



Sustainable Development Select Committee

Report title: Budget Savings 2025/26

Date: 14 November 2024

Key decision: No.

Class: Part 1.

Ward(s) affected: None Specific

Contributors: Acting Director for Finance, Executive Director for Corporate Resources, Executive Director for Children and Young People, Executive Director for Adult Social Care and Health, Executive Director for Housing, Executive Director for Place, and Director of Law and Corporate Governance

Outline and recommendations

The purpose of this report is to present the Sustainable Development Select Committee with the draft Mayor and Cabinet proposals for net General Fund budget reductions identified to date. These initiatives are needed to address the £20m two year budget shortfall set out in the Medium Term Financial Strategy (MTFS) approved by Mayor and Cabinet in July and the overspend in 2024/25, currently reported as £36m, which is not funded via the MTFS in 2025/26. The agreed approach was to identify these in 2024/25 for implementation in 2025/26 and 2026/27. It was also agreed that any overspend in 2024/25 would be managed down or commensurate cost reduction measures identified to mitigate the spend.

In order to deliver this MTFS strategy, the Executive Management Team (EMT) undertook the process of engagement with services to both identify new budget savings initiatives and cost avoidance proposals to reduce the gross £31.500m overspend at that point.

This work has resulted in the identification of £9.617m of combined cost avoidance and early savings delivery proposals for 2024/25, as well as a further £3.435m of base budget reductions and £13.410m of cost avoidance measures for 2025/26 and 2026/27.

However, the cumulative totals of £4.739m of savings and £21.723m of recurring cost avoidance measures fall short of the respective £20m and £31.500m targets. This will mean two things.

Firstly, the £9.777m shortfall of cost avoidance measures will need to be added to the remaining £15.261m savings target, meaning that in 2025/26 a further £25.038m of savings will need to be identified and implemented.

Secondly, the Council will need to use reserves to set the budget in 2025/26 to ensure adequate time for the additional saving identification, scrutiny and implementation process. This use of reserves will be in addition to the need to use reserves to fund the net overspend in 2024/25, currently forecast as £27.4m.

This position will be further informed by a policy statement from the Ministry for Housing, Communities and Local Government (MHCG) now scheduled for November and the usual Provisional Local Government Finance Settlement in December (pLGFS). The settlement will detail how the allocations for the sector and other employer tax changes in the Chancellor's budget of the 30 October will impact individual Councils.

Committee Members are recommended to:

- 1.1. Review the report and appendices and consider whether they wish to provide comments to the Public Accounts Select Committee on the 28 November 2024.

Timeline of engagement and decision-making

28 November 2024 – draft Budget Savings report to PASC

November 2024 – draft Budget Savings report to Scrutiny committees

23 October 2024 – P4 Financial Monitoring and Medium Term Financial Strategy Update to M&C

10 July 2024 - Medium Term Financial Strategy to M&C

1. Summary

- 1.1. See the draft report for Mayor and Cabinet appended to this report for the detail.

2. Recommendations

- 2.1. Committee Members are recommended to:
- 2.2. Review the report and appendices and consider whether they wish to provide comments to the Public Accounts Select Committee on the 28 November 2024.

3. Policy Context

- 3.1. This report aligns with Lewisham's Corporate Priorities, as set out in the Council's [Corporate Strategy \(2022-2026\)](#):
 - Cleaner and Greener
 - A Strong Local Economy
 - Quality Housing
 - Children and Young People

- Safer Communities
 - Open Lewisham
 - Health and Wellbeing
- 3.2. The inclusion of the budget reduction measures are required to set the budget for 2025/26 and to reduce the necessary call on reserves in both 2024/25 and 2025/26 and therefore directly supports the achievement of the Council's corporate priorities.

Values

- 3.3. 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.

- 3.4. Very severe financial constraints have been imposed on Council services with significant reductions made year on year for over a decade. The financial position of the Council and most other Local Authorities is that continued budget savings are required to set future years budgets. Both the General Fund and Housing Revenue Account are significantly overspending and are reliant on the use of reserves in both 2024/25 and 2025/26.

4. Background

- 4.1. See the draft report for Mayor and Cabinet appended to this report for the detail.

5. Proposals and Approach

- 5.1. See the draft report for Mayor and Cabinet appended to this report for the detail.
- 5.2. The following proposals fall within the remit of this committee: P01 and H08.

5.3. Of the GF savings and cost reduction measures proposed, £5.833m are decisions for Mayor and Cabinet to take, and are included in Appendix 2a. They are CR05, P01, P03, and CYP08. The remaining savings and cost reduction measures can be agreed and implemented by Officers under delegation in the Councils' Constitution.

5.4. Of the HRA savings and cost reduction measures proposed, £0.163m are decisions for Mayor and Cabinet to take, and are included in Appendix 2b. They are CR06, H02, and H08. The remaining savings and cost reduction measures can be agreed and implemented by Officers under delegation in the Councils' Constitution.

6. Financial implications

6.1. See the draft report for Mayor and Cabinet appended to this report for the detail.

7. Legal implications

7.1. See the draft report for Mayor and Cabinet appended to this report for the detail.

8. Risk Implications

8.1. See the draft report for Mayor and Cabinet appended to this report for the detail.

9. Equalities implications

9.1. See the draft report for Mayor and Cabinet appended to this report for the detail.

10. Climate change and environmental implications

10.1. See the draft report for Mayor and Cabinet appended to this report for the detail.

11. Crime and disorder implications

11.1. See the draft report for Mayor and Cabinet appended to this report for the detail.

12. Health and wellbeing implications

12.1. See the draft report for Mayor and Cabinet appended to this report for the detail.

13. Background papers

- 13.1. See the draft report for Mayor and Cabinet appended to this report for the detail.

14. Glossary

- 14.1. See the draft report for Mayor and Cabinet appended to this report for the detail.

15. Report author(s) and contact

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16. Appendices

- 16.1. Draft Mayor and Cabinet Budget Reductions Report – 4 December 2024
- 16.2. Appendix 1 – Previously Agreed Savings
- 16.3. Appendix 2a – New Savings Proposals for Members
- 16.4. Appendix 2b – New Cost Reduction Proposals for Members
- 16.5. Appendix 3a – New Savings Proposals for Officers
- 16.6. Appendix 3b – New Cost Reduction Proposals for Officers
- 16.7. Appendix 4 – Budget Equalities Impact Assessment
- 16.8. Appendix 5 – Making Fair Financial Decisions Guidance