



Public Accounts Select Committee

Report title: 2022/23 Budget Report

Date: 27 January 2022

Key decision: Yes

Class: Part 1

Ward(s) affected: All

Contributors: Executive Director for Corporate Resources

Outline and recommendations

The purpose of this report is to set out the overall financial position of the Council in relation to 2021/22 and to set the Budget for 2022/23.

The report provides summary information on the revenue budget reduction proposals that were presented at Mayor & Cabinet on the 2 February 2022. The approval and successful delivery of these measures is required in order to help balance the budget for 2022/23 and prepare to address the budget requirement for 2023/24.

Public Accounts Select Committee are asked to review the draft Budget Report 2022/23 appended, and to approve and refer on to Mayor and Cabinet on 9 February 2022.

Timeline of engagement and decision-making

Budget reduction proposals totalling £10.4m were approved by Mayor and Cabinet on the 9 December 2020 and the 3 February 2021.

The Council Tax Base was approved by Council on the 19 January 2022.

Budget reduction proposals totalling £1.4m were approved by Mayor and Cabinet on the 2 February 2022.

1. Summary

- 1.1 The appended draft report sets out the context and range of budget assumptions which Council is required to agree to enable it to set a balanced budget for 2022/23. These include the General Fund, grants, fees and charges, and schools funding.

2. Recommendations

- 2.1 Public Accounts Select Committee are asked to review the draft Budget Report 2022/23 appended, and to approve and refer on to Mayor and Cabinet on 9 February 2022.

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.

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Values

- 3.2 Values are critical to the Council's role as an employer, regulator, and 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.

Future Lewisham

- 3.3 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.
- 3.4 The setting of a balanced budget for 2022/23 directly supports the theme of an economically sound future for the borough and its residents.
- 3.5 As noted in the 2021/22 budget, the Council's strong and resilient framework for prioritising action has served the organisation well in the face of austerity and on-going cuts to local government spending. This continues to mean, that even in the face of the most daunting financial challenges facing the Council and its partners, we continue to work alongside our communities to achieve more than we could by simply working alone.
- 3.6 This joint endeavour helps work through complex challenges, such as the pressures faced by health and social care services, and to secure investment in the borough, for new homes, school improvements, regenerating town centres, renewed leisure opportunities and improvement in the wider environment. This work has and continues to contribute much to improve life chances and life opportunities across the borough through improved education opportunities, skills development and employment. Of course, there is still much more that can be done to realise our ambitions for the future of the borough; ranging from our work to support housing supply and business growth, through to our programmes of care and support to some of our most vulnerable and troubled families.
- 3.7 It remains clear that the Council cannot do all that it once did, nor meet all those expectations that might once have been met, for we are in a very different financial position than just a decade ago. Severe financial constraints have been imposed on Council services with budget reductions to be made year on year on year, and this on-going pressure is addressed in this report, incorporating further budget reduction proposals for 2022/23 and noting the continued outlook for austerity to at least 2024/25. This is pending the outcome of the Fair Funding Review (FFR) and Business Rates Retention (BRR) consultations now expected to be announced in 2022/23 at the earliest.

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- 3.8 The impact of COVID-19 has been significant in terms of additional costs and lost income. At the end of November 2021 the impact for this year was estimated at £23.6m. 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 assumptions for future years.
- 3.9 At the same time, as set out at section 6 of the report, the use of resources to address risks and pressures through positive investments is an opportunity. This spending deals with existing pressures and supports the Council in refocusing and changing services where new opportunities and expectations for how the Council can better deliver them to support the community are identified. Being forward looking will support Lewisham's recovery from the Covid-19 pandemic and help the Borough thrive again.
- 3.10 Infection rates continue to remain high (in our borough, across London and the UK as a whole) and we are again ensuring that those critical services can continue to be delivered with minimal interruption, whilst accepting that non critical service delivery may be impacted. We continue to face the challenge of needing to simultaneously respond to the pandemic, continue to implement the Future Lewisham plan for the long-term recovery of the borough, set a balanced budget for next year, and set the financial basis for the internal recovery of the Council in the coming years.

4. Structure Of The Report, Policy Context, And Background

- 4.1 The 2022/23 Budget Report is structured as follows:

Section 1	Summary
Section 2	Recommendations
Section 3	Policy Context
Section 4	Structure of the Report, Policy Context, and Background
Section 5	Background
Section 6	General Fund Revenue Budget and Council Tax
Section 7	Other Grants and Future Years' Budget Strategy
Section 8	Dedicated Schools Grant and Pupil Premium
Section 9	Consultation on the Budget
Section 10	Financial Implications
Section 11	Legal Implications
Section 12	Equalities Implications
Section 13	Climate Change and Environmental Implications
Section 14	Crime and Disorder Implications
Section 15	Health and Wellbeing Implications
Section 16	Background Papers
Section 17	Glossary
Section 18	Report Author and Contact
Section 19	Appendices

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5. Background

- 5.1 This section in the appended draft report sets out the main national macro-economic and public spending position, the current position in respect of local government finance, the impact of Covid-19 on the Council and its recovery plans, and some of the key Council services as context for the Budget spending details.

6. General Fund Revenue Budget And Council Tax

- 6.1. This section in the appended report considers the General Fund revenue budget and Council Tax. The General Fund budget for 2022/23, assuming a Council Tax increase of 2.99%, is £248.610m. Details of the budget reduction measures approved for 2022/23 are provided at Appendices Y1 and Y2.
- 6.2. It is structured as follows:
- Update on 2021/22 Revenue Budget;
 - The Budget Model;
 - Budget Reduction Proposals;
 - Council Tax for 2022/23; and
 - Overall Budget Position for 2022/23.

7. Other grants and future years' budget strategy

- 7.1. This section of the appended report considers the other funding streams which the Council currently receives and implications for future years. The critical point for the budget is that spend of these grants is managed by the Council to ensure commitments are maintained within the resources available. This is to avoid putting pressure on the General Fund.
- 7.2. These other funding streams are Public Health, Better Care Fund, and various other grants. This section of the report is structured as follows:
- New Homes Bonus;
 - Better Care Fund and improved Better Care Fund 2022/23;
 - Public Health Grant 2022/23;
 - Social Care Grant;
 - Adult Social Care Precept;
 - Lower Tier Services Grant;
 - Market Sustainability and Fair Cost of Care Fund; and
 - Services Grant

8. Dedicated schools grant and pupil premium

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- 8.1. This section of the appended report sets out a summary of the current year funding blocks for schools, and considers the funding for the 2022/23 budget, and considers risks and pressures arising

9. Consultation on the budget

- 9.1 In setting the various budgets, it is important to have extensive engagement with citizens to consider the overarching challenge facing public services in Lewisham over the next few years. To this end, the Council has undertaken a range of engagement and specific consultation exercises. The appended report sets this out.

10. Financial implications

- 10.1 The financial implications are as contained within the appended draft report for Mayor and Cabinet.

11. Legal implications

- 11.1 The legal implications are as contained within the appended draft report for Mayor and Cabinet.

12. Equalities implications

- 12.1 The equalities implications are as contained within the appended draft report for Mayor and Cabinet.

13. Climate change and environmental implications

- 13.1 The climate change and environmental implications are as contained within the appended draft report for Mayor and Cabinet.

14. Crime and disorder implications

- 14.1 The crime and disorder implications are as contained within the appended draft report for Mayor and Cabinet.

15. Health and wellbeing implications

- 15.1 The health and wellbeing implications are as contained within the appended draft report for Mayor and Cabinet.

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16. Background papers

Short Title of Report	Date	Location	Contact
Medium Term Financial Strategy	14 July 2021 (M&C)	1st Floor Laurence House	David Austin
Budget Reductions Report 2022/23	2 February 2022 (M&C)	1st Floor Laurence House	David Austin
Council Tax Base	19 January 2022 (Council)	1st Floor Laurence House	David Austin

17. Glossary

Term	Definition
Collection Fund	A statement that shows the transactions of the billing authority in relation to non-domestic rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.
General Fund	This is the main revenue account which summarises the cost of all services (except those related to Council Housing and Locally Managed Schools) provided by the Council.
Housing Revenue Account	Reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure and how this is met by rents, subsidy and other income.
Reserves	Amounts set aside for purposes falling outside the definition of provisions made above are considered as reserves.
Revenue Support Grant	A general grant paid by Central Government to local authorities to help them finance the cost of their services, distributed on the basis of government relative needs formulas.

18. Report author and contact

David Austin – Director of Finance david.austin@lewisham.gov.uk

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Financial implications on behalf of the Executive Director for Corporate Resources were provided by the report authors.

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Legal implications on behalf of the Monitoring Officer were provided by Katherine Kazantzis.

19. Appendices

Draft Budget Report 2022/23

- Y1 Summary of previously agreed budget reduction proposals for 2022/23 (Approved 2021)
- Y2 Summary of previously agreed budget reduction proposals for 2022/23 (Approved 2022)
- Y3 Budget reduction proposals - allocation to Base Budget and Overspend
- Y4 Ready Reckoner for Council Tax 2022/23
- Y5 Chief Financial Officer's Section 25 Statement – to follow
- Y6 Council Tax and Statutory Calculations
- Y7 Summary of risks and pressures to be funded
- Y8 2022/23 Proposed Fees and Charges
- Y9 Making Fair Financial Decisions

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