



Business Ratepayer Consultation

Proposed Budget 2025/26

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1. Introduction

The London Borough of Lewisham is committed to engaging with its business ratepayers to consult on the estimated General Fund budget for 2025/26. This will allow local businesses to have a say on the proposals the Council is making regarding its 2025/26 spending plans, which will impact businesses and the wider community.

Please note, this consultation is based on the budget presented within the Medium-Term Financial Strategy (MTFS) agreed by Mayor and Cabinet on 10th of July 2024, plus the MTFS Update presented to Mayor and Cabinet within the Period 4 Financial Monitoring Report on the 23rd of October 2024. The full effects of the Chancellor's Budget of the 30th of October 2024, the anticipated policy statement and the provisional Local Government Finance Settlement are not included at this stage. The 2025/26 General Fund net revenue budget will be presented to Mayor and Cabinet on 12th of February 2025, and Full Council on 5th of March 2025.

Business rates is a tax that is levied on non-domestic properties, such as shops, offices, and warehouses. The tax is used to fund local services, including social care for adults and children, libraries, street lighting, waste collection and public parks. The amount of business rates payable is based on the rateable value of the business' properties, which is determined by the Valuation Office Agency (VOA). The most recent VOA revaluation came into effect on 1st of April 2023.

This consultation paper sets out the key relevant elements of the Council's indicative General Fund net revenue budget for 2025/26 and gives an opportunity for questions to be asked about the Council's priorities and the alignment of these priorities to service budgets. As a business ratepayer in the Borough, we welcome any comments or observations you have on either the general budget arrangements or the services the Council provides using business rates, along with council tax, grants, and fees income.

Your responses during this consultation period will be presented to Mayor and Cabinet in the Council's Budget Report, scheduled to be presented to Mayor and Cabinet on 12th of March 2025.

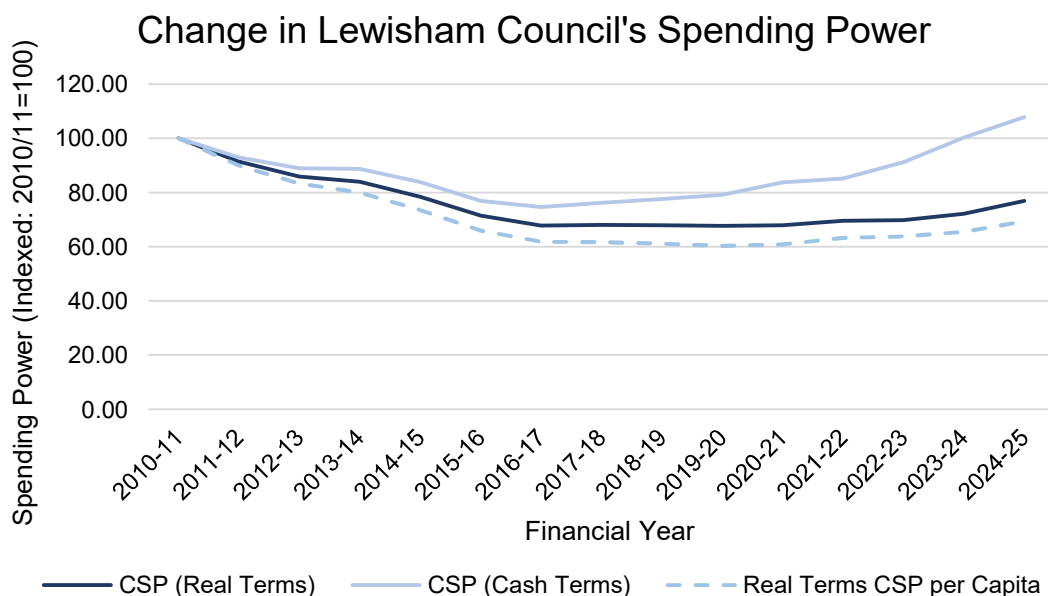
The consultation period will run from 25th of November 2024 until 3rd of January 2025.

Details of how to respond during the consultation period are included at the end of this document.

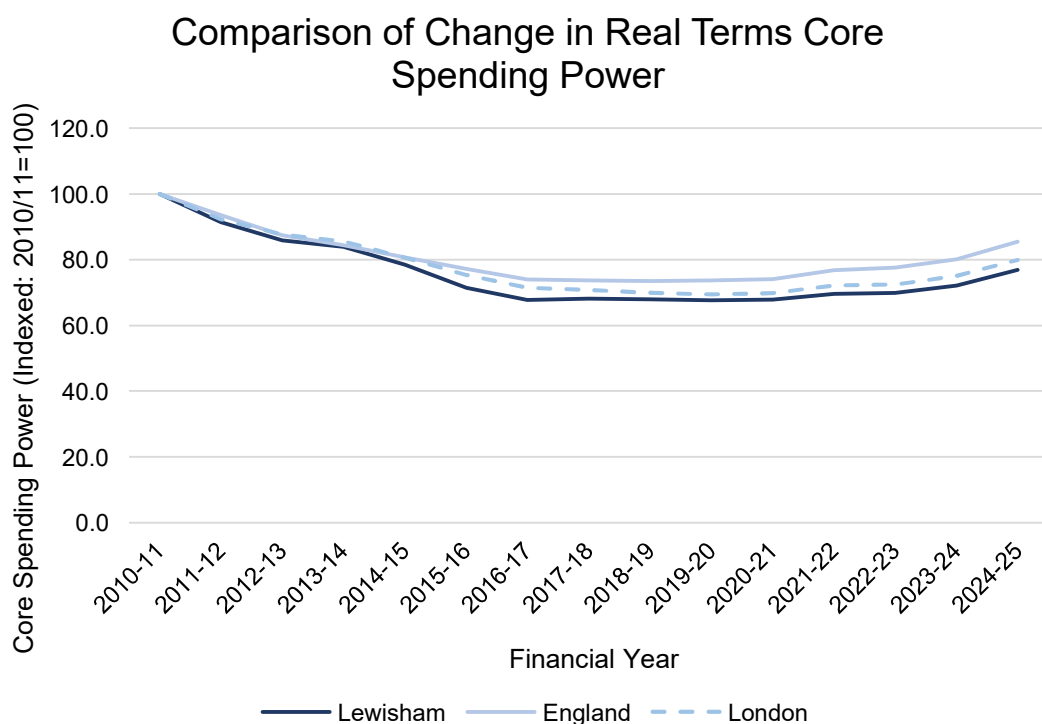
2. Background: Lewisham's Financial Arrangements

- 2.1 The Council is responsible for a wide range of services funded via different mechanisms. The main funding systems are:
- The General Fund (a local authority's primary revenue account);
 - Schools Funding (funded by dedicated grant);
 - The Housing Revenue Account (funded by rent and service charges);
 - The Housing Benefit Scheme (funded by the Department for Work and Pensions);
 - Specific Social Care and Public Health grants; and
 - The Capital Programme (funded through a combination of capital receipts, grants, and borrowing).
- 2.2 In the context of the General Fund, local authorities continue to face challenging and uncertain times in relation to public sector funding. From 2010/11 to 2024/25, the Government has reduced Lewisham Council's Core Spending Power (CSP) by approximately 23% in real terms. Council tax therefore makes up a large proportion of Lewisham Council's General Fund net revenue budget, at 48% in 2024/25.
- 2.3 The other major component of Lewisham Council's General Fund net budget is the Settlement Funding Assessment (SFA), which is received from Government.
- 2.4 From 2011 to 2021 (the years of the two most recent censuses), Lewisham's population has grown by approximately 25,000 or 9%, increasing the demand and pressure on services, as it has only continued to increase further in recent years. The long period of significant funding strain combined with this local population growth means the Council has been forced to make budget cuts each year to balance its budget, a legal requirement set by the Government.
- 2.5 From 2011/12 to 2024/25, the Council has agreed budget cuts of £247m, of which £145m has been re-allocated to meet emerging risks, growth, and service pressures and £102m is a reduction in core spending power on services.
- 2.6 The Council continues to face many significant financial risks, for example, the lingering impact of recent high levels of inflation, the cost-of-living crisis faced by the country pushing up demand for public services, the recent increases in employers National Insurance and uncertainty as to the exact level of funding the Government will provide or allow local councils to raise.

2.7 The below graph shows how Lewisham Council's CSP has changed during the period 2010/11 to 2024/25, showing that, in real terms, the council has significantly less funding than it did fifteen years ago:



2.8 The below graph shows that in addition to this fall in Lewisham's CSP in real terms, Lewisham Council's funding has also fallen behind both the real terms average for England and for all London Boroughs:



2.9 The much-needed long-term financial certainty continues to elude local government, partly because the promised Fair Funding Review, which is

expected to majorly impact funding distributions, has been delayed multiple times since it was first announced in 2016. Such delays cause financial uncertainty for local authorities as it becomes increasingly difficult to plan budgets and allocate resources in an effective manner. This uncertainty can result in service disruption as projects or initiatives may have to be put on hold if funding is not available, and it could reduce capacity as local authorities cannot invest in adequate infrastructure, training or other resources needed to deliver high-quality services.

- 2.10 In the Autumn Budget of 2024, the Chancellor of the Exchequer did confirm plans to reform local authority funding in 2026/27, to ensure that it reflects an up-to-date assessment of need and local revenues, but the effect of this on Lewisham Council's funding is not yet known.
- 2.11 Based on the July MTFs, the estimated SFA for 2025/26 for Lewisham Council is £139m, but the specific funding arrangements will not be known until mid-December 2024.
- 2.12 The Council's budget is funded mainly through business rates, government grants, and council tax. The funding of the Council's budget is detailed further in Sections 7 and 8 below. Business rates and government grants are determined nationally whilst the council tax rate is set locally within tight parameters based on government regulations.
- 2.13 Business rate valuations, multipliers, increases, and thresholds are set by the Government. The Council collects business rates locally and of the monies collected, 30% is retained by Lewisham Council, 37% is allocated to the Greater London Authority (GLA) and 33% is handed back to the Government for redistribution to local authorities.
- 2.14 Business rates returned to the Government are collated in a national pool and redistributed to local authorities on a tariff vs. top-up basis. As Lewisham has a relatively low business rate base in comparison to other councils, in addition to retaining 30% of the monies collected, it receives a top-up from this national pool of business rates.
- 2.15 The calculation for the total Lewisham Council will receive (retained and top-up) is based on the Ministry of Care, Housing and Local Government (MCHLG) calculation of the Council's Baseline Funding Level, which, in July was expected to be £103.7m for 2025/26. Should the Council be unable to collect the local taxes due to it from businesses it bears the risk for the shortfall to the safety net which in 2024/25 was set at 92.5% of the Baseline Funding Level, after which the Council receives Government support.
- 2.16 In 2024/25 the Non-Domestic Rating Act brought forward changes to the way business rates multipliers are calculated and applied, creating additional financial challenges. The small business rating multiplier and the standard business rating multiplier, which had previously been linked, were de-coupled which allowed them to be treated differently. (Businesses are subjected to the small or standard multiplier depending on their rateable value.) The multipliers were indexed to the annual

change in Consumer Price Index (CPI) as opposed to Retail price Index (RPI) as in previous years, although HM Treasury still have the power to under-index a multiplier, for which local authorities are compensated. As confirmed in the Autumn Budget 2024, the standard multiplier will continue to be uplifted in line with CPI in 2025/26, whereas the small multiplier will remain frozen at its current value.

- 2.17 From 2026/27, new sectoral multipliers will be introduced, with permanently lower multipliers for Retail, Hospitality, and Leisure properties. Due to the continued de-coupling, local authorities could find themselves being undercompensated for their lost income. This is also the case for the introduction of lower multipliers, although Government have stated that higher multipliers for businesses with properties valued at more than £500,000 will be introduced in 2026/27 to counteract this.
- 2.18 The Council's strategy and priorities drive the allocation of the budget. The Council's corporate priorities are detailed in Section 6 below.

3. The Services We Deliver to the Borough

We remain focused on putting our businesses and residents first, which is why we continue to deliver high quality services despite the challenges presented by geopolitical issues, economic challenges, and the financial position the Council is in. We are proud to provide a vast range of services that enhance and improve the lives of our whole community and bolster our local economy. During the last financial year (April 2023 – March 2024) we:



Undertook **7,086** adult social care assessments and reviews.

Supported **3,593** older and vulnerable residents to stay independent across all packages of care.

Helped **1,659** older and vulnerable residents return to everyday life following a hospital stay.

Had **1,215,813** library and **1,351,437** leisure centre visits.



Supported **36** apprentices undertake work within the borough and helped **34** employees to upskill.



Maintained **76** primary and secondary schools in the borough.

Saw **97%** of Lewisham pupils attend a “Good” or “Outstanding” school. **100%** of Lewisham schools were rated Good or Outstanding at end of 2023/24.

Ran **117** holiday programme days with free activities and lunches for school children and young people aged 4 to 16.



Resurfaced or laid **76,883m²** of road.

Delivered **4** new school streets, **211** electric vehicle charging points and **330** secure cycle parking spaces including **60 virtual bays** for Lime Bikes.



Made **623,952** green and **12,553,966** household recycling and waste bin collections.



Collected **109,451** tonnes of waste including **94,810** tonnes of household waste. **24,597** tonnes of household recycling were recycled, composted, or sent for reuse.

Maintained **47** parks, of which **23** (parks and green spaces) have been awarded with green flags.



Provided council tax support to over **18,787** households.

Made **983** social lets to households on the housing register.



Completed **300** social homes (across 2022/23 and 2023/24), **99** Disabled Facilities & delivered Home Repair Grants to help elderly residents continue living in their own homes.

Spent **£116m** on maintaining current council assets, building schools & capital schemes, including the Building for Lewisham Programme.



4. Lewisham's Support for Local Business

- 4.1 Lewisham Council continues to provide support for businesses to start, grow and move to Lewisham. We're one of the country's most diverse boroughs, a diversity which is reflected in our business base. 95% of our 11,500 businesses are Small and Medium-Sized Enterprises (SMEs).
- 4.2 Delivery gathers pace on our £24m transformation of Lewisham Town Centre. Construction is underway on significant high street improvements. This will be followed in 2025 by the construction of a permanent market canopy and the transformation of Lewisham Library into include new business, co-working, hospitality, and cultural offers.
- 4.3 The 'Mayor of Lewisham Business Awards' are a yearly opportunity for local businesses to celebrate their successes and for the community to acknowledge the outstanding contribution they make to Lewisham. There were nearly 9,000 resident votes cast for the 2024 Business Awards held in the Catford Broadway theatre.
- 4.4 The Catford library business support for start-ups has now supported over 250 residents to start their business. This service has been accredited by the British Library as the first Business and Intellectual Property Centre (BIPC) in south London. The Council is also delivering workshops and 1:1 business advice and guidance sessions at two libraries in the borough.
- 4.5 Lewisham Council invested around £1m in capital funding into the borough via the UK Shared Prosperity Fund. This helped Lewisham based businesses re-open empty properties, repurpose underused spaces and create new affordable workspace. This programme of support has created over 60,000sqft of new employment space, the equivalent to 25 tennis courts.
- 4.6 The Deptford and New Cross Creative Enterprise Zone 'Shapes Lewisham' continues to promote, support, and grow Lewisham's creative industries. The Council also appointed Cockpit to deliver a business support programme focused on the creative businesses in the borough. It helps creative practitioners to safeguard jobs, create new employment opportunities and bring new products to market.
- 4.7 'Lewisham Works' is the Council's directly delivered employment service which aims to fill the gaps in support available to unemployed residents, while providing a holistic service, which focusses on resident's long-term career aims. Since launching in May 2022, we have supported nearly 1,200 residents with employment and training support.
- 4.8 The Council ran a successful free marketing support programme for local businesses with over 70 businesses accessing the free support.
- 4.9 The Council is committed to supporting 'circular economy' and sustainable businesses. Lewisham Business have been accessing support from Grow London Local to improve their sustainability. The Council will soon launch a round of grants for local businesses to deliver circular economy initiatives.

- 4.10 The Council continues the ‘Back the Bakerloo’ campaign in partnership with Southwark. Design work is underway, and the Mayor of London has committed to extending the Bakerloo line through to Lewisham, unlocking thousands of jobs and homes. Residents can pledge their support for the scheme at <https://www.backthebakerloo.org.uk/>.
- 4.11 The Council continues to deliver the ‘Business Resilience and Growth’ programme with Goldsmiths University. This programme supports businesses by bringing new products to the marketplace supports to retain existing staff and secure new staff.
- 4.12 The Council will also be supporting businesses who want to become accredited as London Living Wage employers with grants to help cover the cost of accreditation. The Council is also committing to become a Living Wage Place.
- 4.13 The Council will continue to invest in supporting local businesses. Our long-term commitment is outlined in our ‘Inclusive Economy Lewisham’. Local businesses who would like support and advice can contact the Business Engagement team by email at business@lewisham.gov.uk and are also encouraged to sign up for the Council’s fortnightly business email newsletter.

5. Lewisham's Cost-of-Living Support

- 5.1 In response to the introduction of the Household Support Fund, put in place by the Government to support vulnerable households across the country, Lewisham Council initiated its cost-of-living programme in September 2022.
- 5.2 Resources were harnessed to deliver a programme of support, including the Household Support Fund, Public Health funding and external funding from health partners.
- 5.3 Whilst not made a permanent budget, this funding has continued throughout 2022/23, 2023/24 and 2024/25. In the Chancellor's Autumn Budget, the extension of the Household Support Fund into 2025/26 was announced, although we are not yet aware of the specific levels of funding that will be received.
- 5.4 Lewisham Council received £5.3m of Household Support Fund from the Government in 2023/24 and it was utilised for the below purposes:
 - **Combatting child hunger.**
This included support during school holidays for families with children that receive free school meals during term time, plus the distribution of funding to schools so as to help them support low-income families that don't meet the free school meals threshold.
 - **Funding for residents needing energy support measures.**
This included the provision of debt repayments with direct payments to energy suppliers, heated gilets and bears for children, fuel vouchers and heating system replacements and repairs.
 - **Setting up and running 'warm centres' within the community.**
Warm Welcome hubs, set up in partnership with Lewisham Local, are spaces like community centres, libraries and faith groups that offer free drop-in spaces, refreshments, social activities, and additional support where residents can go during the day and socialise.
 - **Distributing payments to support those residents most affected.**
These payments are to groups highlighted as being exceptionally financially challenged and at risk of hardship.
 - **Special funding to support those most in need of emergency funding but are among our hardest to reach residents.**
- 5.5 We received the same amount of Household Support Fund in 2024/25 and are using it for similar purposes.
- 5.6 Despite the clear impact demonstrated above, there are still many residents experiencing pressures due to the cost-of-living crisis, and until funding levels for the future are confirmed by the Government, we remain

concerned about the longevity of the specific support measures we can offer.

- 5.7 Lewisham residents can find out more about the current support on offer here: <https://lewisham.gov.uk/my services/cost-of-living>

6. Corporate Priorities

6.1 The Council has seven corporate priorities as stated below:

- **Cleaner and greener;**
- **A strong local economy;**
- **Quality housing;**
- **Children and young people;**
- **Safer communities;**
- **Open Lewisham; and**
- **Health and wellbeing.**

6.2 To read more about our corporate priorities, please follow this link:
<https://lewisham.gov.uk/mayorandcouncil/corporate-strategy>

6.3 As the Council seeks to support the borough, its businesses, and residents through the current cost-of-living crisis and beyond, everything we do is based on our five key values:

- ***Ambitious.***

We're ambitious for the future of our borough. We're here for the people of Lewisham and we actively seek innovative solutions, working in partnership to improve the services we provide.

- ***Inclusive.***

We create an inclusive environment, where everyone feels safe to contribute their own unique perspective and fulfil their potential.

- ***Collaborative.***

We work together across disciplines, roles, and communities to tap into everyone's insights, skills, and experience. We look to unlock the problem-solving power of diverse thinking and approaches.

- ***Accountable.***

We are willing to stand up and be counted, every day. We use our initiative and take responsibility for getting things done as efficiently and effectively as possible.

- ***Trustworthy.***

We demonstrate integrity and do the right thing, even when we find it difficult. We are transparent and straightforward and take responsibility for our actions.

6.4 To read more about our values, please follow this link:

<https://lewisham.gov.uk/mayorandcouncil/corporate-strategy/our-values>

7. 2024/25 Net Revenue Budget

7.1 The Council organises its services under six directorates:

- Adult Social Care and Health;
- Chief Executive;
- Children & Young People;
- Corporate Resources;
- Housing; and
- Place.

7.2 Within these directorates are divisions headed by a director, usually with multiple service areas within each division.

7.3 The Council's 2024/25 net General Fund revenue budget is £293.8m. This is allocated between the directorates as shown in the table below.

2024/25 Net Revenue Budgets by Directorate:

Directorate:	Net Budget (£m):
Adult Social Care and Health	77.2
Chief Executive	15.2
Children & Young People	91.4
Corporate Resources*	58.0
Housing	16.2
Place	35.8
Net Revenue Budget	293.8

* Includes corporate budgets.

2024/25 Net Budget – Pressures:

7.4 Due to new pressures arising during 2023/24, the Council continues to experience persistent overspends in certain areas where growth in demand exceeds allocated budgets. The areas seeing the most stubborn overspends are children's social care, adult social care, and temporary accommodation. These pressures are systemic to these sectors and are similar across all of London and local government.

7.5 To recognise the systemic nature of these pressures, budget growth was allocated to them in 2024/25. However, the sector wide demand pressures continue leading to overspends in 2024/25 and measures have been identified for implementation in 2024/25 and 2025/26 to seek to contain spend within current budget levels.

7.6 Full detail of the Council's financial forecast can be obtained at the following link:

<https://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=123&MId=8492>

8. Forecast 2025/26 Net Revenue Budget

Pressures on the Council's Budget:

8.1 Over a number of years, the Council's budget has been reducing. The Council continues to take measures to overcome these pressures such as stronger contracts negotiations, reducing service levels and streamlining processes. That said, there are some pressures over which the Council has very little control.

8.2 These general budget pressures can be summarised into these categories:

- **National Living Wage and Employer's National Insurance:**

The Chancellor's Budget announced an uplift in the national living wage plus increases to employer's national Insurance (NI) from 13.8% to 15% and a reduction in the threshold from £9,100 to £5,000. This will have a significant impact on the cost of contracted services. It is unclear whether the government will fund any of the social care aspects of this, but there is no additional funding for the private sector meaning the costs they incur may be passed onto the Council.

- **General inflationary cost lag:**

General inflation (CPI) reached the Bank of England's long-term target in June 2024. There is, however, a lag between the rate of general inflation, and the inflationary pressures faced by Local Government meaning that there can be a mismatch between inflationary uplifts in funding streams and delayed (higher) cost inflation pressures.

- **Rising demand:**

Population increases means demand for Council services is increasing. The Council is therefore having to do more to meet its increased demand but with reduced resources. Rising demand can also result in higher prices where demand exceeds supply, which could negatively impact the Council if the increased costs are passed on to the consumer.

- **Changing demographics:**

The makeup of the Council's population is changing. Over 65s and children now make up almost one third of the borough population. The increase in size of the older population, plus the decrease in the size of the working population relative to the number of pensioners will put increased pressures on council services such as adult social care and cause a reduction in tax revenues.

- **Legislative/Policy Change:**

All Council services can be impacted by such changes, this will be where Government introduces new legislation or regulations, either without commensurate funding to support this, or without the ability to raise income to fund. Examples include the impact on the income levels within

the planning services due to delays in government's proposed legislation changes.

Medium Term Financial Strategy (MTFS) and the provisional Local Government Finance Settlement:

- 8.3 The Council published its MTFS on 10th of July 2024 in advance of the provisional Local Government Finance Settlement, which will be published in December 2024. An MTFS Update was also included in the Period 4 Financial Monitoring Report published on 23rd of October 2024.
- 8.4 As this consultation paper is being released in advance of the annual provisional Local Government Finance Settlement, the figures within this paper are assumptive, based on the Council's July MTFS model.
- 8.5 The MTFS identifies an anticipated budget gap over the next four years of approximately £20m. Full detail of the Council's MTFS can be obtained at the following link:
<https://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=139&MId=8374>
- 8.6 The Council's progress against this £20m savings target (and its current overspend) and the implications for the 2025/26 budget setting can be accessed here:
<https://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=139&MId=8377>
- 8.7 The Council has currently not been able to identify sufficient budget savings and cost avoidance measures to enable it to be confident of setting a balanced budget in 2025/26.
- 8.8 This will mean two things. Firstly, the circa. £10m shortfall of cost avoidance measures will need to be added to the remaining circa. £15m savings target, meaning that in 2025/26 a further £25m of savings will need to be identified and implemented. Secondly, the Council will need to use reserves to set the budget in 2025/26 to ensure adequate time for the additional saving identification, scrutiny, and implementation process.

- 8.9 In July, it was estimated that the overall net revenue budget for the Council for 2025/26 will be £302.7m (compared to that of 2024/25 which was £293.8m), as shown in the table below. Whilst the Chancellor's Budget on the 30th of October 2024 signalled additional funding for Local Government, the extent of this for Lewisham Council will not be known until the provisional Local Government Finance Settlement is announced in December 2024.

Forecast Net Revenue Budget 2025/26:	Net Budget (£m):
Revenue Support Grant	35.2
Baseline Funding Level	103.7
S31 Grant Contribution	15.3
Council Tax	148.5
Net Revenue Budget	302.7

- 8.10 The Baseline Funding Level is the amount of a local authority's start-up funding allocation which is provided through the local share of the estimated business rates aggregate (England) at the outset of the scheme as forecast by the Government. We assume that the Baseline Funding Level for the Council will increase by 1%.
- 8.11 The Revenue Support Grant is a general grant also paid by Central Government to local authorities to help finance the cost of their services. This is distributed on the basis of government relative needs formulas and, based on information in circulation, the MTFS assumes that this grant will increase in line with CPI (2% as was assumed in July 2024).
- 8.12 An authority's Revenue Support Grant amount plus its Baseline Funding Level together comprises its SFA.
- 8.13 The council tax income for 2025/26 is based on the council tax base for the borough which will be confirmed in the Council Tax Report presented to Mayor and Cabinet on 4th of December 2024. This is the number of Band D equivalent properties in the borough that will be liable to council tax payments. Assumptions have been made regarding the uplift of council tax rates, and council tax collection rates to calculate the expected income for 2025/26.
- 8.14 At the time of MTFS publication, we assumed that Government would allow for local councils to raise council tax by up to 2.99% to meet its costs, with 1% of this increase in respect of the adult social care precept. The decision on any council tax uplift within Government limits will be made by Mayor and Cabinet and then Full Council in February and March 2025.
- 8.15 The proposed budget for 2025/26 will be presented to Mayor and Cabinet on 12th of February 2025, and Full Council on 5th of March 2025.

9. Having Your Say!



The Council would welcome your views on its forecast net revenue budget for 2025/26. Your participation in the consultation survey, via the online link, is voluntary and confidential.

If you consent, the Council will be collecting the following information:

- Name of your business; and
- Your email address.

These details will be stored in a secure environment, accessible only by relevant individuals. The information will be stored for a period of six years – in line with the Council's financial procedures.

Anonymised responses to this consultation will be summarised and reported to Mayor and Cabinet as part of the budget setting process. This will then inform their decision making and the proposals to be taken forward to Full Council.

If you have any further queries on the Consultation Paper, please contact the Strategic Finance team at:

E: strategic.finance@lewisham.gov.uk