



Overview and Scrutiny Committee

Report title: Overspend Reduction Measures 2023/24 and 2024/25

Date: 23 January 2024

Key decision: No.

Class: Part 1.

Ward(s) affected: None specific

Contributors: Acting Director for Finance, Acting Executive Director for Corporate Resources, Executive Director for Children and Young People, Executive Director for Community Services, Executive Director for Housing, Executive Director for Place, and Director of Law, Governance and Elections

Outline and recommendations

The purpose of this report is to present Overview and Scrutiny Committee with officers' draft proposals for overspend reduction measures identified to date. The Council's published Medium Term Financial Strategy (MTFS) assumed that the level of growth required to support services could be contained within the funding envelope for 2024/25 and that no new savings would need to be identified and implemented. However, during the course of 2023/24 the persistent and increasing overspend in childrens social care, adults social care and temporary accommodation, due to specific demand and market pressures, has meant that overspend reduction measures are required for both 2023/24 and 2024/25 to ensure that a balanced budget can be set in 2024/25.

The provisional Local Government Finance (LGFS) settlement was published on the 18 December 2023 and largely confirmed that the MTFS assumptions would hold, however there has not been significant new or increased funding provided and as such these measures are required. The proposals presented in this report equate to £8.423m (of which £2.118m is for 2023/24 and £6.305m for 2024/25) and build upon the £2.315m of initiatives identified and approved in 2021/22 and 2022/23 for delivery in 2024/25. Of the proposals put forward, £1.108m require Mayor and Cabinet approval and £7.315m are officer decisions for implementation.

Overview and Scrutiny Committee are recommended to:

Review the £8.423m of proposals appended to this report which will be tabled at Public Accounts Select Committee on the 29 January 2024 before being included within the Council's 2024/25 Budget Report on the 7 February 2024.

Note that of these proposals £xxm are for officers to proceed with the preparation of these, consulting where required, to enable delivery from the 1 April 2024.

Timeline of engagement and decision-making

7 February 2024 – draft 2024/25 Budget Report to M&C

29 January 2024 – draft 2024/25 Budget Report to PASC

18 December 2023 – provisional Local Government Finance Settlement

30 November 2023 – Medium Term Financial Strategy Update to PASC

19 July 2023 - Medium Term Financial Strategy to M&C

1. Summary

- 1.1. The Council published its MTFS on the 19 July 2023, utilising assumptions available at that time to forecast what the likely funding shortfall would be for the period 2024/25 – 2027/28. This analysis produced a cumulative budget gap over the four year period of

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circa £15m, but with no budget gap requiring savings to be found in 2024/25.

- 1.2. That position was updated and revised over the Summer, notably to reflect increased service pressures in childrens and adults social care and temporary accommodation, as well as more stubborn than expected inflation. This culminated in a revised MTFS going to Public Accounts Select Committee in November 2023.
- 1.3. Given the increased costs arising from this, and the lack of expectation that Government would provide new or additional funding (which was confirmed in the provisional Local Government Finance Settlement on 18 December 2023), officers began the process to identify measures to reduce both the 2023/24 overspend and the 2024/25 pressures requiring funding.
- 1.4. This process identified £8.423m (of which £2.112m is for 2023/24 and £6.305m for 2024/25) and build upon the £2.315m of initiatives identified and approved in 2021/22 and 2022/23 for delivery in 2024/25. Of the proposals put forward, £1.108m require Mayor and Cabinet approval and £7.315m are officer decisions for implementation.
- 1.5. These are tabled for review by Overview and Scrutiny Committee and will be incorporated into the draft 2024/25 Budget Report which will be presented to PASC on 29 January and Mayor & Cabinet on 7 February.

2. Recommendations

- 2.1. Overview and Scrutiny Committee are recommended to:
- 2.2. Review the £8.423m of proposals appended to this report which will be tabled at Public Accounts Select Committee on the 29 January 2024 before being included within the Council's 2024/25 Budget Report on the 7 February 2024.
- 2.3. Note that of these proposals £xxm are for officers to proceed with the preparation of these, consulting where required, to enable delivery from the 1 April 2024.

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 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:
- 3.4.
 - 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.

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- 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.
- 3.5. The inclusion of the budget reduction measures will enable the Council to set a balanced budget for 2024/25 and therefore directly supports the achievement of the Council's corporate priorities.

Values

- 3.6. 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 five core values:
- Ambitious;
 - Inclusive;
 - Collaborative;
 - Accountable;
 - Trustworthy.
- 3.7. 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. Background

- 4.1. The Council published its MTFS on the 19 July 2023, utilising assumptions available at that time to forecast what the likely funding shortfall would be for the period 2024/25 – 2027/28. This analysis produced a cumulative budget gap over the four year period of circa £15m, but with no budget gap requiring savings to be found in 2024/25.
- 4.2. During the summer it became clear that the 2023/24 budget was not holding balanced, with persistent overspends in temporary accommodation, and childrens and adults social care. Whilst some of these pressures had been predicated for pressures funding in 2024/25, this was not to the extent materialising in the budget monitoring.
- 4.3. Furthermore, some of the economic assumptions underpinning the MTFS, mainly inflation, had also moved as the UK grappled with record levels of inflation which were not dropping in line with national forecasts.
- 4.4. This necessitated a revision to the MTFS, tabled at PAS on the 30 November 2023, which increased pressures funding to better fund the 2023/24 position, and adjusted inflation funding.
- 4.5. However, the revised MTFS could not fully fund services to the extent of the current forecast outturn overspend for those services with persistent budget pressures. Therefore in the Autumn the Executive Management Team (EMT) took the decision to collectively identify across the Council measures which could be implemented in both 2023/24 and 2024/25 to reduce the overspend and ensure that the revised MTFS could remain stable.
- 4.6. The provisional Local Government Settlement was announced on the 18 December 2023, and this aligned with and supported the revised MTFS position, meaning that the measures identified will need to be taken forward and implemented in order to be able to set a balanced budget in 2024/25.

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5. Proposals and Approach

- 5.1. The process was the initial identification of measures and the completion of proformas which set out the nature of the proposal and the implications for staff, services, other Council services and external partners. It set out whether these were:
 - once off measures for 2023/24 to reduce the overspend (and hence use of reserves);
 - permanent measures to be implemented in 2023/24 which would permanently reduce service spend;
 - once off measures in 2024/25; or
 - permanent measures implemented in 2024/25 which would permanently reduce service spend;
- 5.2. Given that the Council has made significant and challenging cuts for more than twelve consecutive years, and has sometimes struggled to deliver these in full, it was also agreed that each proposal would include a 'deliverability confidence factor' which allowed officers to clearly set out the likelihood of achieving these in full.
- 5.3. The proposals were reviewed in detail by EMT and refined, prior to engagement with Mayor and Cabinet towards the end of 2023.
- 5.4. The proposals vary in terms of the scale and nature of the measures proposed, with many of these being minor operational changes, and others either more significant or requiring policy change, consultation or Member agreement prior to implementation.
- 5.5. Furthermore, for each proposal the Council's Equalities Analysis Assessment Toolkit was utilised to ensure that each of these was screened to assess whether the proposal has a high, medium, low or neutral impact on service users and whether this is a positive or negative impact. It also identifies whether the proposal has a high, medium, low or neutral impact on socio-economic inequality (e.g. low income, fuel poverty, food insecurity, digital inclusion etc) and whether this is a positive or negative impact.
- 5.6. Finally it is a means to identify whether a full service equalities analysis assessment is required for the proposal.
- 5.7. Appendix 2 contains the proposals which will require agreement from Mayor and Cabinet prior to implementation, and Appendix 3 is the proposals which Officers are able to agree under the Councils' Constitution.
- 5.8. Each proposal will be separately or individually agreed via the appropriate decision making route.
- 5.9. Given that the Council cannot set a balanced budget for 2024/25 without either unsustainable levels of reserves or the implementation of these measures, the draft budget will be prepared on the basis that these are agreed and implemented in full. These will therefore be included with the draft 2024/25 Budget Report presented to Public Accounts Select Committee at its meeting on the 29 January 2024.
- 5.10. Overview and Scrutiny Committee is invited to review these proposals and consider whether it wishes to make any comments or referrals on these to PASC to consider as part of its scrutiny of the draft 2024/25 Budget Report.

6. Financial implications

- 6.1. This report is concerned with the budget reduction proposals to enable the Council to address the current and future financial challenges it faces. The setting of the Council's budget and policy framework is a function of the Council, and it is the responsibility of the Executive to make decisions which accord with it. The

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management of the Council's financial affairs are conducted in accordance with the financial regulations set out in section K of Part IV of the Constitution. It is therefore the responsibility of officers to take the necessary actions required to ensure that they remain within the budget framework set by Council and the proposals contained within this report are necessary to support this in both 2023/24 and 2024/25. There are no direct financial implications arising from the report other than those stated in the report and appendices itself.

7. Legal implications

Statutory duties

- 7.1. 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.

Reasonableness and proper process

- 7.2. 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

- 7.3. 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

- 7.4. 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.
- 7.5. 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.

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- 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.
- 7.6. 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.
- 7.7. 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.
- 7.8. The Equality and Human Rights Commission has 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 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>
- 7.9. 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.
- 7.10. 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>
- 7.11. 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.

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

The Human Rights Act

7.13. 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.

7.14. 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

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

7.15. The first protocol to the ECHR added

Article 1 - the right to peaceful enjoyment of property

Article 2 - the right to education

7.16. 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

7.17. 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.

7.18. Specific legal implications

7.19. Members' attention is drawn to the specific legal implications arising in relation to particular proposals set out in the relevant proforma in Appendices 1 and 2 of this report.

Equalities Implications

7.20. Detailed policy and equality implications arising in relation to particulare proposals are set out in the relevant proforma in Appendices 1 and 2.

8. Equalities implications

8.1. Proformas included in Appendix 1 and 2 consider the service equalities impact for each proposal. This identifies whether the proposal 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.

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9. Climate change and environmental implications

- 9.1. 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”
- 9.2. 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.

10. Crime and disorder Implications

- 10.1. 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.
- 10.2. Whilst there are no specific crime and disorder implications as yet identified as arising from the current proposals, any specific implications will be carefully considered by the relevant decision maker prior to agreement.

11. Health and wellbeing implications

- 11.1. Any specific health and wellbeing implications identified as arising from the current cuts proposals will require further consideration by the relevant decision maker prior to agreement.

12. Background papers

- 12.1. Previous reports setting the financial context:
- 12.2. 30 November – Medium Term Financial Strategy Update to PASC
- 12.3. 19 July 2023 - Medium Term Financial Strategy to M&C
- 12.4. 1 March 2023 – 2023/24 Budget Report to Council
- 12.5. 7 December 2022 – Budget Reductions for 2023/24
- 12.6. 2 February 2022 – Budget Cuts Report to M&C (“M&C”)

13. Glossary

| Term | Definition |
|--------------------------------|--|
| Baseline Funding Level | The amount of a local authority's start-up funding allocation which is provided through the local share of the estimated business rates aggregate (England) at the outset of the scheme as forecast by the government. It forms the baseline against which tariffs and top-ups are calculated. |
| Budget Requirement | The Council's revenue budget on general fund services after deducting funding streams such as fees and charges and any funding from reserves. (Excluding Council Tax, RSG and Business Rates) |
| Business Rates Baseline | The business rates baseline is equal to the amount of business rates generated locally in a specific year. |
| Capping | This is the power under which the government may limit the maximum level of local authority spending or increases in the |

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| Term | Definition |
|--------------------------------------|---|
| | level of spending year on year, which it considers excessive. It is a tool used by the government to restrain increases in Council Tax. The Council Tax cap, currently 2%, means that any local authority in England wanting to raise Council Tax by more than 2% in 2015/16 must consult the public in a referendum, Councils losing a referendum would have to revert to a lower increase in their bills. |
| CIPFA | The Chartered Institute of Public Finance and Accountancy are one of the UK accountancy institutes. Uniquely, CIPFA specialise in the public sector. Consequently CIPFA holds the responsibility for setting accounting standards for local government. |
| Collection fund | A statutory account maintained by the Council recording the amounts collected from Council Tax and Business Rates and from which it pays the precept to the Greater London Authority. |
| Contingency | This is money set-aside centrally in the Council's base budget to meet the cost of unforeseen items of expenditure, such as higher than expected inflation or new responsibilities. |
| Council Tax Base | The Council Tax base for a Council is used in the calculation of Council Tax and is equal to the number of Band D equivalent properties. To work this out, the Council counts the number of properties in each band and works out an equivalent number of Band D equivalent properties. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992. They are: A 6/9, B 7/9, C 8/9, D 9/9, E 11/9, F 13/9, G 15/9 and H 18/9, so that Band A is six ninths of the 'standard' Band D, and so on. |
| CPI and RPI | The main inflation rate used in the UK is the CPI (Consumer Price Index), the Chancellor of the Exchequer bases the UK inflation target on the CPI. The CPI inflation target is currently set at 2%. The CPI differs from the RPI (Retail Price Index) in that CPI excludes housing costs. Also used is RPIX, which is a variation on RPI, one that removes mortgage interest payments. |
| Dedicated schools grant (DSG) | This is the ring-fenced specific grant that provides most of the government's funding for schools. This is distributed to schools by the Council using a formula agreed by the schools forum. |
| Financial Regulations | These are a written code of procedures set by a local authority, which provide a framework for the proper financial management of the authority. They cover rules for accounting and audit procedures, and set out administrative controls over the authorisation of payments, etc. |
| Financial Year | The local authority financial year commences on 1st April and finishes on the following 31 March. |
| General Fund | This is the main revenue fund of the local authority, day-to-day spending on services is met from the fund. Spending on the provision of housing however, must be charged to the separate Housing Revenue Account (HRA). |

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| Term | Definition |
|--|--|
| Gross Domestic Product (GDP) | GDP is defined as the value of all goods and services produced within the overall economy. |
| Gross Expenditure | The total cost of providing the Council's services, before deducting income from government grants, or fees and charges for services. |
| Housing Revenue Account (HRA) | A separate account of expenditure and income on housing that Lewisham must keep. The account is kept ring-fenced from other Council activities. The government introduced a new funding regime for social housing within the HRA from April 2012. |
| Net Expenditure | This is gross expenditure less services income, but before deduction of government grant. |
| Revenue Expenditure | The day-to-day running expenses on services provided by Council. |
| Revenue Support Grant (RSG) | All authorities receive Revenue Support Grant from central government in addition to its baseline funding level under the local government finance system. An authority's Revenue Support Grant amount plus its baseline funding level together comprises its Settlement Funding Assessment. |
| Section 151 officer | Legally Councils must appoint under section 151 of the Local Government Act 1972 a named chief finance officer to give them financial advice, in Lewisham's case this is the post of the Executive Director for Resources and Regeneration. |
| Settlement Funding Assessment (SFA) | A Local Authority's share of the local government spending control total which comprises its Revenue Support Grant for the year in question and its baseline funding level. |
| Specific Grants | As the name suggests funding through a specific grant is provided for a specific purpose and cannot be spent on anything else e.g. The Dedicated Schools Grant (DSG) for schools. |

14. Report author(s) and contact

- 14.1. Katharine Nidd, Acting Director of Finance, katharine.nidd@lewisham.gov.uk
- 14.2. Comments for and on behalf of the Executive Director for Corporate Resources
- 14.3. Katharine Nidd, Acting Director of Finance, katharine.nidd@lewisham.gov.uk
- 14.4. Comments for and on behalf of the Director of Law and Corporate Governance
- 14.5. Melanie Dawson, melanie.dawson@lewisham.gov.uk

15. Appendices

- 15.1. Appendix 1 – Budget Reduction Proposals for Member decision making
- 15.2. Appendix 2 – Budget Reduction Proposals for Officer decision making

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