



Sustainable Development Select Committee

Financial stabilisation - budget update and medium term plan

Date: 15 September 2020

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributor: Acting Chief Finance Officer

Outline and recommendations

The purpose of this report is to offer for consideration by Scrutiny the appended report to enable their comments to be taken by Mayor & Cabinet (M&C) when receiving the report on budget stabilisation and medium term financial plan on the 7 October 2020, as part of the preparation of a balanced budget for 2021/22 and future years.

Scrutiny committees are asked to review and comment on these proposals and recommendations and that their feedback is referred on by Public Accounts Committee for Mayor & Cabinet as follows:

On the 7 October 2020 Mayor and Cabinet will then be recommended to:

- Note the current in-year financial challenges of the Covid-19 impact of £60m with a funding gap of up to £20m and service overspending of £17m faced by the Council and the management actions being taken to mitigate these;
- Note the 2021/22 to 2024/25 Medium Term Financial Strategy (MTFS) and approach being taken to identify cuts proposals to meet the estimated budget gap of at least £40m; and
- Note the timetable for bringing forward cuts proposals and building the 2021/22 budget to Full Council in February 2021.

Timeline of engagement and decision-making

26 February 2020 – Budget report to Council

10 June 2020 – Council's response to Covid-19 – financial update report to Mayor & Cabinet (M&C)

9 July 2020 – First 2020/21 financial monitoring report to M&C

1. EXECUTIVE SUMMARY

1.1. The purpose of the appended report is twofold:

- To set out the current in-year financial position for 2020/21 and the management actions being taken to mitigate the financial pressures arising; and
- To set out the medium term financial position for the Council over the next four years and the assumptions on which it is based, as well as the likely levels of cuts which will be required.

1.2. Scrutiny committees are asked to review and comment on these proposals and recommendations and that their feedback is referred on by Public Accounts Committee for Mayor & Cabinet on the 7 October 2020.

1.3. The timetable to deliver the Budget for 2021/22 is as set out below.

| Month | Key Stage |
|--------------------------|---|
| September / October 2020 | Medium term financial planning and monitoring. Chancellor's Autumn Budget |
| November / December 2020 | Draft Officer cuts proposals presented for scrutiny and decision Provisional Local Government Finance Settlement |
| January 2021 | Council Tax Base agreed by Council Draft Council Budget for 2021/22 prepared |
| February 2021 | Greater London Authority sets their Precept for 2021/22 Council approves Budget & Council Tax for 2021/22 |

2. RECOMMENDATIONS

2.1. Scrutiny committees are asked to review and comment on these proposals and recommendations and that their feedback is referred on by Public Accounts Committee for Mayor & Cabinet as follows:

2.2. On the 7 October 2020 Mayor and Cabinet will then be recommended to:

- Note the current in-year financial challenges of the Covid-19 impact of £60m with a funding gap of up to £20m and service overspending of £17m faced by the Council and the management actions being taken to mitigate these;

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- Note the 2021/22 to 2024/25 Medium Term Financial Strategy (MTFS) and approach being taken to identify cuts proposals to meet the estimated budget gap of at least £40m; and
- Note the timetable for bringing forward cuts proposals and building the 2021/22 budget to Full Council in February 2021.

3. POLICY CONTEXT

- 3.1. The Council's 2018 to 2022 Corporate Strategy identifies seven corporate priorities and four core values which are the driving force behind what we do as an organisation. It sets out a vision for Lewisham and the priority outcomes that organisations, communities and individuals can work towards to make this vision a reality.
- 3.2. In taking action to minimise the current in-year financial pressures which have arisen, in setting out the Council's Budget Strategy, in engaging our residents, service users and employees, and in deciding on the future shape, scale and quality of services, we will be driven 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.
- 3.3. These core values align with the Council's seven corporate priorities namely:
1. Open Lewisham - Lewisham is a welcoming place of safety for all where we celebrate the diversity that strengthens us.
 2. Tackling the housing crisis - Everyone has a decent home that is secure and affordable.
 3. Giving children and young people the best start in life - Every child has access to an outstanding and inspiring education and is given the support they need to keep them safe, well and able to achieve their full potential.
 4. Building an inclusive local economy - Everyone can access high quality job opportunities, with decent pay and security in our thriving and inclusive local economy.
 5. Delivering & defending: Health, Social Care and Support - Ensuring everyone receives the health, mental health, social care and support services they need.
 6. Making Lewisham greener - Everyone enjoys our green spaces and benefits from a healthy environment as we work to protect and improve our local environment.
 7. Building safer communities - Every resident feels safe and secure living here as we work together towards a borough free from the fear of crime.

4. FINANCIAL STABILISATION – BUDGET UPDATE AND MEDIUM TERM FINANCIAL PLAN REPORT

- 4.1. The appended Financial Stabilisation – Budget Update report will be presented to scrutiny in September before coming before M&C and Council in October. The specific dates are:

| | |
|---------|-------------------------|
| 9 Sept | Safer Stronger |
| 15 Sept | Housing |
| | Sustainable Development |

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| | |
|---------|--|
| 21 Sept | CYP |
| 23 Sept | Healthier Communities |
| 24 Sept | PAC |
| 7 Oct | M&C agree in-year financial stabilisation report |
| 28 Oct | Council receive report |

- 4.2. It is this report which Scrutiny are asked to consider and to pass any comments on to Public Accounts Select Committee for referral to Mayor and Cabinet. Following the Financial Stabilisation Report the Cuts report will be developed which will contain the specific proposals to implement the future year changes and will then be presented to Members in November before coming to M&C in December. The specific dates are:

| | |
|--------|---|
| 11 Nov | Healthier Communities |
| 12 Nov | Sustainable Development |
| 18 Nov | Housing |
| 26 Nov | CYP |
| 1 Dec | Safer Stronger |
| 3 Dec | PAC |
| 9 Dec | M&C make decision on cuts to take forward to the Budget |

- 4.3. The cuts from above, along with the Comprehensive Spending Review / Autumn Budget from the Chancellor (Oct/Nov) and provisional Local Government Finance Settlement in December, Council Tax base report and London precept plans in January will then be used to build the Council's Budget report for reporting to Public Accounts, M&C and onto Council for adoption on the 24 February.

5. FINANCIAL IMPLICATIONS

- 5.1. This report and the appended report are concerned with the Council's medium term financial strategy and as such, the financial implications are contained within the body of the appended report.

6. LEGAL IMPLICATIONS

- 6.1. The purpose of the appended report is to develop a medium term approach in support of better service and financial planning and an update of in-year financial pressures. Members are reminded that the legal requirements are centred on annual budget production, and that indicative decisions made for future years are not binding.
- 6.2. The Local Government Act 2000 and subsequent regulations and guidance says that it is the responsibility of the full Council to set Lewisham's budget, including all of its components and any plan or strategy for the control of the Council's capital expenditure. Regulations provide that it is for the Executive to have overall responsibility for preparing the draft budget for submission to the full Council to consider. Once the budget has been set, it is for the Mayor & Cabinet to make decisions in accordance with the statutory policy framework and the budgetary framework set by the Council.
- 6.3. Where there are proposals for a reduction to a service which the Council is either under a statutory duty to provide, or which it is providing in the exercise of its discretionary powers and there is a legitimate expectation that it will consult, then consultation with all service users will be required before any decision to implement the proposed saving is taken. The outcome of such consultation must be reported to the Mayor. Where the proposed savings will have an impact upon staff, then the Council will have to consult the staff affected and their representatives in compliance with all employment legislative requirements and the Council's own employment policies.

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7. EQUALITIES IMPLICATIONS

- 7.1. The Council has a public sector equality duty (the equality duty or the duty - The Equality Act 2010, or the Act). 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. 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.
- 7.2. 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 above. 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 Mayor and Cabinet, bearing in mind the issues of relevance and proportionality. Mayor and Cabinet 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.
- 7.3. The Equality and Human Rights Commission (EHRC) has issued Technical Guidance on the Public Sector Equality Duty and statutory guidance. The Council must have regard to the statutory code in so far as it relates to the 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 on the EHRC website.
- 7.4. The EHRC has issued five guides for public authorities in England giving advice on the equality duty. 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.

8. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

- 8.1. There are no environmental implications directly arising from the report.

9. CRIME AND DISORDER IMPLICATIONS

- 9.1. There are no crime and disorder implications directly arising from the report.

10. HEALTH AND WELLBEING IMPLICATIONS

- 10.1. There are no health and wellbeing implications directly arising from the report.

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11. BACKGROUND PAPERS

- 11.1. Budget Report 2020/21 – Full Council 26 February 2020
<http://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=138&MId=5649>
- 11.2. Financial Results 2019/20 – Mayor & Cabinet
<http://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=139&MId=6014>
- 11.3. Financial Forecasts Period 2 – Mayor & Cabinet 9 July 2020
<http://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=139&MId=6014>

12. GLOSSARY

- 12.1. See appended report for the full glossary of terms used.

13. REPORT AUTHOR AND CONTACT

- 13.1. For more information please contact David Austin, Acting Chief Finance Officer, 1st Floor Laurence House, 020 8314 9114, David.Austin@lewisham.gov.uk.
Katharine Nidd, Interim Director of Corporate Resources, 4th Floor Laurence House, 020 8314 6651, Katharine.Nidd@lewisham.gov.uk.

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