



Mayor and Cabinet

Report title: 2021/22 Budget Update Report

Date: 10 February 2021

Key decision: Yes

Class: Part 1

Ward(s) affected: All

Contributors: Executive Director for Corporate Resources

Outline and recommendations

This report provides the Mayor and Cabinet with updates to the 2021/22 Budget Report, presented to Mayor and Cabinet on the 3 February 2021.

The purpose of this report is to finalise the 2021/22 budget for consideration by the Council on 3 March 2021.

The Mayor and Cabinet is asked to consider the recommendations listed in this report at section 2.

Timeline of engagement and decision-making

The first round of 2021/22 Revenue Budget cuts were approved by Mayor and Cabinet on the 9 December 2020.

The second round of 2021/22 Revenue Budget cuts were presented to Mayor and Cabinet on the 3 February 2021.

The Council Tax Base was approved by Council on the 20 January 2021.

The Budget Report was presented to Mayor and Cabinet on the 3 February 2021.

REASONS FOR URGENCY AND LATENESS

Lateness: This report was not available for the original dispatch to ensure that any decisions taken by the Mayor & Cabinet on 3 February 2021 could be appropriately considered within this report.

Urgency: Given the significance of the financial constraints that the Council will face over the coming years, it is essential that the Mayor and his Cabinet are updated on any changes affecting the 2021/22 Budget prior to presenting it to full Council. Where a report is received less than 5 clear days before the date of the meeting at which the matter is being considered, then under the Local Government Act 1972 Section 100(b) (4) the Chair of the Committee can take the matter as a matter of urgency if he is satisfied that there are special circumstances requiring it to be treated as a matter of urgency. These special circumstances have to be specified in the minutes of the meeting.

1. Summary

- 1.1 This report presents the Mayor and Cabinet with updates to the main 2021/22 Budget Report presented to Mayor and Cabinet on 3 February 2021, and seeks the Mayor and Cabinet's approval to finalise the recommended 2021/22 Budget for consideration and agreement by the Council on 3 March 2021.

2. Recommendations

- 2.1 That the Mayor and Cabinet:
- 2.2 Notes the changes to the 2021/22 to 2023/24 Capital programme and recommends that Council approves the 2021/22 to 2023/24 Capital Programme of £556.3m, as set out in section 5 of this report and attached at Appendix A;
- 2.3 Agrees to recommend to Council a Band D Council Tax for 2021/22 of £1,379.96 for the Council's element. This is an increase of 4.99% (including a social care precept of 3%), based on a General Fund Budget Requirement of £243.100m for 2021/22;
- 2.4 Notes and asks Council to note the Greater London Authority (GLA) precept being increased by £31.59 to £363.66 (Band D equivalent), a 9.5% increase from its 2020/21 level;

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- 2.5 Notes and asks Council to approve an overall total Band D Council Tax for 2021/22 of £1,743.62, a 5.91% increase, to include the GLA precept;
- 2.6 Agrees to recommend to Council on 3 March 2021, the statutory calculation of the Budget Requirement for Lewisham for 2021/22, attached at Appendix B;
- 2.7 Agrees to recommend to Council on 3 March 2021, the motion on the budget, attached at Appendix C, including any modifications made to the proposals published in the 2021/22 Budget Report;
- 2.8 Notes the provisional and estimated precept and levies from the GLA and other bodies as detailed in Appendix D and delegates authority to the Executive Director for Corporate Resources to include any changes to these in the report for Council;
- 2.9 Notes the final settlement figure for 2021/22 is being debated in parliament on 10 February and delegates authority to the Executive Director for Corporate Resources to include any change to the provisional settlement of £123,304,020 in the report for Council with any difference covered from provisions and reserves as necessary;
- 2.10 Notes that there was no response from Business Rate payers to the consultation on the draft Budget which took place from 11 January 2021 to 1 February 2021. Further information is provided in section 5 of this report;
- 2.11 Notes the revised 2021/22 to 2023/24 prudential borrowing numbers as laid out in tables six to eight;
- 2.12 Considers the Section 25 Statement from the Chief Finance Officer. This is attached at Appendix E;
- 2.13 Notes the work being undertaken with respect of cut proposal C-22 with a further report to return to Mayor and Cabinet;
- 2.14 Agrees the Council's application to bid for S31 grant funding of up to £3.2m from the Government's Public Sector Decarbonisation Scheme; and
- 2.15 Delegates to the Executive Director for Housing, Regeneration and Public Realm the procurement and delivery of the works in consultation with the Executive Director for Corporate Resources for the inclusion of this within the capital programme for 2021/22.

3. Policy Context

- 3.1 The Council's strategy and priorities drive the Budget with changes in resource allocation determined in accordance with policies and strategy. The Council launched its new Corporate Strategy in 2019, with seven corporate priorities as stated below:

Corporate Priorities

- **Open Lewisham** - Lewisham will be a place where diversity and cultural heritage is recognised as a strength and is celebrated.
- **Tackling the housing crisis** - Everyone has a decent home that is secure and affordable.
- **Giving children and young people the best start in life** - Every child has access to an outstanding and inspiring education, and is given the support they need to keep them safe, well and able to achieve their full potential.
- **Building and inclusive local economy** - Everyone can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.

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- **Delivering and defending health, social care and support** - Ensuring everyone receives the health, mental health, social care and support services they need.
- **Making Lewisham greener** - Everyone enjoys our green spaces, and benefits from a healthy environment as we work to protect and improve our local environment.
- **Building safer communities** - Every resident feels safe and secure living here as we work together towards a borough free from the fear of crime.

Values

- 3.2 Values are critical to the Council's role as an employer, regulator, and securer of services and steward of public funds. The Council's values shape interactions and behaviours across the organisational hierarchy, between officers, and members, between the council and partners and between the council and citizens. In taking forward the Council's Budget Strategy, we are guided by the Council's four core values:
- We put service to the public first.
 - We respect all people and all communities.
 - We invest in employees.
 - We are open, honest, and fair in all we do.
- 3.3 As noted in the main 2020/21 budget report to Mayor & Cabinet on the 3 February, the Council's strong and resilient framework for prioritising action has served the organisation well in the face of austerity and on-going cuts to local government spending. This continues to mean, that even in the face of the most daunting financial challenges facing the Council and its partners, we continue to work alongside our communities to achieve more than we could by simply working alone.
- 3.4 It remains clear that the Council cannot do all that it once did, nor meet all those expectations that might once have been met, for we are in a very different financial position than just a decade ago. Severe financial constraints have been imposed on Council services with cuts to be made year on year on year, and this on-going pressure is addressed in this report, incorporating further budget cuts for 2021/22 and noting the continued outlook for austerity to at least 2023/24. This is pending the Fair Funding Review (FFR) and Business Rates Retention (BRR) consultations now due to conclude for 2022/23 at the earliest.
- 3.5 Over the past eleven months, the Council's business, and the day to day lives of Lewisham's residents, has been turned on its head. In March 2020, Council activity simultaneously ground to a halt and ramped up in equal measure. With "non-critical" services wound down almost overnight and a new, urgent focus on "critical services", the Council's leadership team, members and vast range of services faced new demands, challenges, pressures and opportunities.
- 3.6 The Council's finances have also been severely affected by the ongoing pandemic. The cost of coronavirus for Lewisham is estimated to be over £60m this year and rising. Despite government promises early in the pandemic, up to £20m remains unfunded in this financial year with further budget pressures for future years. Officers have taken management action to make in-year savings of £5.4m as well as introducing additional spending controls. During the latter half of the year we began the long, difficult process of identifying cuts of over £40m for the next three years (to April 2024) with £28m identified to be cut in 2021/22, which includes identified action to address the persistent overspend estimated at £10m.

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- 3.7 We now face the challenge of needing to simultaneously respond to the pandemic, plan for the long-term recovery of the place, set a balanced budget for next year, and set the financial basis for the internal recovery of the Council in the coming years.

4. Background

- 4.1 The 2021/22 Budget Report was presented to Mayor and Cabinet on the 3 February. Since then, the Council has received information that impacts the decisions officers have asked the Mayor to consider and recommend to council.
- 4.2 The purpose of this report is to finalise the 2021/22 budget for consideration by the Council on 3 March 2021.

5. Budget amendments

- 5.1 This report updates the main 2021/22 Budget Report through considering the following areas:-
- Capital Programme
 - Revenue Budget and Funding Issues
 - The Greater London Authority (GLA) Precept
 - Final Level of Council Tax
 - Response to the Business Rate Payers consultation
 - Treasury Management

Capital programme

- 5.2 The Council has updated the cost of the general capital and decent homes programme within the Housing Revenue Account (HRA). Lewisham Homes are responsible for ensuring council owned stock under their management is brought up to and maintained to a decent homes level, covering both internal and external works. The increase of £38.8m in 2021/22 (£31.6m to £70.4m) from the draft budget to M&C on the 3 February is proposed to ensure that the priorities identified from the stock condition survey undertaken in 2020/21 can be fully delivered.
- 5.3 To be able to accommodate this additional capital expenditure within the HRA Business Plan and accompanying 30 year financial model, it has been necessary to reduce the repairs and maintenance revenue budget by £1m in 2021/22. Lewisham Homes will need to make this revenue spend reduction from the R&M budget or by equivalent alternative savings in the year.
- 5.4 The Capital Programme budget for 2021/22 to 2023/24 is now proposed at £556.3m, of which £223m is for 2021/22.

Proposed Capital Programme 2020/21 to 2022/23

- 5.5 The Council's proposed Capital Programme for 2021/22 to 2023/24 is currently £556.3m, as set out in Table 1:

Table 1: Proposed Capital Programme for 2021/22 to 2023/24

2020/21 to 2023/24 CAPITAL PROGRAMME - MAJOR PROJECTS

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Major Projects over £2m	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m
GENERAL FUND					
Schools - School Places Programme	3.4	10.4	2.4	-	16.2
Schools – Minor Works Capital Programme	3.9	0.1	-	-	4.0
Schools - Other Capital Works	1.7	1.6	-	-	3.3
Highways & Bridges - TfL	1.3	-	-	-	1.3
Highways & Bridges - LBL	3.0	2.5	2.5	-	8.0
Highways - Others	1.5	0.8	0.1	-	2.4
Catford town centre	1.0	0.3	0.3	3.4	5.0
Asset Management Programme	1.5	2.8	2.5	-	6.8
Other AMP Schemes	0.7	0.9	-	-	1.6
Broadway Theatre - Works	0.4	4.8	1.7	-	6.9
Catford Phase 1 – Thomas Lane Yard / Catford Constitution Club'	0.1	0.6	2.6	-	3.3
Lewisham Gateway (Phase 2)	14.8	3.5	-	4.8	23.1
Beckenham Place Park	0.5	-	-	-	0.5
Beckenham Place Park (Eastern Part)	0.2	1.7			1.9
Lewisham Homes – Property Acquisition	-	3.0	-	-	3.0
Residential Portfolio Acquisition – Hyde Housing Ass.	2.9	-	-	-	2.9
Disabled Facilities Grant	0.4	2.1	-	-	2.5
Private Sector Grants and Loans	0.2	2.1	-	-	2.3

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Edward St. Development	9.0	8.4	-	-	17.4
Achilles St. Development	0.8	1.0	-	3.6	5.4
Mayow Rd Development	0.6	6.6	1.1	0.1	8.4
Canonbie Rd Development	0.8	1.4	0.3	-	2.5
Ladywell Leisure Centre Development site (1,000 Homes Prog.)	0.1	2.7	-	-	2.8
Deptford Southern Sites Regeneration	2.6	0.3	-	2.1	5.0
Acquisition of Sydney Arms	0.0	3.8	-	-	3.8
Fleet Replacement Programme	7.0	0.8	0.8	0.8	9.4
Travellers Site Relocation	0.2	3.6	-	-	3.8
Other Schemes	5.0	4.4	2.3	0.1	11.8
	63.6	70.2	16.6	14.9	165.3
HOUSING REVENUE ACCOUNT					
Building for Lewisham Programme	33.6	48.3	56.4	57.2	195.5
Creekside Acquisition	5.7	13.9	2.0	-	21.6
Ladywell Leisure Centre Development	4.5	15.4	43.4	27.7	91.0
Achilles St. Development	4.3	0.4	1.0	21.6	27.3
Mayow Rd Development	1.1	0.8	-	-	1.9
General Capital & Decent Homes Programme	47.7	70.4	42.3	41.3	201.7
Other Schemes (Hostels etc.)	3.5	3.6	4.4	4.5	16.0
	100.4	152.8	149.5	152.3	555.0
TOTAL PROGRAMME	164.0	223.0	166.1	167.2	720.3

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- 5.6 The resources available to finance the proposed Capital Programme are as set out in Table 2 below:

Table 2: Proposed Capital Programme Resources for 2021/22 to 2023/24

	20/21	21/22	22/23	23/24	3 Year Total
	£m	£m	£m	£m	£m
General Fund					
Prudential Borrowing	17.3	18.7	1.5	6.5	26.7
Grants and Contributions	29.4	24.5	4.1	4.9	33.5
Capital Receipts	7.6	7.4	0.8	2.7	10.9
Reserves / Revenue	9.3	19.6	10.2	0.8	30.6
	63.6	70.2	16.6	14.9	101.7
Housing Revenue Account					
Prudential Borrowing	0.0	78.3	94.1	111.7	284.1
Grants	8.6	14.8	16.2	5.2	36.2
Specific Capital Receipts	0.0	6.3	11.1	8.5	25.9
Reserves / Revenue	91.8	53.4	27.9	27.0	108.3
	100.4	152.8	149.5	152.3	454.5
Total Resources	164.0	223.0	166.1	167.2	556.3

- 5.7 A table of major projects and a full list of changes to the Programme since last year's budget report are shown in Appendix A.

Revenue Budget and Funding Issues

Final Settlement Funding Assessment

- 5.8 The debate on the final settlement has been confirmed for 10 February 2021, as such no update to the provisional settlement as set out in the main Budget Report of the 3 February is included within this report.
- 5.9 Any change to the Council's Settlement Funding Assessment for 2021/22 will be reported to Council on the 3 March 2021.

Overall Budget Position for 2021/22

- 5.10 This remains unchanged from the main Budget Report of 5 February. For 2021/22, the overall budget position for the Council is a General Fund Budget Requirement of £243.100m. The overall position is set out in Table 3 below.

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Table 3 - Overall Budget Position for 2021/22

Detail	Expenditure/ (Income) £m	Expenditure/ (Income) £m
Settlement Funding Assessment (SFA) for 2021/22	(123.304)	
Council Tax 2021/22 at 4.99% increase	(122.285)	
Deficit on Collection Fund	2.498	
NNDR pressure	1.000	
Business Rates S31 and Growth	(1.009)	
Assumed Budget Requirement for 2021/22		(243.100)
Base Budget for 2020/21	248.714	
Plus: Additional Pay inflation	2.657	
Plus: Non-pay Inflation	1.251	
Plus: Budget pressures to be funded from 20/21 fund	6.500	
Plus: Adult Social Care Precept	3.494	
Less: Concessionary fares contribution	(1,500)	
Plus: Persistent overspend to be removed via cuts	10.000	
Less: Cuts proposed for 2021/22	(28.016)	
Total		243.100

Levies

- 5.11 There are three bodies which charge a levy against Lewisham's Council Tax: the London Pensions Fund Authority (LPFA); the Environment Agency; and the Lee Valley Park Authority. No formal notification from these bodies has been received, and officers have estimated the levies and assumed no change. The details of these levies are provided in Appendix D. The Council's 'relevant basic' amount of Council Tax has been calculated and results in a 4.99% increase for 2021/22.

General Fund Update

- 5.12 Officers within the Climate Resilience and Capital Delivery Team have applied for S31 grant funding of up to £3.2m from the Public Sector Decarbonisation Scheme (<https://www.salixfinance.co.uk/PSDS>). This £1bn funding programme was launched in autumn last year as part of the Government's Plan for Jobs.

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- 5.13 The Council's bid is for insulation and zero carbon measures at the following sites: Broadway Theatre/Town Hall Chambers, Leemore and the Sydenham Community Centres, Brockley Rise, Granville Park and Grove Park Adult Learning Centres and Hither Green Cemetery.
- 5.14 There is no match funding required for this grant. The funding will be paid via S31 grant before the 31 March 2021 with the requirement that the funding is spent prior to the 30 September 2021.
- 5.15 In respect of cut proposal C-22 relating to NHS CAMHS, an NHS service that has seen a substantial increase in budget from £5.2m in 2018 to £7.1m this year. However given concerns about the uncertainty around possible future demand for NHS services post-lockdown, work is being done on a contingency arrangement for this cut proposal which will be brought forward in a future report to Mayor and Cabinet.

The Greater London Authority Precept

- 5.16 On the 8 January 2021 the London Mayor announced his proposal to increase the Band D precept in the 32 boroughs to £363.66 – increased by £31.59 or 9.5% compared to 2020/21. This comprises an additional £15 for the Metropolitan police and £1.59 for the London Fire Brigade.
- 5.17 The final council tax figure will not be approved formally until after the London Assembly meeting on Thursday 25 February – although it is not expected that these figures will change.

Final Level of Council Tax

- 5.18 Table 4 shows Lewisham's overall proposed Council Tax Calculation for 2021/22 and calculation of the Council Tax for Band D for 2021/22, based on the recommended budget requirement of £243.100m.

Table 4 – Calculation of Council Tax Requirement and Band D

Calculation of Council Tax Requirement and Band D based on spend of £243.100m for 2021/22 £	
Assumed Budget Requirement for 2021/22	243,099,915
Less: 2021/22 Revenue Support Grant	28,151,000
Less: 2021/22 Baseline Funding Level	95,153,000
Less: Section 31 Grant and Growth	1,009,000
Add: NNDR pressure	-1,000,000
Add: Deficit in collection fund	-2,498,000
Council Tax requirement	122,284,915
Divide by: Council Tax Base	88,614.29
Council Tax for Lewisham Services (Band D)	1,379.96
GLA Precept (Band D)	363.66
Total recommended Council Tax Band D	1,743.62

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Table 5 – Council Tax for different Council Tax Bands in 2021/22

Band	Fraction	Lewisham Council Tax £	GLA Precept £	Total Council Tax £
A	6/9	919.97	242.44	1,162.41
B	7/9	1,073.30	282.85	1,356.15
C	8/9	1,226.63	323.25	1,549.88
D	9/9	1,379.96	363.66	1,743.62
E	11/9	1,686.62	444.47	2,131.09
F	13/9	1,993.27	525.29	2,518.56
G	15/9	2,299.93	606.10	2,906.03
H	18/9	2,759.92	727.32	3,487.24

Business Ratepayers Consultation on the budget

- 5.19 The Council is required under the Local Government Finance Act 1992 to ensure that Business Ratepayers are consulted on the proposed budget. This is to allow businesses to review the changes in the budget for 2021/22 and respond with any comments that they may have.
- 5.20 The consultation ran from the 11 January to the 1 February 2021. There were no responses received back.

Treasury Management

- 5.21 The changes made to the 2021/22 to 2023/24 Capital Programme as detailed above have require a change to the treasury prudential indicators. This report presents an updated version of the 2021/22 to 2023/24 prudential indicators.

Prudential Indicators

- 5.22 Forward projections for borrowing as at 31 March 2021 are summarised below in Table 6, which shows the actual external debt from treasury management operations and other long-term liabilities against the underlying capital borrowing need (the Capital Financing Requirement - CFR) which is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness, and its underlying borrowing need; any increase to capital expenditure which has not immediately been paid for through a revenue or capital resource will increase the CFR.
- 5.23 The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

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- 5.24 The CFR includes any other long-term liabilities (e.g. PFI liabilities). Whilst these increase the CFR and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI or PPP provider and so the Council is not required to separately borrow for these schemes.
- 5.25 Changes in external debt incorporate upcoming loan maturities and projected prudential borrowing requirements in both the General Fund and the Housing Revenue Account (HRA).
- 5.26 Table 6 below illustrates over/ (under) borrowing relative to the combined CFR for the General Fund and HRA.

Table 6: External Debt Projections

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Forecast £m	2022/23 Forecast £m	2023/24 Forecast £m
External Debt at 1 April	217.2	217.0	230.3	327.1	421.6
Change in External Debt	(0.2)	13.3	96.8	94.5	116.5
Other Long-Term Liabilities	228.1	219.1	209.8	218.9	207.3
Gross Debt at 31 March	445.1	449.4	536.9	640.5	745.4
CFR - HRA	55.5	55.5	133.8	225.9	333.3
CFR – General Fund and Other Long-Term Liabilities	464.3	468.5	473.4	478.9	468.7
Total Capital Financing Requirement at 31 March*	519.8	524.0	607.2	704.8	802.0
Borrowing – over / (under)	(74.7)	(74.6)	(70.3)	(64.3)	(56.6)

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

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

Limits to Borrowing Activity

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

The Operational Boundary for External Debt

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- 5.30 This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources. The Council's operational boundary is set out in Table 7.

Table 7: Operational Boundary

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Maximum External Debt at 31 March	230.3	327.1	421.6	538.1
Other Long-Term Liabilities	219.1	209.8	218.9	207.3
Operational Boundary for Year	449.4	536.9	640.5	745.4

The Authorised Limit for External Debt

- 5.31 This key indicator represents a control on the maximum level of borrowing, and provides a limit beyond which external debt is prohibited. It reflects the level of external debt which, while not desired, could be afforded in the short term but is not sustainable in the longer term.
- 5.32 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.
- 5.33 The authorised limits are as set out in Table 8.

Table 8: Authorised Limits for External Debt

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Operational Boundary for Year	449.4	536.9	640.5	745.4
Provision for Non Receipt of Expected Income	56.0	56.0	56.0	56.0
Additional 10% Margin	44.9	53.7	64.1	74.5
Authorised Limit for Year	550.3	646.6	760.6	875.9

6. Financial implications

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

7. Legal implications

- 7.1. Many legal implications are referred to in the body of the Budget report. Particular

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attention is drawn to the following:

Capital Programme

- 7.2. Generally, only expenditure relating to tangible assets (e.g. roads, buildings or other structures, plant, machinery, apparatus and vehicles) can be regarded as capital expenditure. (Section 16 Local Government Act 2003 and regulations made under it).
- 7.3. The Local Government Act 2003 introduced a prudential system of financial control, replacing a system of credit approvals with a system whereby local authorities are free to borrow or invest so long as their capital spending plans are affordable, prudent, and sustainable. Authorities are required to determine and keep under review how much they can afford to borrow having regard to CIPFA's Prudential Code of Capital Finance in Local Authorities. The Code requires that in making borrowing and investment decisions, the Council is to take account of affordability, prudence, and sustainability, value for money, stewardship of assets, service objectives, and practicality.
- 7.4. Section 11 Local Government Act 2003 allows for regulations to be made requiring an amount equal to the whole or any part of a capital receipt to be paid to the Secretary of State. Since April 2013, there has been no requirement to set aside capital receipts on housing land (SI2013/476). For right to buy receipts, the Council can retain 25% of the net receipt (after taking off transaction costs) and is then entitled to enter an agreement with the Secretary of State to fund replacement homes with the balance. Conditions on the use of the balance of the receipts are that spending has to happen within three years and that 70% of the funding needs to come from Council revenue or borrowing. If the funding is not used within three years, it has to be paid to the Ministry of Housing, Communities and Local Government, with interest. In London, the monies are then transferred to the GLA. However, the Council has entered into an agreement with the GLA where the GLA has agreed in principle that all monies received from central government arising from right to buy disposals in Lewisham will be ring fenced and made available to the Council as social housing grant.

Housing Revenue Account

- 7.5. Section 24 of the Housing Act 1985 provides that a local authority may make such reasonable charges as they determine for the tenancy or occupation of their houses. The Council must review rents from time to time and make such charges as circumstances require.
- 7.6. Under the Local Government and Housing Act 1989, the Council is obliged to maintain a separate HRA (Section 74) and by Section 76 must prevent a debit balance on that account. Rents must therefore be set to avoid such a debit.
- 7.7. By Schedule 4 of the same Act where benefits or amenities arising out of a housing authority functions are provided for persons housed by the authority but are shared by the community, the Authority must make such contribution to the HRA from their other revenues to properly reflect the community's share of the benefits/amenities.
- 7.8. The process for varying the terms of a secure tenancy is set out in Sections 102 and 103 of the Housing Act 1985. It requires the Council to serve notice of variation at least four weeks before the effective date; the provision of sufficient information to explain the variation; and an opportunity for the tenant to serve a Notice to Quit ending their tenancy.
- 7.9. Where the outcome of the rent setting process involves significant changes to housing management practice or policy, further consultation may be required with the tenants' affected in accordance with section 105 of the Housing Act 1985.
- 7.10. Part 7 of the Localism Act 2011 abolished HRA subsidy and moved to a system of self

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financing in which Councils are allowed to keep the rents received locally to support their housing stock. Section 174 of the same Act provides for agreements between the Secretary of State and Councils to allow Councils not to have to pay a proportion of their capital receipts to the Secretary of State if he/she approves the purpose to which it would be put.

Balanced Budget

- 7.11. In accordance with the Local Government Act 1992 the Council must set its Council Tax for 2021/2022 before 11 March 2021. By law it may not set the Council Tax before receipt of confirmation of the precept from the precepting authority, the GLA which is anticipated on 26 February. A report will be prepared for the Council meeting on 3 March 2021 on the basis of indications from the GLA but the report will be despatched before their final decision. The Executive Director for Corporate Resources will update the Council accordingly before it makes its decision.
- 7.12. Following the introduction of the Local Authorities (Standing Orders)(Amendment) Regulations 2014 the Council's Constitution was amended to require that when the Council votes on key budget and Council Tax decisions, the vote must be recorded. This requirement will apply when the Council meets to set the Council Tax.
- 7.13. Members have a duty to ensure that the Council acts lawfully. It must set and maintain a balanced budget each year. The Council must take steps to deal with any projected overspends and identify cuts or other measures to bring the budget under control. If the Capital Programme is overspending, this may be brought back into line through cuts, slippage, or contributions from revenue. The proposals in this report are designed to produce a balanced budget in 2021/22.
- 7.14. In this context, Members are reminded of their fiduciary duty to the Council Tax payer, effectively to act as trustee of the Council's resources and to ensure proper custodianship of Council funds.

An annual budget

- 7.15. By law, the setting of the Council's budget is an annual process. However, to enable meaningful planning, a number of cuts proposals for 2021/22 were anticipated in the course of the budget process. The first round of cuts were approved by Mayor and Cabinet on 9 December 2020. The second round were approved by Mayor and Cabinet on the 3 February. They are listed in Appendix Y1 and Appendix Y2 respectively of the Budget report. This report and the main Budget report are predicated on taking all of the agreed budget cuts and their being successfully implemented. If not, any shortfall will have to be met through adjustments to the annual budget in this report with the use of reserves.
- 7.16. The Budget report refers to various consultation exercises (for example with tenants and businesses) which the Council has carried out in accordance with statutory requirements relating to this budget process. Mayor and Cabinet must consider the outcome of the business rate payers consultation with an open mind before reaching a decision about the final proposals to Council. It is noted that the outcome of consultation with business rate payers is set out in this report.

Referendum

- 7.17. Sections 72 of the Localism Act 2011 and Schedules 5 to 7 amended the provisions governing the calculation of Council Tax. They provide that if a Council seeks to impose a Council Tax increase in excess of limits fixed by the Secretary of State, then

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a Council Tax referendum must be held, the results of which are binding. The Council may not implement an increase which exceeds the Secretary of State's limits without holding the referendum. Were the Council to seek to exceed the threshold, substitute calculations which do not exceed the threshold would also have to be drawn up. These would apply in the event that the result of the referendum is not to approve the "excessive" rise in Council Tax. Attention is drawn to the statement of the Secretary of State that the Council may impose a precept of 3% on the Council Tax, ring-fenced for social care provision, and may impose an additional increase of less than 2% without the need for a referendum. The maximum proposed Council Tax increase is 4.99% and therefore below the combined limit.

- 7.18. In relation to each year the Council, as billing authority, must calculate the Council Tax requirement and basic amount of tax as set out in Section 31A and 31B of the Local Government Finance Act 1992. These statutory calculations appear in Appendix Y6.

Robustness of estimates and adequacy of reserves

- 7.19. Section 25 of the Local Government Act 2003 requires, when the authority is making its calculations under s31 of the Local Government Finance Act 1992, the Chief Finance Officer to report to it on:-
- (a) the robustness of the estimates made for the purposes of the Calculations; and
 - (b) the adequacy of the proposed financial reserves.
- 7.20. The Chief Financial Officer's section 25 statement is appended to this report at Appendix E.

Treasury Strategy

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

Constitutional provisions

- 7.24. Legislation provides that it is the responsibility of the full Council to set the Council's budget. Once the budget has been set, save for those decisions which they are precluded from, it is for the Mayor and Cabinet to make decisions in accordance with the statutory policy framework and that are not wholly inconsistent with the budget. It is

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for the Mayor and Cabinet to have overall responsibility for preparing the draft budget for submission to the Council to consider. If the Council does not accept the Mayor and Cabinet's proposals, it may object to them and ask them to reconsider. The Mayor and Cabinet must then reconsider and submit proposals (amended or unamended) back to the Council which may only overturn them by a two-thirds majority.

- 7.25. For these purposes the term "budget" means the "budget requirement (as provided for in the Local Government Finance Act 1992) all the components of the budgetary allocations to different services and projects, proposed taxation levels, contingency funds (reserves and balances) and any plan or strategy for the control of the local authority's borrowing or capital expenditure." (Chapter 2 statutory guidance).
- 7.26. Authorities are advised by the statutory guidance to adopt an inclusive approach to preparing the draft budget, to ensure that councillors in general have the opportunity to be involved in the process. However, it is clear that it is for the Mayor and Cabinet to take the lead in that process and proposals to be considered should come from them. The preparation of the proposals in this report has involved the Mayor and Cabinet, the Council's select committees and the Public Accounts Select Committee in particular, thereby complying with the statutory guidance.

Statutory duties and powers

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

Reasonableness and proper process

- 7.28. Decisions must be made reasonably taking into account all relevant considerations and ignoring irrelevancies. If the Mayor and Cabinet decides that the budget for that service must be reduced, the Council's reorganisation procedure applies if staffing numbers would reduce. Staff consultation in accordance with that procedure will be conducted and in accordance with normal Council practice, the final decision would be made by the relevant Executive Director under delegated authority.
- 7.29. It is also imperative that decisions are taken following proper process. Depending on the particular service concerned, this may be set down in statute, though not all legal requirements are set down in legislation.
- 7.30. For example, depending on the service, there may need to be a need to consult with service users and/or others. The requirement to consult may arise by statute or there may be a legitimate expectation of consultation. A legitimate expectation will arise if a specific promise has been made to do something (for example as in the Lewisham Compact with the voluntary sector) or if it has become practice to consult on particular matters. Where there is a requirement to consult, any proposals in this report must remain proposals unless and until that consultation is complete and the responses have been brought back in a further report for consideration with an open mind before any decision is made.

Staff consultation

- 7.31. Where proposals, if accepted, would result in 100 redundancies or more within a 90 day period, an employer is required by Section 188 of the Trade Union and Labour

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Relations (Consolidation) Act 1992 as amended, to consult with the representatives of those who may be affected by the proposals. The consultation period is at least 45 days. Where the number is 20 or more, but 99 or less the consultation period is 30 days. This requirement is in addition to the consultation with individuals affected by redundancy and/or reorganisation under the Council's own procedure.

Best Value

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

Integration with health

- 7.33. Members are reminded that provisions under the Health and Social Care Act 2012 require local authorities in the exercise of their functions to have regard to the need to integrate their services with health. See "[Legal implications in the guidance](#) for more information.

8. Equalities implications

- 8.1. The Equality Act 2010 (the Act) introduced the public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 8.2. In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - advance equality of opportunity between people who share a protected characteristic and those who do not.
 - foster good relations between people who share a protected characteristic and those who do not.

The duty continues to be a "have regard duty", and the weight to be attached to it is a matter for the Mayor and Cabinet, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations. Assessing the potential impact on equality of proposed changes to policies, procedures and practices is one of the key ways in which the Council can demonstrate that they have had 'due regard'.

- 8.3. The Equality and Human Rights Commission issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled "Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice". The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with services and public functions. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at: <http://www.equalityhumanrights.com/legal-and->

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- 8.4. The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:
1. The essential guide to the public sector equality duty
 2. Meeting the equality duty in policy and decision-making
 3. Engagement and the equality duty
 4. Equality objectives and the equality duty
 5. Equality information and the equality duty
- 8.5. The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties, and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at: <http://www.equalityhumanrights.com/advice-and-guidance/public-sector-equality-duty/guidance-on-the-equality-duty/>
- 8.6. The EHRC has also issued Guidance entitled “Making Fair Financial Decisions”. It appears at Appendix Y9 and attention is drawn to its contents.
- 8.7. Assessing impact on equality is not an end to itself and it should be tailored to, and be proportionate to, the decision being made. Whether it is proportionate for the Council to conduct an Equalities Analysis Assessment of the impact on equality of a financial decision or not depends on its relevance to the Authority’s particular function and its likely impact on people from protected groups, including staff.
- 8.8. Where proposals are anticipated to have an impact on staffing levels, it will be subject to consultation as stipulated within the Council’s Employment/Change Management policies, and services will be required to undertake an Equalities Analysis Assessment (EAA) as part of their restructuring process.
- 8.9. It is also important to note that the Council is subject to the Human Rights Act, and should therefore, also consider the potential impact their particular decisions could have on human rights. Where particular cuts have such implications, they must be dealt with and considered in relation to those particular proposals before any final decision is made.

9. Climate change and environmental implications

- 9.1. Section 40 of the Natural Environment and Rural Communities Act 2006 states that: ‘every public authority must, in exercising its functions, have regard, so far as is consistent with the proper exercise of those functions, to the purpose of conserving biodiversity’.
- 9.2. Overall there are limited changes to the budget structure and service funded either from agreed reductions or pressures funded. The environment considerations for any cuts were specifically considered as part of those proposals agreed by M&C.

10. Crime and disorder implications

- 10.1. Section 17 of the Crime and Disorder Act 1998 requires the Council when it exercises its functions to have regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area.

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

11. Health and wellbeing implications

11.1. There are no specific health and well being implications arising from this report.

12. Background papers

Short Title of Report	Date	Location	Contact
Financial stabilisation - budget update and medium term plan	7 October 2020 (M&C)	1st Floor Laurence House	David Austin
Budget Cuts Proposal 2020/21 – round 1	9 December 2020 (M&C)	1st Floor Laurence House	David Austin
Budget Cuts Proposal 2020/21 – round 2	3 February 2020 (M&C)		
Council Tax Base	20 January 2021 (Council)	1st Floor Laurence House	David Austin
2021/22 Budget Report	3 February 2021	1st Floor Laurence House	David Austin

13. Glossary

Term	Definition
Collection Fund	A statement that shows the transactions of the billing authority in relation to non-domestic rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.
General Fund	This is the main revenue account which summarises the cost of all services (except those related to Council Housing and Locally Managed Schools) provided by the Council.
Housing Revenue Account	Reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure and how this is met by rents, subsidy and other income.
Minimum Revenue Provision	The minimum revenue provision (MRP) is the minimum amount that must be charged to an authority's revenue account each year and set aside as a provision for debt repayment or other credit liabilities.
Reserves	Amounts set aside for purposes falling outside the definition of provisions made above are considered as reserves.

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Revenue Support Grant	A general grant paid by Central Government to local authorities to help them finance the cost of their services, distributed on the basis of government relative needs formulas.
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14. Report author and contact

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Katharine Nidd – Strategic Finance and Procurement katharine.nidd@lewisham.gov.uk

Financial implications on behalf of the Executive Director for Corporate Resources were provided by the report authors.

Legal implications on behalf of the Monitoring Officer were provided by Katherine Kazantzis.

15. Appendices

- A 2020/21 to 2023/24 Capital Programme – Major Projects
- B Council Tax Statutory Calculations
- C Motion for the Mayor to recommend to Council
- D Relevant Amount of Council Tax and Levies
- E Chief Financial Officer's Section 25 Statement

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APPENDIX A

(APPENDIX W1 in the main Budget Report)

2020/21 TO 2023/24 CAPITAL PROGRAMME - MAJOR PROJECTS

Major Projects over £2m	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m
GENERAL FUND					
Schools - School Places Programme	3.4	10.4	2.4	-	16.2
Schools – Minor Works Capital Programme	3.9	0.1	-	-	4.0
Schools - Other Capital Works	1.7	1.6	-	-	3.3
Highways & Bridges - TfL	1.3	-	-	-	1.3
Highways & Bridges - LBL	3	2.5	2.5	-	8.0
Highways - Others	1.5	0.8	0.1	-	2.4
Catford town centre	1.0	0.3	0.3	3.4	5.0
Asset Management Programme	1.5	2.8	2.5	-	6.8
Other AMP Schemes	0.7	0.9	-	-	1.6
Broadway Theatre - Works	0.4	4.8	1.7	-	6.9
Catford Phase 1 – Thomas Lane Yard / Catford Constitution Club'	0.1	0.6	2.6	-	3.3
Lewisham Gateway (Phase 2)	14.8	3.5	-	4.8	23.1
Beckenham Place Park	0.5	-	-	-	0.5
Beckenham Place Park (Eastern Part)	0.2	1.7			1.9

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Lewisham Homes – Property Acquisition	-	3.0	-	-	3.0
Residential Portfolio Acquisition – Hyde Housing Ass.	2.9	-	-	-	2.9
Disabled Facilities Grant	0.4	2.1	-	-	2.5
Private Sector Grants and Loans	0.2	2.1	-	-	2.3
Edward St. Development	9.0	8.4	-	-	17.4
Achilles St. Development	0.8	1.0	-	3.6	5.4
Mayow Rd Development	0.6	6.6	1.1	0.1	8.4
Canonbie Rd Development	0.8	1.4	0.3	-	2.5
Ladywell Leisure Centre Development site (1,000 Homes Prog.)	0.1	2.7	-	-	2.8
Deptford Southern Sites Regeneration	2.6	0.3	-	2.1	5.0
Acquisition of Sydney Arms	0.0	3.8	-	-	3.8
Fleet Replacement Programme	7.0	0.8	0.8	0.8	9.4
Travellers Site Relocation	0.2	3.6	-	-	3.8
Other Schemes	5.0	4.4	2.3	0.1	11.8
	63.6	70.2	16.6	14.9	165.3
HOUSING REVENUE ACCOUNT					
Building for Lewisham Programme	33.6	48.3	56.4	57.2	195.5
Creekside Acquisition	5.7	13.9	2.0	0.0	21.6
Ladywell Leisure Centre Development	4.5	15.4	43.4	27.7	91.0
Achilles St. Development	4.3	0.4	1.0	21.6	27.3

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Mayow Rd Development	1.1	0.8	0.0	0.0	1.9
General Capital & Decent Homes Programme	47.7	70.4	42.3	41.3	201.7
Other Schemes (Hostels etc.)	3.5	3.6	4.4	4.5	16.0
	100.4	152.8	149.5	152.3	555.0
TOTAL PROGRAMME	164.0	223.0	166.1	167.2	720.3

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APPENDIX B – Council Tax Statutory Calculations

- 1) It be noted that at its meeting on 20 January 2021, the Council calculated the number of **88,614.3** as its Council Tax base for 2021/22 in accordance with the Local Authorities (Calculation of Tax base) Regulations;

- 2) The following amounts be now calculated by the Council for the year 2021/22 in accordance with the Local Government Finance Act 1992:
 - a. **£1,212,121,675** 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. **£969,021,760** being the aggregate of the amounts which the Council estimates for income, calculated in accordance with Section 32(3)A of the Act;
 - c. **£243,099,915** 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. **£123,304,020** 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. **£9,000** being the aggregate of the sums which the Council estimates will be transferred into its general fund from reserves, in relation to part of the 2020/21 London Pilot Pool Growth, S31 NNDR grant, and its share of NNDR deficit.
 - f. **£119,785,915** being the residual amount required to be collected from Council Tax payers. This includes a deficit on the Council's Collection Fund of £2,498,000.
 - g. **£1,379.96** being the residual sum at (f) above (adding the deficit on the Collection Fund), divided by the Council Tax base of **88,614.3** which is Lewisham's precept on the Collection Fund for 2021/22 at the level of Band D;

Band	Council Tax (LBL)
	£
A	919.97
B	1,073.30
C	1,226.63
D	1,379.96
E	1,686.62

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F	1,993.27
G	2,299.93
H	2,759.92

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 2021/22, 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	242.44
B	282.85
C	323.25
D	363.66
E	444.47
F	525.29
G	606.10
H	727.32

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 2021/22

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for each of the categories of dwellings shown below:-

Band	Total Council Tax (LBL & GLA)
	£
A	1,162.41
B	1,356.15
C	1,549.88
D	1,743.62
E	2,131.09
F	2,518.56
G	2,906.03
H	3,487.24

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APPENDIX C - Motion for the Mayor and Cabinet to Recommend to Council

Having considered:

(i) an officer report, the comments of the Public Accounts Select Committee of 2 February 2021, and a presentation from the Cabinet Member for Resources;

(ii) the views of those consulted on the budget as required and subject to proper process and consultation;

The Mayor and Cabinet, from the options available, is asked to recommend that Council:

General Fund Revenue Budget

- 1.1 note the projected overall variance of £3.2m (or 1.3%) against the agreed 2020/21 revenue budget of £248.714m as set out in section 6 of this report and that any year-end overspend will be met from corporate reserves and provisions;
- 1.2 endorse the budget cut proposals of £28.016m as per the Mayor and Cabinet meetings of the 9 December 2020 and 3 February 2020, as set out in section 6 of the report and summarised in Appendix Y1 and Y2;
- 1.3 agree the allocation of £6.500m in 2021/22 be set aside and use of £1.500m reduced contribution for concessionary fares for corporate risks and pressures;
- 1.4 agree the allocation of £19.685m of corporate risks and pressures, social care precept, new homes bonus, social care grant, lower tier grant and legacy s31 monies in 2021/22 to be invested in funding quantified budget pressures and opportunities, both recurring and once-off as set out in section 6;
- 1.5 agrees a General Fund Budget Requirement of £243.100m for 2021/22 be approved;
- 1.6 agree to a 4.99% increase in Lewisham's Council Tax element. This will result in a Band D equivalent Council Tax level of £1,379.96 for Lewisham's services and £1,743.62 overall. This represents an overall increase in Council Tax for 2021/22 of 5.91% and is subject to the GLA precept for 2021/22 being increased by £31.59 (i.e. 9.5%) from £332.07 to £363.66, in line with the GLA's draft budget proposals;
- 1.7 note the Council Tax Ready Reckoner which for illustrative purposes sets out the Band D equivalent Council Tax at various levels of increase. This is explained in section 6 of the report and is set out in more detail in Appendix Y4;
- 1.8 approve the Executive Director for Corporate Resources Section 25 Statement at Appendix C;
- 1.9 agree the draft statutory calculations for 2021/22 as set out at Appendix Y6;
- 1.10 note the prospects for the revenue budget for 2021/22 and future years as set out in section 6;

Other Grants (within the General Fund)

- 1.11 note the adjustments to and impact of various specific grants for 2021/22 on the General Fund as set out in section 7 of this report;

Dedicated Schools Grant and Pupil Premium

Schools Block

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- 1.12 notes that the provisional Dedicated Schools Grant allocation of £222.769m be the Schools' Budget (Schools Block) for 2021/22;
- 1.13 agrees, (as recommended by Schools Forum) the once-off transfer £1.068m of Dedicated Schools Grant to the High Needs Block and the set aside of £1.24m to support schools through measures such as the growth fund and the falling rolls fund;
Central Schools Services Block (CSSB)
- 1.14 note the construct and allocation of £4.261m for the CSSB block allocation for 2021/22;
High Needs Block (HNB)
- 1.15 note the provisional High Needs Block £62.4m to support the Council's statutory duty with regards Special Education Needs. This is a net increase of £5.99m relative to 2020/21;
Early Years Block (EYB)
- 1.16 notes the provisional Dedicated Schools Grant allocation of £24.17m to the block;
Pupil Premium
- 1.17 notes that the pupil premium will continue in the 2021/22 financial year. The funding rates in the year will be same as 2020/21 but the census date has changed to January.

Housing Revenue Account

- 1.18 notes the consultation report on service charges to tenants' and leaseholders in the Brockley area, presented to area panel members on 16 December 2020, as attached at Appendix X2;
- 1.19 notes the consultation report on service charges to tenants' and leaseholders and the Lewisham Homes budget strategy presented to area panel members on 17 December 2020 as attached at Appendix X3;
- 1.20 sets an increase in dwelling rents of 1.5% (an average of £1.46 per week) – as per the formula rent calculations outlined in section 9 of this report;
- 1.21 sets an increase in the hostels accommodation charge by 1.5% (or £0.53 per week), in accordance with formula rent calculations;
- 1.22 approves the following average weekly increases/decreases for dwellings for:
- 1.22.1 service charges to non-Lewisham Homes managed dwellings (Brockley) to ensure full cost recovery and 2.1% inflationary uplift for 2021/22;
- | | | |
|-------------------------|-------|---------|
| • caretaking | 2.10% | (£0.66) |
| • grounds | 2.10% | (£0.80) |
| • communal lighting | 2.10% | (£0.06) |
| • bulk waste collection | 2.10% | (£0.03) |
| • window cleaning | 2.10% | (£0.00) |
| • tenants' levy | 0% | (£0.00) |
- 1.22.2 service charges to Lewisham Homes managed dwellings:
- | | | |
|-------------------|--------|---------|
| • caretaking | 1.99% | (£0.13) |
| • grounds | 1.94% | (£0.04) |
| • window cleaning | 26.00% | (£0.02) |

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• communal lighting	2.55%	(£0.03)
• block pest control	2.20%	(£0.04)
• waste collection	23.20%	(£0.11)
• heating & hot water	1.62%	(£0.17)
• tenants' levy	0%	(£0.00)
• bulk waste disposal	0.00%	(£0.00)
• sheltered housing	0.00%	(£0.00)

- 1.23 approves the following average weekly percentage changes for hostels and shared temporary units for;
- service charges (hostels) – caretaking etc.; no change
 - energy cost increases for heat, light & power; no change
 - water charges increase; no change
- 1.24 approves an increase in garage rents by 1.1% (£0.17 per week) for Brockley and Lewisham Homes residents;
- 1.25 notes that the budgeted expenditure for the Housing Revenue Account (HRA) for 2021/22 is £226.1m, split £112.1m revenue and £114.0m capital, which includes the decent homes and new build programmes;
- 1.26 agrees the HRA budget strategy cut proposals in order to achieve a balanced budget in 2021/21, as attached at Appendix X1;

Treasury Management Strategy

- 1.27 approves the prudential indicators and treasury indicators, as set out in section 10 of this report;
- 1.28 approves the Annual Investment Strategy and Creditworthiness Policy, set out in further detail at Appendix Z2;
- 1.29 approves the update to the Investment Strategy as set out in section 10 of this report, namely to allow investment in UK building societies with a minimum credit rating of BBB- from Fitch (or equivalent) for up to 3 months, and no more than £10m per institution;
- 1.30 note that the Capital Strategy 2021/22 will be brought forward during the year;
- 1.31 approves the Minimum Revenue Provision (MRP) policy as set out in section 10 of this report;
- 1.32 agrees to delegate to the Executive Director of Corporate Resources authority during 2021/22 to make amendments to borrowing and investment limits provided they are consistent with the strategy and there is no change to the Council's authorised limit for borrowing;
- 1.33 approves the overall credit and counterparty risk management criteria, as set out at Appendix Z2, the proposed countries for investment at Appendix Z3, and that it formally delegates responsibility for managing transactions with those institutions which meet the criteria to the Executive Director for Corporate Resources;
- 1.34 approves a minimum sovereign rating of AA- for non-UK investments;

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Capital Programme

- 1.35 notes the 2020/21 Quarter 3 Capital Programme monitoring position and the Capital Programme potential future schemes and resources as set out in section 11 of this report;
- 1.36 notes the significant proposed rise in prudential borrowing of more than £308m by 2023/24, primarily to fund the Building for Lewisham programme capital plans;
- 1.37 approves the 2021/22 to 2023/24 Capital Programme of £556.3m, as set out in section 11 of this report and attached at Appendices W1 and W2.

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APPENDIX D – Relevant Amounts of Council Tax and Levies

To date, Lewisham has so far received no formal notification from the three levy bodies for 2021/22. A zero percent increase has been assumed for these. An updated position will be provided in the Council report.

Council Tax and Levies

'Relevant Basic' Amount of Council Tax	2020/21	2020/21
Council Tax Base	90,099.3	88,614.3
Council Tax Requirement with Levy (£)	118,423,817	122,284.176
Basic Amount of Council Tax (£)	1,314.37	1,379.96
Increase in basic amount of Council Tax (%)	3.99%	4.99%

Levy bodies for Lewisham	2020/21 £	2021/22 £	Change £
LPFA	1,288,738	1,288,738	0
Lee Valley Regional Park	210,883	210,883	0
Environment Agency	201,262	201,262	0
Total Levies	1,700,883	1,700,883	0

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

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APPENDIX E - Chief Financial Officer's Section 25 Statement

1. This statement makes reference to the 2021/22 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.

Structure of the report

4. This Statement seeks to outline:
 - The impact of COVID-19 and the ongoing financial risks it poses to the Council
 - The Medium Term Financial Strategy and future uncertainty of Local Government Finances
 - The budget assumptions in the Council's MTFS
 - Delivery risks of the cuts
 - Budget management, financial controls and systems
 - Capital programme and & Housing Revenue Account
 - Adequacy of reserves and provisions
 - Conclusion and opinion

Impact of COVID-19 and ongoing risks

5. The impact of COVID has been devastating on individuals, on communities, businesses and the economy. The financial impact has been significant and has put the financial resilience of councils under stress. To date, the cost of COVID for Lewisham is c£60m and rising. Government support has been provided on the costs incurred through the emergency response and the Sales, Fees and Charges scheme funds 75% of 95% eligible lost income against our budget position.
6. Despite the financial support received from central government the effects felt by our community and businesses will impact on the level of income we can both raise and collect through Council Tax and Business rates next year.
7. In response, officers have reduced our Council Tax base from a collectible amount of 97% to 95% on Council Tax and work will continue into next year to manage the number of appeals from businesses and our collection rates. The number of working age residents claiming Council Tax Support has increased from our expected levels of 15,536 to 16,689.
8. During 2020/21, the government has granted S31 relief payments to almost 50% of our businesses amounting to £32m against our net collectible amount of £65m. Concerns remain on the financial viability of those businesses receiving rate relief and business closure grants as there is no confirmation at this stage the financial

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support will continue. Through the creation of a newly established Economic Development team the Council aims to provide agile support to support business survival, building sustainable resilience through to sector led growth.

9. Increased demand for the Council's services to support hospital discharges and to provide the homeless with accommodation is likely to continue into next financial year.
10. To mitigate the risks above, officers have considered the potential risks in our Medium Term Financial Strategy and have made a series of assumptions based on the best available information available.
11. The full financial impact of COVID is still very much unknown. To date, central government has announced a one-off £10m COVID grant to fund costs for next year, and has extended the Sales, Fees and Charges support scheme into the first quarter of 21/22. Officers have set this money aside in full to respond to the potential continuation of the pandemic into 21/22. Through close monitoring and accurate forecasting of this funding, we will continue to inform MHCLG of the ongoing financial pressures faced by the Council so our COVID related direct costs are recognised and Lewisham is sufficiently compensated. The indirect costs of COVID, the impact on the economy, the potential job losses when the furlough schemes ends remain a concern but the council will be providing support through our Council Tax Support scheme where required.

Medium Term financial strategy and future uncertainty of Local Government Finances

12. Since 2010, the Council has made savings in excess of £190m. The Financial Stabilisation budget reported to Mayor & Cabinet in September 2020 set out the Medium Term Financial (MTFS) for 2021/22 to 23/24 with a budget gap over £40m plus a £10m to recognise the recurring overspends in a number of service areas. Of the £50m plus cuts target, £34m fell in year one of the MTFS period.
13. The provisional Local Government Settlement announced on the 17th December 2020, reduced the funding gap for next year from £34m to £28m. However, over 86% of the Council's Core Spending Power increase is through increasing local taxation, a regressive tax that disproportionately affects our lower paid residents. This has been recognised in the Council's Equalities Impact Assessment and will be mitigated through providing Council Tax Support, Welfare Support, Discretionary Housing Payments including other forms of support where applicable.
14. To address the scale of the financial challenge, the Council's Executive Management Team (EMT) has adopted a themed approach to identify cuts, savings, income generation proposals through the lens of collaborative, moving away from the traditional siloed approach to the cuts process. Each EMT member led a specific theme with cross-cutting council wide initiatives being identified.
15. Following a series of scrutiny committees throughout Autumn 2020 to January 2021 to consider the proposed cuts in two rounds, officers have put forward proposals of £41.663m in total, broken down into £28.016m for 2021/22, £10.410m for 2022/23 and £3.237m for 23/24. The cuts will fully enable the Council to set a balanced budget for 21/22 with a gap of circa £9m in the remaining 2 years of the MTFS.
16. As with 20/21, the Treasury and MHCLG have announced a one year settlement and have delayed the Fair Funding Review, the business rates reset, longer term changes to social care to 22/23 at the earliest. Our MTFS assumes some changes to the Settlement Funding Assessment in years 2 & 3 but are based on our best estimates as opposed to any certainty on our funding position.

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17. Following 10 years of austerity, over 70% of the Council's expenditure is now spent on Public Health and Adult's and Children's social care. This makes future cuts processes increasingly difficult as universal services, organisational capacity on HR, ICT & Digital, Finance, procurement and effective contract management will bear a disproportionate impact of future cuts. The budget process for 21/22 has begun to address this as the Council made demand management reductions for both Adult and Children's social care.

Budget assumptions

18. For financial planning purposes in the budget, the Council anticipates an average inflation of 1.5% per annum for non-pay costs and 2% for pay costs, which equates to approximately £4m for both pay and non-pay costs.
19. COVID has brought about many changes in our working practices and has in many ways improved the productivity of our workforce. As such the pay inflation of £7m for year 1 & 2 of the MTFS has been put forward as a cut with officers managing a vacancy factor in their budgets of c5%. This is not dissimilar an approach to many other councils and is achievable through managing the recruitment process, holding vacancies, addressing staff sickness and tackling performance issues.
20. Contract inflation will be carefully managed through creating a better contract management approach across the Council, creating a Community of Practice approach of sharing good practice, encouraging officers to adopt a commercial mind set when negotiating with our suppliers.

Budget risks, delivery of cuts

21. It will be essential that the Council is able to deliver the cuts proposed over the MTFS, with the focus on ensuring the undelivered cuts in 2020/21 of £7m (out of £16.6m) is delivered alongside the proposed cuts of £28m for 2021/22.
22. The proposed cuts will address both the £18m base budget reduction required and the £10m in persistent overspend in order to ensure a balanced budget is set for 2021/22. In addition to this the MTFS for 2021/22 sets aside a further £6.5m for budget pressures and risks. To this it is recommended the saving of £1.5m is added from reduced contributions required to the London concessionary fares scheme as a result of reduced demand through 2020/21. In addition, it is recommended that the £2.339m of additional social care grant (on top of the £8.434m received in 2020/21 and continuing for 2021/22) be used to address current pressures. These actions will provide £10.339m to be allocated to selected budget pressure and growth areas that will present as challenges in future budgets if not corrected.
23. In terms of accounting for these, it is proposed that these investments and pressures are allocated in line with the decisions of this budget from the corporate risk and pressures monies and £3.5m from the Social Care precept to the relevant Directorates when determining their cash limits for 2020/21.
24. To fund the costs outlined above officers have added the NHB of £2.652m, lower tier baseline grant of £0.700m, and corporate items to support one-off pressures identified as needing funding in 2021/22.
25. Using cash budgets (in particular grants such as the Social Care Grant) presents a risk for future years although the medium planning assumptions are that this level of funding for 2021/22 from government is in recognition of the pressures faced by local authorities and will effectively form the baseline pending fair funding review.

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26. The budget pressures anticipated in 2021/22 have been reviewed and it is recommended that the following identified pressures are funded now, set against the Corporate Strategy priorities. These exclude pressures associated with services experiencing persistent overspends as these have been addressed via the cuts process.
27. The Chief Executive and the Executive Director of Corporate Resources are working on creating and instilling a culture of accountability and ownership of the cuts process and work is already underway to RAG rate the proposals and directors are being asked to provide “delivery action plans” to outline “how” and “when” the cuts will be implemented and key milestones for success.
28. Investment will be made in creating a Project Management Office (PMO) that will create capacity to support the delivery of proposals that are complex and/or cross-cutting.
29. Officer capacity on the delivery of budget cuts will continue to be stretched as often the same officers will be vital in support of the Council’s emergency response during the Pandemic. At present, it is unclear how quickly and how effective the vaccines will begin to contain the outbreak allowing for the Council to slowly return to the “new normal”.
30. The longer term financial impact of COVID cannot be quantified in full at this stage. However, it is more than likely to create additional pressures on the cost of the services we provide and increase the complexity of support required of our vulnerable residents. There has been a marked increase in children with Special Educational Needs and Disabilities and those requiring an Education, Health and Care Plan (EHCP) by 35% comparing 2020/21 to 2017/18 (2,947 in 2020/21 versus 2,179 in 2017/18). The wider economic impact of COVID, the effect it’ll have on our residents and our businesses will no doubt put a large proportion of the income we collect at risk. Knowing what these risks are, we will ensure a responsible approach to debt management and intervening early to enforce debts fairly, agreeing payment plans where necessary.

Budget management, financial control & systems

31. To increase budget manager accountability, directors and heads of service will be asked to sign off their budgets for next year with the aim to instilling the culture of budget ownership across the Council. All budget managers will be asked to contain their expenditure within the available funding envelope.
32. The delivery risks to the savings will be managed closely by Finance and where there are delays to the implementation, this will be communicated clearly to the responsible directors so that mitigating actions are put forward or alternative proposals are progressed with. Financial management information will be reported in a timely manner so budget managers are able to redress an adverse forecast at the earliest opportunity.
33. During 2020/21, in order to contain the significant overspend forecast in the Council, Spending Controls were introduced in October 2020 with only directors being authorised to spend up to £5,000 and executive directors authorising spend over £5,000. Recruitment approvals were also introduced with all requests requiring authorisation by executive directors. The Council’s financial systems and the spend authorisation limits were adjusted to reflect these financial controls on Oracle. This position is being reviewed carefully and is likely to continue until the Council’s forecast overspend is significantly reduced.
34. A review of the system is required to improve the quality of the financial management information so it is accessible and easy to understand. This should further encourage

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a budget manager self-service approach to financial management and support ownership and accountability.

35. The 2021/22 Budget identified an extra £10m to address a number of historic service related overspends that will be applied to the relevant service budgets but the Council must fully deliver the £28m of cuts for 2021/22 as well as implement the 20/21 cuts of £7m that remain undelivered to date. This equates to over £35m of cuts to be implemented during 21/22. In addition, services must contain emerging demand led pressures within their financial envelope. Adopting a programme management office approach will create delivery capacity for the directors to mitigate some of this risk.

Capital Programme & Housing Revenue Account

36. The Council's three year capital programme for 2021/22 – 2023/24 is budgeted at £556.3m. The programme is fully funded through a combination of reserves, capital receipts, grant and borrowing.
37. There are no changes to the General Fund capital programme, the HRA capital programme will be increasing by more than £50m which will be more than double the annual budget for works next year. This now includes an amendment to increase the general capital and decent homes programme line by £38.8m in 2021/22 (£31.6m to £70.4m) to reflect the priorities arising from the conclusion of the stock condition survey. Delivery risk aside, the cost of borrowing an additional £78m is estimated to be £45m-£50m over the life of the loan and savings will be identified in the HRA to offset this cost, specifically there is a commitment to reduce the annual R&M budget in 2021/22 by £1m. Further investment will be required for essential resident and fire safety works.
38. The Council maintains its ambitious Building for Lewisham Programme focused on providing the much needed increase supply of new social and affordable homes. These plans, their scale, and the complexity of delivering such a programme add significant new risk to the Council's finances.
39. 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 and updated projections are reported regularly to Mayor & Cabinet.

Adequacy of Reserves & Provisions

40. 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. The Chief Financial Officer recommends that the un-earmarked reserves are held at the current level of £20.0m. Should the need arise to call upon these reserves during the year, consideration should be given to replenish them as soon as possible.
41. In addition, the Council held Specific Earmarked Reserves which totalled £66m at the end of March 2020 (£57m at March 2019) plus £24m for schools. 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).
42. Officers have maintained an extremely prudent approach to financial management and have worked hard to ensure that reserves are maintained at an adequate level. This helps to ensure the Council can remain resilient in the event of an unexpected financial shock.

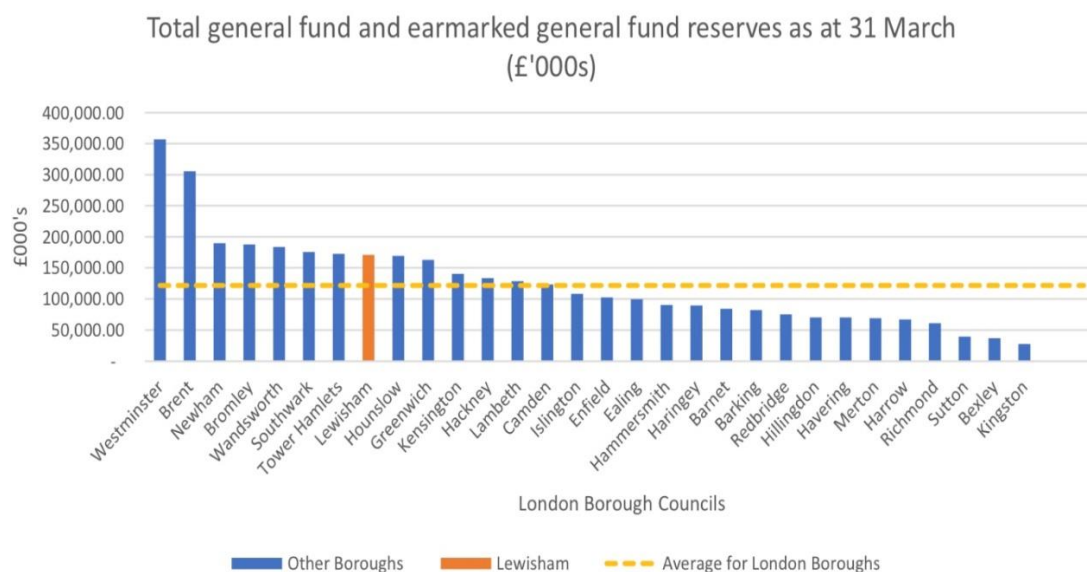
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43. The graph below illustrates Lewisham's position on reserves, relative to its London borough counterparts:

Graph 1: total general fund and non-schools earmarked general fund reserves as at 31 March 2020



Population: London Borough Councils which had published draft 2019/20 financial statements

Summary and conclusion

44. Although there is much financial uncertainty ahead, the MTFS seeks to address many of the risks known to the Council over a three year period.
45. Furthermore, the financial plans and strategies have contributed to the achievement of the Council's corporate objectives to date and will continue to do so. Focus must now be turned to the continual alignment of the MTFS to the 5 key principles that underpin our Recovery programme.
- Tackling widening social, economic and health inequalities;
 - Protecting and empowering our most vulnerable residents;
 - Ensuring the Council's continued resilience, stability and sustainability;
 - Enabling residents to make the most of Lewisham the place; and
 - Collaborating and working together with our communities and partnership across the borough.
46. Work continues to improve the culture of budget ownership and accountability and through better financial management and a programme management approach, giving directors the support required to deliver the proposed cuts.
47. Whilst the Council does currently have adequate reserves and an established financial management regime, the ongoing delivery risks of the cuts and emerging demand led pressures could unbalance this position. In the event that the Council becomes heavily reliant on reserves to support either the setting of the budget or the delivery of the budget, this will be addressed through robust medium term financial planning as a matter of priority and spending controls will be re-introduced to contain this position.

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48. This budget is being set following more than 10 years of continued austerity for Local Government. There are a number of risks to our financial position for not just next year but in the medium term. However, through careful financial planning officers have identified cuts of £28m that enables the Council to deliver a balanced budget without the use of reserves in spite of the challenge.

Kathy Freeman – Executive director of Corporate Resources

Chief Financial officer – Section 151

February 2021

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