

Item No. 2.1	Classification: Open	Date: 24 February 2021	Meeting Name: Council Assembly
Report title:		Policy and Resources Strategy 2021-22 – revenue budget	
Wards or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

That Council Assembly:

1. Agrees to increase the Southwark element of the council tax for 2021-21 by 1.99%.
2. Agrees to use the flexibility offered by the government to support Adult Social Care through a precept equivalent to 3% of council tax on the basis that these additional funds will be used exclusively for adult social care.
3. Agrees the recommendations of the 2 February 2021 cabinet for a general fund budget requirement (after specific grants) for 2020-21 of £293.120m.

BACKGROUND INFORMATION

Revenue Budget

4. On 2 February 2021 cabinet considered a report on the council's Policy and Resources strategy 2021-22 revenue budget proposals (Appendix 1).
5. Cabinet agreed the recommendations included in the report and also agreed to remove from the schedule (at Appendix F of the Cabinet report, public health budget proposals): "PH306 Long acting reversible contraception GP service - end funding for GP LARC service."
6. The final 2021-22 Local Government Finance Settlement was published on 4 February 2021. There were no changes from the provisional settlement announced on 17 December 2021.
7. In total and in the context of resources available, the recommendation of the cabinet was agreed to set a general fund revenue budget requirement for 2021-22 of £293.120m.

KEY ISSUES FOR CONSIDERATION

Revenue Budget 2021-22

8. Table 1 below shows a high level summary of the proposed budget following consideration by cabinet on 2 February 2021. The report and relevant appendices to the cabinet are now attached to this report as Appendix 1.

	2021-22 Budget £m
Resources Section	£m
Retained Business Rates (NDR Baseline)	-80.015
Business Rates top-up	-35.854
Revenue Support Grant	-36.649
Settlement Funding Assessment	-152.519
Public Health Grant	-27.466
Section 31 Grant - outside of growth calculation	-7.517
New Homes Bonus	-8.201
Improved Better Care Fund	-17.323
Social Care Support Grant	-13.199
Lower Tier Services Grant	-1.264
Homelessness (SR2020)	-2.000
Government Grants	-76.971
Business Rate Retention - growth	-18.936
Council tax baseline funding	-117.177
Council tax increase (1.99%)	-2.332
Council tax - ASC precept (3%)	-3.515
Collection fund deficit (net of government support)	1.358
Total revenue from council tax and NDR growth	-140.602
Contribution (from)/to balances	-5.000
Contribution from ASC resilience reserve	-0.810
Total Resources	-375.901
Revenue budget	£m
Base budget brought forward	369.284
Contractual Inflation and pay provision	4.200
Growth and Commitments	16.757
Effective use of resources and efficiencies	-12.175
Income Fees and Charges	0.446
Other Savings	-2.611
Total budget	375.901
Estimated Funding Shortfall / (Surplus)	0.000

Southwark Council Tax

9. For the purpose of setting council tax, the council calculates the total budget, less specific grants, less contribution from reserves. For 2021-22 this would be:

	2021-22 £m
Total budget (table above)	375.901
Specific grants (included in table above)	(76.971)
Planned contribution from reserves	(5.810)
Total budget requirement	293.120

10. All local authorities are required to set their council tax by 11 March each year. This council will set its own tax on 24 February 2021. As in previous years, any delay to this date will mean the council may have to move its council tax instalment date beyond 1 April. This would result in a loss of income to the council from cash flow and could also put at risk the ability of the council to meet its collection targets.
11. Cabinet have recommended accepting the government's offer to raise a 3% adult social care precept in 2021-22 and to set a 1.99% increase in council tax for 2021-22.
12. The effect on the Southwark element of council tax is shown in the following table:

	Band D			
	2020-21	2021-22	Increase	Change
Southwark Council Tax	1,108.81	1,164.14	55.33	4.99%
<i>of which:</i>				
<i>ASC precept</i>			33.26	3.00%
<i>Local increase</i>			22.07	1.99%

Consultation

13. The council's draft budget proposals for 2021-22 were issued for consultation following Cabinet on 17 December 2020.
14. In addition, recommendations from overview and scrutiny committee on 25 and 26 January 2021 were considered and accepted by cabinet at their meeting on 2 February 2021.

A strong and stable resource base

15. In setting out the budget proposals for 2021-22 the Strategic Director of Finance and Governance, as the statutory section 151 officer, is assured that the range of spending commitments and proposed savings are being set within the resources available that meet local priorities. In overall terms

the draft budget proposed for 2021-22 is based on realistic assumptions and, notwithstanding the uncertain environment, is robust.

16. However, the uncertainties of the economic environment, the fact we are awaiting a multi-year settlement, the scale of the expenditure reductions faced over the last decade and the growing demands on services, mean that there are significant risks facing the Authority in delivering a balanced budget.
17. This budget is also being agreed at a time when the country remains in a national lockdown. The Council is currently in the midst of the response phase with additional demand for services from residents, communities and businesses and reduced income. The timing and potentially phased relaxation of the current restrictions is currently unknown. Although we are due to receive £11 million Government support into 2021-22 the level of uncertainty means we do not know if this will be sufficient or, if it is not, whether additional funding from the Government will be forthcoming.
18. The cabinet report also sets out how central government policy changes on Special Education Needs and Disability (SEND) have caused a significant and growing deficit for the ring-fenced Dedicated Schools Grant (DSG). Whilst the 2020 Spending Review announced additional funding for High Needs Block of DSG in 2021-22 which will assist managing in-year pressures, it will not resolve the accumulated deficit, estimated to be £21m by the end of 2020-21.
19. There remains uncertainty around the national funding position for local government as a result of the lack of a multi-year Settlement as well as wider economic uncertainty (pace of recovery and impact of Brexit), means we need to have to maintain higher level of reserves, and may face more significant revenue pressures.
20. Changes to the funding of local authorities, makes us more dependent on the level of business rates collected locally, and volatility to the council's funding to a greater extent than in previous years. This places increased importance on the need to maintain reserves to manage any volatility. There is also significant uncertainty with the pending Fair Funding review of local government and how this may affect the resources available to the council.
21. In addition to ensuring that sufficient funds are available to finance the ongoing management of the council services, the Strategic Director of Finance and Governance needs to be assured that there is an appropriate level of reserves and balances available. The Local Government Act 2003 requires the chief finance officer to report on the adequacy of reserves held, and requires members to have regard to that report in setting the budget. The Act also gives powers to the Secretary of State to specify a minimum of reserves to be held, but those powers have not yet been applied.

22. The cabinet report, included as Appendix 1, provides information about the use of reserves and balances (paragraphs 81 to 85).
23. Maintaining an adequate level of reserves and balances are therefore key factors in the Strategic Director of Finance and Governance's assessment of the robustness of the budget. The relatively low levels of balances and reserves when compared to similar councils in London have been reported to cabinet.
24. The position remains under close review and the s151 officer will continue to make recommendations as appropriate within the Policy and Resources Strategy. He considers the current plans for use of balances to be acceptable and recognises that the budget continues to allow for a contingency that mitigates the risk of shortfalls in savings and income targets or higher levels of commitments arising from unforeseen budget pressures.
25. The impact of all the uncertainty and future reforms cannot be assessed at this time. The use of General Reserve, the Financial Risk Reserve, the Business Rate Retention Risk and other reserves all form part of the mitigation strategy. The risks identified strengthen the importance of maintaining a robust Medium Term Financial Strategy (MTFS) within which to plan council business and sustain delivery of essential frontline services. A refreshed financial outlook of the financial position will be presented to Cabinet in summer 2021.

COMMUNITY IMPACT STATEMENT

26. The community impact statement is set out in the cabinet report of 2 February 2021 attached at Appendix 1.
27. The council works in accordance with the single public sector equality duty contained within section 149 of the Equality Act 2010. This means the council must have due regard to the need to eliminate unlawful discrimination, harassment and victimisation, and advance equality of opportunity and foster good relations between different groups.
28. Transparency and fairness form part of the seven budget principles and are an underlying principle in the Council Plan. As with the budget for 2020-21 and for previous years, the council has undertaken equality analysis/screening on its budget proposals, which helps to understand the potential effects that the proposals may have on different groups and whether there may be unintended consequences and in the event, how such issues can be mitigated.
29. Analysis is also undertaken to consider any crosscutting and council-wide impacts. Where screenings identify potential impacts, more detailed analysis is carried out. The Cumulative Equality Analysis document (Appendix F of the Cabinet Report) is an analysis of all Equality Impact Assessments that have been completed for the 2021-22 budget setting process year, assessing the overall impact that the proposed changes

made by the council may have on the borough. The report summarises the data and considerations that were taken into account for each of the protected groups and looks at the cumulative impact of these changes upon each group. The Equality Budget Advisory Group continues to review the cumulative equality analysis paper to reflect comments by the Equalities and Human Rights panel. Any update will be circulated to Council Assembly as a supplemental to this report.

30. Equality analysis will continue through the cycle of planning and implementation of these budget proposals. In line with our Public Sector Equality Duty, any changes to services arising from these proposals will be implemented in such a way to not impact disproportionately on any specific section or group in our community.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

31. The report asks council assembly to agree the recommendations of the 2 February 2021 cabinet for a general fund budget requirement (after use of reserves) for 2021-22 of £293.120m including the impact of a 4.99% council tax increase for 2021-22. In accordance with part 3a of the Constitution, Council Assembly are required to agree the budget.
32. In respect of all recommendations, council assembly is reminded of the requirement to consider the public sector equality duty as set out in Section 149 of the Equality Act 2010 before reaching a decision.
33. When undertaking their duties under section 149 the council must ensure:
 - The duty must be fulfilled before the decision in question is enacted;
 - The duty must be exercised in substance with 'rigour and an open mind'; it is not a matter of 'ticking boxes'; and
 - The duty is continuing; it does not end with the completion of the EIA and due regard must be had as policy evolves and is implemented.

Legislative Framework

34. Section 31A of the Local Government and Finance Act 1992 ("the 1992 Act") provides that the Council has an obligation to calculate and agree an annual budget.

Restrictions on Voting Under Section 106 of the Local Government Finance Act 1992

35. Section 106 of the 1992 Act applies at any time to a member of an authority, if at that time the member is due to pay council tax payments which have remained unpaid for at least two months.
36. The payments to which the section applies are any type of either sole or joint and several liability for council tax, and any failure to pay any agreed

sum of council tax. Therefore members are advised that this section is likely to apply to them if they are currently two months in arrears of any amounts of council tax, even if they have made any special contractual arrangement with the council to pay off the arrears.

37. If this section applies to any member, he/she at the relevant meeting and as soon as practicable after its commencement, must disclose the fact that the section applies and not vote on any question with respect to this matter.

38. The relevant meetings are those at which any of the following are the subject of consideration, namely:

(a) Any calculation required by chapter III, IV, V of Part 1 of the 1992 Act

The only calculations likely to be made by this authority are those under Chapter III of Part 1 of the 1992 Act, (Chapter IV relates to precepting and Chapter V limitations on council tax (i.e. capping)

The Chapter III calculations include the calculation of the budget requirement, basic amount of tax, the additional requirements because of the special trust funds, the calculation of the tax for the different valuation bands and the basic amount of council tax to be set under Section 30.

(b) Any recommendation, resolution or other decision which might affect the making of any such calculation

This is an extremely wide wording and would extend well beyond merely setting the budget. It applies to virtually any matter where the financial implications directly or indirectly might affect the calculations concerning the council tax. It would therefore apply to decisions concerning the level or extent of services as well as the expenditure, receipt or forgoing of any money.

(c) The exercise of any function under Schedules 2-4 of the Local Government Finance Act 1988 ("the 1988 Act") and 1992 Act

The functions under either the 1988 or 1992 Acts concern the administration and the enforcement of community charge and council tax respectively.

39. Section 106 of the 1992 Act makes it a criminal offence for a member to vote when prohibited from doing so or to fail to make the necessary disclosure. There is a statutory defence, with the onus of proof on the member, to prove that he did not know that the section applied to him or her at the time of the meeting or that the matter in question was the subject of consideration at the meeting. Prosecutions shall not be instituted except by or on behalf of the Director of Public Prosecutions.

BACKGROUND INFORMATION

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix 1	Cabinet Report 2 February 2021 Policy and Resources 2021-22 Revenue Budget with appendices A to I

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Robert Woollatt, Interim Departmental Finance Manager	
Version	Final	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Governance	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		12 February 2021