



## Mayor and Cabinet

### **Report title: Budget Savings 2025/26**

**Date:** 4 December 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 Mayor and Cabinet with officers' draft 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.

Mayor and Cabinet are recommended to:

- 1.1. Consider the comments of the Public Accounts Select Committee of the 28 November 2024, which incorporates the views of the respective select committees on these proposals.
- 1.2. Note the budget reduction proposals of £0.850m presented in Appendix 1, the detail of which was considered in detail and approved on 7 February 2024.
- 1.3. Note the £20.629m of General Fund and £4.195m of Housing Revenue Account proposals which are for officers in Appendix 3a and 3b to proceed with the preparation of these, consulting where required, to enable immediate delivery is in hand where these are for 2024/25 and will be actioned before the 1 April 2025 where these are for 2025/26.
- 1.4. Agree the new budget reduction proposals requiring Member approval as presented in Section 5 and Appendix 2a and 2b, totalling 5.833m for the General Fund and £0.163m for the Housing Revenue Account, by one of the following means;
  - Authorise officers to carry out public consultations where required in law or under the Constitution in relation to proposal P01 and H08 in Appendix 2a and 2b 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 CR05, P03, CYP08, CR06 and H02 in Appendix 3a and 3b, either:
    - agree the proposal, or
    - delegate the decision to the relevant Executive Director for the service concerned.
- 1.5. 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.

## 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. The purpose of this report is to present Mayor and Cabinet with officers' draft 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.
- 1.2. 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.
- 1.3. 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.
- 1.4. 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.
- 1.5. Firstly, £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.
- 1.6. 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.

- 1.7. 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.

## **2. Recommendations**

- 2.1. Mayor and Cabinet are recommended to:
- 2.2. Consider the comments of the Public Accounts Select Committee of the 28 November 2024, which incorporates the views of the respective select committees on these proposals.
- 2.3. Note the budget reduction proposals of £0.850m presented in Appendix 1, the detail of which was considered in detail and approved on 7 February 2024.
- 2.4. Note £20.629m of General Fund and £4.195m of Housing Revenue Account proposals in Appendix 3a and 3b which are for officers to proceed with the preparation of these, consulting where required, to enable immediate delivery is in hand where these are for 2024/25 and will be actioned before the 1 April 2025 where these are for 2025/26.
- 2.5. Agree the new budget reduction proposals requiring Member approval as presented in Section 5 and Appendix 2a and 2b, totalling 5.833m for the General Fund and £0.163m for the Housing Revenue Account, by one of the following means;
  - Authorise officers to carry out public consultations where required in law or under the Constitution in relation to proposal P01 and H08 in Appendix 2a and 2b 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 CR05, P03, CYP08, CR06 and H02 in Appendix 3a and 3b either:
    - agree the proposal, or
    - delegate the decision to the relevant Executive Director for the service concerned.

- 2.6. 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.

### **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.

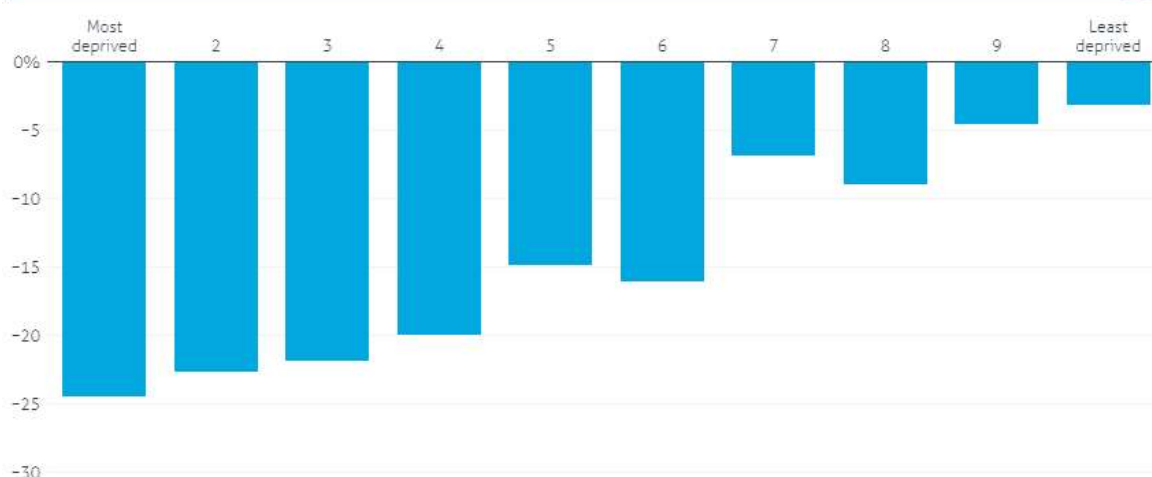
- 3.4. Very severe financial constraints have been imposed on Council services with significant reductions made year on year for over a decade. The financial position of the Council and most other Local Authorities is that continued budget savings are required to set future years budgets. Both the General 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. The Council continues to operate in an increasingly constrained financial environment. The Local Government Association states that councils face a funding gap of £6.2bn over the next two years, in the context of an estimated £24.5bn cuts and efficiencies in service spending between 2010/11 – 2022/23. It states that if net service spend had grown in line with inflation, wage growth, demographics and demand drivers that the 2022/23 service spend would have been 42% higher than actual spend.
- 4.2. The Institute for Government estimates that even accounting for the cuts made by Councils in the years 2010/11 – 2019/20, that by 2024/25 Core Spending Power (CSP) is approximately 10% lower than in 2010/11 in terms terms. Furthermore, this reduction is not equally distributed. Because of the way the coalition government chose to cut grant funding in 2010, local authorities in the most deprived parts of the country, which were more dependent on central government grants, ended up with lower CSP than councils in less deprived areas. Likewise, when central government chose to allow councils to raise funding through council tax increases, less deprived authorities benefited more because a greater proportion of their funding comes from council tax income, noting that as Council Tax is regressive the burden of these increases in those councils was more likely to be borne by those on lower incomes.
- 4.3. The Institute for Government estimates that in 2024/25, local authorities in the most deprived decile of the country have seen their CSP fall by 24.4% in real terms compared with 3.1% in the least deprived local authorities. Lewisham ranks 63<sup>rd</sup> most deprived local authority in the 2019 English Indices of Deprivation.

## Change in local authority spending power, by decile of deprivation, between 2010/11 and 2024/25



Source: Institute for Government analysis of DLUHC, 'Core spending power supporting information', 2010/11 - 2024/25 and DLUHC, 'English indices of deprivation. File 10: local authority district summaries', 2019. • Notes: 'Local authorities' in this instance is upper- and single-tier local authorities. 'Spending power' refers to revenue spending power in 2010/11 and 2014/15 and refers to core spending power in 2024/25. Local authorities that changed their boundaries or unitarised during this period are excluded. This analysis also does not include the City of London. • Get the data • Embed • Download image

- 4.4. Grant Thornton estimate that by the end of the year, one in five councils in England will be at risk of financial failure without additional income or further spending cuts, and that by 2028/29 the London percentage is estimated to be 39%.
- 4.5. In addition to the national assessment of local government finances, there is increased collaboration across London due to the severity of the situation. Benchmarking of London boroughs at the end of Q1 indicate that 24 of the 28 respondees are expecting an overspend at year end, the average forecast is £11.4m, and Lewisham is currently the third highest. When considered as a percentage of total budget, the average is 2.7%, with Lewisham at 7.8% and again the third highest.
- 4.6. When compared to the same point (Q1) in 2023/24, the pressures are 34% higher, with temporary accommodation and housing being the single largest pressure with a 253% increase on the year. Benchmarked against London, Lewisham has the fifth largest overspend for this service.
- 4.7. Childrens social care is another significant area of overspend, with an average of £4.4m per borough, with Lewisham sixth highest. For adult social care, the average pressure is £4.5m, and on this indicator Lewisham performs slightly better comparatively being ninth.
- 4.8. When considering all other services, there are mixed results across London, but Lewisham is again in the top quartile, being sixth out of the 28 respondees.



Therefore it is clear that there is both a regional and national crisis in local government funding, with insufficient monies available to meet core care and housing services for the most vulnerable. However, the results also indicate that there is scope for increased efficiency which the identified cost reduction and savings proposals will deliver to ensure that we are offering services for equivalent value for money.

- 4.9. Furthermore, the Council's position has worsened from the Q1 monitoring position, and whilst its likely and possible that this is similar across London, the Council must continue to identify further savings at pace in order to protect its reserves and future financial sustainability.
- 4.10. The Council agreed its MTFS on the 10 July 2024, utilising assumptions available at that time to forecast what the likely funding shortfall would be for the period 2025/26 – 2028/29. This analysis produced a cumulative budget gap over the four year period of circa £20m, but highlighted that this contained no allowance for additional growth funding for service overspends in 2024/25 to be funded in 2025/26.
- 4.11. The period 4 financial forecast for 2024/25 that was brought before Mayor and Cabinet on the 23 October sets out that at year-end the Council is anticipating a £36.6m overspend, before the delivery of any in year spend reduction measures or the application of £9.2m of corporate funding measures. The expected net overspend is £27.4m and will need to be funded from Council provisions and reserves. Therefore the MTFS assumptions that the 2024/25 pressures would be contained in year have not held and that this is echoed across both London and nationally.
- 4.12. The Council therefore has to consider how it addresses this challenge in preparing for and setting its 2025/26 budget. This will be the next focus of work once the pLGFS is known in December.

## **5. Proposals and Approach**

- 5.1. The MTFS approved by Mayor and Cabinet on 10 July 2024 set out the need to make £20m of savings over the four year period 2025/26 – 2028/29. The agreed approach was to identify these in 2024/25 for implementation in 2025/26 and 2026/27.
- 5.2. The Council commenced the process in July of seeking to identify 1) savings of £20m and 2) cost reduction measures of at least £30m to address the

overspend.

5.3. 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 2024/25, 2025/26 or 2026/27 to reduce the overspend (and hence limit the use of reserves in that year);
- permanent cost reduction measures to be implemented in 2024/25, 2025/26 or 2026/27 which would permanently reduce service spend; or
- permanent savings measures implemented in 2024/25, 2025/26 or 2026/27 which would permanently reduce service budget;

5.4. Savings items are effectively base budget reductions for 2025/26 and future years, the agreement and implementation of these will result in a net reduction of budget, be that through the reduction of expenditure budgets or the increase in income budgets.

5.5. Cost reduction measures are where a service which is experiencing a persistent overspend provides proposals which commit to permanently reducing expenditure (or increasing income) with the outcome of a tangible reduction in expenditure which reduces the overspend, but which does not reduce the actual budget.

5.6. The approach was to allocate the £20m savings target across the Council directorates proportionate to their relevant net budgets. The responsibility to address the overspend through cost reduction measures was allocated to the relevant overspending service.

5.7. The HRA sets its budget based on the resources available, and whilst no base budget reduction target was identified, its current P4 overspend of £9m on repairs and maintenance and shortfall in income collection on major works cannot be funded in future years. The target for the HRA was therefore to seek to put forward proposals that would ensure either that repairs and maintenance could be sustainably delivered within the existing budget or that commensurate savings could be implemented to enable equivalent growth in the repairs and maintenance service and the work to collect major works income was actioned fully and promptly.

5.8. The tables below set out what the total value for each of the different type of

proposals were received for the General Fund against the target identified.

5.9. Table 1 – General Fund Savings

Savings (if 24/25 will be used to bring down the overspend)	Year 24/25 £000	Year 25/26 £000	Year 26/27 £000	Total Savings £000	Target £000	Under / (Over) Achievement £000
Chief Executive	94	80	0	174	1,000	826
Corporate Resources	99	1,017	40	1,156	3,000	1,844
Place	0	180	531	711	2,600	1,889
CYP	41	187	250	478	6,600	6,122
ASC & H	1,010	1,150	0	2,160	5,600	3,440
Housing	60			60	1,200	1,140
<b>GF Total</b>	<b>1,304</b>	<b>2,614</b>	<b>821</b>	<b>4,739</b>	<b>20,000</b>	<b>15,261</b>

5.10. Table 2 – General Fund Recurrent Cost Reductions

Cost Avoidance (recurrent)	Year 24/25 £000	Year 25/26 £000	Year 26/27 £000	Total Cost Avoidance £000	Initial Target £000	Under / (Over) Achievement £000
Chief Executive	0	0	0	0	0	0
Corporate Resources	0	0	0	0	0	0
Place	0	0	0	0	3,500	3,500
CYP	200	2,220	3,000	5,420	12,000	6,580
ASC & H	2,500	3,000	0	5,500	6,000	500
Housing	5,613	2,404	2,786	10,803	10,000	(803)
<b>GF Total</b>	<b>8,313</b>	<b>7,624</b>	<b>5,786</b>	<b>21,723</b>	<b>31,500</b>	<b>9,777</b>

5.11. Table 3 – General Fund Once Off Proposals

Cost Avoidance One Offs	Year 24/25 £000	Year 25/26 £000	Year 26/27 £000
Chief Executive	142		
Corporate Resources			
Place			
CYP	1,100		
ASC & H	1,800		
Housing			
<b>GF Total</b>	<b>3,042</b>	<b>0</b>	<b>0</b>

5.12. The table below sets out the cost reduction measures identified for the HRA.

5.13. Table 4 – HRA Recurrent Cost Reductions

<b>HRA Savings/Cost Avoidance</b>	<b>Year 24/25 £000</b>	<b>Year 25/26 £000</b>	<b>Year 26/27 £000</b>
Cost Avoidance	2,600	0	0
Savings	352	1,086	320
<b>HRA Total</b>	<b>2,952</b>	<b>1,086</b>	<b>320</b>

- 5.14. Against the targets identified for savings and cost reduction, there were significant shortfalls. Only £4.739m has been identified against the £20m GF savings target and £21.723m against the original £31.5m (now £36.6m) of GF cost reduction measures.
- 5.15. A large proportion of the cost reduction and savings items are to be delivered in 2024/25 (£9.617m in the GF and £2.952m in the HRA), to seek to reduce the final overspend and call on reserves. EMT were therefore clear that the implementation and monitoring of these proposals would form part of the regular financial monitoring to EMT and Members via PASC and Mayor and Cabinet, and the P4 Financial Forecasts sets this out.
- 5.16. In addition to tracking the delivery of these savings and cost reduction measures, the financial monitoring also seeks to report on cost drivers and performance metrics within the key demand led services of adults and childrens social care and temporary accommodation.
- 5.17. For the GF, of the £9.617m identified, only £2.1m has been implemented and included in the P4 forecast with the overspend at £36.6m. There is therefore a further £7.5m which has been identified but the impact of which is yet to be seen in the financial figures. The Council is now into its final four months of the year, meaning that the delivery of these in full is significantly at risk.
- 5.18. Furthermore, some of the proposals may either contain optimism bias, or are predicated on the ability to manage down demand where there is historic evidence of this not being delivered. Any inability to deliver these proposals in full will mean that the final call on reserves in 2024/25 will be greater, and the savings targets for 2025/26 and future years increased.
- 5.19. For the HRA, all of the £2.952m of the cost avoidance and savings items identified for 2024/25 have been included in the P4 monitoring, although the deliverability of these is still being verified and confirmed through the ongoing monitoring as £2.6m of this is in repairs and maintenance which is the area of

highest risk. In addition, the HRA reserves opening balance in 2024/25 was £2.9m, which is less than the current forecast outturn position. The P4 monitoring report set out a number of once off measures (including accounting adjustments) that will be utilised in 2024/25 to ensure that the HRA can balance its budget. However, the severity of the position has meant that the Council has written to MHCLG to apprise them of the situation and the action being taken by the Council.

- 5.20. 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
- 5.21. 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.
- 5.22. 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.
- 5.23. 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.
- 5.24. Finally it is a means to identify whether a full service equalities analysis assessment is required for the proposal.
- 5.25. In the event that all of the 2024/25 savings and cost avoidance measures are implemented in full, and the outturn position does not worsen, then it is forecast that up to £18m of reserves will be utilised to fund the year. This could increase to £27m if the proposals are not taken and implemented and in excess of £30m

if the position worsens.

- 5.26. Assuming all of the measures identified for 2024/25 and 2025/26 are approved and implemented in full, the Council will still have a circa £20m residual overspend position at the start of 2025/26 which need to be added onto the savings target and funded via reserves whilst these are worked up and implemented.
- 5.27. The Council is therefore intending to need to use reserves to set a balanced budget for 2025/26.
- 5.28. Furthermore, it is highly likely that by the end of 2025/26 the Council will have depleted its reserves balances by between £40m to £50m in the two year period. This equates to a 50% of the unallocated and earmarked reserves as yet not committed.

## **6. Financial implications**

- 6.1. This report is concerned with the budget reduction proposals to enable the Council to in part 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 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 2024/25 and 2025/26.
- 6.2. There are no direct financial implications arising from the report other than those stated in the report and appendices itself.

## **7. Legal implications**

### **Statutory and fiduciary duties**

- 7.1. The Council must set and maintain a balanced budget each year and take steps to deal with any projected overspends and identify cuts or other measures to bring the budget under control. The recommendations in this report are consistent with this obligation.
- 7.2. 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.

- 7.3. Members are reminded of their fiduciary duty to local tax and ratepayers, to effectively to act as trustees of the Council's resources and to ensure proper custodianship of Council funds

#### **Reasonableness and proper process**

- 7.4. Decisions must be made reasonably taking into account all relevant considerations and disregarding all irrelevant matters. 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**

- 7.5. 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.

#### **Best value**

7.6. 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**

7.7. A review of the proposals set out in the relevant proformas in Appendices 2a and 2b of this report has not identified any specific legal implications.

**Equalities Implications**

7.8. Detailed policy and equality implications arising in relation to particulare proposals are set out in the relevant proformas in Appendices 2a and 2b.

**8. Risk Implications**

8.1. A number of the key risks are already set out in sections 4 and 5 above, however there are additional risks presented and discussed below.

Risk	Mitigation
Forecast outturn for 2024/25 continues to worsen.	There is still £7.5m of identified cost reduction and savings proposals for 2024/25 which are not included in the P4 monitoring and which are anticipated to further reduce the overspend. If the position continues to worsen officers will need to implement further cost control measures, such as recruitment freezes and spending controls to seek to limit the further call on reserves.
Cost avoidance measures and savings not implementable or delivered in full.	As above, any slippage or erosion of the delivery of the identified proposals will mean that other measures such as recruitment freezes and spending controls to seek to limit the further call on reserves
Local Government Finance Settlement worse than forecast in MTFS.	The impact of the September CPI rate of 1.7% has been modelled and can be



	<p>absorbed within the slight increase in the Council Tax base growth. In the event that Government reduces the assumed funding further this will increase the call on reserves to set the 2025/26 budget and add to the savings target.</p>
<p>Significant changes to the capital programme (primarily abortive costs) impacts on reserves and revenue (increased cost of borrowing).</p>	<p>In the event that capital schemes are halted, any abortive costs will need to be written back to revenue rather than capitalised, this will fall to reserves. Similarly, any acceleration of schemes or switch in funding from grant or capital receipts to borrowing will incur both interest and principal repayment and Minimum Revenue Provision, this will be an ongoing revenue cost and may exceed current budgets.</p>
<p>DSG override removed leading to GF reserves being needed to fund the c£15m DSG deficit.</p>	<p>There is a statutory override in place which ring fences any DSG deficits to the DSG, this mechanism is due to end 31 March 2026 (although has been extended previously). If this ceases the DSG deficit (£13m at the start of 2024/25) would fall to GF reserves.</p>
<p>HRA outturn position in deficit.</p>	<p>The Housing directorate is delivering a Transformation Programme to ensure both financial sustainability and improved tenant satisfaction and service delivery. A key project within this programme is repairs and maintenance which is the area of largest overspend. There are mitigation plans in place to permanently reduce this spend and once off</p>

	<p>measures for 2024/25 to ensure that the HRA reserves are not exhausted and that these can be built back up to the prudent minimum level. This has been communicated to MHCLG.</p>
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## 9. Equalities implications

- 9.1. Proformas included in Appendix 2a and 2b and Appendix 3a and 3b 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. Where required at this stage these have been included within the relevant proforma.
- 9.2. Appendix 4 contains an Equality Impact Assessment for the cumulative impact of the proposals for the budget as a whole.

## 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.

## 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 proposals, any specific implications will be carefully considered by the relevant decision maker prior to agreement.

## 12. Health and wellbeing implications

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

## 13. Background papers

13.1. Previous reports setting the financial context:

13.2. 23 October 2024 – P4 Financial Monitoring and Medium Term Financial Strategy Update to M&C

13.3. 10 July 2024 - Medium Term Financial Strategy to M&C

## 14. Glossary

14.1.

Term	Definition
<b>Baseline Funding Level</b>	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.
<b>Budget Requirement</b>	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)
<b>Business Rates Baseline</b>	The business rates baseline is equal to the amount of business rates generated locally in a specific year.
<b>Capping</b>	This is the power under which the government may limit the maximum level of local authority spending or increases in the 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.
<b>CIPFA</b>	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.
<b>Collection fund</b>	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.
<b>Contingency</b>	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.
<b>Council Tax Base</b>	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.
<b>CPI and RPI</b>	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.
<b>Dedicated schools grant (DSG)</b>	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.
<b>Financial Regulations</b>	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.
<b>Financial Year</b>	The local authority financial year commences on 1st April and finishes on the following 31 March.
<b>General Fund</b>	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).
<b>Gross Domestic Product (GDP)</b>	GDP is defined as the value of all goods and services produced within the overall economy.
<b>Gross Expenditure</b>	The total cost of providing the Council's services, before deducting income from government grants, or fees and charges for services.
<b>Housing Revenue Account (HRA)</b>	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.
<b>Net Expenditure</b>	This is gross expenditure less services income, but before deduction of government grant.
<b>Revenue Expenditure</b>	The day-to-day running expenses on services provided by Council.
<b>Revenue Support Grant (RSG)</b>	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.
<b>Section 151 officer</b>	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.
<b>Settlement Funding Assessment (SFA)</b>	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.
<b>Specific Grants</b>	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.

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## 16. Appendices

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