a halt and ramped up in equal measure. With 'non-critical' services wound down almost overnight and a new, urgent focus on 'critical services', the Council's leadership team, members and vast range of services faced new demands, challenges, pressures and opportunities.

3.7 The pace, scope and scale of change has been immense: the pandemic has demanded agility, creativity, pace, leadership, organisational and personal resilience, strong

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communications and an unerring focus on the right priorities. Within the Council, the impact of the Covid-19 pandemic is felt acutely across all of our service areas and throughout the year we have been grappling with real challenges in how we keep services running for our residents and how we protect the most vulnerable. Across the borough, residents are looking afresh at our borough, their neighbourhoods, and seeing where they live through new eyes.

- 3.8 While we do not yet fully understand what all of the long-term implications of Covid-19 will mean for the borough, there have been many clear and visible impacts of the pandemic on our residents, Lewisham the place and also the Council. We know that coronavirus has disproportionately affected certain population groups in Lewisham, matching patterns that have been identified nationally and internationally: older residents, residents born in the Americas & the Caribbean, Africa or the Middle East & Asia, and residents in the most deprived areas of the borough have considerably higher death rates. We know that more Lewisham residents are claiming unemployment benefits compared to the beginning of this year and that food insecurity has increased in the borough.

4. Recommendations

- 4.0 Members of the Public Accounts Select Committee are asked to:
- 4.1 Note the current financial forecasts for the year ending 31 March 2022 and request that Executive Directors continue to work in bringing forward action plans to manage down budget pressures within their directorates.

5. Directorate Forecast Outturn

- 5.0 The Council is reporting a net overspend for general fund activities of £33.2m. This consists of Covid related spend of £23.9m which is met by Covid-19 government grant income and a general fund 'business as usual' overspend of £9.3m.
- 5.1 The financial forecast position is predicated on the successful delivery of revenue budget savings of £7.5m which were not achieved last year, but will now need to be implemented in 2021/22. It also includes the outcome of delivered agreed savings of £22.6m for 2021/22, attached at Appendix 1 and agreed overspend reduction measures for 2021/22 of £5.4m set out in Appendix 2. The overall pressures are alleviated in part by additional government grant income which is being received to provide some financial support to councils to undertake additional activities in recognition of the unplanned costs which have been incurred in responding to Covid-19. The amount received by Lewisham and available for use in 2021/22 for such purposes, totals £26m. Of this sum of Covid-19 government grant income, some £23.9m is being applied to the related costs identified in 2021/22 to date. More detail on these grants have been set out in section 11 of this report.

Table 1 – Overall Directorate Position for 2021/22

| Directorate | Net budget 2021/22 | Forecast Outturn 2021/22 | Forecast Variance 2021/22 | Forecast Outturn Covid-19 related Variance 2021/22 | Forecast Outturn Non Covid-19 related Variance July 2021/22 | Forecast Outturn Non Covid-19 related Variance May 2021/22 |
|--|--------------------|--------------------------|---------------------------|--|---|--|
| | £m | £m | £m | £m | | £m |
| Children & Young People | 58.4 | 65.9 | 7.5 | 4.4 | 3.1 | 3.1 |
| Community Services | 81.1 | 99.0 | 17.9 | 12.3 | 5.6 | 5.1 |
| Housing, Regeneration and Public Realm | 21.9 | 26.7 | 4.8 | 4.8 | 0.0 | 0.0 |

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| | | | | | | |
|--|--------------|---------------|---------------|---------------|------------|------------|
| Corporate Services | 32.5 | 35.2 | 2.7 | 2.2 | 0.5 | 0.7 |
| Chief Executives | 11.2 | 11.5 | 0.3 | 0.2 | 0.1 | 0.0 |
| Directorate Totals | 205.1 | 238.3 | 33.2 | 23.9 | 9.3 | 8.9 |
| Covid-19 Government Grant Income - Applied | N/A | (23.9) | (23.9) | (23.9) | 0.0 | 0.0 |
| Corporate Items | 38.1 | 38.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Revenue Budget | 243.2 | 252.5 | 9.3 | 0.0 | 9.3 | 8.9 |

6. Children and Young People directorate

- 6.0 The Children and Young People Directorate is forecasting a year-end overspend of £3.1m for general fund services as at end of July and represents no change from the figure reported in May 2021. This is after the application and achievement of once-off in year measures of £4.3m, and £4.4m of the currently held grant income the Council received from central government to fully offset Covid-19 costs incurred by the directorate.
- 6.1 It can be seen from Appendices 1 and 2 that a number of risks have been identified to the achievement of the savings and the cost reduction measures. In addition to this there are further risks relating to changes in demand due to Covid, demographic changes and changes to the funding of asylum seekers. Work continues to manage those risks and find alternative ways of funding any pressures arising from them, including a potential underspend of £0.6m in the No Recourse to Public Funds budget however this could face pressure over the next few months depending on the placing of any refugee numbers in Lewisham.
- 6.2 The overall Directorate position is shown in the table below.

Table 2 – Children & Young People Directorate

| Service Area | Net budget 2021/22 | Forecast as at 31 July 2021 | Forecast Variance (Under)/Over Spend 2021/22 | Forecast Outturn Covid-19 related Variance 2021/22 | Forecast Outturn Non Covid-19 related Variance July 2021/22 | Forecast Outturn Non Covid-19 related Variance May 2021/22 |
|----------------------------------|--------------------|-----------------------------|--|--|---|--|
| | £m | £m | £m | £m | £m | £m |
| Children's Social Care | 40.8 | 47.0 | 6.2 | 3.1 | 3.1 | 3.1 |
| No Recourse to Public Funds | 2.6 | 2.6 | 0.0 | 0 | 0 | 0 |
| Education Services | 11.0 | 12.3 | 1.3 | 1.3 | 0 | 0 |
| Joint Commissioning / Early Help | 6.5 | 6.5 | 0.0 | 0.0 | 0 | 0 |
| Schools | (2.5) | (2.5) | 0 | 0 | 0 | 0 |
| Total | 58.4 | 65.9 | 7.5 | 4.4 | 3.1 | 3.1 |

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- 6.3 The following sections provide a summary of the cost of Covid-19 and the revenue forecast by division, including a summary of directorate risks and pressures and any actions being taken by way of mitigation.

Cost of Covid-19

- 6.4 The overall forecasted impact of Covid-19 on base budgets for expenditure and income in Children and Young People is £4.4m. The Covid-19 pressures are summarised as follows:

Table 3 – Covid-19 Pressures for the CYP Directorate

| Service | Area | Forecast Outturn As at 31 July 2021 £m |
|------------------------|-------------------------------------|---|
| Children's Social Care | Residential Placements/Care Leavers | 1.4 |
| | Other Children Social Care Support | 0.4 |
| | Unachieved savings | 1.3 |
| Education Services | SEND Salaries | 0.7 |
| | Home to School Transport | 0.3 |
| | Other | 0.3 |
| Total | | 4.4 |

Children Social Care

- 6.5 The Children Social Care (CSC) division is forecasting an overall overspend of £6.2m. This includes Covid-19 related costs of £3.1m. The general fund related overspend is currently forecasted to be £3.1m. This general fund services overspend is expected to be solely against the placements budget based on the assumption that the delivery of £0.7m of savings and £2.9m of cost reductions as a part of the CYP recovery plan is fully met although it should be noted that an apparent change in demand, particularly in the number of 18 plus care leavers in Staying Put accommodation, presents a risk. Due to a recent system issue the service is undertaking data validation exercise which may impact on the forecasted position.
- 6.6 Progress on this position will be monitored closely throughout the year with a view to bringing spend more into line with budget. Should the overspend persists, there is an option to make a call against resources held corporately which have been specifically set aside for this service area.
- 6.7 The placements budget in 2021/22 is forecasted to overspend by £3.1m after adjusting for Covid-19 related costs of £1.4m. This compares to an overspend on placement of £4.8m at the end of 2020/21. The reduction in the overspend comes as a result of actions to manage demand and reduce costs as a part of the CSC recovery plan. As stated above, the forecast reported is pending validation of data and also assumes that all savings will be met or alternative savings will be presented.
- 6.8 The total number of Children Looked After (CLAs), i.e. those in residential, foster and semi-independent placements, at the end of July 2021, is 462, a reduction of 8 compared to the figure reported in May 2021.
- 6.9 Over the same period the number of care leavers over the age of 18 in Staying Put accommodation has increased from 64 to 71. The change in demand has dampened the impact of recovery plan measures intended to reduce the pressures on the placements budget.

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No Recourse to Public Funds

- 6.10 As at the end of July, some 55 cases being supported compared to 67 cases at the end of the last reporting period. During the month of July, the latest data available, five new cases were accepted for support and 12 closed. Based on the current data, there is the potential for a £0.6m underspend by the end of the financial year, however, potential increase in demand and risks to the delivery of savings and cost reduction measures mean that a balanced budget is currently being forecast.

Education Services

- 6.11 The *Education Services* division budget is forecasted to end the year with a balanced budget after taking into account £1.3m of grant funding to cover Covid-19 related costs and cost reduction measures to the value of £0.3m. The position assumes that savings to the value of £1.3m are achieved. It should be noted that there is a risk to the savings proposed in the Special Educational Needs (SEN) transport service of £0.25m, but measures are being considered to mitigate this. A further risk is the increase in EHPC numbers which could potentially add pressure on the transport budget. A cross-Council transport review board has been established to consider the delivery of transport services, including the savings, mitigation plan and demand pressures.

Joint Commissioning and Early Help

- 6.12 The *Joint Commissioning and Early Help* service budget is forecasted to end the year with a balanced budget after taking into account £0.1m of Covid-19 costs of £0.1m being covered by the currently held government grant income. This assumes the full delivery of savings to the value of £0.3m and cost reduction measures as a part of the CYP recovery plan of £1.1m.

7. Community Services Directorate

- 7.0 The Community Services Directorate is forecasting a year-end overspend of £5.6m for general fund services as at the end of July 2021. This is after the application of £12.3m of government grant income to fully offset Covid-19 costs incurred by the Directorate. This compares to an overspend of £5.3m overspend at the end of period 3. The overall Directorate position is shown in the table below.

Table 4 – Community Services Directorate

| Service Area | Net budget 2021/22 | Forecast as at 31-Jul 2021 | Forecast Variance (Under)/Over Spend 2021/22 | Forecast Outturn Covid-19 related Variance 2021/22 | Forecast Outturn Non Covid-19 related Variance July 2021/22 | Forecast Outturn Non Covid-19 related Variance May 2021/22 |
|---------------------------------------|--------------------|----------------------------|--|--|---|--|
| | £m | £m | £m | £m | £m | £m |
| Adults' Social Care | 59.8 | 72.8 | 13.0 | 7.1 | 5.9 | 5.4 |
| Integrated Commissioning | 7.7 | 7.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Public Health | (0.8) | 2 | 2.8 | 3.1 | (0.3) | (0.3) |
| Communities, Partnerships and Leisure | 9.9 | 11.8 | 1.9 | 1.9 | 0.0 | 0.0 |
| Culture, Learning and Libraries | 3.5 | 3.7 | 0.2 | 0.2 | 0.0 | 0.0 |

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|------------------------------------|-------------|-----------|-------------|-------------|------------|------------|
| Strategy Partnership & Improvement | 1.0 | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 81.1 | 99 | 17.9 | 12.3 | 5.6 | 5.1 |

7.1 The following sections provide a summary of the cost of Covid-19 and the revenue forecast by division, including a summary of directorate risks and pressures and any actions being taken by way of mitigation.

Cost of Covid-19

7.2 The overall forecasted impact of Covid-19 on base budgets for expenditure and income in Community Services is £12.3m. The Covid-19 pressures are summarised as follows:

Table 5 – Covid-19 Pressures for the Community Services Directorate

| Service | Area | Forecast Outturn 2021/22 £m |
|-------------------------------------|---|--------------------------------|
| Adults' Social Care | ASC - workforce pressure | 0.1 |
| | Infection Control | 1.4 |
| | Lateral Flow Testing | 1.1 |
| | Market Support | 0.1 |
| | Loss of client contributions | 1.2 |
| | Unachieved Savings | 3.2 |
| Public Health | Test and Trace | 2.2 |
| | PPE and Infection Control | 0.9 |
| Communities, Partnerships & Leisure | Community Centre Income & Parks Events Income | 0.2 |
| | Community Centres & Bereavement Services- Infection Control costs | 0.1 |
| | Leisure Management-GLL contract costs | 1.2 |
| | Bereavement Services-London Wide Mortality Management Scheme | 0.4 |
| Culture Learning and Libraries | Adult Learning-Student Fee Income and Infection Control costs | 0.1 |
| | Libraries Income and Infection Control costs | 0.1 |
| Total | | 12.3 |

Adults' Social Care Services

7.3 The *Adults' Social Care Services* division is forecasting an overspend of £5.9m for general fund services. This compares to a £5.6m overspend at end of the last reporting period. The movement from the previous period is due to an uplift that has been applied and backdated. There is an overall overspend of £13m, where £7.1m of these costs are attributable to Covid-19 activity and is covered by the government grant income. The general fund services overspend takes into account £10m savings that are anticipated

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on being delivered in full.

- 7.4 The movement from the close of last year to the beginning of this one, is significant. The Council is seeing increases in demand for community based services as the service users are being discharged from hospital which is an apparent trend across London and nationally. Service users being discharged out of hospital have increased complexity of care and often requiring step up in package support. Such risks manifest themselves in higher levels of care, increased use of 24-hour care at home, and increased use of double-handed care. Furthermore, the number of placements in residential care has increased and this pattern is expected to continue into 2022/23. These are just a few cost drivers that the service is seeing increases in. These costs were supported by the Covid-19 grant as well as the Clinical Commissioning Group (CCG) for discharges. Members should note, that whilst pressures for 2020/21 were managed, there is a risk that the Council will face increased costs and demands in 2021/22 without the funding support it received last year.
- 7.5 Furthermore, it should be noted that the costs of transitions from childrens' to adults will again be prevelant. This on-going pressure last year was in excess of £1m.

Integrated Commissioning

- 7.6 The *Integrated Commissioning* division is forecasting a balanced budget position by the year-end. Last year, the division was underspent by £0.8m on general fund services which was offset by pressures related to Covid-19 temporary contract stabilisation payments of £0.2m. These payments were made to Supporting People and Substance Misuse providers and were fully funded from Covid-19 government grant income.
- 7.7 The Prevention and Inclusion element of Joint Commissioning covering Drug & Alcohol Services and Supporting People was underspent by £0.4m in 2020/21, primarily as a result of variations on activity based contracts. Savings of £0.3m have been taken in the 2021/22 financial year and these are expected to be fully achieved with no variance for the current financial year.
- 7.8 In 2020/21, the Adults Joint Commissioning budget underspent by £0.3m mainly as a result of a reduction in projected spend on a combination of section 75 payments made to the CCG and on block/spot purchase contractual arrangements with the voluntary sector. A number of these contracts are currently under review in 2021/22.

Public Health

- 7.9 The *Public Health* division is forecasting an underspend is £0.3m for general fund services. There is an overall forecasted overspend of £2.8m, where £3.1m of these costs relate to Covid-19 activity. Within the overall position, the forecasted underspend of £0.3m is on sexual health services. This reflects reduced activity and lower payments to out-of-borough clinics. As lockdown eases, it is expected that activity levels will increase at which point the forecast will be reviewed.

Communities, Leisure and Partnerships

- 7.10 The *Communities, Leisure and Partnerships* service is forecasting a balanced budget position by the year-end for non covid activity. The estimated Covid-19 related costs of £2m is expected to be covered by the Covid-19 government grant income.
- 7.11 The Leisure Management budget was overspent by £1.9m last year which was all treated as Covid-19 related and therefore covered by government grant income. The pandemic led to the forced termination of the previous leisure contract and creation of a new contractual arrangement with Greenwich Leisure Ltd (GLL). The new contract is an open book arrangement with GLL taking a percentage on income for management and overheads and the net costs of the service being bourne by the Council. The sum of

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£1.2m had originally been set aside in Corporate Provisions to cover the 2021/22 contract costs. However, it has now been decided that the costs of the GLL contract will be treated as a Covid-19 related cost pressure for 2021/22 and will therefore be offset against a combination of government grant funding and the remaining balance of Leisure Relief grant funding received from the Sports Council of £0.2m. Officers are in the process of agreeing first quarter profit & loss accounts with GLL, but are currently assuming that £1.2m will be sufficient to cover this year's contract costs.

- 7.12 Bereavement Services income for the cemeteries and crematorium in the 2020/21 financial year showed a significant income surplus against budget of £0.6m which resulted primarily from the excess deaths due to the coronavirus pandemic. The current year has seen mortality rates fall back to more normal levels as the impact of the pandemic has eased and despite the charge increases that were implemented on 1st April 2021 officers are currently projecting an income shortfall of £0.1m for 2021/22. In addition, there is a small staffing pressure in Bereavement Services resulting from the need to cover for a member of staff on long term absence and a further pressure on the projected contribution to London Borough of Southwark under the Coroners' Court Consortium. Overall, there is a £0.2m non covid pressure across the service.
- 7.13 This budget pressure on Bereavement Services is being offset by other service underspends across the Division. Additional income of £0.1m is projected to be generated by Greenscene at Beckenham Place Park from a combination of Car Parking charges and Events. In addition, there are staffing underspends totalling £0.1m across the Community Development and Community Safety Services as a result of staff vacancies.

Culture, Learning and Libraries

- 7.14 The *Culture, Learning and Libraries* division is forecasting a balanced budget by the year-end on non covid activity. The estimated Covid-19 related costs of £0.2m is expected to be covered by the Covid-19 government grant income.
- 7.15 The delivery of the Borough of Culture Programme has been highlighted as an area of potential risk across both the 2021/22 and 2022/23 financial years. The Council has been awarded £1.35m from the Greater London Authority (GLA) to deliver the London Borough of Culture for 2022. The programme will be delivered across both the 2021/22 and 2022/23 financial years with full delivery commencing in January 2022. In addition to the GLA grant funding, the Council is expected to make a one-off contribution of £0.5m from earmarked reserves and is also aligning £0.2m of existing budgets to the delivery of the programme. In addition there is also a £1m fundraising target from other sponsors and funders – of this sum £0.1m has been secured and there have been applications submitted to strategic funders who supported previous boroughs of culture for £0.65m. There is an additional £0.2m of applications submitted pending decisions and other prospects in the pipeline. There will also be earned income from ticket and other sales that will contribute to the match funding of the programme. Despite the positive outlook, until all the match funding has been fully confirmed and agreed there remains a potential financial pressure for the council.
- 7.16 The Libraries Service was subject to staffing savings of over £0.3m for 2021/22 and a full reorganisation is currently being undertaken with a mid-year implementation date. Despite a delayed implementation, it is expected that the staffing saving will be fully achieved in 2021/22 due to the high level of vacancies currently being held within the service. There are potential redundancy costs arising from the restructure that may need to be covered from the service budget of up to £0.2m, but it is anticipated that these can if necessary be covered from managed underspends against operational budgets.

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Strategy and Performance

7.17 The Strategy, Partnership and Improvement division is forecasting a balanced budget position by the year-end.

8. Housing, Regeneration and Public Realm

8.0 The Housing, Regeneration and Public Realm Directorate is forecasting a year-end balanced budget position for general fund services as at the end of July 2021. This is after the application of £4.8m of government grant income which is currently held to fully offset Covid-19 costs incurred by the directorate. This is the same position as reported at the end of May with a £0.2m increase in covid related costs. The overall Directorate position is shown in the table below.

Table 6 – Housing, Regeneration and Public Realm (HRPR) Directorate

| Service Area | Net budget 2021/22 | Forecast as at 31 July 2021 | Forecast Variance (Under)/ Over Spend 2021/22 | Forecast Outturn Covid-19 related Variance 2021/22 | Forecast Outturn Non Covid-19 related Variance July 2021/22 | Forecast Outturn Non Covid-19 related Variance May 2021/22 |
|-------------------------|--------------------|-----------------------------|---|--|---|--|
| | £m | £m | £m | £m | | £m |
| Strategic Housing | 3.5 | 5.4 | 1.9 | 1.9 | 0.0 | 0.0 |
| Public Realm | 17.7 | 19.9 | 2.2 | 2.6 | (0.4) | (0.4) |
| Regeneration | 0.0 | 0.6 | 0.6 | 0.2 | 0.4 | 0.4 |
| Planning | 0.7 | 0.8 | 0.1 | 0.1 | 0.0 | 0.0 |
| Reserves and Provisions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 21.9 | 26.7 | 4.8 | 4.8 | 0.0 | 0.0 |

8.1 The following sections provide a summary of the cost of Covid-19 and the revenue forecast by division, including a summary of directorate risks and pressures and any actions being taken by way of mitigation.

Cost of Covid-19

8.2 The overall forecasted impact of Covid-19 on base budgets for expenditure and income in Housing, Regeneration and Public Realm is £4.8m (£4.6m in May). The Covid-19 pressures are summarised as follows:

Table 7 – Covid-19 Pressures for the HRPR Directorate

| Service | Area | Forecast Outturn As at 31 July 2021 £m |
|-------------------|------------------------|---|
| Strategic Housing | Housing Needs | 1.9 |
| Public Realm | Parking | 1.9 |
| | Refuse Collection | 0.3 |
| | Street Management | 0.1 |
| | Street Markets | 0.3 |
| Regeneration | Building Control | 0.1 |
| | Economy & Partnerships | 0.1 |
| Planning | Planning | 0.1 |
| Total | | 4.8 |

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Strategic Housing

- 8.3 The Strategic Housing division is forecasted to end the year with a balanced budget after applying government funding to cover the forecast overspend of £1.9m, entirely due to Covid-19.
- 8.4. There is an increase in the number of people in nightly paid accommodation, 745 at the start of April 2021 rising to 784 at the end of July. The increase in numbers has put additional pressure on the service in terms of landlord payments and HB limitation recharges, with a current potential overspend of £0.4m. The team is working to address any anomalies in recharges and rents and therefore no overspend is being reported. If numbers continue to rise however, a forecast overspend may become unavoidable.
- 8.5. The HB limitation recharge is set against the housing division where benefits paid to a recipient is in excess of the HB caps and limits. For the last few years, this recharge has been in the region of £4.5m to £5.0m or approximately 35% of HB paid. The Council covers some of this cost through the use of grants. It should be noted that the current limitation recharge forecast for 2021/22 is in the region of £7.2m, which is some £1.7m above the 2020/21 recharge levels. Whilst some of this increase was expected due to increased renal charges for PSL/PMA units it appears higher than originally forecasted or anticipated. This has not been fully brought into the forecast yet as the level of recharges are currently being investigated.
- 8.6. Pressures are continuing to be monitored within the service regarding incentive payments to landlords of circa £1.5m for which there is no budget, as well as bad debt for nightly paid accommodation, numbers of units acquired for Privately Managed Accommodation (PMA) which number 553 units as at 1st April 2021, with no subsequent reduction in numbers in nightly paid accommodation. This compares to 495 units at the start of last year.
- 8.7. There are still clients being accommodated where the Authority has no liability to house them. Move-on was limited by the eviction ban, which has now been lifted. However, whilst the service is starting to instigate evictions, it is creating additional pressure through challenges and judicial reviews, as well as an increase in clients re-presenting. This in turn is likely to increase the need for incentive payments to keep clients in the Private Rented Sector (PRS).

Public Realm

- 8.8. The *Public Realm* division is forecasted to end the year with a net underspend of £0.4m, after applying government funding to cover the forecast overspend of £2.6m, entirely due to Covid-19.
- 8.9. The Parking Service is forecasting a £1.9m end of year overspend entirely attributable to Covid-19 and covered by government grant which is being held by the Council. In addition to this activity, the service is expecting to generate £0.7m net income from moving traffic contraventions during the year and therefore this will leave the service with a £0.7m underspend. Ongoing discussions around moving traffic contraventions may have an impact on the income it generates. This will be closely monitored over the year.
- 8.10. The Highways & Transport Services is forecasting a balanced budget position for the year. There is, however, a risk that the service will not achieve the full income target associated with TfL LIP funding. This is due to the continued short-term funding agreements between Government and TfL and how this funding is then distributed to boroughs. There is currently no TfL LIP funding available beyond 11 December 2021. The continued short-term funding agreements make longer term resource, project and financial planning extremely challenging.
- 8.11. The Refuse Collection Service is forecasting an end of year overspend of £0.3m, after

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applying £0.3m of Covid-19 government grant to cover the loss of commercial waste income due to Covid-19, as some businesses are yet to resume trading. The £0.3m overspend is due to ongoing under achieved income targets in commercial waste. The service is developing an action plan to increase the take up of the service by local businesses, and as a result, has reduced the forecast under achievable income by 50% compared to the outturn 2020/21 position. The effect of the action plan will be closely monitored through the year.

- 8.12 The Street Management Service is currently reporting a balanced budget position after applying government grant to cover an overspend of £0.1m relating to staff costs attributable to Covid-19.
- 8.13 The *Street Markets Service* is currently reporting a loss of income of £0.3m entirely attributable to Covid-19 due to the reduction in service as a result of the social distancing measures still in place.
- 8.14 The *Strategic Waste Management and Environmental Health* services are currently forecasting a balanced budget.

Regeneration

- 8.15 The *Regeneration Division* is forecasted to end of the year with a net overspend of £0.4m. This is after applying £0.2m of government grant to cover costs attributable to Covid-19.
- 8.16 The *Building Control Service* is forecasting a loss of income of £0.1m entirely attributable to Covid-19 through reduced demand.
- 8.17 The *Economy and Partnerships Service* is reporting a balanced budget position after applying £0.1m of Covid-19 government grant to cover costs of staff working on Covid-19 related projects.
- 8.18 The *Capital Programme Delivery Service* is forecasting a £0.4m overspend this year. This pressure comes as a result of a change in the plans around what the Copperas Street project was due to deliver. The 2020/21 Copperas Street saving of £0.5m has been adversely affected by a change in corporate priorities. The estimated total income for this project is currently expected to be in the region of £0.2m in total, however only £0.1m is forecast to be delivered this year due to a delay in the start of the project.

Planning Division

- 8.19 The *Planning Service* is currently forecasted to end the year with a net nil variance after Covid-19 costs of £0.1m due to staff continuing to work on Covid-19 projects. These costs have been covered by the government covid grant.
- 8.20 The service has seen an improvement in income generation compared to last year with a recovery in the number of planning applications and pre-application advice. If the current trend continues, the service is likely to end the year overachieving its income target resulting in an underspend. This is being closely monitored and improvements will be detailed in subsequent reports.
- 8.21 The Government is introducing changes to the planning system which requires the Council to undertake more up front work to prepare design codes. This additional work is likely to have resourcing and cost implications for the service over the coming months and into the next financial year.

9. Corporate Resources Directorate

- 9.0 The Corporate Resources Directorate is forecasting a year-end overspend of £0.5m as at the end of July 2021. This is after the application of £2.2m of government grant income to fully offset Covid-19 costs incurred by the directorate.

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Table 8 – Corporate Services Directorate

| Service Area | Net budget 2021/22 | Forecast as at 31 July 2021 | Forecast Variance (Under)/Over Spend 2021/22 | Forecast Outturn Covid-19 related Variance 2021/22 | Forecast Outturn Non Covid-19 related Variance July 2021/22 | Forecast Outturn Non Covid-19 related Variance May 2021/22 |
|-----------------------|--------------------|-----------------------------|--|--|---|--|
| | £m | £m | £m | £m | £m | £m |
| Assurance | 2.7 | 2.6 | (0.1) | 0.0 | (0.1) | (0.1) |
| Financial Services | 4.7 | 4.6 | (0.1) | 0.0 | (0.1) | (0.4) |
| Executive Office | 0.5 | 0.4 | (0.1) | 0.0 | (0.1) | 0.0 |
| Public Services | 17.7 | 20.5 | 2.8 | 2.1 | 0.7 | 1.2 |
| IT & Digital Services | 7.6 | 7.8 | 0.2 | 0.1 | 0.1 | 0.0 |
| Reserves | (0.7) | (0.7) | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 32.5 | 35.2 | 2.7 | 2.2 | 0.5 | 0.7 |

9.1 The following sections provide a summary of the cost of Covid-19 and the revenue forecast by division, including a summary of directorate risks and pressures and any actions being taken by way of mitigation.

Cost of Covid-19

9.2 The overall forecasted financial impact of Covid-19 on base budgets for income and expenditure in Corporate Resources is £2.2m. These Covid-19 related pressures are summarised in the following table.

Table 9– Covid-19 Pressures for the Corporate Services Directorate

| Service | Area | Forecast Outturn As at 31 July 2021 £m |
|-----------------|---|---|
| Public Services | Sundry Debt – Delay in ‘Invest to Save’ to improve debt collection | 0.5 |
| Public Services | Revenues Services – Loss of income collected through enforcement and court fees | 1.5 |
| Public Services | Cleaning | 0.1 |
| IT | Miscellaneous | 0.1 |
| Total | | 2.2 |

Financial Services Division

9.3 The *Financial Services* division is forecasting a net underspend of £0.1 m. This includes underspends forecast on Pensions and Payroll supplies and services budgets and additional income. In addition, the Finance Team is undergoing a major restructuring and the recruitment to a number vacant posts is yet to get underway.

IT & Digital Service Division

9.4 The *IT & Digital Services* division is forecasting an overspend of £0.2m on miscellaneous software and licencing costs of which £0.1m are covid related.

Public Services Division

9.5 The *Public Services* division is forecasting a net overspend of £2.8m. Of this sum £2.1m relates to Covid-19 related pressures arising from the closure of courts resulting in loss

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of income from court fees, enforcement action, and debt collection. There is also a non Covid-19 forecast pressure of £0.7m which partly relates to Housing Benefit overpayments where claimants have not promptly notified the Council of a change in circumstances, supported accommodation, and pressures arising from work undertaken into the feasibility of process automation that has indicated that savings may not be achievable.

Assurance Division

- 9.6 The *Assurance* division is forecasting a net underspend of £0.1m mainly due to salaries underspend arising from a vacancy. The forecast currently assumes a balanced budget position on Insurance although premium renewal terms are due to be received from insurers that could result in a budget pressure.

10. Chief Executive Directorate

- 10.0 The Chief Executive's Directorate is forecasting a £0.1m overspend by the year-end as at the end of July 2021. This is after the application of £0.2m of government grant income to fully offset Covid-19 costs incurred by the directorate.

Table 10 – Chief Executive's Directorate

| Service Area | Net budget 2021/22 | Forecast as at 31 July 2021 | Forecast Variance (Under)/ Over Spend 2021/22 | Forecast Outturn Covid-19 related Variance 2021/22 | Forecast Outturn Non Covid-19 related Variance July 2021/22 | Forecast Outturn Non Covid-19 related Variance May 2021/22 |
|-----------------------------|--------------------|-----------------------------|---|--|---|--|
| | £m | £m | £m | £m | £m | £m |
| Assistant Chief Executive | 7.3 | 7.4 | 0.1 | 0.1 | 0.0 | 0.0 |
| Law, Governance & Elections | 3.9 | 4.1 | 0.2 | 0.1 | 0.1 | (0.1) |
| Total | 11.2 | 11.5 | 0.3 | 0.2 | 0.1 | (0.1) |

Cost of Covid-19

- 10.1 The overall forecasted financial impact of Covid-19 on base budgets for income and expenditure in the Chief Executive Directorate is £0.2m. These Covid-19 related pressures are summarised in the following table.

Table 11 – Covid-19 Pressures for the Chief Executive's Directorate

| Service | Area | Forecast as at 31 July 2021 £m |
|----------------|--------------------------------|--------------------------------|
| Legal Services | Loss of income due to Covid-19 | 0.1 |
| Communications | Communications support | 0.1 |
| Total | | 0.2 |

Assistant Chief Executive's Division

- 10.2 The *Assistant Chief Executive's division* is forecasting covid expenditure of £0.1m in relation to communications support. There is a nil variance reported for non covid expenditure.

Law, Governance and Elections Division

- 10.3 The *Law, Governance & Elections* division is forecasting a net overspend of £0.2m of

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which £0.1m is Covid-19 related and is due to loss of income. There is a £0.1m variance reported for non Covid-19 expenditure due to additional staffing costs, shortfalls in income and additional costs in relation to webcasting during the pandemic.

11. Covid-19 and Support received from central government

- 11.0 The Council has taken measures to support both businesses and residents who are facing financial hardship as a result of the Coronavirus (Covid-19) pandemic. The table below provides an overall summary of the additional resources which have been received by the Council to date to help with this support in 2021/22, as well as any unspent grant from 2020/21 which was able to be rolled forward for use in 2021/22 or which may be required to be returned to government in this year.

Table 12 – Government Funding for Covid-19

| Funding Description | 2020/21 Balance £m | 2021/22 Allocation £m |
|--|-----------------------------------|--------------------------------------|
| <u>Unringfenced Funding</u> | | |
| S31 Covid-19 Local Authority Support Grant (Tranches 1 to 5) | 7.844 | 10.021 |
| Sales, Fees and Charges Income – (Tranche 4) | 0 | 0 |
| Grand Total – for use in 2021/22 | | 17.865 |
| <u>Ringfenced Funding</u> | | |
| Section 31 – Test, Trace and Contain Grant (3 amounts) | 2.263 | 0 |
| Section 31 – Welfare Support Grant * | 0.186 | 0 |
| Community Champions Fund | 0.276 | 0 |
| Re-opening High Streets Safely | 0.272 | 0 |
| New Burdens Funding | 0 | 0.291 |
| Sport England Leisure Relief Funding | 0.167 | 0.047 |
| Contain Outbreak Management Fund | 1.997 | 2.586 |
| Practical Support for those Self Isolating | 0 | 0.184 |
| Local Elections Funding | 0 | 0.105 |
| Total | 5.161 | 3.213 |
| Total – for use in 2021/22 | | 8.374 |
| Sub Total – Services Funding – attributable to BAU | 13.005 | 13.234 |
| <u>Ringfenced Funding Outside Of Service Expenditure e.g. DSG or Transfer Payment</u> | | |
| Covid Winter Grant | 0.149 | 1.019 |
| Test and Trace Support Grants ¹ | 0.735 | 0 |
| Rapid Test Fund * | 0.224 | 0 |
| Infection Control Fund | 0 | 1.017 |
| Total | 1.108 | 2.036 |
| Total – for use in 2021/22 | | 3.144 |
| Grand Total | 14.113 | 15.270 |
| Grand Total – for use in 2021/22 | | 29.383 |

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- Note: some of those grants rolled forward may have to be returned to Government in 2021/22
- Note 1: the support grants were shown as part of the main T&T grant in outturn, these are treated differently and so shown separately

12. Revenue Budget Savings for 2021/22

12.0 The financial forecast position is predicated on the successful delivery of savings which were not achieved last year. These savings, were agreed with a total of £7.5m and will now need to be implemented or substituted as appropriate in 2021/22. Furthermore, summary comments being made progress being made on the new 2021/22 agreed savings of £22.4m and agreed overspend reduction measures for 2021/22 of £5.4m, have been summarised at appendices 1 and 2, respectively.

13. Dedicated Schools' Grant

13.0 The Dedicated Schools Grant (DSG) is currently forecasting an in year overspend of £3m. After taking into account the £5m overspend brought forward from the previous financial year, the cumulative projection is £8m.

Table 13 – DSG allocation and projection 2021/22

| Dedicated schools grant (DSG): 2021 to 2022 allocations | 2021 to 2022 DSG allocations, after deductions for academies recoupment and direct funding of high needs places by ESFA | | | | |
|---|---|---|----------------------------------|------------------------|---------------------------|
| | Schools block (£m) | Central school services block allocation (£m) | High needs block allocation (£m) | Early years block (£m) | Total DSG allocation (£m) |
| Lewisham – Cash Position | -183.55 | -4.26 | -61.78 | -24.17 | -273.76 |
| Projected Spend | 182.50 | 4.30 | 71.24 | 24.20 | 282.24 |
| Forecast Overspend (Cumulative) | -1.05 | 0.04 | 9.46 | 0.03 | 8.48 |

Notes

Schools Block underspend agreed with Schools Forum to Transfer to High Needs Block

Early Years Funding still pending data cleansing from DfE -delayed due to covid

13.1 Members are asked to note the following:

13.2 At the time of writing, the Early Years Block is provisional, but the Schools Block and

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Early Years Block are expected to operate within budget. Further delays have occurred due to further analysis requests from DfE on Early Years data relating to possible impact of Covid on January Data.

- 13.3 It should be noted that the Central Services Block (CSSB) faced a reduction of circa £0.6m for 2021/22, which supports statutory functions provided by the Local Authority. As a consequence of effective resource management, approximately £0.3m has been carried forward from 2020/21, and will largely support pressures from the service. Initial work is currently being undertaken by officers, which will be carried out with greater details as the requirements of the Covid-19 response reduce.
- 13.4 The key area of risk remains the High Needs Block. The Local Authority, in partnership with the Schools Forum High Needs Working Group, will continue to consider options to deliver our statutory requirements within this funding envelop level as best possible.
- 13.5 It should be noted that there has been an increase in funding in the High Needs Block of £6.8m, plus £1.068m from schools block. Based on the current data, and allowing for an increase of approximately 200 additional EHCP for the remaining year at £15k a place, it is anticipated that the overspend will be £3m for 2021/22. In addition to this there remains a £5m overspend brought forward from 2020/21, providing a revised cumulative overspend position of £8m. Firmer information on EHCP numbers will be available in late October following secondary transfer and Further Education applications. The table notes an increase of 110 EHCP since 1st April 2021.

Table 14 – Education Health and Care Plan (EHCP)

| Phase - EHCPs | Under 5s | Primary | Secondary | Post-secondary | Grand Total | Movement on year |
|------------------------------|----------|---------|-----------|----------------|-------------|------------------|
| FY17/18 Used As Base Line | 42 | 831 | 769 | 537 | 2179 | |
| FY18/19 | 24 | 889 | 821 | 626 | 2360 | 181 |
| FY19/20 | 37 | 929 | 887 | 774 | 2627 | 267 |
| FY20/21 | 74 | 1027 | 974 | 931 | 3006 | 379 |
| FY21/22 -Current | 80 | 1168 | 1002 | 866 | 3116 | 110 |
| Increase on Baseline Numbers | 38 | 337 | 233 | 329 | 937 | |
| Increase on Baseline % | 90% | 41% | 30% | 61% | 43% | |

- 13.6 In addition to the overall increase and the clear pressure arising from 0-5 and post 16 phase, a further pressure is linked to the increase in number of placements that are placed out of borough. The following table shows the split between 'in-borough and 'out of borough' placements. There is clear shift in the proportion of placements being made out of borough which is a key element of pressure on the High Needs Block.

Table 15 – In Borough and Out Borough EHCPs

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| Borough - EHCPs | LBL | OOB | Grand Total |
|------------------------------|-------|--------|-------------|
| FY17/18 Used As Base Line | 1559 | 620 | 2179 |
| FY18/19 | 1653 | 707 | 2360 |
| FY19/20 | 1789 | 838 | 2627 |
| FY20/21 | 1953 | 1053 | 3006 |
| FY21/22 | 2028 | **1088 | 3116 |
| Increase on Baseline Numbers | 469 | 468 | 937 |
| Increase on Baseline % | 30.1% | 75.5% | 43.0 |

**Includes 144 EHCPs not yet with confirmed placing

- 13.7 To support the pressure on High Needs, the SEN Service has been working closely with Schools and Schools' Forum. A mitigation plan has been developed which is progressing, but will take time to embed and for the benefits to be seen in full. Furthermore, service demands, in terms of increasing numbers of children with some complex needs and higher placement costs, continue to rise. Therefore, the current mitigation plan may reduce the pressure, but not eliminate it fully.
- 13.8 Lewisham has historically been one of very few local authorities which has underspent on the DSG – High Needs. With most local authorities overspending, the DfE has attempted to address the pressure with additional funding allocations in 2019/20, 2020/21 and 2021/22. However, it seems that demand is outstripping the cash available. It does however remain important that Lewisham continues to consider alternative ways of providing support to our most vulnerable children within the resources available.
- 13.9 Partial funding announcement has been made for 2022/23. This confirms a reduction of £500k in the CSSB. Alongside the partial settlement, the DfE has published a Consultation document on the National Funding Formula. The document considers the next steps towards a “hard formula” and the role of Local Authorities alongside the DfE’s preference of Schools moving to Academy Status. Further detailed work is progressing on this. However it is important to note that the funding currently received within the CSSB is at significant risk from 2023/24.

Schools

- 13.10 With regards to schools, there are currently 12 schools in deficits. Schools are currently in the process of submitting their budget plans to the Local Authority including deficit recovery plans where they are not able to balance their budgets over a 3-year time horizon. The finance team is actively working with all schools to support the longer term sustainability. Some schools are also facing challenges arising from movement in pupil numbers. A further pressure on schools for 2021/22 will be supporting the cost of Term Time Only claims. Negotiations are still being finalised with Trade Unions. Mayor and Cabinet has agreed to support 50% of the liability, with further funding support of £1m from schools forum from 2021/22. In 2020/21, there was an underspend of £0.4m which

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as agreed with schools forum is intended to provide targeted support to the most vulnerable schools. A further report will be presented to schools forum later in the year to agree the principles for allocation.

14. Housing Revenue Account

- 14.0 The table below sets out the current budget for the Housing Revenue Account (HRA) in 2021/22. At this stage of the financial year, the current forecast is for a small surplus of £700k. The balanced HRA budget seen in the table includes a budgeted contribution from reserves of £21.5m, which is to be used to fund the HRA major works and new supply programme and is included as a part of the 30 year HRA business plan.
- 14.1 Repairs & Maintenance (R&M) is currently forecast to budget. There was an overspend of £900k in this area for 2020/21. Lewisham Homes will provide regular updates in this area for 2021/22 to ensure that spend is close to budget for the financial year.
- 14.2 The current 30 year HRA financial model has been refreshed, with the final outturn for 2020/21 as well as the latest updates for the general capital programme, revised stock numbers and reserves allocations incorporated into the plans. Budgets will be updated in August 2021 to reflect starting stock numbers from 1 April 2021, as well as incorporating the latest consolidation update for the new supply programme to reflect the latest position. The revisions to the budgets will be agreed with Lewisham Homes and may push some of the planned capital and new supply expenditure into 2022/23 due to a re-programming of works and programme delays due to the ongoing Covid-19 pandemic.
- 14.3 It is likely that additional income will be recognised from tenants rents and service charges due to lower than budgeted void rates. This will be updated in the next monitoring report. In addition, bad debt impairments charge to the HRA is likely to be lower than budgeted, and is currently showing a similar pattern to 2020/21 values. It is too early in the financial year to establish if this will continue for a full year, so will be constantly monitored and updated next month. Any additional income or underspends in these areas will be used to compensate for the unexpected movement in other areas or R&M costs if necessary.
- 14.4 There is a significant major works income budget of £9.9m, which is based on the General Capital programme allocation of £70m. However, raising of bills is dependent on the Lewisham Homes Capital Programme undertaking works which can/are recharged to Leaseholders. As at 31 July 2021, a total of £81k has been charged to leaseholders. Further discussions with Lewisham homes indicate that the majority of these bills relating to prior year works are likely to be raised in the early part of financial year 2021/22.
- 14.5 Lewisham Homes are currently reporting a full forecast spend of £70m against the general capital allocations budget of £70m. The final position on the general capital programme in 2020/21 was an underspend of £9.8m. The unspent resources will be carried into 2021/22 and added to the £70m allocation. The development team are currently reporting spend close to budget for the Building for Lewisham (BfL) programme allocation.

Table 16 – Housing Revenue Account

| Service Area | Expenditure Budget 2021/22 | Income Budget 2021/22 | Net Budget 2021/22 | Final Outturn Variance for 2021/22 |
|--|----------------------------|-----------------------|--------------------|------------------------------------|
| | £m | £m | £m | £m |
| Housing, Regen' and Public Realm–Housing | 16.4 | (3.6) | 12.8 | 0.0 |
| Lewisham Homes & Repairs & Maintenance | 37.4 | 0 | 37.4 | 0.0 |

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| | | | | |
|---------------------------|--------------|----------------|----------|----------|
| Resources | 1.6 | 0 | 1.6 | 0.0 |
| Centrally Managed Budgets | 94.1 | (145.9) | (51.8) | 0.0 |
| Total | 149.5 | (149.5) | 0 | 0 |

15. Collection Fund

Council Tax

- 15.0 As at 31 July 2021, some £55.35m of Council Tax has been collected representing 34.14% of the total amount due for the year. This is below the 35.32% target in order to reach 95% for the year. At this point last year 33.83% of the total amount due had been collected.

Table 17 - Council Tax Collection Fund

| | Cash Collected (cumulative) | Cash needed to meet 95% Profile | difference between collected and 95% profile | Current Year Collection Rate% | Required Collection Rate to reach 95% | difference | Previous Year Collection Rate |
|---------------|-----------------------------|---------------------------------|--|-------------------------------|---------------------------------------|------------|-------------------------------|
| Apr-21 | 17,119,083 | 17,558,893 | (439,810) | 10.59% | 10.87% | -0.27% | 9.98% |
| May-21 | 29,752,772 | 30,943,951 | (1,191,179) | 18.41% | 19.15% | -0.74% | 17.49% |
| Jun-21 | 42,605,074 | 43,754,273 | (1,149,199) | 26.31% | 27.02% | -0.71% | 25.46% |
| Jul-21 | 55,350,944 | 57,265,698 | (1,914,754) | 34.14% | 35.32% | -1.18% | 33.83% |

Business Rates

- 15.1 As at 31 July 2021, some £18.18m of Business Rates has been collected representing 32.06% of the total amount due for the year. This is below the 45.61% target in order to reach 99% for the year. At this point last year 46.35% of the total amount due had been collected.

Table 18 – Business Rate Collection

| | Cash Collected (cumulative) | Cash needed to meet 99% Profile | difference between collected and 99% profile | Current Year Collection Rate% | Required Collection Rate to reach 99% | difference | Previous Year Collection Rate |
|---------------|-----------------------------|---------------------------------|--|-------------------------------|---------------------------------------|------------|-------------------------------|
| Apr-21 | 2,038,133 | 8,601,507 | (6,563,372) | 2.81% | 11.87% | (9.06%) | 20.40% |
| May-21 | 8,715,032 | 19,020,075 | (10,305,243) | 12.04% | 26.28% | (14.24%) | 33.44% |
| Jun-21 | 13,112,362 | 20,807,044 | (7,694,682) | 23.03% | 36.54% | (13.51%) | 37.56% |
| Jul-21 | 18,177,438 | 25,862,807 | (7,685,370) | 32.06% | 45.61% | (13.55%) | 46.35% |

16. Capital Expenditure

- 16.0 The following table sets out the position on the Capital Programme as at the end of July 2021. It indicates an overall spend of £28.4m, which is 11% of the revised 2021/22 budget of £252.4m.
- 16.1 Members should note that in most cases the unspent budgets for ongoing capital projects and programmes will be rolled forward from 2021/22 to the following year, 2022/23. A summary of the major projects to 2023/24 is attached at Appendices 3 and 4. The Capital Programme budget reconciliation is attached at Appendix 5.

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Table 19 – Capital Programme 2020/21 (Major Projects)

| 2021/22 Capital Programme | Revised Budget (M&C Feb 21) | Revised Budget Proposed July 2021 | Spend to 31 July' 2021 | Spent to Date (Revised Budget) |
|---|-----------------------------|-----------------------------------|------------------------|--------------------------------|
| | £`m | £`m | £`m | % |
| GENERAL FUND | | | | |
| Schools - School Places Programme | 10.4 | 11.8 | 2.4 | 20% |
| Schools – Other (Inc. Minor) Capital Works | 1.7 | 9.5 | 0.1 | 1% |
| Highways & Bridges – LBL | 2.5 | 2.6 | 0.0 | 0% |
| Highways & Bridges – TfL and Others | 0.8 | 2.4 | 0.0 | 0% |
| Catford Town Centre | 0.3 | 1.3 | 0.1 | 8% |
| Asset Management Programme | 2.8 | 3.9 | 0.1 | 3% |
| Other AMP Schemes | 0.9 | 2.9 | 0.1 | 4% |
| Broadway Theatre | 4.8 | 5.3 | 0.3 | 5% |
| CCTV Modernisation | 0.5 | 1.1 | 0.0 | 0% |
| Beckenham Place Park (Inc. Eastern Part) | 1.7 | 1.9 | 0.1 | 5% |
| Catford Phase 1 – Thomas Lane Yard/ CCC | 0.6 | 0.5 | 0.2 | 37% |
| Catford Station Improvements | 0.3 | 0.4 | 0.0 | 0% |
| Lewisham Gateway (Phase 2) | 3.5 | 3.5 | 0.6 | 17% |
| Disabled Facilities Grant | 2.1 | 1.3 | 0.2 | 18% |
| Private Sector/Discretionary Grants and Loans | 2.1 | 1.9 | 0.2 | 9% |
| Lewisham Homes – Property Acquisition | 3.0 | 3.0 | 0.0 | 0% |
| Achilles St Development | 1.0 | 1.0 | 0.0 | 0% |
| Edward St. Development | 8.4 | 12.0 | 2.8 | 23% |
| Place Ladywell | 2.7 | 2.6 | 0.0 | 0% |
| Deptford Southern Sites Regeneration | 0.3 | 0.3 | 0.0 | 0% |
| Temporary Accommodation - Mayow Rd | 6.6 | 7.0 | 1.4 | 20% |
| Temporary Accommodation - Canonbie Rd | 1.4 | 1.8 | 0.3 | 15% |
| Temporary Accommodation - Sydney Arms | 3.8 | 1.0 | 0.0 | 0% |
| Temporary Accommodation - Morton House | 0.1 | 1.5 | 0.0 | 0% |
| Temporary Accommodation-Manor Avenue | | 1.2 | 0.0 | 0% |
| Fleet Replacement Programme | 0.8 | 1.6 | 0.0 | 0% |
| Travellers Site Relocation | 3.6 | 3.8 | 0.0 | 0% |
| Other Schemes | 3.6 | 6.7 | 0.3 | 4% |
| TOTAL GENERAL FUND | 70.3 | 93.8 | 9.1 | 10% |
| HOUSING REVENUE ACCOUNT | | | | |
| Building for Lewisham Programme | 48.3 | 41.4 | 6.5 | 16% |
| Creekside Acquisition | 13.9 | 11.4 | 1.5 | 13% |
| HRA Capital Programme (Decent works) | 31.6 | 78.8 | 11.2 | 14% |
| Place Ladywell | 15.4 | 1.5 | 0 | 0% |
| Achilles St. Development | 0.4 | 2.8 | 0 | 0% |
| Mayow Rd Development | 0.8 | 0.0 | 0 | 0% |
| Other HRA Schemes | 3.6 | 22.7 | 0.1 | 0% |
| TOTAL HOUSING REVENUE ACCOUNT | 114 | 158.6 | 19.3 | 12% |
| TOTAL CAPITAL PROGRAMME | 184.3 | 252.4 | 28.4 | 11% |

17. Financial Implications

- 17.0 This report concerns the financial results for the 2021/22 financial year. Therefore, any financial implications are contained within the body of the report.

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18. Legal Implications

- 18.0 The Council is under a duty to balance its budget and cannot knowingly budget for a deficit. It is imperative that there is diligent monitoring of the Council's spend and steps taken to bring it into balance.

19. Crime and Disorder, Climate and Environment Implications

- 19.0 There are no specific crime and disorder act or climate and environment implications directly arising from this report.

20. Equalities Implications

- 20.0 The Equality Act 2010 (the Act) introduced a public sector equality duty (the equality duty or the duty). 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.

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

21. Background Papers

| Short Title of Report | Date | Location | Contact |
|-----------------------|--------------------------------------|--------------------------------------|--------------|
| Budget Report 2021/22 | 3 rd March 2021 (Council) | 1 st Floor Laurence House | David Austin |

22. Glossary

| Term | Definition |
|---|--|
| Clinical Commissioning Group (CCG) | Clinical Commissioning Groups (CCGs) were created following the Health and Social Care Act in 2012, and replaced Primary Care Trusts on 1 April 2013. They are clinically-led statutory NHS bodies responsible for the planning and commissioning of health care services for their local area. |
| Collection Fund | A statutory account maintained by the Council recording the amounts collected from Council Tax and Business Rates and from which it pays the precept to the Greater London Authority. |
| Collection Fund surplus (or deficit) | If the Council collects more or less than it expected at the start of the financial year, the surplus or deficit is shared with the major precepting authority, in Lewisham's case this is the GLA, in proportion to the respective Council Taxes. These surpluses or deficits have to be returned to the Council taxpayer in the following year through lower or higher Council taxes. If, for example, the number of properties or the allowance for discounts, exemptions or appeals vary from those used in the Council Tax base, a surplus or deficit will arise. |
| Contingency | This is money set-aside centrally in the Council's base budget to meet the cost of unforeseen items of expenditure, such as higher than expected inflation or new responsibilities. |
| Council Tax Base | The Council Tax base for a Council is used in the calculation of Council Tax and is equal to the number of Band D equivalent properties. To work this out, the Council counts the number of properties in each band and works out an equivalent number of Band D equivalent properties. The |

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| Term | Definition |
|---------------------------------------|---|
| | band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992. They are: A 6/9, B 7/9, C 8/9, D 9/9, E 11/9, F 13/9, G 15/9 and H 18/9, so that Band A is six ninths of the 'standard' Band D, and so on. |
| Dedicated Schools' Grant (DSG) | This is the ring-fenced specific grant that provides most of the government's funding for schools. This is distributed to schools by the Council using a formula agreed by the Schools' Forum. |
| General Fund | This is the main revenue fund of the local authority, day-to-day spending on services is met from the fund. Spending on the provision of housing however, must be charged to the separate Housing Revenue Account (HRA). |
| Gross Expenditure | The total cost of providing the Council's services, before deducting income from government grants, or fees and charges for services. |
| Housing Revenue Account (HRA) | A separate account of expenditure and income on housing that Lewisham must keep. The account is kept ring-fenced from other Council activities. The government introduced a new funding regime for social housing within the HRA from April 2012. |
| Net Expenditure | This is gross expenditure less services income, but before deduction of government grant. |
| Revenue Expenditure | The day-to-day running expenses on services provided by Council. |

23. Report Author and Contact

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24. APPENDIX 1 – Summary of agreed revenue budget savings for 2021/22

| Ref | Proposal | 2021/22 Agreed Savings £'000 | 2021/22 Achieved £'000 | 2021/22 Gap £'000 | Comment: |
|--|---|---------------------------------------|------------------------------|-------------------------|---|
| CHIEF EXECUTIVE DIRECTORATE | | | | | |
| A-01 | Staff productivity - arising from new ways of working better collaboration and a return on IT investment (£3m split council wide) | 243 | 243 | 0 | Achieved |
| A-03 | Corporate Transport arrangements (£100k split Council Wide) more use of electric bikes and less spend on public transport and cars | 3 | 3 | 0 | Achieved |
| A-10 | Election services | 55 | 55 | 0 | Achieved |
| A-09 | Support Leadership | 105 | 105 | 0 | Achieved |
| A-11 | Legal, governance service and elections review. | 340 | 73 | 267 | In progress – likely gap being assessed |
| A-01a Round 2 | Staff productivity - arising from new ways of working, better collaboration and a return on IT investment (£1m split Council Wide) | 81 | 81 | 0 | Achieved |
| Total for Chief Executive Directorate | | 827 | 560 | 267 | |
| CHILDREN & YOUNG PEOPLE DIRECTORATE | | | | | |
| E-05 | Traded services with schools | 50 | 0 | 50 | At risk due to timing of traded service offer |
| F-12 | Housing - No Recourse to Public Funds | 300 | 600 | -300 | Achieved – potential to overachieve |
| A-12 | Rationalising Central Education Services functions | 150 | 150 | 0 | Achieved |
| A-13 | Children with complex needs (CWCN) revision | 195 | 0 | 195 | At risk |
| A-14 | Replace Educational Psychologist locums through expanding the generic EP Team | 200 | 200 | 0 | In progress (Delivery Stage) |
| A-16 | Reduction of workforce development budget | 50 | 50 | 0 | Expected to be achieved in full |
| B-13 | Early Years Funding Block | 54 | 54 | 0 | Achieved |
| C-09 | Youth Offending Service (YOS) redesign | 152 | 152 | 0 | Achieved |
| C-30 | Rationalisation of Business support across Education services | 70 | 70 | 0 | Achieved |
| D-09 | Educational Assets | 300 | 300 | 0 | Achieved |
| A-01 and A-01a | Staff productivity - arising from new ways of working (including learning from the Covid 19 pandemic), better collaboration and a return on IT investment | 1,053 | 455 | 598 | In progress – subject to some aspect of restructure |
| A-03 | Corporate Transport arrangements | 56 | 0 | 56 | In progress |

| Ref | Proposal | 2021/22 Agreed Savings £'000 | 2021/22 Achieved £'000 | 2021/22 Gap £'000 | Comment: |
|--|---|------------------------------|------------------------|-------------------|---|
| E-03 | Review discretionary sales, fees and charges and increase to the point of full cost recovery. | 10 | 0 | 10 | In progress and expected to be delivered in full |
| Total for Children & Young People Directorate | | 2,640 | 2,031 | 609 | |
| COMMUNITY SERVICES DIRECTORATE | | | | | |
| B-04 | Smoking cessation service | 221 | 221 | 0 | Achieved |
| B-05 | Recharge OT and housing officer costs to the Disabled Facilities Grant | 250 | 250 | 0 | Achieved |
| B-07 | Review of Council run events | 42 | 42 | 0 | Achieved |
| B-10 | Reduction in local assemblies service | 45 | 45 | 0 | Achieved |
| C-02 | Adult Learning and Day Opportunities | 50 | 50 | 0 | Achieved |
| E-04 | Introduce charging for certain elements of self-funded care packages | 82 | 0 | 82 | In progress and expected to be delivered in full |
| F-01 | Adult Social Care Demand management | 3,000 | 1,000 | 2,000 | In progress – Likelihood of any shortfall towards the year end is being assessed |
| F-06 | Adults with learning difficulties and 14 - 25yrs transitions costs | 760 | 0 | 760 | In progress |
| F-09 | In house services reductions - adults passenger transport | 600 | 0 | 600 | At risk due to the overall position in relation to the funding of Passenger Services costs across the Council |
| A-18 | Library and Information Service | 300 | 300 | 0 | In progress |
| B-11 | Improved usage of BCF Funding across partners | 1,000 | 1,000 | 0 | Achieved |
| B-12 | Adult Learning Lewisham - back office efficiencies | 96 | 96 | 0 | In progress-on track but with some potential redundancy costs of £20k |
| C-12 | Weight management services | 25 | 25 | 0 | Achieved |
| C-13 | Sexual and Reproductive Health Services in Primary Care | 100 | 100 | 0 | Achieved |
| C-14 | Substance Misuse Cuts (Public Health Budget) | 150 | 150 | 0 | Achieved |
| C-15 | Integrated Sexual and Reproductive Health Services | 150 | 150 | 0 | Achieved |
| C-16 | Reduction of Management overheads for the Social Inclusion | 50 | 50 | 0 | |

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| Ref | Proposal | 2021/22 Agreed Savings £'000 | 2021/22 Achieved £'000 | 2021/22 Gap £'000 | Comment: |
|---|---|------------------------------|------------------------|-------------------|--|
| | and Recovery Service (SLaM Lewisham Community Services) | | | | Achieved |
| C-17 | Re-configuration of MH Supported Housing pay – Social Interest Group | 100 | 0 | 100 | In progress |
| C-24 | Culture Team Salaries & Borough of Culture | 60 | 60 | 0 | Achieved |
| C-28 | Supported Housing Services | 169 | 169 | 0 | Achieved |
| C-29 | Crime, Enforcement & Regulation Service Restructure | 50 | 50 | 0 | In progress and expected to be delivered in full |
| F-24 | Adult Social Care cost reduction and service improvement programme | 3,849 | 0 | 3,849 | In progress |
| A-01 and A-01a | Staff productivity - arising from new ways of working (including learning from the Covid 19 pandemic), better collaboration and a return on IT investment | 1,027 | 1,027 | 0 | In progress and expected to be delivered in full |
| A-03 | Corporate Transport arrangements | 23 | 23 | 0 | Achieved |
| E-03 | Review discretionary sales, fees and charges and increase to the point of full cost recovery. | 72 | 0 | 72 | In progress and expected to be delivered in full |
| Total for Community Services Directorate | | 12,271 | 4,808 | 7,463 | |
| CORPORATE RESOURCES DIRECTORATE | | | | | |
| A-04 | Process automation in Revs and Bens | 60 | 40 | 20 | Partly Achieved |
| A-05 | Revs and Bens - additional process automation | 400 | 0 | 400 | In Progress |
| B-08 | Review the Power of Attorney service | 160 | 160 | 0 | On Track |
| B-09 | Reduction in the discretionary award of concessionary fares | 300 | 300 | 0 | Achieved |
| D-03 | Facilities management general cost reduction | 50 | 50 | 0 | Achieved |
| D-04 | Operational estate - security | 100 | 100 | 0 | Achieved |
| D-06 | Catford Campus - Estate Consolidation | 438 | 179 | 259 | Partly Achieved |
| A-01 Round 1 | Staff productivity - arising from new ways of working, better collaboration and a return on IT investment (£3m split council wide) | 522 | 522 | 0 | On Track |
| A-03 and E- | Corporate Transport arrangements AND Review | 7 | 7 | 0 | On Track |

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| Ref | Proposal | 2021/22 Agreed Savings £'000 | 2021/22 Achieved £'000 | 2021/22 Gap £'000 | Comment: |
|---|--|------------------------------|------------------------|-------------------|--|
| 03 Round 1 | discretionary sales, fees and charges and increase to the point of full cost recovery (£250k split Council Wide) | | | | |
| A-01a Round 2 | Staff productivity - arising from new ways of working, better collaboration and a return on IT investment (£1m split Council Wide) | 174 | 174 | 0 | On Track |
| Total Corporate Resources Directorate | | 2,211 | 1,532 | 679 | |
| HOUSING, REGENERATION & PUBLIC REALM DIRECTORATE | | | | | |
| A-07 | Housing - Productivity gains | 202 | 202 | 0 | Achieved |
| B-05 | Recharge OT and housing officer costs to the Disabled Facilities Grant | 175 | 175 | 0 | Achieved |
| C-05 | Housing needs and procurement service review | 50 | 50 | 0 | Achieved |
| C-06 | Housing needs and procurement service review | 77 | 77 | 0 | Achieved |
| D-02 | Business Rates Revaluation for the estate | 40 | 40 | 0 | In progress – Valuation Office still has a backlog but if not achieved this will be covered by other funds in the service. |
| D-06 | Catford Campus - Estate Consolidation | 236 | 236 | 0 | Achieved |
| D-07 | Meanwhile use - Temporary Accommodation | 25 | 25 | 0 | In progress - Accommodation provided to be refurbished to suit TA needs. None are yet in use by Housing but savings may still be made if in use by August 2021 |
| E-02 | Income from building control | 15 | 15 | 0 | Achieved |
| E-07 | Housing – Increased rent for Private Sector Lease (PSL) and Private Managed Accommodation (PMA) | 300 | 300 | 0 | Achieved |
| C-10 | Housing Services Review | 300 | | 0 | In progress - The reorganisation consultation has been completed & interviews are in progress. The reorganisation will identify the full two years savings requirement, but is |

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| Ref | Proposal | 2021/22 Agreed Savings £'000 | 2021/22 Achieved £'000 | 2021/22 Gap £'000 | Comment: |
|---|---|------------------------------|------------------------|-------------------|---|
| | | | 300 | | not likely to be implemented until the end of the 3 rd Qtr of 2021/22. Any shortfall may be covered by use of additional grant |
| E-11 | Environmental Enforcement – Use of Civil Enforcement Officers | 100 | 100 | 0 | In progress - The start of this saving has been delayed so a full year effect is unlikely, however any shortfall should be covered by income from Moving Traffic Contraventions |
| F-17 | Road safety enforcement | 250 | 250 | 0 | In progress and expected to be delivered in full |
| F-20 | Emission based charging for Short Stay Parking | 120 | 120 | 0 | In progress and expected to be delivered in full |
| F-21 | Road Safety Enforcement | 250 | 250 | 0 | In progress and expected to be delivered in full |
| A-01 & A-01a | Productivity (Additional) | 969 | 969 | 0 | Achieved |
| Total for Housing, Regeneration & Public Realm Directorate | | 3,109 | 3,109 | 0 | |
| Cross-Cutting | | | | | |
| B-07 | Review of Council run events | 28 | 28 | 0 | In progress and expected to be delivered in full |
| E-01 / E-01a | Improved Debt collection | 750 | 750 | 0 | In progress and expected to be delivered in full |
| E-08 / E-08a | Contract Efficiencies – inflation management | 750 | 750 | 0 | In progress and expected to be delivered in full |
| Total for Cross-Cutting | | 1,528 | 1,528 | 0 | |
| GRAND TOTAL | | 22,586 | 13,568 | 9,018 | |

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APPENDIX 2 – Summary of agreed overspend reduction measures for 2021/22

| Ref | Proposal | 2021/22 Agreed reduction £'000 | 2021/22 Achieved £'000 | 2021/22 Gap £'000 | Comment: |
|--|--|-----------------------------------|---------------------------|----------------------|---|
| CHILDREN & YOUNG PEOPLE DIRECTORATE | | | | | |
| B-02 | Strategic recharging | 600 | 340 | 260 | In progress - possible risk of achieving full saving in 2021/22 |
| C-01 | Redesign of the CYP Joint Commissioning service. | 140 | 140 | 0 | Achieved |
| C-03 | Reduction in the use of agency social workers. | 215 | 35 | 180 | Potential risk to delivery. This is currently being assessed |
| C-07 | Review Short breaks provision. | 65 | 65 | 0 | Expected to achieve in 2021/22, however potential future risk from contract awards |
| E-06 | Reduce care leaver costs | 200 | 587 | (387) | Over achieved |
| F-02 | Children Social Care Demand management | 500 | 770 | (270) | Over Achieved |
| F-04 | Special Guardianship Order payments | 60 | 0 | 60 | At risk –savings supporting future demand management |
| F-05 | VfM commissioning and contract management - CSC | 250 | 0 | 250 | At risk |
| F-10 | In house Early Help service | 200 | 200 | 0 | Achieved |
| F-11 | Front door arrangements in CYP | 50 | 0 | 50 | In progress - but has risk |
| A-17 | Care leaver accommodation / housing costs | 500 | 398 | 102 | In progress |
| C-21 | Early Help and Prevention Recommissioning | 170 | 170 | 0 | Achieved |
| C-22 | Reduction in LBL contribution to CAMHS service | 250 | 146 | 104 | In progress - Part complete. Alternative options being developed (part-year effect will be achieved in 2022/23) |
| C-23 | Reduction in the Health Visiting contract | 350 | 350 | 0 | Achieved |

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| Ref | Proposal | 2021/22 Agreed reduction £'000 | 2021/22 Achieved £'000 | 2021/22 Gap £'000 | Comment: |
|---|---|--------------------------------|------------------------|-------------------|---|
| F-19 | Reduction in specialist legal advocacy and assessments for CYP proceedings | 500 | 485 | 15 | In progress- under review as demand led |
| F-23 | Home to school transport | 250 | 0 | 250 | Transport Board – undertaking review. Actions will take time to embed, also risk of demand pressure |
| Total for Children & Young People Directorate | | 4,300 | 3,686 | 614 | |
| COMMUNITY SERVICES DIRECTORATE | | | | | |
| E-10 | Increase funeral charges | 250 | 120 | 130 | In progress - Achievement is partly dependent on death rate in 21-22 and the impact on income levels. Will be reviewed during the financial year. |
| C-26 | Reducing leisure spend – temporary closure of the Bridge | 355 | 355 | 0 | Achieved - The Bridge LC currently closed with no plan to reopen in 21-22. |
| Total for Community Services Directorate | | 605 | 475 | 130 | |
| CORPORATE RESOURCES DIRECTORATE | | | | | |
| A-08 | Reduction in paper usage | 35 | 35 | 0 | Achieved |
| C-08 | IT - mobile telephony review | 80 | 80 | 0 | Achieved |
| E-09 | Realising further benefits from the Oracle Cloud Solution and exploiting its functionality as a fully integrated enterprise resource planning solution. | 100 | 0 | 100 | Not Achieved – currently under review, and potential risk to delivery |
| Total Corporate Resources Directorate | | 215 | 115 | 100 | |
| HOUSING, REGENERATION & PUBLIC REALM DIRECTORATE | | | | | |
| C-11 | Reduced dependency on agency staff within Highways and Transportation Services | 300 | 300 | 0 | Achieved |
| Total for Housing, Regeneration & Public Realm Directorate | | 300 | 300 | 0 | |
| GRAND TOTAL | | 5,420 | 4,576 | 844 | |

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APPENDIX 3 – Update on Capital Projects and Programmes

Schools

Schools – School Places Programme

- Primary place demand has levelled off recently across London and the priority for school place delivery has shifted mainly to Special Educational Need and Disability provision. Four schemes are currently in development and delivery, to conclude in 2024. They include:
 - Works to Ashmead Primary in Brockley to expand from one to two forms of entry. Works commenced in April 2019 and were substantially completed in March 2021, with the handover of the new building. The project delivered a new standalone block adjacent to Lewisham Way, improved landscaping within the site and a new entrance and enhanced public realm area to the South of the site. Final refurbishment and remodelling works within the existing school building are due to be completed over the summer holidays this year.
 - Greenvale School, in Whitefoot ward, is Lewisham’s community special school for children and young people between the ages of 11 and 19 years who have significant learning difficulties. A new satellite facility to accommodate an additional 93 students will be constructed on the site of the former Brent Knoll building in Perry Vale. Construction works began earlier this year, and are due to be completed in February 2022.
 - New Woodlands, in Downham Ward, is a special school which supports children from 5 to 16 who have Social, Emotional and Mental Health (SEMH) special educational needs. The school recently began admitting Key Stage 4 students, and works to expand the facility took place over the summer holidays 2019, ensuring that the school could provide a full curriculum. The works included minor remodelling and refurbishment of the existing building, provision of a new food technology practical room, and improvements to existing landscaping and external play areas. The final works including boundary treatment were completed in October 2020, and the final account has recently been agreed.
 - Watergate is Lewisham’s primary special school for children between the ages of three and eleven years who have severe learning difficulties, located in Bellingham Ward. Approval has been granted to expand the school through the construction of a new teaching block on the existing site, and a new set of feasibility studies are due to be commissioned this year.

Schools – Minor Works Capital Programme

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.

Highways & Bridges

The Council continues to invest resources in maintaining its 397km of highway borough roads, most notably through its annual programme of carriageway and footway resurfacing works. In previous years the budget for highways has allowed 70 roads (or part of a road) to be resurfaced each year. Works are usually directed to those roads 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.

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The 2021/22 carriageway and footway programme is being planned to ensure that it is being spent in the most effective way and addresses the most pressing issues. Full expenditure will be achieved.

The Council also carries out ongoing responsive carriageway maintenance works that remedies localised hazards and defects caused through accidents and deterioration of the asset from wear, age, excavations and failures.

The replacement of the span for the Sydenham Park footbridge continues to be planned and designed and active discussions are being held about the footbridge's span structural design, access arrangements, method of construction, risk management and approvals with key stakeholders, such as Network Rail, underway. The Council in its client capacity, is working closely with its principal consultant to secure a delivery plan agreement with Network Rail. Subject to a Network Rail track possession agreement, the earliest that the replacement span could be delivered is September 2022.

Asset Management Programme

Funding from the Asset Management Programme (AMP) has continued to support reactive and much needed capital works across the operational corporate estate. This has included fabric works such as roof replacement and mechanical works; including, boiler replacements and lift repairs across the estate of approximately 90 buildings and sites. A full condition survey of the corporate estate was completed in 2020 and is helping define the future investment need of the estate, the Asset Review, and underpin the use of the AMP capital programme funding for future years. A comprehensive Corporate Estate Maintenance Programme starts in 2021-22 (with some urgent health and safety works already underway).

Broadway Theatre

Investment in the Broadway Theatre in Catford will address the urgent health and safety, mechanical and electrical, DDA and compliance requirements within the building, along with the overdue upgrade/refurbishment of identified areas throughout the building. The works will ensure the building is fit for purpose, meets current regulations and is compliant to function as a public venue. Improvements will also enable the Theatre to attract wider audiences and hirers and expand its delivery of events and shows.

The theatre plays an important part in the Catford Town Centre Masterplan which seeks to regenerate the town centre including providing housing, retail, open space and a civic heart for the town centre, with the theatre, a crucial part of that. Investment in the theatre takes forward the commitments given in the Capital Programme to invest in key parts of the Council estate in Catford as an early and certain commitment to the emerging Catford Masterplan.

The project is in design stage with works due to start in late 2021, with a view to completing in late 2022 and re-opening for a grand finale for the Borough of Culture year.

CCTV Modernisation

This project involves updating the Council's CCTV infrastructure. Progress this year includes updating control room equipment that has now been changed out for new control systems, workstations and monitors.

Eurovia are now in the process of installing new IP cameras on our private fibre network and to date they have installed 19 IP cameras and connected them to the system.

Once this is complete they will start work on upgrading the analogue microwave network over to the new IP wireless network. This involves installing new transmitters

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and receivers, network switches, cabling etc and then connecting the new cameras on this network and link back to the control team.

Beckenham Place Park

The restoration of Beckenham Place Park (to the western side of the railway) has now been completed. The listed stable block is now home to the new park café and environmental education centre, and the long anticipated restored landscape, with its reinstated lake, is being enjoyed by thousands of local people.

The stable yard itself will become an arrival and visitor's hub, as new tenants take up occupation of the cottages over the next year.

The new play facilities are much loved, as part of the restored pleasure grounds, and the previously derelict Gardener's cottage is now fully restored and re-purposed as a hub for volunteer activity in the park, in the midst of the new community garden.

Open water swimming now takes place on the lake, and visitors will be encouraged to explore the breadth and nature of Lewisham's largest park on new paths and trails.

Early consultation and design work has now started on the eastern side of the park. An options appraisal is also being prepared for M&C to try and secure a future for the Mansion.

Catford Town Centre

Architect's Studio Egret West have now completed work with officers to develop a framework plan to help guide the regeneration of the Town Centre. The framework aims to form the basis of any future developments for the Town Centre and involved input from Viability Assessors, Construction Programme Advisors and an independent Planning Consultant. The Masterplan will be used as an evidence base for the emerging Local Plan.

Work is also continuing with TfL on the proposal to realign the South Circular A205 through the Town Centre. GLA Housing Infrastructure Funding (HIF) in the sum of £10m has been secured on condition that the road is delivered by TfL with officers currently seeking an extension due to the impact of Covid19 upon the programme resulting from the furlough of staff in 2020. Subject to an approved design, early work is expected to start in the first quarter of 2023/24. Meanwhile, the engagement activity of Team Catford has continued to build on the programme of social engagement started in 2016. The Team is expected to continue to support projects currently being delivered in Catford and beyond.

The draft Framework plan was presented to Mayor & Cabinet in September 2020. Approval was obtained to enter into a process of non-statutory public consultation that took place between November 2020 and February 2021.

Funding from the Asset Management Programme (AMP) has continued to support reactive and much needed capital works across the operational corporate estate. This has included fabric works such as roof replacement and mechanical works including boiler replacements and lift repairs across the estate of approximately 90 buildings and sites. More recently, the programme has funded some works to the Civic Suite, Registry Office and some essential works as part of the main Laurence House refurbishment programme. A full condition survey of the corporate estate has recently been completed. A programme of work has now been compiled to help address the investment needs of the estate.

Lewisham Gateway

Lewisham Gateway Phase 2 is a major £252m regeneration project, located between Lewisham Town Centre and the DLR, rail station and bus interchange. It has been designed as a high-density mixed use development representing contemporary sustainable urban living.

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This project is the second phase of the development with Phase 1 already having delivered 362 new homes, alongside new shops and restaurants, a public park with children's play space and access to the rivers, plus major infrastructure improvements which include the removal of the Lewisham northern roundabout and the implementation of a new highways system.

Phase 2 has secured £13.5m in GLA Housing Infrastructure Funding and a further £9,558m in S.106 contributions to secure 106 affordable homes. Overall the scheme will provide 530 PRS units, 119 co-living units, a cinema, gym, retail and co-working space.

Disabled Facilities Grant

This grants assists the boroughs disabled residents by funding essential adaptations which enable them to remain independent in their own home.

In addition to the spend to date, there is further committed expenditure that has been approved by the s75 board to cover the project staffing costs of the Occupational Therapists, Housing Assistance Team, Health and Housing Coordinator as well as help with the cost of hoarding clearance/treatment of residents within the borough, who are found to be suffering with hoarding issues.

The team have 220 open DFG cases of which 86 are approved and with surveyors, representing a committed value of approximately £314,000. The remainder are at application stage. The total of spent and committed DFG funds currently totals almost 1.1m.

Private Sector Grants And Loans

Discretionary grants assist the boroughs vulnerable residents to maintain their properties. The grants also assists landlords and potential landlords in bringing their properties up to an acceptable rentable standard on condition they grant 5 year nomination rights to the Council.

There are currently 184 open discretionary cases in the pipeline, 80 of which are approved, with surveyors and have a committed value of approximately £360,000, in addition to the reported spend to date. A further £160,000 will be earmarked towards discretionary project staffing costs.

The team are exploring ways to shorten the lengthy process times and working collaboratively with partners and internal teams to ensure the allocated 21/22 budgets are spent and fully committed by the end of this financial year.

Lewisham Homes – Property Acquisition

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

Achilles Street

Residents on the Achilles Street Estate have voted for the redevelopment of the estate to go ahead. Work is underway to carry out due diligence and the procurement of the design team has completed with estate residents. The scheme will deliver new homes for all existing residents as well as a significant number of new council owned homes for social rent.

Edward Street

Edward St will provide 34 new high-quality temporary accommodation homes for local families in housing need. The tender and contractor appointment has been completed following Mayor and Cabinet approval. The manufacturing of the homes is ongoing in the factory.

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Place Ladywell

Following the M&C approval for PLACE Ladywell to remain in situ, the next step is to carry out the required refurbishment works to ensure the building is compliant with current fire safety standards in conjunction with the LH SLAM team.

PLACE refurbishment Project meetings are taking place fortnightly. The programme for the high risk balcony and walkways works has been received and the feasibility fee proposal has been received for the installation of the PV panels.

Deptford Southern Sites

The three Deptford Southern Sites – Frankham Phases 1 and 2, Frankham Phase 3 and Amersham Vale form an estate regeneration scheme being delivered in partnership with Peabody. Good progress is being made.

Frankham Phase 1 and 2 is under construction and will deliver 79 social homes. Frankham Phase 3 which is due to start construction in 2023 will deliver 38 social rent homes. Residents from Phase 3 are able to move into the Phase 1 and 2 homes where they wish to. Amersham Vale is also under construction and will deliver 24 social homes. The homes at Amersham Vale are due to be completed this year.

Temporary Accommodation - Mayow Rd

To deliver at pace new temporary accommodation (TA) and supported living (SL) accommodation in Lewisham through the demolition and re-development of Mayow Road Warehouse. This will deliver 32 Units (6 SL Units & 26 TA Units). TA will be self contained family sized units for homeless families occupying poor quality B&B/nightly paid 6 of the 32 units are for supported living and these units need input during design, construction and pre-occupation from LBLs ASC commissioning team and the NHS - meetings and dialogue ongoing. Osborne are delivering a schools project for LBL across the road from the LH site - both site teams are in communication and there are weekly meetings arranged which are attended by both contractors, LH and LBL. Site is located close to an occupied LH block (Heathwood Point) and the disruption/nuisance caused by day to day activity on site will need to be managed. s105 consultation will be required to allow Higgins to increase their site compound area accommodation (to be located behind works site adjacent to fence with Mayow Park). The SL units will be for residents with challenging learning difficulties and /or autism. This is being delivered in partnership with NHS and colleagues in ASC.

Temporary Accommodation - Canonbie Rd

To deliver at pace new temporary accommodation (TA) in Lewisham through the demolition and re-development of 118 Canonbie Road. This will deliver 6 Units. TA will be self contained family sized units for homeless families occupying poor quality B&B/nightly paid accommodation.

Programme is currently 6 weeks in delay. 4 week delay due to boundary issues which have now been resolved and a further 2 week delay as LH would not be able to take handover close to Christmas. This means the completion date has slipped to early January 2022. Other than these delays the project is progressing well.

Temporary Accommodation - Sydney Arms

The Sydney Arms site is up and running. The site has capacity for 16 low-medium support homeless individuals and we currently accommodate 16 rough sleepers there. The first individuals moved on to the site in March 2021

We received £2.3m in funding for the site, consisting of £2.1m in capital funding for refurbishment of the site. This funding has been fully drawn down.

We also received £200,000 for recruitment of a Rough Sleeper Navigator to assist the cohort by developing bespoke support programmes for each individual housed at the

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accommodation. That position has been appointed and is anticipated to be in post in July 2021. Funding for this post will be drawn down quarterly until Q3 2024-25.

Residential Portfolio Acquisition – Hyde Housing Association

The acquisition of a portfolio currently comprising 120 residential properties from Hyde Housing Association, as per a report to Mayor & Cabinet on 13 March 2019. The Council completed on the acquisition of a portfolio of homes from Hyde Housing Association earlier this financial year. Hyde Housing Association have offered the option of further acquisitions. The Council are currently considering this option and carrying out due diligence in relation to this.

Temporary Accommodation Conversions – Morton House

Morton House was, until recently, let to the Salvation Army. The property became surplus to requirements and was offered to the Council to purchase, as it was considered highly suitable to meet the Council's temporary housing accommodation need. The site was acquired by the Council in July 2020 for circa £3.5m

Refurbishment works to the building are expected to cost around £1.2m in total. The project is due to be tendered in June with works commencing in August and completing by the end of March 2022

Building for Lewisham Programme

The Building for Lewisham (BfL) supersedes the Housing Matters Programme. In January 2020, the Mayor and Cabinet approved recommendations to advance and expand the Council's housebuilding programme to meet the corporate objectives set for the period between 2018 and 2022.

This Programme will deliver a significant proportion of new council housing for the borough. Funding has currently been agreed for the continuation of the former New Homes Better Places programme and for a series of additional infill sites. In addition, funding for feasibility and preparation of planning and tender information for major strategic projects at Lady well, Achilles Street Estate and Catford has been allocated as well as funding for design and planning stage work for sites across the borough.

The Council, via its development agent, Lewisham Homes, is also investigating acquisition opportunities on land and sites from the market. These schemes may offer an opportunity to deliver more homes on an expedited timescale.

The current consolidation of the BfL programme notes funding for over 1,500 new homes across a mix of tenures. This has been modelled over a 40 year period and has been inflation-adjusted accordingly. However, the assumptions used represent an over-programming of developments and not all developments modelled will necessarily come forward. Therefore, this represents the most budget-intensive scenario. The financial and programme risk associated with the BfL programme will be monitored closely and mitigations implemented accordingly. However, should any significant changes to this budget be required, approval via Mayor and Cabinet will be duly sought.

The programme is supported by grant funding from the GLA via the Building Council Homes for London Programme. This provides £37.7m at a rate of around £100k per social unit. In addition to this the Council have secured funding from the GLA through their Small Sites Small Builders Fund, Housing Capacity Fund and Accelerated Construction Fund. The NHS have also provide grant support for Supported Housing. In addition to this, the Council will continue to subsidise the programme with the use of Right to Buy 1-4-1 receipts. The Council have also bid for further grant funding from the GLA and are waiting for the outcome of the negotiated bidding round at present.

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HRA Capital Programme

Lewisham Homes are responsible for ensuring council owned stock under their management is brought up to and maintained to a decent homes level, covering both internal and external enveloping works. Lewisham Homes are leading on the delivery of the decent homes programme (under delegated powers) in consultation / agreement with the Council.

Is this report easy to understand?

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APPENDIX 4 – Capital Programme Major Projects 2021 / 2024

| Major Projects over £1m | 2021/22 | 2022/23 | 2023/24 | Total |
|--|--------------|--------------|--------------|--------------|
| | £m | £m | £m | £m |
| GENERAL FUND | | | | |
| Schools - School Places Programme | 11.8 | 2.4 | | 14.2 |
| Schools – Other (Inc. Minor) Capital Works | 9.5 | 0.2 | | 9.5 |
| Highways & Bridges – LBL | 2.6 | 2.5 | | 5.1 |
| Highways & Bridges – TfL and Others | 2.4 | 0.1 | | 2.5 |
| Catford Town Centre | 1.3 | 0.3 | 3.4 | 5.0 |
| Asset Management Programme | 3.9 | 2.5 | | 6.4 |
| Other AMP Schemes | 2.9 | | | 2.9 |
| Broadway Theatre | 5.3 | 1.7 | | 7.0 |
| CCTV Modernisation | 1.1 | | | 1.1 |
| Beckenham Place Park (Inc. Eastern Part) | 1.9 | | | 1.9 |
| Catford Phase 1 – Thomas Lane Yard/ CCC | 0.5 | 2.6 | | 3.1 |
| Catford Station Improvements | 0.4 | 1 | 0.1 | 1.5 |
| Lewisham Gateway (Phase 2) | 3.5 | | 4.8 | 8.3 |
| Disabled Facilities Grant | 1.3 | | | 1.3 |
| Private Sector Grants and Loans | 1.9 | | | 1.9 |
| Lewisham Homes – Property Acquisition | 3.0 | | | 3.0 |
| Achilles St Development | 1.0 | | 3.6 | 4.6 |
| Edward St. Development | 12.0 | | | 12.0 |
| Place Ladywell | 2.6 | | | 2.6 |
| Deptford Southern Sites Regeneration | 0.3 | 0 | 2.1 | 2.4 |
| Temporary Accommodation - Mayow Rd | 7.0 | 1.1 | 0.1 | 8.2 |
| Temporary Accommodation - Canonbie Rd | 1.8 | 0.3 | | 2.1 |
| Temporary Accommodation - Sydney Arms | 1.0 | | | 1.0 |
| Temporary Accommodation - Morton House | 1.5 | 0.1 | | 1.5 |
| Temporary Accommodation - Manor Avenue | 1.2 | | | 1.2 |
| Fleet Replacement Programme | 1.6 | 0.8 | 0.8 | 3.2 |
| Travellers Site Relocation | 3.8 | | | 3.8 |
| Other Schemes | 6.7 | 1.3 | | 8.0 |
| TOTAL GENERAL FUND | 93.8 | 16.9 | 14.9 | 125.3 |
| HOUSING REVENUE ACCOUNT | | | | |
| Building for Lewisham Programme | 41.4 | 56.4 | 57.2 | 155.0 |
| Creekside Acquisition | 11.4 | 2.0 | | 13.4 |
| HRA Capital Programme (Decent works) | 78.8 | 42.7 | 41.8 | 163.3 |
| Place Ladywell Development | 1.5 | 43.4 | 27.7 | 72.6 |
| Achilles St. Development | 2.8 | 1.0 | 21.6 | 25.4 |
| Mayow Rd Development | 0.0 | | | 0.0 |
| Other HRA Schemes | 22.7 | 4.0 | 4.0 | 30.7 |
| | 158.6 | 149.5 | 152.3 | 460.4 |
| TOTAL PROGRAMME | 252.4 | 166.4 | 167.2 | 586.0 |

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APPENDIX 5 – Capital Programme Revised 2021/22 budget

| APPROVED CAPITAL PROGRAMME BUDGET- 21/22 | £`m |
|---|----------------------------|
| M&C – February, 2021 as per Budget Report | 184.3 |
| Underspends carried-forward from 20/21 | <u>6.1</u> |
| | 190.4 |
| New Schemes Post Budget Report | |
| Schools Minor Works Programme 2021 | 4.2 |
| TfL Programme 21-22 | 0.4 |
| Riverside Youth Club Development Project | 1.3 |
| Temporary Accomodation- Manor Conversion | 1.2 |
| Asset Review - development and site appraisals | 0.1 |
| Asset Review - miscellaneous assets | 0.1 |
| CYP - CSC Young Supported Housing | 0.9 |
| Leisure strategy and associated sites - The Bridge Leisure Centre / Bellingham Leisure centre | 0.6 |
| Commercial Estate Investment | <u>0.1</u> |
| | 8.9 |
| Increase in HR- Schemes Post Budget Report | |
| General Capital & Decent Homes Programme | 38.8 |
| Reprofiled Schemes | |
| Reprofiled HR Schemes | 9.60 |
| Holbeach Road Improvement Works | -0.30 |
| Achilles Street - Development (Design Work) | 2.40 |
| Aids & Adaptations | -0.10 |
| Old Town Hall - Repairs & Refurb. | 0.80 |
| Edward Street Development (PLACE / Deptford) | 0.30 |
| Catford Town Centre - Phase 1 | 0.90 |
| Laurence House Customer Service Centre and Library Refurbishment | 0.50 |
| Broadway Theatre - Works | <u>0.20</u> |
| | <u>14.30</u> |
| Revised Capital Programme Budget 21/22 | <u><u>252.4</u></u> |

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Children and Young People Select Committee

Public Accounts Select Committee

Progress on Children's Social Care Improvement Programme And Placements sufficiency for children in care and care leavers

Date: 22 September (Children and Young People Select Committee)

23 September (Public Accounts Select Committee)

Key decision: No.

Class: Part 1

Ward(s) affected: All

Contributors:

Harriet Jannetta, Head of Service Corporate Parenting.

Lucie Heyes, Director Children's Social Care.

Pinaki Ghoshal, Executive Director Children & Young People's Services.

Outline and recommendations

This report seeks to provide Members of both Children and Young People Select Committee and Public Accounts Select Committee with an update on:

- a) The improvement work carried out by Children's Social Care, including the outcomes of a recent Ofsted focussed visit to examine our support for children in care. Appendix 1 is the letter published by Ofsted on 31 August 2021 following their focussed visit inspection in July.
- b) Summary of the work taking place to increase our placements sufficiency for children in care and care leavers.

1. Summary

1.1 Children's Social Care Service Improvements

The improvement programme commenced in mid 2018 and the service conducts an annual self-evaluation, which our regulatory body Ofsted scrutinises as part of their inspection processes. Lewisham's last full self-assessment was completed in June 2021. This report summarises the key issues.

1.2 Throughout the pandemic we have been continually adapting ways of working, which impacted on our ability to maintain the pace of improvement set in 2019. However Covid did not set us back, all key performance indicators have improved, with the exception of in-house foster placements. Quality assurance indicates a positive trajectory with 30% improvement in practice quality. The permanent staffing ratio has increased to 80% compared to 64% in 2018.

1.3 There is still much more to do to reach and sustain all our targets and the majority of practice continues to require improvement, however we have seen a steady positive shift and we believe we are on course to deliver children's social work to a consistently good standard by the end of 2022.

1.4 In July 2021 Ofsted completed a focused visit on children in care to seek assurance that the improvement plan they had seen in their last inspection (July 2019) had continued and was having a positive impact. Ofsted's key feedback from the recent focused visit was as follows:

- Since 2019, and despite the significant impact of the pandemic, the senior leadership team has improved services for children in care. Senior leaders demonstrate a clear focus on hearing the voices of children and have a clear understanding of areas for development that are being appropriately addressed.
- When children cannot live with their families, authoritative action is taken to protect and safeguard them.
- Social workers know their children well and are passionate advocates.
- Children said that they feel valued by their carers and are being well supported.
- Staff morale is high. Workers report feeling supported by visible and approachable managers and senior leaders.

1.5 The Ofsted report also notes areas for further improvement. All of these had already been identified by the self-assessment and actions are underway to address them.

1.6 Placements for children in care and care leavers

At the time of writing this report Lewisham is the corporate parent for 480 children in care (also known as Children Looked After /CLA) and 571 care leavers for whom we need to provide care and suitable accommodation. Section 4 provides a breakdown of where all those children and young people are living/placed.

1.7 Every Local Authority is required to have a placements Sufficiency Strategy to provide care and accommodation for its children in care and care leavers. Lewisham's existing strategy is due for renewal in 2022 and is currently being revised. What we have learned from the difficulties experienced since the last strategy was written, is our thinking and approach needs to be far more expansive and creative if we are to achieve affordable placement sufficiency. The national placement market has become increasingly difficult to manage and the needs of our ever changing care population

are more complex than in the past. At a national level, councils have been finding it difficult for many years to control the costs of placements and ensure children are looked after in a placement close to home, Lewisham shares these challenges.

- 1.8 This report provides an overview of the actions we are taking to increase our placements sufficiency, which can be summarised by six key aims:
- Expanding the pool, diversity and resilience of our local in-house foster carers.
 - Improving our systems and support to enable more regulated family and friendship or kinship/connected care arrangements to provide permanence.
 - Getting better value, quality, flexibility and stability from our externally commissioned placements.
 - Ensuring the cost of placements for very complex children is proportionately shared between Children's Social Care, Health and Education Services.
 - Creating and commissioning more local residential provision for young people who are difficult to place.
 - Developing more cost effective accommodation options for 16/17 year olds and housing pathways for our care leavers.

2. Recommendations

Members are asked to note and comment upon the contents of this report.

3. Policy Context

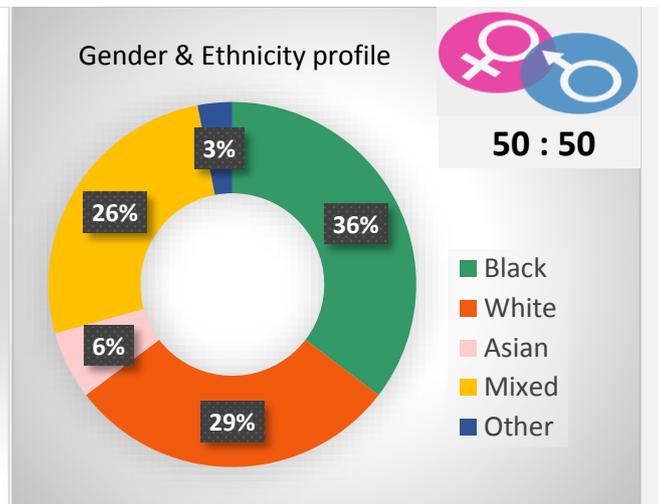
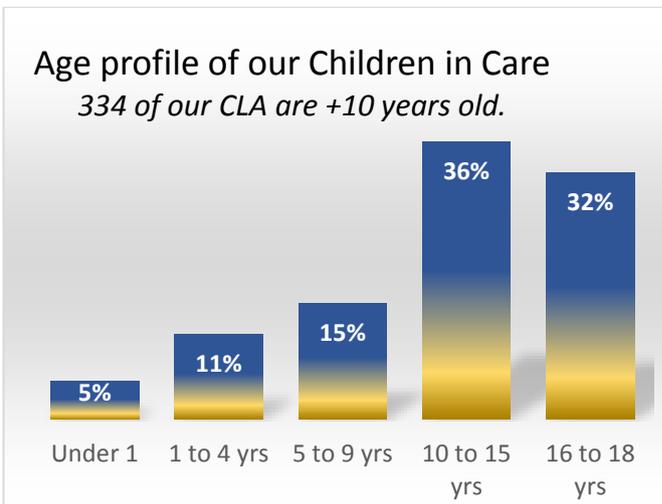
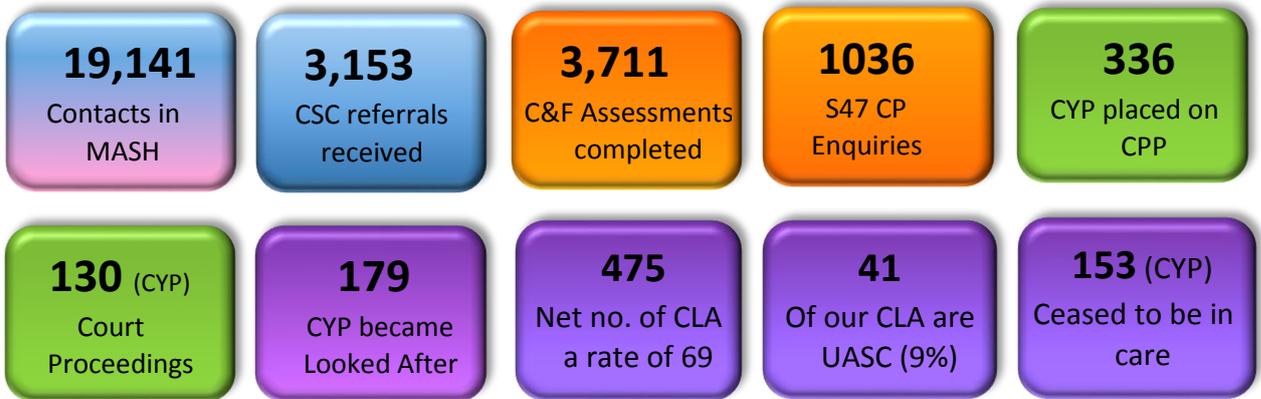
- 3.1 The Children's Social Care improvement programme contributes to the following key priority outcome of Lewisham's Corporate Strategy: Giving children and young people the best start in life. It specifically helps deliver against the following commitments:
- We will improve our children's social care services to provide support for families at the earliest opportunity.
 - We will ensure that the children in our care are safe and supported to achieve the very best in life.
 - We will work tirelessly with our partners to keep Lewisham's children and young people safe from exploitation, violence and serious youth crime.
 - We will monitor the services we provide for children and young people to ensure they deliver the best outcomes and best value.
 - We will ensure that families from our BAME communities have equal access to care and support.
 - We will work with our partners to ensure that young people transitioning into adulthood achieve the best possible outcomes in relation to education, work, healthy lives and strong community connections.
- 3.2 Placements for children in care and care leavers
Section 22G of the Children's Act 1989 places a legal duty on Local Authorities to take steps to secure, as far as reasonably practicable, sufficient accommodation for children in care and care leavers within their local authority area. The Statutory Guidance on Securing Sufficient Accommodation for Looked After Children (2010) states that local authorities should have embedded plans, as part of their commissioning processes and through partnership working, to meet this duty.

4. Background – the children and young people we are working with



Children being supported by CSC (As at 31/3/21)

- Being assessed
- In need receiving services
- With complex needs
- Subject to Child Protection Plans
- Looked After
- Care Leavers



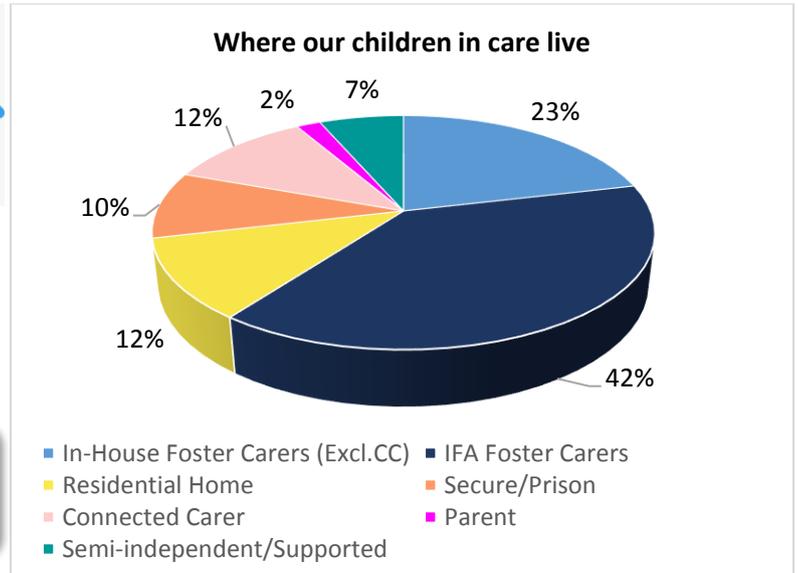
170 (36%) Living in Lewisham



96 (20%) Placed 20+ miles from home

7%
3+ placements

71%
In same placement 2+ years



575 CARE LEAVERS

413 With an allocated personal advisor & active pathway plan.

92% In suitable accommodation. Includes **18%** Staying Put with carers

266 Live in Lewisham

5. The impact of the Covid pandemic

- 5.1 Within weeks of the first lockdown Children’s Social Care had adjusted its ways of working, which have continued to alter throughout the pandemic. Our approach was to maintain the usual frequency of statutory activity, convert some face to face contact to ‘virtual’ for all but the most vulnerable. These were mostly children on child protection plans and particularly vulnerable children in care and care leavers. Systems for monitoring school attendance were established with the Education Service. Food parcels and laptops were distributed and financial assistance was provided to support foster carers and for care leavers.
- 5.2 Children’s Social Care has continued to operate out of Laurence House and visit families face to face throughout. During March -June, in accordance with government guidance to ‘stay at home’, approximately 70% of the workforce worked remotely. As lockdown eased through June –December 2020 most staff returned to the office part time in bubbles and 80% of visits were being carried out face to face. During the January – March 2021 lockdown we switched back, but have since resumed all face to face visiting and most statutory meetings continue to be a hybrid.
- 5.3 Through the pandemic we have experienced increased demand as a result of more acute need, added complexity and more seriousness of harm in families, particularly in relation to babies/infants, domestic abuse, parental mental health and substance misuse. Conversely, initially we saw a reduction in missing episodes and youth offending. In the first half of the year those subject to child protection plans and court

proceedings increased as we were less able to manage risk in the community. Some of our Care Leavers have been hit hardest by losing employment and experiencing increased isolation.

- 5.4 Some permanence planning for children in care slowed, because introduction meetings for potential adopters, carer assessments and rehabilitation home work all proved more difficult to undertake virtually with the same degree of quality. Consequently we believe more children have spent longer in the statutory system than we might ordinarily expect. This has also meant increased caseloads and additional financial pressure being placed on the directorate.

6. The Children's Social Care improvement journey

6.1 Leadership and management

The new Director of Children's Services started in June 2020. The Youth Offending Service moved from the Adults directorate to Children's, together with the Young Mayor's Team and a third division within the directorate, entitled Families, Quality & Commissioning will commence this autumn. This directorate will be leading on:

- Implementing the targeted Early Help and Family Thrive service and leading on the wider Prevention and Early Help strategy.
- Developing a more coordinated and targeted approach to working with adolescents, including those who are vulnerable to exploitation.
- Developing a wider approach to earlier emotional health and wellbeing support. The Mental Health in Schools team will be expanded in 2021/22.
- Increasing capacity for quality assurance, performance and policy development.

- 6.2 The programme to modernise our ICT systems, (LCS/EHM/ControCC) that started in 2019 has continued throughout 2020, this has contributed to a reduction in bureaucracy to create more time for direct work, but there is more to do. We have stable management in most parts of the service and we know from our staff feedback and Ofsted's report that practitioners feel their senior management team are visible, approachable and they feel supported by their managers and supervision is happening regularly.

6.3 Workforce and caseloads

There are 390 staff in Children's Social Care with an additional 18 in the Children with Complex Needs Service. Throughout 2020 we have worked on stabilising our workforce and we have nearly doubled the number of permanent appointments made. As at the end of March 2021 permanent staffing was up from 64% (2018) to 80%. Lewisham has the 12th highest retention rate in London.

- 6.4 A varied CPD programme has now been developed for 2021/21. In early 2020, alongside our Workforce Development Strategy, we launched our Practice Handbook, bringing together our vision, values and practice standards. An academy was launched with 25 NQ Social Workers joining in year one.

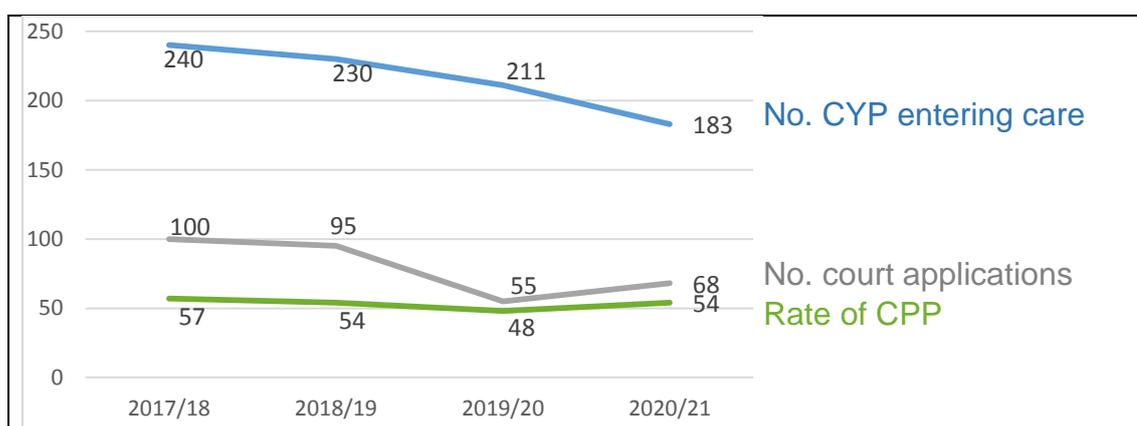
- 6.5 As a result of Covid, increased demand, slower throughput of cases, more serious and complex situations and the challenge of recruiting good agency staff, there has

been significant strain on workloads for all services at different points through the year. Many of our social workers have had caseloads above our guide numbers, additional staff have been temporarily added to alleviate the workload pressure, but this is impacting on our capacity to significantly improve quality as well as the increasing financial pressure.

6.6 Early Help and Safeguarding

In 2020/21, resources across the Early Help system were repurposed including new contracts for Youth Services and we have moved more resource into our new in house Family Thrive service and the Early Help Strategy plans to move towards a family hub approach. We still have more to do to ensure that families do not face a delay in receiving support, with demand still higher than capacity.

6.7 A Domestic Abuse Strategic Board has been established, a new strategy is currently being finalised and Lewisham successfully bid for innovation grants to strengthen Domestic Abuse services. Developments in the MASH have continued to maximise partnership working and there is consistently timely decision making (90% of contacts responded to in 1 day), with good threshold application.



6.8 Since early 2019, all decisions to bring a child into care have to be ratified at a weekly resources panel, chaired by the Operational Director. This has created consistency in decision making. Coupled with stronger management oversight and a sustained change in practice culture through the introduction of Signs of Safety, the rate of children in court and entering care has fallen, to become more comparable with other London Boroughs. However the overall net number of children in care has remained broadly the same for the last three years and is higher (r70) than our statistical neighbours (r64) largely due to the legacy of historical social work practice.

6.8 With developments to strengthen our ‘edge of care’ family support services, we aim to continue that downward trend to be within 130–150 per annum over the next three years. However, more capacity is needed to continue this trajectory. Through 2020 we remodelled our existing resources to create an enhanced Family Support Service, which is scheduled to go live in late 2021.

6.9 150 of our current children in care are aged 16 or 17, who will be exiting care at 18 years old. Therefore if current demand entering care does not increase, we forecast the net overall number of children in care to gradually fall over the next three years.

Conversely the net number of care leavers will increase over the same time period, before this too is likely to start reducing.

- 6.10 The Safe Space exploitation team and the recently established dedicated missing officers now have a better understanding of the profile of children and young people who go missing and are at risk of exploitation, but local intelligence still requires collation and analysis. Building on what we have learned so far, the LSCP exploitation strategy aims to better target multi-agency activity to this effect. Much more work is also required to strengthen our services for adolescents on the edge of care as a result of criminal, sexual exploitation and violence. This will be a priority for the incoming Director of Families, Quality & Commissioning.
- 6.11 Children in Care (Looked After) and Care Leavers
This year we have been developing our Corporate Parenting Strategy with six key aims to be the best corporate parents we can be and achieve our ambition to make sure every child has a positive care and post care experience. Throughout 2020 we have continued to see our children in care regularly whether face to face or virtually, 88% of visits and 96% of Review meetings have been carried out in timescale. For our Unaccompanied Asylum Seeking Children better utilisation of Home Office funding and also working closely with the Refugee Council, Red Cross and police and health colleagues means that our specialist team can provide enhanced support.
- 6.12 Despite the challenges, there was no drop in school attendance, fixed term exclusions did not increase (0.2%) and attainment remained above the national average, with more young people attending higher education. 96% of Review Health Assessments are held in time, but we still need to improve the timeliness of our Initial Health Assessments and Covid has impacted on dental examinations. In January 2020 we also contracted a new provider for Advocacy and Independent Visiting, which has improved uptake.
- 6.13 A focus on improving permanence planning is beginning to see better outcomes. The number of children who have care plans that involve being with family has doubled since last year. The expansion of our Special Guardianship team means we are now better placed to support such extended care arrangements.
- 6.14 Ofsted's focused visit on Children in Care provides more details of improvements in this area of the service - see Appendix 1.
- 6.15 After creating a dedicated Care Leaver Service in spring 2019 the teams have established themselves to deliver improvements in all aspects of performance. 145 of our care leavers are enrolled on the I-Aspire programme which aims to engage more young people in education training and employment. Covid impeded progress but some good outcomes have been achieved, 57% of our Care Leavers are in Education, Employment or Training (EET) an improvement on previous years, and comparable with other LA's but still below our aspirational target of >70%.

6.16 Overall despite the challenges, all key performance indicators have improved with the exception of the number of children in care in foster placements and our quality assurance indicates a positive trajectory with more practice judged as good or better and less inadequate practice compared to 2019, a 30% uplift in the last 12 months.

6.17 A Lewisham Internal Audit conducted in April 2021 on the improvement plan implementation found the following:

2. Assurance Opinion and Recommendations Made

Children’s Social Care (CSC) Improvement Progress has an assurance rating of Substantial.

No recommendations have been raised as part of the audit review.

6.18 Senior leaders recognise there is still much more to do to reach and sustain all our targets and the majority of practice continues to require improvement, however we have seen a steady positive shift in practice quality. Our key priorities for improvement for the next 12 months are as follows:

| | | |
|---|--|---|
| <p>FINANCE Embed new budgetary controls to manage within existing budgets.</p> | <p>INFRASTRUCTURE Reduce bureaucracy for more direct work with families.</p> | <p>EARLY HELP Implement strategy with continuum of services, through family hubs.</p> |
| <p>QUALITY ASSURANCE Embed management oversight & reflective supervision.</p> | <p>WORKFORCE DEVELOPMENT Deliver strategy for a permanent, skilled workforce.</p> | <p>PRACTICE STANDARDS Embed standards and Signs of Safety, strengthening practice and building a learning culture.</p> |
| <p>CHILDREN WITH ADDITIONAL NEEDS Implement SEND strategy, improve information sharing and multi-agency EHCPs</p> | <p>SUPPORTING FAMILIES Introduce our expanded Family Support Service and improve access to emotional health & wellbeing services.</p> | <p>DOMESTIC ABUSE Deliver strategy. Implement programmes of support and increase skills and confidence of staff.</p> |
| <p>SAFEGUARDING Continue to strengthen all core areas of practice.</p> | <p>EXPLOITATION & OFFENDING Deliver Exploitation Strategy and develop a wider targeted youth/adolescent service.</p> | <p>PERMANENCE PLANS Revise support for family based care, strengthen early permanence plans and life story work</p> |
| <p>PLACEMENT SUFFICIENCY Deliver Sufficiency Strategy, increase in-house carers. Achieve VFM placements and housing for Care Leavers</p> | <p>CORPORATE PARENTING Deliver the strategy’s pledge: Embedding Corporate Parenting across the whole Council.</p> | <p>GOOD TRANSITIONS Streamlined step up /down between services. Strengthen children’s to adults service transitions.</p> |

7. Placements for children in care and care leaver accommodation

- 7.1 Children's Services are in the process of refreshing its Sufficiency Strategy which includes fostering recruitment and retention. With assistance from our Partners in Practice (LB Islington), a dedicated programme to review and re-shape our placement service to meet the challenges ahead is currently being scoped. To support this programme a new Sufficiency Board chaired by the Executive Director will start in September to oversee the delivery of the Sufficiency Strategy.
- 7.2 This report provides an overview of the actions we are taking to increase our placements sufficiency, which can be summarised by six key aims:
- Expanding the pool, diversity and resilience of our local in-house foster carers.
 - Improving our systems and support to enable more regulated family and friendship or kinship/connected care arrangements to provide permanence.
 - Getting better value, quality, flexibility and stability from our externally commissioned placements.
 - Ensuring the cost of placements for very complex children is proportionately shared between Children's Social Care, Health and Education Services.
 - Creating local residential provision for young people who are difficult to place.
 - Developing more cost effective accommodation options for 16/17 year olds and housing pathways for our care leavers.
- 7.3 Children in foster care
In England 72% of children in care live in foster placements, in Lewisham this is 75%, but only 23% live with Lewisham's in-house carers, as opposed to commissioned Independent Fostering Arrangements (IFA's). In well performing London Boroughs placements with in-house carers is nearer to 40%. Recruitment activity through 2018-20 to increase our pool of in-house carers had limited success and simultaneously existing carer capacity was lost, usually for positive reasons i.e. becoming special guardians, but this meant we had no net gain of carers. Lewisham currently has 88 approved in-house Foster Carers with the capacity to care for 175 children.
- 7.4 Lewisham relies heavily on IFA placements. There are not necessarily differences in the quality of foster placements provided by IFA's; we have some very good partnership arrangements with local IFA agencies and many of the IFA carers live in Lewisham. A key benefit of having children with in-house carers is that they are more closely connected to the service, with closer relationships to our fostering supervising social work team. But the most significant factor is cost, the average cost of an IFA is significantly more expensive than an in-house carer.
- 7.5 Location of placements and placement stability
Nationally 73% of children in care are placed within 20 miles of their home and 58% are placed in their Borough/Council. 79% of Lewisham's CLA are within 20 miles of their family, but 66% are not in Lewisham, which is not atypical of London Boroughs. The number of CLA being placed 'at a distance' has been slowly increasing due to the difficulty of finding more local placements.
- 7.6 Lewisham compares well to other London Boroughs and has not been significantly impacted by Covid, 72% of our long term placements have been stable for at least

two years and only 8% of CLA have had multiple placements. This is a positive aspect of our placement sufficiency and we aim to maintain good performance.

7.7 Our aim is for more children to be placed closer to home, so that more children with complex needs can live with foster carers. In doing this we will need to maintain good placement stability while improving the care experience for children. Our foster carer recruitment and retention strategy is being redrafted, including exploring different approaches to attracting and retaining carers. Our target is an annual net gain of 20 carers per year over the next three years, who provide respite care, and parent/baby placements. To achieve this, a more varied marketing approach using different platforms to is required. This will include:

- A multi-channel marketing and publicity plan will be built upon to reach key audiences. This will include some partnership working where possible with local businesses, community groups as well as schools
- Utilising existing carers as advocates at information events.
- Increasing our online presence through social and digital media
- Re-launching the foster carer referral scheme for existing foster carers and council staff with an increased reward of £1000.
- To equip our carers to better manage children with complex and/or challenging behaviours we have an improved training programme and introduced therapeutic support to our carers to prevent breakdowns in placements.

7.8 Permanence is the term used to describe the long term care plan for where the child will live through their minority. Permanence planning should start at the point a child enters care and be regularly reviewed until they are either rehabilitated home, adopted, matched with long term foster carers or transitioned into a special guardianship arrangement. New monitoring arrangements have been introduced to ensure permanence plans are now in place early, to move children into permanent arrangements (and out of the care system) as soon as possible.

7.9 We are developing more support for Special Guardians (SG), that includes family and friend connected carers as well as foster carers. We expanded the SG service in March 2020 who can now support all our SG carers with training and therapeutic intervention. We have also re-written our financial entitlements policy for SG and connected carers, together these measures enable more children to remain within their extended network. 46% of children in care now have permanency plans that involve being with family, compared to 24% in January 2020 and those placed in Connected Carer arrangements (with Friends and Family) has increased.

7.10 Children in residential homes and secure units

One of the biggest challenges facing Children's Services nationally has been the shortage of good quality and good value placements. 12% of our children in care are placed in residential homes, which is in line with the national average and we do not expect to see the percentage in residential care significantly fall. By reducing the numbers entering care it means that those in the care system are the most vulnerable and increasing complex. Some of our young people present danger to foster carers, such as connection to gangs, serious violence, criminal and sexual exploitation. A third of those in residential placements have complex additional needs and disabilities.

- 7.11 In the most exceptional circumstances some children are placed in secure children's homes (SCH). SCHs are specialist placements authorised to care for children aged between 10 and 17 in a secured environment. This includes both 'justice' children who have been sentenced or remanded by a criminal court and 'welfare' children by a family court because they are a risk to themselves or others and have a history of absconding. A common factor shared by children in SCHs is a very high level of vulnerability. Their complex needs can include: speech and language problems; physical and learning disability; severe trauma; mental health issues and behavioural disorders such as ADHD.
- 7.12 Of the 13 SCHs operating in England at March 2019, providing a total 206 beds, 6 take only welfare children; 2 only justice children and the other 5 are mixed. SCHs lack sufficient capacity to provide a place for all young people referred to them for welfare reasons. Nevertheless, the Local Authority still needs to find a placement. In order to achieve this Deprivation of Liberty Orders (DOLs) are sometimes used as an alternative, to ensure that a child is both under continuous supervision and control and is not free to leave the home. The Local Authority need to make an application to the Family Court and must meet the same criteria as is used when applying for a secure accommodation order. On the 6th August 2021 The Supreme Court voiced its 'deep anxiety' over the ongoing shortage of secure accommodation for children and stated that the use of DOLs is an *"imperfect stop gap, and not a long term solution."*
- 7.13 Once the decision has been made to apply to the courts for a DOLs the second problem that Local Authorities are faced with is finding a regulated placement that will accept a child who is subject to a DOLs. The demand for regulated placements is extremely high and this can mean that the child will be placed in a solo placement which are very expensive, have to be set up at short notice and are often unregulated.
- 7.14 At any one time Lewisham usually has just one or two young people placed in secure accommodation on welfare grounds and a similar number placed with DOL's. These children are exceptionally difficult to place.
- 7.15 In 2020 we refreshed our approach to monitoring high cost placements. The Executive Director now chairs a monthly panel scrutinising arrangements for residential placements. This has provided robust oversight of spend and improved placement planning.
- Since late 2020 the Lewisham place based commissioners of the SE London CCG are represented at placement panel, which identifies contributions for specific health needs in care placements, resulting in increased costs being shared across the three key partners. In 2020 the contributions from the CCG for placements was £1,014,579; current projections for 2021 are £1,052,540.
 - Historically due to a lack of effective reporting systems and business support capacity, Children's Services had not been claiming all the grants it was entitled to for each UASC. This year, a programme to recover unclaimed grants and put in mechanisms to ensure grants are claimed correctly has been introduced.
 - We are currently planning the remodelling of our placements service to improve our commissioning arrangements and better utilise existing consortiums. We are part of the South London Consortium where alongside 8 other boroughs placements are procured through a unified process. This ensures quality and

value for money, through the consortium we are better able to manage costs through maximising our purchasing power.

- The financial system that assists to monitor placement costs (ControCC) has been re-designed and mapped against all new cost centres, this is connected to LCS (Children's database) and Oracle. A placements tracker was created to monitor all our placement arrangements and associated costs and to ensure no providers were being paid after placements had ceased.

7.16 Unregulated placements

Under the Care Standards Act (2000), services that provide both care and accommodation for young people under the age of 18 are required to register with Ofsted. Provision for children in care that is not required to register with Ofsted (unregulated provision) includes accommodation for children (usually over the age of 16) who need support to live semi-independently rather than full-time care.

- 7.17 The majority of semi-independent/supported housing placements are not regulated in the same way as children's homes. Poor outcomes for young people in unregulated placements has received considerable attention of late and as of September 2021, it will not be legal to place a child under the age of 16 in an unregulated placement. There is also a national debate taking place about whether all placements for children under 18 should be regulated. In February 2020 Ofsted published a research report on unregulated and unregistered provision. They reported:

"...the growth in the use of unregulated and unregistered provision for children with complex needs and/or challenging behaviour is being driven by two interrelated factors. The first is that demand for registered places is currently outstripping supply. This is consistent with indications from Ofsted that supply is not keeping pace with demand (Cowen and Rowe, 2018) ...The second factor ... is that registered children's homes are becoming increasingly reluctant to accept children with highly complex needs and challenging behaviours..."

- 7.18 Lewisham has to use unregulated placements for specific young people where it has not been possible to identify a regulated placement. For example, we are supporting a young person under the age of 16 who has a very complex history and for whom, after an unsuccessful search of over 200 placements, Lewisham had to create a bespoke arrangement. Placing a child under 16 in an unregulated provision is never a choice, it arises because of a lack of placements, but whenever we do so we must ensure that the care arrangements are safe and secure. For this particular young person, they have a comprehensive care package and have been doing better in the current arrangement than in any previous regulated establishment.

- 7.19 In February 2021 the Government set out regulations to prohibit the placement of under 16s in unregulated placements. On the 26th July 2021 they launched a capital investment bidding round of £19.5m in match funding to support local authorities to increase their own residential provision. Lewisham want to take full advantage of this match funding to provide regulated solo placements for children who are subject to a DOLs. We are currently working with an independent provider to develop a bid which if successful will provide two solo placements for this particular cohort. This will significantly reduce the high costs associated with these emergency placements (average £9000 a week) and will also improve the quality of the care provided.

7.20 Semi Independent Provision

This is accommodation where children usually aged 16 or 17 receive support as they move towards independence. Supported living is not regulated by Ofsted. These placements form a vital part of the care system in meeting the needs of older children who are ready to live with an increased level of independence. These placements are visited by our commissioning services on an annual basis to ensure that they meet the required standards. The children continue to have an allocated social worker who visits at a minimum of every six weeks. They have a pathway plan which is reviewed by an Independent Reviewing Officer every six months, a minimum of five hours a week key worker support and at the age of 17 and a half they are also allocated a Personal Advisor.

7.21 Staying put

Statutory guidance on Staying Put was published in May 2013. The intention of this approach is to ensure that young people can remain with their former foster carer/s until they are prepared for adulthood, and experience a transition akin to their peers, avoiding social exclusion and reducing the likelihood of subsequent housing and tenancy breakdown. In Lewisham we have 70 young people 'staying put'. 21 of these young people are placed with our in-house foster carers. This is a great outcome for the young people and as part of our Corporate Parenting Strategy we aim to increase the number of young people Staying Put. It does however mean a net loss of 15 in-house foster carers who might otherwise care for children in care.

7.22 Supported Lodgings

The Children Leaving Care Act 2000 provides the legal framework for establishing Supported Lodgings Schemes. In some ways this is similar to fostering, but is intended to meet the needs of young people over 16, with the focus being more on living an independent life, but having some emotional support available when needed. The expectation is that providers commit to providing a minimum of 10 hours per week on independence skills. Currently, Lewisham has 21 supported lodgings provider households (up from 14 in 2020/21) who have a total of 27 spaces for young people. Also, there are 12 applicants being assessed. The ambition is to expand the scheme by 10 providers' year on year.

7.23 Working closely with Housing, Children's Social Care has been developing alternative, lower cost, high quality housing provision that meets the needs of our young people. This includes:

- Ring fencing 35 places on the Young Person's Supported Housing Pathway
- Expanding Care Leavers provision on the Young Person's Supported Housing pathway by an additional 20 places
- Piloting the use of non-commissioned providers of Care Leaver provision – 12 places initially, growing provision slowly year on year
- Expansion of Supported Lodgings by 6 places year on year
- Plans to refurbish two council properties by partnering with a registered provider to deliver support and accommodation for 8 Care Leavers and 5 places for 16 & 17 year old children in care.

7.24 The above initiatives on care leaver accommodation are expected to lead to a large reduction in the use of semi-independent provision and reduce spend of up to £3m by the end of 2023/24.

8. Children's Social Care Budget

8.1 The financial position of Children's Social Care is set out below. The relative costs per week of different forms of care provision are provided in the table below which provides the current average cost for each form of accommodation.

| | | | | | | |
|----------------------|----------|--------|-------------|---|--------------------------------|--------------------|
| In-house foster care | SG carer | IFA | Residential | Secure and/or complex DOLs/ bespoke placement | Semi-independent accommodation | Supported Lodgings |
| £400 | £190 | £1,000 | £4,500 | £6,500 | £1,500 | £240 |

8.2 In 2019/20 the Children's Social Care budget was set at £41.5m. Against this budget the service spend was reported at £45.8m, reflecting an overspend position of £4.3m. It should be noted that in addition to the £41.5m budget an additional £7m was made available from the Councils Corporate Resources to support the expected demand position.

8.3 For 2020/21 the budget was set at a net £41.1m with a continuation of £7m support from the Councils Corporate Resources plus a further £1.2m to support increase demand in respect of placements and other demand led costs such as other care costs and legal costs, previously offset by underspends in the Nil resources to public funds budget.

8.4 At the end of 2020/21 CSC reported an overspend of £3.5m after adjusting for Covid related costs. The overspend solely within the placements budget and represented a £0.8m improvement on the previous year.

Children's Social Care Outturn Position for 2020/21

| Net budget 2020/21 | Final Outturn 2020/21 | Final Outturn Variance (Under) Spend 2020/21 | Final Outturn Covid-19 related Variance 2020/21 | Final Outturn Non Covid-19 related Variance 2020/21 |
|--------------------|-----------------------|--|---|---|
| £m | £m | £m | £m | £m |
| 41.1 | 48.8 | 7.7 | 3.5 | 4.2 |

8.5 The management action to strengthen and formalise systems included the following:

- Review of finance system (ContrOCC), to ensure improved performance management information was able to monitor financial pressures and bring action in place quickly to address it
- Review and re-alignment of historic budget and coding structures including budget holder responsibility

- Implementation of a placements tracker to facilitate data capture and reconciliation with sub-systems e.g Controc, Oracle etc. This also ensured that we didn't continue to pay for a placement after it had ceased and movements of children across placements was linked to procurement and contract management decisions
- Fortnightly high cost placement panel review meetings –attended by various stakeholders including Health, Housing, SEN etc. The meetings are chaired by the Executive Director of CYP and provided a strong forum for review of high cost placements including review of partner funding.
- A joint programme with Housing to provide suitable accommodation for young people who become homeless and care leavers. Actions currently underway will also lead to reductions in spend in future years as investment is made in more appropriate accommodation and new joint protocols to support this
- Working with young people and external providers to ensure that the fee structure for housing young people over the age of 18 includes maximisation of income from housing benefits.
- Improve data capture and timely submissions to the Home Office to maximise income from a grant that supports children and young people who are unaccompanied asylum seekers
- Improving recruitment and retention process for social workers thereby reducing dependency on agency workers which are more expensive
- Focus on effective commissioning to drive down average costs of placements, this includes working with the South London Consortium to agree best price structure.
- Building new early help and prevention services that support children earlier on.
- Developing clear strategies and priorities, including a Prevention & Early Help Strategy, a refreshed Childcare Sufficiency Strategy, a Corporate Parenting Strategy and an Asset Management Strategy.

8.6 2021/22 and future years

The table below shows the general fund available to CYP and includes additional CSC grant and continuation of funding from the corporate resources reserves. As part of the Medium term planning process (and including as part of the councils overall savings target, there continues to be an understanding that CYP may overspend by a maximum value of £4m. The expectation is that the service will achieve the overall savings targets and demand led savings to progress towards a balanced budget position in future years.

| CSC Budget 2021/22 | £m |
|---------------------------------------|-------------|
| 2020/21 General Fund | 41.1 |
| Savings | (0.7) |
| Pressures | 0.41 |
| | 40.8 |
| Corporate funding including CSC grant | 7.9 |
| Total Funding for CSC from LB | 48.7 |

- 8.7 In addition the service is expected to continue reducing overspend by £2.875m. Whilst the service continues to embed changes there is a recognition that CSC could potentially overspend by 2021/22 by up to of £4m this has been taken into consideration when setting the Councils overall medium term financial strategy.
- 8.8 There are risks attached with the above illustration including:
- **Increase in demand.** There are various reasons that may increase demand for services provided including the socio-economic position within the borough with the potential for increased family breakdown.
 - **Local or National Policy** Potential impact of changes in either, for example the potential impact of the DfE drive towards schools converting to academy status
 - **Recruitment and retention issues** (including skills shortage resulting in upward pressure on costs).
 - **Price increases** including inflation, supply and demand variations.
 - **Changes in funding** that support the spend areas for CYP including the Social Care Grant, Dedicated Schools Grant, Troubled Families Grant, UASC grant, health funding etc.

9. Financial Implications

- 9.1 There are no direct financial implications arising from this report. This report recognises the work CSC is undertaking to reduce the pressure on the CSC overall budget position. The MTFS recognises that 2021/22 could potentially see an overspend of upto £4m. Actions noted in this report are intended to support a overall balanced position going forward. The report does however note potential risks, including demand and price variation.

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31 August 2021

Pinaki Ghoshal
Executive Director for Children and Young People
London Borough of Lewisham
1st Floor, Laurence House
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London
SE6 4RU

Dear Pinaki

Focused visit to the London Borough of Lewisham's children's services

Her Majesty's Chief Inspector of Education, Children's Services and Skills is leading Ofsted's work into how England's social care system has delivered child-centred practice and care within the context of the restrictions placed on society during the COVID-19 (coronavirus) pandemic.

This letter summarises the findings of a focused visit to Lewisham children's services on 21 and 22 July 2021. Her Majesty's Inspectors for this visit were Tara Geere and Kendra Bell. Inspectors looked at the local authority's arrangements for children in care.

This visit was carried out in line with the inspection of local authority children's services (ILACS) framework. However, the delivery model was adapted to reflect the COVID-19 context. The lead inspector and the director of children's services agreed arrangements to deliver this visit effectively while working within national and local guidelines for responding to COVID-19. Inspectors were on site for the entire visit and used video calls for some discussions with local authority staff, managers, leaders and partner agencies.

Headline findings

Since the previous inspection of 2019, and despite the significant impact of the COVID-19 pandemic in Lewisham, the senior leadership team has improved and strengthened services for children in care. Leaders know the service well. They have a clear understanding of areas for development that are being appropriately addressed. The appointment of an experienced director of children's services is supporting these improvements. Leaders recognise that more work is required to further embed good practice. This includes the consistent use of the social work

practice model, to ensure that children in care are able to live in homes that meet their individual needs and have a positive impact on their lives.

What needs to improve in this area of social work practice

- The quality of children's plans, pathway plans and review letters to children, to include child-friendly language.
- Placement sufficiency, to ensure the range and choice of suitable homes for children.
- Consultation and notification to host authorities of children placed at a distance.
- Case recording of visits, supervision and rationale for decision-making and the matching of placements.
- The timeliness of initial health assessments and personal education plan meetings.

Main findings

Senior leaders and partner agencies have worked well together to deliver an effective response to mitigate the impact of the pandemic in Lewisham. The local community has been significantly affected by the pandemic. Tragically, there have been over 600 deaths, which includes a number of Lewisham council staff. There has been a significant increase in the use of food banks and adults claiming out-of-work benefits. Despite the ongoing pressures this has put on services, leaders have continued to prioritise improvements to children's services, underpinned by corporate and political support.

When children cannot live with their families, authoritative action is taken to protect and safeguard them. There is robust use of the Public Law Outline. This finding was triangulated during this visit from conversations with the Children and Family Court Advisory and Support Service (Cafcass) and the judiciary.

The majority of children live in homes that meet their individual needs. Children who spoke to inspectors during the visit said that they feel valued by their carers and are being well supported. Leaders have rightly identified that placement sufficiency is an area for improvement. A small number of children have had to move home too many times. The executive director for children and young people is personally leading the work on addressing these issues, including reviewing the sufficiency strategy and chairing the placement review panel. A new assistant director post has been created to enable more leadership capacity. This post will provide oversight of quality assurance and commissioning to increase the range of placements available, including the number of in-house fostering placements.

The rationale for placement matching and for decisions to move children into unregulated provision is understood by staff and managers, although this is not consistently recorded on children's records. When bespoke arrangements are put in place to support children, or court delays have had an impact on children moving to

permanent arrangements, management oversight and planning have increased. This has supported children in these arrangements more effectively. The local authority is working with providers and Ofsted to register unregistered provision that has been sourced for children.

Leaders have recently strengthened notifications to host authorities where children are placed at a distance. When children move to live outside the borough, placements are not routinely informed by consultations with host authorities. This can have an impact on the timeliness of children receiving services to meet their needs, such as child and adolescent mental health services (CAMHS). Further work is required to ensure that notification letters explain how the placement will meet the child's needs, with up-to-date details on health, CAMHS and education.

Leaders have made improvements to care planning for children in care. There is still further work to do, to ensure that the language used in plans and review letters is child friendly and that actions are specific and time bound.

Social workers know their children well. They are passionate advocates for them. Workers use a range of techniques and communication methods to support children to voice their wishes and feelings. This was clearly demonstrated in the children with disabilities team. Children are regularly visited. During the pandemic, workers used a combination of video, telephone calls and virtual meetings to maintain contact with children and engage with them, although written records do not always do justice to the purposeful work that is undertaken. When required, there is appropriate use of translators to support children's engagement in planning and to safeguard them when spending time with their families.

An increasing number of children benefit from advocacy to help them to share their views and opinions in a range of meetings. This is supported by independent reviewing officers (IROs) meeting with children before their reviews to ascertain their views. IROs provide effective oversight of children's planning at timely reviews. Minutes of reviews are now written to children in the form of letters, although they do not consistently use child-friendly language.

Leaders have strengthened corporate parenting arrangements since the last inspection. Children have co-produced the children in care charter and regularly attend corporate parenting board meetings.

Senior leaders demonstrate a clear focus on hearing the voices of children to develop and improve services. The children in care council has continued to meet virtually throughout the pandemic. The children have participated in a range of activities, consultations and celebration events, with senior leaders attending some meetings to hear their views at first hand.

Lewisham has supported the accommodation of unaccompanied asylum-seeking children from other local authorities under transfer arrangements. These children

benefit from the work of knowledgeable workers to ensure that their individual needs are assessed and responded to effectively.

When children go missing, they are offered return home interviews, although these are not consistently timely. Not all children take up the offer; this can limit professionals' understanding of the push and pull factors for these children and inhibit the effectiveness of safety planning.

Despite the difficulties caused by the pandemic, review health assessments have continued to focus on improving the physical and emotional health outcomes of children in care. Some children experience delays in initial health assessments caused by consent issues. Children are supported by a wide range of agencies to address their individual health needs including CAMHS, drug and alcohol services and specialist provision for disabled children.

Leaders of the virtual school acted swiftly at the start of the pandemic to work with other school leaders to keep vulnerable pupils safe. School attendance for children in care has been closely monitored and has not been adversely affected by the pandemic. The virtual school service has further supported children's education attainment through the use of additional tuition and distribution of laptops. However, not all children benefit from the targeted support offered by regular oversight of personal education planning.

Senior leaders are focused on improving the stability of the workforce. The proportion of permanent social workers and managers has increased in the last year. Staff talk positively about their manageable caseloads, regular supervision, team meetings and access to a range of training, including the social work model of practice. However, supervision recording is not consistently evidencing the reflective conversations and actions are not always specific or time bound. Staff morale is high. Workers report feeling supported by visible and approachable managers and senior leaders through the challenges of the pandemic and the good support they received with home-working arrangements.

Ofsted will take the findings from this focused visit into account when planning your next inspection or visit.

Yours sincerely

Tara Geere
Her Majesty's Inspector



Public Accounts Select Committee

Transforming and Modernising Adult Social Care Update on Review: Phase 2 (Design and Implementation)

Date: 23 September 2021

Key decision: Yes

Class: Part 1

Ward(s) affected: All wards

Contributors: Tom Brown, Executive Director Community Services

Outline and recommendations

The purpose of the attached paper is to provide Public Accounts Select Committee with an update on the council's *Adult Social Care Review* and the ongoing work to transform and modernise the service. This follows the completion of the service-wide Diagnostic by Newton Europe in June 2021.

It also provides for scrutiny on the report to Mayor & Cabinet on 14 September 2021. This sought their approval to make an award of contract to Newton Europe Limited for resource capacity to support the Design and Implementation phase of the ASC Review. This second phase will transform ways of working and service configurations based upon quantified opportunities from the Diagnostic, alongside the transfer of sustainable skills and knowledge to council staff.

Members of Public Accounts Select Committee are recommended to note the report.

Timeline of engagement and decision-making

| | |
|--------------------------|---|
| 26 February 2020 | Budget report to Council |
| 11 November 2020 | Round 1 Cuts proposals report to HCSC |
| 3 December 2020 | Round 1 Cuts proposals report to PAC and request from PAC for a review of expenditure in ASC as part of the 2021/22 budget setting process. |
| 18 January 2021 | Approval to procure for Diagnostic phase of ASC Review through a mini-competition using the Crown Commercial Services (CCS) framework agreement MCF2 RM3745 Lot 5. |
| 25 February 2021 | Report to HCSC on proposed approach to ASC Review. |
| 8 April 2021 | Contract awarded to Newton Europe to provide additional transformation resource capacity and capability for Diagnostic phase of ASC Review. |
| April-June 2021 | Diagnostic phase of ASC Review. |
| 3 September 2021 | CCS framework agreement MCF2 RM3745 Lot 5 expires and is replaced by MCF3 RM6187 Lot 7. |
| 6 September 2021 | All Member Briefing on the ASC Review. |
| 8 September 2021 | Pre-decision scrutiny report to HCSC on ASC Review. |
| 14 September 2021 | Report to M&C with recommendation that the Design and Implementation (phase 2) of the ASC Review be supported through the award of contract to Newton Europe Limited. |
| 23 November 2021 | Report to PASC on the ASC Review |
| 28 November 2021 | Report to Overview and Scrutiny Business Panel |

1. Summary

- 1.1 The review of Adult Social Care was requested by the Public Accounts Select Committee on 3rd December 2020 in response to the budget cuts proposals.
- 1.2 Following a mini-competition under Crown Commercial Services MCF2 RM3745, a contract was awarded to Newton Europe to undertake a service-wide diagnostic, which commenced in April 2021 and concluded in June 2021. A summary of findings from this diagnostic are included in this report.
- 1.3 Approval from Mayor and Cabinet was sought on 14 September 2021 to proceed to the Design and Implementation phase of the review. This phase will include new ways of working, the transformation and reconfiguration of services and the transfer of sustainable skills and knowledge to our staff. These changes will be based upon quantified opportunities identified during the diagnostic and will maintain good outcomes for our residents.
- 1.4 The report to Mayor and Cabinet on 14 September 2021 also sought to procure additional resource from Newton Europe Limited via an award of contract, to provide the necessary capacity and capability to deliver strategic transformation on this scale.
- 1.5 A report providing the same information as put before Mayor and Cabinet on 14

September 2021, was presented to the Healthier Communities Select Committee on 8 September 2021 for pre-decision scrutiny. The committee resolved to refer its views to Mayor and Cabinet in the following terms:

“The committee notes the ambitious proposals for the design and implementation phase of the adult social care review. The committee requests the provision of regular progress updates with evidence of outcomes and improvements. The committee also requests assessments of the impact of changes on residents receiving a service as well as staff.”

- 1.6 An officer response to the referral from Healthier Communities Select Committee was considered by Mayor and Cabinet on 14 September 2021 and it was agreed that this response to the referral be reported back to the Healthier Communities Select Committee on 2 November 2021.
- 1.7 This report to Public Accounts Select Committee provides the same information as was put before Mayor and Cabinet on 14 September 2021.

2. Recommendations

- 2.1 Having considered an open officer report, a referral from a Select Committee, a response to that referral and presentations by the Cabinet Member for Health and Adult Social Care, Councillor Chris Best, and the Chair of the Healthier Communities Select Committee, Councillor John Muldoon, the Mayor and Cabinet on 14 September 2021, agreed that:
 - a. Phase 2 of the modernisation of Adult Social Care, appointing Newton Europe Limited to help deliver transformational changes, be supported;
 - b. the procurement of Phase 2 services (Design and Implementation) via an award of contract using the CCS Management Consultancy Framework Three agreement (RM3745, Lot 7) be approved at an estimated value of £4.5m;
 - c. the award of contract to Newton Europe Limited be approved;
 - d. authority be delegated to the Executive Director for Community Services (on advice from the Director of Law, Governance and Elections) to take the decision about the detailed terms of the award of contract;
 - e. the referral from the Healthier Communities Select Committee be received; and
 - f. the response to the referral be reported to the Healthier Communities Select Committee.
- 2.2 Public Accounts Select Committee is recommended to note the decisions made by Mayor and Cabinet on 14 September 2021 as set out in paragraph 2.1.

3. Policy context

- 3.1 The contents of this report are aligned to the Council's policy framework as well as wider health and care system transformation, as follows:
 - **Corporate Strategy**, specifically Priority 5 'Delivering and defending: health, social care and support - Ensuring everyone receives the health, mental health, social care and support services they need.'
 - **Medium Term Financial Strategy (MTFS)** and the requirement to deliver £40m of budget savings across the council up to 2023/24, with more than £7m in 2021/22 for an 'Adult Social Care cost reduction and service improvement programme'.
 - **Joint Health and Wellbeing Strategy** and the key focus on quality of life, quality of

health care and support, and sustainability.

- **Future Lewisham** and the strategic COVID recovery theme of ‘A healthy and well future’, including the wider determinants of health and reducing health inequalities.
- **Future Working** and the active role staff are playing in our borough’s COVID recovery, in a workplace where staff are empowered to succeed and the best ideas and innovations thrive.
- **Lewisham System Recovery Plan** and the ‘build back better’ priorities identified by the Lewisham Health and Care Partnership.
- **Our Healthier South East London** (Integrated Care System) priority of ‘Improving health and care together’ across the partnership.

3.2 Following a request from Public Accounts Committee for a review of expenditure in ASC (see para 17.2) and as part of the 2021/22 budget setting process, a piece of work was commissioned through a competitive tender process to support the service in reviewing ways of working and use of resources. Newton Europe were successful in securing the contract for this “diagnostic” and they began this work in April 2021.

4. Service modernisation and transformation

4.1 The aim of Adult Social Care is to help ensure that some of the most vulnerable residents in the borough are empowered and enabled to have as much control as possible over their lives and to live as independently as possible. This needs to happen in the context both of personalisation and choice and also limited resources. Thus we need to ensure that we use our resources effectively to help achieve this aim of promoting independence.

4.2 The current service-wide review of Adult Social Care is focused on modernising the service, identifying and harnessing opportunities for genuine transformation, and sustainably developing the workforce so that they have the confidence, skills and mindset to make a positive change to their ways of working. There is no intention to reduce the council workforce as a result of the implementation of these proposals and part of the plan is to explore investing in a new “Progression Service” to better support people with Learning Disabilities to be more independent. The approach adopted has been discussed with representatives from Unison and Unite, the proposal explained and there will be opportunities for staff in ASC to extend their skills and be more effective in their roles. This in turn will benefit our residents through the delivery of more personalised and responsive services to maintain their independence for as long as possible.

4.3 The ambitions of this review build upon a solid foundation of service improvement activity that is already underway in Adult Social Care to improve these outcomes for residents, as well as reducing cost pressures. The review is working in alignment with this existing work, complementing rather than duplicating, and providing the necessary resource to expedite the essential modernisation process.

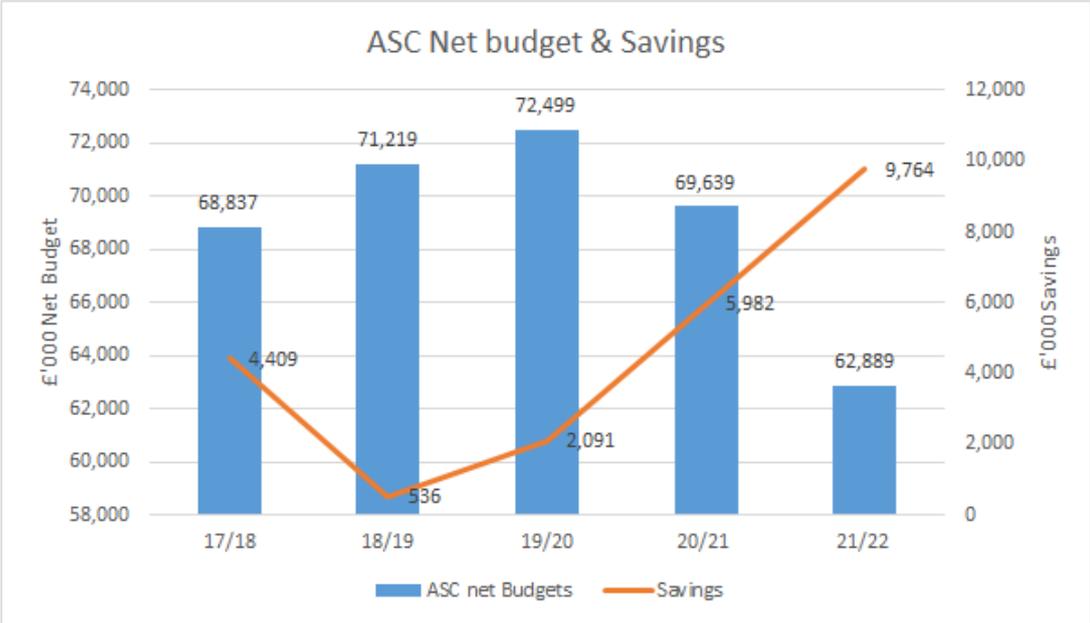
4.4 Progress has already been achieved by implementing an approach developed through the Care and Health Improvement Programme (CHIP) from the Local Government Association (LGA) and the Association of Directors of Adult Social Care (ADASS). This approach uses a methodology that evaluates our use of resources by identifying areas for further exploration, where spend and/or performance is significantly different to regional or national benchmarking data.

4.5 Areas identified for improvement have focused on better demand management at the community front door, by supporting people to find appropriate and alternative options that will support them to remain independent. This has included the use of social prescribing, the use of technology and equipment, and improved access to information

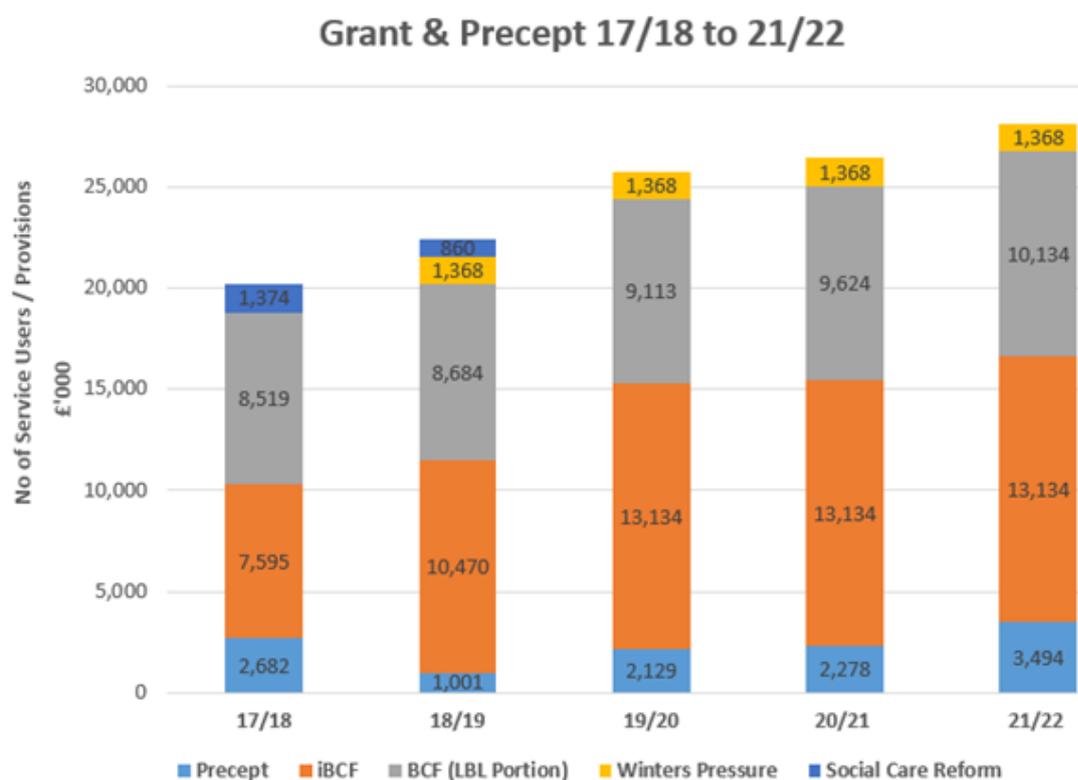
and advice on what is available within the community.

- 4.6 The impact of the work to date is evidenced in the 30% reduction of contacts per month that require a referral for a Care Act assessment, with average numbers decreasing in Q1 of 2021/22 from 627 to 425. The improved use of technology to support service users, has also helped to increase the number of people that do not receive any ongoing longer term care by 3% on 2019/20 figures, so that it now equates to 27% of our client total.
- 4.7 Our In-House Enablement service has also been essential to helping us manage demand and reduce or delay the need for longer term care, by helping people recover from acute episodes and regain their skills and confidence to become more independent. The focus has been on promoting and sustaining independence at all stages of support and recovery. There has been a service review undertaken that identified areas for improvement. This has increased productivity and has strengthened the interface with Occupational Therapists thereby ensuring Enablement programmes are proportionate and improve outcomes and goals to achieve independence. Digital solutions such as telecare as well as the use of equipment and adaptations further complement our approach. As a sign of this success, over three-quarters (76%) of people starting a programme of Enablement in 2020/21 successfully completed it, of which two-thirds (66%) did not need ongoing longer term care.
- 4.8 Improvement work is also underway in services for young people who have a disability and/or a learning disability and are preparing for adulthood. A Transitions team has been established and a strategy is in place to develop local opportunities that promote independence, provide access to employment pathways and supported living arrangements that are more person centred and cost effective.
- 4.9 Underpinning all of this positive change is the ongoing commitment to the development of our workforce and the investment in, and empowerment of our staff. The Principal Social Worker, Advanced Practitioners for social work and Occupational Therapy work closely with Learning and Development (L&D) that is situated within this service to promote best practice in accordance with statutory requirements and compliance with Care Quality Commission for those services registered such as Enablement and Shared lives.
- 4.10 The provision of an L&D function within the service is an acknowledgement of the critical role that our staff have to play in achieving our strategic transformation objectives and ensuring that any culture changes are sustainable. This priority remains at the centre of the review, with sustainable skills and knowledge transfer to staff a key feature throughout.
- 4.11 Corporate systems and processes have also been the focus of current improvement activity, in particular the ability to accurately report and monitor performance and finance in a meaningful and timely way, including the alignment of key data sets. Previous cuts to corporate functions (e.g. dedicated performance team for Community Services) have reduced opportunities for real-time data management by frontline teams. Whilst progress has been made to address this with the roll-out of Controcc, there is an urgency to increase the pace of this. As such, the review will provide additional tools to highlight and prioritise areas of concern, reconciling performance and finance and increasing the accountability of budget holders for their spend. It will also provide the insight into which transformational activities are realising the greatest benefits.
- 4.12 Whilst key drivers for service transformation have focused on outcomes for residents and opportunities for staff, there is also a pressing need to address increasing cost pressures against reduced service budgets.
- 4.13 Lewisham faces increasing spend on adult services, with an outturn in Community Services that has increased by approximately 5.8% (£10m) over the last 3 years. Equally, Adult Social Care continues to respond to budgetary pressures and has made savings of more than £22.5m over the last 5 years.

- 4.14 Adult Social Care projected overspend is currently £5.4m for general fund services. This compares to a £2.5m underspend in 2021/22. The overall overspend is £11.2m, where £5.8m of these costs are attributable to COVID-19 activity. The general fund services overspend takes into account £10m savings that is anticipated on being delivered.
- 4.15 The gross budget for ASC in 2021/22 is £116.3m (the value of the proposed contract equates to 3.87% of the gross budget for ASC in 2021/22). Gross budgeted spend reflects all planned spend on staffing, providers etc. Gross budgeted income includes grant income (BCF, iBCF, winter pressures, ILF), health income, precept, client contributions. The balance is the net budget which is expenditure that is funded by councils general fund.
- 4.16 As well as immediate COVID related activity, budgetary pressures continue to increase, driven by both population growth and increasing complexity of need that increased the spend per individual receiving support.
- 4.17 Currently, approximately 80% of Adult Social Care spend is within the independent care sector. The Council requirement (since 2018) that all contractors pay the London Living Wage (LLW) along with the adoption of the Unison Ethical Care Charter for Home Care, have both impacted Adult Social Care commissioning and contract spend, resulting in annual cost pressures of £3.5m.
- 4.18 The Council is seeing increases in demand for community based services as they are being discharged from hospital. Furthermore, the number of placements in residential care has increased and this pattern is expected to continue into 2022/23. These costs were supported by the COVID-19 Grant as well as national NHS funding for discharges. Whilst pressures for 2020/21 were managed, there is a risk that the Council will face increased costs and demands in 2021/22 without the funding support it received last year. Higher levels of care from discharged clients, increased use of 24 hour care at home, and increased use of double-handed care are just a few cost drivers that the service have seen an increase in.
- 4.19 It should also be noted that every year Adult Social Care sees a demographic cost pressure of approximately £1m absorbed without additional investment as young people with complex needs transition from Children and Young People into ASC. This is a long term pressure that is reflected nationally and is consistent with the increased cost pressures experienced in SEND over recent years.



| Description | 16/17 to 17/18 | 17/18 to 18/19 | 18/19 to 19/20 | 19/20 to 20/21 | 20/21 to 21/22 |
|---------------------|----------------|----------------|----------------|----------------|----------------|
| % Change net Budget | -2% | 3% | 2% | -4% | -10% |
| % Change in savings | 59% | -88% | 290% | 186% | 71% |



4.20 The chart above illustrates the short-term funding of Adult Social Care. Government has promised proposals on reform of the funding for Adult Social Care later in 2021. It is expected that this will also propose further integration with the NHS.

4.21 Since the introduction of the Adult Social Care precept in 2016/17, this element in the Council Tax has been raised each year with an increase of 10% over a 5 year period. It currently stands at 13% for 2021/22, which equates to over £14m in cash terms. These increases are detailed in the following table:

| Year | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|----------------------|---------|---------|---------|---------|---------|
| ASC precept increase | 2% | 2% | 1% | 3% | 2% |

4.22 ASC expenditure for 2019/20 from the *Use of Resources* report by the Local Government Association, allows for benchmarking between Lewisham and some of our neighbours that are also paying the London Living Wage. Data analysis highlights that the expenditure on short term care for adults of both 18-64 and 65+ years, benchmarks lower in Lewisham (though this is distorted in that it does not include Better Care Fund investment). However, expenditure on long term care in Lewisham benchmarks higher overall (18+ years) than some and especially for those aged 18-64 years, as seen in the table below:

| Borough | Spend on ASC per person 18+ | Spend on long term care per person 18+ | Spend on short term care per person 18+ (Note this does not include funding via BCF) | Spend on long term care per person 18-64 | Spend on long term care per person 65+ | None age specific nor classified as short or long term |
|-----------|-----------------------------|--|--|--|--|--|
| Lewisham | 451 | 356 | 2.82 | 225.3 | 1296 | 92 |
| Borough A | 469 | 385 | 9.29 | 242.51 | 1274 | 75 |
| Borough B | 412 | 345 | 6.71 | 214.11 | 1478 | 59 |
| Borough C | 376 | 272 | 7.06 | 181.5 | 1029 | 97 |
| Borough D | 447 | 328 | 3.67 | 134.17 | 1548 | 115 |

- 4.23 It should be noted that there are also some demographic differences that impact on some of the variance in expenditure, for example the higher level of Adults with Learning Disabilities residing in Lewisham.
- 4.24 Most savings delivered over the last 4 years have been made as a result of a focus on demand management and by using a “strengths based approach.” This approach helps build upon individual, network and community assets, thus reducing the need for statutory interventions or resources. As can be seen in the bar-chart above, despite demographic growth, the numbers of people needing services has broadly remained the same at just over 3000 people at any one time.
- 4.25 For example there are approximately 1,800 contacts received at the community referral Gateway. Of these 90% are resolved at the initial point of contact by providing information and advice or by maximising informal care, access to benefits, social prescribing and suitable community activities. Equally though, we are an outlier in terms of the numbers of people contacting the Council for support and this unusually high level of contacts to the Gateway is evidence of a pressing need to better equip our residents to self-serve going forward - for example through improved information and advice available on our website.
- 4.26 The sustained impacts of COVID on our most vulnerable residents have placed new and unprecedented cost pressures on the delivery of Adult Social Care services in Lewisham.
- 4.27 There has been a 10% increase in people needing 1:1 support following hospital discharge on a year by year comparison. Often we can reduce this support in the weeks following admission into a care home, but due to the increased levels of acuity and the pressure that care homes are facing with more people having higher level of need, these 1:1's are remaining in place far longer.
- 4.28 There has been a greater level of demand experienced in helping people to be discharged earlier from acute hospitals in line with the Discharge to Assess (D2A) principles. This earlier transfer has increased the levels of expenditure and heightened the number of individuals requiring longer term care and increases to care package of

domiciliary care support. In March 2020, when D2A was fully implemented to support the COVID epidemic, we were providing 13,196 hours per week in domiciliary care. We are now providing 15,524 hours per week, an increase of 2,328 hours per week.

- 4.29 Such increases to domiciliary care hours following the outbreak of COVID are being reflected similarly across London and elsewhere, with ADASS currently seeking to quantify these sustained pressures across the country.
- 4.30 Increased demand on services is compounded by the challenges faced in Lewisham, London-wide and nationally to recruit appropriately skilled staff for frontline roles. This has been exacerbated by Brexit and Covid-19 pressures. This shortage is driving up costs of service delivery.
- 4.31 The journey to modernise Adult Social Care is well underway with tangible benefits for our residents, staff and the council. This review will help to expedite this essential service transformation, realising further opportunities and savings in the process.
- 4.32 This programme is being delivered in parallel to the organisation's approach to transformation, performance and data being established alongside the development of our organisational development strategy through the new Insight, Transformation & Organisational Development service.
- 4.33 The new Insight, Transformation & OD team will play a key role in ensuring the transformational and OD aims and approach of the wider organisation are delivered in ASC through this work, as well as establishing a two-way relationship where our corporate practices and approach can be informed by the work Newton Europe is delivering, ensuring both alignment as well as a wider learning & development piece that can be applied to services across the organisation through the new team.

5. Approach and scope

- 5.1 Key to the review is to have access to a good analysis of the data behind Adult Social Care activity and cost drivers in order to inform the service planning, modernisation and transformation process. New tools (e.g. Controcc) are in place but ASC staff need to be supported in using these and making the appropriate connections between performance and finance data at a client-level. This will complete the feedback loop, evidencing what is working on the frontline and ensure that we provide more personalised care that is both cost-effective and delivers the best outcomes for residents, within available resources.
- 5.2 Capability to make this step-change is not currently available internally, though the new Strategic Transformation, Organisational Development and Insights team is being resourced to provide this type of support in the near future. The transfer of skills and capability from Newton Europe to this team will help support future developments across the Council.
- 5.3 As such, the service-wide review of Adult Social Care has been set-up and deliberately split into two phases to help expedite the desired direction of travel:
 - **Phase 1** – Diagnostic
 - **Phase 2** – Design and Implementation
- 5.4 The rationale for this approach was in order to help us get insight into where the opportunities might be for further service improvements, accelerating the modernisation of the service that is already underway and transform our ways of working to deliver further efficiencies and savings.
- 5.5 This phased approach also allowed for the start of the review to be expedited and

provided a pause after Phase 1 to assess how best to deliver the findings and recommendations of the Diagnostic.

- 5.6 Newton Europe were appointed following a mini-competition under a Framework Agreement (see para 18.1 in 'Glossary') and their Phase 1 Diagnostic was completed in June 2021. Their work in Phase 1 aimed to improve outcomes for staff and residents as well as addressing the budget challenge.
- 5.7 Newton Europe have a history of over fifteen years working in local government including Adult Social Care, and Children's Services (including the transition to Adult), as well as working across health and social care systems. They are operational improvement experts who have worked with 40+ health and care systems, working alongside front line teams to deliver innovation and improvement. Their clients include Department of Health, Local Government Association, NHS England, ADASS, SOLACE, the Royal Borough of Greenwich and Hammersmith & Fulham.
- 5.8 Looking forwards towards Phase 2, although consideration was given to an in-house programme, the complexity and challenge of delivering the required transformational change at the pace and scale required cannot be met by existing in-house capacity and capability alone. Thus the preferred approach is to procure an external delivery partner. Newton Europe have expertise, skills, capacity and significant experience in supporting corporate change and transformation. Whilst Newton's work with some other councils has been about the need to reduce overspends in ASC, the focus in Lewisham is driven by the transformation agenda and the desire to both accelerate and deepen transformation opportunities.
- 5.9 The scope of Phase 2 will require the following activities:
- Supplier and key stakeholders to co-design new service delivery solutions that will accelerate the modernisation of the service and deliver the financial opportunities identified in the Phase 1 Diagnostic.
 - Pilot these solutions, whilst measuring the impact of improvements and continue to refine these alongside key stakeholders.
 - Fast-track implementation of preferred solutions in accordance with agreed timescales.
 - Ensure that all service changes are sustainable and resultant benefits (both financial and outcomes-based) are fully maximised and realised.
 - Identify and support the ongoing organisational culture changes required to underpin the successful delivery of these service changes or new ways of working.
 - Continuously develop and invest in our staff through appropriate skills transfer.
- 5.10 Further details on the the findings and recommendations of the Phase 1 Diagnostic and design and implementation requirements for Phase 2 are set out in the following sections of this report.

6. Phase 1 (Diagnostic)

- 6.1 The methodology that Newton Europe adopted was very much based on working with front line staff and using real cases to help explore opportunities for both service improvements and better use of resources. Alongside these workshops they also used data from our systems and data they have gathered from work they have done in other Local Authorities (including a very recent piece of work undertaken with the Royal Borough of Greenwich).
- 6.2 Despite some initial scepticism, staff have positively engaged in working with Newton Europe. 119 staff members from 12 different teams have participated in workshops that

looked at 123 cases to identify opportunities for doing things differently. The workshops indicated that staff feel that only around 42% of residents were getting their ideal outcome following the interventions from ASC. Newton Europe advised that these figures are very similar to other LA's where they have offered support.

6.3 The reasons for these less than ideal outcomes are mainly based on:

- Pressures with decision making (including individuals feeling personally responsible and thus being overly risk-averse).
- Service constraints which have led to “over provision”.

6.4 The Diagnostic identified that through some different approaches to working by staff, there is a real opportunity to build on the “strengths based approach” activity already underway and create greater levels of independence for residents, while at the same time reducing expenditure on long term care costs. For example:

- i. **Decision-making** – 28% of Lewisham residents could live more independently with:
 - Improved access to Multi-Disciplinary Teams and partnership working
 - More time with residents through reducing paperwork
 - A greater knowledge of and easier access to community based services that are applicable to Care Act needs (e.g. more effective use of universal services and the voluntary sector).
- ii. **Services and providers** – 27% of Lewisham residents could live more independently with improved:
 - Access to reablement
 - Access to progression support for Adults with Learning Disabilities
 - Use of Assistive Technology
 - Provider engagement and support
- iii. **Culture** – sustainable change will require a cultural shift across the organisation:
 - Empowering staff to design and implement changes
 - Ensuring staff feel valued when collaborating
 - Building confidence using data
- iv. **Digital** – digital support will be critical to the improvement process, ensuring:
 - Operation metrics are meaningful to staff, shared on digital dashboards with automated prioritisation of issues.
 - Operational metrics will be bridged to outturn to track the in-week impact of improvements, including which projects are having the greatest impact.
 - Digital tools will support reconciliation and allow for forecasting and monitoring budget impact in a data-driven way.
 - Managers can be held more accountable for their spend against budget by linking this spend directly to operational metrics.

6.5 The savings opportunity identified by the Diagnostic is in the range of £8.3m-£11.5m and these savings will see a realigned base budget going forward (£6.9m savings have already been taken from the 2021/22 budget). They will be realised incrementally as new ways of working are embedded, staff are upskilled, service changes implemented and individual cases are reviewed or reassessed and less restrictive care and support is put in place.

| Area | Summary of Opportunity | Lower Bound | Upper Bound |
|--|---|--------------|---------------|
| Decision Making OA | <ul style="list-style-type: none"> Better decision making at reviews and assessments to ensure settings and packages of care accurately reflect tierings and level of need <i>Target reduced areas of spend: OA Residential, Nursing, Home care</i> | £1.6 | £1.9m |
| Decision Making AWLD | <ul style="list-style-type: none"> Supporting more young adults in a more independent setting outside of Residential care and supported living by identifying and supporting people to move settings <i>Target reduced areas of spend: AWLD/Transitions Residential care & Supported Living</i> | £2.5 | £3.7m |
| Enablement (Volume & Effectiveness) | <ul style="list-style-type: none"> Goals driven independence support for those in the community and being discharged from acutes settings to enable long term independence <i>Target reduced areas of spend: OA Home care</i> | £3.6 | £4.3m |
| Progression | <ul style="list-style-type: none"> Better matching support to needs using a strength based approach focusing on independence and by reducing the need for formal support over time <i>Target reduced areas of spend: AWLD/Transitions Home Care & Supported Living</i> | £0.6 | £1.4m |
| | | £8.3m | £11.5m |

6.6 Newton Europe are adding some short term capacity and skills to help Lewisham to deliver against the ambitious goals that it has set for itself and its residents and to enable sustainable change going forward. They will help us move forward at a faster and more confident pace, extending what is achievable. Skills and knowledge transfer to our staff both within the service and more broadly (e.g. the Strategic Transformation, Organisational Development and Insights team) are key elements of this work. By the end of the 9 month contract period the council can continue the new ways of working and strategic transformation activity can be taken forward by in-house staff across the wider organisation. As such, this is a long-term investment on the part of the council.

7. Phase 2 (Design and Implementation)

- 7.1 Phase 2 will comprise an ambitious change programme spanning 9 months, that is looking to improve the outcomes for our residents whilst delivering a significant financial benefit, year-on-year. Further, the benefits from this transformation will support and enable broader transformation across health and care in the borough.
- 7.2 Based upon the output of the Diagnostic the following **six workstreams** are recommended as the basis for Phase 2:

Decision-making

- Reducing time pressures
- Focus on accountability
- Improving links to the community sector
- Improving support through Assistive Technology
- Working with acute & community NHS partners
- Working with providers
- Interface with SLaM

Learning Disabilities moving on

- Identifying and moving individuals (including transitions) into more ideal settings
- Supporting the recruitment of Shared Lives placements

Enablement

- Build on the achievements of the In-House service in order to further increase the

- number of people who benefit from enablement
- Increasing the capacity of the service by more effective deployment of this resource
- Increasing the effectiveness of those who benefit from enablement

Progression

- Setting up a progression team
- Supporting individuals (including transitions) to progress to more independent settings

Change and culture

- Engaging and shifting the culture of our teams through well being surveys, comms etc.
- Supporting and training staff to review performance measures
- Skills development and knowledge transfer

Digital and finance

- Creating the visibility of the performance
- Supporting each of the workstreams in their digital requirements
- Determining the financial impact of each workstream and measuring delivery

- 7.3 Phase 2 will include all necessary activity to co-design, test, implement and sustain new ways of working and solutions to deliver the benefits identified during Phase 1. This will require substantial transformation, including extensive change in our culture and practice, new operational processes and ways of working and developing our digital infrastructure and toolkit to support practitioners. To deliver this, we are seeking to enter into another contract with Newton Europe.
- 7.4 This contract will see Newton support us to deliver the benefits identified in Phase 1 on a fixed fee model where this fee is fully contingent against the cash benefit delivered. This cash benefit is only considered 'delivered' when it has been agreed, through an extensive and rigorous benefits tracking approach. This means Newton will be incentivised to work with us and see the benefits come through.
- 7.5 As well as delivering the benefits identified, the contract with Newton will involve in-depth work to measure and ensure benefits are being realised, a comprehensive set of activities to transfer knowledge from Newton and build the skills of our teams, as well as support through governance, structure, advice and guidance for other initiatives outside of the direct scope. The contract will be designed to maximise the value the Borough realises.
- 7.6 The approach seeks to both better skill up and equip our staff to help ensure that people receive the optimal support at the right time. Newton will not be undertaking social work roles, rather supporting staff to improve ways of delivery (for example by analytical support that can help better identify opportunities and alternative support) or helping professional teams undertake their own problem solving.
- 7.7 Phase 2 will comprise the following three stages over a nine month period, aligned to the workstreams identified in paragraph 7.2:

| 2021 | | | 2022 | | | | | |
|------------------|-----|-----|---------------------------------|-----|-----|-----|-----|---------------|
| Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
| Design & Testing | | | Implementation & Sustainability | | | | | Health Checks |

Design and Testing (3mths)

- 7.8 Following on from Phase 1, Newton will work hand-in-hand with our teams and relevant

partners to jointly co-design solutions.

- 7.9 Newton will ensure that our teams are heavily involved in the design process and that staff who are instrumental in building the solutions will become the trainers and champions of the new ways of working.
- 7.10 The programme will also incorporate the 'user voice' into these design activities to ensure that services are accessible, fit for purpose and meet residents' needs.
- 7.11 Proposed service designs will be developed and tested with frontline practitioners in a live, but lower-risk environment, working with a controlled cohort of users.
- 7.12 Solutions will be rapidly iterated to ensure that they work, that they achieve the desired behavioural change, and deliver the target benefits.
- 7.13 Results from the Design stage will be closely monitored, and an improvement cycle will be put in place which will clearly highlight the attributes of the designed model which are working, and those which need refinement.
- 7.14 The output from the Design stage will be a set of solutions (new ways of working, structures, processes, systems changes etc.) which deliver the necessary operational and behavioural change and are ready to be shared across all impacted teams.
- 7.15 By the end of the Design and Testing stage, there will be a cohort of staff who have made meaningful contributions to the design process and are ready to act as advocates in leading the change across the wider Directorate.
- 7.16 There will be a strong evidence base that gives confidence that the solutions, once implemented, will deliver the expected benefits. There will be a clear plan to implement these solutions, including an in-depth communication and engagement plan, which will ensure wider colleagues are successfully managed through a change journey.

Implementation and Sustainability (5mths)

- 7.17 Following on from the Design stage, solutions will be shared with all impacted teams from across the organisation. Whilst it is crucial to sustainability that the change be led by our own staff, Newton will continue to work hand-in-hand with them throughout implementation.
- 7.18 Newton will manage us through this complex behavioural change programme, with staff engagement and feedback measured throughout, allowing us to refine our approach as needed. Adoption of the new ways of working will be actively tracked and changes will be 'hard wired' wherever possible, making them difficult to be lost.
- 7.19 Rigorous and robust improvement cycles will be put in place to ensure confidence that the changes to ways of working are delivering the expected benefits, both financially and in terms of service user outcomes.
- 7.20 Results must be maintained or improved with minimal Newton input for a period of time, to give everyone confidence that performance will be sustainable. This period gives both ourselves and Newton an opportunity to observe how new ways of working will embed as part of 'BAU', and which areas need more work to ensure sustainability. It is only following this period that results are considered 'signed off' and agreed.
- 7.21 The processes and governance needed to continually monitor the progress of Implementation and Sustainability will be established.
- 7.22 The design principles for robust reporting and monitoring will ensure that operational metrics are meaningful to staff, that they are easy to capture and that existing systems will be used wherever possible. These metrics will be shared on dashboards with automated prioritisation of issues to determine which are the biggest problems.
- 7.23 Operational metrics from the case management system will be bridged to outturn to

track the in-week impact of the improvements. Digital tools will support reconciliation and allow for forecasting and monitoring budget impact in a data-driven way. This will support a new culture of responsibility where managers are accountable for their spend against budget by linking spend directly to operational metrics.

- 7.24 The benefit of this approach is that we will know what we have spent and how this compares to last year and to the budget, we will know what operational changes have driven this change in spend and we will also know what specific projects or improvements have delivered against this.

Health Checks (1mth)

- 7.25 Once the programme has been formally completed, with results sustained for an agreed period and the Newton team are no longer supporting the programme, Health Checks will be completed by Newton.
- 7.26 These will take the form of a 1-3 day 'mini diagnostic', where a member of the Newton team will return to Lewisham, spend time with colleagues from all levels of the organisation to observe how new ways of working are being sustained; performance data will also be reviewed and 1:1 conversations will be had with senior leaders.
- 7.27 Remedial action will be recommended and taken where necessary to ensure sustainment of the new solution and its measurement.
- 7.28 Following this process, a short report will be provided by Newton with recommendations on areas of strength and weakness, and how results could be further improved.
- 7.29 Alongside the three stages of Phase 2 Design and Implementation, as detailed above, Newton will support Lewisham to build organisational capability which goes beyond the delivery of the specific opportunities identified. This will occur through:
- **Skills Transfer and Change Capability** - Formal joint teams will be created to deliver Phase 2 of this programme between our staff and Newton. Those who are involved will receive intensive, full-time training in Newton's methodology and will be closely supported and mentored as they apply this to real challenges. They will also be supported through Newton's wider network, for example by making connections to other authorities who have developed similar capability.
 - **Benefits Tracking** - Newton bring a comprehensive approach to tracking the benefits of change programmes through to an impact on our financial ledger, and this is something we would seek to employ across other areas of the council. This has five major parts:
 - i. Developing the right set of operational KPIs, which have a clear link to financial performance.
 - ii. A suite of tools to measure the sustainability of operational process which influences these operational KPIs.
 - iii. Benefits realisation planning, where action is needed to realise a financial saving from an operational change (for example where a contract may need to be re-let).
 - iv. Finance and performance 'bridging' where the operational data is directly connected to financial data, and a process to monitor and improve this alignment is put in place.
 - v. A full suite of reporting and management information covering all of the above.
- 7.30 A dedicated Finance and Performance Group of staff will be developed and supported by Newton, which will likely be continued for future change programmes, which will

manage and oversee this approach. These will be skilled and able to operate at a corporate level supporting wider council opportunities for improvements and savings.

8. Procurement Options

- 8.1 The Procurement Team have considered both open tender and framework agreement as possible options for the approach to Phase 2.

Open tender

- 8.2 An open tender process would allow for the entire marketplace to submit a bid, enabling greater competition.
- 8.3 However, an open tender approach takes longer than a call-off from a Framework contract. This would delay the further realisation of monetary savings within Adult Social Care during 2021/22 and lose the momentum developed within the service during the Diagnostic phase. In consideration of the urgent need to move forward at pace, an open tender is not recommended.

Framework agreements

- 8.4 Framework agreements provide an expedited approach to procurement. Suppliers have already been evaluated to get onto the framework agreement ensuring that they meet the required quality standards. Furthermore, suppliers' rates on a framework have also been subject to a competitive process, ensuring financial value.
- 8.5 In the case of this procurement the following frameworks were reviewed and considered:
- Crown Commercial Service (CCS) RM6187 (Lot 7: Health, Social Care and Community)
 - YPO Managing Consultancy and Professional Services 940
 - Bloom NEPRO 3 (Social Care - Adults and Children)
- 8.6 CCS' Management Consultancy Framework Three RM6187 provides a simple and compliant route to market for a range of consultancy requirements. This framework provides the means through which the Council can procure consultancy services through the process of engaging in a mini-competition between suppliers listed on the framework or via a direct award. The framework has the benefit of the fee becoming contingent on the delivery of the savings. Further, it also means that we can move seamlessly through the process and take staff with us, thus maintaining the momentum for change.
- 8.7 YPO's Managing Consultancy and Professional Services 940 framework was also considered. This framework offers to appoint a single provider to deliver a managed service provision for consultancy and professional service requirements and does not allow for a competitive process among key players in this market to be achieved. This framework is therefore not a favourable option for this procurement.
- 8.8 Bloom's NEPRO3 framework offers a range of specialist professional services from a choice of regional and national suppliers. Although it offers appropriate categories including Social Care (Adults and Children), it is delivered via the use of a procurement consultancy to prepare procurement and tender documents and this would incur a further cost to the Council of between 5% – 25%. This framework was therefore deemed not to offer best financial value for this procurement.
- 8.9 The previous iteration of this CCS Management Consultancy Framework (RM3745) was used to procure consultancy services for the Phase 1 Diagnostic stage of the overall ASC project and proved to be an efficient and effective route to market.
- 8.10 Following comparative analysis of these framework agreements by the Procurement

Team the use of the CCS RM6187 (Lot 7: Health, Social Care and Community) is the preferred option for Phase 2.

Contract award

- 8.11 Newton Europe Ltd has provided excellent service delivery over the contracting period (8 April to 30 June 2021) for the Phase 1 Diagnostic. Through the summer months officers have been reviewing and exploring options for progression to delivery. An award of contract to Newton Europe for the provision of management consultancy services for Phase 2 is permissible within the terms of the CCS RM6187 agreement. It is also the recommended procurement strategy for the following reasons:
- Newton Europe have established credibility with staff and have helped to generate an enthusiasm for taking this work forward. Any delays in progressing this work will result in a loss of momentum and staff may not engage in the same way going forward.
 - The quality of the outputs from Phase 1 provide confidence that Newton Europe would successfully deliver Phase 2.
 - The good working practices embedded during Phase 1 can be harnessed and leveraged to their full potential during Phase 2.
 - There would be a seamless transition into Phase 2 as Newton Europe Ltd have already accumulated a knowledge base of our systems, practices and processes.
 - An award of contract to Newton will enable a quicker mobilisation (i.e. up to 3-5mths quicker than alternative procurement options).
 - They have a proven track record of working with neighbouring boroughs that have a similar demographic profile to Lewisham.
- 8.12 Newton have indicated that in their history of working with the public sector they have never failed to deliver at least the target benefits identified in their diagnostic (i.e. £8.3m for Lewisham).
- 8.13 CCS RM6187 provides for an award of contract to Newton provided that the contract length is no longer than 9 months and officers can demonstrate that the supplier offers the most economically advantageous bid in terms of Council knowledge, a financial proposal, service delivery and sustainable outcomes. Officers are confident that Phase 2 can be delivered within 9 months and the Terms and Conditions are fit for purpose. In addition, the Framework allows for a contingent fee which means the Council will only pay the provider on achievement of certain milestones and savings.
- 8.14 Mayor and Cabinet is therefore recommended to approve the procurement of Phase 2 services via an award of contract using the CCS framework agreement RM6187 (Lot 7) and to approve this award of contract to Newton Europe Ltd for Phase 2 Design and Implementation.

9. Financial implications

- 9.1 Newton Europe have just concluded the diagnostic phase of ASC Review work at a cost of £255,790. This report is proposing a direct award to Newton to undertake Phase 2 of the review, should this happen this fee will become contingent on delivery of savings from phase 2.
- 9.2 The diagnostic has identified the opportunity to deliver recurring financial benefit of £8.3m - £11.5m per annum to Lewisham, along with unquantifiable transformative benefit to Adult Social Care. There will be some overlap with the current savings

programme the service is in the process of delivering. However there is a benefits realisation model in place that will tease out any duplication and subsequently avoid double counting of savings. The c£220k costs associated with setting up a new Progression Service for Adults with Learning Disabilities have been factored into the calculation of these financial benefits.

- 9.3 Savings of £3.89m have been assumed in the budget for 2021/22 based on the delivery of a cost reductions and service improvement programme. The current projected overspend for this year includes this budget reduction and delivery will help reduce cost pressures.
- 9.4 Newton are proposing a plan to jointly deliver these opportunities for a fixed fee, on a fully contingent basis. This means that, if the actual recurring, agreed benefit delivered is not greater than the combined one-off fee (for Phase 1 Diagnostic and Phase 2 Design and Implementation), then Newton will either:
- Continue to work, without any additional cost, until this achieved, or;
 - Reduce the one-off fee, pro-rata, until the actual, recurring agreed benefit is greater than the fee.
- 9.5 This commercial model has the benefits of:
- Guaranteeing that Lewisham will be better off as a result of working with Newton
 - Ensuring that Lewisham and Newton are fully aligned around a common set of objectives
 - Limiting and fixing Lewisham's investment
- 9.6 Based on the work required, the one-off, fixed fee for Newton support will be £4.295m (plus VAT and expenses). However if the agreed recurring financial benefit delivered by the programme does not exceed £4.551m (£255,790k for Phase 1 plus £4.295m for Phase 2) then the guarantee clause (para 9.4) will apply
- 9.7 The profiling of payments to Newton will be based on a monthly schedule and this will be made in advance of the benefits being fully realised. As the benefit realisation is based on projected future benefits there will be a cash flow difference which will need to be managed.
- 9.8 This proposal is self-financing, costs for this consultancy will be met from ASC budgets in year, netted off against savings being delivered as part of Phase 2. While there is a one-off cost, the savings are recurrent. There are no plans to reduce staff in these proposals.
- 9.9 Benefits to the council will continue following the skills and knowledge transfer to council officers.
- 9.10 Finance and Performance officers – utilising existing resource – will reconcile the movements in operational measures to movements in outturn to support reliable monitoring of savings delivery.

10. Staffing Implications

- 10.1 There is no intention to reduce the council workforce as a result of the implementation of these proposals and part of the plan is to explore investing in a new "Progression Service" to better support people with Learning Disabilities to be more independent.
- 10.2 The approach adopted has been discussed with representatives from Unison and Unite, the proposal explained and there will be opportunities for staff in ASC to extend their skills and be more effective in their roles.

11. Legal implications

- 11.1 There are no legal implications arising from the consideration of this report by Public Accounts Select Committee. However for information the legal implications arising from the decision sought from Mayor and Cabinet on 14 September 2021 are set out below:

Procurement Strategy

- 11.2 Under the Council's Contract Procedure Rules the Council may use a framework agreement set up by a public sector body where that framework agreement has been procured in accordance with the Public Contracts Regulations 2015 (as amended by Brexit provisions including the Public Procurement (Amendment etc.) (EU Exit) Regulations 2020 SI 2020 No.1319). The recommended framework agreement is compliant and can be used by the Council.

Contract award

- 11.3 The framework agreement sets out procedures that allows for a direct award in the circumstances set out in the report.
- 11.4 The framework agreement has predefined terms and conditions for the call-off contract which the Council must use. The contract (including the specification and pricing document) will include all the terms and conditions that the Council requires and adequately protects the Council.
- 11.5 Officers are recommending that Mayor and Cabinet delegate the approval of the detailed terms of the award of contract to the Executive Director for Community Services.
- 11.6 These decisions are key decisions and must therefore be included in the Key Decision Plan.
- 11.7 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. 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.
- 11.8 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 the decision maker, bearing in mind the issues of relevance and proportionality. The decision maker 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.
- 11.9 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.

- 11.10 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.

12. Equalities implications

- 12.1 The appointed supplier will be required to comply with the Council's equality and diversity policies.
- 12.2 Addressing inequalities within the health and care system, especially those impacting upon our Black, Asian and Minority Ethnic (BAME) communities, is a key priority for the Council and its partners. This focus has been sharpened in response to the disproportionate impact that COVID-19 has had on these communities. Any changes to ASC services originating from this review will need to be mindful of this, with a thoroughly consideration of the equality implications for our most vulnerable residents alongside appropriate mitigation to reduce any negative impacts.

13. Climate change and environmental implications

- 13.1 There are no anticipated climate change and environmental implications arising from this review of ASC. However, any proposed service changes or recommendations must be mindful of the Council's intention of becoming a carbon neutral borough by 2030 and observe our commitments in the Climate Emergency Action Plan that was agreed by Mayor and Cabinet in March 2020.

14. Crime and disorder implications

- 14.1 There are no anticipated crime and disorder implications resulting from this service.

15. Health and wellbeing implications

- 15.1 The successful supplier will design and implement the findings and opportunities evidenced in the Phase 1 Diagnostic. These changes are likely to have implications for how current services are delivered with an aim to improve outcomes for our residents.

16. Social Value

- 16.1 The services procured from Newton Europe in Phase 2 (Design and Implementation) are designed to create ownership within the Lewisham team from the leadership to front line staff, essential for delivering sustainable change. Direct partnership between Lewisham and Newton colleagues on each workstream aims to maximise skills and knowledge transfer. This will build the capability of staff and allow future improvements to be taken on without the support of external partners. This is also beneficial for the personal development of the individuals involved.
- 16.2 Phase 2 will also work to improve the opportunities for residents to live more independently, through targeted support (e.g. access to reablement, progression support, use of assistive technology etc) or stronger links with community-based services that provide support aligned to the Care Act domains. For example,

progression support will help Adults with Learning Disabilities to access opportunities for work, education or volunteering.

17. Background papers

17.1 ASC Phase 1 Award Report Part 1



Item 6a - Decision by ED of Cty Services - ASC Award Report - Part 1.pdf

17.2 Public Accounts Select Committee, 3 December 2020, Agenda Item 5 'Budget Cuts'

<https://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=123&MID=6317#A126474>

17.3 Phase 1 Diagnostic Summary Report



Diagnostic
Summary Report.pdf

17.4 Referral from Healthier Communities Select Committee, 8 September 2021

<https://councilmeetings.lewisham.gov.uk/documents/s88388/Referral%20from%20Healthier%20Communities%20Select%20Committee.pdf>

17.5 Officer response to the referral from Healthier Communities Select Committee – report to Mayor and Cabinet on 14 September 2021



Response to HCSC
referral to MandC on

18. Glossary

18.1 Please find definitions of some key terms in the table below:

| Term | Definition |
|---------------------|---|
| ASC | Adult Social Care |
| CCS | Crown Commercial Services |
| ESPO | Eastern Shires Purchasing Organisation |
| Framework Agreement | A framework comprises a description of common public sector requirements, a list of suppliers who have been evaluated as capable of delivering the requirements, and standardised contract terms, which save time and money. Frameworks are often divided into lots, typically by product or service type. The collective purchasing power of customers, plus the procurement knowledge of the framework provider, means they can get the best commercial deals in the interests of |

| Term | Definition |
|------|-----------------------------------|
| | taxpayers. |
| YPO | Yorkshire Purchasing Organisation |

19. Report author(s) and contact

19.1 Stewart Weaver-Snellgrove, Strategic Transformation and OD Business Partner, stewart.weaver-snellgrove@lewisham.gov.uk, Ext. 49308

20. Comments for and on behalf of the Executive Director for Corporate Resources

20.1 Abdul Kayoum, Group Finance Manager (Community Services), abdul.kayoum@lewisham.gov.uk

21. Comments for and on behalf of the Director of Law and Governance

21.1. Mia Agnew, Senior Lawyer, Mia.agnew@lewisham.gov.uk, Ext. 47546



Public Accounts Select Committee

Select Committee Work Programme Report

Date: 23 September 2021

Key decision: No.

Class: Part 1

Ward(s) affected: Not applicable

Contributors: Assistant Chief Executive (Scrutiny Manager)

Outline and recommendations

This report gives Committee members an opportunity to review the Committee's work programme and make any changes required.

The Committee is asked to:

- To review the work programme attached at **appendix B**.
- Note the four strategic themes of the borough's recovery plan: 'Future Lewisham'
- To consider the items for the next meeting and specify the information required.
- To review the forward plan of key decisions at **appendix E** to consider whether there are any items for further scrutiny.

Timeline of decision-making

Work Programme 2021-22 – draft agreed on 7 July 2021

Work Programme 2021-22 – agreed by Business Panel 20 July 2021

1. Summary

- 1.1. The Committee proposed a draft work programme at the beginning of the municipal year. This was considered alongside the draft work programmes of the other select committees and agreed by Business Panel on 20 July 2021.
- 1.2. The work programme should be reviewed at each meeting to take account of changing priorities.

2. Recommendations

2.1. The Committee is asked to:

- To review the work programme attached at **appendix B**.
- Note the four strategic themes of the borough's recovery plan: 'Future Lewisham'
- Consider the items for the next meeting and specify what evidence is required, including being clear about the information the committee wishes to be included in officer reports.
- To review the forward plan of key decisions at **appendix E** to consider whether there are any items for further scrutiny.

3. Work Programming

3.1. When reviewing the work programme the Committee should consider the following:

3.2. The Committee's terms of reference (Appendix A).

3.3. Whether any urgent issues have arisen that require scrutiny. If so, consider to the prioritisation process (Appendix C) and the Effective Scrutiny Guidelines (Appendix D)

3.4. Whether a committee meeting is the most effective forum for scrutinising the issue. For example, would a briefing be more appropriate?

3.5. Whether there is time to consider the item - could any work programme items be removed or rescheduled?

3.6. Whether the item links to the priorities set out in the [Corporate Strategy for 2018-2022](#):

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

3.7. The Committee should also note and take into account the four strategic themes of the borough's Covid-19 recovery plan, 'Future Lewisham', which support what we want for every single resident and that we know are what we need to focus on locally:

3.8. An economically sound future

We are working to get the borough back in business, with a future where everyone has the jobs and skills they need to get the best that London has to offer.

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We are a borough with businesses that are adaptable and prepared for change, a thriving local economy that sees 'local' as the first and best choice, with digital inclusion at the heart of our plans. We do all we can to support residents into jobs that pay fairly and provide families with the opportunities and security they deserve.

3.9. **A healthy and well future**

Good health and wellbeing should be something we can all depend on, something that is equally accessible to everyone.

We know this is much wider than 'medicine' and the NHS. Our health and well-being is also dependent on our housing, the air we breathe, our support networks and more. We will make sure to pay as much attention and invest as much effort into improving these wider factors and taking action on inequality at every turn. Rectifying health inequalities and developing good mental health & wellbeing for everyone drives what we do.

3.10. **A greener future**

Our next steps will be our greenest yet, continuing our efforts to preserve our climate for future generations and ensuring everyone can enjoy the place we call home.

We will capture and build on the best of what we saw from the increase in walking and cycling locally, and all the other ways our environment benefitted from behaviour changes over the last year. We will nurture and protect the place we call home so that we can continue to appreciate its benefits for generations to come.

3.11. **A future we all have a part in**

We work together as one borough, within our communities and identities, to harness the power of volunteering and community spirit that has helped get us through the last year.

We will work alongside our strongest asset – our community – to strengthen and enhance our borough for everyone. We achieve more together and being connected and taking an active role in our borough benefits us all. Our year as Borough of Culture 2022 will be Lewisham's best year yet, celebrating our fantastic part of London and providing opportunities for everyone to connect and get involved in our local community.

3.12. The Committee is recommended to schedule **two substantive items per meeting**, leaving space available for Mayor and Cabinet responses and other urgent business as the need arises throughout the year.

3.13. Provision is made for meetings to last for up to 2.5 hours, but the committee should aim to **manage its business within 2 hours**. In exceptional cases the committee may decide to suspend standing orders and extend the meeting for a further 30 minutes to conclude any urgent business.

4. The next meeting

- 4.1. The following item is scheduled for the next meeting. The Committee should clearly define the information and analysis it wishes to see in the officer report.

| Agenda Item | Review type |
|-------------------|------------------------|
| Capital programme | Performance monitoring |
| Budget cuts | Standard item |

5. Financial implications

- 5.1. There are no direct financial implications arising from the implementation of the recommendations in this report. Items on the Committee's work programme will have financial implications and these will need to be considered as part of the reports on those items.

6. Legal implications

- 6.1. 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.

7. Equalities implications

- 7.1. The [Equality Act 2010](#) (The Act) legally protects people from discrimination in the workplace and in wider society. It replaced the previous anti-discrimination laws with a single act, making the law easier to understand and strengthen protection in certain situations. 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.
- 7.2. The Act also imposes a public sector equality duty. This means that in public bodies, of which this Council is designated, they must consider all individuals in carrying out their day-to-day work when shaping policy, in delivering services and in relation to their own employees. It also requires public bodies to:
- Have due regard to the need to eliminate discrimination
 - Advance equality of opportunity
 - Foster good relations between different people when carrying out their activities
- 7.3. The Council recognises diversity is one of its strengths and is committed to creating a more inclusive community. Therefore, having due regard to the Act, is confirmation of the Council's commitment to eliminating all forms of discrimination against any group within the community and to actively promote an equality of opportunity and positive community partnership.
- 7.4. The delivery of the Council's equalities objectives is to be achieved through the delivery of all of the Council's strategies, plans and procedures. As such, all select committees and other scrutiny bodies, when planning their work and scrutinising items, bear in mind the delivery of the Council's equality objectives.

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- 7.5. Scrutiny tries to make sure that its work reflects the diversity of Lewisham's communities and that the views of residents are fairly represented in scrutiny processes. Any recommendations arising from scrutiny work support the Council's corporate strategy and reflect the needs of local residents

8. Climate change and environmental implications

- 8.1. There are no direct climate change or environmental implications arising from the implementation of the recommendation in this report. However, in February 2019 Lewisham Council declared a Climate Emergency and proposed a target to make the borough carbon neutral by 2030. Items on the work programme may have climate change and environmental implications and reports considered by the Committee should acknowledge this.

9. Crime and disorder implications

- 9.1. There are no direct crime and disorder implications arising from the implementation of the recommendations in this report. Items on the Committee's work programme may have crime and disorder implications and these will need to be considered as part of the reports on those items.

10. Health and wellbeing implications

- 10.1. There are no direct health and wellbeing implications arising from the implementation of the recommendations in this report. Items on the Committee's work programme may have health and wellbeing implications and these will need to be considered as part of the reports on those items.

11. Report author and contact

If you have any questions about this report please contact Timothy Andrew (Scrutiny Manager) timothy.andrew@lewisham.gov.uk

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12. Appendix A - Select Committee Terms of Reference

The following roles are common to all select committees:

(a) General functions

- To review and scrutinise decisions made and actions taken in relation to executive and non-executive functions
- To make reports and recommendations to the Council or the executive, arising out of such review and scrutiny in relation to any executive or non-executive function
- To make reports or recommendations to the Council and/or Executive in relation to matters affecting the area or its residents
- The right to require the attendance of members and officers to answer questions includes a right to require a member to attend to answer questions on up and coming decisions

(b) Policy development

- To assist the executive in matters of policy development by in depth analysis of strategic policy issues facing the Council for report and/or recommendation to the Executive or Council or committee as appropriate
- To conduct research, community and/or other consultation in the analysis of policy options available to the Council
- To liaise with other public organisations operating in the borough – both national, regional and local, to ensure that the interests of local people are enhanced by collaborative working in policy development wherever possible

(c) Scrutiny

- To scrutinise the decisions made by and the performance of the Executive and other committees and Council officers both in relation to individual decisions made and over time
- To scrutinise previous performance of the Council in relation to its policy objectives/performance targets and/or particular service areas
- To question members of the Executive or appropriate committees and executive directors personally about decisions
- To question members of the Executive or appropriate committees and executive directors in relation to previous performance whether generally in comparison with service plans and targets over time or in relation to particular initiatives which have been implemented
- To scrutinise the performance of other public bodies in the borough and to invite them to make reports to and/or address the select committee/Business Panel and local people about their activities and performance
- To question and gather evidence from any person outside the Council (with their consent)
- To make recommendations to the Executive or appropriate committee and/or Council arising from the outcome of the scrutiny process

(d) Community representation

- To promote and put into effect closer links between overview and scrutiny members and the local community
- To encourage and stimulate an enhanced community representative role for overview and scrutiny members including enhanced methods of consultation with local people
- To liaise with the Council's ward assemblies so that the local community might participate in the democratic process and where it considers it appropriate to seek the views of the ward assemblies on matters that affect or are likely to affect the local areas, including accepting items for the agenda of the appropriate select committee from ward assemblies.
- To keep the Council's local ward assemblies under review and to make recommendations

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to the Executive and/or Council as to how participation in the democratic process by local people can be enhanced

- To receive petitions, deputations and representations from local people and other stakeholders about areas of concern within their overview and scrutiny remit, to refer them to the Executive, appropriate committee or officer for action, with a recommendation or report if the committee considers that necessary
- To consider any referral within their remit referred to it by a member under the Councillor Call for Action, and if they consider it appropriate to scrutinise decisions and/or actions taken in relation to that matter, and/or make recommendations/report to the Executive (for executive matters) or the Council (non-executive matters).

(e) Finance

- To exercise overall responsibility for finances made available to it for use in the performance of its overview and scrutiny function.

(f) Work programme

- As far as possible to draw up a draft annual work programme in each municipal year for consideration by the overview and scrutiny Business Panel. Once approved by the Business Panel, the relevant select committee will implement the programme during that municipal year. Nothing in this arrangement inhibits the right of every member of a select committee (or the Business Panel) to place an item on the agenda of that select committee (or Business Panel respectively) for discussion.
- The Council and the Executive will also be able to request that the overview and scrutiny select committee research and/or report on matters of concern and the select committee will consider whether the work can be carried out as requested. If it can be accommodated, the select committee will perform it. If the committee has reservations about performing the requested work, it will refer the matter to the Business Panel for decision.

Public Accounts has specific responsibilities for the following:

- (a) To exercise all the functions and roles of the overview and scrutiny committee in relation to the following matters:
- To make reports and recommendations to the Council or the Executive which promote the better custodianship of the Council's finances and to make recommendations for best financial practice across the authority.
 - To investigate the possibilities for improving the Council's financial management practice and to make reports and recommendations to Executive or Council as appropriate.
 - To encourage the highest standards of financial custodianship where necessary overseeing training activity for all members in this area.
 - To consult on and to comment on and make recommendations to the Executive in respect of the actual and proposed contents of the Council's budget and without limiting the general remit of the committee, to hold the Executive to account for its performance in respect of all budgetary matters.
 - To receive reports as appropriate from the Audit Panel in respect of their overview of contract procedure rules and financial regulations.
 - To make recommendations and reports for consideration by the Executive or Council to improve procurement practice.
 - To scrutinise the effectiveness of the Audit Panel.

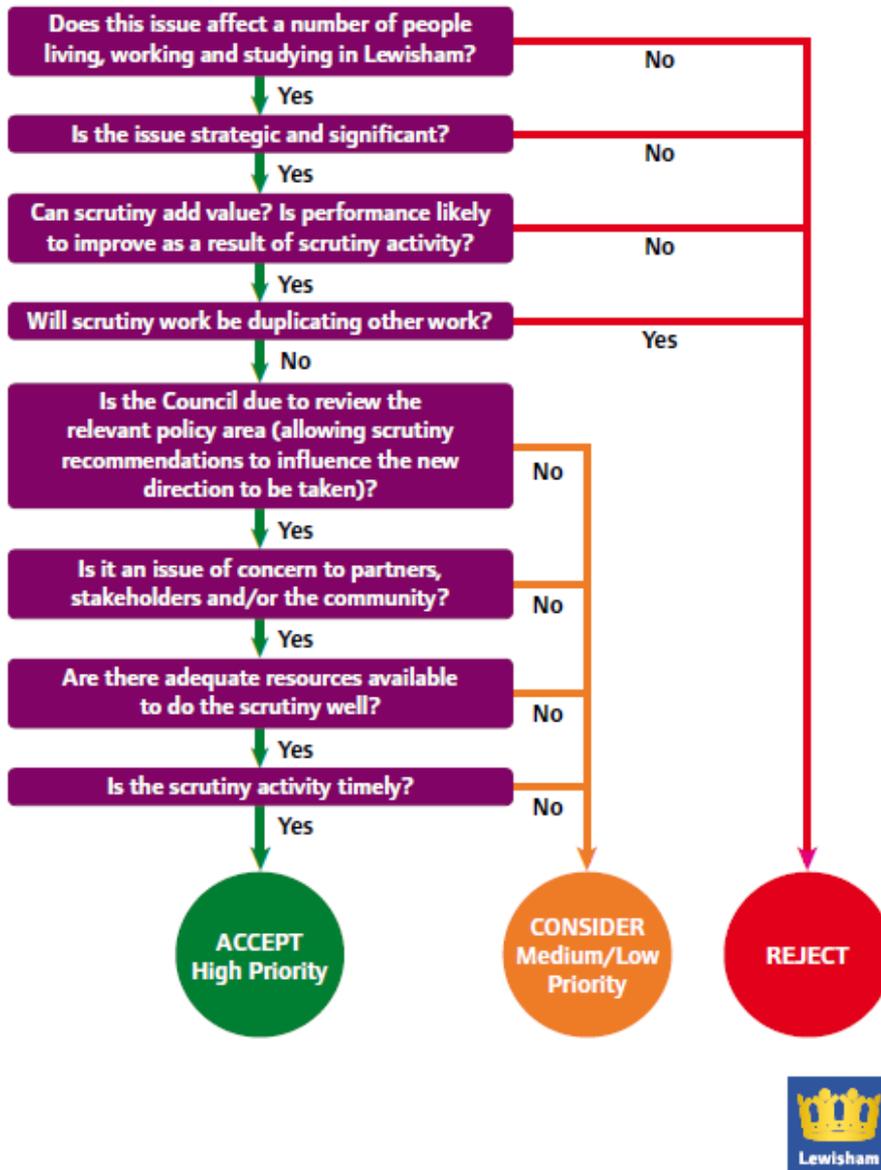
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The flowchart below is designed to help Members decide which items should be added to the work programme. It is important to focus on areas where the Committee will influence decision-making.

Scrutiny work programme – prioritisation process



Appendix D

Effective Scrutiny Guidelines

At Lewisham we:

1. Prioritise

It is more effective to look at a small number of key issues in an in-depth way, than skim the surface of everything falling within scrutiny's remit. We try to focus on issues of concern to the community and/or matters that are linked to our corporate priorities. We only add items to the work programme if we are certain our consideration of the matter will make a real and tangible difference.

2. Are independent

Scrutiny is led by Scrutiny Members. Scrutiny Members are in charge of the work programme and, for every item, we specify what evidence we require and what information we would like to see in any officer reports that are prepared. We are not whipped by our political party or unduly influenced by the Cabinet or senior officers.

3. Work collectively

If we collectively agree in advance what we want to achieve in relation to each item under consideration, including what the key lines of enquiry should be, we can work as a team to question witnesses and ensure that all the required evidence is gathered. Scrutiny is impartial and the scrutiny process should be free from political point scoring and not used to further party political objectives.

4. Engage

Involving residents helps scrutiny access a wider range of ideas and knowledge, listen to a broader range of voices and better understand the opinions of residents and service users. Engagement helps ensure that recommendations result in residents' wants and needs being more effectively met.

5. Make SMART evidence-based recommendations

We make recommendations that are based on solid, triangulated evidence – where a variety of sources of evidence point to a change in practice that will positively alter outcomes. We recognise that recommendations are more powerful if they are:

- Specific (simple, sensible, significant).
- Measurable (meaningful, motivating).
- Achievable (agreed, attainable).
- Relevant (reasonable, realistic and resourced, results-based).
- Time bound (time-based, time limited, time/cost limited, timely, time-sensitive).

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Public Accounts Select Committee Work Programme 2021-22

| Item | Type of item | Corporate priority | 07-Jul-21 | 23-Sep-21 | 01-Dec-21 | 27-Jan-22 |
|-------------------------------------|------------------------|--------------------|-----------|-----------|-----------|-----------|
| Draft contract management framework | Policy development | All | | | | |
| Medium term financial strategy | Standard item | All | | | | |
| Financial results 2020-21 | Performance monitoring | All | | | | |
| Children's social care | Performance monitoring | All, CP3 | | | | |
| Adult social care review | Performance monitoring | All, CP5 | | | | |
| Treasury management mid-year review | Performance monitoring | All | | | | |
| Budget cuts | Performance monitoring | All | | | | |
| Capital programme review | Performance monitoring | All | | | | |
| Council budget 2022-23 | Policy development | All | | | | |
| Audit Panel update | Performance monitoring | All | | | | |

Corporate Priorities

Priority

| | | |
|---|---|------|
| 1 | Open Lewisham | CP 1 |
| 2 | Tackling the Housing Crisis | CP 2 |
| 3 | Giving Children and young people the best start in life. | CP 3 |
| 4 | Building an inclusive local economy | CP 4 |
| 5 | Delivering and defending: health, social care and support | CP 5 |
| 6 | Making Lewisham greener | CP 6 |
| 7 | Building Safer Communities | CP 7 |

FORWARD PLAN OF KEY DECISIONS

Forward Plan September 2021 - December 2021

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 0208 3149327, 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 |
|--------------------------------------|--|--|---|-----------------------------|--------------------------------------|
| August 2021 | Procurement of Lewisham Advocacy Hub | 14/09/21 Mayor and Cabinet | Polly Pascoe, Integrated Commissioning Manager and Councillor Chris Best, Cabinet Member for Health and Adult Social Care | | |
| April 2021 | Reginald Road Land Assembly parts 1 & 2 | 14/09/21 Mayor and Cabinet | James Ringwood, Housing Delivery Manager and Councillor Paul Bell, Cabinet Member for Housing & Planning | | |
| August 2021 | Main Grants Programme 2022-25 | 14/09/21 Mayor and Cabinet | James Lee, Director of Communities, Partnerships and Leisure and Councillor Kim Powell, Cabinet member for Business and Community Wealth Building | | |
| August 2021 | NCIL ward proposals | 14/09/21 Mayor and Cabinet | James Lee, Director of Communities, Partnerships and Leisure and Councillor Paul Bell, Cabinet Member for Housing & Planning | | |
| August 2021 | Cockpit Arts Deptford Redevelopment | 14/09/21 Mayor and Cabinet | Karen Fiagbe, Economy, Jobs and Partnerships Manger and Councillor Kim Powell, Cabinet member for Business and Community Wealth Building | | |

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| August 2021 | Novation of Stock Transfer Agreement for Grove Park between L&Q and Phoenix | 14/09/21 Mayor and Cabinet | Fenella Beckman, Director of Housing and Councillor Paul Bell, Cabinet Member for Housing & Planning | | |
| August 2021 | Adult Social Care service-wide review | 14/09/21 Mayor and Cabinet | Tom Brown, Executive Director for Community Services and Councillor Chris Best, Cabinet Member for Health and Adult Social Care | | |
| August 2021 | Green and Resilient Spaces Fund - Permission to Bid | 28/09/21 Executive Director for Housing, Regeneration & Environment | Adam Platts, Project Manager and Councillor Patrick Codd, Cabinet Member for Environment & Transport | | |
| August 2021 | Procurement Lewisham Appropriate Adult Service for Vulnerable Adults | 28/09/21 Executive Director for Community Services | Polly Pascoe, Integrated Commissioning Manager and Councillor Chris Best, Cabinet Member for Health and Adult Social Care | | |
| August 2021 | Extentsion of New Hope Mental Health Supported Housing Project | 28/09/21 Executive Director for Community Services | Polly Pascoe, Integrated Commissioning Manager and Councillor Chris Best, Cabinet Member for Health and Adult Social Care | | |
| August 2021 | Contract Award Public Sector Decarbonisation Scheme | 28/09/21 Executive Director | Lemuel Dickie-Johnson, Project Manager Capital | | |

| FORWARD PLAN – KEY DECISIONS | | | | | |
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| | works Dalmain Primary School | for Corporate Services | Delivery Programme and Councillor Chris Barnham, Cabinet Member for Children's Services and School Performance | | |
| August 2021 | Contract Award Public Sector Decarbonisation Scheme works at Dowderry Primary School | 28/09/21 Executive Director for Corporate Services | Lemuel Dickie-Johnson, Project Manager Capital Delivery Programme and Councillor Chris Barnham, Cabinet Member for Children's Services and School Performance | | |
| August 2021 | Morton House works contract award | 28/09/21 Executive Director for Housing, Regeneration & Environment | Iqbal Iffat, Project Manager Capital Programme Delivery and Councillor Paul Bell, Cabinet Member for Housing & Planning | | |
| August 2021 | Approval CRPL Business Plan for 2020 -2023 | 29/09/21 Council | Kplom Lotsu, SGM Capital Programmes and Councillor Paul Bell, Cabinet Member for Housing & Planning | | |
| | Statement of Council Accounts 2020-21 | 29/09/21 Council | Kathy Freeman, Executive Director for Corporate Resources and Councillor Amanda De Ryk, Cabinet Member for Finance and Resources | | |

FORWARD PLAN – KEY DECISIONS

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| August 2021 | Procurement of Housing Management System and implementation of a Customer Relationship Management System | 06/10/21 Mayor and Cabinet | Jamie Parris, IT Procurement Specialist and Councillor Amanda De Ryk, Cabinet Member for Finance and Resources | | |
| August 2021 | New Parking Enforcement arrangements on Lewisham Homes and RB3 managed Housing Estates - outcome of Section 105 consultation | 06/10/21 Mayor and Cabinet | Ella McCarthy, Housing Partnership and Insight Manager and Councillor Paul Bell, Cabinet Member for Housing & Planning | | |
| August 2021 | Broadway Theatre Principle Contractor award contract delegation of authority (Part 1 and 2) | 06/10/21 Mayor and Cabinet | Petra Marshall, Community Resources Manager and Councillor Andre Bourne, Cabinet member for Culture | | |
| August 2021 | Leisure Management Arrangements | 06/10/21 Mayor and Cabinet | James Lee, Director of Communities, Partnerships and Leisure and Councillor Andre Bourne, Cabinet member for Culture | | |
| December 2020 | Approval of a new Housing Allocations Scheme' | 06/10/21 Mayor and Cabinet | Michael Moncrieff, Housing Policy & Partnerships Manager and Councillor Paul Bell, Cabinet Member for Housing & Planning | | |
| November 2019 | Approval to appoint operator for concessions contract at the | 06/10/21 Mayor and Cabinet | Gavin Plaskitt, Programme Manager and | | |

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| | lake, Beckenham Place Park | | Councillor Sophie McGeevor, Cabinet Member for Environment and Transport (on parental leave) | | |
| June 2021 | Catford Regeneration Programme - Update & Next Steps | 06/10/21 Mayor and Cabinet | Sandra Plummer, Senior Project Manager and Councillor Paul Bell, Cabinet Member for Housing & Planning | | |
| August 2021 | Domestic Abuse and Violence against Women and Girls Strategy | 06/10/21 Mayor and Cabinet | Emily Newell, Joint Commissioner 0-19 Health and Maternity and Councillor Brenda Dacres, Deputy Mayor and Cabinet Member for Safer Communities | | |
| August 2021 | Approval to consult on the A21 Framework. | 06/10/21 Mayor and Cabinet | David Syme, Strategic Planning Manager and Councillor Paul Bell, Cabinet Member for Housing & Planning | | |
| August 2021 | Small Sites Supplementary Planning Document (SPD) Adoption | 06/10/21 Mayor and Cabinet | David Syme, Strategic Planning Manager and Councillor Paul Bell, Cabinet Member for Housing & Planning | | |
| August 2021 | Financial Monitoring 2021-22 | 06/10/21 Mayor and Cabinet | Selwyn Thompson, Director of Financial Services and Councillor Amanda De Ryk, Cabinet | | |

| FORWARD PLAN – KEY DECISIONS | | | | | |
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| | | | Member for Finance and Resources | | |
| | Deptford Neighbourhood Action (DNA) Neighbourhood Forum re-designation decision | 06/10/21 Mayor and Cabinet | Emma Talbot, Director of Planning and Councillor Paul Bell, Cabinet Member for Housing & Planning | | |
| | Building Security and Related Services Award of Contract | 06/10/21 Mayor and Cabinet | Brian Colyer, Head of Facilities Management and Councillor Amanda De Ryk, Cabinet Member for Finance and Resources | | |
| | Borough-Wide Selective Licensing of the private rented sector | 06/10/21 Mayor and Cabinet | Ella McCarthy, Housing Partnership and Insight Manager and Councillor Paul Bell, Cabinet Member for Housing & Planning | | |
| August 2021 | Permission to award principal contractor to carry out refurbishment works to Lewisham Town Hall | 12/10/21 Executive Director for Housing, Regeneration & Environment | Uchenna Forjoe, Project Manager Capital Programmes and Councillor Amanda De Ryk, Cabinet Member for Finance and Resources | | |
| August 2021 | Permission to award principal contractor to carry out refurbishment works to Brockley Rise Adult Learning Centre | 12/10/21 Executive Director for Community Services | Uchenna Forjoe, Project Manager Capital Programmes and Councillor Chris Barnham, Cabinet Member for Children's | | |

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| | | | Services and School Performance | | |
| August 2021 | Lewisham Old Town Hall refurbishment project | 12/10/21 Executive Director for Housing, Regeneration & Environment | Uchenna Forjoe, Project Manager Capital Programmes and Councillor Amanda De Ryk, Cabinet Member for Finance and Resources | | |
| August 2021 | Ladywell S105 Consultation and budget approval | 03/11/21 Mayor and Cabinet | Angela Bryan, Strategic Development Officer and Councillor Paul Bell, Cabinet Member for Housing & Planning | | |
| August 2021 | Endorsement of the Lewisham Biodiversity Partnership's - A Natural renaissance for Lewisham (2021-26) | 03/11/21 Mayor and Cabinet | Eszter Wainwright-Deri, Ecological Regeneration Manager and Councillor Patrick Codd, Cabinet Member for Environment & Transport | | |
| April 2021 | GLA Affordable Housing Grant 2021-26 | 03/11/21 Mayor and Cabinet | Karen Barke, Head of Strategic Development and Councillor Paul Bell, Cabinet Member for Housing & Planning | | |
| August 2021 | NCIL borough recommendations for funding | 03/11/21 Mayor and Cabinet | James Lee, Director of Communities, Partnerships and Leisure and Councillor Paul Bell, Cabinet Member for Housing & Planning | | |

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| August 2021 | Lewisham Assemblies Programme - A Future Lewisham Approach | 03/11/21 Mayor and Cabinet | James Lee, Director of Communities, Partnerships and Leisure and Councillor Kim Powell, Cabinet member for Business and Community Wealth Building | | |
| August 2021 | Adults "Core" Substance Misuse Contract Award | 03/11/21 Mayor and Cabinet | Iain McDiarmid and Councillor Chris Best, Cabinet Member for Health and Adult Social Care | | |
| | Post consultation report recommending making of an Article 4 Direction, covering Deptford High Street and St Paul's Church CA | 03/11/21 Mayor and Cabinet | Joanna Ecclestone, Senior Conservation Officer and Councillor Paul Bell, Cabinet Member for Housing & Planning | | |
| | Compulsory Purchase Order application for 2 - 30A Reginald Road | 03/11/21 Mayor and Cabinet | James Ringwood, Housing Delivery Manager and Councillor Paul Bell, Cabinet Member for Housing & Planning | | |
| | Lewisham and Lee Green Low Traffic Neighbourhood: Consultation report and next steps | 03/11/21 Mayor and Cabinet | Louise McBride, Head of Highways & Transport and Councillor Patrick Codd, Cabinet Member for Environment & Transport | | |

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| | Supported housing and floating support permissions to award contracts | 03/11/21 Mayor and Cabinet | Sarah Miran, Commissioning Manager and Councillor Chris Best, Cabinet Member for Health and Adult Social Care | | |
| | Approval to Tender works to refurbish the former Catford Constitutional Club | 03/11/21 Mayor and Cabinet | Sandra Plummer, Senior Project Manager and Councillor Paul Bell, Cabinet Member for Housing & Planning | | |
| August 2021 | Broadway Theatre Principle Contractor award contract | 15/11/21 Executive Director for Community Services | Petra Marshall, Community Resources Manager and Councillor Andre Bourne, Cabinet member for Culture | | |
| | Scheme of Polling Stations for 2022 Elections | 24/11/21 Council | Jamie Baker, Electoral Services Manager and Councillor Kevin Bonavia, Cabinet Member for Democracy, Refugees & Accountability | | |
| | Textiles contract award | 08/12/21 Mayor and Cabinet | Luke Ellis, Support and Engagement Officer Strategic Waste and Environment and Councillor Patrick Codd, Cabinet Member for Environment & Transport | | |
| October 2019 | Mayow Road Supported Living Service Parts 1 & 2 | 08/12/21 Mayor and Cabinet | Heather Hughes, Joint Commissioner, Learning | | |

| FORWARD PLAN – KEY DECISIONS | | | | | |
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| | | | Disabilities and Councillor Chris Best, Cabinet Member for Health and Adult Social Care | | |
| August 2021 | Appointment of Principal Contractor for Broadway Theatre Refurbishment | 08/12/21 Mayor and Cabinet | Claudia Lynch, Project Officer Capital Programme Delivery and Councillor Andre Bourne, Cabinet member for Culture | | |
| August 2021 | Financial Monitoring 2021-22 | 08/12/21 Mayor and Cabinet | Selwyn Thompson, Director of Financial Services and Councillor Amanda De Ryk, Cabinet Member for Finance and Resources | | |
| | Award of Contract for Day Services for Older Adults | 08/12/21 Mayor and Cabinet | Heather Hughes, Joint Commissioner, Learning Disabilities and Councillor Chris Best, Cabinet Member for Health and Adult Social Care | | |
| August 2021 | Mountsfield Park Café (design, build and operate) award for a new café at Mountsfield Park. | 12/01/22 Mayor and Cabinet | Vince Buchanan, Green Spaces Contracts Manager and Councillor Sophie McGeevor, Cabinet Member for Environment and Transport (on parental leave) | | |
| August 2021 | Council Tax Base | 12/01/22 | Katharine Nidd, Strategic | | |

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| | | Mayor and Cabinet | Procurement and Commercial Services Manager and Councillor Amanda De Ryk, Cabinet Member for Finance and Resources | | |
| August 2021 | Endorsement of the A21 Framework | 12/01/22 Mayor and Cabinet | Monique Wallace, Planning Manager, Strategic Housing and Councillor Paul Bell, Cabinet Member for Housing & Planning | | |
| | Learning Disabilities Framework - Award of Contracts & related contract extensions) for LDF2 | 12/01/22 Mayor and Cabinet | Joanne Lee, Contracts Monitoring Officer and Councillor Chris Best, Cabinet Member for Health and Adult Social Care | | |
| August 2021 | Main Grants Programme 2022-25 recommendations for funding | 02/02/22 Mayor and Cabinet | James Lee, Director of Communities, Partnerships and Leisure and Councillor Kim Powell, Cabinet member for Business and Community Wealth Building | | |
| August 2021 | Council Budget 2022-23 | 02/03/22 Council | Kathy Freeman, Executive Director for Corporate Resources and Councillor Amanda De Ryk, Cabinet Member for Finance and Resources | | |

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