

APPENDICES W1 to Z5 2019/20 BUDGET REPORT

APPENDIX W1

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

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

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

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

APPENDIX X1: Proposed Housing Revenue Account Savings 2019/20

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

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

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

APPENDIX X2: Leasehold and Tenants Charges Consultation 2019/20

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

1 Summary

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

2 Policy Context

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

3. Recommendations

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

4. Purpose

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

5. Housing Revenue Account Charges

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

- Leasehold Service Charges
- Tenant Service Charges

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

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

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

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

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

6. Analysis of full cost recovery

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

Leasehold service charges

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

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

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

Leasehold service charges

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

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

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

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

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

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

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

7. Financial implications

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

8. Legal implications

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

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

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

9. Crime and disorder implications

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

10. Equalities implications

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

11. Environmental implications

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

12. Conclusion

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

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

Louise Wallace

Contract Manager

or

Sandra Simpson
Project Manager, Leasehold

Brockley.customerservice@pinnaclepsg.co.uk

Or

on 0207 635 1200.

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

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

1. Purpose of the Report

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

2. Recommendations

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

3. Background of the Report

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

4 Tenant and Leasehold service charges 2019/20

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

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

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

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

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

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

5.0 Analysis of impact of changes to Tenant Rent Charges

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

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

Table 3: Impact of rent reductions shown by property size

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

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

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

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

APPENDIX X4: Other Associated Housing Charges for 2019/20

Garage Rents

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

Tenants Levy

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

Hostel charges

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

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

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

Linkline Charges

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

Private Sector Leasing (PSL)

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

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

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

Heating & Hot Water Charges

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

APPENDIX X5: Garage Rent Increase Report 2019/20

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

1. Purpose and Summary of the report

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

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

2. Recommendation

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

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

3. Policy Context

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

Lewisham's core values are to:

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

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

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

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

4. Background

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

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

Key findings of the exercise carried out by Ridge included:

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

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

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

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

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

**Breakdown of rent charges
(grouped)**

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

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

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

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

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

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

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

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

5. Financial Implications

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

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

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

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

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

6. Legal Implications

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

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

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

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

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

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

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

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

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

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

7. Crime and Disorder Implications

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

8. Equalities Implications

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

9. Environmental Implications

There are no specific environmental implications in this report.

10. Conclusion

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

11. Further Information

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

Appendix X6: Tenants' rent consultation 2019/20

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

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

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

Summary of comments made by representatives

Lewisham Homes Panel

Rent reduction:

Agreed with no comments

Tenants Service Charges & Heating & Hot water Charge:

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

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

Garage Charges:

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

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

Tenants Fund:

Agreed with no comments

Savings Proposals:

n/a

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

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

Rent Increases for Garages

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX Y1: Previously agreed budget savings for 2019/20

Mayor and Cabinet 21 November 2018

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

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

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

Appendix Y2: Previously Presented Cuts Brought Back for Approval

Summary Table

		2019/20 £'000	2020/21 £'000	Total
COM12	Cut to main grants budget	600	0	600
COM14	Reduce Local Assembly funds	225	0	225
COM17	Reducing the small & faith fund	50	0	50
RES16	Commercial property investment acquisition	140	140	280
	Total	1,015	140	1,155

APPENDIX Y3: Ready Reckoner for Council Tax 2019/20

Ready Reckoner for Council Tax 2019/20

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

APPENDIX Y4: Chief Financial Officer's Section 25 Statement

1. This statement makes reference to the 2019/20 Budget Report to Mayor & Cabinet circulated to all Members.
2. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (CFO) to report to an authority when it is making the statutory calculations required to determine its Council Tax. The Authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates, included in the budget and the adequacy of the reserves, for which the budget provides. This Statement also reflects the requirements of CIPFA's current Local Authority Accounting Panel (LAAP) Bulletin 99 on 'Local Authority Reserves and Balances'.
3. Section 114 of the Local Government Act 1988, requires the CFO to issue a report to all the Local Authority members to be made by that officer, in consultation with the monitoring officer and head of paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget.

Generally

4. The Council has already made cuts from its annual revenue budget of £163m since 2010. The Medium Term Financial Strategy was reported to Mayor & Cabinet in July 2018. This set out that an estimated £30m of cuts is required by 2020/21. To date saving proposals for £9.3m have been presented for scrutiny and agreed by Mayor & Cabinet for 2019/20, leaving a budget gap of £7.5m to be funded from reserves.
5. The final Local Government Finance Settlement announced on the 29 January 2019 confirmed the settlement for 2019/20 as part of the four year settlement to 2019/20 for local government.
6. The Council has prepared forecasts beyond 2019/20 to 2022/23. However, these are tentative at this stage as they are subject to, amongst other things, the results of the next Comprehensive Spending Review, results of the delayed Fair Funding Review, any move to a 75% business rates retention by local government in 2020, and possible changes to health and social care governance and funding arrangements. From the government's financial forecasts and outlook, further reductions to local government funding are to be expected into at least the mid-2020s.
7. The Council continues to take a prudent approach towards financial planning. During these times, the Council will need to weigh up the need to hold reserves and balances against the increased risk to delivery of the budget if services are not transformed so that they are managed within the resources available.

8. The report discusses the use of once-off reserves and balances when considering the in-year financial position, service change opportunities, and cuts requirements to enable members to set a balanced budget. In particular the expectation of the need to draw up to a further £3m from reserves to support projects in 2019/20 to support service change. This commitment is additional to the use of once off resources required to meet any overspends and to balance the budget until the required cuts are delivered.
9. This balance of risk and reserves is even more important for the Council looking to 2019/20 and future years as a number of fundamental changes are proposed to the way in which local government will be financed. The emphasis of these changes is focused on local authorities becoming more self-sufficient and less reliant on central government grant.
10. For 2019/20 there is also the uncertainty and related risks arising from the possible withdrawal and manner of the withdrawal of the UK from the European Union.

Budget Risks

11. During 2018/19 there have been a number of pressures which have crystallised due to increasing demographics and legislative changes. For example; demand and costs of children and adult social care, transport costs, and waste disposal costs. Consideration is given in the report to the management and funding of these risks. It is also to be noted that going into the tenth consecutive year of sustained and significant budget reductions, the proposals to save money have necessarily become more ambitious, more risky and carry a higher level of uncertainty about the exact timing and value they will deliver. Increasingly so where the budget is assuming more income, rather than lower costs, as this activity is more variable.
12. In addition to the Council's General Fund, other areas of the Council's activities face resource constraints and if not managed could potentially present impact the General Fund. For example:
 - The Housing Revenue Account (HRA) which is impacted by the national right-to-buy and four years of annual 1% rent reduction for social housing policies. These policies put pressure on the HRA and its plans to bring forward more housing.
 - Changes to the Dedicated Schools Grant (DSG) with the implementation of the new national funding formula from 2018/19. These changes create budget pressures for Lewisham schools.
 - Annual reductions to 2019/20 to the Public Health grant, with the need for services to be reduced or reshaped to not exceed the available grant³
13. These risks and those related to the Capital Programme are discussed in more detail in the budget report. In respect of the capital works these are managed scheme by scheme. Officers review required funding (be it from capital receipts, grant support, or borrowing) quarterly. The most

recent review was in January 2019 and updated projections are reported regularly to Mayor & Cabinet. The significant change for 2019/20 and future years is the scale of proposed borrowing to meet the ambition to build new social homes.

14. In setting this budget, the Council will maintain a level of corporate balances and reserves which should be adequate to deal with any risk associated with the delivery of this budget. That said there are still considerable risks associated with delivering the scale of cuts required. The Chief Financial Officer recommends that the un-earmarked reserves are held at the current level of £13.0m. Should the need arise to call upon these reserves during the year, consideration should be given to replenish them as soon as possible.
15. In addition, the Council held Specific Earmarked Reserves which totalled £70m at the end of March 2018 (£71m at March 2017). These funds are earmarked for various future planned spending and to undertake one-off projects or work that does not happen every year. Examples include, the transformation fund, redundancy provisions, elections, replacement of obsolete equipment and contractual claims that may become due (e.g. dilapidations that may become payable on properties we lease from the private sector to provide housing).
16. The 2019/20 budget pressures have been outlined in the main budget report. These include a range of pressures, some of which cannot be quantified at this stage, and include: demographic and market pressures for children and adult services; unachieved cuts; and further potential changes to funding as a result of government legislation and reform. These funds will be transferred to the Directorate budgets at the start of the year. For 2019/20 no specific growth or pressures balance will be corporately to meet pressures should they emerge during the year. Any such, in year pressures will present as a further call on once-off resources until management action or funding as part of the following year's budget is identified to address the pressure.

Budget assumptions

Inflation

17. For financial planning purposes in the budget, the Council anticipates an average inflation of 2.5% per annum for non-pay costs and 3% for pay costs, which equates to approximately £5.8m for both pay and non-pay costs.
18. Moving forward, officers will need to closely monitor inflationary pressure on contracts, which in many cases, continue to outstrip the current level of Consumer Prices Index (CPI) inflation. In particular, this applies to those areas which are viewed as being particularly sensitive to contract price changes. For example; Adult Social Care or long term fixed rate contracts such as the range of PFI contracts which the Council is currently engaged with.

Cuts

Identifying cuts

19. The Council continues to look at reshaping the Council over the medium term. Going into the tenth consecutive year of spending reductions even greater innovation, focus on the customer, and cross-cutting thinking is required to deliver cuts. This whilst attempting to minimise the impacts on residents and customers reliant on Lewisham Council services.
20. The Council re-introduced officer Star chambers to identify and challenge the development of cuts proposals and change priorities. This was overseen by Cabinet scrutiny and reviews of each service area. A similar approach is proposed for 2019/20, looking in detail at least two years ahead to allow good time to prepare and implement proposals.
21. Since 2014/15 the Council's annual budgets have been supported by the use of reserves, mostly drawn from the New Homes Bonus reserve. The 2019/20 budget again makes use of once off resources - £5.0m from New Homes Bonus and £2.5m of earmarked reserves. Going forward, ongoing measures will need to be put in place to ensure the sustainability of the budget and attention is being given to refresh the Council's reserves policy and forward planning in this respect.

Implementing cuts

22. There is a risk that one or more budget cuts, in full or in part, may not be delivered on time in the year. The Council operates financial management on the principle of devolved responsibility for budgets to managers in Directorates. This is managed through the monthly budget monitoring process with quarterly updates provided in the budget monitoring reports for members. The extent to which any anticipated cuts are not delivered adds to future pressures, as noted with the £10.7m forecast Directorate overspend for 2018/19.

Budget control

23. Going forward into 2019/20 the Council will continue to maintain its systems for monitoring expenditure and controlling expenditure through Directorate cash limits.
24. During 2018/19 instructions to budget managers were re-affirmed to ensure tight spending on budgets and focus on ensuring the Council's budget position remains within budget at the year-end. However, throughout the year the Council has forecast a persistent overspending position. The forecast outturn position for the year at December 2018 was an overspend of £10.7m. Any overspend at the end of the financial year will have to be met from once off resources.
25. For 2019/20, the budget holders within Directorates will be requested to endorse their cash limits at the start of the financial year and provide

confirmation of an ability to deliver their services within the agreed allocated resources.

26. Given the forecast outturn position in 2018/19, the level of cuts required for 2019/20 and the anticipated significant level of cuts required in the years beyond; it remains critically important to monitor the progress being made in implementing these cuts throughout the year.

Conclusion

27. The Council has an established and mature approach for producing and maintaining its annual budget. Its financial plans and strategies have contributed to the achievement of the Council's corporate objectives to date. However, continuing public sector funding reductions in the face of demographic growth and rising demand for services increases the uncertainty on managing future financial pressures within the available resources.
28. The Council has drawn on once-off resources for four years and will do so again in 2019/20. This approach has been used to allow the Council to identify and implement cost reduction and service change in a measured way. However, it does need to be recognised that this is not sustainable over the long term as continued use of reserves, if unplanned, could reduce the resilience of the Council to respond flexibly to unforeseen expenditure or continued resource reduction.
29. 2018/19 was the ninth consecutive year the Council has made sustained budget reductions and with the local finance settlement for 2019/20 we know this will continue. The measures taken to date have, in the main, been successful. However, the identification and implementation of cuts is becoming more challenging and taking longer to achieve. This pressure is expected to continue and tight control will need to be exercised over the budget for 2019/20 given the level of risk the Council faces. As well as managing within budget, attention also needs to continue to be focussed on identifying the cuts necessary to achieve a balanced budget in future years.
30. The use of once off resources on a continuous basis to balance the annual budget is not sustainable and could quickly lead to the depletion of reserves. Should the Council find itself in a position where it does not have the resources to meet expenditure, this would lead to the consideration of a Section 114 notice. Whilst the Council does currently have adequate reserves and an established financial management regime, the budget preparation for both the short and medium term must remain a priority to manage this risk.

David Austin – Head of Corporate Resources
(Acting) Chief Finance Officer – Section 151
February 2019

APPENDIX Y5: Council Tax and Draft Statutory Calculations

Council Tax Calculation

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

To date, Lewisham has received formal notifications from two of its levy bodies for 2019/20 – the Environment Agency and the Lee Valley Regional Park. A zero percent increase has been assumed for the LPFA.

Council Tax and Levies

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

Levy bodies for Lewisham	2018/19 £	2019/20 £	Change £
LPFA	1,285,245	1,288,308	+3,063
Lee Valley Regional Park	209,061	210,078	+1,017
Environment Agency	196,220	201,262	+5,042
Total Levies	1,690,526	1,699,648	9,122

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

Statutory Calculations

- 1) It be noted that at its meeting on 16 January 2019, the Council calculated the number of **88,405.1** as its Council Tax base for 2019/20 in accordance with the Local Authorities (Calculation of Tax base) Regulations;
- 2) The following amounts be now calculated by the Council for the year 2019/20 in accordance with the Local Government Finance Act 1992:
 - a. **£1,281,751,894** being the aggregate of the amounts which the Council estimates for gross expenditure, calculated in accordance with Section 32(2)A of the Act;
 - b. **£1,038,740,284** being the aggregate of the amounts which the Council estimates for income, calculated in accordance with Section 32(3)A of the Act;
 - c. **£243,011,610** being the amount by which the aggregate of 2(a) above exceeds the aggregate of 2(b) above, calculated by the Council, in accordance with Section 32A(4) of the Act, as its General Fund budget requirement for the year;
 - d. **£121,174,868** being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of the Settlement Funding Assessment.
 - e. **£8,400,000** being the aggregate of the sums which the Council estimates will be transferred into its general fund from reserves, in relation to the Business Rates Levy Surplus refund, the 2018/19 London Pilot Pool Growth, and S31 NNDR grant.
 - f. **£113,436,742** being the residual amount required to be collected from Council Tax payers. This includes the surplus on the Council's Collection Fund of £1,698,000.
 - g. **£1,263.94** being the residual sum at (f) above (less the surplus on the Collection Fund), divided by the Council Tax base of **88,405.1** which is Lewisham's precept on the Collection Fund for 2018/19 at the level of Band D;

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

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

3) It be noted that for the year 2019/20, the Greater London Authority is currently consulting on the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 (as amended), for each of the categories of dwellings shown below:-

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

4) Having calculated the estimated aggregate amount in each case of the amounts at 2) (g) and 3) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, assumed the following amounts as the amounts of Council Tax for the year 2019/20 for each of the categories of dwellings shown below:-

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

APPENDIX Y6: Responses to Business Ratepayers Consultation on the budget

Date of response	Comments
24/01/2019	<p>Our pavements need refreshing all cracked and years old. Streets and green chain walks, and parks and pavements need to be cleaned to a high standard, as your cleaners are asleep in green chain walks /parks or on phones or cafes hiding out instead of cleaning our streets properly. Broken glass and dumped rubbish is bringing the Lewisham borough down.</p> <p>Graffiti needs to be cleaned off, private house and shop fronts. More police on streets, community evening for local kids to keep them safe.</p>
24/01/2019	No comments at moment, it will be near future thank you.
25/01/2019	Such a shame community services is the service hit the hardest. These are incredibly tough times. The Council will need to work even closer with the voluntary sector in order to ensure strong and cohesive communities.
25/01/2019	Raise council tax and we need to revive the local economy, encourage people to spend locally thus helping local businesses to thrive. Make it attractive for new businesses to come in and contribute through business rates.
27/01/2019	My concern with cuts in budgets across the board, what will happen to services to vulnerable persons?
31/01/2019	How do you expect any normal resident to understand and respond to the absolute nonsense you've presented here? I work in the public sector and I can barely understand what you're presented. You need to be genuinely transparent with residents and taxpayers, which means, doing some work to ensure they understand whatever it is that you're trying to communicate. There has been some interesting behavioural insights work done on communicating councils' financial management to residents that you should consider adopting immediately.
31/01/2019	Cut pensions

APPENDIX Z1: Interest Rate Forecasts 2019 - 2022

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX Z3: Approved Countries for Investments

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

AAA

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

AA+

- Finland
- USA

AA

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

AA-

- Belgium
- Qatar

APPENDIX Z4: Requirement of the CIPFA Management Code of Practice

Treasury Management Scheme of Delegation

(i) Full Council

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

(ii) Public Accounts Committee

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

The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer has responsibility for:

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

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

Appendix Z5: Capital Strategy

Lewisham Council – Capital Strategy 2019/20

1. Capital Expenditure

Overview of Governance processes

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

Capital Expenditure Plans

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

Table 1: Capital Programme Budget

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

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

Table 2: Available Resources

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

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

Future capital expenditure

Children & Young People

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

Housing

- 1.9 London faces one of the most significant housing shortages since the end of the Second World War. The Council's current 30 year financial model

for the Housing Revenue Account (HRA) includes provision for up to 500 new units, for social rent purposes, at an average cost of £190k each (adjusted annually for inflation) over the first 10 years of the model. The Council has now set a target of a further 1,000 social homes by 2022. Work continues on the identification and financial impacts of the individual sites associated to the delivery of the new 1,000 additional homes target.

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

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

Regeneration

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

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

Other

1.14 Highways and Transport: following the release of a new Mayor’s Transport Strategy for London, a thorough review of the Council’s Local Implementation Plan (LIP) transport strategy is now underway, that will consider the Council’s investment priorities for highways and transport over the next 5 years. As part of this review, the new strategy will need to consider the implications of cuts to the annual formula grants received from TfL, expected to be over £300,000 a year, as well as a two-year pause on maintenance funding from TfL, at a similar level of reduction. In

September 2018, the new strategy was approved in draft by Mayor & Cabinet, and will focus on creating “Healthy Neighbourhoods” that reduce traffic flows, improve air quality, and create better environments for walking and cycling, as well as delivering speed reduction measures that support the Council’s Borough-wide 20mph limit.

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

Asset Management Planning

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

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

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

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

Restrictions concerning capital finance

- 1.18 Within the prudential framework there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. The Council’s Prudential Indicators are approved by Full Council each year as part of the Budget Report. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional CFR for the current and following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.
- 1.19 There are two parameters of external debt, the ‘operational boundary’ and ‘authorised limit for external debt’, which the Council reports on as part of its Treasury indicators.
- 1.20 The Operational Boundary for External Debt is the limit beyond which external debt is not normally expected to exceed. In most cases this would be a similar figure to the CFR, but may be lower or higher

depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

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

1.22 Council borrowing in relation to the Housing Revenue Account capital programme has until recently been restricted by the Housing Revenue Debt Cap which had been set by government at £127,278,550 for 2018/19. The government has recently announced the abolition of HRA borrowing caps with effect from 29th December 2018. Future HRA borrowing will now be assessed under the Prudential Borrowing framework. Clarification is being sought as to whether any borrowing up to or above the cap would now have to be on the basis of planned repayment, which was not the case for borrowing under the HRA cap.

2. Debt and borrowing and treasury management

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

Table 3: Projection of External Debt

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

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

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

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

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

2.5 In 2017/18 a third element was added to the Council's MRP policy, whereby no MRP need be charged on capital expenditure where the Council has assessed that sufficient collateral is held at a current valuation to meet the outstanding CFR liability, and that should it be determined at any point that insufficient collateral is held to match the Council's CFR liability a prudent MRP charge will commence. To date this has been applied as a measure to the loans advanced to the Council's wholly owned limited company subsidiaries – Catford Regeneration Partnerships and Lewisham Homes.

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

3. Commercial Activity

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

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

- The Council also pursues commercial activity separately through the business of its wholly owned company Catford Regeneration Partnership Limited which was established to provide a regeneration vehicle for Catford town centre. The Council transferred land holdings into the vehicle which was funded through state aid compliant lending from the Council. This vehicle now manages these properties on a commercial basis in anticipation of the wider regeneration of the area being delivered under the capital programme.
- The Council has recently established a joint venture in order to deliver around 230 homes for private rent with 35% at “living rent” levels at the Besson Street development in New Cross. As well as providing high quality private rented sector housing, this scheme is expected to deliver an on-going revenue income to the Council that can be reinvested back into Council services.
- The final area of commercial activity is through the existing commercial property estate. These are commercial properties held in the general fund and run on a commercial basis. The Council’s commercial property estate comprises 312 assets with a gross rental income of approximately £3.7m. To give some perspective, this income represents approximately 1.8% of the Council’s total budgeted General Fund income of £210m. It should be noted that a budget cut proposal for 2019/20 (RES16), seeks to achieve a budget reduction of £280k from 2020/21 (full achievement) by acquiring new commercial estate properties through an initial £5m investment. An investment strategy will set out the parameters for investment, for example location, use, lease details and terms, and financial parameters.

4. Non-Treasury Investments

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

Lewisham Homes Limited

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

Table 4: Lewisham Homes' Loans

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

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

Catford Regeneration Partnership Limited (CRPL)

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

Table 5: CRPL Loans

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

Other Non-Treasury Investments

- 4.5 In 2017/18 the Council provided a loan of £700,000 to Wide Horizons, an adventure learning charity providing adventure experiences and outreach services across several London boroughs including Lewisham. An equal and corresponding loan was also advanced by the London Borough of Greenwich, providing Wide Horizons with £1.4m to repay an existing social investment business loan ahead of time.
- 4.6 The appropriate approval was sought from Mayor and Cabinet to proceed with the loan, with authority to finalise the loan terms delegated to the Executive Director for Resources and Regeneration. An appropriate financial review of Wide Horizons was undertaken, highlighting possible risks from insufficient cash flows or income generation to meet loan repayments, although mitigating circumstances were outlined accordingly.
- 4.7 July 2018 Wide Horizons ceased trading, unable to obtain additional loan financing to meet its financial obligations. The Council has not received any repayments against the £700,000 advanced to the charity in 2017/18.
- 4.8 The loss to the Council will be recognised in the 2018/19 financial statements after taking into account plans for the three properties returned to the Council and previously leased to Wide Horizons on peppercorn rent.
- 4.9 The Council also holds minority stakes in the following:
- 10% in Lewisham Schools for the Future LEP Limited, a Local Education Partnership established under the Council's Building

Schools for the Future (BSF) programme to rebuild and refurbish secondary schools within the borough.

- Less than 1% in South-East London Combined Heat and Power Ltd (SELCHP), a joint venture with the London Borough of Greenwich for the provision of waste disposal and waste to energy processes.
- A minority share in Newable Ltd (formerly Greater London Enterprise Ltd) which provides property management and consultancy services.

5. Other long-term liabilities

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

- Pension Liability (£640m). This liability matches a debit balance in the Pensions Reserve and reflects the timing differences which arise from the accounting treatment for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The liability therefore represents a shortfall between the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements regarding the Pension Fund ensure that funding will have been set aside by the Council by the time the benefits are due to be paid.
- Private Finance Schemes (£228m). The Council's contribution towards the cost of PFI schemes is through unitary charge payments which are made throughout the life of the scheme concerned. The unitary charge payments have been calculated to include three elements: a service charge; the repayment of debt in relation to capital expenditure in delivering the scheme assets; and the finance cost on the borrowing to deliver to initial investment. The long-term liability represents the amount of debt outstanding in relation to capital expenditure; this will be repaid to the contractors through the unitary charge payments over the life of the PFI schemes. The Council employs robust and proactive contract management procedures to ensure that the PFI schemes continue to deliver value for money.
- Provisions (including insurance) (£5m). Provisions are amounts which are set aside where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement at a

later date and where a reliable estimate can be made of the amount of the obligation. The Council's insurance programme comprises a mix of external insurance, largely for cover at catastrophe level or where required by contract or lease arrangements, and self-insurance. Dedicated insurance provisions and reserves are maintained to provide 'self-insurance' to meet either uninsured losses or losses that fall below the external insurance excess. The appropriate levels are assessed annually by the Council's insurance actuaries.

6. Knowledge & Skills

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

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