



## Scrutiny Committees

### Report title: Budget Reductions report

**Date:** January 2022

**Key decision:** No

**Class:** Part 1

**Ward(s) affected:** None specific

**Contributors:** Director for Finance, Head of Strategic Finance, Planning and Commercial, Executive Director for Corporate Resources, Executive Director for Children and Young People, Executive Director for Community Services, and Executive Director for Housing, Regeneration and Public Realm, and Director of Law, Governance and Elections

### Outline and recommendations

The purpose of this report is to present Members with officers' draft proposals for net budget reductions identified to date. These initiatives are needed to address new pressures arising from the service-specific, long-term scarring from the COVID-19 pandemic and the wider macroeconomic pressures arising. The new proposals presented in this report equate to £1.994m (of which £1.425m is for 2022/23) and build upon the £10.4m of initiatives identified and approved in 2020/21 for delivery in 2022/23. The provisional Local Government Finance (LGFS) settlement has been announced and considered in setting the required cuts target for 2022/23. If all the available measures are agreed as part of the budget, including applying the maximum council tax increases, this would close the gap, subject to the budget decisions for next year and timely delivery of the agreed budget reduction proposals in full, for 2022/23 and enable the Council to set a balanced budget.

Members of the Scrutiny Committees are recommended to:

- Review and comment on these draft budget reduction proposals and present their feedback to the Public Accounts Select Committee to add their own and refer onto Mayor & Cabinet.

## 1 Timeline of engagement and decision-making

9 December 2020 – Budget Cuts Report to M&C

3 February 2021 – Budget Cuts Report to M&C

3 March 2021 – Budget report to Council

14 July 2021 – 2021/22 financial monitoring report to M&C

14 July 2021 – Medium Term Financial Strategy to M&C

6 October 2021 – 2021/22 financial monitoring report to M&C

27 January 2022 – budget reduction proposals to Public Accounts Select Committee

### 1. Summary

- 1.1. The purpose of this report is to present Members with officers' draft proposals for the budget reductions needed to set a balanced budget for 2022/23. These initiatives are needed to address new pressures arising from the service-specific, long-term scarring from the COVID-19 pandemic and the wider macroeconomic pressures arising.
- 1.2. The new proposals presented in the report total £1.994m, of which £1.425m are towards the gap in 2022/23. At this stage the focus has to be on the gap for the next financial year. The provisional Local Government Finance (LGFS) settlement has been announced and considered in setting the required reduction target for 2022/23. If all the available measures are agreed as part of the budget, including applying the maximum council tax increases, this would close the gap, subject to the budget decisions for next year and timely delivery of the agreed proposals in full, for 2022/23 and enable the Council to set a balanced budget.
- 1.3. The process of identifying budget reduction proposals sits in the context of a decade of austerity in which cuts of £217m have already been made, £136m reducing spending and £81m reallocated to meet emerging risks and pressures between 2010 and 2021. Given the Council's focus on protecting the most vulnerable and those in need, the budgets for key front line services, in particular social care, have not reduced by the same extent as other services across the Council. This position is not a sustainable one going forward.
- 1.4. To address the current overspend, in-year savings and tighter spending controls have been implemented which should help address the position at the margins but not deal with it in its entirety. In developing proposals to address the MTFs budget gap the thematic approach introduced last year has been continued. This recognises the different ways of working now common practice due to the COVID-19 pandemic, helps develop more collaboration to explore new opportunities, and breaks away from previous 'siloes or salami' cut rounds to build a new 'one Council' culture. It also supports the four key themes of Future Lewisham, developed by the Council to support the borough and its businesses and residents through the pandemic and beyond into sustainable recovery.
- 1.5. The thematic approach to date has identified £1.425m, which coupled with the £10.4m of budget reduction proposals agreed in 2021 and the provisional Local Government Finance (LGFS) settlement will enable the Council to set a balanced budget for 2022/23.

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- 1.6. There continues to be significant financial risk however from the uncertainty of the continued impact of the COVID-19 pandemic on demand for services and the commensurate shrinkage of the UK economy that this has brought about. This has impacted our ability to fund new pressures arising and to deliver previously agreed budget reduction measures. Without further budget reduction measures these risks will fall to reserves.

## 2. Recommendations

- 2.1. Members of the Scrutiny Committees are recommended to:
- 2.2. Review and comment on these draft budget reduction proposals and present their feedback to the Public Accounts Select Committee to add their own and refer onto Mayor & Cabinet.

## 3. Policy Context

- 3.1. The Council's strategy and priorities drive the Budget with changes in resource allocation determined in accordance with policies and strategy. The Council launched its new Corporate Strategy in 2019, with seven corporate priorities as stated below:

### Corporate Priorities

- **Open Lewisham** - Lewisham will be a place where diversity and cultural heritage is recognised as a strength and is celebrated.
  - **Tackling the housing crisis** - Everyone has a decent home that is secure and affordable.
  - **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.
  - **Building and inclusive local economy** - Everyone can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.
  - **Delivering and defending health, social care and support** - Ensuring everyone receives the health, mental health, social care and support services they need.
  - **Making Lewisham greener** - Everyone enjoys our green spaces, and benefits from a healthy environment as we work to protect and improve our local environment.
  - **Building safer communities** - Every resident feels safe and secure living here as we work together towards a borough free from the fear of crime.
- 3.2. As the Council seeks to support the borough and its businesses and residents through the COVID-19 pandemic and beyond, this recovery is based on the four key themes of Future Lewisham, these are:
- A Greener Lewisham;
  - A healthy and well future;
  - An economically sound future; and
  - A future we all have a part in.
- 3.3. The agreement of the budget reduction measures will enable the Council to set a balanced budget for 2022/23 and therefore directly support the theme of an economically sound future for the borough and its residents.

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## Values

- 3.4. 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 partners and between the council and citizens. In taking forward the Council's Budget Strategy, we are guided by the Council's four core values:
- We put service to the public first.
  - We respect all people and all communities.
  - We invest in employees.
  - We are open, honest, and fair in all we do.
- 3.5. 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. Over the past twenty-one months, the day to day lives of Lewisham's residents and the Council's business, , has been turned on its head. In March 2020, Council activity simultaneously ground to a halt and ramped up in equal measure. With "non-critical" services wound down almost overnight and a new, urgent focus on "critical services", the Council's leadership team, members, and vast range of services faced new demands, challenges, pressures and opportunities.
- 4.2. The pace, scope and scale of change has been immense: the pandemic has demanded agility, creativity, pace, leadership, organisational and personal resilience, strong communications and an unerring focus on the right priorities. Within the Council, the impact of the COVID-19 pandemic is felt acutely across all of our service areas and we are grappling with real challenges in how we keep services running for our residents and how we protect the most vulnerable. Across the borough, residents are looking afresh at our borough, their neighbourhoods, and seeing where they live through new eyes.
- 4.3. While we do not yet fully understand what all of the long-term implications of COVID-19 will mean for the borough, there have been many clear and visible impacts of the pandemic on our residents, Lewisham the place, and also the Council. We know that coronavirus has disproportionately affected certain population groups in Lewisham, matching patterns that have been identified nationally and internationally: older residents, residents born in the Americas & the Caribbean, Africa or the Middle East & Asia, and residents in the most deprived areas of the borough have considerably higher death rates. We know that more Lewisham residents are claiming unemployment benefits than in previous years and that food insecurity has increased in the borough.
- 4.4. The Council's finances have also been severely affected by the ongoing pandemic. The cost of coronavirus for Lewisham is currently estimated to be £25m this year, which will most likely exhaust the current government funds provided. Furthermore, there is forecast to be long-term demand increases, also termed 'Covid scarring' for which government has not provided funding for 2022/23. The impact of diverting resources into the continued efforts against the impact of the pandemic has meant that there have been delays in the delivery of the previously agreed budget reduction

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measures of £28m for 2021/22 and hence an in year overspend of £8.5m is forecast. Officers have taken management action to make in-year savings to reduce the business as usual overspend or else this will need to be funded from reserves at year end, reducing our ability to manage further budget shocks in 2022/23.

- 4.5. Alongside managing the impact of the pandemic on services, and re-focusing resources to best support the health and government initiatives for residents and businesses, the Council had started implementing its recovery plan of Future Lewisham (see further detail below). However, with the rise of new variants such as Delta and now Omicron, coupled with winter pressures, the Council is once again facing significantly increased demand and reassessing non critical service delivery to ensure that those most critical services continue to be delivered to our most vulnerable residents.

## 5. Lewisham's Recovery from COVID-19

- 5.1. Lewisham's recovery from the pandemic will be underpinned by the following anchoring principles which will be at the heart of all decision-making, planning and action over the coming months:
- Tackling widening social, economic and health inequalities;
  - Protecting and empowering our most vulnerable residents;
  - Ensuring the Council's continued resilience, stability and sustainability;
  - Enabling residents to make the most of Lewisham the place; and
  - Collaborating and working together with our communities and partnership across the borough.
- 5.2. Recovery will mirror the Council's successful response structure, with two perspectives: internal (the Council's recovery) and external (the Borough's recovery).
- 5.3. The Council's internal recovery is to be driven by the lessons learned from responding to COVID-19, the known and emerging impacts on our communities and the need to deliver transformation at the scale needed to meet the current financial challenge. Given the scale of the challenge and the ongoing impact of and learning from responding to COVID-19, officers adopted a different approach to budget reduction proposals last year, where cuts are made strategically, across the Council, with a focus on transformation, not 'salami slicing'. This approach has been continued this year to enable the further development and embedding of these cross cutting initiatives and transformation.
- 5.4. The budget reduction proposals have therefore again been identified according to the six strategic budget themes, underpinned by the recovery principles above. They are:
- Productivity;
  - Joint working;
  - Service reconfiguration;
  - Asset realisation;
  - Commercial approach; and
  - Better demand management.
- 5.5. Officers will continue to apply a programme management approach to deliver the strategic budget proposals as set out in the MTFs, if agreed. Officers will be supported

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to ensure that the proposals identified are deliverable and taken through the new Programme Management Office (PMO) assurance and governance processes, giving continued rigour to the structure and delivery of the individual projects.

5.6. This internal recovery approach is inherently linked to the 'external' recovery of the borough, the recovery of Lewisham the place. For Lewisham, a post-pandemic future could bring opportunities and it is vital our communities are able to make the most of what's on their doorstep. We look ahead to a huge opportunity to 'build back better' in partnership with our communities and partners and neighbours, to support community development and resilience, to nurture and develop Lewisham's vibrant cultural scene, to promote a sustainable and thriving local economy, to tackle health inequalities, to achieve a fairer, zero-carbon future, and to support our borough's children and young people. The borough's long-term recovery, 'Future Lewisham' has been set out by the Mayor and is based on four key themes:

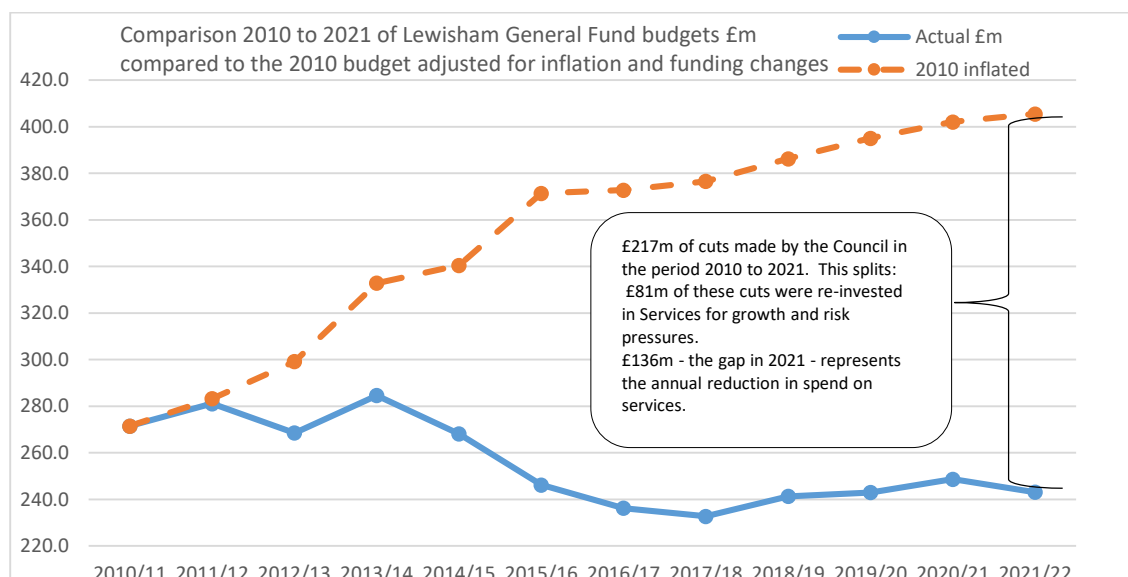
- A Greener Lewisham;
- A healthy and well future;
- An economically sound future; and
- A future we all have a part in.

## 6. Financial Context

### Decade of austerity

6.1. This report comes on the back of a decade of austerity in terms of reduced funding for local government services. In Lewisham the Council's spending power has been reduced by 26% in real terms while the population has grown by over 30,000 over that time period or 12%, leading to increased demand for services. This has led to reduced service provision, leaner practices in terms of support, and more risk for the Council as it seeks to maintain good customer service and quality services.

6.2. Or put another way, as shown in the graph below, the Council is now able to spend the equivalent of £450 less per person, per year, in the Borough (£136m / 305,000). At the same time the share of the Council's net general fund budget (i.e. that realised from business rates and council tax) has seen the portion from local council tax payers rise from 34% in 2010 to 49% in 2021.

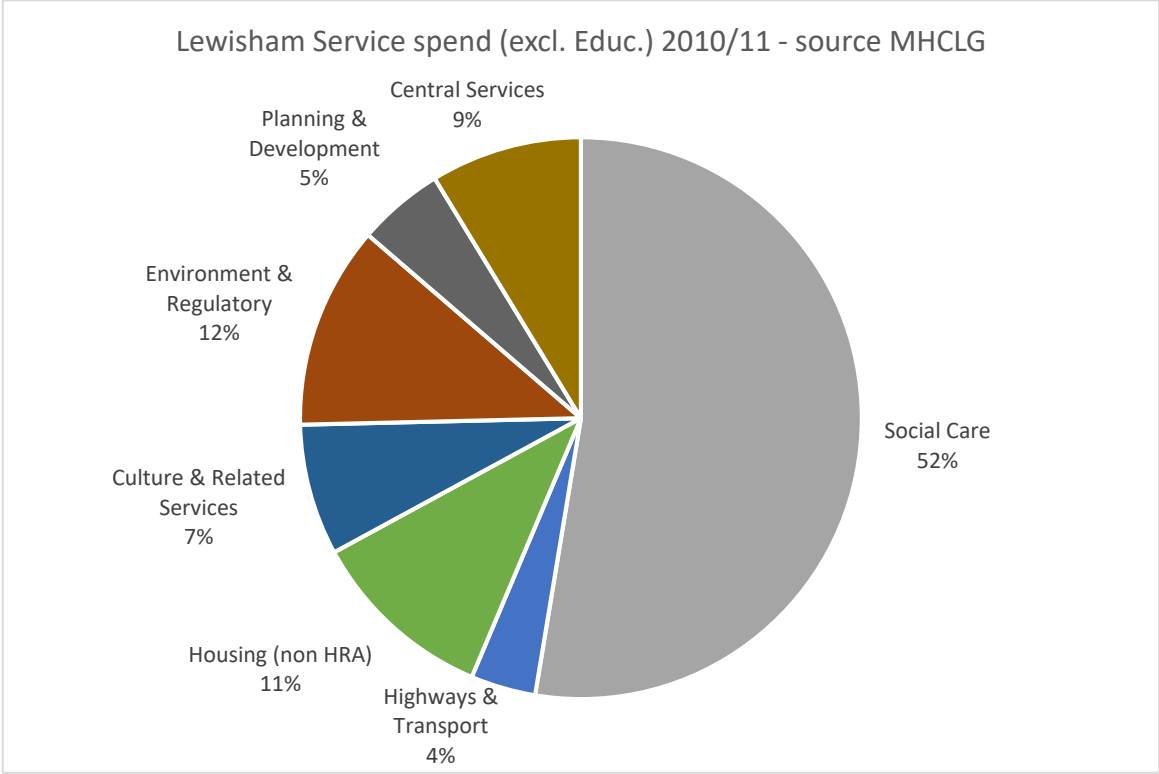


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6.3. Over this period the Council had also seen its spending choices focused on protecting those front line services on which the most vulnerable in our communities are dependent. In particular, through the children and adult social care services the Council is responsible for. This is shown by comparing the two pie charts below which present the proportion of the Council spend by service area – 2010/11 compared to 2020/21 (the latest published data).

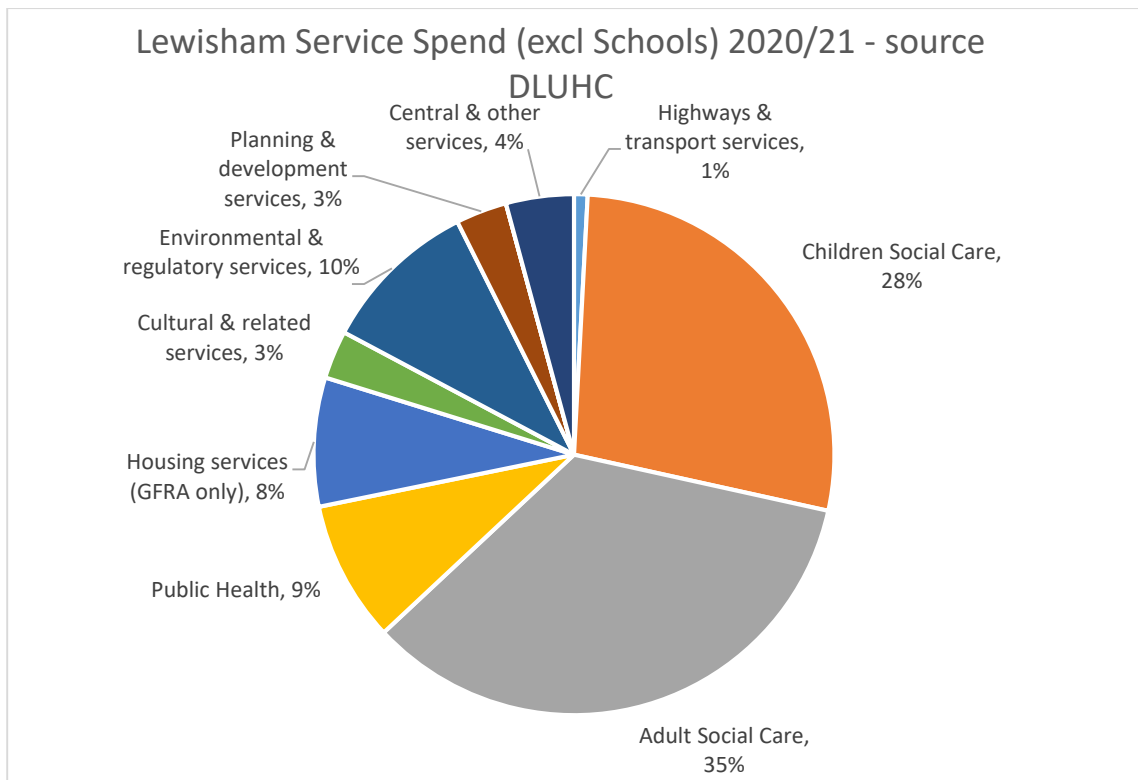


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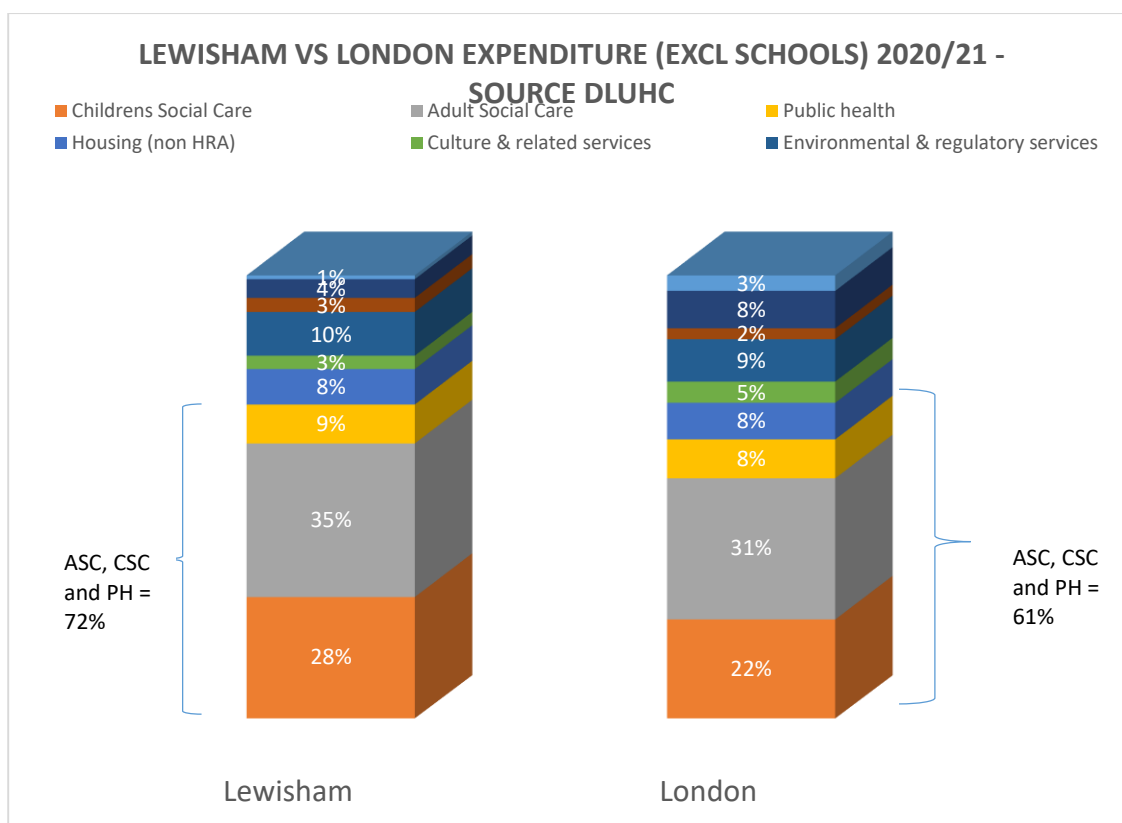
- 6.4. In 2010/11, 52% of the Council's general fund service spend was on social care. By 2020/21, that had increased to over 70% across adult and children social care services and including the new public health responsibilities.
- 6.5. This position is not unique to Lewisham as can be seen when comparing the 2020/21 position to that of the combined position for other London Boroughs in the bar chart below.

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6.6. Since 2010-11, the Council has used reserves to support the setting of a balanced budget for five of these years. Whilst this protected frontline services, it has meant that budgets have been artificially held higher than funding allowed for. Furthermore, there have been persistent overspends in latter years, which has meant that the Council has had to set increasingly challenging cuts targets.

COVID-19 and overspending in 2021/22

6.7. The impact of COVID-19 has been significant in terms of additional costs and lost income. At the end of September the impact for this year was estimated at £25m. To date, the committed government support covers the full impact, however this may be insufficient as new variants of concern emerge and if further restriction measures are brought in before the end of year with the position continuing to change. The collection fund continues to be impacted as well with a gap of £12m built into future years.

6.8. There are £5.5m of undelivered cuts being charged to Covid as well, and services are implementing plans to achieve these for the year 2022/23 as well as £9m of cuts for 2021/22 which have not yet been achieved in full. The full detail of these cuts and their current status is explored in the financial monitoring report at M&C on the 6 October. These cuts will still have to be made as the Council recovers from COVID-19 as any shortfall this year, and indeed into next year, will have to be met from further budget reduction measures or reserves.

6.9. The work to find in-year savings and preserve cash to limit the call on reserves while the Council responds to Covid and identifies and agrees budget reduction measures continues. From October, tighter spending and recruitment controls have also been introduced to extend the restrictions on any non-essential spend.

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## Looking forward – MTFS and Local Government Finance Settlement

- 6.10. The Medium Term Financial Strategy (MTFS), agreed by M&C on the 14 July 2021 identified an anticipated funding gap over the next three years of £18.3m with £2.3m for 2022/23 in addition to the £10.4m of budget reductions already agreed in 2021.
- 6.11. Over the period July – October 2021 it became evident that, due to the extension of the Covid pandemic and the resultant shrinkage in the UK and global economy, pressures were arising within services which could not be managed or mitigated within the allocation for this in the MTFS.
- 6.12. The Executive Management Team (EMT), in consultation with the Mayor and Cabinet, began the process of identifying budget reduction measures that would not only meet the initial MTFS gap of £2.3m but would also allow these new pressures to be funded.
- 6.13. Alongside the process of seeking budget reduction proposals, actions to mitigate and manage the continuing and growing pressures arising from Covid and changes to ways of working were also developed, as these are not expected to be funded in full through either more once-off covid resources from government or an increase in core funding at this point in time.
- 6.14. The Provisional Local Government Settlement (PLGS) was announced on the 16 December 2021. The announcement was slightly better than that assumed and modelled in the MTFS, which has meant that the budgetary gap has reduced to £1.4m.
- 6.15. However, much of the new or increased funding available for 2022/23 are one-off grants which cannot be taken into the Council's base budget. This, coupled with the fact that the settlement is only for one year and the uncertainty as to how the Fair Funding review will be implemented means that it is imperative that the Council continue to identify and agree budget reduction measures for 2022/23.
- 6.16. The existing proposals of £10.4m and the new proposals of £1.4m presented in this report, if agreed, would enable the Council to set a balanced budget for 2022/23.

## **7. Thematic Approach and Cuts Proposals**

### General

- 7.1. The approach to developing the officers' draft proposals for cuts this year continued the approach adopted last year which was intentionally more strategic and collaborative. Not only at the officer level with more collective working at Executive Director, Director and senior manager level across Directorate boundaries but also with Members through two sessions across the six themes to discuss and collect as many perspectives and ideas as possible. This section sets out by theme:
  - a general description of the theme and ground covered;
  - a summary of the ideas which continue to be developed but are not as yet formed proposals; and
  - a list of the proposals by theme with supporting detail accessed via the navigation sheet at Appendix 1 and detailed proposals in the Appendices 2 to 7.
- 7.2. For those more medium term ideas for which firm proposals have not yet been developed, plans will need to be fully assessed to understand the possible need for investment, in particular invest to save on specific areas. This might include for example, digital, automation, assets use, and parking arrangements.
- 7.3. In summary the cuts proposed for the next three years by theme are:

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Theme	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total
A. Productivity	0	0	0	0
B. Partnership working	0	0	0	0
C. Service design	999	25	0	1,024
D. Asset optimisation	111	224	195	530
E. Commercial Approach	145	125	0	270
F. Demand Management	170	0	0	170
<b>TOTAL</b>	<b>1,425</b>	<b>374</b>	<b>195</b>	<b>1,994</b>

- 7.4. It is inevitable that some services will be reduced or stopped altogether. However, the approach has been to look to increase income streams and deliver efficiencies through service re-design wherever possible, rather than cutting services. Where services have been stopped or reduced this can be revisited at a future date, funding permitting.
- 7.5. The reduction measures across the themes have also been reviewed to ensure that where services are being reduced or stopped the impact of doing so is assessed, mindful in particular of the risk of cost shunts to other services. This includes an assessment of the equality implications.
- 7.6. The proposals are itemised by theme below with the full supporting detail in the proforma provided in the appendices to this report.

#### A – Staff productivity

- 7.7. Over the past three years the Council has been on a significant journey to improve the availability, flexibility and security of its technology infrastructure. This was further boosted with the rapid and successful move at the start of the COVID-19 response to getting all staff online and able to work remotely and across different services.
- 7.8. The investments to make these changes were also about seeking to streamline decision making and automate more transactional work to make processes more efficient and capture a productivity gain. The theme focuses on how these benefits are being tracked and where necessary identify where fewer resources are now needed.
- 7.9. This theme is not limited to productivity from technology. It also considers where working practices and related human resources policies and governance arrangements can be updated to help staff and teams better collaborate and integrate to provide improved more streamlined services for users.
- 7.10. There were no specific new proposals generated in this theme for 2022/23 – 2024/25 which require a decision to implement. However a number of opportunities continue to be explored and developed and may be brought forward in a future cuts round. They include:
- 7.11. Improving Productivity through localised decision making and recalibrating attitude to risk. It was recognised that while there were lots of ideas about how we could streamline processes in different parts of the Council, there was not a “one size fits all” solution to deliver “cashable savings”. It was proposed that we develop a “toolkit” of potential ideas that could help services to decide how to manage within reduced budgets. This may mean at times the Council might have to review its risk tolerances for example slower response times, looking to partners or the community for solutions or increasing thresholds for access to services.
- 7.12. Specific ideas cited as examples:
- Review of skill mix to make sure that where possible, tasks are taken away

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from more expensive staff (e.g. managers or social workers) and completed by an appropriately skilled workforce of business support. However, transfer of activity does not equate to delegation of accountability. Examples included authorising leave, Oracle payments, or agency staff invoices etc. This could enable services to redesign their establishment to work within reduced cash envelopes.

- Exploring how we use our systems to get suppliers, residents or businesses to undertake tasks for us – for example, using portals to upload invoices, original documents etc.
- Exploring how we can use partnership arrangements to reduce duplication, for example, using information and data collected by partners to support decision making instead of doing everything ourselves (e.g. Trusted Assessment).
- More efficient recruitment processes reducing the length of time for individual appointments – thus minimising agency spend in high turnover areas.

7.13. Where services develop specific opportunities or approaches (e.g. piloting a given approach) outputs from this are fed back to other areas to support learning.

7.14. Another possible area to improve our productivity is via the opportunity to centralise applications support across the Council. The full analysis of service areas will be undertaken to establish where there is IT application and administration support undertaken in service teams and assess whether this would be more efficiently delivered via a centralised model. This initiative does not necessarily mean pulling everything back to a single central function, but it may mean pooling resources across similar functions.

#### B – Partnership working and collaboration

7.15. The Council continues to listen and consult with its partners to understand how the impact of COVID-19 and the resulting economic and community changes are driving different needs and expectations for Council services going forward.

7.16. This theme explores and pushes the boundaries of how we currently work differently within the Council but also how we work with our residents, our communities, our voluntary sector, anchor institutions and strategic partners. As well as addressing the immediate financial challenge this work will also lay the foundations for longer term successful working.

7.17. The driver for our Resident's Experience programme is to improve the quality of our services and improve the experience of interacting with the Council for our residents. By understanding our resident's needs, and designing our services around these, we should inevitably improve our processes through streamlining them and improve our communication and empowerment for residents. At this stage, the programme is about to start the discovery work which will identify the areas and size of opportunity and the potential for benefits including savings against these areas. The programme should deliver savings whilst improving experience for our residents. Channel shift opportunities are being considered as part of this work, recognising this has historically proven difficult to deliver savings against without also reducing our ability to deliver successful outcomes for our residents.

7.18. The Council will make a commitment to explore how we continue to work not just with our established anchor institutions but with other colleges and universities on the creation of work placements to attract students to Lewisham. This will help tackle the skills shortages in Lewisham for social workers, planners, teachers and other hard to

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recruit to professions. Although this will not realise savings during this Medium Term Financial Plan, working closely with further and higher education institutions to attract skilled people can only improve the productivity of our workforce.

- 7.19. The biggest strand of this theme is working closer with our health partners and redressing the balance of how services are funded going forward. We will prioritise the assessment of care packages so those with the most complex need and those most likely to be eligible for support from health services receive it. This will apply to care packages for children and adults.
- 7.20. We recognise that our voluntary sector partners have played a strong role in providing continued support to our community to reduce the pressure on council services, for example reducing social isolation of our vulnerable adults and supporting their wellbeing. We will continue to seek efficiencies in the delivery of the Civic Events programme through working in partnerships with other organisations, seeking match funding wherever possible and sponsorship where appropriate.
- 7.21. There were no specific new proposals generated in this theme for 2022/23 – 2024/25 which require a decision to implement. However a number of opportunities continue to be explored and developed and may be brought forward in a future cuts round. They include:
- 7.22. Information sharing with partners and third party suppliers. The intention would be to review those services that commission external delivery partners to manage and process data on our behalf as part of the contractual arrangements in place. Where possible this reliance will be removed from the scope of the contract and systems and/or data will be provided by the Council to enable those suppliers and partners to manage their data processing responsibilities. The primary objective is to reduce our reliance on third parties, but it may also deliver cost savings.
- 7.23. Further suggestions which are being considered include:
- Looking to consolidate the use of the public estate in Lewisham, co-working with partners from a smaller foot print to save costs and extend joint working in support of changing and more agile working practices experienced through the COVID-19 pandemic.
  - Review the direct and indirect (e.g. discounted rents) support provided to the voluntary and community sector, and ensure scarce resources are effectively shared to help the reduced investment the Council can support to go as far as possible.
  - Explore increased and improved shared and joint opportunities to access grant funding with partner organisations to support core services. Building on the success of this approach in housing and the borough of culture seek to ensure that we access all external sources of funding where these are available for joint initiatives with appropriate partner organisations.
  - The implications of exiting certain services where alternative private or other public sector provision is available. For example; youth centres, crematorium, sports centres, and others.

### C – Service design

- 7.24. Extending the productivity theme above, there will be opportunities to change how the Council engages with customers and delivers services. For example; our front door services operated largely online and via the call centre with appointments available where necessary for the majority of 2020/21. There are also opportunities, through better collaborative working, to review how different services serving the same

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customers might better come together to do this.

- 7.25. In addition to the approach to engagement with external customers, this theme also looked at the relationships and role of corporate functions supporting frontline delivery. This is the theme that has probably received the most attention in previous years as a means to protecting front line services. Nonetheless, there are significant benefits from having a stronger strategic focus on customer service and digital changes which will, when coordinated via the PMO, provide opportunities to realise further savings and strengthen the organisation's culture.
- 7.26. The individual proposals put forward for this theme (see details at Appendix 2) are:

Ref*	Title	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
C-35	Specialist social care support review	177	0	0	177
C-36	Reduction of commissioned care leaver housing costs	600	0	0	600
C-38	Strategic development team cost capitalisation	100	0	0	100
C-39	Aligning the Kickstart scheme with Government plans	25	25	0	50
C-40	Substance misuse – contract review and staffing	92	0	0	92
C-44	Removal of graffiti from private property	5	0	0	5
	<b>Theme total</b>	<b>999</b>	<b>25</b>	<b>0</b>	<b>1,024</b>

\*some references are missing from the sequence. This is because some proposals initially in development are not yet ready to be presented as fully costed cuts but may come forward in subsequent rounds.

- 7.27. In addition; a number of opportunities continue to be explored and developed and may be brought forward in a future cuts round. They include, with some overlap to other themes:
- 7.28. A proposal to review services to seek to explore where these could more effectively and efficiently delivered as a shared service with other boroughs. The shared services model works well where there are economies of scale that can be maximised and where there is synergy between policy or regulatory frameworks under which the services operate. Whilst it's more common for non-frontline services to operate this model, there are currently shared services in health, such as tri-borough commissioning of sexual health services which can be further explored or used as exemplars. The opportunity to join existing shared services will also be considered, such as the South London Legal Partnership or similar. The Council has experience of successful shared services via its shared ICT and so can draw on the lessons learnt from this.
- 7.29. Similar to the sharing of services, it is also considered appropriate to review outsourcing models, and whether there is the opportunity to seek to transfer

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responsibility for certain services to either external organisations, other anchor institutions or the third and voluntary sector. The creation of longer term partnerships rather than short term contracts would be considered as this can mitigate in part some of the risks perceived with outsourced services, including loss of control. This would be considered where there are clear and tangible benefits of doing so that ensured quality of outcomes for residents whilst delivering efficiencies.

- 7.30. Another proposal that has come forward looks at how services might be redesigned if the Council's attitude and approach to risk were to be amended. This includes opportunities to look at streamlining public engagement, access to information, responses to questions, schemes of delegation and decision making, all of which could allow for service efficiencies to be delivered. This would include our procurement regulations and accounting policies as well. The review will carefully explore the additional risk that these changes might introduce and balance this with the likely financial gain from these changes.
- 7.31. Further suggestions which are being considered include;
- Encouraging more residents to recycle by increasing the number of local disposal facilities and supporting community skips.
  - Enable place-based cleaning and waste removal through the integration of operational teams.
  - Further and deeper integration of services across Directorates and working with housing with a view to the customer / family journey to deliver less costly and better outcomes for the more vulnerable residents (e.g. care leavers).

#### D – Asset optimisation

- 7.32. As well as looking at the revenue budget considerations, it is important that the Council also reviews its assets and capital programme to maximise efficiencies where possible. With changing ways of working and different service delivery mechanisms the Council may no longer require the same asset base. From this work there could be running cost savings and there may be some one-off receipts that could be used to invest in transformation plans and outcomes which take longer to realise. These changes need to be balanced with the need for the majority of the cuts currently anticipated next year.
- 7.33. Through this significant strategic theme the Council can unlock social, economic and financial benefit from its considerable landholdings within Lewisham. These range across a broad base of office, commercial and service/operational estate. The Executive Management Team (EMT) has commissioned work to explore the potential to utilise some parts of the asset base in a measured and sensitive way to release value that can help address the budget gap. It should be stressed at the outset that this review in no way seeks to sell core parts of the service and operational estate – nor to sell strategic assets. The shared challenge has been to re-purpose under-used parts of the Council's asset/estate base in a way that 'unlocks' value over time.
- 7.34. The individual proposals put forward for this theme (see details at Appendix 3) are:

Ref	Title	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
D-10	Commercial Estate Review	0	50	100	150
D-11	Business Rates revaluation of Council owned properties	100	50	0	150

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Ref	Title	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
D-12	Asset Use Review and Regularisation	0	15	85	100
D-13	Review of commercial opportunities for nurseries within children's centres	11	9	0	20
D-14	Facilities Management	0	100	10	110
	<b>Theme total</b>	<b>111</b>	<b>224</b>	<b>195</b>	<b>530</b>

7.35. In addition; a number of opportunities continue to be explored and developed and may be brought forward in a future cuts round. They include, with some overlap to other themes:

- Seek to retain assets and keep them in use where this may be more cost effective than mothballing them. If the assets are not required for direct Council services seek to bring other community, voluntary or partnership organisations in.
- Investigate whether Council assets could be converted/made suitable for the provision of high needs services rather than relying on external parties to provide these as part of procured services.
- Work alongside and more actively promote private sector delivery of housing supply to increase suitable and necessary housing in the borough to complement that which we are providing under the Building for Lewisham programme. This not only increases much needed housing supply in the borough but increases the Council tax revenue base, generating income to support services and could be delivered either independently of or in partnership with the Council.
- Improve our data management and insight to ensure that we are able to accurately forecast demand (schools, housing, etc.) and then focus delivery of assets to match this local demand and reduce the risk of asset underutilisation.
- Ensure that the proposals coming forward in both the capital programme and the budget setting process fully align with and consider the Catford master plan.
- Review surplus vacant/empty assets that costs money to maintain or mothball and seek to dispose of such properties in order to generate capital receipts that can be reinvested into the Council's strategic asset base.

#### E – Income generation and commercialisation

7.36. PASC's investigations over the past few years, have demonstrated that as well as traditional methods of looking after the Council's finances, councils can and do develop new ideas and innovations to produce income and create value. Services functioning well from a financial perspective are more able to be responsive to the needs of those using their services.

7.37. Commercialisation is about more than just chasing financial returns. The focus with this approach is improving services and ensuring that resources are available to

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protect the most vulnerable. 'Thinking commercially' is a mind-set that prioritises the best use of resources – whether financial or otherwise. In an organisation such as the Council, a commercial mind-set with a public sector ethos becomes an important part of its culture.

- 7.38. The Council has been championing the development of greater commercial understanding and rigour in its service offering. This has been around achieving greater social value as well as financial return from engaging in such activities. This work, through this theme, assesses the culture and approach to considering risk and reward in the Council's commercial dealings and collection of debt. It also reviews how sales, fees and charges are set relative to benchmarks and assesses market potential to ensure rates are set at the optimum level in line with the Council's priorities, examples of this include the introduction of emissions based charges for parking and the extended use of controlled parking zones (CPZs), ensuring that funding is available to support the maintenance of the borough's highways, roads and travel network.
- 7.39. The Council currently runs a number of traded services. The most significant being services to schools, the environmental services for commercial and garden waste, and bereavement services. The Council does not have to be in these business areas as fully as it currently is with options to change how much they support or contribute to core service delivery. As well as linking to the commercial discussion (i.e. cost recovery), there will be questions of strategic policy fit and risk that continued delivery of these services can be assessed against.
- 7.40. The Council has a number of key commercial partners, some significant contracts for key line of service delivery and systems, and uses a large number of smaller local contractors for a variety of work. In total, the Council spends over £200m annually with third parties. This theme will review how these contracts are being managed to identify opportunities to improve performance and also to plan further in advance how they may be retendered to ensure the Council has the most opportunity (time and choice) to improve value for money from these service areas.
- 7.41. The individual proposals put forward for this theme (see details at Appendix 4) are:

Ref	Title	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
E-12	Building Control Service Efficiency	20	30	0	50
E-14	Changes to leisure concessions for older people	95	95	0	190
E-15	Seek corporate sponsorship for Festive Lighting	30	0	0	30
	<b>Theme total</b>	<b>145</b>	<b>125</b>	<b>0</b>	<b>270</b>

- 7.42. In addition; a number of opportunities continue to be explored and developed and may be brought forward in a future cuts round. They include, with some overlap to other themes:
- Improved use of CIL and S106 funding. The current proposal looks to make a targeted effort in the very short term to review the capital programme and look at opportunities to replace borrowing and/or base budget funds with S106 and/or CIL. The approach to be adopted is to work across the organisation to allocate S106 and CIL and improve the use of this to support the capital

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programme will take place over the coming months to look at opportunities to support the setting of the capital budget before the start of next financial year. Whilst this is not a revenue budget reduction it will improve capacity in the capital programme.

- Extending possible traded services, for example arboreal or garden services with in-house parks service.
- Identifying areas for more extensive enforcement to improve general environment – e.g. fly tipping and littering, estate agent boards not removed etc. This will also include exploring working with and supporting businesses and traders to install CCTV to address fly tipping.
- Ensuring services are open to and seeking out grant support and other investment partners to support council service delivery in the Borough.
- Continuing to strengthen the commercial skills in those letting contracts and commissioning services to secure the best value for money.
- Review the methods of enabling residents and businesses to report and provide evidence to facilitate enforcement.

#### F – Demand management and behaviour change

- 7.43. As much as the Council has a significant number of statutory services to deliver it also has discretion about how it does so. This enables services to ensure the value for money of provision within the overarching responsibility for stewardship of the public pound. Aligned with this, preventative work can lead to better outcomes for less cost in the long run compared to the need for crisis intervention.
- 7.44. For the Council's largest services (in budgetary terms), in particular adult and children social care but also environment services when considering levels of waste, how this translates into demand management around when users are engaged with the support they are offered has a the potential for promoting greater independence with significant positive budget impacts.
- 7.45. The approach to this theme has been to explore opportunities to focus on volume and cost and the means by which they can be reduced, diverted, or shared. A fundamental principle in adult social care especially is about promoting greater independence for adults, and our ability to better manage demand through preventive action and a range of early help. The council is tracking the changes emerging from government policy for the future of health and social care and is developing an evidence based approach to implementing this. Most of all the bedrock of adult social care needs to build on the importance of assisting people to maximise their life opportunities and to support greater moves towards independence. The work already underway as part of the review of the delivery of Adult Social Care, coupled with the improvements in the systems used to support and deliver these services, means that we will be better able to measure the effectiveness of the interventions that are available. This will include the establishment of more rounded and detailed set of performance measures that will enable the impact of a refreshed approach to promoting independence (and managing demand) to be better understood whilst enabling costs to be taken out of the system. We will also continue to look at shared pathways with our health partners to achieve better outcomes.
- 7.46. The individual proposals put forward for this theme (see details at Appendix 5) are:

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Ref*	Title	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
F-25	Road Safety – new yellow boxes	150	0	0	150
F-26	Subscriptions	20	0	0	20
	<b>Theme total</b>	<b>170</b>	<b>0</b>	<b>0</b>	<b>170</b>

\*some references are missing from the sequence. This is because some proposals initially in development are not yet ready to be presented as fully costed cuts but may come forward in subsequent rounds.

7.47. In addition; a number of opportunities continue to be explored and developed and may be brought forward in a future cuts round. They include, with some overlap to other themes:

- Prevention and early intervention model to reduce the need for crisis interventions. Ensure service provision is in place and teams trained and supported to secure the good work to move to early help and prevention at less cost and limit the demand for the expensive intensive intervention settings, other than in the limited cases where they may be needed.
- Clarity is required with regards to the levels of statutory provision across the Council and the cost of this versus discretionary services. There is consideration of a zero-based budgeting exercise which builds budgets up on the basis of funding statutory services first, whilst looking for the most efficient delivery model of these, and then seeking to budget for and fund those services which are discretionary. This exercise is challenging and resource intensive but will allow improved clarity as to where to focus attention in order to achieve the most significant improvements and transformation.
- Explore different ways of working with and supporting voluntary/community organisations, especially post pandemic to draw on the learning from how to co-deliver services and maximise benefit for residents.
- Improve our awareness of and success in applying for and securing grants, and ensure that we work with and support the third sector to secure sustainable funding.
- Exploring new approaches for housing, both temporary and permanent accommodation, including targeted measures such as seeking to match those requiring housing with those in under-occupied homes.

#### Previously Agreed Proposals

- 7.48. As part of setting the 2021/22 budget a number of budget reduction proposals were reviewed by Members and then agreed by Mayor and Cabinet on the 9 December 2020 and the 3 February 2021. Those proposals which impacted on the 2021/22 budget were then incorporated into the Budget Report agreed by full Council on the 3 March 2021. Many of the proposals contained measures for 2022/23, which totalled £10.4m. The summary list of these and the detailed proformas are in Appendix 6.
- 7.49. Mayor and Cabinet are asked to reconfirm agreement for these proposals to be included in the budget for 2022/23.

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## 8. Timetable and Decisions

### Timetable

- 8.1. The key dates for considering the budget reduction report via scrutiny and Mayor and Cabinet (M&C) are as follows:

12 January	Healthier Communities
13 January	Safer Stronger
18 January	Sustainable Development
20 January	Housing
26 January	CYP
27 January	PASC
2 February	Mayor and Cabinet

- 8.2. Subject to the decisions at M&C on the 2 February the budget reduction measures will be implemented by officers in line with the decision making route (see below). This will allow those proposals agreed to progress, including those requiring consultation, to be either concluded or well developed before the end of this financial year so that a full year financial effect is achieved for 2022/23.

### Decision making process

- 8.3. The decision making process for the proposals depends on the nature of each individual measure being proposed. The decision depends on the scale and impact of the proposal and the actions required to deliver it. For example; a proposal requiring staff consultation can either be reserved by Mayor and Cabinet to themselves or follow the usual delegation for employment matters to the Chief Executive. In either case the decision can only be taken after completion of the consultation and a full report setting out the equalities, legal and financial implications for the decision maker.
- 8.4. The table below shows the combination of criteria possible for a proposal (the first three rows) with the remaining rows identifying the options for concluding the decision available to Mayor & Cabinet.

### **Options for Decisions**

Decision combinations	1	2	3	4	5	6
Key Decision - >£500k and/or specific ward impact	N	Y	Y	N	Y	Y
Public Consultation	N	N	Y	N	N	Y
Staff Consultation	N	N	N	Y	Y	Y
Decision routes for M&C						
M&C agree to consult – proposal to return to M&C for decision			✓	✓	✓	✓
M&C take decision – no consultation required	✓	✓				
Delegate to Exec. Dir. to consult and take decision				✓	✓	
Delegate to Exec. Dir. – no	✓	✓				

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consultation required						
Other – e.g. seek clarification, reject, endorse.	✓	✓	✓	✓	✓	✓

8.5. The decision combinations for each new proposal are summarised in the navigation sheet at Appendix 1.

## 9. Financial implications

9.1. This report is concerned with the cuts proposals to enable the Council to address the future financial challenges it faces. There are no direct financial implications arising from the report other than those stated in the report and appendices itself.

## 10. Legal implications

### Statutory duties

10.1. 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

10.2. 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

10.3. 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.

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## Equalities Legislation

- 10.4. 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.
- 10.5. 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.
  - 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.
- 10.6. 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.
- 10.7. 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.
- 10.8. 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>
- 10.9. 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.
- 10.10. 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

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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>

10.11. 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.

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

#### The Human Rights Act

10.13. 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.

10.14. 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         |

10.15. The first protocol to the ECHR added

- |           |   |   |
|-----------|---|---|
| Article 1 | - | the right to peaceful enjoyment of property |
| Article 2 | - | the right to education                      |

10.16. 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

10.17. 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.

#### Specific legal implications

10.18. Members’ attention is drawn to the specific legal implications arising in relation to particular proposals set out in the relevant proforma in Appendices 2 to 7 of this report and Appendix 8 which is a summary of specific legal implications for each budget cut proposal.

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## Equalities Implications

- 10.19. Detailed policy and equality implications have been appended to this report as Appendix 9.

## **11. Equalities implications**

- 11.1. Proformas included in Appendices 2 to 7 consider the service equalities impact for each proposed cut. This identifies whether the cut 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. A detailed review of the policy and equality implications across all cuts is included within the attached Appendix 9 and has been reviewed by Safer Stronger and PASC.

## **12. Climate change and environmental implications**

- 12.1. 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”
- 12.2. The specific climate change and environmental implications identified as arising from the current cuts proposals will require further consideration, however, those flagged as likely to impact positively on our ability to conserve biodiversity.

## **13. Crime and disorder implications**

- 13.1. 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.
- 13.2. Whilst there are no specific crime and disorder implications as yet identified as arising from the current cuts proposals, a number of these will require further consideration as to whether these will impact either positively or negatively on our ability to reasonably prevent crime and disorder.

## **14. Health and wellbeing implications**

- 14.1. The specific health and wellbeing implications identified as arising from the current cuts proposals will require further consideration, however, those flagged as likely to impact either positively or negatively on the health and wellbeing of residents or service users is E14.

## **15. Background papers**

- 15.1. Previous reports setting the financial context
- 3 March 2021 – 2021/22 Budget report to Council

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- 10 June 2020 – Council’s response to COVID-19 – financial update report to M&C
- 9 July 2020 – First 2020/21 financial monitoring report to M&C
- 7 October 2020 – Financial stabilisation and budget update report to M&C

## 15.2 Appendices

1. Navigation sheet – new proposals
2. **C** – Service design
3. **D** – Asset optimisation
4. **E** – Commercial approach
5. **F** – Demand management
6. Previously Agreed Proposals
7. Specific legal implications – to follow for M&C
8. Summary equalities report
9. Making fair financial decisions

## 16. Glossary

16.1. The glossary below identifies the acronyms used in the report.

Term	Definition
CPZ	Controlled Parking Zone
CSR	Comprehensive Spending Review
DSG	Dedicated Schools Grant
ECHR	European Convention of Human Rights
EMT	Executive Management Team
FFR	Fair Funding Review
GF	General Fund
GLA	Greater London Authority
HR	Human Resources
HRA	Housing Revenue Account
LGA	Local Government Association
LGFS	Local Government Finance Settlement
M&C	Mayor & Cabinet
MHCLG	Ministry for Housing, Local Government and Communities
MTFS	Medium Term Financial Strategy
PASC	Public Accounts Select Committee
PMO	Programme Management Office
SLT	Senior Leadership Team (EMT plus Directors)

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Term	Definition
VFM	Value for Money

## 17. Report author and contact

- 17.1. David Austin, Director of Finance, 020 8314 9114, [david.austin@lewisham.gov.uk](mailto:david.austin@lewisham.gov.uk)
- 17.2. Katharine Nidd, Head of Strategic Finance and Procurement, 020 8314 6651, [Katharine.nidd@lewisham.gov.uk](mailto:Katharine.nidd@lewisham.gov.uk)

## 18. Comments for and on behalf of the Executive Director for Corporate Resources

- 18.1. The financial implications were provided by David Austin, Director of Finance, 020 8314 9114, [david.austin@lewisham.gov.uk](mailto:david.austin@lewisham.gov.uk)

## 19. Comments for and on behalf of the Director of Law, Governance and HR

- 19.1. The general legal implications were provided by Jeremy Chambers, Director of Law, Governance, and Elections, [jeremy.chambers@lewisham.gov.uk](mailto:jeremy.chambers@lewisham.gov.uk)

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