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Overview and Scrutiny

Public Accounts Select Committee Agenda

7.00 pm, Thursday, 21 September 2023
Civic Suite, Lewisham Town Hall, London SE6 4RU

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

Item		**Pages**
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6.	Treasury management strategy (mid-year review) **Please note** that this report is due to be considered at Mayor and Cabinet on 20 September 2023.	65 – 101
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The public are welcome to attend committee meetings. However, occasionally, committees may have to consider some business in private. Copies of reports can be made available in other formats upon request

Public Accounts Select Committee Members

Members of the committee, listed below, are summoned to attend the meeting to be held on Thursday, 21 September 2023.

Jeremy Chambers, Monitoring Officer
Wednesday, 13 September 2023

Members	
Councillor James Rathbone	
Councillor Billy Harding	
Councillor Mark Ingleby	
Councillor Eva Kestner	
Councillor Aisha Malik-Smith	
Councillor Joan Millbank	
Councillor Susan Wise	
Councillor Rudi Schmidt (ex-Officio)	
Councillor Ese Erheriene (ex-Officio)	

Minutes of the Public Accounts Select Committee

Wednesday, 28 June 2023 at 7.00 pm

In attendance: Councillors James Rathbone, Billy Harding, Mark Ingleby, Eva Kestner and Aisha Malik-Smith

Also joining the meeting virtually: Councillors Joan Millbank and Susan Wise

Also present: Timothy Andrew (Scrutiny Manager), David Austin (Director of Corporate Services), Kathy Freeman (Executive Director for Corporate Resources), Nick Penny (Head of Service Finance) and Katharine Nidd (Director of Finance)

NB: Those Councillors listed as joining virtually were not in attendance for the purposes of the meeting being quorate, any decisions taken or to satisfy the requirements of s85 Local Government Act 1972

1. Election of the Chair and Vice-Chair

1.1 Members were invited to agree the Chair and Vice-Chair of the Committee.

1.2 **Resolved**: that Councillor Rathbone should be Chair of the Committee – and that Councillor Harding should be Vice-Chair.

2. Minutes of the meeting held on 16 March 2023

2.1 **Resolved**: that the minutes of the meeting held on 16 March 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 outturn report 2022-23

5.1 Nick Penny (Head of Service Finance) introduced the report – setting out key areas of overspending and pressures at the end of the 2022-23 financial year in the general fund, housing revenue account and dedicated schools grant.

5.2 Nick Penny, Kathy Freeman (Executive Director for Corporate Resources) and Katherine Nidd (Director of Finance) responded to questions from the Committee – the following key points were noted:

- Adult social care still needed to deliver some savings in this financial year – which, when delivered, would complete the Newton savings programme. Improvements to ways of working adult social care should also result in further savings in future financial years. The programme had changed the culture within the directorate.

- All of the refunds required from Thames Water had been processed – which had reduced the levels of debt owed.
- There was a challenge in legal services as a result of workloads – which required some work to be commissioned from external providers (and created a cost pressure)
- The Council was actively pursuing Council tax debts – but this had to be balanced with sensitivity regarding individual cases.
- There were changes being made to the arrears process for Council tax in response to the cost of living crisis. This would communicate and highlight the support available earlier in the collections process.
- Further information would be provided on the level of debt that triggered enforcement activity.
- Most of the debt collection work was carried out by the in-house enforcement team – although some difficult to recover debts were contracted out for external enforcement.
- Consideration was given to debtors' ability to pay – which was used to inform the process for enforcing debts.
- More information could be provided on the numbers of people who were unable to pay as opposed to the numbers of people who it was believed were unwilling to pay.
- Work had taken place to align revenues and benefits teams at the Council but the levels of staffing in these teams had remained broadly similar.
- Further information would be provided on the relationship between spending to collect debts through enforcement activity and the value of the funds that could reasonably be recovered from this activity.
- The debtors team were proactive in chasing debts from adult social care. However, this was an area in which debts were increasing.
- The finance team were confident that adult social care was giving consideration to the recovery of debt – but it was a challenging area to enforce.
- A number of funds made up the £39m of 'corporate items' held by the Council (including: corporate risks and pressures, capital financing items to cover interest payments for external borrowing, interest earned on cash balances, capital financing charges, inflation budgets, growth budgets for service pressures held centrally, levies, pension and redundancy costs) these were reasonably static (with the exception of recent changes in income from interest payments)
- Funding moved both in and out of the reserves each financial year.
- The anticipated net movement in the Council's usable reserves in 2022-23 was expected to be £5m. The Council was in the process of closing the accounts – after which a clearer total could be provided.
- More work was required to estimate the level of likely overspending in the dedicated school grant in the coming years.
- Work had been commissioned by the Department for Education with Newton to work with councils to manage dedicated school grant deficits.

5.3 In Committee discussions – the following key point was also noted:

- Members would welcome a further breakdown of funds held in the 'corporate items' budget in future reports.

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

6. Financial forecasts

6.1 Nick Penny introduced the report – noting the projected £12m of budget pressures (in spite of funding for inflation, staffing costs and energy price rises). Nick also highlighted the three specific areas in which there were significant pressures (children's social care, adult social care and nightly paid accommodation)

6.2 Nick Penny, Kathy Freeman and Kathy Freeman responded to questions from the Committee – the following key points were noted:

- The housing revenue accounts reserves were just under £10m (which was the minimum requirement)
- A conclusion had not been reached on interest free period for the arrears owed by leaseholders for historic works.
- Some of the bills owed by leaseholders were from previous financial years (and the value of some was still disputed). In future, there was an expectation that bills would be issued in advance and adjusted in retrospect.
- There was consideration being given in the budget setting for 2024-25 to meet the demand from nightly paid accommodation.
- The service was working to become less reliant on private sector landlords. One way was through the housing acquisition programme.
- It was intended that the move of Lewisham Homes in house would help with financial management. This would take longer than the current financial year.
- There was competition for nightly paid accommodation from a number of sources. This was one of the reasons that Capital Letters was established – to control the costs of nightly paid accommodation and reduce competition between local authorities. Officers had not seen competition from the Home Office for properties in the borough.
- Prior year savings in adult social care were tied in with the Newton programme. Some of these had been delayed – but there was confidence that they could be delivered.
- It was expected that there may be some challenges in terms of delivery of savings as the year progressed.

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

7. Medium term financial strategy

7.1 Katherine Nidd introduced the report – noting uncertainties and pressures in the current financial climate as well as the savings required to balance the Council's budget. It was anticipated that no savings would be required in the coming financial year – which provided the opportunity for the Council to pause - and to stabilise its budgets as well as to consolidate the delivery of existing savings. More information was expected in the Autumn budget and the December local government financial settlement.

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

- Sensitivity testing on the different budget scenarios had shown that the different cases were similar.
- There was no single risk that would have a significant impact – however- it would be challenging if assumptions in multiple areas turned out to be inaccurate.
- Given the numbers of caveats and uncertainties – the optimistic case in the strategy was very prudent.
- There were plans to change the funding settlement for local government through the ‘fair funding reform’ changes – Government had consulted on this but had not put forward any changes.
- Some assumptions had been made about potential drops in the revenue services grant as a result of the reforms.
- There were a number of London-wide forums for councils to discuss financial issues – including one for discussions around medium term financial strategies.
- Lewisham had made similar assumptions to other authorities regarding the general financial climate – but there were differences in assumptions regarding council tax collection rates.
- There was an expectation that funding reforms would move money out of cities.
- Census projections for Lewisham were lower than anticipated – which presented a risk for financial forecasting.
- There was additional time this year (due to the pause in the requirement for cuts proposals) to consider the cuts proposals for future years – there was not a current timetable for the development of future proposals.
- Work had to take place to deliver the proposals that had already been identified – without which the Council would not be on a firm financial footing for future years.
- It was intended to develop a choice of savings options for future on which to consult members.

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

- That Lewisham was in a comparatively good place in relation to other authorities. It was also noted that the financial climate was very volatile.

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

8. Select Committee work programme

8.1 The Committee discussed its work programme.

8.2 The Committee placed on record its thanks to Kathy Freeman (Executive Director for Corporate Resources) who was leaving Lewisham.

8.2 **Resolved**: the Committee agreed its work programme – removing the Audit Panel update and the information item on the Asset Strategy.

The meeting ended at 8:30

Chair: --

Date: --

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Public Accounts Select Committee

Declarations of Interest

Date: 2023-24

Key decision: No

Class: Part 1 (not restricted)

Ward(s) affected: All (none specific)

Contributor: Jeremy Chambers (Director of Law and Corporate 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. Jeremy Chambers, Director of Law and Corporate Governance - Jeremy Chambers@lewisham.gov.uk, 020 83147648

Public Accounts Select Committee

Financial Monitoring 2023/24

Date: Thursday 21st September 2023

Key decision: No

Class: Part 1

Ward(s) affected: None Specific

Contibutors: Executive Director for Corporate Resources

Outline and recommendations

This report presents the financial monitoring position for the 2023/24 financial year, setting out the position as at 31 July 2023.

The report covers the latest position on the Council's General Fund, Dedicated Schools Grant, Housing Revenue Account, Collection Fund and Capital Programme. It also provides an update on the progress against savings delivery.

The Council-wide financial forecast for General Fund activities is showing a £13.5m overspend after the commitment of £10m from corporate provisions and reserves, consistent with the change in MTFS approach approved in July. On a like for like basis this is an adverse movement of £11.1m since Period 2, primarily in the areas of temporary accommodation, children's social care and legal services. The position assumes delivery of £16m of the £20.2m savings programme for 2023/24.

The Dedicated Schools Grant is expected to overspend by £5m on the High Needs block due to the level of demand exceeding the funding available.

The Housing Revenue Account is projecting an overspend of £6.4m due to the volume and value of repairs and maintenance works exceeding the budgeted level.

Capital expenditure profiles of £72.7m for the general fund and £121.4m for the Housing revenue account have been set following a reprofiling exercise undertaken in July 2023. To date £2.5m or 3% of the general fund expenditure and £12.9m or 11% of the HRA expenditure has been incurred, as at the 31 July.

At the 31 July, 34.3% of council tax due had been collected which is (1.3% or £2.3m) below the targeted level, at the same date, 44.4% of business rates due had been collected which remains (0.6% or £0.3m) below the targeted level.

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

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Timeline of engagement and decision-making

13th September – Period 4 (July) Financial Monitoring 2023/24 to Executive Management Team

21st September – Period 4 (July) Financial Monitoring 2023/24 to Public Accounts Select Committee

1st November - Period 4 (July) Financial Monitoring 2023/24 to Mayor and Cabinet

1.0 EXECUTIVE SUMMARY

1.1 This report sets out the financial forecasts for 2023/24 as at 31 July. The key areas to note are as follows:

1.2 The General Fund (GF) has a forecast overspend of £13.5m against the directorates' net general fund revenue budget, after utilising £2m of corporate funding set aside to fund costs arising from the Fair Cost of Care reform and £10m from corporate provisions and reserves, consistent with the change in MTFS approach approved in July. On a like for like basis this is an adverse movement of £11.1m since Period 2, primarily in the areas of temporary accommodation, children social care and legal services.

1.3 The GF reported position assumes delivery of £5.1m of the £7.6m legacy savings from 2023/23 or earlier. The position also assumes £10.9m of the £12.6m new savings for 2023/24 are delivered, if these savings cannot be delivered, this will worsen the reported position.

1.4 A risk section has been prepared highlighting areas of concern that may become a financial pressures as the year continues, work is ongoing to monitor these risks for future iterations of the report. This is set out in more detail in section 11 of the report.

1.5 The dedicated schools grant (DSG) is projected to overspend by £5m on the high needs block, this is set out in more detail in section 13 of the report.

1.6 The Housing Revenue Account (HRA) is projected to overspend by £6.4m due to the volume and value of repairs and maintenance works exceeding the budgeted level, this is set out in more detail in section 14 of the report.

1.7 The capital budgets have been reprofiled in July 2023. The profiled capital expenditure for the general fund capital programme is £72.7m and £121.4m for the HRA capital programme. This is set out in more detail in section 15 of the report.

1.8 As at 31st July, 34.3% of council tax due had been collected which remains (1.3% or £2.3m) adrift of the targeted level. At the same date, 44.4% of business rates due had been collected which remains (0.6% or £0.3m) adrift of the targeted level. This is set out in more detail in section 16 of the report.

2.0 PURPOSE AND RECOMMENDATIONS

2.1 The purpose of this report is to set out the financial forecasts for 2023/24 as at the end of July 2023, projected to the year-end, 31 March 2023.

2.2 Members of the Public Accounts Select Committee are asked to: Note the current financial forecasts for the year ending 31 March 2024 and that Executive Directors will continue to work in bringing forward action plans to manage down budget pressures within their directorates.

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3.0 POLICY CONTEXT

3.1 The Council's strategy and priorities drive the budget with changes in resource allocation determined in accordance with policies and strategy. This report aligns with Lewisham's Corporate Priorities, as set out in the Council's Corporate Strategy (2022-2026):

- Cleaner and Greener
- A Strong Local Economy
- Quality Housing
- Children and Young People
- Safer Communities
- Open Lewisham
- Health and Wellbeing

3.2 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 growing number of borough residents. The Council's strategy and priorities drive the Budget with changes in resource allocation determined in accordance with policies and strategy.

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

3.4 This joint endeavour helps work through complex challenges, such as the pressures faced by health and social care services, and to secure investment in the borough for new homes, school improvements, regenerating town centres, 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 increase housing supply and business growth, through to our programmes of care and support to some of our most vulnerable and troubled families.

3.5 The pace, scope and scale of change has been immense: the current cost of living crisis is demanding agility, creativity, pace, leadership, organisational and personal resilience, strong communications and an unerring focus on the right priorities. The service and finance challenges following Covid are now blending with the wider economic implications of a decade of austerity and erosion of public services, the trading changes arising from Brexit, and the impacts from other global events (e.g. war in Ukraine and extreme climate events, etc..) on supply chains and inflation levels.

3.6 While we do not yet fully understand what all of the long-term implications of the above will mean for the borough, there have been many clear and visible impacts on our residents, Lewisham the place and also the Council. We know that coronavirus 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.

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4.0 GENERAL FUND POSITION

4.1 The Council is reporting an overspend on general fund activities of £13.5m as shown in the table below:

Table 1 – General Fund Outturn Position for 2023/24

Directorate	Net Budget	Net Forecast	Period 4 Variance	Period 2 Variance	Movement Period 2 v Period 4
	£m	£m	£m	£m	£m
Children and Young People	75.2	86.6	11.4	7.8	3.6
Communities	85.4	86.4	1.0	1.0	0.0
Place and Housing	27.7	37.7	10.0	3.0	7.0
Corporate Resources	37.8	37.0	(0.8)	0.0	(0.8)
Chief Executive	11.2	13.1	1.9	0.6	1.3
Directorate Total	**237.4**	**260.9**	**23.5**	**12.4**	**11.1**
Corporate Items	26.3	26.3	0.0	0.0	0.0
Corporate Reserves	0.0	(10.0)	(10.0)	0.0	(10.0)
General Fund Total	**263.7**	**277.2**	**13.5**	**12.4**	**1.1**

4.2 The above positions assumes energy costs and the impact of the staff pay award can be managed within the funding set aside for these corporately, if this is not the case this will worsen the position reported above. £2m of Corporate funding held within corporate items is being utilised to bring down the Adult Social Care pressure as the funding has been held to meet the 2023/24 financial impact of the fair cost of care reform. A further £10m has been committed from corporate provisions and reserves, consistent with the change in MTFS approach approved in July. The reported position does not include the financial impact of any of the risks set out in Section 11 of this report.

4.3 There is a £11.1m adverse movement on the Directorate's monitoring position since Period 2, as detailed below:

Children and Young People: £3.6m adverse movement on Children's Social Care, including costs arising from the development of new social workers as part of the services long term sufficiency and service improvement strategy. There is also additional placement costs due to the level of high needs placements in comparison to 2022/23.

- **Place and Housing:** £7m increase in the projected cost of nightly paid services as there continues to be an increase in the number of people requiring the service, people are remaining in the accommodation longer due to challenges moving them into suitable permanent accommodation and the cost of securing and maintaining arrangements also continues to increase as find new housing and retaining supply continues to be a challenge.
- **Corporate Resources:** £0.8m favourable movement since Period 2, a £0.5m projected underspend on concessionary fares, £0.2m as a result of a reduction in supported accommodation costs in Residents and Business Services and £0.1m staffing underspend within Assurance.
- **Chief Executive:** £1.3m adverse movement since Period 2 due to the projected expenditure on Legal Services for general fund work undertaken across the council.

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4.4 The £11.1m adverse movement on Directorate net expenditure is largely negated by £10m of reserves funding, which has been set aside to provide in year pressures funding which will be added to the base budget in 2024/25.

4.5 London Council's recently undertook a survey across the 33 London Boroughs, of the 24 boroughs that responded (including Lewisham), 22 are reporting an overspend on general fund services. The average Quarter 1 (June) overspend for the boroughs who responded was 3.4% of the total budget, the Lewisham overspend at Period 4 is 5% after the application of corporate funding.

5.0 SAVINGS DELIVERY

5.1 At the start of 2023 there were £7.6m of savings from 2022/23 (and older) which remain undelivered. These are shown in Appendix A of this report, an assessment of the expected delivery of these savings has been made and is reflected in the above monitoring position. The Children's Social Care savings are being reviewed on a line by line basis to assess if these savings have been delivered, but that demand and the cost of current placements has negated the financial impact of the delivery. If any of the £2.5m savings have not yet been and can be delivered in 2023/24, this will improve the reported position above.

5.2 In addition to these legacy savings, £12.6m of savings were agreed as part of the budget setting process. At this stage it is assumed that £10.9m of these will be achieved as part of the above budget monitoring position, should this not be the case then the reported pressure will worsen. Again, the Children's Social Care savings are being reviewed, as detailed above, these are shown in appendix B of this report.

5.3 The tables below show the savings per Directorate and the current projected saving delivery for 2023/24, which is part of the monitoring position detailed in Section 4.

Table 2 – Savings to be delivered in 2023/24

Savings to be delivered by Directorate	2022/23 (and Older)	2023/24	Totals
	£m	£m	£m
Children & Young People	2.5	2.3	4.8
Community Services	4.2	3.2	7.4
Place and Housing	0.1	3.3	3.4
Corporate Resources	0.8	0.3	1.1
Chief Executives	0.0	0.8	0.8
Corporate Items/All	0.0	2.8	2.8
Totals	**7.6**	**12.6**	**20.2**

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Table 3 – Savings Programme delivery status

Savings Programme by Directorate	Savings to be delivered	Expected Delivery	Shortfall
	£m	£m	£m
Children & Young People	4.8	1.0	3.8
Community Services	7.4	7.2	0.2
Place and Housing	3.4	3.4	0.0
Corporate Resources	1.1	1.1	0.0
Chief Executives	0.8	0.6	0.2
Corporate Items/All	2.8	2.8	0.0
Totals	**20.2**	**16.0**	**4.2**

6.0 CHILDREN AND YOUNG PEOPLE DIRECTORATE

6.1 **Children's Social Care:** The Projected outturn for 2023/24 is £9.1m, an adverse movement of £3.6m since Period 2, which was based on the draft outturn for 2022/23.

- Workforce £0.5m overspend: There is a pressure of £0.5m on staff related costs due to costs arising from the development of new social workers as part of the services long term sufficiency strategy and implementing OFSTED recommendations in the Emergency Duty team from November 2022.
- Placements £6.8m overspend: The placements pressure in 2022/23 was £4.4m, the increase since then (despite the number of children supported being relatively stable) is due to the cost per child. Through the increased preventative work the service has led, the net reduction in residential placements achieved the previous year has been maintained, but the level of need for those requiring such placements has increased and there has been difficulty in finding appropriate placements due to challenges in the national residential market as identified in last year's national review of Children's Social Care. As such more bespoke placements have had to be created which can be very expensive. One of the key drivers for cost is staff ratios, negotiations with providers often lead to the provider mandating much higher staffing levels than we would recommend in order for them to accept the placement. If we do not agree to the ratios, we risk the placement being lost and alternatives are challenging to find and more costly.
- Remainder of the Service £1.8m overspend: This relates to other expenditure supporting Section 17, Non Recourse to Public Funds and Other expenditure and expenditure is in line with the level incurred during 2022/23.

6.2 The directorate have been working towards more intervention and support strategies, this involves improved commissioning work with the PAN London Commissioning Alliance to secure more favourable rates and work undertaken to create alternative capacity such as the Amersham and Northover in house provision as well as further support offered to parents and young people. Further opportunities similar to this are being sought, however these are medium to long term solutions.

6.3 As these actions embed, the expectation is for a stabilisation in placement numbers and costs with a focus in the longer term of working towards a reduction in the cost base. However, there is a risk this reduction will be offset by increased costs associated with early intervention and support work including staffing and section 17 intervention such as mental health, legal etc.

6.4 The service as part of the high cost panel review process, considers all young people with

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an endeavour to limit their stay in high cost provision and also where appropriate secure funding from partner organisations. The aim is to find alternative placements within a 3 to 4 month timeframe, however this is not always possible. Following amendments to the care planning placement and case review regulations, it has been illegal to place children under 16 years of age in unregulated placement. This ban came into force from the 9th September 2021, after a government consultation on the reform for unregulated provision. This is a significant driver behind the increased cost per child that the market are demanding.

6.5 This work is aimed at further reducing the number of Children Looked After (CLA's), in July 2022 there were 463 CLA's compared to 432 CLA's in July 2023. This reduction is positive and reflects the work being undertaken by the service, however children entering the social care system have a high level of need meaning a higher cost, reflecting the change of focus. For context, a pupil costing £0.010m a week, will cost £0.5m per annum. Whilst the focus moves towards early intervention and support, this service remains high risk statutory and regulated.

6.6 The average Quarter 1 (June) overspend for the boroughs who responded was 5% for Children's Social Care.

6.5 **Education Services:** £2.8m pressure assumed at this stage of the year, this is the residual pressure on home to school transport of £1.2m (after £1.5m of corporate pressures funding, added to the budget in 2023/24), £1m pressure on Children with complex needs which has emerged as a pressure since the budget setting process for 2023/24 and £0.6m pressure on Education Psychologists due to the continued increasing numbers of Education, health and care plans (EHCP's). The new academic year will bring further demand for EHCP's, an estimate of this demand has been built into the forecasts but will be revised in October/November once the impact of the new academic year is realised. The average Quarter 1 (June) overspend for the boroughs who responded was 4.7% for Education Services.

6.6 **Family, Quality and Commissioning:** £0.5m underspend due to service redesign in relation to Children and Adolescent Mental Health Service (CAMHS) and additional grant funding in the Youth Offending Service. The service is currently undergoing a period of transition and transformation as it works towards the intervention and support model. The service has benefited from new government initiatives including the Family support grant.

6.4 The table below shows the reported position at Period 4 compared to Period 2:

Table 4 – Children and Young People's Forecast Position

Directorate	Net Budget	Net Forecast	Period 4 Variance	Period 2 Variance	Movement Period 2 v Period 4
	£m	£m	£m	£m	£m
Children's Social Care Services	53.6	62.7	9.1	5.5	3.6
Education Services	15.5	18.3	2.8	2.8	0.0
Schools	(2.5)	(2.5)	0.0	0.0	0.0
Families, Quality and Commissioning	8.1	7.6	(0.5)	(0.5)	0.0
Executive Director, Provisions & Reserves	0.5	0.5	0.0	0.0	0.0
Directorate Total	**75.2**	**86.6**	**11.4**	**7.8**	**3.6**

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7.0 COMMUNITY SERVICES DIRECTORATE

7.1 **Adult Social Care and Commissioning:** £1m forecast overspend at Period 4, unchanged from Period 2. This position assumes the achievement of £7.2m of the £7.4m savings programme for 2023/24, including those carried forward from previous years. The underlying reason for the overspend remains hospital discharges, which continue to show a post pandemic surge, with discharged clients being moved onto longer term packages and some requiring more complex support. The council is receiving funding from our Health partners to help mitigate this pressure and known funding has been assumed within the current projection.

7.2 The projected level of pressure on Adult Social Care is £3m, this takes into account anticipated health funding in 2023/24, as well as assumed delivery of the savings detailed in appendix A & B, as well as assumptions around inflation. There is £2m of corporate funding held to manage the financial impact of the Fair Cost of Care reform which brings the reported pressure down to £1m.

7.3 There is a risk that the cost of children transitioning to adulthood exceeds the additional funding provided to cover these costs. The service are working with colleagues in Children's Social care to plan for children who are likely to require an adult care package in the future. The average Quarter 1 (June) overspend for the boroughs who responded was 5.2% for Adult Social Care.

7.4 The table below shows the reported position at Period 4 compared to Period 2:

Table 5 – Communities Forecast Position

Directorate	Net Budget	Net Forecast	Period 4 Variance	Period 2 Variance	Movement Period 2 v Period 4
	£m	£m	£m	£m	£m
Adult Social Care & Commissioning	71.4	72.4	1.0	1.0	0.0
Public Health	0.0	0.0	0.0	0.0	0.0
Communities, Partnerships & Leisure	14.0	14.0	0.0	0.0	0.0
Culture, Learning & Libraries	0.0	0.0	0.0	0.0	0.0
Directorate Total	**85.4**	**86.4**	**1.0**	**1.0**	**0.0**

8.0 PLACE AND HOUSING

8.1 **Strategic Housing:** £9m pressure reported at Period 4, compared to £2m at Period 2, the adverse movement of £7m is on Temporary Accomodation costs (TA), specifically nightly paid accommodation. At July 2023 there are 1,144 people in nightly paid services compared to 764 in April 2021 and 985 in April 2022, there is an increase of 64 since April 2023 alone. In addition, people are staying longer in TA as the service is unable to move them on due to the lack of suitable alternative accommodation. The reported pressure is after £3.5m additional budget allocated as part of the budget setting process for 2023/24 and reflects the continuing pressures in rental values as noted in paragraph 8.6 below.

8.2 The main pressure on the service relates to the Housing Benefit (HB) limitation recharge forecast (where rents are in excess of HB caps & limits and are therefore not covered by the department of works and pensions benefit subsidy), which is based on the numbers of

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clients accommodated in TA and more specifically in nightly paid accommodation. The forecast Limitation Recharge for the year is a total of £17.2m which is £6.2m more than the total for 2022/23 and £7.4m more than the budgeted level. This is a key contributor to the reported £9m pressure.

8.3 Arrears on Nightly Paid rental income have increased by £0.5m since the start of the financial year, projecting using a straight-line method would show an increase in arrears of £2m for the year, and an impairment charge of £1.8m which is £1.5m above the budgeted level. This is based on current collection rates which are currently below 90%, but are expected to improve as the year progresses, similar to the 2022/23 pattern of performance which recovered to a 95% collection rate. The current forecast includes an assumption that nightly paid bad debt impairment charged is based on a similar figure as 2022/23 and is set at £0.9m, some £0.6m more than the £0.3m budgeted level. This will be closely monitored and updated as the year progresses.

8.4 The remaining £1.0m pressure is due to £0.4m additional incentive payments over and above the budget level, these payments are made to landlords with the aim of diverting clients away from the more expensive nightly paid accommodation. The remaining £0.6m is due to repairs on the Private Sector Landlord stock exceeding the budgeted level.

8.5 It should be noted that there continues to be pressure from nightly paid landlords with requests to increase or notifications to increase the current rental charge to off-set the increase in utilities and other costs. The IBAA rates which is a pan-London benchmark for target rents for nightly paid accommodation has increased by 10% and is putting pressure on the service via the HB limitation recharge as outlined above and has impacted the current forecast overspend.

8.6 The service is actively seeking to reduce numbers accommodated and is set to embark on the purchase of up to 300 new units for TA following the award of Greater London Authority (RTB) grant and Mayor and Cabinet approval. This will potentially reduce the numbers accommodated in expensive nightly paid (B&B) accommodation which receive the highest HB limitation recharge at 70% of the total. The service are seeking to minimise the use of the most expensive nightly paid provider as far as possible and when there is no alternative to using these properties, move people out as quickly as possible. Work is ongoing to maximise rent income collected and reduce arrears as well as working to place clients in accommodation that is more affordable and where the HB limitation recharge is either zero or lower than where we are currently placing clients. A reduction in numbers in nightly paid accommodation would see a reduction in the HB limitation recharge.

8.7 Moving tenants into long term accommodation has become more and more challenging over recent years, the average length of TA tenancies ending in the last year was 1.5 years however when we factor in TA tenants changing address, the average length of stay goes up to 2 years and when we factor in tenants who have been in TA for many years and not left, we estimate that the true average length of stay is closer to 3 years. It should be noted that the number of new tenancies has reduced significantly over recent years, from a high of c1100 in 2019, to 800 in 2021 and 600 in 2022, this suggests that the cost increase is driven by the length of stay and cost of housing as oppose to new entrants to the system.

8.8 The average Quarter 1 (June) overspend for the boroughs who responded was 17%.

8.9 There is a significant risk this will increase further as the year progresses, using the same percentage increase that was seen in the recharge for 2022/23 (which was a movement of 20% between the start and the end of the year), the current forecast would worsen by a further £0.6m. The potential transfer of Milford Towers from the Housing Revenue Account (HRA) to the General Fund would worsen the reported position by a further £1m, meaning there is the potential for the position to worsen by £1.6m, as shown in section 11.

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8.10 **Public Ream:** £1m pressure on Street Environmental Services, due to operational costs in refuse collection and street management. The service are working to manage these costs down in this and the next financial year, an example of which is making changes to mobile crews which will reduce costs but will take time to fully implement.

8.11 The table below shows the reported position at Period 4 compared to Period 2:

Table 6 – Place and Housing Forecast Position

Directorate	Net Budget	Net Forecast	Period 4 Variance	Period 2 Variance	Movement Period 2 v Period 4
	£m	£m	£m	£m	£m
Public Realm	18.5	19.5	1.0	1.0	0.0
Planning	1.1	1.1	0.0	0.0	0.0
Strategic Housing	8.4	17.4	9.0	2.0	7.0
Inclusive Regeneration	(0.5)	(0.5)	0.0	0.0	0.0
Housing, Regeneration & Public Realm Reserves & Provisions	0.2	0.2	0.0	0.0	0.0
Directorate Total	**27.7**	**37.7**	**10.0**	**3.0**	**7.0**

9.0 CORPORATE RESOURCES DIRECTORATE

9.1 A £0.8m underspend is reported on the Corporate Resources directorate at Period 4, an improvement of £0.8m since Period 2. The £0.3m of service underspend is due to £0.1m of staffing vacancies in the Assurance service and £0.2m of underspend on supported accomodation within Residents and Business services.

9.2 The concessionary fares budget is held within Corporate Resources but is shown on a separate line reflecting that this is not expenditure that the service can influence. The expenditure is based on the number of people travelling on public transport who are eligible for free or discounted travel. It is expected that the expenditure in 2023/24 will be £0.5m less than the budgeted level.

9.3 The table below shows the reported position at Period 4 compared to Period 2:

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Table 7 – Corporate Resources Forecast Position

Directorate	Net Budget	Net Forecast	Period 4 Variance	Period 2 Variance	Movement Period 2 v Period 4
	£m	£m	£m	£m	£m
Resident & Business Services	10.1	9.9	(0.2)	0.0	(0.2)
IT & Digital Services	11.1	11.1	0.0	0.0	0.0
Assurance	2.8	2.7	(0.1)	0.0	(0.1)
Finance	6.1	6.1	0.0	0.0	0.0
Concessionary Fares	8.4	7.9	(0.5)	0.0	(0.5)
Resources Reserve	(0.7)	(0.7)	0.0	0.0	0.0
Directorate Total	**37.8**	**37.0**	**(0.8)**	**0.0**	**(0.8)**

10. CHIEF EXECUTIVES DIRECTORATE

10.1 **Legal Services:** At Period 4, Legal Services are projecting expenditure of £1.9m over and above the budget. The pressure is due to agency expenditure to deliver Social Care legal work (there are challenges recruiting in this area) and the level of workload, there are also cost pressures on property legal as well the more complex Capital development schemes, this includes disputes, contract drafting, advice on grants/structuring/tax VAT/grant regimes.

10.2 The table below shows the reported position at Period 4 compared to Period 2:

Table 8 – Chief Executive Forecast Position

Directorate	Net Budget	Net Forecast	Period 4 Variance	Period 2 Variance	Movement Period 2 v Period 4
	£m	£m	£m	£m	£m
Communications & Engagement	2.7	2.7	0.0	0.0	0.0
Law & Corporate Governance	5.8	7.7	1.9	0.6	1.3
People & Organisational Development	2.7	2.7	0.0	0.0	0.0
Directorate Total	**11.2**	**13.1**	**1.9**	**0.6**	**1.3**

11. GENERAL FUND RISKS

11.1 Below is a list of potential risks, some of which are being worked through and quantified for 2023/24.

11.2 **Council Tax (Council Wide):** Collection rates for Council Tax may be impacted due to the challenging economic times, especially if unemployment rises significantly. This would put income budgets under pressure, a 1% reduction in collection rates compared to the budgeted level of income is £1.5m.

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11.3 **Temporary Accommodation:** The reported pressure is based on the current level of service users continuing for the remainder of 2023/24. A key contributor to the pressure is the increase in the limitation recharge due to the increase in nightly paid service users (64 between April and July 2023), using the same percentage increase that was seen for the final 8 months of 2022/23 (which was a movement of 20% between the start and the end of the year), there is a risk of a further £0.6m adverse movement. There is also the risk of a £1m pressure for the potential transfer of Milford Towers from the HRA to the general fund, meaning the current forecast could worsen by a further £1.6m.

11.4 **Energy Care Homes:** There is a risk of an increased ask from Care Homes for inflation in both Adults and Children's Social Care due to the energy tariff price increases and wage increases across the sector, inflation requests for 2023/24 are still being worked through by the services.

11.5 **Planning:** The land charges function will be moving to the land registry this year, this migration is likely to affect the level of income received by the Council with the potential risk estimated at £0.1m.

11.6 **Collection Fund:** Collection rates for Business rates may be impacted due to the challenging economic times, which will put income budgets under pressure, especially if unemployment rises significantly.

11.7 **Market failings for Children Social Care placements:** The impact of reduced availability of adequate provision and a cost increase for the provision that is available.

11.8 **General inflationary costs:** The impact of general inflation (CPI currently 7.9% in June 2023) on the £200m of goods and services procured each year by the Council (revenue) and £200m planned capital programme spend. The known impact of this is reflected in the reported position above, however as costs continue to increase further pressures may emerge.

11.9 **Cost of capital programme slippage and inflation:** Costs which are then borne in full in year on revenue budgets rather than being capitalised over the life of the asset or which are changing as schemes are brought forward that exceed the original budget assumptions, potentially requiring revenue funds to be diverted away from service budgets.

11.10 **Pension Fund:** The annual monitoring between valuations may poses a financial risk to the council.

12. CORPORATE PROVISIONS and RESERVES

12.1 The tables below provide more detailon the Council's corporate provisions revenue budgets and earmarked reserves positions.

12.2 Collectively these are held for either specific service purposes, centrally held corprorate expenditure or for corporate risks and pressures mitigation.

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Table 9 – Corporate Provisions 2023/24

Corporate Items	£m
Working balances	3.9
Service pressures (Allocated)	6.4
Capital financing (Committed)	14.8
Pension strain (Cost of Restructures)	5.4
Levies (statutory)	2.8
Salary and energy inflation	10.6
Grant risk held centrally	(20.5)
Other risk & pressures	2.9
TOTAL	**26.3**

12.3 The majority of the budgets held are to either meet the Council's revenue cost of financing its capital programme and borrowing, or held for inflationary pressures. The service pressure budgets held centrally have been considered and included within the directorate reporting.

12.4 The 2023/24 opening balances for the Council's corporate earmarked reserves are in table 10 below:

Table 10 – Earmarked Reserves Balances 2023/24

Name of Reserve	Opening Balance 01/04/23 £m
Specific Revenue Earmarked – Corporate	38.1
Specific Revenue Earmarked - Collection Funds	15.0
Specific Revenue Earmarked - Corporate Resources	10.7
Specific Revenue Earmarked – Place	4.4
Specific Revenue Earmarked – Housing	1.7
Specific Revenue Earmarked – Communities	4.5
Specific Revenue Earmarked – CYP	3.0
Specific Revenue Earmarked - Chief Executive	1.1
S31 Covid Business Rates Grant	0.0
Covid Grants	0.5
Sinking Funds (incl PFI)	33.8
Insurance	14.4
Capital Reserves (incl S106)	59.5
Ringfenced Reserves	18.7
General Fund Reserves	**205.4**
Schools Reserves and External Funds	20.1
Total	**225.5**

12.5 The reserves balances are built up via contributions from revenue budgets, either planned or at year end via the carry forward process, or from specific grants or monies received. Unlike provisions these budgets do not recur each year and are therefore once off funding sources.

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13. DEDICATED SCHOOLS GRANT

13.1 The 2023/24 Dedicated Schools Grant (DSG) grant allocation was advised by the Department for Education (DfE) in December 2022 and reported to Schools Forum at the January 2023 meeting. The information provided at that time was the Gross figure before academy recoupement and high needs adjustment, the table below shows the projected outturn position for the DSG for 2023/24 against the funding available.

Table 11 – DSG projected outturn 2023/24

DSG Projected Outturn	Schools Block	Central School Services Block	High Needs Block	Early Years Block	Total DSG Allocation
	£m	£m	£m	£m	£m
Gross Budget	231.0	3.3	76.9	26.3	337.5
In Year Virement	(0.7)	0.0	0.7	0.0	0.0
ESFA Holdback	(47.5)	0.0	(0.4)	0.0	(47.9)
DSG Budget	182.8	3.3	77.2	26.3	289.6
Expenditure	182.8	3.3	82.2	26.3	294.6
Total Spend	182.8	3.3	82.2	26.3	294.6
Variance	**0.0**	**0.0**	**5.0**	**0.0**	**5.0**

13.2 **Schools Block:** £0.7m has been agreed with schools forum to be transferred to support the high needs block and is shown as an in year virement.

13.3 **Central School Services Block:** A balanced position is shown however there has been a reduction in funding nationally over the past 3 years, the figure has been abated by 20% year on year.

13.4 **High Needs Block:** High Needs continues to show a pressure against the available funding. Lewisham has been progressing a mitigation plan and is now working with the DfE as part of the Delivering Better Value initiative. Schools forum has agreed a transfer of £0.7m to support the pressure, however the increase both in demand and inflationary pressures continue to prove challenging. Increased places in many schools including Drumbeat, Watergate and Greenvale have been completed or are near completion, and will provide some welcomed capacity. The service will continue working to bring down the projected pressure of £5m.

13.5 **Early Years Block:** The Early Years block has confirmed the final numbers for 2022/23, there is a clawback of £0.8m leaving an unused balance of £0.8m. The application of this (subject to Schools forum agreement, and not reflected in the numbers above) is proposed to be used to support the high number of early year EHCP pressure on the high needs block, with some funding to support the implementation of the extension of the Early Years Scheme as announced in the spring budget statement.

13.6 Overall the validation of the 2022/23 has noted a significant reduction in pupil numbers taking up the entitlement for the Early Years offer, circa 3% for 3 and 4 year olds and 10% for 2 year olds. This has been reflected in the funding for 2023/24, which has seen an overall reduction in funding of £1.4m, again this remains provisional until the Jan 2024 count. Assuming the position is as forecast, most of the reduction would be mitigated by lower allocations to providers, this will however have implications for budgets centrally managed by the LA, budgets for which are derived as a agreed percentages from actual take up. The financial impact of which is £0.1m.

13.7 The table below shows what the DSG deficit would be at the end of 2023/24, based on the projected outturn position at Period 4.

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Table 12 – DSG Overall Position

DSG Overall	Schools Block	Central School Services Block	High Needs Block	Early Years Block	Total DSG Allocation
	£m	£m	£m	£m	£m
DSG Projected Outturn 2023/24	0.0	0.0	5.0	0.0	5.0
DSG Variance 2022/23	(0.1)	0.0	2.6	0.0	2.5
DSG Variance 2021/22	0.0	0.0	5.4	(1.3)	4.1
DSG Variance Prior Years	(0.3)	0.0	5.0	(0.2)	4.5
Deficit/(Surplus) at end of 2022/23	**(0.4)**	**0.0**	**18.0**	**(1.5)**	**16.1**

14.0 HOUSING REVENUE ACCOUNT

14.1 The table below sets out the current budget for the Housing Revenue Account (HRA) in 2023/24. The reported overspend of £6.4m is due to the forecast level of repairs and maintenance for 2023/24 compared to the budget.

Table 13 – Housing Revenue Account

Housing Revenue Account	Net Budget	Net Forecast	Period 4 Variance	Period 2 Variance	Movement Period 2 v Period 4
	£m	£m	£m	£m	£m
Housing	13.0	12.7	(0.3)	0.0	(0.3)
Lewisham Homes & Repairs & Maintenance	45.6	53.1	7.5	0.0	7.5
Resources	2.1	2.1	0.0	0.0	0.0
Centrally Managed Budgets	(60.7)	(61.5)	(0.8)	0.0	(0.8)
Total	**0.0**	**6.4**	**6.4**	**0.0**	**6.4**

14.2 There is a significant income target from the charging of major works at leaseholder properties of £12.0m, which is based on the General Capital programme allocation of £81.0m, as well as work undertaken in previous financial years. Work undertaken on a leaseholder property will move to billing in advance based on estimates later in the financial year once works are ready to start on site. As at the end of July 2023, a total of £1.2m of charges have been raised to leaseholders, there are ongoing discussions with Lewisham Homes to provide data relating to bills to be raised for prior year's works and ensure that they are raised in financial year 2023/24. Lewisham Homes have advised that there is currently a estimated total of £3.9m of charges to be raised for prior years' work, with additional charges for the current years' programme being worked on. There is a risk that the income raised in 2023/24 may be less than the budget level, currently no income shortfall is included within the above forecast.

14.3 Repairs & Maintenance (R&M) is currently forecast to exceed the budget level by £7.5m. Lewisham Homes are currently undertaking an analysis of the expenditure incurred so far this year to assess whether any of this is capital. Lewisham Homes continue to advise of significant pressures on the R&M budget and Direct Labour Organisation (DLO) account and are in discussions with the authority to assess if any additional resources are available.

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14.4 Whilst income from tenant's rents and service charges, garage rents and leaseholder service charges are being projected to budget, it would be expected that additional income may arise due in part to void levels being lower than the budgeted level and the completion of the leaseholder service charge audit in September 2023. This will continue to be monitored and reported later in the financial year once there is more certainty over the position. In addition, bad debt impairments charge to the HRA are forecast to be £1.0m lower than budgeted, based on the current levels of debt projected forward for the remainder of the financial year and is included in the forecast.

14.5 The current 30-year HRA financial model has been refreshed, with the final outturn for 2022/23 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 shortly to reflect starting stock numbers from 1 April 2023, 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 and processed and may push some of the planned capital and new supply expenditure into 2024/25 due to a re-programming of works and programme delays.

14.6 Lewisham Homes have produced a forecast of £70.0m for the capital programme costs against the general capital allocations budget of £81.0m, this will be continually updated. Any underspends or slippage in the capital programme will be re-profiled to 2024/25. Lewisham Homes have also produced a forecast of £28.7m for the HRA element of the BfL programme against a budget allocation of £31.1m. This will be continually updated with any underspends or slippage in the HRA BfL programme re-profiled to 2024/25.

14.7 Following the December 2022 Mayor and Cabinet decision to bring Lewisham Homes (LH) housing services into the Council, a phased approach to the re-integration has allowed the council to learn and be business ready for the final transition of services and 500+ staff in October 2023. This approach (as detailed in the Housing Futures Progress report to Mayor and Cabinet in June 2023) has also given a better understanding of costs that are incurred relating to the transition of services from Lewisham Homes to Lewisham Council, with existing revenue budgets utilised where available and reasonable to do so for non-transition / business as usual work.

14.8 It is proposed that up to £1.9m of the costs are met from existing reserves, with further transfer costs to be funded from HRA reserves if available or the use of General Fund reserves if not. The level of reserves should be restored through the delivery of a planned HRA savings programme so that the necessary prudent position to meet future unforeseen costs is restored at the earliest opportunity.

15.0 CAPITAL EXPENDITURE

15.1 The table below sets out the Capital Programme that was reported in the Period 3 Monitoring report.

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Table 14 – Capital Programme from Period 3 Monitoring Report

Capital Programme from P3 Monitoring Report						
	2023/24	2024/25	2025/26	2026/27	Future Years	Total
GF	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Resources	0.6	0.0	0.0	0.0	0.0	0.6
Community	1.0	0.0	0.0	0.0	0.0	1.0
CYP	10.1	8.5	1.7	0.0	0.0	20.3
Place	26.6	18.5	39.8	6.4	2.0	93.3
GF Housing	32.5	47.9	38.8	7.6	7.3	134.1
Total GF	**70.8**	**74.9**	**80.3**	**14.0**	**9.3**	**249.3**
HRA	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
BfL - HRA	31.1	53.6	49.7	6.0	0.0	140.4
HRA Capital Programme	81.1	67.0	66.8	51.3	51.2	317.4
Other HRA	1.4	0.9	0.0	0.0	0.0	2.3
LBL Managed HRA Programme	6.3	2.2	3.1	3.2	0.0	14.8
Housing Management System	0.0	0.0	0.0	0.0	0.0	0.0
Total HRA	**119.9**	**123.7**	**119.6**	**60.5**	**51.2**	**474.9**

15.2 Since Period 3, there has been several projects added to the programme after being reviewed and signed off at the Regen & Capital Programme Delivery Board (RCPDB).

15.3 The below table details the projects that have been added to the programme:

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Table 14 – New Capital Projects Added

New Capital Projects Added						
	2023/24	**2024/25**	**2025/26**	**2026/27**	**Future Years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Willow Way	0.5	7.1	14.2	7.1	0.0	**28.8**
Parker House	0.5	5.5	11.0	5.5	0.0	**22.4**
Lewisham Library - Culture and Business Hub	0.3	2.7	4.8	0.2	0.0	**8.0**
Wearside Depot Refurbishment Works	0.6	0.3	0.0	0.0	0.0	**0.9**
Honor Oak Youth Club & Community Centre	0.7	0.0	0.0	0.0	0.0	**0.7**
Small and Complex Sites	0.1	0.1	0.1	0.0	0.0	**0.3**
Edmund Waller Resource Base	0.2	0.0	0.0	0.0	0.0	**0.2**
Dalmain Primary School Climate Adaptation Works	0.1	0.0	0.0	0.0	0.0	**0.1**
Repair of Listed Tombs - St Margaret's Old Churchyard	0.0	0.1	0.0	0.0	0.0	**0.1**
Launcelot Resource Base	0.1	0.0	0.0	0.0	0.0	**0.1**
Total	**2.9**	**15.8**	**30.0**	**12.7**	**0.0**	**61.5**

15.4 The paragraphs below summarise the scope of each of the new schemes above £0.5m:

15.5 **Willow Way:** The Strategic Development team have been in discussion with an adjacent landowner who wishes to purchase the Council's land to add to their existing holdings at Willow Way. There have been advanced discussions with Kitewood Plc. to develop joint proposals that deliver the planning required mini-Masterplan for the area. Kitewood Plc are the joint landowner. The aim of this proposal is to use the Council's existing land value and GLA grant and DLUHC RTB receipts to create an outcome that delivers affordable units whilst maximising positive NPV. The Strategic Development team have developed a proposal for a Development Agreement with Kitewood, on a scheme which the partner would finance and where the Council would inject GLA grant, land value and DLUHC RTB receipts, to deliver positive financial and affordable housing outcomes. This scheme would/could deliver circa 220 residential units starting in September 2024, subject to Masterplan proposals being in conformity with the Local Plan, at that time. The Council will aim to buy 50% of the scheme, 110 residential units, 74 Target Rent and 34 Shared Ownership units.

15.6 **Parker House:** The Strategic Development team have been in discussion with an adjacent landowner who wishes to purchase the Council's land to add to their existing holdings at Parker House/Evelyn Court. There have been advanced discussions with Landgate Plc. to develop joint proposals that deliver the planning required mini-Masterplan for the area. Landgate Plc are the joint landowner. The aim of this proposal is to use the Council's existing land value and GLA grant and DLUHC RTB receipts to create an outcome that delivers affordable units whilst maximising positive NPV. The Strategic Development team have developed a proposal for a Development Agreement with Landgate, on a scheme which the partner would finance and where the Council would inject GLA grant, land value and DLUHC RTB receipts, to deliver positive financial and affordable housing outcomes. This scheme would/could deliver circa 150 residential units starting in September 2024,

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subject to Masterplan proposals being in conformity with the Local Plan, at that time. The scheme has been delayed by 6 months due to redesign issues related to fire safety. The Council will aim to buy c50%, by habitable rooms, of the scheme, 69 residential units, 31 Target Rent and 38 Shared Ownership units. The social rented component will tenure mix is reflective of the fact that the "social rent" core is a c31 units low rise block whilst the private sale component is a tower block, that lends itself to a mixture of private sale and shared ownership units.

15.7 **Lewisham Library – Culture & Business Hub:** The Lewisham Library refurbishment project is project two of three within the Levelling Up Programme. The library works project will provide a flagship cultural and civic space to attract visitors and address the acute lack of office space for SMEs. It will upgrade facilities for the archives service and expand the library's hospitality, to help activate the day and night-time economy across the town centre. The refurbishment of the building will also address the required health and safety, mechanical, electrical, plumbing, fabric, DDA and compliance issues. The refurbishment of the internal and external fabric will aim to deliver energy savings and help towards the Councils commitment to be Carbon neutral by 2023.

15.8 **Wearside Depot Refurbishment Works:** Following a condition survey carried out on 14th February 2019, it was reported that there is a need for repair works to be carried out in the Shower Block, the Canteen, Fleet Building and Salt Store. In the Shower Block, conditions are particularly poor with outdated facilities, leaking plumbing and defective lighting. In addition to the problems associated with wear and tear a number of health and safety related improvements are needed to address risks identified throughout the depot. These risks relate to safe movement of large vehicles and segregated pedestrians throughout the site and improvements to safety in the vehicle repair workshops. The proposed works to give the building a lift includes the following:

- Shower block works – completely new male and female toilet and changing rooms, new flooring, electrical works, walls, redecoration and lockers/furnishings.
- Fleet Building refurbishment works – modify and modernise layout on ground and first floors to meet service needs and redecorate throughout.
- Security/Reception - deep clean make good and redecorate the reception and disabled toilet, includes provision of new chairs and blinds to reception area.
- Salt Store – window repairs, rainwater goods repair/replacement, door renewal and isolated structural repairs
- Wearside yard H&S works – design and implement new yard one way system, redefine parking and pedestrian areas, provide pedestrian barrier protection and wheel stops for large vehicles, line and number all bays, directional markings and yellow lining, provide new suite of signposts.
- Fleet workshops – renewal of anti-slip paint flooring and addition of fall arrest working at height equipment.
- Generator building - clearance of obsolete equipment and removal of housing.

15.9 **Honor Oak Youth Club & Community Centre:** In October 2022 Lewisham Council made a bid under the Public Sector Decarbonisation Scheme (PSDS) Phase 3b, which provides Government grants to fund heat decarbonisation and energy efficiency measures and was awarded grant funding of £872,604 for work to five sites including 50 Turnham Road, SE4 2JD. The estimated total project expenditure to these sites is £2,813,554. The work to the building will include the installation of:

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- An air source heat pump
- Replacement double glazed windows
- Solar photovoltaic roof panels
- New LED lights to replace the fluorescent light fittings.
- The works will provide a significant carbon reduction and the Council will also benefit from the retrofit of its critical energy infrastructure that has reached, or passed, its useful life as well as building fabric upgrades that will improve the comfort levels for users of the Youth Club and Community Centre.

15.10 The table below sets out the budget and profile over the MTFS period for the Capital Programme for 2023/24 as of 31st July 2023.

Table 16 - Current Capital Programme

Current Capital Programme						
	2023/24	**2024/25**	**2025/26**	**2026/27**	**Future Years**	**Total**
GF	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Resources	0.6	0.0	0.0	0.0	0.0	0.6
Community	1.0	0.0	0.0	0.0	0.0	1.0
CYP	10.3	8.2	1.7	0.0	0.0	20.2
Place	27.3	21.3	44.6	6.6	2.0	101.8
GF Housing	33.6	61.2	64.0	20.2	7.3	186.3
Total GF	**72.7**	**90.7**	**110.3**	**26.8**	**9.4**	**309.9**
HRA	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
BfL – HRA	31.1	53.6	49.7	6.0	0.0	140.5
HRA Capital Programme	81.1	67.0	66.8	51.3	51.2	317.5
Other HRA	1.4	0.9	0.0	0.0	0.0	2.3
LBL Managed HRA Programme	6.3	2.2	3.1	3.2	0.0	14.8
Housing Management System	1.4	0.0	0.0	0.0	0.0	1.4
Total HRA	**121.4**	**123.7**	**119.7**	**60.6**	**51.2**	**476.5**

15.11 The current Capital Programme totals £786.4m. This is split into £309.9m General Fund (GF) and £476.5m Housing Revenue Account (HRA). For 2023/24 there is an allocation of £194.1m of which £72.7m is for GF & £121.4m for the HRA. Detail on key schemes within the Capital Programme can be found within the “Capital Programme Update” also going to PASC in September 2023. The main sources of financing the Capital programme over the MTFS period are laid out in the below table:

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Table 17 - Programme Financing

General Fund Financing Source	Funding Amount (£m)
Capital receipts	12.6
Capital reserves	8.0
CIL	0.0
Corporate reserves	19.4
Grants and contributions	112.3
Prudential borrowing	105.1
HRA Receipts	6.8
RTB Receipts	30.5
S106	15.2
Total GF	**309.9**
HRA Financing Source	**Funding Amount (£m)**
Major Repairs Allowance	107.8
Capital Receipts (GLA Grant, 1-4-1 Receipts etc)	93.1
HRA Revenue Contributions	15.8
Prudential Borrowing	259.8
Total HRA	**476.5**

15.12 Total Prudential Borrowing of £364.9m across the MTFS period, of which £105m is for GF projects & £259.8m is for HRA projects. Accurate borrowing forecasts are important for the council, and they link heavily with the TMS. There are currently no approved projects that make use of the CIL funds that the Council holds, however there are plans to use this for upcoming projects. The financing profile of the Capital Programme is flexible and may change as the Council is constantly looking for external funding opportunities such as additional grants and contributions.

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Table 17 – P4 Spend Monitoring

Directorate	Project / Programme	Spend to 31 July 2023	2023/24 Budget
GF		£m	£m
Resources	ICT - Tech Refresh	0.0	0.6
Community	Safer Communities	0.2	0.5
Community	Parks, Sports and Leisure	0.0	0.6
CYP	CYP – Other	0.0	0.4
CYP	Education Services - School Places Programme	0.1	2.3
CYP	Education Services - School Minor Works Programme	0.0	4.8
CYP	Children's Social Care	0.0	1.9
CYP	Families, Quality and Commissioning - Youth Service	0.0	1.0
Place	Highways & Bridges – TfL	0.0	0.7
Place	Highways & Bridges – LBL	0.1	4.6
Place	Asset Management Programme	0.6	3.9
Place	Corporate Estates Maintenance Programme	0.6	4.8
Place	Lewisham Gateway	0.0	6.8
Place	Catford Programme	0.3	4.8
Place	Beckenham Place Park (Inc. Eastern Part)	0.1	1.2
Place	Planning	0.0	0.2
Place	Public Realm	0.0	0.1
Place	Climate Resilience	0.0	0.1
Place	General Fund Housing	0.3	31.1
Housing	Housing Services	0.3	2.5
	Total General Fund	**2.5**	**72.7**
HRA			
HRA	Building for Lewisham Programme – HRA	3.1	31.1
HRA	HRA Capital Programme (Inc. Decent Homes)	9.5	81.1
HRA	Housing Management System – HRA	0.2	1.4
HRA	Other HRA Schemes	0.1	1.4
HRA	LBL Managed HRA Programme	0.0	6.3
	Total HRA	**12.9**	**121.4**

15.13 The current in-year expenditure across all projects is 8%. If spend is consistent across the year, we would expect spend at Period 4 to be 33%. This pattern of low spend in the early periods of the year is expected for numerous reasons such as lag times on setting up Purchase orders and receiving invoices from suppliers. Also, for CYP schemes, the bulk of the work is due to be completed over the school holidays so spend won't occur until after this. In most cases, project managers are still forecasting to spend the majority of the in-year budget.

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16.0 COLLECTION FUND

Council Tax

16.1 As at 31st July, £62.4m of Council Tax has been collected representing 34.3% of the total amount due for the year. This is £2.3m below the 35.6% target required in order to reach 96% for the year.

Table 18 – Council Tax Collection

Council Tax	Cash Collected (cumulative)	Cash needed to meet 96% Profile	Difference between collected and 96% profile	Current Year Collection Rate%	Required Collection Rate to reach 96%	Difference
Apr-22	18,626,595	19,716,342	1,089,747	10.3%	10.8%	0.5%
May-22	33,178,784	34,867,211	1,688,427	18.3%	19.2%	0.9%
Jun-22	47,574,501	49,540,837	1,966,336	26.2%	27.2%	1.1%
Jul-22	62,414,655	64,700,344	2,285,689	34.3%	35.6%	1.3%

Business Rates

16.2 As at 31st July, £24.9m of Business Rates has been collected representing 44.4% of the total amount due for the year. This is £0.3m below the level required in order to reach 99% for the year.

Table 19 - Business Rate Collection

Business Rates	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
Apr-22	8,123,664	7,495,565	(628,099)	14.1%	13.0%	-1.1%
May-22	12,632,550	14,105,804	1,473,254	22.4%	25.0%	2.6%
Jun-22	16,716,746	19,674,889	2,958,143	29.7%	35.0%	5.3%
Jul-22	24,939,038	25,268,082	329,044	44.4%	45.0%	0.6%

16.3 Work is ongoing to review and clear the exceptions listing (suspense account) which is expected to reduce the gap between cash collected and cash need to meet the profiles above.

17.0 DEBT

17.1 The outstanding sundry debt at 31st July 2023 is £18.7m down from £26m in April 2023. Debt collection activity continues on a day to day basis and if all avenues to recover debt are explored then write offs are consider. There is provision for £17.3m of debt.

18.0 AGENCY STAFF

18.1 The table below shows the number of agency staff paid £400 a day or more by Directorate, appendix D shows a list of the staff.

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Table 20 – Agency Staff paid over £400 a day

Directorate	March	April	May	June	July
Chief Executive	8	7	7	8	7
Children and Young People	6	5	6	8	8
Community Services	2	1	0	0	0
Corporate Resources	2	3	3	3	4
Place and Housing	14	15	14	15	16
Totals	**32**	**31**	**30**	**34**	**35**

19.0 FINANCIAL IMPLICATIONS

19.1 This report concerns the projected financial outturn for 2022/23. Therefore, any financial implications are contained within the body of the report.

20.0 LEGAL IMPLICATIONS

20.1 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.

21.0 CRIME AND DISORDER, CLIMATE AND ENVIRONMENT IMPLICATIONS

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

22.0 EQUALITIES IMPLICATIONS

22.1 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.

22.2 There are no equalities implications directly arising from this report.

Background Papers

Short Title of Report	**Date**	**Location**	**Contact**
Budget Report 2023/24	1st March 2023 (Council)	1st Floor Laurence House	David Austin

Report Author and Contact

Nick Penny, Head of Service Finance nick.penny@lewisham.gov.uk; or

David Austin, Director of Finance at david.austin@lewisham.gov.uk

APPENDIX A – Line by Line Savings 2022/23 and Older

Year	Ref	Directorate	Director	Proposal	Savings to be Delivered	Expected Delivery in 2023/24	Expected Savings Shortfall	Risk Rating of Saving in 2023/24	Finance View
2020/21	CYP01	CYP	Lucie Heyes	More efficient use of residential placements	300		300		Work is underway between finance and the service to review the future deliverability of these savings or whether they have been delivered already with the financial impact consumed by other costs.
2020/21	CYP03	CYP	Lucie Heyes	More systematic and proactive management of the market	600		600		
2020/21	CYP04	CYP	Lucie Heyes	Commission semi-independent accommodation for care leavers	250		250		
2020/21	CYP05	CYP	Lucie Heyes	Residential framework for young people. Joint SE London Commissioning Programme	200		200		
2022/23	E-05	CYP	Angela Scattergood	Traded services with schools	50	0	50		
2022/23	E-06	CYP	Lucie Heyes	Reduce care leaver costs	100		100		

2022/23	F-02	CYP	Lucie Heyes	Children Social Care Demand management	500		500		
2022/23	F-03	CYP	Lucie Heyes	Children Service reconfiguration - fostering	250		250		
2022/23	F-05	CYP	Lucie Heyes	VfM commissioning and contract management - CSC	250		250		
Children and Young People's Subtotal					**2,500**	**-**	**2,500**		
2020/21	COM2A	Comm	Joan Hutton	Ensuring support plans optimise value for money	400	400	-		
2021/22	F-01	Comm	Joan Hutton	Adult Social Care Demand management	1,100	1,100	-		Amber due to value, delivery expected in 23/24.
2021/22	F-24	Comm	Joan Hutton	Adult Social Care cost reduction and service improvement programme	2,249	2,249	-		Amber due to value, delivery expected in 23/24.
2022/23	F-24	Comm	Joan Hutton	Adult Social Care cost reduction and service improvement programme	430	430	-		

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Communities Subtotal					**4,179**	**4,179**	**-**		
2020/21	CUS04	HRPR	Zahur Khan	Income generation - increase in commercial waste charges	100	100	-		Work continuing to deliver the saving in 23/24
Place and Housing Subtotal					**100**	**100**	**-**		
2021/22	A-05	Corp	Mick Lear	Revs and Bens - additional process automation	400	400	-		Restructure implemented in 22/23, full delivery expected in 23/24
2022/23	A-06	Corp	Mick Lear	Revs and Bens - Generic roles	400	400	-		Restructure implemented in 22/23, full delivery expected in 23/24
Corporate Resources Subtotal					**800**	**800**	**-**		
Total					**7,579**	**5,079**	**2,500**		

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APPENDIX B – Savings to be delivered 2023/24

Reference	Directorate Budget	Title	Savings to be Delivered	Expected Delivery in 2023/24	Expected Savings Shortfall	Risk Rating of Saving in 2023/24	Finance View
CYP_SAV_01	CYP	Review of Children's Centre Budgets	500	500	-		
CYP_SAV_02	CYP	Education - Vacant Post	12	12	-		
CYP_SAV_04	CYP	Youth Service Budget Review	200	200	-		
CYP_SAV_05	CYP	Youth Offending Service Review	100	100	-		
CYP_SAV_06	CYP	Short Breaks	200	200	-		
D-13	CYP	Review of commercial opportunities for nurseries within children's centres	9	9	-		
F-02	CYP	Children Social Care Demand management	1,000	-	1,000		Work is underway between finance and the service to review the deliverability of these savings or whether they have been delivered already with the financial impact consumed by other costs.
F-03	CYP	Children Service reconfiguration - fostering	250	-	250		
Children and Young People's Subtotal			**2,271**	**1,021**	**1,250**		
COM_SAV_01	COM	Introduction of Electronic Call Monitoring	650	450	200		Delays in implementing ECM due to IT issues

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COM_SAV_02	COM	Delegation of Care Plan Budgets to Operation Managers	100	100	-		
COM_SAV_03	COM	Care Plan Reassessment	1,000	1,000	-		
COM_SAV_04	COM	Empowering Lewisham	1,000	1,000	-		
COM_SAV_05	COM	Review of Staffing Requirement in Supported Housing	55	55	-		
COM_SAV_06	COM	Reduction in Mental Health Homecare costs	50	50	-		
COM_SAV_08	COM	Reduction in opening hours at Libraries	90	90	-		
COM_SAV_09	COM	NHS Health Checks	15	15	-		
COM_SAV_10	COM	Sexual and Reproductive Health Services in Primary Care	46	46	-		
COM_SAV_11	COM	PH Weight management savings	13	13	-		
E-14	COM	Changes to leisure concessions for older people	95	95	-		
A-02	COM	Hybrid roles - enforcement	13	13	-		
C-07	COM	Review Short breaks provision.	50	50	-		
Communities Subtotal			**3,177**	**2,977**	**200**		
HRPR_SAV_01	HRPR	Temporary Accommodation Cost Reduction	200	200	-		
HRPR_INC_01	P&H	Additional Yellow Box Junction Enforcement &	105	105	-		

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		Moving Traffic Contravention by CCTV					
HRPR_INC_02	P&H	Replacement Bin Charging	50	50	-		
HRPR_INC_03	P&H	Increase the charge for Bulky Waste collections	20	20	-		
HRPR_INC_04	P&H	Charge for mattress collections	25	25	-		
HRPR_INC_05	P&H	Increase the charge for fridge/freezer collections.	78	78	-		
HRPR_INC_06	P&H	Review of fees charged for Garages	130	130	-		
HRPR_SAV_02	P&H	Review of the Road Safety Service	70	70	-		
HRPR_SAV_03	P&H	Increased recharging of salary costs to capital	70	70	-		
HRPR_SAV_04	P&H	S106 utilisation for apprenticeships	17	17	-		
HRPR_SAV_05	P&H	Utilisation of UKSPF grant funding to reduce the general fund burden for the service.	100	100	-		
HRPR_INC_08	P&H	Housing Programme Commercial Units' Income Generation	75	75	-		
HRPR_SAV_06	P&H	Review of the Temporary Accommodation (TA) Service Level Agreement (SLA) with Lewisham Homes (LH)	162	162	-		
HRPR_SAV_07	P&H	Reducing general fund spend on private sector housing licensing and enforcement.	150	150	-		
C-39	P&H	Aligning the Kickstart scheme with Government plans	25	25	-		

D-10	P&H	Commercial Estate Review	50	50	-		
D-11	P&H	Business Rates revaluation of Council owned properties	50	50	-		Still waiting to conclude the revaluation review with Wilkes and Head
D-12	P&H	Asset Use Review and Regularisation	15	15	-		
E-12	P&H	Building Control Service Efficiency	30	30	-		Service is actively working towards increasing income, income levels remain low after covid
A-02	P&H	Hybrid roles - enforcement	38	38	-		
D-01	P&H	Generating greater value from Lewisham's asset base	500	500	-		
D-02	P&H	Business Rates Revaluation for the estate	20	20	-		Still waiting to conclude the revaluation review with Wilkes and Head
D-06	P&H	Catford Campus - Estate Consolidation	12	12	-		
D-07	P&H	Meanwhile use - Temporary Accommodation	25	25	-		
E-02	P&H	Income from building control	20	20	-		Service is actively working towards increasing income, income levels remain low after covid
F-16	P&H	Environment - new waste strategy	250	250	-		
F-18	P&H	Controlled Parking Zone Extension	1,000	1,000	-		
Place and Housing Subtotal			**3,287**	**3,287**	**-**		
COR_SAV_03	COR	Reduction in utilities costs of the Catford Complex	150	150	-		
D-14	COR	Facilities Management	100	100	-		

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C-08	COR	IT - mobile telephony review	10	10	-		
Corporate Resources Subtotal			**260**	**260**			
CEX_SAV_01	CEX	Review of Elections Budget	50	50	-		
CEX_SAV_03	CEX	Legal Invest to Save	233	-	233		Work is required to reduce external legal expenditure to deliver this saving.
ALL_SAV_02	CEX	Senior Management Reductions, Realignments and Restructures	500	500	-		
Chief Executive Subtotal			**783**	**550**	**233**		
COR_SAV_02	CORP ITEMS	Review of Corporate Budgets - interest	2,000	2,000	-		
COR_INC_01	CORP ITEMS	Removal of 28 day empty property exemption for Council Tax	110	110	-		
Corporate Items Subtotal			**2,110**	**2,110**			
COR_SAV_01	ALL	Review of Corporate Budgets - triennial fund valuation	650	650	-		
A-03	ALL	Corporate Transport arrangements	50	50	-		
Council Wide Subtotal			**700**	**700**			
TOTAL			**12,587**	**10,904**	**1,683**		

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Appendix C – Gross Budgets by Directorate

Directorate	Expenditure Budget	Expenditure Forecast	Variance	Income Forecast	Variance	Net Budget	Net Forecast	Variance
CYP	741.471	752.871	11.400	(666.230)	0.000	75.241	86.641	11.400
COMM	189.671	190.671	1.000	(104.270)	0.000	85.401	86.401	1.000
P&H	117.210	127.210	10.000	(89.469)	0.000	27.740	37.740	10.000
COR	209.462	209.162	(0.300)	(172.164)	(0.500)	37.797	36.997	(0.800)
CE	11.901	13.801	1.900	(0.672)	0.000	11.229	13.129	1.900
Total	**1,269.715**	**1,293.715**	**24.000**	**(1,032.806)**	**(0.500)**	**237.409**	**260.909**	**23.500**
COR Items	46.913	46.913	0.000	(20.643)	0.000	26.270	26.270	0.000
GF Total	**1,316.628**	**1,340.628**	**24.000**	**(1,053.449)**	**(0.500)**	**263.679**	**287.179**	**23.500**

This table shows the gross expenditure and gross income budgets by directorate, this shows the overall expenditure the council incurs per directorate which is funded by income including specific government grants and other controllable income.

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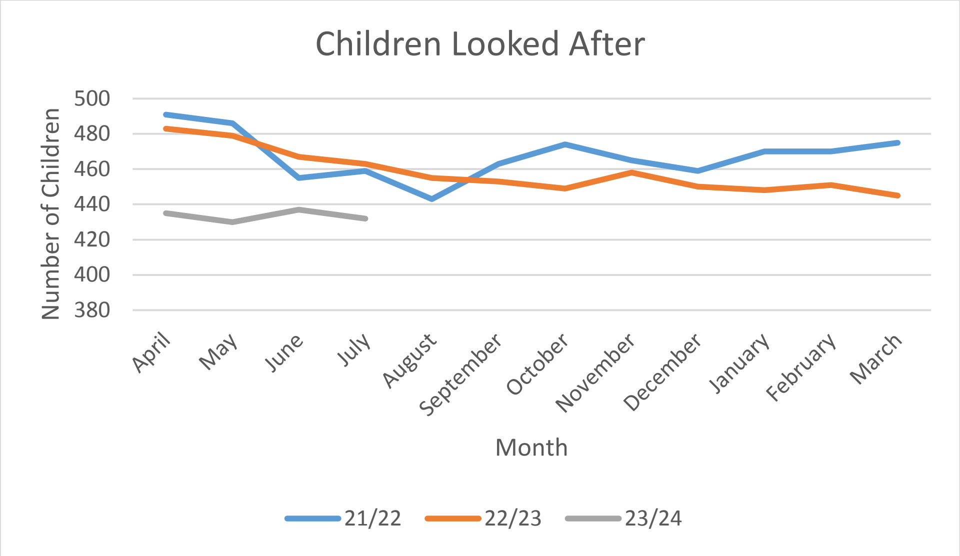
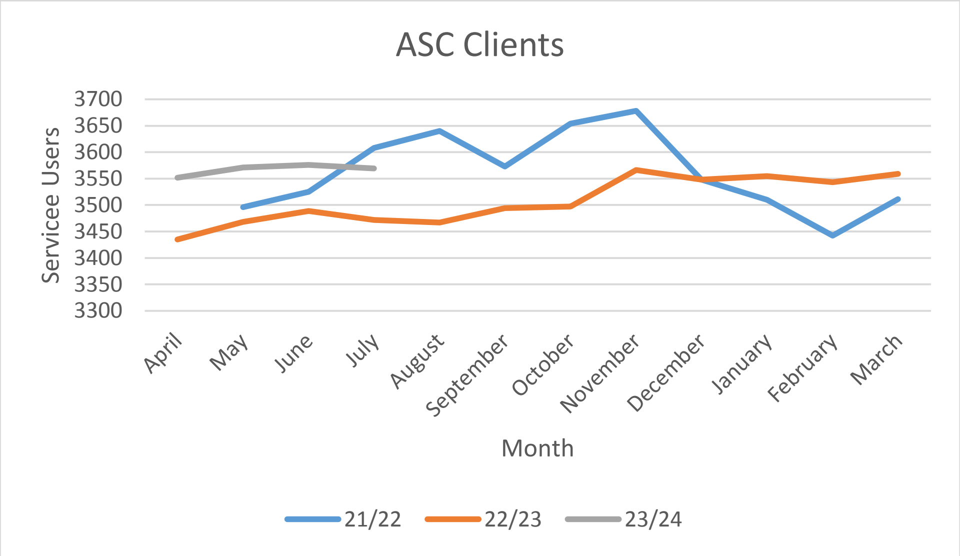
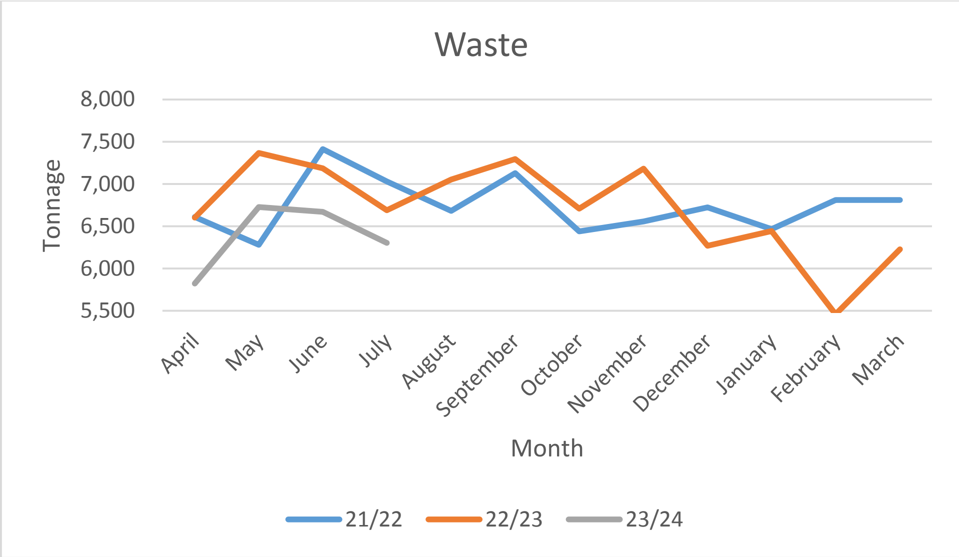
Appendix D – Key Performance Indicators



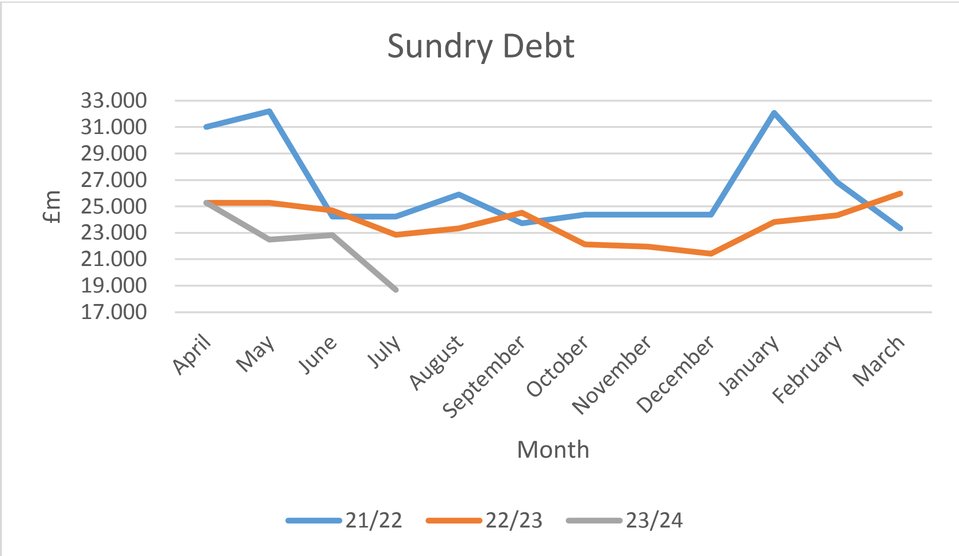
This graph shows the CLA's from 21/22 onwards, this shows the trend that the number of CLA's supported by the service is decreasing. The source document is the monthly performance report.



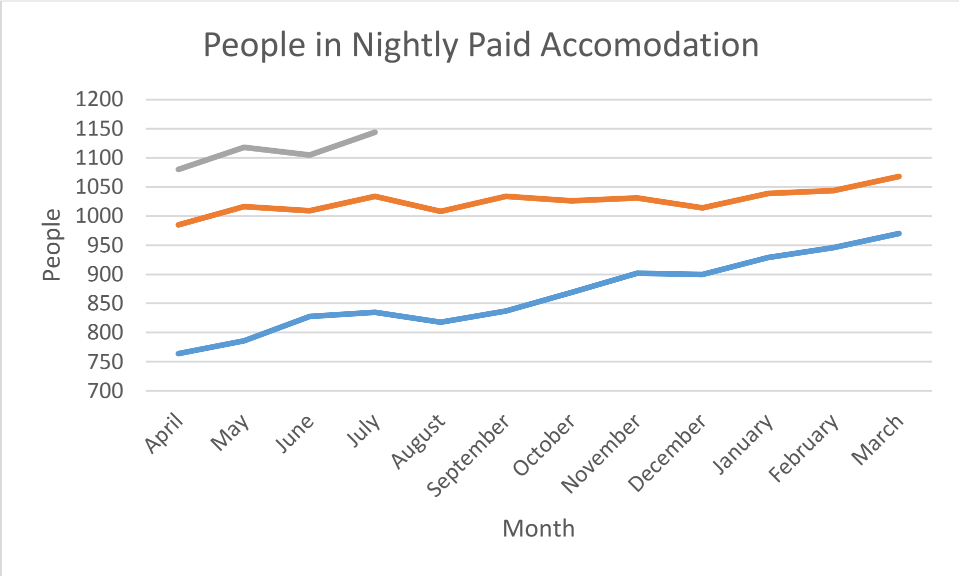
This graph shows the number of Adults supported from 21/22 onwards. The source document is the Controcc System.



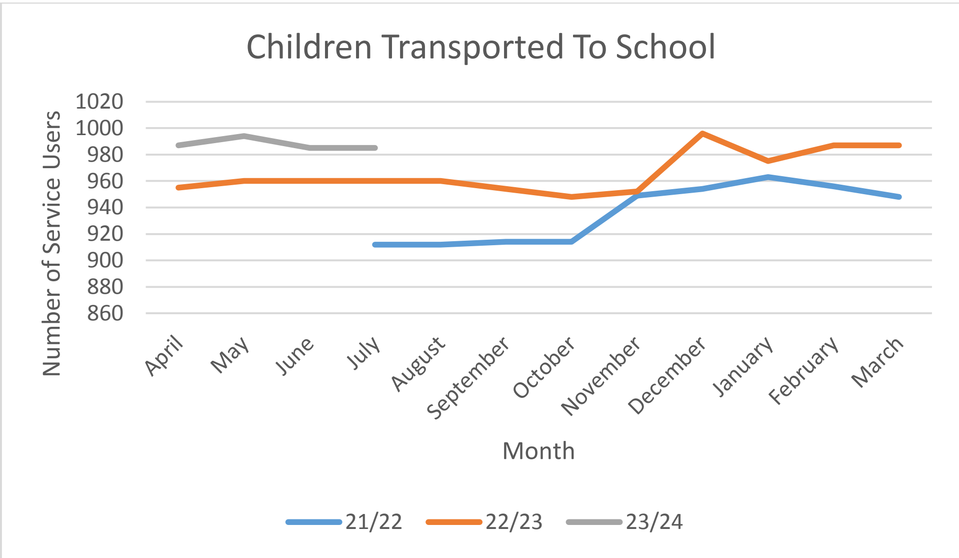
This graph shows the wasted in tonnages from 21/22 onwards. The source document is a monthly SELCHP Waste Delivery File from Veolia.



This graph shows the level of sundry debt from 21/22 onwards, the debt in May 2023, is at a lower level than in the comparable month in 21/22 and 22/23. The source document is the debt file produced from the oracle financial system.



This graph shows the number of people in nightly paid accommodation from 21/22 onwards, the level has increased from 786 in April 2021 to a high of 1,144 in July 2023. The data is sourced from the academy system.



This graph shows the number of children transported from home to school, the number of EHCP's continues to increase and approx. 1/3rd of children who have an EHCP require a transport packge. The data source is Routewise.

Appendix E – Audit Response: Recommendation extended to suggest Council to consider applying scenario planning to annual budget as well as MTFP

Scenario	Assumption	2023/24 Budget £m	Impact £'m
Pay award	5% pay award was budgeted for as part of budget setting 23/24. The risk is a further 1% is awarded.	7.1	1.4
Net non-pay inflation	4.8% was budgeted for as part of budget setting 23/24, this is the risk a further 2% is required.	5	2
Increase in people requiring Support from ASC	Initial modelling undertaken as per census data, this is being further refined.	84	0.7
Average Children Looked After cost in CSC increasing	Modelling work being undertaken, the average cost of children is increasing including several high cost placements which makes the spend sensitive to volatility	29	TBC
Increase in children requiring home to school transport	35 children increase factored into the monitoring position however due to the increased number of EHCP's there is a risk this could be higher	6.8	0.5
Increase in Nightly Paid Service Users	Numbers have continued to increase since the budget was set for 23/24. Other contributary factors included lengths of stay increasing as well as rents increasing by c20%	5.7	3
High Needs Block deficit becomes a general fund pressure (currently ringfenced to the Dedicated Schools Grant).	The current deficit is £13m however there is a risk of a futher pressure of £5m for 23/24. There is a risk the DSG override may be removed in April 26 as per the current legislation.	289.9	18
Schools Academisation	There is a risk of schools moving to academies	0	TBC
Children's and Young People's ofsted inspection	The ofsted inspection leading to additional service requirements which there is no budget for.	0	TBC

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Public Accounts Select Committee

Capital Programme Update - 2023/24

Date: Thursday 21st September 2023

Key decision: No

Class: Part 1

Ward(s) affected: None Specific

Contributors: Director of Inclusive Regeneration, Director of Finance, Head of Property, Estates and Capital Programmes

Outline and recommendations

This report sets out details of the Council's current capital programme.

Members are asked to note the current programme projects, budgets and financing.

Timeline of engagement and decision-making

9th August 2023 – Briefing with Chair of Public Accounts Select Committee to agree focus of update

1.0 Executive Summary:

1.1 This report sets out details of the Council's current capital programme over the Medium-Term Financial Strategy (MTFS) period 2024 – 2028 including the current year 2023/24. The capital programme is a rolling programme set within this period, and this report provides a summary and supporting detail for the programmes and projects to which capital resources have been committed and shows the budget for each and how they are financed.

2.0 Policy Context:

2.1 The Council's strategy and priorities drive the budget with changes in resource allocation determined in accordance with policies and strategy. This report aligns with Lewisham's Corporate Priorities, as set out in the Council's Corporate Strategy (2022-2026):

- Cleaner and Greener
- A Strong Local Economy
- Quality Housing
- Children and Young People
- Safer Communities
- Open Lewisham
- Health and Wellbeing

2.2 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 growing number of borough residents. The Council's strategy and priorities drive the Budget with changes in resource allocation determined in accordance with policies and strategy.

2.3 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.

2.4 This joint endeavour helps work through complex challenges, such as the pressures faced by health and social care services, and to secure investment in the borough for new homes, school improvements, regenerating town centres, 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 increase housing supply and business growth, through to our programmes of care and support to some of our most vulnerable and troubled families.

2.5 The Council's capital programme plays a key part in the achieving the values set out above and underpins a number to workstreams to deliver associated outcomes. This ranges from investing in exiting assets and ensuring that they remain fit for purpose while at the same time seeking to deliver major housing programmes building resilience across communities in the borough.

3.0 Recommendations:

3.1 Members are asked to note the contents of this report and that this report will form the basis of further capital budget reporting to Public Accounts Select Committee and Mayor & Cabinet as part of the budget setting process in early 2024.

4.0 Background:

4.1 Capital expenditure is distinct from revenue expenditure in that it covers expenditure on items such as land and buildings that results in a tangible asset that can be classified as such on the Council's balance sheet.

4.2 The capital programme therefore reflects budgets and expenditure on the Council's many physical assets such as schools, roads, major infrastructure projects, cultural buildings, parks as well as major housing programmes such as the Building for Lewisham Programme (BfL) and the housing condition investment programme.

4.3 The overall capital programme is split into two key constituent parts: Housing Revenue Accounts (HRA) and the General Fund. The former is focused mainly on delivering works and programmes to the Council's existing housing stock or developing new ones and the latter seeks to invest in the general fund portfolio of all non-housing assets including parks, highways, schools, corporate buildings etc.

4.4 The Council sets its Capital Programme over a Medium-Term Financial Strategy planning period. This is because the nature of the projects and programmes mean that the associated expenditure is incurred over a number of years rather than a single financial year. The capital programme for 2023/24 was included as part of the overall Budget Report to Mayor & Cabinet and Council earlier this year and this report updates on changes since then and sets the scene for further updates to Public Accounts Committee and Mayor & Cabinet in early 2024.

4.5 Financial monitoring of the programme is carried out in a similar way to the revenue budget monitoring and reported to Mayor & Cabinet as part of the periodic Financial Forecasts Report and at year end through the Outturn Report. Operational financial monitoring together with programme/project delivery is managed through a number of boards as set out in section 5 (governance and programme management) below.

5.0 Governance and Programme Management

5.1 The Capital Programme is managed through a number of boards as follows:

- The Regeneration and Capital Board has overall oversight of the Capital Programme including delivery strategy for the programme once agreed by Mayor and Cabinet. This is co-chaired by the Executive Directors of Place and Corporate Resources.
- The Regeneration & Capital Programme Delivery Board (RCPDB) reviews and agrees project initiation documents (PIDs) and delivery and monitoring of existing projects picking up on any project/programme slippage. This board primarily focusses on general fund projects which includes those housing schemes within the general fund such as those relating to temporary accommodation and land assembly.
- The Officer New Homes Programme Board (ONHPB) focuses on housing projects and has overall oversight of the Building for Lewisham programme.
- The Children and Young People's Strategic Asset Board has oversight of schools and other CYP programmes and projects together with their related funding.
- The Asset Review Board made up of representatives from all directorates provides oversight for the Council's ongoing non-They housing asset review by ensuring that proposals for asset use are joined up across the council and that asset use is optimised. The group is also overseeing the development of a Corporate Asset Strategy.

5.2 Programmes and projects follow a number of standard processes and documentation. For General Fund projects a Project Initiation Document (PID) must be completed that sets out the details of the project and this needs to be approved at the RCPDB within an allocated budget before a budget or expenditure code is allocated.

5.3 Where necessary a report must be prepared for M&C to agree the project, budgets and financing. In some cases, Mayor and Cabinet approval may be required to award contracts for approved projects.

5.4 ONHPB provide oversight for all housing delivery projects. Where necessary reports are prepared for M&C to agree projects, budgets and financing. Once the project is agreed a regular highlight report is required to update the RCPDB or ONHPB on progress. At the completion of a project a closure report is completed for consideration by RCPDB or ONHPB.

6.0 Current Capital Programme:

6.1 The table below sets out the Capital Programme for the next four-year period as agreed in the 2023/24 budget report.

Table 1: Approved Capital Programme

Capital Programme From 2023/24 Budget Report						
	2023/24	**2024/25**	**2025/26**	**2026/27**	**Future Years**	**Total**
GF	**£M**	**£M**	**£M**	**£M**	**£M**	**£M**
Resources	0.5	0.0	0.0	0.0	0.0	0.5
Comm	0.9	0.1	0.0	0.0	0.0	1.0
CYP	11.0	5.4	0.0	0.0	0.0	16.4
Regen	10.4	3.6	0.0	0.0	0.0	14.0
GF Housing	28.7	7.5	14.4	4.3	0.0	54.9
Total General Fund	**51.5**	**16.6**	**14.4**	**4.3**	**0.0**	**86.8**
HRA	**£M**	**£M**	**£M**	**£M**	**£M**	**£M**
BfL - HRA	72.7	78.8	19.0	4.9	0.0	175.4
Decent Homes	66.3	67.5	68.8	3.4	0.0	206.0
Other HRA	2.1	2.2	3.1	3.2	0.0	10.6
HRA Unallocated	0.9	0.9	0.0	0.0	0.0	1.8
Total HRA	**142.0**	**149.5**	**91.0**	**11.5**	**0.0**	**394.0**

6.2 The agreed 2023/24 budget for the Capital Programme as set out in March 2023 was £193.5m. This was split into £51.5m for GF schemes & £142m for HRA schemes.

6.3 This budget does not include any slippage from unspent spend against the 2022/23 budgets, of which there was £56.4m split into £14.2m for GF schemes & £42.2m for HRA schemes.

6.4 Since this budget was approved there have also been several schemes approved by M&C which have been included in the below proposed Capital Programme. These schemes total £29.3m for 2023/24 & are all for GF schemes. The most notable new schemes which make up a large proportion of this figure are the 'Housing Acquisition Programme', 'School Minor Works Programme' and 'A205 Road Realignment' which have 2023/24 budgets of £22.2m, £3.8m and £2.1m respectively.

6.5 These changes to the Capital Programme, along with a re-profiling of certain project budgets across the project life-cycle, give rise to the proposed Capital Programme in the below table.

6.6 The table below sets out the MTFS budget profile of the Capital Programme for 2023/24 as of 30th June 2023.

Table 2: Current Capital Programme

Capital Programme Budget - Current Capital Programme						
	2023/24	**2024/25**	**2025/26**	**2026/27**	**Future Years**	**Total**
GF	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Resources	0.6	0.0	0.0	0.0	0.0	0.6
Comm	1.0	0.0	0.0	0.0	0.0	1.0
CYP	10.1	8.5	1.7	0.0	0.0	20.3
Regen	26.6	18.5	39.8	6.4	2.0	93.3
GF Housing	32.5	47.9	38.8	7.6	7.3	134.1
Total General Fund	**70.8**	**74.9**	**80.3**	**14.0**	**9.4**	**249.3**
HRA	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
BfL - HRA	31.1	53.6	49.7	6.0	0.0	140.4
Decent Homes	81.1	0.0	0.0	0.0	0.0	81.1
Other HRA	1.4	0.9	0.0	0.0	0.0	2.3
HRA Unallocated	6.3	2.2	3.1	3.2	0.0	14.8
Decent Homes Unallocated	0.0	67.0	66.8	51.3	51.2	236.3
Housing Management Sys.	0.0	0.0	0.0	0.0	0.0	0.0
Total HRA	**119.9**	**123.7**	**119.6**	**60.5**	**51.2**	**474.9**

6.7 The main sources of financing the general fund programme over the MTFS period are:

Table 3: Programme Financing

General Fund Financing Source	**Funding Amount (£m)**
Capital receipts	4.7
Capital reserves	8
CIL	0
Corporate reserves	10.7
Grants and contributions	92.9
Prudential borrowing	91.6
HRA Receipts	6.8
RTB Receipts	19.5
S106	15.2
Total GF	**249.3**
HRA Financing Source	**Funding Amount (£m)**
Major Repairs Allowance	107.8
Capital Receipts (GLA Grant, 1-4-1 Receipts etc)	93.1
HRA Revenue Contributions	15.8

Prudential Borrowing	258.2
Total HRA	**474.9**

6.8 Directorate Capital Programme

The paragraphs below set out further details on some of the major capital projects / programmes in the capital programme by directorate.

6.8.1 Corporate Resources Directorate

6.8.1.1 ***ICT – Tech Refresh:*** The Resources Directorate's capital programme currently has a small allocation of approximately of approximately £0.6M earmarked to fund the completion of the Tech refresh project. The capital programme does not include any allocation for further ICT or Tech refreshes within the current MTFS period.

6.8.2 Community Services Directorate

6.8.2.1 ***CCTV – Modernisation*:** The Council's CCTV infrastructure is subject to an ongoing upgrade of the fibre network including a number of wireless cameras units. The project is currently delayed and has been for the past year due to supply chain issues. The equipment is now expected to be delivered by the end of September to enable the project to be completed by the end of the financial year.

6.8.2.2 The wider community services directorate capital programme also includes small projects across a number of parks in in the borough. Taken together with the CCTV programme, the community service capital programme has an allocation of approximately £1M for the MTFS period.

6.8.3 Children and Young People (CYP)

The CYP capital programme comprises a range of projects across two main programme areas – Pupil Places Programme and Schools Minor Capital Works Programme. Both programmes are largely funded through grants.

6.8.3.1 ***School Minor Works Programme*:** The School Minor Works Programme (SMWP 2023) is an annual programme of urgent capital infrastructure projects carried out across the borough's school estate. Works are due to take place at eleven different school sites this year and include roof replacements; drainage works; heating and hot water system upgrades, and toilet refurbishment. The budget for this year's programme is £4.5m, and the spend profile for the 2023/24 financial year is £3.7m. The remaining budget of c.£800k (including retention), is forecast to be spent next year, and a new programme of works for 2024 will be developed early in the New Year.

6.8.3.2 ***Pupil Places Programme*:** The focus of this programme is now on provision of Special Educational Needs and Disabilities places across the borough. Works will be carried out to incorporate SEND 'Resource Bases' into five existing mainstream schools this year, and the permanent Watergate expansion project is currently in the design stage and due to start onsite early next year. The total forecast spend for this programme in 2023/24 is £2.4m. An estimated £7.3m of spend is forecast for 2024/25, the majority of which will cover the Watergate

School expansion works.

6.8.4 Housing Regeneration and Public Realm (Place)

The Housing Regeneration and Public Realm general fund element of the capital programme includes a number of projects and programmes across the core areas of Highways, property assets and parks. Non-HRA housing (mainly temporary accommodation) also forms a significant part of the HRPR capital programme accounting for approximately £149M of the £262M budgeted over the MTFS period. The section below provides a summary narrative of some of the core projects within the HRPR directorate.

6.8.4.1 ***Highways:*** Carriageway Resurfacing, Bridges and Footway Improvements: The Highways programme delivers works covering carriageway resurfacing, bridges and footway works. The 2023/24 programme has an allocation £4.562M. Of this budget, approximately £1.1m is allocated for the carriageway resurfacing programme; £0.9m for the footways improvements and 0.8M towards TfL LIP programme for the year. Up to 80% of the budge will fund the carriageway resurfacing and footway improvements programme determined from early scope work including surveys and a prioritisation assessment whilst the remaining 20% of the budget will cover fees, surveys, emergencies, accidents etc.

6.8.4.2 **Asset Management Programme – Corporate Estate Management Programme CEMP)**

6.8.4.2.1 ***Reactive / Unplanned Works*****:** Funding from the Asset Management Programme (AMP) has continued to support reactive and much needed capital works across the operational corporate estate of 85 buildings including buildings in the Catford complex. Reactive works are undertaken by the Facilities Management team covering three key areas: fabric, mechanical and engineering (M&E) and residual or H&S related.

6.8.4.2.2 ***Planned Works*****:** A new programme of planned lifecycle capital works across the operation estate began in 2021/22 following a condition survey of the estate. The programme, Corporate Estate Maintenance Programme (CEMP), is designed to ensure that the council's assets are invested in and are fit for purpose. Benefits include less interruptions to critical operations due to building or equipment failure, longer asset life, improved efficiency and energy performance, increased safety and compliance, and reduced repair costs.

6.8.4.2.3 There is currently £4.9m committed funds in the programme to the end of 2023/24. This first phase of the programme will deliver improvements to around 32 assets; covering a vast array of repairs and improvements, all of which seek to ensure the buildings are safe, watertight, and fit for purpose for the services being delivered from them. This includes new roofs, new windows, damp and drainage work, improved working conditions for frontline staff, mechanical and electrical improvements, and general decorations.

6.8.4.2.4 There is a requirement for a further £5.9m funding for the CEMP for the current MTFS (through to 2026/27) to enable continued planned maintenance across the council's corporate estate. This includes circa £800k for short-term improvements to Wearside to upgrade the welfare/changing facilities, limited internal improvements to the fleet and canteen blocks, and traffic management improvements. The £800k funding for Wearside has been included within the programme for 2023/24 but is conditional on the scope of works (which will need to align to the strategic intent for the site) being confirmed by EMT. We are funding these from reserves so does not impact wider financing considerations. The remaining £5.1m call on the Capital Programme has not yet been included in Table 2 above.

6.8.4.2.5 It is intended that the condition surveys are re-commissioned in 2025/26 which will help re-set the programme and provide more up to date evidence for prioritising works across the estate. The CEMP continues to be delivered in parallel to the Asset Review, helping to define future investment need of the estate.

6.8.4.3 ***Public Sector Decarbonisation Scheme (PSDS) Programme*:**

6.8.4.3.1 In March 2020 Lewisham Council approved their Climate Emergency Strategic Action Plan which supports the Council's aspiration to be carbon neutral by 2030. In October 2020 the Department for Business, Energy and Industrial Strategy (BEIS) launched the Public Sector Decarbonisation Scheme (PSDS) to fund energy saving projects in public buildings.

6.8.4.3.2 In January 2021 the Council submitted a successful bid under PSDS Phase 1 and was awarded a total funding envelope of just under £3m for capital works to deliver heat decarbonisation and energy efficiency measures at five corporate sites. In 2022 the Council carried out a further review of its sites and identified further buildings that had aging, or non-functioning gas boilers and in October that year made a bid for funding under PSDS Phase 3b. Funding from this round will be used to fund heat decarbonisation and energy efficiency measures at Honor Oak Youth & Community Centre in 2023-24.

6.8.4.3.3 The estimated total cost for this site is £614k, of which £167k is grant funding from PSDS 3b; £60k s106 carbon offset funds and the remainder being funded from the CEMP. The project will be delivered through the CEMP and works will include air source heat pump, replacement double glazed windows, solar photovoltaic roof panels and new LED lights to replace the fluorescent light fittings.

6.8.4.3.4 The maintained school's estate have also benefited from the PSDS funding. Three school projects were delivered in 2021/22 as part of the Phase 1 of the scheme, and funding has been secured to carry out decarbonisation works at a fourth school (Downderry Primary) in 2023/24 as part of Phase 3. The forecast spend for PSDS school projects in 2023/24 is £800k, with another £600k due to be spent in 2024/25.

6.8.4.3.5 These PSDS works provide a significant carbon reduction and the Council is also benefiting from the retrofit of its critical energy infrastructure that has reached, or passed, its useful life as well as building fabric upgrades that will improve the comfort levels for the users of the various corporate buildings benefiting from this funding. Further funding will need to be identified for match-funding for any future PSDS (or equivalent) applications to continue to roll out decarbonisation measures across the corporate estate. A recent heat plan (funded from Low Carbon Skills Fund) has identified proposed measures and outline costs across the corporate estate which will support future applications and/or council-led initiatives. Any heat decarbonisation delivery across the Council's estate will be planned to align with future corporate estate programme works and available resources at the time.

6.8.4.4 ***Beckenham Place Park East*:** Works will shortly commence on the restoration of the east side of the park this will use green space to deliver a new flood alleviation scheme for the Ravensbourne River, new and upgraded pathways, a playground, MUGA, activity trail and open-air gym along with extensive tree planting. The Old Bromley Road route to the park will receive upgraded tree planting and rain gardens to combat surface water flooding. Works are expected to commence in August 2023 and complete in April 2024. Funding for the £3.8M project is from various sources including the Council, Environment Agency and the GLA.

6.8.4.5 ***Levelling Up Fund – Lewisham Town Centre:*** In June 2022 Mayor and Cabinet approved the submission of a bid to the Government's Levelling Up Fund for Lewisham Town Centre. In early 2023 the Government approved the bid for £19m of Levelling Up Fund with match funding of £5m from the Council. All £24m is capital funding. The programme will deliver a revitalisation of Lewisham Street Market, improvements to the public realm and a transformation of Lewisham Library into a Culture and Business Hub. The programme has mobilised, and work begun on the three elements of the programme. A report will be taken to Mayor and Cabinet in the autumn to seek approval on the procurement approach, allocation of match funding and provide an update on the progress of the programme.

6.8.4.6 ***Catford Town Centre****:* In July 2021 Mayor and Cabinet endorsed the Catford Town Centre Framework, which sets out the council's regeneration aspirations for the town centre. This includes a number of early deliverables which form 'phase 1' and plans to redevelop council assets, including Laurence House, the Old Town Hall and Civic Suite, Milford Towers and the shopping centre.

6.8.4.6.1 Thomas Lane Yard now forms part of the Building for Lewisham programme and has secured c.£500k budget from the Housing Revenue Account to progress designs and submit a planning application. The former Catford Constitutional Club is now on site, with a build programme of approximately one year. Expected spend of c.£2M in 23/24, within an overall budget of 2.8M. Separately, the council has section 106 funding to deliver improvement works between Catford stations with an estimated budget of £1.4M over the period.

6.8.4.6.2 The realignment of the A205 and improvements to the A21 also form part of phase 1. The council has secured £10M Housing Infrastructure Fund grant to support the road scheme and is expecting to make a contribution of up to £3.7m from Community Infrastructure Levy. This contribution will be match funded by TfL. The remaining funding of c. £44M is anticipated to come from Department for Transport's Major Road Network fund, for which TfL are currently progressing a business case application. The council forecasts spend of c.£2M in 23/24 funded via the HIF.

6.8.4.6.3 The road realignment will create significant open space in the town centre which will be owned by the council. Initial design work will be paid for by the HIF but further capital expenditure of c.£4.5m will be required to develop the design and deliver the public realm scheme once the road completes. Further funding will need to be identified to cover these costs.

6.8.4.6.4 The council had previously established a capital budget of c.£5m to support the regeneration of Catford Town Centre. The remaining budget of c.£420k is forecast to be exhausted by 25/26. Expected spend is c.£175k in 23/24, c.£150k in 24/25 and c.£130k.

6.8.4.6.5 The council is currently reviewing how it begins to deliver its Framework aspirations on council-controlled land in Catford. The remaining budget will support the procurement of the recommended delivery route, development of our greenest town centre vision and development of design work. This will also include design work for a new civic campus. However, this budget is expected to be fully spent on internal staffing costs, consultancy advice, legal and financial advice to secure the chosen delivery route.

6.8.4.6.6 Future work streams to support the delivery of the Framework will require an estimated budget of c.£1m over the next three to five years. Depending on the delivery route chosen, the council may be required to significantly invest to support the redevelopment and delivery of council-controlled assets in the town centre, which is not included within the current profile.

6.8.4.6.7 A number of grant funding opportunities are being explored to support the delivery of the council's greenest town centre aspirations. This includes decarbonisation, waste and recycling and demolition.

6.8.4.7 **Housing Delivery Programme:** The housing development programme is now being delivered by an in-house development team. Up until February 2023 this programme was being led and delivered by our wholly owned company, Lewisham Homes. Since bringing this programme in house we have undertaken a review of existing and future development opportunities and routes for delivery.

6.8.4.7.1 The current programme comprises over 800 homes at various stages of development and delivery as outlined below.

- Schemes in delivery 22-26: pre/post DLP – *(c345 homes either on site or in aftercare*) [made up of 300 housing acquisitions; Elderton (5 Social homes); New Cross (35 Social homes) and Walsham (5 Social homes)] in addition to 112 buyback completions.

- Preconstruction: In or pre-planning phase – *(c270 homes) homes [Drakes (33 Social homes); Fairlawn (12 Social homes); Greystead (33 Social homes); Ladywell (47 Social homes and 55 Shared Ownerships); Manor (10 Social homes); Mayfield (23 Social homes and 41 Shared Ownerships) and Valentines (26 Social homes and 15 Shared Ownerships)]*

- Pipeline identified sites including estate regeneration – c*400 Homes [made up of Achilles (123Social homes and 161 Shared Ownership); Parker House (38 Social homes); Thomas Lane Yard (36 Social homes and 61 Shared Ownerships) and Willow Way (74 Social homes and 34 Shared Ownerships)]*

6.8.4.7.2 Programme delivery has and continues to be impacted by current market conditions. Rising interest rates coupled with build cost inflation is creating uncertainty in the delivery of the programme. As a result, and due to these unprecedented pressures, materials and labour cost increase significantly across the sector. There is also further pressure arising from cost of compliance, fire safety and sustainability improvements for existing stock.

6.8.4.7.3 The programme is therefore being consistently reviewed to maintain value for money and overall viability and risk mitigation in a challenging market. A consequence of this is a continual realignment of the programme by for example moving some projects to the small sites programme for further review. The first phase of this review has seen sites at Evelyn, Markwell, Dacres and Hensford paused pending further viability and project analysis. It is likely paused projects will be moved into a small sites programme, other paused schemes if they are identified as subsequently progressing or revisited at a later date. The profiling of the capital programme spend therefore has removed any future expected spend for these schemes and so if the budget was to be re-allocated this could only be done if capacity remained within the programme at that point.

6.8.4.7.4 Included within the new build programme we have two modular sites at Edward Street and Home Park which have suffered significant disruption due to contractor insolvency.. A recommendation on the management of these sites was included in the September 2023 Mayor and Cabinet.

6.8.4.7.5 The total cost of delivering the development programme is £438.4 million, based on spend to date and current estimates going forwards. The spend profile for this programme has been reprofiled over a longer period and the programme is under review pending project viability reviews and approval. The revised profile is below:-

Table 4: BfL Programme Re-Profile

Re-profile HRA BFL information	2023/24	2024/25	2025/26	2026/27	Future years	Total
	£M	£M	£M	£M	£M	£M
HRA New Build construction & on-going costs	32.5	55.2	52.9	20.8	152.3	313.7

Compared to the current agreed budget profile, which is:-

Original Profile March 2023	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£M	£M	£M	£M	£M	£M
HRA New Build construction & on-going costs	84	121.3	74.2	16.5	19.6	315.6

6.8.4.7.6 The Housing Revenue Account (HRA) financial model has been updated to reflect actual spend for 2022/23 and the resultant slippage in the general capital programme, including decent homes and the BfL programme which has resulted in a reprofiling of expenditure to future years.

6.8.4.7.7 HRA funds, including reserves, revenue contributions, grants and borrowing approvals are fully committed to contribute to investment requirements and to ensure that there are sufficient resources available to fund the on-going 30-year business plan.

6.8.4.7.8 There is a continuing need to invest in decent homes and to significantly increase the supply of housing in the borough over the medium to long term. The business plan is reviewed each year to ensure that the resources available from HRA reserves and other funding such as grants, and borrowing can be profiled appropriately to meet the business needs.

6.8.4.7.9 To ensure efficient use of RTBs, GLA grant rates in the current competing environment, officers are working to optimise the allocation of RTB receipts and other grant funding to ensure that these are applied to council priority sites, in need of much needed subsidy. There is also close monitoring of predicted RTB receipt spend, to ensure that the receipts are spent within the required timescales.

6.8.4.7.10 The inflation increase, overall cost of delivery and baseline interest rates alongside a cap on rental revenue has activated reviews and changes of our core assumptions. These assessments and programme scrutiny is ongoing. Further updates at regular intervals within the delivery programme will be brought back to members for progress, assurance and key approvals.

7.0 Financial Implications

7.1 Capital grants that the council receives to spend on Capital Projects often have conditions attached to the use of the grant, such as type of spend permitted or the timeframe for spend. Failure to comply with these conditions could mean the council must repay the grant which would cause an additional call on reserves or an increase in borrowing to fund the spend.

7.2 Although slippage within the Capital Programme is common and to be expected, it has an impact on the Treasury Management Strategy. This is because the timing of capital spend has a large impact on how much and when the Council must borrow.

7.3 The revised capital programme as set out in this report and presented to previously has been incorporated into the Treasury Management Mid-Year Review being presented to Mayor & Cabinet on the 20th September 2023.

8.0 Legal Implications:

8.1 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.

9.0 Crime and Disorder, Climate and Environment Implications:

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

10.0 Equalities Implications:

10.1 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.

10.2 There are no equalities implications directly arising from this report.

Report Author and Contact:

Kplom Lotsu, Head of Property, Estates and Capital Programmes at kplom.lotsu@lewisham.gov.uk or

Tom Clarkson, Financial Services (Capital) at thomas.clarkson@lewisham.gov.uk

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Mayor and Cabinet

Treasury Management Mid-Year Review 2023/24

Date: 20/09/2023

Key decision: No.

Class: Part 1.

Ward(s) affected: All

Contributors: Interim Director of Finance Katharine Nidd

Outline:

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

- A review of the Treasury Management position as at 31 March 2023;
- An economic update for the five months of the 2023/24 financial year;
- An update of the Treasury Management Strategy for 2023/24;
- An update on the Council's Capital Programme forecast and prudential indicators;
- A review of the Council's investment portfolio for 2023/24;
- A review of the Council's borrowing strategy for 2023/24; and
- A review of compliance with treasury and prudential limits for 2023/24.

Recommendation:

Mayor and Cabinet are recommended to:

1. Note the report, in particular the macroeconomic updates, Treasury Management Outturn 2022/23, performance of investments to date, the revised forecast Capital Programme 2023-27 and borrowing forecast in line with the Chartered Institute of Public Finance and Accountancy's (CIPFA).

2. To approve, and recommend that Council approves, the updated Treasury Management Strategy 2023/24 including the prudential indicators.

Timeline of engagement and decision-making:

1 March 2023 – 2023/24 Budget Report to Council (Section 5.21 onwards: Treasury Management Strategy)

8 February 2023 – 2022/23 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 30 June 2023 (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.

1.2. Inflation has risen dramatically following the war in Ukraine and this has led to a large increase in the cost of energy, food, goods and services. The Bank of England has subsequently raised interest rates to combat inflation. There is uncertainty in the financial markets due to the Covid pandemic recovery, the war in Ukraine and climate events. The Bank of England is expected to continue to increase interest rates and the UK Government is expected to increase its borrowing to support individuals and businesses during the energy and cost of living crisis.

1.3. The overall capital programme for 2023/24 was agreed as £193.5m in February 2023 and is now forecast to be £190.7m as at 30 June 2023, a £2.8m reduction. The reduction comes from the decrease in the HRA and general Fund projects due to re-profiling of the current schemes into future years.

1.4. In January 2023 the Council added a new source of borrowing of a Community Municipal Investment through a peer to peer platform. The Community Investment was launched in May 2023 and has raised over £650,000 by attracting retail investors and local residents to invest in local carbon reduction projects.

1.5. 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. These borrowing limits for 2023/24 that were set by the Council in March 2023 have not been changed by this report.

1.6. The current investments of £377m as at 30 June 2023 will give the Council a 4.8% return compared to 1.6% at September 2022. With interest rates continuing to rise it is likely that the final 2023/24 yield will exceed the returns of 2022/23. The investment return is expected to continue to increase due of the higher Bank of England bank rate, although working cash balances will reduce in line with the planned capital programme spending.

2. Recommendations

2.1. Mayor and Cabinet are recommended to:

2.1.1. Note the report, in particular the macroeconomic updates, Treasury Management Outturn 2022/23, performance of investments to date, the revised forecast Capital Programme 2023-27 and borrowing forecast in line with the Chartered Institute of Public Finance and Accountancy's (CIPFA).

2.1.2. To approve, and recommend that Council approves, the updated Treasury Management Strategy 2023/24.

3. Policy Context

3.1. This report aligns with Lewisham's Corporate Priorities, as set out in the Council's Corporate Strategy (2022-2026):

- Cleaner and Greener
- A Strong Local Economy
- Quality Housing
- Children and Young People
- Safer Communities
- Open Lewisham
- Health and Wellbeing

3.2. These recommendations in this report support all the Council's priorities generally through effective risk management and efficient placement of adequate insurance arrangements for all of its activities and duties.

3.3. 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. 2022/23 Treasury Management Outturn
7. Economic Update
8. Interest Rate Forecast
9. Annual Investment Strategy 2023/24
10. Investment Portfolio
11. Capital Strategy 2023/24
12. Financing the Capital Programme
13. Borrowing and Prudential Indicators
14. Minimum Revenue Provision (MRP) Policy Statement
15. Financial Implications
16. Legal Implications
17. Equalities Implications
18. Climate Change and Environmental Implications
19. Crime and Disorder Implications
20. Health and Wellbeing Implications
21. Background Papers
22. Report Author and Contacts

Appendix 1 – Interest Rate Forecasts 2023 - 2026

Appendix 2 – Extract from Credit Worthiness Policy

Appendix 3 – Benchmarking Extract

Appendix 4 – Economic Update from Link Group

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 continued war in Ukraine has led to unprecedented levels of economic and fiscal uncertainty as well as the challenges of high inflation. This has made the balanced budget even more challenging to achieve than in the previous years.

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 2021). 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 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.

6. 2022/23 Treasury Management Outturn

6.1. The overall treasury management outturn for the year ending 31 March 2023 is set out in the table below:

BORROWING	Outstanding at 31 March 2023	Weighted Average Coupon Rate	Weighted Average Remaining Duration	Outstanding at 31 March 2022
	£m	%	Years	£m
Fixed Rate Borrowing				
Public Works Loan	91.9	4.2	25.3	92.9
Market Loans	82.5	4.0	31.0	82.5
Subtotal – Fixed Rate Borrowing	***174.4***	***4.2***	***28.2***	***175.4***
Variable Rate Borrowing				
Public Works Loan	0.0	0.0	0.0	0.0
Market Loans	37.2	2.2	35.3	37.4
Subtotal – Variable Rate Borrowing	***37.2***	***2.2***	***35.3***	***37.4***
Total Debt	**211.6**	**3.8**	**29.6**	**212.8**

INVESTMENTS (short term investment for 0 -12 months)	Outstanding at 31 March 2023	Weighted Average Coupon Rate	Outstanding at 31 March 2022
	£m	%	£m
Banks and Building Societies	225.0	0.2	185.0
Local Authorities	0	0	0
Subtotal – Fixed Rate Investments	***225.0***	***0.2***	***185.0***
Money Markets	91.0	0.1	116.2
Notice Accounts	0	0.0	90.0
Subtotal – Variable Rate Investments	***91.0***	***0.1***	***206.2***
Total Investments	**316.0**	**0.2**	**391.2**

6.2. In respect of the net borrowing requirement for 2022/23 it was £32.8m, this being

£34.9m higher than the net borrowing requirement of (£2.1m) for 2021/22 as set out in the table below:

Net Borrowing Requirement	2022/23 £m	2021/22 £m
Capital Investment	137.2	117.6
Capital Grants	(29.8)	(20.8)
Capital Receipts	(12.5)	(7.8)
Repair Reserves	(25.7)	(27.1)
Revenue	(21.6)	(51.7)
Net position	***47.6***	***10.2***
MRP	(4.7)	(4.3)
Other Financing	(10.1)	(8.0)
Net Borrowing Requirement	**32.8**	**(2.1)**

6.3. As at 31 March 2023, this internal borrowing was £146.4m, which is the difference between the Capital Financing Requirement (CFR) and the Council's actual borrowing.

Debt and CFR Movement	2022/23	2021/22 £m
Capital Financing Requirement*	358.0	301.7
External Debt**	(211.6)	(212.8)
Difference – Internal Borrowing	***146.4***	***88.9***

* Excluding other long-term liabilities.

**Excluding Fair Value adjustments.

7. Economic Update

7.1. The Economic update is provided by the Council’s treasury advisors Link Group and is at Appendix 4; this includes commentary on the impact of the war in Ukraine on global markets.

8. Interest Rate Forecasts

8.1. The Council’s treasury adviser, Link Group, has published its latest interest rate forecasts up to 30 June 2025 as below:

	Sep-2023	Dec-2023	Mar-2024	Jun-2024	Sep-2024	Dec-2024	Mar-2025	Jun-2025
Bank Rate View	5.50%	5.50%	5.50%	5.25%	4.75%	4.25%	3.75%	3.25%
5yr PWLB Rate	5.60%	5.30%	5.10%	4.80%	4.50%	4.20%	3.90%	3.60%
10yr PWLB Rate	5.20%	5.00%	4.90%	4.70%	4.40%	4.20%	3.90%	3.70%
25yr PWLB Rate	5.40%	5.20%	5.10%	4.90%	4.70%	4.50%	4.20%	4.00%
50yr PWLB Rate	5.10%	5.00%	4.90%	4.70%	4.50%	4.30%	4.00%	3.80%

8.2. The war in Ukraine has affected economies around the world with increases in energy and food costs which have led to the rise in inflation. The Bank of England's Monitory Policy Committee (MPC) are trying to reduce inflation by increasing the Bank Rate. The Bank of England increased the Bank Rate again at their meeting in June to 5.0%. The headline Consumer Prices Index (CPI) rate is now forecast to fall slowly during the remainder of 2023-24.

8.3. The overall balance of risks to economic growth in the UK is very low due to the war in Ukraine and the effects of high inflation on world prices. It is likely that the UK will go into recession as the UK population cuts back on retail spending in order to pay for the increasing energy and food costs as well as higher mortgage costs. Interest rates will continue to increase as the Bank of England raises interest rates to combat inflation.

8.4. The upside is that the increasing interest rates is that the Council has been earning a higher return on its investments in 2022/23 and in 2023/24 which will help to meet higher costs of providing local services.

9. Investment Strategy 2023/24

9.1. The Treasury Management Strategy Statement (TMSS) for 2023/24 was approved by Council on 1 March 2023.

Investment Policy – Management of Risk

9.2. The DLUHC (Department for Levelling Up, Housing and Communities) and CIPFA (Chartered Institute of Public Finance and Accountancy) 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) and non-financial investments and loans.

9.3. 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 2021.

9.4. 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, given increasing interest rates, 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.

9.5. The Council uses Link Group 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.

9.6. 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 and loans 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 9.9 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 13.9).
8. Investments will only be placed with counterparties from countries with a specified minimum sovereign rating (see Appendix 5).
9. All investments and loans 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 DLUHC enacted a statutory override, which expires on 31 March 2025, for any unrealised capital gains or losses on marketable pooled funds to be chargeable in year. The Council would not be affected if the override was removed as it does not at present have any pooled investments. Although the Council has scope to do so as per the creditworthiness policy in Appendix 2.

9.7. 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 deposits of up to 36 months to generate improved returns, depending on prevailing market conditions.

Creditworthiness Policy

9.8. 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.

9.9. 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.

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

Country limits

9.11. 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.

Updates to Investment Strategy

Investment Returns

9.12. Investment returns are likely to continue to increase due to the rise in inflation and the continued increases in the Bank of England interest rate. The continued war in Ukraine has caused huge economic damage to the UK and world economies and has caused large increases in the cost of energy and food.

9.13. The Bank of England is combatting the rise in inflation by increasing the Base Rate, on an almost monthly basis. The base rate has increased from 0.1% in December 2021 to 5.0% in June 2023.

9.14. Money market yields have risen in line with the Bank of England base rate rises and now offers a better return for cash held for the Council's cashflow. The Money Market rates are expected to continue to increase further in 2023.

9.15. The Council uses the services of its advisor, Link Group, to formulate a view on interest rates; their view is that the Bank Rate will continue to increase through 2023 but will peak and start to fall in late 2024. Given the interest rates will peak soon the Council will continue to invest to lock into long term fixed rates so that it can take advantage of the high rates.

9.16. In light of these predictions for increasing 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. Any investments entered into will be taken after taking advice from the Council's advisors and will continue to meet the objectives of security, liquidity and return.

9.17. A more extensive table of interest rate forecasts for September 2023 onwards, including Public Works Loan Board (PWLB) borrowing rate forecasts, is set out in Appendix 1.

Non-Treasury Investments

9.18. 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.

9.19. 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 local services.

9.20. The Council can make loans to other enterprises as a non-treasury investment in line with the Guidance on Local Government Investments.

9.21. The Council does not set a limit on the amount of loans that it can approve because it considers each application on a case by case basis. Due diligence must be carried out on all applications and the total financial exposure must be proportioate.

9.22. 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

9.23. 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.

<u>Lewisham Homes Limited</u>

9.24. 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.

9.25. 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.

9.26. 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.

9.27. The Council has provided a £40m commercial loan facility to Lewisham Homes Ltd and the agreed facility financed from PWLB debt.

<u>Catford Regeneration Partnership Limited (CRPL)</u>

9.28. 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.

The Council has provided CRPL with loans totalling £16.2m, currently on an interest only basis, with interest being capitalised until 2024/25.

Other Non-Treasury Investments

Besson Street Joint Venture

9.29. 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 assumed 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.

9.30. 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

10. Investment Portfolio 2023/24

10.1. 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 Group suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information. As set out in Section 6, the rising Bank of England base rates will help the Council to earn a higher return on its investments in 2022/23 and this will help to meet higher costs of providing local services.

a) Performance as at 30 June 2023

10.2. The Council held £377m of investments as at 30 June 2023 (£385m at 31 March 2022) and the current annualised yield as at 30 June 2023 is 4.8% (compared to 1.9% at September 2022). 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.

10.3. The Council is a member of a treasury benchmarking group (organised by Link Group) 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 2023 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. Compared to our peers Lewisham has slightly more fixed term short term investments and were therefore more impacted by the extremely low bank rates during Covid. The Council is now however obtaining improved investment returns as its short term investments mature and it takes advantage of the rising interest rates.

A full list of outstanding investments held as at 30 June 2023 is shown below:

Counterparty	Duration (Days)	Principal £m	Interest Rate	Interest £
Fixed Rate Investments – Banks and Building Societies				
OP Corporate Bank plc	365	25.0	2.95%	737,500
DBS Bank Ltd.	181	5.0	4.30%	106,616
Australia and New Zealand Banking Group Ltd.	92	15.0	4.76%	179,967
National Westminster Bank PLC (RFB)	364	10.0	4.75%	473,699
DBS Bank Ltd.	183	5.0	4.65%	116,568
Australia and New Zealand Banking Group Ltd.	365	10.0	4.93%	493,000
Landesbank Hessen-Thueringen Girozentrale	365	15.0	5.07%	760,500
Standard Chartered Bank	185	20.0	4.95%	501,781
Bank of Montreal	364	10.0	4.68%	466,718
Close Brothers Ltd	184	10.0	5.00%	252,055
Close Brothers Ltd	184	10.0	5.00%	252,055
Toronto-Dominion Bank	364	15.0	4.85%	725,507
Royal Bank of Canada	367	25.0	4.82%	1,211,603
Bank of Montreal	364	15.0	5.00%	747,945
Toronto-Dominion Bank	364	5.0	5.22%	260,285
National Westminster Bank PLC (RFB)	364	20.0	5.15%	1,027,178
Toronto-Dominion Bank	364	5.0	5.34%	266,268
Lloyds Bank Corporate Markets Plc (NRFB)	364	10.0	4.90%	245,671
Skandinaviska Enskilda Banken AB	365	25.0	5.06%	1,261,534
Commonwealth Bank of Australia	365	10.0	5.16%	475,003
Variable Rate Investments – Money Markets				
Aberdeen Standard	N/A	30.0	4.82%	N/A
BlackRock	N/A	30.0	4.75%	N/A
Federated Hermes	N/A	21.6	4.73%	N/A
Insight	N/A	30.0	4.75%	N/A
TOTAL INVESTMENTS		**376.6**	**4.82%**	

10.4. The Executive Director of Corporate Resources confirms that there were no breaches of the approved limits within the Annual Investment Strategy during the first five months of 2023/24.

10.5. 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,.

11. Capital Strategy 2023/24

11.1. The CIPFA 2021 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.

11.2. The aim of the Capital Strategy is to ensure that all elected Members on full Council fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite

11.3. 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;
- For non-loan type investments, the cost against the current market value; and
- The risks associated with each activity.

11.4. On 8 February 2023, Mayor & Cabinet agreed the Capital Strategy for 2023/24.

Capital Programme

11.5. The table below sets out the budget and profile for the Capital Programme for 2023-2027 as of 30th June 2023.

Capital Programme budget 2023-27	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m
General Fund					
Resources Directorate (ICT)	0.6	0.0	0.0	0.0	0.6
Community Services	1.0	0.0	0.0	0.0	1.0
Children and Young People	10.1	8.5	1.7	0.0	20.3
Regeneration	26.6	18.5	39.8	6.4	91.3
GF Housing	32.5	47.9	38.8	7.6	126.8
Total General Fund	**70.8**	**74.9**	**80.3**	**14.0**	**240.0**
HRA					
Building for Lewisham	31.1	53.6	49.7	6.0	140.4
Decent Homes	81.1	0.0	0.0	0.0	81.1
Other HRA	1.4	0.9	0.0	0.0	2.3
HRA Unallocated	6.3	2.2	3.1	3.2	14.8
Decent Homes Unallocated	0.0	67.0	66.8	51.3	185.1
Total HRA	**119.9**	**123.7**	**119.6**	**60.5**	**423.7**
Total Capital Programme	**190.7**	**198.6**	**199.9**	**74.5**	**663.7**

The 2023/27 budget for the Capital Programme as agreed by the Council in March 2023/27 was £480.6m. The Capital Programme has increased by £183.1m to £663.7m.

The main increases have come from the increase the housing development and regeneration of £153.3m in the general fund and a decrease of £35m in the Building for Lewisham programme and an increase of £60.1m to the Decent Homes programme in the HRA.

12. Financing of the Capital Programme

12.1. 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 2023/24.

12.2. 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).

12.3. The table below shows the required prudential borrowing 2023/24 and this has decreased by £12.2m for from the original capital programme that was approved in March 2023. This is due the changes in the revised capital programme; for new schemes along with a decrease in HRA schemes and the re-profiling of projects.

12.4. Capital Expenditure Financing

Capital Financing Forecast

Capital financing forecast	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	
Grants	16.2	19.1	42.7	10.4	88.4
S106 & CIL	12.2	2.5	0.4	0	15.1
Capital Reserves	5.8	1.1	0.9	0.2	8.0
Corporate Reserves	4.1	3.6	2.1	0.5	10.3
Capital Receipts	8.5	11.6	5.9	2.2	28.2
Prudential Borrowing	24.0	37.0	28.3	0.7	90.0
General Fund	**70.8**	**74.9**	**80.3**	**14.0**	**240.0**
Grants	15.7	24.3	30.5	12.8	83.3
Capital Reserves & Revenue Contribution	5.7	2.0	3.9	4.2	15.8
Major Repair Allowance	26.2	26.7	27.2	27.7	107.8
Prudential Borrowing	72.3	70.7	58.0	15.8	216.8
HRA	**119.9**	**123.7**	**119.6**	**60.5**	**423.7**
Total	**190.7**	**198.6**	**199.9**	**74.5**	**663.7**

12.5. Forward projections for borrowing as at 31 March 2023 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.

12.6. 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.

12.7. 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.

12.8. Changes in external debt incorporate upcoming loan maturities and projected prudential borrowing requirements in both the General Fund and the Housing Revenue Account (HRA).

12.9. The table below illustrates over/(under) borrowing relative to the combined CFR for the General Fund and HRA.

<u>External Debt Projections</u>

	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m
External Debt at 1 April	222.0	240.1	270.7	291.7
Prudential Borrowing – General Fund	18.1	30.5	21.1	(7.1)
Prudential Borrowing – HRA	71.2	67.8	55.1	12.9
Other Long-Term Liabilities	199.1	186.7	174.3	162.1
Gross Debt at 31 March	**510.4**	**525.2**	**521.2**	**459.6**
Total Capital Financing Requirement at 31 March*	**630.7**	**718.4**	**782.3**	**774.1**
Borrowing – over / (under)	**(120.4)**	**(193.2)**	**(261.1)**	**(314.5)**

*The Capital Financing Requirement includes the prudential borrowing figures.

12.10. The borrowing requirements will be reviewed on a regular basis and will be dependent on the progress of the Capital Programme therefore the borrowing forecast will be updated in later reports.

12.11. 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.

12.12. The Executive Director for Corporate Resources officer's 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.

13. Borrowing and Prudential Indicators

Borrowing Strategy

13.1. The Council's external debt as at 30 June 2023, gross borrowing plus long term liabilities, was £416.2m. 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 lower than the cost of borrowing.

13.2. 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. With the interest rates rising the cost of borrowing has been increased so it is less expensive to use internal borrowing (cash held from reserves and balances).

Policy on Borrowing in Advance of Need

13.3. 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.

Sources of borrowing

13.4. Previously approved sources of borrowing: The approved sources of long-term and short-term borrowing are:

1. HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
2. any institution approved for investments (see below)
3. any other bank or building society authorised to operate in the UK
4. any other UK public sector body including local authorities
5. UK public and private sector pension funds (except Lewisham Pension Fund)
6. capital market bond investors
7. UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
8. Investors in capital market bonds and retail bonds issued by the Council
9. Individuals lending via a peer-to-peer platform where appropriate Individuals lending via a peer-to-peer platform where any necessary counterparty checks (for example proof of identity or money laundering requirements) are conducted by the platform.
10. Investors in capital market bonds and retail bonds issued by the Council.

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

1. leasing
2. hire purchase
3. Private Finance Initiative
4. sale and leaseback

Treasury Indicators

13.5. 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.

13.6. 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.

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

Limits on Interest Rate Exposures	2023/24	2024/25	2025/26
	Upper	**Upper**	**Upper**
Limits on fixed interest rates:			
• **Debt only**	100%	100%	100%
• **Investments only***	90%	90%	90%
Limits on variable interest rates			
• **Debt only**	15%	15%	15%
• **Investments only***	50%	50%	50%
* For this calculation short term (less than 12 months) investments for 1-12 months are treated as fixed interest rates.			
Limits on Maturity Structure of Fixed Interest Rate Borrowing 2022/23			
		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%	25%
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 2023/24			
		Lower	**Upper**
30 years to 40 years		0%	60%
40 years to 50 years		0%	40%

Long Term Investments Indicator

13.8. 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.

13.9. The indicator is set out below. As at 30 June 2023, the Council is not expected to hold any investments for longer than 365 days.

Maximum Principal Sums Invested for Longer than 365 days			
	2023/24 £m	2024/25 £m	2025/26 £m
Limit on principal sums invested for longer than 365 days	50.0	50.0	50.0

Debt Rescheduling

13.10. As short-term borrowing rates are currently higher than longer term fixed interest rates, there may not be many 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).

13.11. 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).

13.12. During 2023 the council has been in correspondence with a few banks that provide its LOBO loans to see if there were any opportunities to reschedule the debt. On 4th September 2023 the Council repaid a £15m LOBO loan from Bayerische Landesbank at a nil premium.

13.13. The Council has reduced its LOBO loans from £119.7m to £104.7m and as at 4th Septmber 2023 there is a further £20m that have call options in 2023/24. 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.

13.14. 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.

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

13.16. No new external borrowing has been undertaken to date in 2023/24 because the Council uses its internal borrowing when required in this financial year.

13.17. Debt rescheduling opportunities have been very limited in the current economic climate therefore no debt rescheduling has been undertaken to date in the current financial year.

Limits to Borrowing Activity (remain unchanged from the approved limits set by Council in March 2023)

13.18. 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

13.19. 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:

Operational Boundary (unchanged)	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Maximum External Debt at 31 March	254.5	353.2	434.9	469.0
Other Long-Term Liabilities	209.8	198.4	186.1	172.2
Provision for Non Receipt of Expected Income	56.0	56.0	56.0	56.0
Operational Boundary for Year	**520.3**	**607.6**	**677.0**	**697.2**

The Authorised Limit for External Debt

13.20. 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.

13.21. 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.

13.22. The authorised limits are set out as below:

Authorised Limits (unchanged)	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Maximum External Debt at 31 March	310.5	409.2	490.9	525.0
Other Long-Term Liabilities	209.8	198.4	186.1	172.2
Additional 10% Margin	52.0	60.8	67.7	69.7
Authorised Limit for Year	**572.3**	**668.4**	**744.7**	**766.9**

Liability Benchmark

13.23. A new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

13.24. There are four components to the LB: -

1. Existing loan debt outstanding: the Council's existing loans that are still outstanding in future years.
2. Loans CFR (Capital financing Requirement): this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. Net loans requirement: this will show the Council's gross loan debt at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

Liability Benchmark	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m
External Borrowing	211.6	212.7	301.2	378.3
Less: Opening Treasury Investments	(316.0)	(213.9)	(203.9)	(203.9)
Plus Planned Prudential Borrowing	96.3	107.7	86.3	16.5
Less: MRP & loan repayments	(6.9)	(9.3)	(10.1)	(10.7)
Net Loans Requirement**	**(15.0)**	**97.2**	**173.5**	**180.2**
Capital Financing Requirement (CFR)				
General Fund	260.9	293.1	314.2	305.3
Housing Revenue Account (HRA)	170.8	238.6	293.7	306.7
Underlying Borrowing Requirement (Loans CFR*)	431.7	**531.7**	**607.9**	**612.0**
Liquidity and Investment allowance above net debt	**200.0**	200.0	200.0	200.0
Liability Benchmark (Gross loans requirement	**185.0**	**297.2**	**373.5**	**380.2**
Under / (Over) Liability Benchmark	**169.9**	**394.4**	**547.0**	**560.4**
Underborrowing as a % of Underlying Borrowing Requirement	*39%*	*74%*	*90%*	*92%*

* The Loans CFR is the borrowing requirement excluding finance from PFI and Leases

** The Net Loans Requirement is the authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

13.25. The liability benchmark is showing the borrowing requirement subject to using internal borrowing while maintaining £200m (liquidity allowance) in Treasury Management investments, so in 2023/24 the external debt is circa £26m above the benchmark.

14. Minimum Revenue Provision (MRP) Policy Statement

14.1. 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.

14.2. 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.

14.3. 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).

14.4. 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.

14.5. 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.

14.6. 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.

15. Financial Implications

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

16. Legal Implications

16.1. 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.

16.2. 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.

16.3. 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.

17. Equalities Implications

17.1. There are no equalities implications directly arising from this report. An initial Equality Analysis was undertaken to assess the likely adverse impact the contract award would have on protected groups compared to non-protected groups. The analysis concluded that a full equality analysis was not required due to the fact that Treasury Management would not have any adverse impact on protected groups compared to non-protected groups.

17.2. The organisations and counterparties that Treasury Management uses to invests or borrow are large institutions and should all conform to The Equality Act 2010.

18. Climate Change and Environmental Implications

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

19. Crime and Disorder Implications

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

20. Health and Wellbeing Implications

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

21. Background Papers

21.1. The following papers are appended to this report:

- *Appendix 1 – Interest Rate Forecasts 2023 – 2026*
- *Appendix 2 – Extract from Credit Worthiness Policy*
- *Appendix 3 – Benchmarking Extract*
- *Appendix 4 – Economic Update from Link Group*
- *Appendix 5 – Approved Countries for Investment*
- *Appendix 6 – Requirement of the CIPFA Treasury Management Code of Practice*

22. Report Author and Contacts

22.1. For more information please contact David Austin, Interim Executive Director of Corporate Resources, 1st Floor Laurence House, 020 8314 9114 David.Austin@lewisham.gov.uk

22.2. Financial implications: Chris Flower Treasury and Investment Manager

22.3. Legal implications: Mia Agnew, Contracts Lawyer

APPENDIX 1: Interest Rate Forecasts 2023 - 2026

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
Jun 2023	5.00	5.50	5.10	5.30	5.00
Sep 2023	5.50	5.60	5.20	5.40	5.10
Dec 2023	5.50	5.30	5.00	5.20	5.00
Mar 2024	5.50	5.10	4.90	5.10	4.90
Jun 2024	5.25	4.80	4.70	4.90	4.70
Sep 2024	4.75	4.20	4.20	4.50	4.30
Dec 2024	4.25	4.20	4.20	4.50	4.30
Mar 2025	3.75	3.90	3.90	4.20	4.00
Jun 2025	3.25	3.60	3.70	4.20	4.00
Sep 2025	2.75	3.40	3.50	3.90	3.60
Dec 2025	2.75	3.30	3.50	3.80	3.60
Mar 2026	2.75	3.30	3.50	3.80	3.50
Jun 2026	2.50	3.00	3.40	3.70	3.50

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 Department for Levelling Up, Housing and Communities (DLUHC'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.

The investment policy proposed for the Council is:

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement.

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 or loans 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.

These include certificates of deposit issued by banks or building societies, fixed deposits with building societies that do not meet the basic secruity 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, certifcates of deposit with both banks and building societies, and pooled asset funds and other investment (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 undertake

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. Futhermore, by using a risk weighted scoring system, it does not give undue precedence to just one agency's ratings.

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

	Minimum credit criteria / colour band	**Max % of total investments/ £ limit per institution**	**Max. maturity period**
DMADF – UK Government	N/A	100%	6 months
UK Government gilts	UK sovereign rating	£30m	1 year
UK Government Treasury bills	UK sovereign rating	£60m	6 months
Money Market Funds - CNAV per fund	AAA	£35m	Liquid
Money Market Funds - LVNAV per fund	AAA	£35m	Liquid
Money Market Funds - VNAV per fund	AAA	£35m	Liquid
Local authorities	N/A	£50m	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 or other investment		£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 31 December 2022.

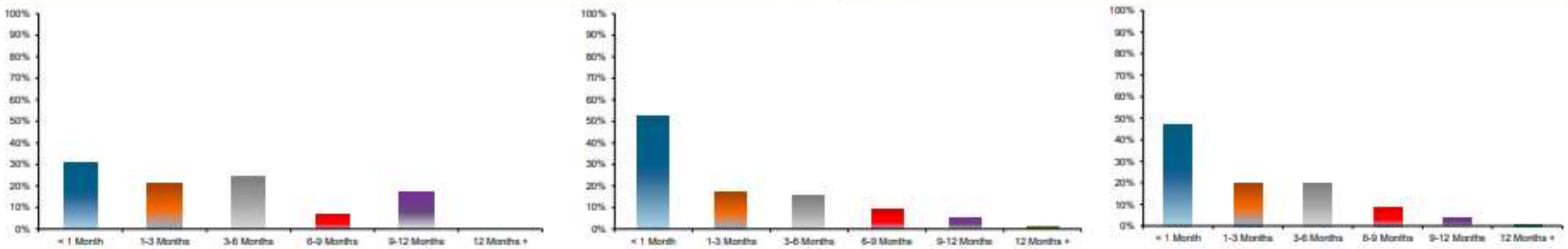
London Borough Of Lewisham

Summary Sheet

	London Borough Of Lewisham	Benchmarking Group 2 (15)	London (21)
		Basic Portfolio Characteristics	
WARoR	3.25%	2.64%	2.76%
WAM	112	73	73
WATT	204	188	183
WA Credit Risk	3.15	2.67	2.59
Model WARoR	2.80%	2.70%	2.71%
Difference	0.45%	-0.06%	0.05%
Model Band	2.61% - 3.00%	2.50% - 2.90%	2.51% - 2.90%
Performance	Above	Inline	Inline

Asset Breakdown

Maturity Profiles



London Borough Of Lewisham

Peer Comparison

	London Borough Of Lewisham	Benchmarking Group 2 (15)		London (21)		Population Average (229)	
Basic Characteristics							
Principal	£355,323,000	£272,410,296		£279,468,706		£108,685,449	
WARoR	3.25%	2.64%		2.76%		2.82%	
WAM	112	73		73		68	
WATT	204	188		183		144	
WA Credit Risk	3.15	2.67		2.59		2.97	
Portfolio Breakdown							
Fixed Deposits	68.95%	51.67%	12	56.92%	18	55.70%	207
Calls & O/N	0.00%	12.50%	6	7.77%	9	14.98%	171
MMFs	31.05%	26.67%	13	26.79%	17	24.46%	180
USDBFs	0.00%	0.36%	1	0.86%	2	0.93%	15
Struct. Prods.	0.00%	0.00%	0	0.00%	0	0.15%	4
Bonds	0.00%	5.43%	3	2.74%	3	0.90%	14
CDs	0.00%	3.37%	2	4.93%	3	2.88%	26
Institution Breakdown							
Banks	68.95%	45.43%	15	40.21%	21	46.78%	219
Building Socs.	0.00%	2.17%	3	4.16%	6	4.78%	74
Government	0.00%	24.26%	10	27.19%	14	22.65%	139
MMFs	31.05%	26.67%	13	26.79%	17	24.43%	180
USDBFs	0.00%	0.36%	1	0.86%	2	0.93%	15
MLDBs	0.00%	0.00%	0	0.00%	0	0.01%	1
Other	0.00%	1.11%	2	0.79%	2	0.42%	15
Domestic/Foreign Exposure							
Domestic	22.51%	62.29%	15	60.62%	21	64.75%	228
Foreign	46.44%	10.67%	6	11.73%	10	9.89%	90
MMFs	31.05%	26.67%	13	26.79%	17	24.43%	180
USDBFs	0.00%	0.36%	1	0.86%	2	0.93%	15
Maturity Structure							
< 1 Month	31.05%	52.48%		47.10%		53.90%	
1-3 Months	21.11%	17.25%		19.93%		20.35%	
3-6 Months	23.92%	15.08%		20.04%		15.25%	
6-9 Months	7.04%	8.82%		8.18%		5.51%	
9-12 Months	16.89%	5.26%		3.96%		3.99%	
12 Months +	0.00%	1.11%		0.79%		1.02%	

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 Group

Economic Update

1.1. The first quarter of 2023/24 saw:

- A 0.2% m/m rise in real GDP in April, partly due to fewer strikes;
- CPI inflation falling from 10.1% to 8.7% in April, before remaining at 8.7% in May. This was the highest reading in the G7;
- Core CPI inflation rise in both April and May, reaching a new 31-year high of 7.1%;
- A tighter labour market in April, as the 3myy growth of average earnings rose from 6.1% to 6.5%;
- Interest rates rise by a further 75bps over the quarter, taking Bank Rate from 4.25% to 5.00%;
- 10-year gilt yields nearing the "mini-Budget" peaks, as inflation surprised to the upside.

1.2. The economy has weathered the drag from higher inflation better than was widely expected. The 0.2% m/m rise in real GDP in April, following March's 0.3% m/m contraction will further raise hopes that the economy will escape a recession this year. Some of the strength in April was due to fewer strikes by train workers and teachers in that month. Moreover, some of the falls in activity in other areas in April were probably temporary too. Strikes by junior doctors and civil servants contributed to the fall in health output (0.9% m/m) and the meagre 0.1% m/m increase in public administration.

1.3. The fall in the composite Purchasing Managers Index (PMI) from 54.0 in May to a three-month low of 52.8 in June (>50 points to expansion in the economy, <50 points to contraction) was worse than the consensus forecast of 53.6. Both the services and manufacturing PMIs fell. The decline in the services PMI was bigger (from 55.2 to 53.7), but it remains consistent with services activity expanding by an annualised 2%. The fall in the manufacturing PMI was smaller (from 47.1 to 46.2), but it is consistent with the annual rate of manufacturing output falling from -0.8% in April to around -5.0%. At face value, the composite PMI points to the 0.1% q/q rise in GDP in Q1 2023 being followed by a 0.2% q/q gain in Q2 2023.

1.4. Meanwhile, the 0.3% m/m rise in retail sales volumes in May was far better than the consensus forecast of a 0.2% m/m decline and followed the robust 0.5% m/m rise in April. Some of the rise was due to the warmer weather. Indeed, the largest move was a 2.7% m/m jump in non-store sales, due to people stocking up on outdoor-related goods. But department stores also managed to squeeze out a 0.6% m/m rise in sales and the household goods sub-sector enjoyed a reasonable performance too. Overall, the figures were far better than analysts had expected. In addition, the GfK measure of consumer confidence rebounded from -27 to a 17-month high of -24 in June.

1.5. The recent resilience of the economy has been due to a confluence of factors including the continued rebound in activity after the pandemic, households spending some of their pandemic savings, and the tight labour market and government handouts both supporting household incomes. That said, as government support fades, real household incomes are unlikely to grow rapidly. Furthermore, higher interest rates will mean GDP is likely to contract later this year. Our central assumption is that inflation will drop to the 2.0% target only if the Bank triggers a recession by raising rates from 5.00% now to at least 5.5% and keeps rates there until at least mid-2024. Our colleagues at Capital Economics estimate that around 60% of the drag on real activity from the rise in rates has yet to bite, and the drag on the quarterly rate of real GDP growth over the next year may be about 0.2ppts bigger than over the past year.

1.6. The labour market became tighter over the quarter and wage growth reaccelerated. Labour demand was stronger than the consensus had expected. The three-month change in employment rose from +182,000 in March to +250,000 in April. Meanwhile, labour supply continued to recover as the size of the labour force grew by 303,000 in the three months to April. That was supported by a further 140,000 decline in inactivity as people returned to work from retirement and caring responsibilities (while inactivity due to long-term sick continued to rise). But it was not enough to offset the big rise in employment, which meant the unemployment rate fell from 3.9% to 3.8%

1.7. The tighter labour market supported wage growth in April, although the 9.7% rise in the National Living Wage on 1st April (compared to the 6.6% increase in April last year) probably had a lot to do with it too. The 3myy rate of average earnings growth reaccelerated from 6.1% to 6.5% (consensus 6.1%) and UK wage growth remains much faster than in the US and the Euro-zone. In addition, regular private sector wage growth increased from 7.1% 3myy to 7.6%, which left it well above the Bank's forecast for it to fall below 7.0%. Overall, the loosening in the labour market appears to have stalled in April and regular private sector wage growth was well above the Bank's forecast.

1.8. CPI inflation stayed at 8.7% in May (consensus 8.4%) and, perhaps more worryingly, core CPI inflation rose again, from 6.8% to a new 31-year high of 7.1%. The rise in core inflation built on the leap from 6.2% in March to 6.8% and means it is accelerating in the UK while it is slowing in the US and the Euro-zone (both fell to 5.3%). A further decline in fuel inflation, from -8.9% to -13.1%, and the second fall in food inflation in as many months, from 19.3% to 18.7%, explained why overall CPI inflation didn't rise. And the scheduled fall in the average annual utility price from £2,500 to £2,074 on 1st July means overall CPI inflation will probably ease in the coming months. But the problem is that the recent surge in core inflation and the reacceleration in wage growth shows that domestic inflationary pressures are still strengthening.

1.9. This suggests the Bank may have more work to do than the Fed or ECB. Indeed, the Bank of England sounded somewhat hawkish in the June meeting. This came through most in the MPC's decision to step up the pace of hiking from the 25bps at the previous two meetings. The 7-2 vote, with only two members voting to leave rates unchanged at 4.50%, revealed support for stepping up the fight against high inflation.

1.10. That said, the Bank has not committed to raising rates again or suggested that 50bps rises are now the norm. What it did say was that "the scale of the recent upside surprises in official estimates of wage growth and services CPI inflation suggested a 0.5 percentage point increase in interest rates was required at this particular meeting". Moreover, the Committee did not strengthen its forward guidance that any further rate hikes would be conditional on the data. However, it looks highly probable, given the on-going strength of inflation and employment data, that the Bank will need to raise rates to at least 5.5% and to keep rates at their peak until the mid-point of 2024. We still think it is only a matter of time before the rise in rates weakens the economy sufficiently to push it into recession. That is why instead of rising to between 6.00%-6.25%, as is currently priced in by markets, we think rates are more likely to peak between 5.50-6.00%. Our forecast is also for rates to be cut in the second half of 2024, and we expect rates to then fall further than markets are pricing in.

1.11. Growing evidence that UK price pressures are becoming increasingly domestically generated has driven up market interest rate expectations and at one point pushed the 10-year gilt yield up to 4.49% in late June, very close to its peak seen after the "mini-budget". Yields have since fallen slightly back to 4.38%. But growing expectations that rates in the UK will remain higher for longer than in the US mean they are still more than 70 bps above US yields. While higher interest rates are priced into the markets, the likely dent to the real economy from the high level of interest rates is not. That's why we think there is scope for market rate expectations to fall back in 2024 and why we expect the 10-year PWLB Certainty Rate to drop back from c5.20% to 5.00% by the end of this year and to 4.20% by the end of 2024.

1.12. The pound strengthened from $1.24 at the start of April to a one-year high at $1.26 in early May, which was partly due to the risks from the global banking issues being seen as a bigger problem for the US than the UK. The pound then fell back to $1.23 at the end of May, before rising again to $1.28 in the middle of June as the strong core CPI inflation data released in June suggested the Bank of England was going to have to raise rates more than the Fed or ECB in order to tame domestic inflation. However, sterling's strong run may falter because more hikes in the near term to combat high inflation are likely to weaken growth (and, hopefully, at some point inflation too) to such a degree that the policy rate will probably be brought back down, potentially quite quickly, as the economic cycle trends downwards decisively. This suggests that additional rate hikes are unlikely to do much to boost the pound.

1.13. In early April, investors turned more optimistic about global GDP growth, pushing up UK equity prices. But this period of optimism appears to have been short-lived. The FTSE 100 has fallen by 4.8% since 21st April, from around 7,914 to 7,553, reversing part of the 7.9% rise since 17th March. Despite the recent resilience of economic activity, expectations for equity earnings have become a bit more downbeat. Nonetheless, further down the track, more rate cuts than markets anticipate should help the FTSE 100 rally.

MPC meetings 11th May and 22nd June 2023

1.14. On 11th May, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 25 basis points to 4.50%, and on 22nd June moved rates up a further 50 basis points to 5.00%. Both increases reflected a split vote – seven members voting for an increase and two for none.

1.15. Nonetheless, with UK inflation significantly higher than in other G7 countries, the MPC will have a difficult task in convincing investors that they will be able to dampen inflation pressures anytime soon. Talk of the Bank's inflation models being "broken" is perhaps another reason why gilt investors are demanding a premium relative to US and Euro-zone bonds, for example.

1.16. Of course, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has already hiked short-term rates to a range of 5.00%-5.25%, but a further increase is pencilled in for July, whilst the ECB looks likely to raise its Deposit rate at least once more to a peak of 3.75%, with upside risk of higher to come.

Gilt Yields/PWLB Rates

1.1 Since the start of 2023, there has been a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates in Appendix 1 shows, the forecast to continue to rise for a few quarters before starting a steady reduction, in both Bank Rate and gilt yields during the period to June 2026, though there will be a lot of unpredictable volatility during this forecast period.

1.2 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 more upward movement in PWLB rates before the Bank of England can start to reduce rates if the economic conditions allow.

PWLB RATES

1.17. Gilt yield curve movements have shifted upwards, especially at the shorter end of the yield curve since our previous forecast but remain relatively volatile. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.90% to 5.60%.

1.18. We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

The balance of risks to the UK economy: -

1.19. The overall balance of risks to economic growth in the UK is to the downside.

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

1.20. Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, the rising gilt yields we have seen of late).

1.21. The Bank of England increases Bank Rate too fast and too far over the coming months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

1.22. UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

1.23. Geopolitical risks, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

1.24. A broadening of banking sector fragilities, which have been successfully addressed in the near-term by central banks and the market generally, but which may require further intervention if short-term interest rates stay elevated for longer than is anticipated.

Creditworthiness

1.3 Significant levels of downgrades to Short and Long Term credit ratings have not materialised since the war in Ukraine. In the main, where they did change, any alterations were limited to Outlooks. Now that inflation has begun to fall there have been some instances of previous lowering of Outlooks being reversed. However, sentiment can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

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, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness 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

Select Committee Work Programme Report

Date: 21 September 2023

Key decision: No.

Class: Part 1 (not restricted)

Wards affected: Not applicable

Contributor: Timothy Andrew (Scrutiny Manager)

Outline and recommendations

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

The Committee is asked to:

- Review the work programme attached at Appendix B.
- Consider the items for the next meeting and specify the information required.
- Look at the forward plan of key decisions at Appendix E to consider whether there are any items that should be considered for further scrutiny.

Timeline of decision-making

28 June 2023 - Draft Public Accounts Select Committee work programme 2022/23 agreed by Committee

4 July 2023 - Work programme 2022/23 – agreed by Overview and Scrutiny Committee

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 Overview and Scrutiny Committee on 4 July.

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:

- Review the work programme attached at Appendix B.
- 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.
- Look at 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:

The Committee's terms of reference

3.2. The Committee's areas of responsibility, include, but are not limited to:

- Reviewing the way Council managers makes decisions about spending money
- Challenging the Council to use the most effective means of managing its resources
- Examining and challenging the Council's plans for setting its annual budget
- Recommending ways to improve the Council's processes for buying goods and services (and for managing services to get the best value)

Whether any urgent issues have arisen that require scrutiny

3.3. If the Committee becomes aware of an issue requiring further scrutiny, it should consider the prioritisation process (Appendix C) and the Effective Scrutiny Guidelines (Appendix D) before deciding on its priority.

Whether a meeting is the most effective means for scrutinising the issue

3.4. Committee members should consider whether there are alternative methods for gathering information or receiving updates on issues of interest. For example, would a briefing, written summary or review of exiting material be more appropriate and effective?

Whether there is space in the Committee's work plan to consider the item

3.5. Members should consider which work programme items could be removed or rescheduled to make space for the full consideration of more important issues.

Whether the item links to the priorities set out in the corporate strategy

3.7 A new corporate strategy has been developed[1] – which explains the Council's values, priorities and focus for the next four years (2022-2026):

- Cleaner and Greener
- Strong Local Economy
- Quality Housing
- Children and Young People
- Safer Communities
- Open Lewisham
- Health and Wellbeing

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[1] Corporate Strategy for 2022-2026

3.6. The Committee should consider how the scrutiny of items on its work programme adds to the effective delivery of the strategy.

4. The next meeting

4.1. The following items are scheduled for the next meeting. For each item, the Committee should clearly define the information and analysis it wishes to see in officer reports. If the Committee has designated one of its members as a climate change champion, that member should work with the Chair to ensure that officers are given appropriate steers in relation to the reports, to ensure they include relevant climate change considerations.

4.2. The Committee should also consider whether to invite any expert witnesses to provide evidence, and whether site visits or engagement would assist the effective scrutiny of the item.

Agenda Item	Review type
Social value in procurement	Standard item
Budget stabilisation	Performance monitoring

5. Referrals

5.1. This is a list of referrals made by the Committee this municipal year:

Referral title	Date of referral	Date considered by Mayor and Cabinet	Response due at Committee

6. Financial implications

6.1. 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.

7. Legal implications

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

8. Equalities implications

8.1. Equality Act 2010 brought together all previous equality legislation in England, Scotland and Wales. The Act included a new public sector equality duty, replacing the separate duties relating to race, disability and gender equality. The duty came into force on 6 April 2011. It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

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

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

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

9. Climate change and environmental implications

9.1. There are no direct climate change or environmental implications arising from the implementation of the recommendations 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. An action plan to achieve this target was subsequently agreed by Mayor and Cabinet (following pre-decision scrutiny by the Sustainable Development Select Committee)[2]. The plan incorporates all areas of the Council's work. Items on the work programme may well have climate change and environmental implications and reports considered by the Committee should acknowledge this.

10. Crime and disorder implications

10.1. 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.

11. Health and wellbeing implications

11.1. 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.

12. Report author and contact

If you have any questions about this report please contact: Timothy Andrew (Scrutiny Manager) 020 8314 7916 timothy.andrew@lewisham.gov.uk

[2] See https://lewisham.gov.uk/TacklingTheClimateEmergency for a summary of the Council's work in this area.

Appendix A

Public Accounts Select Committee Terms of Reference

The following roles are common to all scrutiny 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
- To consider matters referred to it in accordance with the Council's Petition Scheme

(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 and local people about their activities and performance
- To question and gather evidence from any person outside the Council (with their consent where the law does not require them to attend).
- 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 and/or Positive Ageing Council 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 and/or Positive Ageing Council 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 and the Positive Ageing Council.

- To keep the Council's local ward assemblies and Positive Ageing Council under review and to make recommendations 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 and 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 (Part IV E 10), 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 Committee. Once approved, 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 to place an item on the agenda of that select committee for discussion.
- The Council and the Executive will also be able to request that an 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 Overview and Scrutiny Committee for decision.

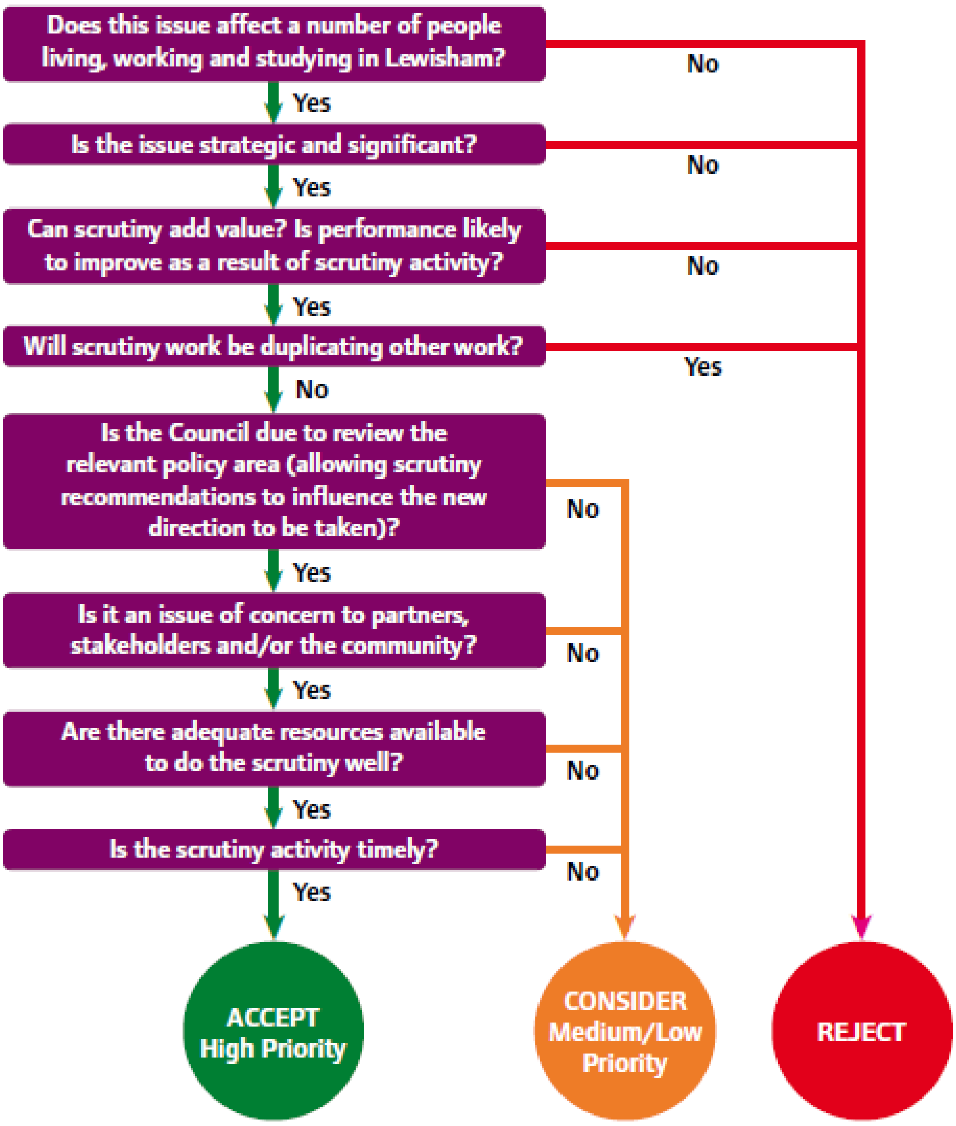
In addition to the general terms of reference outlined above, the Public Accounts Select Committee has the following specific terms of reference - to exercise all the functions and roles of the overview and scrutiny committee in relation to the following matters:

- 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.

Appendix C

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).

Public Accounts Select Committee work plan 2023-24

Item	Type of item	Priority	28-Jun-23	21-Sep-23	30-Nov-23	23-Jan-24	14-Mar-24
Financial monitoring	Performance monitoring	All	Period 2	Period 4			
Medium term financial strategy	Standard item	All					
Financial results 2022-23	Performance monitoring	All					
Capital programme management and delivery	Standard item	All					
Treasury management	Performance monitoring	All		Mid-year		2024-25	
Social value in procurement	Policy development	All, CP4					
Budget stabilisation	Performance monitoring	All					
Council budget 2024-25 (incl sales, fees & charges focus)	Policy development	All					
Tbd	Tbd	Tbd					
HRA pressures	Performance monitoring	Tbd					

Information items, briefings and training

Local government finance	Training	All					
Reserves update	Information	All					
Social value annual report	Information	All, CP4					
Treasury management mid-year training	Training	All					

Corporate Priorities		
Priority		
1	Open Lewisham	CP 1
2	Quality Housing	CP 2
3	Children and Young People	CP 3
4	A Strong Local Economy	CP 4
5	Health & Wellbeing	CP 5
6	Cleaner and greener	CP 6
7	Safer Communities	CP 7

FORWARD PLAN OF KEY DECISIONS

Forward Plan September 2023 - December 2023

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 toHead of Governance and Committee Services, the Local Democracy Officer, at the Council Offices or emma.campbellsmith@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.

June 2023	**Delegated decision to award Care Leavers Medium to High Support Supported Housing contract (Pt 1&2)**	18/08/23 Executive Director for Community Services	Jonathan Scarth and Councillor Paul Bell, Cabinet Member for Health and Adult Social Care		
June 2023	**Delegated decision to award Mental Health Supported Housing Higher Needs**	18/08/23 Executive Director for Community Services	Jonathan Scarth and Councillor Paul Bell, Cabinet Member for Health and Adult Social		

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**
			Care		
May 2023	**Approval to procure: School Minor Works Programme 2023 (SMWP 23)**	20/09/23 Executive Director for Children and Young People	Lemuel Dickie-Johnson, Project Manager Capital Delivery Programme and Councillor Chris Barnham, Cabinet Member for Children and Young People		
July 2023	**Catford Regeneration Partnership Limited (CRPL) Appointment of Directors**	20/09/23 Mayor and Cabinet	David Austin, Director of Corporate Services and Councillor Sophie Davis, Cabinet Member for Housing Management, Homelessness and Community Safety		
March 2023	**Contract award for Council Insurances**	20/09/23 Executive Director for Corporate Services	Karen Eaton, Group Manager, Insurance and Risk and Councillor Amanda De Ryk, Cabinet Member for Finance and Strategy		
May 2023	**Contract Award Report for School Minor Works Programme 2023 (SMWP 23)**	20/09/23 Children and Young People Select Committee	Lemuel Dickie-Johnson, Project Manager Capital Delivery Programme and Councillor Chris Barnham, Cabinet Member for Children and Young People		
May 2023	**Contract Award to a Registered Provider for Supported Accommodation for Young**	20/09/23 Executive Director for Children and	Chloe Vergara, CLA Placements Contract Manager and		

FORWARD PLAN – KEY DECISIONS					
Date included in forward plan	**Description of matter under consideration**	**Date of Decision Decision maker**	**Responsible Officers / Portfolios**	**Consultation Details**	**Background papers / materials**
	People -Site 1 and Site 2	Young People			
March 2023	**Dementia Strategy**	20/09/23 Mayor and Cabinet	Tristan Brice, Associate Director, Community Support and Care and Councillor Paul Bell, Cabinet Member for Health and Adult Social Care		
June 2022	**Home Park and Edward Street Development Budget and Programme Update Report**	20/09/23 Mayor and Cabinet	James Briggs, Head of Strategic Housing and Growth and Councillor Brenda Dacres, Deputy Mayor and Cabinet Member for Housing Development and Planning		
August 2023	**Investing in Good Jobs and Skills**	20/09/23 Mayor and Cabinet	and		
April 2023	**Lewisham and Lee Green LTN monitoring update**	20/09/23 Mayor and Cabinet	and Councillor Louise Krupski, Cabinet Member for Environment and Climate		
July 2023	**Lewisham Homes transition - articles of association, appointment of Directors, Business Plan**	20/09/23 Mayor and Cabinet	David Austin, Director of Corporate Services and Councillor Sophie Davis, Cabinet Member for Housing Management, Homelessness and Community Safety		
May 2023	**Permission to award**	20/09/23	Tristan Brice, Associate		

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**
	Maximising Wellbeing at Home contracts (Lots 5,6,8,9)	Mayor and Cabinet	Director, Community Support and Care and		
June 2023	**Permission to procure - Integrated Community Equipment Service**	20/09/23 Mayor and Cabinet	Tristan Brice, Associate Director, Community Support and Care and Councillor Paul Bell, Cabinet Member for Health and Adult Social Care		
June 2023	**Review of all Supported Housing Contracts**	20/09/23 Mayor and Cabinet	Jonathan Scarth and Councillor Paul Bell, Cabinet Member for Health and Adult Social Care		
July 2023	**Statement of Community Involvement for adoption**	20/09/23 Mayor and Cabinet	Michael Forrester, Head of Development Management and		
May 2023	**to approve the annual Besson Street Business Plan**	20/09/23 Mayor and Cabinet	Luke Riley, Head of New Initiatives and Councillor Brenda Dacres, Deputy Mayor and Cabinet Member for Housing Development and Planning		
August 2023	**Treasury Management Strategy - Mid-Year Review**	20/09/23 Mayor and Cabinet	Katharine Nidd, Head of Strategic Finance, Planning and Commercial and Councillor Amanda De Ryk, Cabinet Member for Finance and Strategy		

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**
June 2023	**Treasury Management Strategy Mid-Year Review**	27/09/23 Council	Katharine Nidd, Head of Strategic Finance, Planning and Commercial and Councillor Amanda De Ryk, Cabinet Member for Finance and Strategy		
May 2023	**Adventure Playgrounds Grant of Leases and Contract Award**	01/11/23 Mayor and Cabinet	Harsha Ganatra, Joint Commissioner (FQC) and Councillor Chris Barnham, Cabinet Member for Children and Young People		
July 2023	**Approval for s106 monies to go to Deptford Challenge Trust**	01/11/23 Mayor and Cabinet	Julia Robbins, Developer Contributions Manager and Councillor Brenda Dacres, Deputy Mayor and Cabinet Member for Housing Development and Planning		
April 2023	**Approval to enter into contract - Drakes Court development**	01/11/23 Mayor and Cabinet	Eleanor Davies, Associate Director Joint Mental Health Commissioning and Councillor Brenda Dacres, Deputy Mayor and Cabinet Member for Housing Development and Planning		
February 2022	**BfL Programme - Approval to enter into contract Valentines Court**	01/11/23 Mayor and Cabinet	James Ringwood, Housing Delivery Manager and Councillor Brenda Dacres, Deputy Mayor and Cabinet		

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**
			Member for Housing Development and Planning		
July 2023	**Catford Regeneration Partnership Limited (CRPL) Business Plan**	01/11/23 Mayor and Cabinet	Kplom Lotsu, SGM Capital Programmes and Councillor Brenda Dacres, Deputy Mayor and Cabinet Member for Housing Development and Planning		
July 2023	**Financial Monitoring - Period 4**	01/11/23 Mayor and Cabinet	Nick Penny, Head of Service Finance and Councillor Amanda De Ryk, Cabinet Member for Finance and Strategy		
August 2023	**Gambling Policy 2023-2026**	01/11/23 Mayor and Cabinet	Richard Lockett and Councillor Sophie Davis, Cabinet Member for Housing Management, Homelessness and Community Safety		
April 2023	**Grant of Leases for Adventure Playground Sites**	01/11/23 Mayor and Cabinet	Harsha Ganatra, Joint Commissioner (FQC) and Councillor Chris Barnham, Cabinet Member for Children and Young People		
July 2023	**Levelling Up Fund Programme - approval for procurement of contractors**	01/11/23 Mayor and Cabinet	and		

FORWARD PLAN – KEY DECISIONS					
Date included in forward plan	**Description of matter under consideration**	**Date of Decision Decision maker**	**Responsible Officers / Portfolios**	**Consultation Details**	**Background papers / materials**
April 2023	**Millwall FC Lease Restructuring Proposals**	01/11/23 Mayor and Cabinet	Patrick Dubeck, Director of Inclusive Regeneration and		
June 2023	**Old Fairlawn Primary School Annexe (nursery) - appropriation for planning purposes**	01/11/23 Mayor and Cabinet	Luke Riley, Head of New Initiatives and Councillor Brenda Dacres, Deputy Mayor and Cabinet Member for Housing Development and Planning		
May 2022	**On Street Advertising Contract Variation and Extension**	01/11/23 Mayor and Cabinet	and Councillor Amanda De Ryk, Cabinet Member for Finance and Strategy		
August 2023	**Property Agreement between LB Lewisham and TfL in relation to the A205 Road Realignment Project**	01/11/23 Mayor and Cabinet	Charlotte Harrison, Head of Strategic Regeneration and Councillor Brenda Dacres, Deputy Mayor and Cabinet Member for Housing Development and Planning		
August 2023	**Property Agreement to support the A205 road realignment**	01/11/23 Mayor and Cabinet	Charlotte Harrison, Head of Strategic Regeneration and Councillor Brenda Dacres, Deputy Mayor and Cabinet Member for Housing Development and Planning		
March 2023	**Public Space Protection Order consultation outcome**	01/11/23 Mayor and Cabinet	James Lee, Director of Communities, Partnerships and Leisure and Councillor Louise		

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**
			Krupski, Cabinet Member for Environment and Climate		
July 2023	**Sustainable Streets recommendations and next steps - Evelyn**	01/11/23 Mayor and Cabinet	Martha Lauchlan, Transport Planner and Councillor Louise Krupski, Cabinet Member for Environment and Climate		
August 2023	**Gambling Policy 2023-2026**	22/11/23 Council	Richard Lockett and Councillor Sophie Davis, Cabinet Member for Housing Management, Homelessness and Community Safety		
December 2022	**Ladywell - Budget requirement**	06/12/23 Mayor and Cabinet	James Ringwood, Housing Delivery Manager and Councillor Brenda Dacres, Deputy Mayor and Cabinet Member for Housing Development and Planning		
July 2023	**Learning Disability Implementation Plan**	06/12/23 Mayor and Cabinet	Heather Hughes, Joint Commissioner, Learning Disabilities and Councillor Paul Bell, Cabinet Member for Health and Adult Social Care		
December 2022	**Mayfield - Budget Requirement**	06/12/23 Mayor and Cabinet	James Ringwood, Housing Delivery		

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**
			Manager and Councillor Brenda Dacres, Deputy Mayor and Cabinet Member for Housing Development and Planning		
January 2023	**Annual progress update on the Autism Strategy Action Plan**	24/01/24 Mayor and Cabinet	and		
June 2022	**Approval to appoint operator for concessions contract at Beckenham Place Park Lake**	24/01/24 Mayor and Cabinet	Peter Maynard, Contract Officer, Green Scene and Councillor Andre Bourne, Cabinet Member for Culture, Leisure and Communication (job share)		

FORWARD PLAN – KEY DECISIONS					
Date included in forward plan	**Description of matter under consideration**	**Date of Decision Decision maker**	**Responsible Officers / Portfolios**	**Consultation Details**	**Background papers / materials**