



## Scrutiny Committees

### **Report title: Budget Reductions for 2023/24**

**Date:** November 2022

**Key decision:** No

**Class:** Part 1

**Ward(s) affected:** None specific

**Contributors:** Director for Finance, Head of Strategic Finance, Planning and Commercial, Executive Director for Corporate Resources, Executive Director for Children and Young People, Executive Director for Community Services, and Executive Director for Housing, Regeneration and Public Realm, and Director of Law, Governance and Elections

### **Outline and recommendations**

The purpose of this report is to present Members with officers' draft proposals for net budget reductions identified to date. These initiatives are needed to address new pressures arising from the service-specific demand and deliver changes, long-term scarring from the COVID-19 pandemic, government policy and funding changes for the sector, and the wider macroeconomic pressures arising causing the current cost of living crisis.

The new proposals presented in this report equate to £13.896m (of which £10.826m is for 2023/24) and build upon the £3.611m of initiatives identified and approved in 2021/22 and 2022/23 for delivery in 2023/24. The provisional Local Government Finance (LGFS) settlement has not yet been announced and therefore the risk remains that the Medium Term Financial Strategy (MTFS) savings target estimate may increase if the funding levels are less than those assumed in the MTFS approved by Mayor and Cabinet on 6 July 2022.

Even if all of the available measures are agreed as part of the budget, including applying the anticipated maximum council tax increases, this would still leave a budget gap for 2023/24 of £2.662m. Officers and the Executive Management Team are preparing further savings proposals to close the gap which, subject to the LGFS, will be brought forward along with the budget report for next year, to enable the Council to set a balanced budget.

Members of the Scrutiny Committees are recommended to:

- Review and comment on these draft budget reduction proposals and present their feedback to the Public Accounts Select Committee to add their own and refer onto Mayor & Cabinet.

## Timeline of engagement and decision-making

- 2 February 2022 – Budget Cuts Report to Mayor & Cabinet (“M&C”)
- 2 March 2022 – Budget report to Council
- 6 July 2022 – 2022/23 financial monitoring report to M&C
- 6 July 2022 – Medium Term Financial Strategy to M&C
- 5 October 2022 – 2022/23 financial monitoring report to M&C
- 1 December 2022 – budget reduction proposals to Public Accounts Select Committee
- 7 December 2022 – budget reduction proposals to M&C

### 1. Summary

- 1.1. The purpose of this report is to present Mayor and Cabinet with officers’ draft proposals for the budget reductions needed to set a balanced budget for 2023/24. These initiatives are needed to address new pressures arising from the service-specific demand and deliver changes, long-term scarring from the COVID-19 pandemic, government policy and funding changes for the sector, and the wider macroeconomic pressures arising causing the current cost of living crisis.
- 1.2. The new proposals presented in the report total £13.796m of which £10.826m are towards the gap in 2023/24. At this stage the focus has to be on the gap for the next financial year. The provisional Local Government Finance (LGFS) settlement has not yet been announced and therefore remains a risk that the cuts target may increase if the funding levels are less than those assumed in the Medium Term Financial Strategy (MTFS) approved by Mayor and Cabinet on 6 July 2022. Even if all of the available measures are agreed as part of the budget, including applying the assumed maximum council tax increases, this would still leave a budget gap for 2023/24 of £2.662m. Officers and the Executive Management Team are preparing further cuts proposals to close the gap which, subject to the LGFS and forecast 22/23 outturn, will be brought forward along with the Budget report for 2023/24, to enable the Council to set a balanced budget.
- 1.3. The process of identifying budget reduction proposals sits in the context of over a decade of austerity in which savings of £229m have already been made, £137m reducing spending and £92m re-allocated to meet emerging risks, growth and service pressures between 2010 and 2022. Given the Council’s focus on protecting the most vulnerable and those in need, the budgets for key front line services, in particular social care, have not reduced by the same extent as other more universal services provided by the Council. This position is not a sustainable one going forward.
- 1.4. In 2020/21 and 2021/22 the Council adopted a collaborative thematic approach centred round the Council’s recovery from Covid, Future Lewisham priorities, and the transition to delivering future services within the available financial resources available on a secure and sustainable basis. This approach enabled services to work together as One Council across the themes to develop cross cutting proposals that sought to ensure that reductions were sustainable and did not cause cost shunt into either other service areas, the wider local government and health system or the Council’s key delivery partners.

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- 1.5. For 2023/23, the savings approach the budget reduction is a process to simultaneously targeting key high spending services whilst driving increasing efficiency from all services where feasible. The targeting of certain key areas of spend will enable a clearer focus on service design, both from a cost and income perspective. This will enable resources to focus on initiatives which are of greater financial scale and impact and which may form larger programmes. This is in contrast to spreading resources to identify numerous smaller savings and potentially 'salami slicing' service budgets. However, all services will be expected to look for deliverable efficiencies.
- 1.6. The concentration on key services reflects where the Council's budgets of scale are committed and will be easier to support from the programme management office and for innovation, allowing for more opportunities of scale to be achieved. There is a risk that the concentration on certain services increases the non-delivery risk but the investment in the Programme Management Office to support seeks to mitigate this.
- 1.7. Existing governance arrangements will be utilised where appropriate to ensure that there is rigorous oversight of the programmes that are brought forward to support these budget reduction measures and where necessary new governance will be introduced under the leadership of Executive Management Team (EMT). The budget monitoring will continue to track the delivery of savings as part of the regular financial forecasting, monthly to EMT and quarterly to Mayor & Cabinet (M&C).
- 1.8. The Council continues to face many significant financial risks. For example; the current and forecast levels of inflation, the cost of living crisis faced by the country pushing up demand for public services, coupled with persistent uncertainty as to the level of funding that Government will provide or allow councils to raise. This has impacted our ability to fully fund emerging pressures and, even once officers identify proposals for the remaining £2.662m of budget reductions required, there is the risk that if the LGFS is not as assumed in the MTFs and there is a Budget gap for 2023/24. Until further savings are identified, agreed and implemented any gap will need to be funded from corporate provisions and reserves, noting that once spent these are not available to be used again.

## 2. Recommendations

- 2.1. Members of the Scrutiny Committees are recommended to:
- 2.2. Review and comment on these draft budget reduction proposals and present their feedback to the Public Accounts Select Committee to add their own and refer onto Mayor & Cabinet.

## 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

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them safe, well and able to achieve their full potential.

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

3.2. As the Council seeks to support the borough and its businesses and residents through the COVID-19 pandemic and beyond, this recovery is based on the four key themes of Future Lewisham, these are:

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

3.3. The agreement of the budget reduction measures will enable the Council to set a balanced budget for 2022/23 and therefore directly support the theme of an economically sound future for the borough and its residents.

#### Values

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

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

3.5. Very severe financial constraints have been imposed on Council services with significant reductions made year on year for over a decade. This on-going pressure is addressed in this report.

## **4. Budget Reductions Report**

4.1. The appended draft report for Mayor and Cabinet contains sections which cover: the financial context; the approach to identifying budget reduction proposals; the proposals; and the timetable and route to decisions.

4.2. The financial context includes the wider macroeconomic pressures facing the Council and the country, the current financial position of the Council and the forecast outturn position, and in looking to set a balanced budget for 2023/24, what risks and pressures the Council will need to fund, and how the continued uncertainty for Local Government funding from central government increases the complexity of this process.

4.3. The report introduces the approach taken by officers to develop and bring forward budget reduction proposals, the simultaneous targeting of key services whilst driving

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increasing efficiency from all services where feasible.

- 4.4. The savings proposals include those which are key decisions and those which are not, and these are set out in the report and appendices. There is also the inclusion of those proposals which have been agreed previously in 2020/21 and 2021/22 which total £3.611m and which form an appendix to the draft report. The report also highlights that the savings gap has not been met in full, with a residual gap of £2.662m. Officers continue to develop proposals to meet this gap to come forward to scrutiny in January 2023 and Mayor and Cabinet in February 2023.
- 4.5. Finally the draft report sets out the scrutiny and decision making process and timetable.

## **5. Financial implications**

- 5.1. The financial implications are those as set out in the appended draft Budget Reductions Report for 2023/24.

## **6. Legal implications**

- 6.1. The legal implications are those as set out in the appended draft Budget Reductions Report for 2023/24.

## **7. Equalities implications**

- 7.1. The equalities implications are those as set out in the appended draft Budget Reductions Report for 2023/24.

## **8. Climate change and environmental implications**

- 8.1. The climate change and environmental implications are those as set out in the appended draft Budget Reductions Report for 2023/24.

## **9. Crime and disorder implications**

- 9.1. The crime and disorder implications are those as set out in the appended draft Budget Reductions Report for 2023/24.

## **10. Health and wellbeing implications**

- 10.1. The health and wellbeing implications are those as set out in the appended draft Budget Reductions Report for 2023/24.

## **11. Background papers**

- 11.1. Previous reports setting the financial context
  - 2 February 2022 – Budget Cuts Report to M&C (“M&C”)
  - 2 March 2022 – Budget report to Council
  - 6 July 2022 – 2022/23 financial monitoring report to M&C
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## 11.2. Appendices

- Draft Budget Reductions Report 2023/24 and appendices

## 12. Glossary

12.1. The glossary below identifies the acronyms used in the report.

Term	Definition
CPZ	Controlled Parking Zone
CSR	Comprehensive Spending Review
DSG	Dedicated Schools Grant
ECHR	European Convention of Human Rights
EMT	Executive Management Team
FFR	Fair Funding Review
GF	General Fund
GLA	Greater London Authority
HR	Human Resources
HRA	Housing Revenue Account
LGA	Local Government Association
LGFS	Local Government Finance Settlement
M&C	Mayor & Cabinet
MHCLG	Ministry for Housing, Local Government and Communities
MTFS	Medium Term Financial Strategy
PASC	Public Accounts Select Committee
PMO	Programme Management Office
SLT	Senior Leadership Team (EMT plus Directors)
VFM	Value for Money

## 13. Report author and contact

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13.2. Katharine Nidd, Head of Strategic Finance and Procurement, 020 8314 6651, [Katharine.nidd@lewisham.gov.uk](mailto:Katharine.nidd@lewisham.gov.uk)

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

14.1. The financial implications were provided by David Austin, Director of Finance, 020 8314 9114, [david.austin@lewisham.gov.uk](mailto:david.austin@lewisham.gov.uk)

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## **15. Comments for and on behalf of the Director of Law, Governance and HR**

- 15.1. The general legal implications were provided by Jeremy Chambers, Director of Law, Governance, and Elections, [jeremy.chambers@lewisham.gov.uk](mailto:jeremy.chambers@lewisham.gov.uk)

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