

Business Ratepayer Consultation

Proposed Budget 2023-24

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1. Introduction

The London Borough of Lewisham is committed to engaging with and consulting with its business rate payers on the estimated General Fund budget for 2023/24. This will allow local businesses to have a say on the proposals the Council is making regarding its 2023/24 spending plans which will impact businesses and the wider community.

Business rates are a tax that is levied on non-domestic properties, such as shops, offices and warehouses. They are used to fund local services, including street lighting, waste collection and public parks. The amount of business rates payable is based on the rateable value of the businesses property, which is determined by the Valuation Office Agency (VOA). The VOA have recently reviewed the rateable value of properties, and the updated valuation list will come in to effect from April 2023.

This consultation sets out the key relevant elements of the Council’s budget for business rate payers as context and asks questions about the Council’s priorities. We welcome any comment you have as a business rate payer in the Borough on either the general budget arrangements or other specific observations you have about the services the Council provides using business rates, taxes, grants, and fees income available to it to fund its services.

Your response to the consultation will be presented to the Mayor and Cabinet in the Council’s budget report. This is scheduled for the 8th February 2023 Mayor and Cabinet meeting.

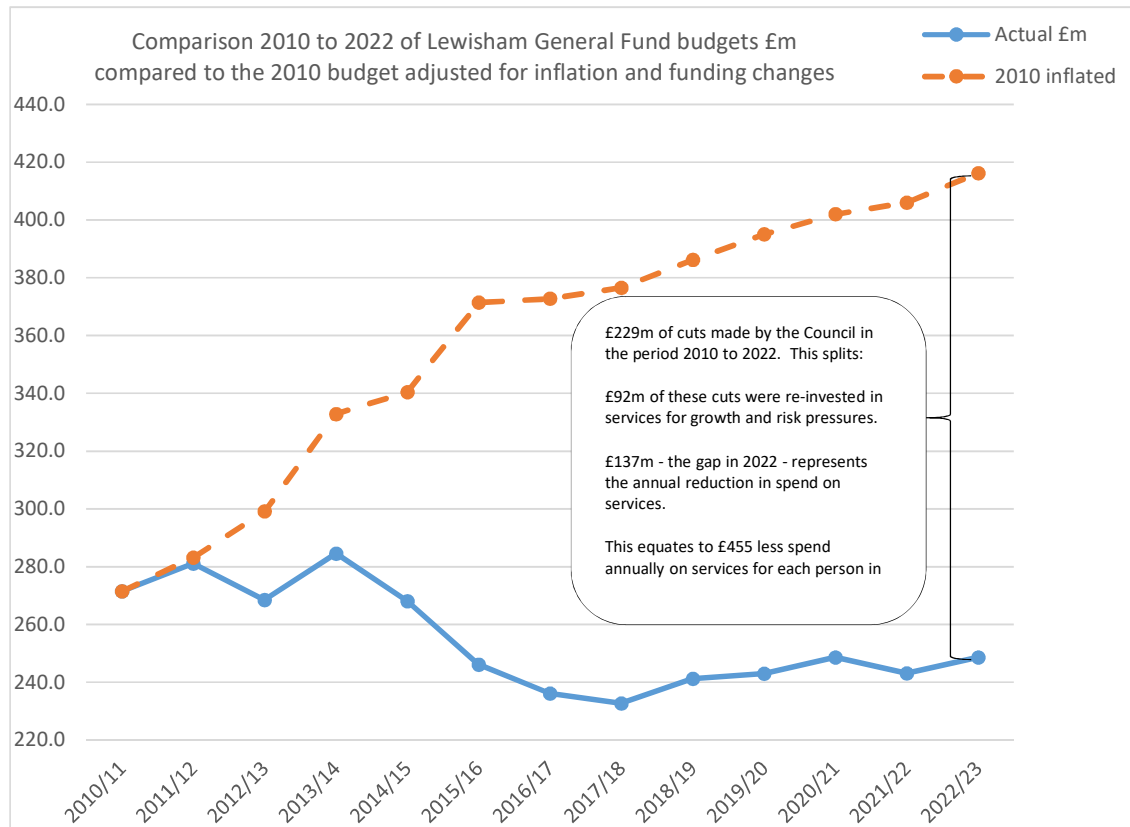
This consultation will last for a period of three weeks from 5th January 2023 until 25th January 2023.

Details of how to respond to the consultation are detailed at the end of this document.

2. Background: Lewisham's financial challenge

- 2.1 The Council is responsible for a wide range of services funded through different mechanisms. The main ones are:
- General Fund – discussed further below
 - Schools Funding – funded by dedicated grant
 - Housing Revenue Account – funded by rent and service charges
 - Housing Benefit – funded by the Department for Works and Pensions
 - Aspects of Social Care and Public Health – funded through grant e.g. Improved Better Care Fund, Social Care Grant, Public Health Grant
 - 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 2022/23, the Government has reduced the Council's spending power by over 20% in real terms. As a result of reduced funding from Government since 2010, council tax now makes up more than 50% of the Council's general fund net budget.
- 2.3 In the same period since 2010, Lewisham's population has grown by 30,000 or 12%, increasing the demand and pressure on services. This long period of significant funding constraint combined with local population growth means the Council has had to make budget cuts each year to balance its budget, which is a legal requirement set by Government.
- 2.4 Over the past twelve years, the Council has agreed budget cuts of £229m, £92m has been re-allocated to meet emerging risks, growth and service pressures since 2010 and £137m of this is a reduction in core spending power on services.
- 2.5 The Council continues to face many significant financial risks for example; the current and forecast levels of inflation, the cost of living crisis faced by the country pushing up demand for public services, coupled with persistent uncertainty as to the level of funding that Government will provide or allow councils to raise.
- 2.6 A comparison of the year-on-year budgets set by the Council compared with what its budget would have been at 2010 levels

adjusted for inflation and funding changes had the Council not had make these cuts can be seen in the graph below:



- 2.7 The much-needed long-term financial certainty continues to elude local government because the Government has again delayed the fair funding review until at least 2024/25. Further delays to the review, which was first announced in 2016, could cause financial uncertainty for local authorities as it becomes increasingly difficult to plan budgets and allocate resources in an effective manner. This 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 and other resources needed to deliver high-quality services. Beyond 2025/26, there is no certainty around the Council’s funding.
- 2.8 For 2023/24, the Government announced a provisional settlement funding assessment (SFA) for Lewisham of £131.1m.
- 2.9 The Council’s budget is funded mainly through Business Rates, Government Grants, and Council Tax. This is detailed in section 5 below.
- 2.10 Business rates and government grants are determined nationally. The Council Tax is set locally within tight parameters. Revenue

support grant has been uplifted for 2023/24 by CPI (Consumer Price Index) of 10.1% and it was announced that the Council can raise Council Tax by up to 4.99% (less than inflation) to meet its costs, with 2% of this increase in respect of the adult social care precept. The decision on Council Tax levels will be made by Full Council in March 2023.

- 2.11 Business rate valuations, multipliers, increases, and thresholds are set by the government. The Council collects these locally and the monies collected are allocated with 30% retained by Lewisham, 37% to the Greater London Authority (GLA) and 33% handed back to the Government for redistribution to local government.
- 2.12 As Lewisham has a relatively low business rate base, in addition to the Council retaining its 30% share collected, it receives a top-up from the national pool of business rates collected.
- 2.13 The calculation for the total Lewisham will receive (retained and top-up) is based on the Department for Levelling Up, Homes and Communities (DLUHC) calculation of the Council’s baseline funding level, which is £98.7m for 2023/24. Should the Council be unable to collect the local taxes due to it from business it bears the risk for the shortfall up to a safety net of £91.3m.
- 2.14 The Council's strategy and priorities drive the way the Council allocates its budget with changes in resource allocation determined in accordance with its policies and strategy. The Council’s corporate priorities are detailed in section 3 below.

3. The services we deliver

We remain focused on putting our residents and businesses first, which is why we continue to deliver high quality services despite the challenges presented by geopolitical issues, the pandemic and the challenging financial position that 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 2021 – March 2022) we:



Undertook **6,046** adult social care assessments and reviews

Supported **3,457** older and vulnerable residents to stay independent across all packages of care

Helped **1,149** older and vulnerable residents return to everyday life following a hospital stay

Had **475,778** library visits, and **724,603** leisure centre visits

Supported **104** apprentices undertake work within the borough, and helped **46** employees to upskill

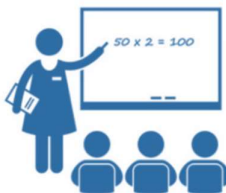


Maintained **75** primary and secondary schools in the borough

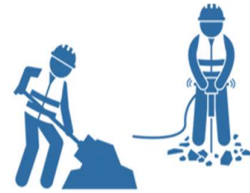
96% of Lewisham pupils attended a “Good” or “Outstanding” school

Had the **highest** school attendance in inner-London for primary and secondary, with the **lowest** persistent absence numbers across inner-London

Ran over **100** holiday programme days with free activities and lunches for school children and young people aged 4 to 16



Laid or resurfaced **50,862m²** of road carriageway, and **15,238m²** of pedestrian footway



Approved **79,629** parking permits



Made **39,260** commercial waste, **580,110** green waste and **12,781,730** household recycling & waste bin collections

Collected **80,960** tonnes of waste and processed **27,005** tonnes of recycling

Maintained **47** parks, of which **18** have been awarded with green flags

Provided council tax support to over **22,000** households



Made **895** social lets to households on the housing register

Delivered **626** social homes between 2018 to 2021, and a further **621** under construction

Spent over **£124m** on Building for Lewisham programme, along with other capital schemes



4. Lewisham’s support for local business

- 4.1 The impact of the Covid pandemic, and more recent rise in inflation and costs of doing business have had a significant impact on local businesses. Lewisham Council remains committed to supporting local businesses and helping them to survive and thrive despite this wider economic context.
- 4.2 During the Covid pandemic the Government provided the Council with funding to provide grants to local businesses. From 2020-22 the Council provided £76m, in over 14,000 grants to, Lewisham businesses. However, the Government withdrew this grant funding from April 2022.
- 4.3 The Council has also been supporting more local businesses to get in to the supply chains of the Council, local developers and other local anchor organisations such as the hospital and Goldsmiths University. This includes an annual Meet the Buyer event as well as practical support to help local businesses become “Ready to Supply”.
- 4.4 The designation of Deptford and New Cross as a Creative Enterprise Zone by the Mayor of London, has helped to protect affordable workspace and provide opportunities for businesses and freelancers to grow. This will also be a key aspect of the legacy of Lewisham being the London Borough of Culture 2022.
- 4.5 The planned regeneration of Catford town centre, following the recent approval of the Catford Town Centre Framework which aims to make Catford the greenest town centre in London.
- 4.6 Submission of a £19m bid to the Government’s Levelling Up Fund, focussed on Lewisham town centre and aiming to improve the High Street and market, as well as renovating the library in to a cultural and business hub.
- 4.7 A new Business Centre in Catford Library (BIPC Lewisham, linked to the British Library) has been opened, providing workspace and access to business support resources.
- 4.8 Ensuring Lewisham-based businesses have access to other programmes being delivered across the region including the London Business Hub and Enterprise Nation.
- 4.9 Business support programmes focusing on resilience, growth, reducing energy consumption and environmental impact, as well as piloting targeted support for Black-owned businesses.
- 4.10 Running marketing campaigns such as Shop Local and Discover Lewisham which encourage residents and visitors to visit local businesses and attractions in Lewisham.

- 4.11 Our annual Mayor’s Business Awards which took place in November, recognising the efforts of local businesses in 14 categories. The public had a much greater say in the awards this year, with over 2,000 nominations for local businesses and 6,000 votes for the winners.
- 4.12 Being the first Council in the country to commission a headcount and survey of high street businesses to identify independent and Black, Asian and Minority Ethnic owned businesses, and begin to understand the needs of different business owners within the borough.
- 4.13 Production of an Affordable Workspace strategy and action plan which will help to increase the amount of affordable workspace in the borough, providing more opportunities for local businesses to start and grow.
- 4.14 The Council will continue to invest in supporting local businesses despite the ongoing budget pressures that the Council faces. Local businesses who want 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. Corporate priorities

5.1 The Council has launched its new corporate strategy in 2022, with seven corporate priorities as stated below (please follow the link to read about these priorities):

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

- **Open Lewisham**
- **Quality Housing**
- **Children and Young People**
- **A Strong Local Economy**
- **Health and Well Being**
- **Cleaner and Greener**
- **Safer Communities**

5.2 As the Council seeks to support the borough, its businesses and residents through the current financial crisis and beyond, this recovery is based on our four key values, these are:

- **We put service to the public first.**
We exist to serve and support the residents of Lewisham, and everything we do must always have residents’ interests first and foremost.
- **We respect all people and all communities.**
We have a proud history of actively working to tackle inequalities, both across the borough and within the Council, and we will continue to build on this in everything we do.
- **We invest in employees.**
We want to be considered a top employer in local government. We will always ensure we provide opportunities for staff at all levels to learn new skills and progress their career.
- **We are open, honest and fair in all we do.**
We will be transparent in the decisions that we take, both with each other and with the residents of Lewisham. Robust governance procedures will ensure that our decisions are honest and fair.

6. 2022/23 general fund net budget

6.1 The Council organises its services under five directorates:

- Chief Executive (CEX);
- Children & Young People (CYP);
- Community Services (COM);
- Corporate Resources (COR); and
- Housing, Regeneration & Public Realm (HRPR)

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

6.3 The Council’s 2022/23 net general fund budget was £248.6m. This is allocated between the directorates as shown in the table below:

2022/23 General Fund Net Budget by Directorate

Directorate	Net Budget £m
Chief Executive	11.5
Children & Young People	61.2
Community Services	82.6
Corporate Resources (incl. corporate and capital budgets)	71.6
Housing, Regeneration & Public Realm	21.7
Net Revenue Budget	248.6

6.4 More detail can be found in the published budget book for 2022/23 here:

<https://lewisham.gov.uk/mayorandcouncil/aboutthecouncil/finances/budgets>

2022/23 net budget – pressures

6.5 New pressures have arisen since 2020 from the service-specific demand and deliver changes, long-term scarring from the Covid-19 pandemic, government policy and funding changes for the sector and the wider macro-economic pressures arising causing the current cost of living crisis.

6.6 The Council continues to experience persistent overspends in certain areas where growth in demand exceeds allocated budgets. They are

children social care, adult social care and strategic housing. Whilst also experiencing cost pressures arising from energy price increases and the impact of inflationary increases on general goods and materials.

- 6.7 Full detail of the Council’s financial forecast can be obtained at the following link:
<https://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=139&MId=7765>

7. 2023/24 proposed general fund net budget

Pressures on the Council's budget

- 7.1 Over the past twelve years the Council's budget has been reducing. The Council continues to take measures to overcome these pressures. For example, through better negotiation of contracts, innovation and streamlining processes, and reducing service levels. That said, there are some pressures over which the Council has very little control.
- 7.2 These general budget pressures can be summarised into these categories:

a) Inflation

This is an increase in the general price level of goods and services over a period of time – at present, inflation is at a 40-year all-time high. As such, inflation reflects a reduction in the purchasing power of money. This is caused by a variety of factors such as increased money supply, increased production costs, or a decrease in the supply of goods and services.

b) Energy

Prices can be affected by changes in the supply of and demand for energy sources, for example if there is political instability in an oil or energy producing country, the price may increase. At present, there has been a steep increase in prices due to demand on the global wholesale market which has meant providers are paying more for gas and electricity and as a result are passing this on to consumers. This is a result of Russia's invasion of Ukraine, and restrictions being placed on imports of oil and gas from Russia by the United States, European Union and United Kingdom.

c) Cost of living crisis

This is an ongoing event which started in 2021 as essential goods saw price rises at a faster rate than household incomes, resulting in an income fall in real terms. This is caused in part by a rise in inflation, as well as the economic impact of foreign issues such as

Russia's invasion of Ukraine, Covid-19 pandemic, and post Brexit trade.

d) Rising demand

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

e) 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. Demographic change is resulting in slower-growing and older populations. As a result of this, unemployment may increase as a result of a reduced working age population which in turn could put increased pressures on council services such as social care and housing.

f) Geopolitical events

Events such as Brexit, Covid-19 pandemic and Russia's invasion of Ukraine has caused economic disruption which has led to reduced economic activity, as trade and investment may be disrupted, and businesses may be impacted due to rising costs of trade. This can lead to recession or stagnation in the economy, and can have negative impacts on employment, incomes and living standards.

g) Long-term pandemic recovery

This will be complex and multifaceted process that will involve addressing economic, social and health related issues. In terms of economic recovery, the pandemic forced many businesses to close or operate at reduced capacity, and the long-term recovery will rely on growth and support for business, and the use of fiscal and monetary policies alongside targeted economic and social initiatives.

Medium term financial strategy and provisional Local Government Finance Settlement

- 7.3 The Council published its medium term financial strategy in July 2022 in advance of the provisional local government financial settlement.
- 7.4 The medium term financial strategy identified an anticipated funding gap over the next three years. Full detail of the Council’s medium term financial strategy can be obtained at the following link:

<https://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?Cld=139&Mid=7728>

- 7.5 The provisional Local Government Settlement was announced on the 19th December 2022 and provided for slightly improved levels of funding than assumed within the medium term financial strategy, resulting in a revised budget gap of £12m for 2023/24.
- 7.6 It is estimated that the overall net revenue budget for the Council for 2023/24 will be greater to that of 2022/23, as set out in draft in the table below. Although, Government have increased funding, this is below inflation which results in a real terms reduction to core spending power. The proposed budget will be presented to Mayor and Cabinet on the 8th February 2023 and then full Council on the 1st March 2022.

Draft Net Revenue Budget 2023/24	£m
Revenue Support Grant	32.392
Baseline Funding Level	98.714
Council Tax	132.574
Net Revenue Budget	263.680

8. Having your say!



The Council would welcome your views on its draft budget proposal for 2023/24. Your participation in the consultation is voluntary and you have the option to “opt-in” or “opt-out” with regards to being contacted in the future.

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

If you consent, the Council will be collecting the following in relation to your business;

- Name of your business
- Address
- Contact Details – phone/email

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

The information is being collected so that the participants can be contacted if the Council requires further information in relation to their response.

For further information on the draft budget, please contact the Strategic Finance team at:

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T: 020 8314 3145