



## Mayor and Cabinet

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

**Date:** 7 December 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 Mayor and Cabinet 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. Whilst the Autumn Budget contained announcements with regards to future funding, 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 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.

Mayor and Cabinet are recommended to:

- Consider the comments of the Public Accounts Select Committee of the 1 December 2022, which incorporates the views of the respective select committees on these proposals.
- Note the budget reduction proposals of £3.611m presented in Section 5 and Appendix 4, the detail of which was considered in detail and approved on 9 December 2020 and 2 February 2022.
- Agree the new budget reduction proposals requiring Member approval as key decisions presented in Section 5 and Appendix 2, totalling £2.538m, by one of the following means;
  - Authorise officers to carry out consultations where staff consultation is necessary in relation to the proposal in Appendix 2 and delegate the decision to the relevant Executive Director for the service concerned.
  - Authorise officers to carry out public consultations where required in law or under the Constitution in relation to the proposal in Appendix 2 and ask officers to report back to the Mayor with the outcome, for a decision to be made.
  - Where no consultation is required for proposals in Appendix 2, either:
    - agree the proposal, or
    - delegate the decision to the relevant Executive Director for the service concerned.
- If any proposal is not agreed as above; either request officers to complete further work to clarify the proposal and re-submit it within the first quarter of the new financial year for a decision or reject the proposal.
- Note the new budget reduction proposals presented in Section 5 and Appendix 3 totalling £11.258m, and that officers will proceed with the preparation of these, consulting where required, to enable delivery from the 1 April 2023.
- Note the remaining budget gap of £2.662m, and that officers continue to develop proposals to deliver this subject to receiving the LGFS following the Autumn budget on the 17 November.

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## Timeline of engagement and decision-making

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

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

### 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. Whilst the Autumn Budget contained announcements with regards to future funding, 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 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 receiving the LGFS following the Autumn budget on the 17 November 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 proposals include items which are key decisions and which require Mayor and Cabinet approval and those which are not key decisions and which are delegated to officers. The officer proposals are initiatives to reduce expenditure, increase efficiency and improve processes. These proposals are, in part, the continuation of savings initiatives previously agreed by Mayor and Cabinet, such as Empowering Lewisham, are cost avoidance measures, improved financial management, or more effective contract management and are therefore operational matters. However, as set out in Article 16 of the Council's Constitution, the principles of decision making are the same regardless of where the decision is taken, which requires full consideration of all relevant matters, consultation (where required) and consideration of equalities implications.
- 1.9. 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. Mayor and Cabinet are recommended to:
- 2.2. Consider the comments of the Public Accounts Select Committee of the 1 December 2022, which incorporates the views of the respective select committees on these proposals.
- 2.3. Note the budget reduction proposals of £3.611m presented in Section 5 and Appendix 4, the detail of which was considered in detail and approved on 9 December 2020 and

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2 February 2022.

- 2.4 Agree the new budget reduction proposals requiring Member approval as key decisions presented in Section 5 and Appendix 2, totalling £2.538m, by one of the following means;
- 2.4.1 Authorise officers to carry out consultations where staff consultation is necessary in relation to the proposal in Appendix 2 and delegate the decision to the relevant Executive Director for the service concerned.
- 2.4.2 Authorise officers to carry out public consultations where required in law or under the Constitution in relation to the proposal in Appendix 2 and ask officers to report back to the Mayor with the outcome, for a decision to be made.
- 2.4.3 Where no consultation is required for proposals in Appendix 2, either:
- agree the proposal, or
  - delegate the decision to the relevant Executive Director for the service concerned.
- 2.5. If any proposal is not agreed as above; either request officers to complete further work to clarify the proposal and re-submit it within the first quarter of the new financial year for a decision or reject the proposal.
- 2.6. Note the new budget reduction proposals presented in Section 5 and Appendix 3 totalling £11.258m, and that officers will proceed with the preparation of these, consulting where required, to enable delivery from the 1 April 2023.
- 2.7. Note the remaining budget gap of £2.662m, and that officers continue to develop proposals to deliver this subject to receiving the LGFS following the Autumn budget on the 17 November.

### 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 2022, with seven corporate priorities as stated below:

#### Corporate Priorities

- 3.2. The Council's corporate priorities are:
- Cleaner and Greener
  - Strong Local Economy
  - Quality Housing
  - Children and Young People
  - Safer Communities
  - Open Lewisham
  - Health and Wellbeing
- 3.3. The Council also takes account of the 'Mayor's pledges', as outlined in the 2022 Labour Manifesto. These pledges are as follows:
- Place - We want Lewisham to be a place for everyone.
  - Community - We will be relentlessly focused on local.

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- Diversity - We will celebrate Lewisham's diversity.
  - Inward investment and Opportunity - We will work to attract inward investment.
  - Innovation and New Ideas – We will take risks to innovate and seize new opportunities.
- 3.4. The agreement of the budget reduction measures will enable the Council to set a balanced budget for 2023/24 and therefore directly supports the achievement of the Council's corporate priorities.

#### Values

- 3.5. 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 its 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.
- 3.6. 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 Financial Context

### Economic Context

- 4.1. The MTFS was published in July, and set out the economic outlook for the UK based on the official forecasts for the economy and the public finances presented at the Spring Statement in March. Just four months later and much has changed. Inflation has continued to rise and become more entrenched, pushing up debt interest spending and depressing growth prospects. Multiple government fiscal decisions, often conflicting with the Bank of England's monetary decisions, has resulted in debt on a rising path as a share of national income, even after short-term untargeted and expensive energy support for households and businesses is expected to expire.
- 4.2. Recently with the global financial crash of 2008, the Covid 2019 pandemic, and energy costs in the current cost of living crisis, there are emergency periods when central government provides significant temporary measures to support individuals, families, and businesses. The cost of this support translates to higher debt on the government's books along with the associated interest costs whole borrowing is paid back down.
- 4.3. The Institute for Fiscal Studies (IFS) have undertaken analysis (using Citi's macroeconomic forecast) of the public finances and conclude that rising inflation and interest rates will add to public spending on working-age benefits, state pensions and debt interest. Recent policy decisions, such as the Energy Price Guarantee and the new government's package of permanent tax cuts, will also add to borrowing. Overall, they forecast that borrowing this year will be £194 billion, which would be £94 billion higher than the £99 billion forecast in March. Of this increase, £68 billion is explained by support for energy bills announced since March (net of revenues from the new energy profits levy).
- 4.4. Uncertainty around the current balance of fiscal and monetary policy plans adds to the

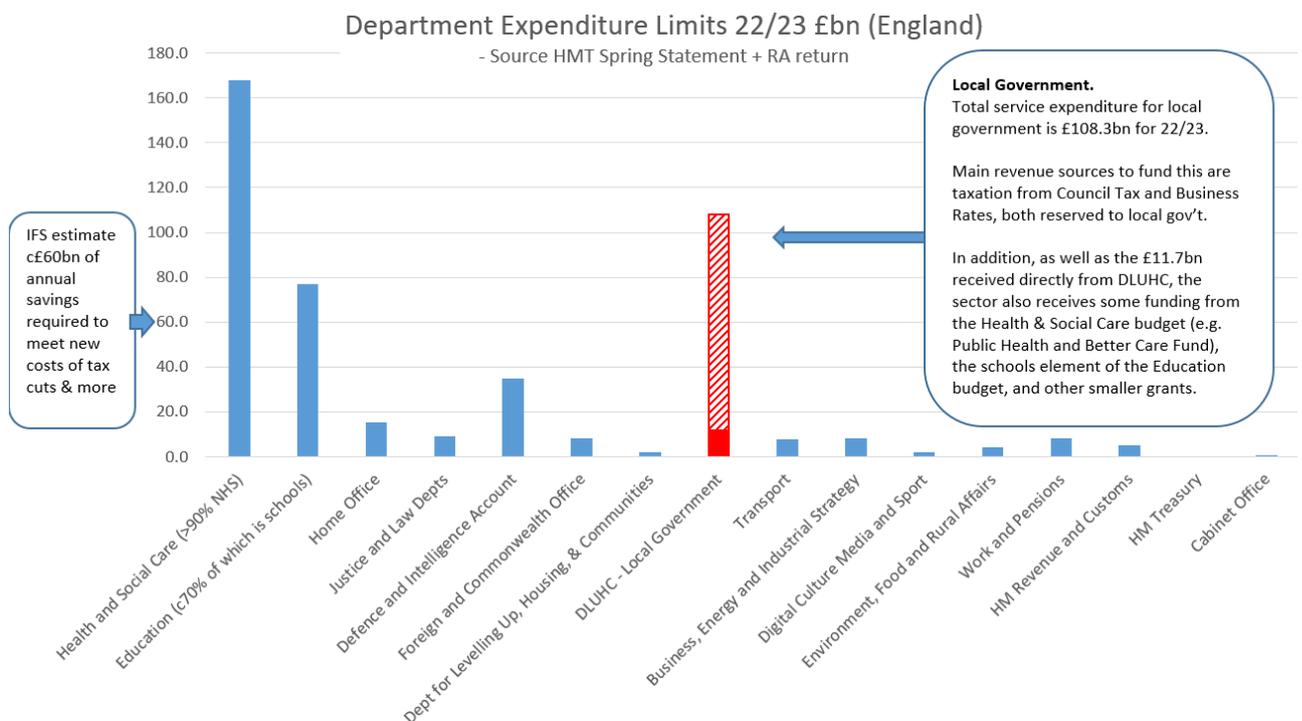
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potential risks and costs of bringing the national finances back onto a sustainable path. In the meantime, the government delivered a new budget with revised forecasts from the Office for Budget Responsibility (OBR) with a combination of difficult decisions on a spending cuts and tax rises. These will impact Lewisham's residents and will likely directly impact the Council's Budget when the provisional Local Government Finance Settlement (LGFS) is published in December.

- 4.5. In respect of the sustainability of the public finances, even once the energy support packages are assumed to expire, borrowing forecasts remain elevated. The OBR's Economic and Fiscal Outlook published in November forecasts borrowing to be £64.2bn higher for 2022/23 relative to their March forecast.
- 4.6. The stated government policy is that government keeps broadly to the departmental spending plans set out a year ago. Keeping to the existing cash spending plans therefore means a decrease in funding in real terms, by how much being dependent on the levels of inflation over the coming months. However, the Chancellor's budget did specifically announce new money in two areas which will likely impact the Council's budgets. They are Health & Social Care and Education. We await the LGFS to see the detail of how the national commitments translate to local changes to Lewisham's funding.
- 4.7. The Chancellor introduced two new fiscal rules in the Autumn Budget: to have underlying debt falling as a share of GDP in 2027/28 (two years later than the legislated target) and to have Public Sector Net Borrowing (PSNB) not exceed 3% of GDP in that same year. Whilst these new rules extend the timeframe required and allow tax rises and GDP growth to significantly contribute to their achievement, spending cuts are also required to close the circa £55bn fiscal hole in the economy. The image below shows the current and assumed department expenditure limits, the direct DLUHC funding for Local Government is less than £12 billion per annum, making local government ever increasingly reliant of Council Tax, Business Rates and other forms of once off grant awarded annually to fund core services. It is not yet known where local government will be placed on the government's spending and investment priorities post the 2022 Spending Review.



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- 4.8. The Autumn Budget delivered on the 17 November 2022 set out the broad policy direction in three key areas: economic stability, economic growth and public services. The key policy announcements relating to public spending and local government are:
- The Council Tax referendum limit will rise from 2% to 3% in 23/24 with the adult social care precept flexibility rising from 1% to 2% - a maximum total increase of 5%;
  - Adult Social Care funding reforms will be pushed back by two years to October 2025, although the Fair Cost of Fair is still expected to be implemented on a phased approach by Councils working together towards an April 2025 target;
  - The funding for these ASC reforms will be repurposed, with £1.3bn in 23/24 and £1.9bn in 24/25 distributed via the Social Care Grant;
  - An extra £1bn to go towards social care via the Better Care Fund (£600m) and through ring fenced ASC grant (£400m) in 23/24 rising to £1.7bn in 24/25;
  - The business rates multiplier will be frozen in 23/24 and local authorities will be fully compensated for any income loss;
  - Social rents will be capped at 7%;
  - The £1bn Household Support Fund will continue for another 12 months from April 2023;
  - The Schools budget will increase by £2.3bn in each of the two years above the spending review (SR2) level;
  - State pensions, benefits and tax credits will rise in line with inflation (10.1%) from April 2023.
- 4.9. In summary, the UK and global economy is wrestling with record inflation, increasing interest rates and high borrowing levels, all of which will persist into and most likely endure throughout 2023/24. The full impact of the Autumn Budget announcements cannot be quantified for Lewisham until the provisional Local Government Finance (LGFS) settlement is announced, which is expected in the week prior to Christmas. Given the duty on Local Authorities to set balanced budget annually, they have no option but to assume that spending cuts will be required and to prepare proposals to deliver what are incredibly difficult decisions. Any changes arising from the LGFS will be considered in setting the Budget for Mayor and Cabinet in February 2023 in advance of Full Council in March 2023.

#### Current Council Financial Position

- 4.10. This report comes on the back of more than a decade of austerity in terms of reduced funding for local government services and the current cost of living crisis and economic turmoil. Over the previous twelve years a net £137m has been taken out of the Council's annual spending, whilst the population has grown by over 27,000 (an increase of over 9%) leading to increased demand for services. In turn this has led to reduced service provision, leaner practices in terms of support, and more risk for the Council as it seeks to maintain good customer service and deliver quality services.
- 4.11. Or put another way, the Council is now able to spend the equivalent of £1,055 less per household, per year, in the Borough. At the same time the share of the Council's net general fund budget (i.e. that realised from business rates and council tax) has seen the portion from local council tax payer's rise from 34% in 2010 to 50% in 2022.
- 4.12. Over this period the Council's spending choices focused on protecting the front line

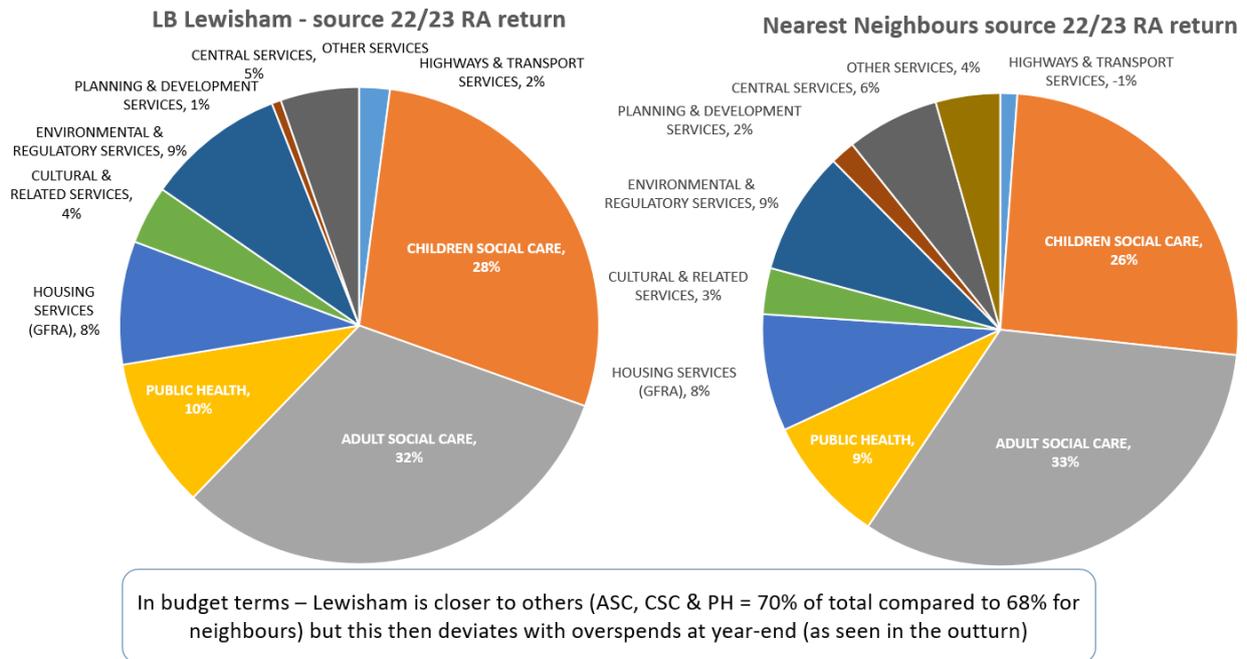
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services on which the most vulnerable in our communities are dependent. In 2010/11, 52% of the Council's general fund service spend was spent on social care (adult and children). By 2020/21, that had increased to over 70% across adult and children social care services and public health services returned to local government in 2013.

- 4.13. Whilst this position is not unique to Lewisham, in that most London Boroughs budgets are focused on social care delivery, the graph below shows that Lewisham budgets to spend proportionately slightly higher than its statistical nearest neighbours on both Adult Social Care, Public Health and Childrens Social Care.



- 4.14. Since 2010-11, the Council has used reserves to support the setting of a balanced budget for five of these years. Whilst this protected frontline services, it meant that budgets were held higher than funding levels allowed for pending the savings being made to balance spending with resources available. Furthermore, there have been some overspends in recent years, which has meant that the Council has had to set increasingly challenging budget reduction targets to adjust for undelivered savings.
- 4.15. The forecast for 2022/23 General Fund activities, reported to M&C in October, is an overspend of £18.1m. This is reduced by the utilisation of £4m Covid Local Authority support grant carried forward from 2021/22 and £7.6m of corporate funding to partially mitigate the higher than expected pay wards and (hopefully short-term) energy pressures. This means that the General Fund is forecast to overspend by £6.5m.
- 4.16. Certain elements of the current year overspend will persist into 2023/24, particularly the expected 2022/23 pay award and the increased cost of energy, which is forecast as £2.8m this year and potentially as high as £6m next year. Given the reasonably short term nature of these price spikes the Council will fund these from reserves rather than permanently increasing energy budgets at the expense of other budget reductions being required on an ongoing basis. However, this planned use of reserves coupled with the forecast overspend (which if not reduced will fall to reserves) means that it is vital that the Council seek to set a balanced budget for 2023/24 without further substantial reliance on reserves. If the energy costs do not return to previous levels it is unsustainable to continue to fund this from reserves and will need to be factored into future MTFS modelling which will result in an increased savings target for later years.

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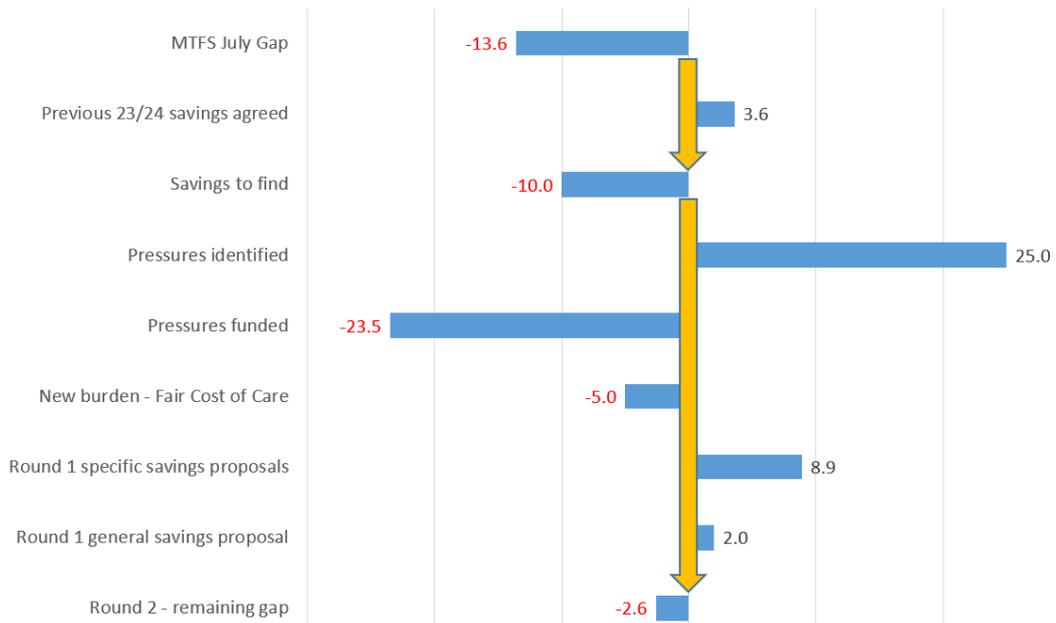
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## Funding, Pressures, Risks and Opportunities

- 4.17. The Medium Term Financial Strategy (MTFS), agreed by M&C on the 6 July 2022 identified an anticipated funding gap over the next three years of £36m with £9.961m for 2023/24, in addition to the £3.611m of budget reductions for 2023/24 already agreed in 2021 and 2022.
- 4.18. Over the period July – October 2022 it became evident, from strengthening global economic pressures and the forecast onset of recession in the UK, exacerbated by the announcements in the Mini Budget, that the Council's assumed MTFS pressures could not be managed nor mitigated within the allocation for this in the July MTFS. The graphic below shows the position from that in the published MTFS (July) to now.

### MTFS update

Movement from July MTFS to current assessment of savings gap for 23/24 - £m



- 4.19. The Executive Management Team (EMT) began the process of identifying budget reduction measures that would not only meet the initial MTFS gap of £10m but would also allow these new pressures to be funded. The Provisional Local Government Settlement (PLGS) is not expected until mid to late December 2022, and as set out in paragraphs 4.5 – 4.7, there remains the very real risk that Government will reduce Local Government funding in a bid to reduce the £60 billion pound UK deficit. Even a cash roll over settlement will mean a decrease in real terms given the current levels of inflation.
- 4.20. The MTFS assumed that Government Funding would roll over and that a 1% Adult Social Care (ASC) Precept would be introduced, and therefore the funding gap will only increase in the event that either there is no ASC Precept (circa £1.3m) or if Government reduces the settlement from the 2022/23 level.
- 4.21. Whilst a significant level of pressures have been recognised to be funded in 2023/24, there remain a number of key unfunded risks and pressures which services will need to seek to manage, these include:
- Any 2023/24 pay award for more than the 3% budgeted for, where each 1% equates to £1.4m;

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- Non-pay inflation continues to rise, a 1% increase in net inflation equates to £1.3m;
- Further energy price risks becoming entrenched;
- A rent cap or increase for the HRA below the current policy of CPI + 1% (based on the September inflation figures this would be 11.1%);
- The impact of the cost of living crisis meaning that demand for services increases whilst our income collection falls, 1% of Council Tax equates to £1.3m.

4.22. As shown in paragraph 14.7 above, the Council needs to make savings of £13.5m on top of the £3.611m already taken in 2021 and 2022 to set a balanced budget in 2023/24. The section below sets out the approach to achieving this.

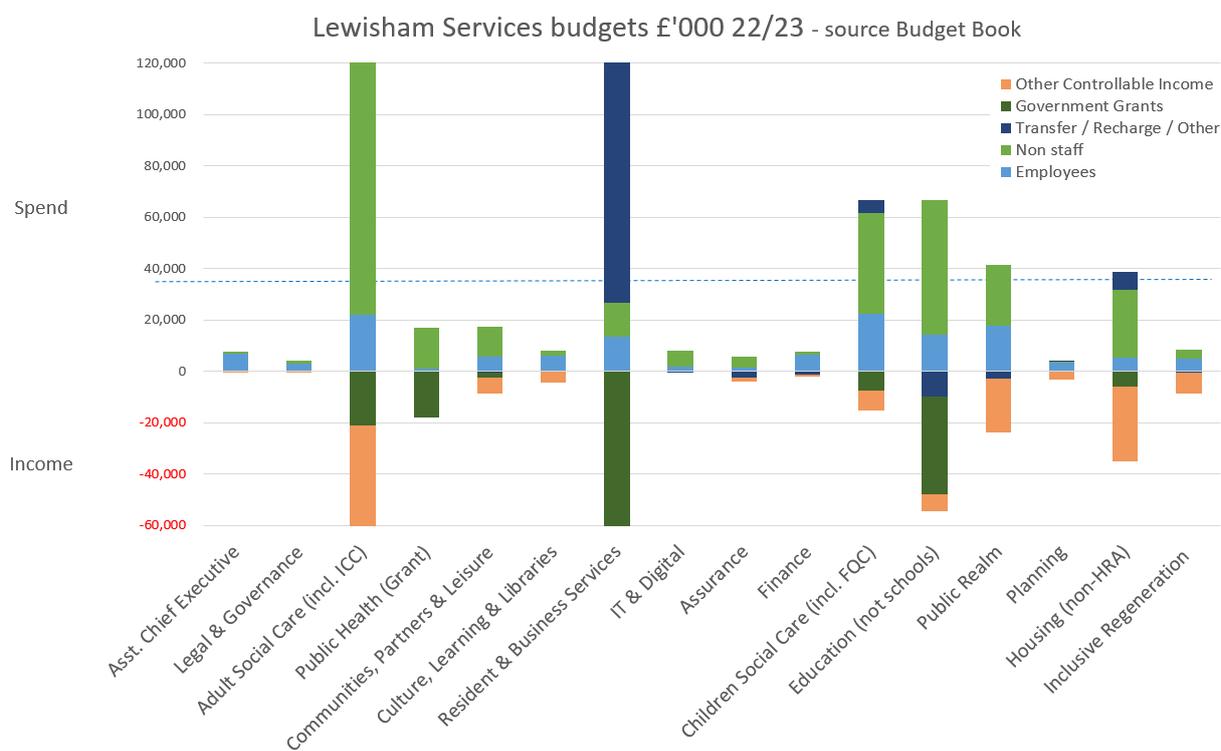
## 5 Approach and Cuts Proposals

- 5.1. In 2020/21 and 2021/22 the Council adopted a collaborative thematic approach centred round the Council's recovery from Covid, Future Lewisham, and transition to delivering future services within the available financial resources on a secure and sustainable basis. This approach enabled services to work together as One Council across 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 or the wider local government and health systems.
- 5.2. For 2023/24, the approach to identifying budget reductions has been one of simultaneously targeting key 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, rather than spreading resources to seek to identify numerous smaller savings. Nonetheless, all services will be expected to look for deliverable efficiencies. In addition, unless specifically funded as a pressure services will be expected to manage contract inflation through re-negotiation or possible review of the scope of services delivered.
- 5.3. 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.
- 5.4. The graph below shows service spend across the Council, highlighting those which have the greatest spend and the most opportunity to drive reductions from.

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5.5. These are:

- Children social care – both demand management and commissioning approaches;
- Adult social care – the continued and successful adoption of the new preventative delivery model alongside the requirements of the Health and Social Care Act;
- Public Realm – to manage demand whilst reducing costs and maximising income;
- Resident and Business Services – to ensure that those that can pay for services do so in full, whilst supporting those who can't.

5.6. In addition to targeting key services, the Council will look across all services to continue to drive increased efficiency from its delivery. This will include certain areas of persistent overspend such as SEN transport costs, the pace and efficiency of the capital programme delivery and better management more generally of inflationary pressures, both pay and non-pay.

5.7. In developing proposals officers worked collaboratively across services to develop proposals, ranging from improved efficiency and effectiveness which should be implemented to reduce expenditure or improve income, and others which are more significant changes to service delivery. Under the Constitution some of these require Mayor and Cabinet approval to proceed while others can be taken by officers.

Proposals for Member decision

5.8. In summary the cuts proposed for the next three years requiring Mayor and Cabinet approval are:

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| Reference   | Directorate  | Proposal  | 2023/24<br>£'000 | 2024/25<br>£'000 | 2025/26<br>£'000 | Total        |
|-------------|--------------|---|------------------|------------------|------------------|--------------|
| HRPR_INC_01 | HRPR         | Additional Yellow Box Junction Enforcement & Moving Traffic Contravention by CCTV | 105              | 295              | -100             | <b>300</b>   |
| HRPR_INC_02 | HRPR         | Replacement Bin Charging  | 50               | -25              |                  | <b>25</b>    |
| HRPR_INC_03 | HRPR         | Increase the charge for Bulky Waste collections                                   | 20               | -                | -                | <b>20</b>    |
| HRPR_INC_04 | HRPR         | Charge for mattress collections   | 25               | -                | -                | <b>25</b>    |
| HRPR_INC_05 | HRPR         | Increase the charge for fridge/freezer collections.                               | 78               | -                | -                | <b>78</b>    |
| HRPR_INC_06 | HRPR         | Review of fees charged for Garages  | 130              | 70               | 50               | <b>250</b>   |
| HRPR_SAV_01 | HRPR         | Temporary Accommodation Cost Reduction  | 200              | 300              | 500              | <b>1000</b>  |
| HRPR_SAV_02 | HRPR         | Road Safety Service Review  | 70               | 70               |                  | <b>140</b>   |
| COM_SAV_08  | COM          | Reduction in opening hours at Libraries   | 90               | -                | -                | <b>90</b>    |
| COR_INC_01  | COR          | Removal of 28 day empty property exemption for Council Tax                        | 110              | -                | -                | <b>110</b>   |
| CYP_SAV_01  | CYP          | Review of Children's Centre Budgets   | 500              |                  |                  | <b>500</b>   |
|             | <b>TOTAL</b> |   | <b>1,378</b>     | <b>710</b>       | <b>450</b>       | <b>2,538</b> |

- 5.9. It is inevitable that some services will be reduced or stopped altogether. However, the approach has been to look to increase income streams and deliver efficiencies through service re-design wherever possible, rather than cutting services. Where services have been stopped or reduced this can be revisited at a future date, funding permitting.
- 5.10. The reduction measures across the themes have also been reviewed to ensure that where services are being reduced or stopped the impact of doing so is assessed, mindful in particular of the risk of cost shunts to other services. This includes an assessment of the equality implications. The full supporting detail in the proformas is provided in Appendix 2 to this report.

#### Proposals for Officer Decision

- 5.11. In addition to the measures above and set out in Appendix 2, officers have proposed a number of initiatives to reduce expenditure, increase efficiency and improve processes. These proposals are, in part, the continuation of savings initiatives previously agreed by Mayor and Cabinet, such as Empowering Lewisham, are cost avoidance measures, or are operational matters that officers have delegated authority to implement as they are not key decisions.
- 5.12. These proposals are set out below in summary, with the detailed (draft) proformas in Appendix 3. As set out in Article 16 of the Council's Constitution, the principles of decision making are the same regardless of where the decision is taken, which requires full consideration of all relevant matters, consultation (where required) and consideration of equalities implications. These proposals will continue to be developed to ensure that they can be implemented by the 1 April 2023 to ensure that the balanced budget by Full Council for 2023/24 set remains deliverable.
- 5.13. The list of these measures is set out in the table below.

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| Reference   | Directorate  | Proposal   | 2023/24<br>£'000 | 2024/25<br>£'000 | 2025/26<br>£'000 | Total         |
|-------------|--------------|--|------------------|------------------|------------------|---------------|
| HRPR_INC_07 | HRPR         | Development of Surplus Sites   | -                | -                | 300              | <b>300</b>    |
| HRPR_INC_08 | HRPR         | Housing Programme<br>Commercial Units' Income<br>Generation  | 75               | 75               | 100              | <b>250</b>    |
| HRPR_SAV_03 | HRPR         | Increased recharging of salary<br>costs to capital   | 70               | 30               | -                | <b>100</b>    |
| HRPR_SAV_04 | HRPR         | S106 utilisation for<br>apprenticeships  | 17               | -                | -                | <b>17</b>     |
| HRPR_SAV_05 | HRPR         | Utilisation of UKSPF grant<br>funding to reduce the general<br>fund burden for the service.                | 100              | 5                | -                | <b>105</b>    |
| HRPR_SAV_06 | HRPR         | Review of the Temporary<br>Accommodation (TA) Service<br>Level Agreement (SLA) with<br>Lewisham Homes (LH) | 162              | -                | -                | <b>162</b>    |
| HRPR_SAV_07 | HRPR         | Reducing general fund spend<br>on private sector housing<br>licensing and enforcement.                     | 150              | -                | -                | <b>150</b>    |
| CYP_SAV_02  | CYP          | Education - Vacant Post  | 12               | -                | -                | <b>12</b>     |
| CYP_SAV_04  | CYP          | Youth Service Budget Review  | 200              | -                | -                | <b>200</b>    |
| CYP_SAV_05  | CYP          | Youth Offending Service<br>Review  | 100              | -                | -                | <b>100</b>    |
| CYP_SAV_06  | CYP          | Short Breaks   | 200              | -                | -                | <b>200</b>    |
| COM_SAV_01  | COM          | Introduction of Electronic Call<br>Monitoring  | 650              | -                | -                | <b>650</b>    |
| COM_SAV_02  | COM          | Delegation of Care Plan<br>Budgets to Operation<br>Managers  | 100              | 300              | -                | <b>400</b>    |
| COM_SAV_03  | COM          | ASC Care Plan Reassessment   | 1,000            | -                | -                | <b>1,000</b>  |
| COM_SAV_04  | COM          | ASC Empowering Lewisham  | 1,000            | 1,000            | -                | <b>2,000</b>  |
| COM_SAV_05  | COM          | Review of Staffing Requirement<br>in Supported Housing   | 55               | -                | -                | <b>55</b>     |
| COM_SAV_06  | COM          | Reduction in Mental Health<br>Homecare costs   | 50               | -                | -                | <b>50</b>     |
| COM_SAV_09  | COM          | NHS Health Checks  | 15               | -                | -                | <b>15</b>     |
| COM_SAV_10  | COM          | Sexual and Reproductive<br>Health Services in Primary<br>Care  | 46               | -                | -                | <b>46</b>     |
| COM_SAV_11  | COM          | Public Health weight<br>management savings   | 13               | -                | -                | <b>13</b>     |
| CEX_SAV_01  | CEX          | Review of Elections Budget   | 50               | -                | -                | <b>50</b>     |
| CEX_SAV_03  | CEX          | Legal Invest to Save   | 233              | -                | -                | <b>233</b>    |
| COR_SAV_01  | COR          | Review of Corporate Budgets -<br>triennial fund valuation  | 500              | -                | -                | <b>500</b>    |
| COR_SAV_02  | COR          | Review of Corporate Budgets -<br>interest  | 2,000            | -                | -                | <b>2,000</b>  |
| COR_SAV_03  | COR          | Cost avoidance of utilities costs<br>of the Catford Complex  | 150              | -                | -                | <b>150</b>    |
| ALL_SAV_01  | ALL          | Absorption of £2m unfunded<br>pay award  | 2,000            | -                | -                | <b>2,000</b>  |
| ALL_SAV_02  | ALL          | Senior Management<br>Reductions, Realignment and<br>Restructures   | 500              | -                | -                | <b>500</b>    |
|             | <b>TOTAL</b> |  | <b>9,448</b>     | <b>1,410</b>     | <b>400</b>       | <b>11,258</b> |

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### Previously Agreed Proposals

- 5.14. As part of setting the 2022/23 budget a number of budget reduction proposals were reviewed by Members and then agreed by Mayor and Cabinet on the 9 December 2020 and the 2 February 2022. Those proposals which impacted on the 2022/23 budget were then incorporated into the Budget Report agreed by Full Council on the 2 March 2022. Many of the proposals contained measures for 2023/24, which totalled £3.611m. The summary list of these and the detailed proformas are in Appendix 4.
- 5.15. Mayor and Cabinet are asked to reconfirm agreement for these proposals to be included in the budget for 2023/24.

### Remaining Budget Gap

- 5.16. There remains a savings gap of £2.662m for which measures need to be identified and brought forward.
- 5.17. Officers continue to develop these and it's intended that in the event that these require Mayor and Cabinet approval, that these be considered by Scrutiny in January 2023 and tabled to Mayor and Cabinet in February.
- 5.18. As mentioned in section 4 above, the provisional Local Government Finance Settlement is expected mid to late December, which will mean that any impact, either positive or negative, can be incorporated at the time of bringing these proposals forward.

## **6 Timetable and Decisions**

### Timetable

- 6.1. The key dates for considering the budget reduction report via scrutiny and Mayor and Cabinet (M&C) are as follows:

|             |                         |
|-------------|-------------------------|
| 1 November  | Healthier Communities   |
| 3 November  | Safer Stronger          |
| 18 November | Housing                 |
| 24 November | CYP                     |
| 30 November | Sustainable Development |
| 1 December  | PASC                    |
| 7 December  | Mayor and Cabinet       |
- 6.2. Subject to the decisions at M&C on the 7 December the budget reduction measures will be implemented by officers in line with the decision making route (see below). This will allow those proposals agreed to progress, including those requiring consultation, to be either concluded or well developed before the end of this financial year so that a full year financial effect is achieved for 2023/24.

### Decision making process

- 6.3. The decision making process for the proposals depends on the nature of each individual measure being proposed. The decision depends on the scale and impact of the proposal and the actions required to deliver it. For example; a proposal requiring staff consultation can either be reserved by Mayor and Cabinet to themselves or follow the usual delegation for employment matters to the Chief Executive. In either case the

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decision can only be taken after completion of the consultation and a full report setting out the equalities, legal and financial implications for the decision maker.

- 6.4. The table below shows the combination of criteria possible for a proposal (the first three rows) with the remaining rows identifying the options for concluding the decision available to Mayor & Cabinet.

#### Options for Decisions

| Decision combinations   | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| Key Decision  | N | Y | Y | N | Y | Y |
| Public Consultation   | N | N | Y | N | N | Y |
| Staff Consultation  | N | N | N | Y | Y | Y |
| Decision routes for M&C                                       |   |   |   |   |   |   |
| M&C agree to consult – proposal to return to M&C for decision |   |   | ✓ | ✓ | ✓ | ✓ |
| M&C take decision – no consultation required                  | ✓ | ✓ |   |   |   |   |
| Delegate to Exec. Dir. to consult and take decision           |   |   |   | ✓ | ✓ |   |
| Delegate to Exec. Dir. – no consultation required             | ✓ | ✓ |   |   |   |   |
| Other – e.g. seek clarification, reject, endorse.             | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

- 6.5. The decision combinations for each new proposal are summarised in the navigation sheet at Appendix 1.

## 7 Financial implications

- 7.1. This report is concerned with the cuts proposals to enable the Council to address the future financial challenges it faces. There are no direct financial implications arising from the report other than those stated in the report and appendices itself.

## 8 Legal implications

### Statutory duties

- 8.1. The Council has a variety of statutory duties which it must fulfil by law. The Council cannot lawfully decide not to carry out those duties. Even where there is a statutory duty there is often a discretion about the level of service provision. Where there is an impact on statutory duty that is identified in the report. In other instances, the Council provides services in pursuit of a statutory power, rather than a duty, and though not bound to carry out those activities, decisions about them must be taken in accordance with the decision making requirements of administrative law.

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### Reasonableness and proper process

- 8.2. Decisions must be made reasonably taking into account all relevant considerations and disregarding all irrelevant matters. These are particular to the service reductions proposed and are set out in the body of the report. 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. For example, depending on the service, there may be a need to consult with service users and/or others and where this is the case, any proposals in this report must remain proposals unless and until that consultation is carried out and the responses brought back in a further report for consideration with an open mind before any decision is made. Whether or not consultation is required, any decision to discontinue a service would require appropriate notice. If the Council has published a procedure for handling service reductions, there would be a legitimate expectation that such procedure will be followed.

### Staffing reductions

- 8.3. If service reductions would result in redundancy, then the Council's usual redundancy and redeployment procedure would apply. If proposals would result in more than 20 but fewer than 100 redundancies in any 90 day period, there would be a requirement to consult for a period of 30 days with trade unions under Section 188 Trade Union and Labour Relations (consolidation) Act 1992. The consultation period increases to 45 days if the numbers are 100 or more. This consultation is in addition to the consultation required with the individual employees. If a proposal entails a service re-organisation, decisions in this respect will be taken by officers in accordance with the Council's re-organisation procedures.

### Equalities Legislation

- 8.4. The Equality Act 2010 (the Act) introduced a public sector equality duty (the equality duty or the duty). It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 8.5. 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.
- 8.6. It is not an absolute requirement to eliminate unlawful discrimination, harassment, victimisation or other prohibited conduct, or to promote equality of opportunity or foster good relations between persons who share a protected characteristic and those who do not. It is a duty to have due regard to the need to achieve the goals listed in the paragraph above.
- 8.7. The weight to be attached to the duty will be dependent on the nature of the decision and the circumstances in which it is made. This is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. The Mayor must understand the impact or likely impact of the decision on those with protected characteristics who are potentially affected by the decision. The extent of the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.
- 8.8. The Equality and Human Rights Commission has issued Technical Guidance on the

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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 the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at:

- <https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-codes-practice>
- <https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-technical-guidance>

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

- The essential guide to the public sector equality duty.
- Meeting the equality duty in policy and decision-making.
- Engagement and the equality duty: A guide for public authorities.
- Objectives and the equality duty. A guide for public authorities.
- Equality Information and the Equality Duty: A Guide for Public Authorities.

8.10. 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:

- <https://www.equalityhumanrights.com/en/advice-and-guidance/public-sector-equality-duty-guidance#h1>

8.11. The EHRC has also issued Guidance entitled “Making Fair Financial Decisions”.

- <https://www.equalityhumanrights.com/en/advice-and-guidance/making-fair-financial-decisions>. It appears at Appendix 4 and attention is drawn to its contents.

8.12. The equalities implications pertaining to the specific service reductions are particular to the specific reduction.

#### The Human Rights Act

8.13. Since the introduction of the Human Rights Act 1998 (HRA) the rights set out in the European Convention on Human Rights (ECHR) have been incorporated into UK law and can be enforced in the UK courts without recourse to the European courts.

8.14. Those articles which are particularly relevant in to public services are as follows:

- |           |   |   |
|-----------|---|---|
| Article 2 | - | the right to life   |
| Article 3 | - | the right not to be subject to inhuman or degrading treatment   |
| Article 5 | - | the right to security of the person                             |
| Article 6 | - | the right to a fair trial                                       |
| Article 8 | - | the right to a private and family life, home and correspondence |
| Article 9 | - | the right to freedom of thought, conscience and religion        |

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- Article 10 - the right to freedom of expression
  - Article 11 - the right to peaceful assembly
  - Article 14 - the right not to be discriminated against on any ground
- 8.15. The first protocol to the ECHR added
- Article 1 - the right to peaceful enjoyment of property
  - Article 2 - the right to education
- 8.16. Some of these rights are unconditional, such as the right not to be tortured or subject to degrading treatment. Others may be limited in finite and well defined circumstances (such as the right to liberty). Others are qualified and must be balanced against the need of the wider community – such as the right to a private and family life. Where there are human rights implications associated with the proposals in this report regard must be had to them before making any decision.

#### Best value

- 8.17. The Council remains under a duty under Section 3 Local Government Act 1999 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 respect of this report.

#### Specific legal implications

- 8.18. Members' attention is drawn to the specific legal implications arising in relation to particular proposals set out in the relevant proforma in Appendix 2 of this report.

#### Equalities Implications

- 8.19. Detailed policy and equality implications have been appended to this report as Appendix 5.

## **9 Equalities implications**

- 9.1. Proformas included in Appendix 2 consider the service equalities impact for each proposed cut. This identifies whether the cut is expected to have a high, medium or low impact on service users with protected characteristics, as well as mitigations that can be put in place and whether a full equalities impact assessment is required. A detailed review of the policy and equality implications across all cuts is included within the attached Appendix 5 and has been reviewed by all of the scrutiny select committees and PASC.

## **10 Climate change and environmental implications**

- 10.1. Section 40 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”
- 10.2. The specific climate change and environmental implications identified as arising from the current cuts proposals will require further consideration, however, none of the new proposals are likely to impact negatively on our ability to conserve biodiversity.

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## 11 Crime and disorder implications

- 11.1. Section 17 of the Crime and Disorder Act 1998 requires the Council to have regard to the likely effect on crime and disorder when it exercises its functions, and the need to do all that it reasonably can to prevent crime and disorder in its area.
- 11.2. Whilst there are no specific crime and disorder implications as yet identified as arising from the current cuts proposals, HRPW\_INC\_03 - 05 will require further consideration as to whether this will impact either positively or negatively on our ability to reasonably prevent crime and disorder, or the perception of crime and disorder, specifically anti-social behaviour related to fly-tipping.

## 12 Health and wellbeing implications

- 12.1. The specific health and wellbeing implications identified as arising from the current cuts proposals will require further consideration, however, those flagged as likely to impact either positively or negatively on the health and wellbeing of residents or service users is CYP\_SAV\_01.

## 13 Background papers

- 13.1. 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
  - 6 July 2022 – Medium Term Financial Strategy to M&C
  - 5 October 2022 – 2022/23 financial monitoring report to M&C
- 13.2. Appendices
  1. Navigation sheet – new proposals – to follow for M&C
  2. Proformas – new Mayor and Cabinet proposals
  3. Proformas – new Officer proposals
  4. Previously Agreed Proposals
  5. Summary equalities report – Member proposals
  6. Making fair financial decisions

## 14 Glossary

- 14.1. The glossary below identifies the acronyms used in the report.

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| 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  |

## 15 Report author and contact

- 15.1. David Austin, Director of Finance, 020 8314 9114, [david.austin@lewisham.gov.uk](mailto:david.austin@lewisham.gov.uk)
- 15.2. Katharine Nidd, Head of Financial Strategy, Planning and Commercial, 020 8314 6651, [Katharine.nidd@lewisham.gov.uk](mailto:Katharine.nidd@lewisham.gov.uk)

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

- 16.1. 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)

## 17 Comments for and on behalf of the Director of Law, Governance and Elections

- 17.1. 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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