



## Public Accounts Select Committee

### Report title: 2023/24 Budget Report

**Date:** 2 February 2023

**Key decision:** Yes

**Class:** Part 1

**Ward(s) affected:** All

**Contributors:** Executive Director for Corporate Resources

### Outline and recommendations

The purpose of this report is to set out the overall financial position of the Council in relation to 2022/23 and to set the Budget for 2023/24. This report allows the Council Tax to be agreed and housing rents to be set for 2023/24. It sets the Capital Programme for the next three years and the Council's Treasury Strategy for 2023/24.

The report provides summary information on the revenue budget reduction proposals that were presented at Mayor & Cabinet on the 7 December 2022. The approval and successful delivery of these measures is required in order to help balance the budget for 2023/24 and prepare to address the budget requirement for 2024/25.

Public Accounts Select Committee are asked to review the draft Budget Report 2023/24 appended, and to approve and refer on to Mayor and Cabinet on 8 February 2023.

## Timeline of engagement and decision-making

The Council Tax Base was approved by Council on the 18 January 2023.

Financial Monitoring P7 was approved by Mayor and Cabinet on 11 January 2023.

Budget reduction proposals for 2023/24 totalling £14.4m were approved by Mayor and Cabinet on the 7 December 2022.

### 1. Summary

- 1.1 The appended draft report sets out the context and range of budget assumptions which Council is required to agree to enable it to set a balanced budget for 2023/24. These include the General Fund, grants, fees and charges, housing, schools funding, treasury and capital programme.

### 2. Recommendations

- 2.1 Public Accounts Select Committee are asked to review the draft Budget Report 2023/24 appended, and to approve and refer on to Mayor and Cabinet on 8 February 2023.

### 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 November 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.
  - Diversity - We will celebrate Lewisham's diversity.
  - Inward investment and Opportunity - We will work to attract inward investment.

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- Innovation and New Ideas – We will take risks to innovate and seize new opportunities.

### Values

- 3.4 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.
- 3.5 The setting a balanced budget for 2023/24 directly supports the achievement of the Council's corporate priorities. As required under the CIPFA Financial Management Code of Practice, the Council must demonstrate how its budget is aligned to its corporate priorities. Appendix Y3 sets out how the proposed budget for 2023/24 would align to the seven priorities set out above.
- 3.6 As noted in the 2022/23 budget, 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.
- 3.7 This joint endeavour helps work through complex challenges, such as the pressures faced by health and social care services, and to secure investment in the borough, for new homes, school improvements, regenerating town centres, renewed leisure opportunities and improvement in the wider environment. This work has and continues to contribute much to improve life chances and life opportunities across the borough through improved education opportunities, skills development and employment. Of course, there is still much more that can be done to realise our ambitions for the future of the borough; ranging from our work to support housing supply and business growth, through to our programmes of care and support to some of our most vulnerable and troubled families.
- 3.8 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 budget reductions to be made year on year on year, and this on-going pressure is addressed in this report, incorporating further budget reduction proposals for 2023/24 and noting that the Autumn Statement suggested that Local Government funding from 2025/26 would be severely constrained. This is pending the outcome of the Fair Funding Review (FFR) and Business Rates Retention (BRR) consultations now expected to be announced in 2025/26 at the earliest.
- 3.9 At the same time, as set out at section 6 of the report, the use of resources to address risks and pressures through positive investments is an opportunity. These investments are also supported via the capital programme at section 11. This spending deals with both existing pressures, additional significant inflationary pressures (including energy) and supports the Council in refocusing and changing services where new opportunities

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and expectations for how the Council can better deliver them to support the community are identified.

- 3.10 The cost of living crisis is affecting our residents, businesses and the Council alike. For the Council this is manifesting as energy costs which have tripled and inflationary pressures from the higher than budgeted 2022/23 pay award and the 40 year high rate of inflation of over 10%.

## **4. Structure Of The Report, Policy Context, And Background**

- 4.1 The 2023/24 Budget Report is structured as follows:

Section 1	Summary
Section 2	Recommendations
Section 3	Policy Context
Section 4	Structure of the Report, Policy Context, and Background
Section 5	Background
Section 6	General Fund Revenue Budget and Council Tax
Section 7	Other Grants and Future Years' Budget Strategy
Section 8	Dedicated Schools Grant and Pupil Premium
Section 9	Consultation on the Budget
Section 10	Financial Implications
Section 11	Legal Implications
Section 12	Equalities Implications
Section 13	Climate Change and Environmental Implications
Section 14	Crime and Disorder Implications
Section 15	Health and Wellbeing Implications
Section 16	Background Papers
Section 17	Glossary
Section 18	Report Author and Contact
Section 19	Appendices

## **5. Background**

- 5.1 This section in the appended draft report sets out the main national macro-economic and public spending position, the current position in respect of local government finance, and some of the key Council services as context for the Budget spending details.

## **6. General Fund Revenue Budget And Council Tax**

- 6.1. This section considers the General Fund revenue budget and Council Tax. The General Fund budget for 2023/24, assuming a Council Tax increase of 4.99%, is £263.679m. Details of the budget reduction measures approved for 2023/24 are provided at Appendices Y1 and Y2.
- 6.2. It is structured as follows:

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- Update on 2022/23 Revenue Budget;
- The Budget Model;
- Budget Reduction Proposals;
- Council Tax for 2023/24; and
- Overall Budget Position for 2023/24.

## **7. Other grants and future years' budget strategy**

- 7.1. This section of the report considers the other funding streams which the Council currently receives and implications for future years. The critical point for the budget is that spend of these grants is managed by the Council to ensure commitments are maintained within the resources available. This is to avoid putting pressure on the General Fund.
- 7.2. These other funding streams are Public Health, Better Care Fund, and various other grants. This section of the report is structured as follows:
- New Homes Bonus;
  - Better Care Fund and improved Better Care Fund 2023/24;
  - Discharge Fund;
  - Public Health Grant 2023/24;
  - Social Care Grant;
  - Adult Social Care Precept;
  - Market Sustainability and Improvement Fund;
  - Services Grant;
  - LCTS Administration Support Grant; and
  - UK Shared Prosperity Fund

## **8. Dedicated schools grant and pupil premium**

- 8.1. This section of the appended report sets out a summary of the current year funding blocks for schools, and considers the funding for the 2023/24 budget, and considers risks and pressures arising

## **9. Consultation on the budget**

- 9.1 In setting the various budgets, it is important to have extensive engagement with citizens to consider the overarching challenge facing public services in Lewisham over the next few years. To this end, the Council has undertaken a range of engagement and specific consultation exercises. The appended report sets this out where this process has concluded and enabled this to be presented..

## **10. Financial implications**

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10.1 The financial implications are as contained within the appended draft report for Mayor and Cabinet.

## 11. Legal implications

11.1 The legal implications are as contained within the appended draft report for Mayor and Cabinet.

## 12. Equalities implications

12.1 The equalities implications are as contained within the appended draft report for Mayor and Cabinet.

## 13. Climate change and environmental implications

13.1 The climate change and environmental implications are as contained within the appended draft report for Mayor and Cabinet.

## 14. Crime and disorder implications

14.1 The crime and disorder implications are as contained within the appended draft report for Mayor and Cabinet.

## 15. Health and wellbeing implications

15.1 The health and wellbeing implications are as contained within the appended draft report for Mayor and Cabinet.

## 16. Background papers

Short Title of Report	Date	Location	Contact
Medium Term Financial Strategy	6 July 2022 (M&C)	1st Floor Laurence House	David Austin
Budget Reductions Report 2023/24	7 December 2022 (M&C)	1st Floor Laurence House	David Austin
Council Tax Base	18 January 2023 (Council)	1st Floor Laurence House	David Austin

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## 17. 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.
Reserves	Amounts set aside for purposes falling outside the definition of provisions made above are considered as reserves.
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.

## 18. Report author and contact

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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 Melanie Dawson

## 19. Appendices

Appendix 1 – Draft 2023/24 Budget Report

Appendix 2 – Draft Appendices to 2023/24 Budget Report

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