

Item No. 12.	Classification: Open	Date: 7 December 2021	Meeting Name: Cabinet
Report title:		Policy and Resources Strategy 2022-23	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Rebecca Lury, Finance, Performance and Democracy	

FOREWORD - COUNCILLOR REBECCA LURY, CABINET MEMBER FOR FINANCE, PERFORMANCE AND DEMOCRACY

Following a hugely tumultuous year affected by Covid-19, this report sets out the Council's draft budget proposals for 2022-23. Alongside our updated Budget Principles, which include the introduction of commitments around both Southwark Stands Together and the Climate Emergency, this year's budget continues to support the delivery of our fairer future promises.

This is the first iteration of the budget, and will be followed by an updated version at January's cabinet meeting, ahead of the Overview and Scrutiny meeting at the end of January 2022.

We previously reported the scale of the challenge that we looked to be facing for the 2022-23 budget planning process. Not only are there the ongoing impacts of Covid-19, but we continue to face the challenges from eleven years of austerity, the impact of the £20 reduction in UC payments, and the impacts of Brexit. The impacts of the reform of social care will also impact in the coming year.

Whilst the Government set out some indication of Council budgets in the Spending Review (SR2021) there is still no clarity on the settlement that we are due to receive. Alongside this, whilst government has set out its new proposals around the funding of social care, the impact of the burden on local Councils is yet to be established.

We have set out in this report £15.6m of savings through a combination of efficiencies and other savings. These proposals will be consulted on with staff, affected residents and other stakeholders and partners as necessary.

Despite the Spending Round being at the more optimistic end of our planning scenarios, a budget gap of £6.029m remains. This is after applying a council tax increase of 2.99% in line with the governments funding assumption (1.99% general increase, and 1% for Adult Social Care). Unlike government, the council is legally required to set a balanced budget so officers have been asked to continue to work to explore whether any further revenue income can be prudently included in the budget and scope for any further income and savings across departments. Cabinet in January will need to consider these alongside the outcome of the Local Government Finance Settlement.

The financial outlook beyond 2022-23 remains extremely uncertain and subject to many unknowns, not least the governments spending plans, the general economic conditions and the future funding of local government.

We acknowledge that further work is needed to set out detailed plans for the period beyond 2022-23. However, for the reasons set out above, meaningful medium term financial planning remains highly speculative. Accordingly, we will update the financial forecasts when we have more certainty on future funding. In the meantime, as part of the budget setting process, we will continue to consider future service and funding risks and how these will be managed.

Notwithstanding the challenges, this administration remains determined to keep our promises, to protect and modernise our services and to continue to focus on the delivery of our Council Plan, fairer future promises and budget principles to deliver value for money and commit to spending money as if it were from our own pocket.

RECOMMENDATIONS

That cabinet:

1. Note the outcome of the Spending Review delivered on the 27 October and that the provisional local government finance settlement is due to be published in December 2021 (paragraphs 6-8);
2. Note that the intention is to prepare a balanced one year 2022-23 budget for approval by cabinet in advance of council assembly in February 2022;
3. Note that the budget proposals for 2022-23 contained within this report include:
 - Estimated general grant resources of £162.806m, a headline increase of £10.288m on 2021-22 but with no detail yet on the new burdens this will cover, and significantly offset by reductions in other grant funding;
 - Other grant income of £71.698m, a reduction of £5.524m on 2021-22 largely as a result of the winding-down of the New Homes Bonus scheme;
 - Estimated retained business rates income of £17.042m, a decrease of £1.894m from 2021-22;
 - Estimated council tax revenues of £128.548m, including a council tax increase of 2.99% (1% adult social care precept and 1.99% general increase);
 - A forecast deficit on the collection fund in 2021-22 of £3.079m after allowing for spreading adjustments – this will be offset by government funding set aside for this purpose;
 - Pay provision and contractual inflation of £6.9m
4. Note the draft updated Fairer Futures Budget Principles at Appendix G
5. Note that the GLA is expected to increase its council tax precept and that given current circumstances, including TFL finances, this increase could be significant.

6. Note the GLA council tax precept is due to be set on the 24th February, one day after Council Assembly sets the budget for Southwark, therefore a Council Tax setting Committee will need to be convened.
7. Note the current budget options proposed to help achieve a balanced 2021-23 budget (Appendices B to E) including:
 - Efficiency savings of £6.962m;
 - Net income increase of £4.831m;
 - Savings impacting on services of £3.815m;
 - Commitments and growth of £17.677m
8. Note that, in order to ensure that the base budget is on a secure financial footing a number of commitments are proposed for 2022-23, including £6m for temporary accommodation.
9. Note the updated budget gap for 2022-23 of £6.029m;
10. Note the draft Fees & Charges schedules at Appendix F
11. Note that officers will complete further work in light of the provisional settlement, when published, to present a fully balanced budget position for Cabinet on 18 January 2022;
12. Note the Departmental Narratives and the ongoing equality analyses of the budget proposals (Appendix A);
13. Instruct officers to undertake further consultation for new budget options where necessary or appropriate; and
14. Note that the report to cabinet on 18 January 2022 will be considered by overview and scrutiny committee and that any recommendations arising will be incorporated into the final report to cabinet in February 2022 for recommendation to council assembly on 23 February 2022.

BACKGROUND AND PURPOSE

15. Each year, the council updates a detailed Policy and Resources Strategy covering a period that normally reflects the duration of the government's financial settlement. As part of the Policy and Resources Strategy, and in line with requirements of the Local Government Finance Act, budgets are approved by Council Assembly for the next financial year as part of Council Tax setting. Where the settlement provides provisional funding commitments for more than one year, budgets may be agreed indicatively for a longer period.
16. For many years this process has formed the pivotal component of the council's financial planning process. This strategy, and the formal approval by council assembly, sits at the heart of the council's commitment to financial planning and efficiency. Most importantly, the strategy is bound to the policies of the council

and not least by the commitments in the Fairer Future council plan.

17. Between 2011-12, the first year of the major austerity cuts, and 2019-20, the council lost government funding in cash terms of more than £146m. According to government calculations, lost spending power exceeded £85m during the same period. Neither of these figures allow for the real terms impact of price and demand pressures. In addition, the council has committed to priorities that have needed to be funded through a limited number of sources. During this period the council has also looked to keep council tax as low as possible, recognising the pressure this places on all households but particularly the most vulnerable. Southwark remains the eighth lowest council tax rate in London.
18. In September 2015, the council adopted the Fairer Future Budget Principles that confirmed the framework within which the Policy and Resources Strategy is formed. In September 2016 the cabinet approved the Fairer Future Medium Term Financial Strategy (FFMTFS) and Integrated Efficiency Plan noting the relationship to the Council Plan and the new theme to be fit for the future. Draft updated budget principles were included in reports to cabinet earlier this year and a fully updated draft FFMTFS will be brought to cabinet in January 2022.
19. This report provides an update on the work undertaken to both reflect the latest information on available resources, updated estimates of council tax and business rates and to consider budget savings and commitments proposed for 2022-23.

KEY ISSUES FOR CONSIDERATION

Spending Review October 2021

20. The 2021 Spending Review, announced on 27 October 2021, outlined the Government's spending plans for 2022-23 to 2024-25 for each central government department at a national level. This provides the basis for the funding assumptions within this report. Details of funding allocations at a local level will be included within the Provisional Local Government Finance Settlement, due to be published by in December. The key announcements as they impact on Southwark were:
 - Core Spending Power is estimated to rise by 3% annually over the next three years (£8.5bn in total). This figure includes;
 - £3.6bn of previously announced Adult Social Care reform funding
 - £1.5bn per annum of new grant funding with details to be announced at the Provisional Local Government Finance Settlement
 - There will be no separate compensation for 2021-22 COVID-19 tax losses
 - Flexibility to enable local authorities to raise additional income via a 1% increase in council tax through the Social Care precept in each of the next three years. This equates to approximately £1.2m per annum.

- an assumption that councils would increase council tax in line with the proposed council tax referendum limit of two per cent, a 1.99% increase would yield £2.4m;
 - The Public Health Grant to be maintained in real terms
 - No replacement announced for the New Homes bonus scheme
 - Business Rates Revaluation to occur on 3 year cycle commencing April 2023, a freeze on the multiplier in 2022-23 and two new reliefs introduced
21. Overall, the only significant new funding is the £1.5bn per annum. Southwark's share of this will be indicated at the Provisional Local Government Finance Settlement in December, however it is unlikely to be sufficient to meet expected pressures. These include;
- The additional cost of Adult Social Care reforms including the care cap, threshold changes and fair cost of care reforms.
 - Inflationary pressures including LLW, general inflation and the cost of increased employers' National Insurance contributions
 - The impact of COVID-19 on demand (incl. Adult & Children's social care)
 - The impact of lost tax income in 2020-21 and 2021-22 which is estimated at £400m across London.

Provisional Local Government Finance Settlement

22. The Local Government Finance Settlement is the annual determination of funding to local government from central government. The normal timetable is for the Provisional Settlement to be published in December to allow time for a period of consultation prior to approval by the House of Commons in late January or early February each year. The publication of the Final Settlement enables local authorities to finalise their budgets and to set their council tax by the statutory deadline (by 11 March).

Updated financial remit

23. In accordance with instructions from the June 2021 cabinet, this report provides updated budget proposals for 2022-23. These proposals reduce significantly the budget gap from £19.4m in June to £6m. However, the remaining gap still presents a major challenge, not least in the context of the savings that the council has had to make throughout the austerity period since 2010 and the increased ring fencing of a large element of resources available for social care.
24. The table below highlights all major variations from the 2021-22 budgets. It itemises changes in resources available (e.g. government grant and council tax income) and provides a high-level summary of efficiencies and improved use of resources, income generation and savings that impact on service levels. More detailed information on specific proposals can be found at Appendices B to E.

	2021-22 Budget £000	2022-23 Budget £000
Settlement Funding Assessment	-152.519	-162.806
BRRS growth	-18.936	-17.042
Council tax	-123.024	-128.548
Collection fund surplus/(deficit)	1.358	0.000
Government grants	-78.203	-71.698
Contribution from Reserves	-5.810	0.000
Total resources	-377.133	-380.094
Base budget brought forward	369.284	377.133
Inflationary pressures	4.200	6.922
Commitments and growth	17.989	17.677
Efficiencies, income and savings	-14.340	-15.608
Net spending	377.133	386.123
Gap (cumulative)	0.000	6.029

25. Further work is being undertaken by officers to present a fully balanced 2022-23 budget for the 18 January 2022 cabinet meeting in advance of February Council Assembly.
26. The Policy and Resources Strategy 2022-23 underpins the work of all council departments, ensuring financial sustainability and the best possible level of service for residents. The council remains committed to promoting efficiency as the key driver to reducing costs and minimising the impact of budget decisions on front line services.

Settlement Funding Assessment (SFA)

27. The Settlement Funding Assessment (SFA) comprises the core funding sources for authorities defined as the Revenue Support Grant, retained business rates and business rate top up. Whilst the Spending Review has indicated that this will increase in 2022-23, the total quantum and distribution formula are unlikely to be known before the PLGFS.

Better Care Fund (BCF)

28. The Better Care Fund was established in 2014-15, with the aim of supporting closer working between local authorities and the Clinical Commissioning Groups (CCG). The council invoices the CCG for its share of the pooled fund, which is offset against appropriate expenditure. It is expected that the BCF will continue into 2022-23 however (as in previous years) it is not yet clear whether the amount will increase.

Improved Better Care Fund (IBCF)

29. The Improved Better Care Fund was originally announced as part of the 2016-17 settlement. Funding was subsequently increased in the spring of 2017 as a response to the national pressure on adult funding care crisis.

30. It is currently assumed that IBCF funding will continue in 2022-23 at 2021-22 levels (£17.3m).

Social Care Support Grant

31. As part of the 2019 Spending Round the government announced an additional £1bn nationally to support local authorities in addressing the rising cost and demand pressures on social care services, children's and adults. It is assumed that the grant will continue at existing levels in 2022-23.

Public Health Grant

32. The Spending Review 2021 indicated that the Public Health grant would be maintained in real terms in 2022-23. Southwark's allocation in 2021-22 was £28.698m. The council's Public Health team are considering a range of options to maximise outcomes within the expected envelope and these will be included in the January Policy & Resources report.

New Homes Bonus (NHB)

33. New Homes Bonus (NHB) was introduced in 2011 to provide a clear incentive for local authorities to encourage housing growth in their areas. It rewards local councils for each additional home added to the council tax base, including newly built properties and conversions as well as long-term empty properties brought back into use, after deducting demolitions. Following a review of the funding "sharpening the incentive", the grant reduced in 2017-18. In 2018-19, the grant reduced further, as the payment reflected four years' growth (as opposed to six years).
34. It had been expected that the NHB scheme would be stopped or replaced by an alternative scheme from 2021-22. However, this was delayed and it has now been confirmed that the scheme is being wound down with effect from 2022-23.
35. The total forecast NHB funding for 2022-23 is £3.697m (£8.201 in 2021-22), subject to confirmation at the local government finance settlement.

Revenue Funding from Local Taxation

Council Tax

36. The council is committed to the fairer future promise to "keep council tax low". The Southwark element of council tax was frozen from 2008-09 until 2017-18 when financial pressures and the cumulative impact of reduced government funding meant that it was no longer sustainable to hold this position.
37. The authority has been able to maintain the eighth lowest level of council tax in London in 2021-22, despite having incurred some of the largest reductions in government grants. Throughout this period, the government applied a cap on any council tax increases. The purpose of this cap is to ensure that 'excessive'

council increases occur only where councils have a clear mandate from local people. This level has not been exceeded by Southwark to date and the cap remains in place for 2022-23.

38. Council tax remains below the charge it would have been if CPI had been applied each year since 2010-11.
39. The Council Tax Relief Scheme continues to provide support for our financially vulnerable residents and the Council has committed to making no substantive changes to the scheme for 2022-23.

Adult Social Care precept

40. Since 2016-17 the Government has provided flexibility to local authorities to increase council tax to provide a contribution towards the significant financial pressures in social care. The Government guidance was :
 - a 2% increase in the precept in 2016-17;
 - a 6% increase over the three year period 2017-20. A 3% precept was applied in 2017-18 and 2018-19 and 0% in 2019-20;
 - a 2% increase in 2020-21.
 - A 3% increase with local discretion to spread across 2021-22 and 2022-23 (the council applied the full 3% in 2021-22)
41. The government has now extended this flexibility with a further 1% increase in the precept in each of the next three years. This equates to a further increase of £1.2m per annum. The social care spending plans assume this level of additional funding will be available.
42. The government's spending power calculations assumes that all authorities with social care responsibilities will increase the precept in line with the guidance.

Southwark Element of the Council Tax

43. All London Boroughs, including Southwark, increased their council tax in 2021-2022, with 25 of those choosing to do so by the maximum amount permissible. This is indicative of the cumulative impact of financial stress across local authorities in London.
44. In the context of pressures on council finances, the resilience of reserves and the historical year on year reductions in spending power, council tax remains a key source of income for the council. An increase of 1.99% in council tax amounts to £2.4m income.
45. The impact of an increase in council tax of 2.99% (1.99% plus 1% Adult Social Care Precept) will mean that residents in Band D properties will see a council tax bill rise of approximately 67p per week (excluding any increase levied by the GLA). Around 77% of the chargeable dwellings in the borough are banded at D or lower.

Council Tax Collection

46. As reported in the 2022-23 Council Tax Base report (also on the agenda) whilst there continues to be growth in the number of dwellings, albeit at a lower level than recent years, this is offset by an expectation that CTRS levels will remain elevated. The report recommends that the collection rate be maintained at 97.2%, reflecting the continuing high performance of the revenues collection teams.

Business Rates Baseline

47. The government agenda is for local authorities to move towards self-sufficiency and away from dependence on central government. As a step towards this reform, in 2013-14, government changed the funding system to increase reliance on local taxation.
48. The Settlement Funding Assessment (core needs based funding allocation) is estimated to rise in 2022-23, although the formula and resulting figures are unlikely to be available before the PLGFS.
49. The 2022-23 budget includes a forecast assumption that the council's Business Rate Retention income will exceed the baseline funding level by £17m. This represents an estimated 10% reduction compared with 2021-22.
50. The economic downturn and the increase in check, challenge, appeal cases (in particular the Covid-19 driven appeals around 'Material Change of Circumstance') add to the challenges. There is a significant risk that changes as a consequence of successful challenges and appeals will reduce business rate yield. Careful review of financial risk reserves may be required to manage this volatility.
51. The ongoing move to self-sufficient local government demonstrates the importance of Southwark's capital investment programme within the borough, either as the lead authority or with partners. Regeneration is one of the key routes to ensuring sustainable budget sources as we move closer to reliance on local taxation, either through business rates or through council tax as well as increasing opportunities across the borough for quality of life, jobs and environmental improvements.

Business Rates London Wide Pool

52. In 2018-19, London Councils entered into a pilot arrangement for the retention of business rate growth through pooling. The agreement set out the principles and method for distributing any net financial benefits generated by the pool.
53. Southwark's final share of the total net benefit of the 2018-19 pool was £10.186m, which was ring-fenced for one-off initiatives in accordance with council priorities. The following table summarises the London Devolution Reserve commitments:

Initiative	£'000
Positive Futures Fund	750
Southwark Pioneers Fund	2,000
Brexit Risk Reserve	2,000
Health and Wellbeing Board commitment to CYP Mental Health	2,000
Libraries and Heritage Strategy	1,000
Pilot extension of gym and sports facilities into parks	150
Southwark Renters Union	100
Black Cultural Centre Feasibility Study	100
Food poverty	500
Anti-fraud measures	250
Community Hub Covid-19 support	100
Southwark Stands Together project costs	300
Youth Review	100
Youth Parliament	100
Unallocated balance	736
Total	10,186

54. During a London-wide review of the pool in 2021-22 it became apparent that, due to circumstances including COVID-19, the financial rewards of the pool no longer outweighed the risks. For that reason, the pool has been disbanded for 2022-23. The London boroughs will continue to monitor the situation and may choose to reconstitute the pool in later years, subject to the relevant consultations and permissions.

Special Educational Needs and Disabilities (SEND)

55. As set out in the latest Revenue Budget Monitoring report, the ring-fenced DSG is expected to remain within budget this year. However, the accumulated deficit stands at £21.7m. The Council has been in regular communication with the DfE and ESFA about this matter and will continue to lobby the government to make funding available to resolve this.
56. To date, a small number of authorities nationally have been the recipient of 'Safety Valve' arrangements whereby the DfE makes substantial contributions towards eliminating the deficit over a multi-year period. The criteria for entry to this process remain opaque, however officers are continuing to liaise with counterparts at DfE and ESFA to progress the matter.

Pay Award

57. The Government announced an end to the public sector pay freeze with effect from April 2022. The current budget plans assume a 2% increase in the pay bill in 2022-23. The position will continue to be monitored and a further update will be included within the report to cabinet in January, including any relevant financial implications.

Inflation

58. Inflation rates have been rising throughout 2021-22 and the OBR expects CPI

to peak at 4.4% in Q2 of 2022. There are a number of factors driving this, including rising energy prices, global distribution issues, COVID-19 and Brexit. A provision has been included within the budget forecast of £3.833m for contractual inflation in 2022-23.

Efficiencies and Improved Use of Resources

59. The fairer future promises contain a commitment to keep council tax low by delivering value for money across all of our services. In part, this is met through ensuring that the council is focussed on meeting the budget gap with proposed efficiency savings. The total budget proposals include efficiency savings of £6.962m (detailed in Appendix B).

Income Generation

60. As the council looks for ways to protect front line services, consideration is given to maximising the council's income generation by seeking income streams in line with council policies and priorities. The council will seek to generate additional income by reviewing fees, charges and contributions and seeking further opportunities to provide commercial services. The total budget proposals include additional income generation of £4.831m (detailed in Appendix C).

Savings Impacting on Service Delivery

61. Wherever possible, the aim is to continue to protect front line services from saving reductions. However, the extent of the government austerity measures means that after careful consideration, it is inevitable that some service reductions will be required to balance the budget. The schedules at Appendix D propose savings of £3.815m with potential to impact on service delivery.
62. Comprehensive equalities analysis of the impact of these savings will be considered before the budget is finalised.

Commitments

63. The commitments include investment in teams to coordinate and support the council's work on climate change and equalities, investment of the Adult Social Care precept in adult social care and increasing funding for Temporary Accommodation.
64. A detailed list of all commitments can be found in Appendix E. The overarching theme of these commitments is to improve preventative services and to ensure that service budgets are sustainable, particularly in the context of the reduced availability of reserves to support budget pressures.

Fees and Charges

65. Under Part 3C of the constitution, cabinet is responsible for the approval of new fees and charges and agreement of charging levels in line with the medium

term resources strategy.

66. The council's Fairer Future Medium Term Financial Strategy sets out the policy to review discretionary fees and charges annually. In reviewing fees and charges, the policy is to increase them to a level that is at least equal to the most appropriate London average except where this either conflicts with council policy, or would lead to adverse revenue implications or would impact adversely on vulnerable clients. Detailed draft fees and charges schedules appear at Appendix F.

Household Support Fund

67. The council has been allocated £2.7m as a one-off Government grant through the new Household Support Fund.
68. The grant must be used to help vulnerable, low-income households with the cost of food, fuel, and other essentials this winter. Support must be provided by 31 March 2022. The other condition attached to the grant is that at least fifty percent should be used to support families with children.
69. The new grant will be managed within the existing Southwark Emergency Support Scheme and will provide support in two forms.
70. About forty percent of the grant will provide extra support with costs of food and essentials for children attending Southwark schools and eligible for free school meals. This support will be delivered through Southwark schools, benefiting around fourteen thousand children.
71. The remainder of the grant will be used to provide help with home energy costs for vulnerable low-income households affected by changes to the statutory energy price cap and the withdrawal of the £20 per week Universal Credit uplift. Eligible households – including pension-age households - will be identified from housing benefit and council tax reduction data held by the Council, or by referral by members of the Southwark Community Support Alliance. It is anticipated that support will be delivered commencing early in the new year and will be provided to approximately twenty thousand households
72. The proposed approach is well-targeted and will ensure that the Council meets the condition that at least fifty percent of the grant should be used to support families with children.

Use of Reserves and Balances

73. The council retains a level of earmarked reserves and these are reported each year within the annual statement of accounts. These reserves are maintained to fund:
 - invest to save opportunities, which form part of the modernisation agenda and are expected to deliver future ongoing revenue savings;

- investment in regeneration and development where spend may be subject to unpredictable market and other factors;
 - exceptional items or pressures which are difficult to predict and which are not included in revenue budgets or within the capital programme.
74. For a number of years previously, the council had planned for the use of reserves to help smooth the impact of government funding reductions and other budget pressures especially during the period of austerity. Not only did this help to protect council services but it has also allowed time to transition towards new ways of working, productivity improvements and efficiencies.
75. Given the extraordinary circumstances the council was presented with in 2021-22, a contribution of £5.8m from reserves was budgeted for.
76. The budget proposals for 2022-23 do not include a planned release of reserve at this time.
77. The level of balances remains subject to the scrutiny of the section 151 officer who must ensure that any one off contributions to the budget is appropriate and affordable. In previous years, this judgment has been facilitated by the availability of unused contingency funds as budgets have met their targets.

Planned Corporate Contingency

78. It is proposed that the planned corporate contingency of £4m be maintained to support emerging budget pressures during the year. In the current and previous years, this contingency has been essential to manage in year demand and cost pressures.

Consultation

79. High-level consultation was conducted on the three-year budget proposals for 2016-17 to 2018-19. The consultation responses received were consistent with prior years' consultations, and were used to inform the budget proposals. A substantial majority of those who responded to this consultation agreed that the council should continue to focus on being more efficient, protecting frontline services and directing resources to those most in need and this is reflected in the budget proposals.
80. Since then the council has held the 'Southwark Conversation' in 2017 in which over 3000 residents responded as well as consulting on the Council Plan 2018-2022 during 2018 and again at the refresh in 2020. Together these have shaped the key priorities for the council over the coming years.

Next Steps

81. The next main governance steps to establishing the 2022-23 general fund revenue budget are outlined in the table below:

Date	Meeting	Report	Purpose
18 January 2022	Cabinet	P&R strategy	Select proposed solutions for meeting the budget challenge and fees and charges
24 January 2022	Overview and Scrutiny	P&R strategy	Comment on and make recommendations in respect of the cabinet's proposed 2022-23 budget
1 February 2022	Cabinet	P&R strategy	Recommend a balanced budget for 2022-23 to Council Assembly
23 February 2022	Council Assembly	P&R strategy	Approve a balanced budget for 2022-23
Tbc (likely 25) February	Council Tax Setting Committee	Setting the Council Tax 2022-23	Set the Council Tax. Committee required this year due to timing differences with the GLA budget setting process.

Community, equalities (including socio-economic) and health impacts

82. 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.
83. Transparency and fairness form part of the seven budget principles and are an underlying principle in the Borough Plan. As with the budget for 2021-22 and for previous years, each department will undertake equality analysis/screening on its budget proposals ahead of the final decisions being taken. Where screenings identify potential impacts, more detailed analysis is being carried out.
84. Undertaking equality analysis helps the council to understand the potential effects that the budget proposals may have on different groups. The analysis also considers if there may be any unintended consequences and how any of these issues can be mitigated. Analysis is also undertaken to consider any crosscutting and organisation-wide impacts.
85. For many services, the budget proposals will include efficiencies that have staffing implications. As specific proposals are brought forward, and at each stage of implementation thereafter, the different impacts on different categories of staff will be assessed in accordance with the council's reorganisation, redeployment and redundancy procedures.
86. 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. Where necessary, consultation will be undertaken alongside

mitigating actions where necessary. In line with the process across the council, information on the equality analysis will be shared with the relevant cabinet members so it can be considered when decisions are taken. The equality analyses will be collated across the council to look for any cumulative impacts.

87. To date no cumulative impacts have been identified through the analysis. However, this process will be completed in time to be reported on in the final budget report in January 2022.

Climate change implications

88. There are no direct climate change implications arising directly from this report, which provides an update on the budget setting process for 2022-23. The individual proposals contained within this report and its appendices will be subject to appropriate processes to assess and mitigate risks and to maximise potential benefits.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

89. The constitution determines that cabinet consider decisions regarding the strategic aspects of the regulation and control of the council's finances. The council has a legal obligation to set a balanced budget on an annual basis as prescribed in the Local Government and Finance Act 1992 and associated Regulations. The issues contained in this report will assist in the future discharge of that obligation.
90. The council is required under section 149 of the Equality Act 2010 to have due regard to the need to:
- Eliminate unlawful discrimination harassment and victimisation
 - Advance equality of opportunity between people who share protected characteristics and those who do not
 - Foster good relations between people who share protected characteristics and those who do not.
91. Decision makers must understand the effect of policies, practices and decisions on people with protected characteristics.
92. Equality analysis is the mechanism by which the council considers these effects. The report sets out how it is proposed equality analysis will be undertaken in relation to the budget proposals.
93. It is essential that cabinet give due regard to the council's duty under the Equality Act 2010 and the implications for protected groups in the context of that duty in relation to this decision and future decisions on the budget proposals.

REASONS FOR URGENCY

94. The council is committed to publishing budget proposals at the earliest possible opportunity to ensure they are available to the public for comments and questions. Presenting this report to cabinet on 7 December 2021 gives the opportunity for debate prior to presentation of budget figures to cabinet on 18 January 2022. Under the council's constitution, there is a requirement for the overview and scrutiny committee to review and challenge budget proposals and this is due to take place on January 2022.

REASONS FOR LATENESS

95. The Report was delayed due the timing of the Spending Review announcement, subsequent analysis of the impact and the need to take into account the latest updates from the budget challenge process.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Policy and Resources Strategy: 2022-23 Updated Financial Remit	160 Tooley Street PO Box 64529 London SE1P 5LX	Tim Jones 020 7525 1772

APPENDICES

No:	Title
Appendix A	Departmental Narratives
Appendix B	Proposed Efficiencies and Improved Use of Resources
Appendix C	Proposed Income Generation
Appendix D	Proposed Savings Impacting on Service Delivery
Appendix E	Proposed Commitments
Appendix F	Draft Fees & Charges
Appendix G	Draft Fairer Futures Budget Principles

AUDIT TRAIL

Cabinet member	Councillor Rebecca Lury, Cabinet Member for Finance, Performance and Democracy	
Lead officer	Duncan Whitfield – Strategic Director of Finance and Governance	
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Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to constitutional team		3 December 2021

CHIEF EXECUTIVE

Overview

- A.1. The Chief Executive's department comprises the Strategy and Economy, Employee Experience and Planning & Growth divisions.
- A.2. Strategy & Economy brings together local economy, strategy, emergency planning and External Affairs teams and supports the Leader, Cabinet, Chief Executive and chief officer leadership team in translating political vision and strategic and economic priorities into projects and programmes across the council. This includes leadership of economic strategy, Southwark Stands Together and the council's overall approach to renewal as we move beyond this phase of the Covid pandemic on our communities. The division also includes the emergency planning and resilience team, ensuring the Council is best able to respond to emergency incidents that impact on all in our community.
- A.3. External Affairs comprises policy and public affairs; media; marketing; and cabinet support. As well as this, we manage internal communications for the council and the administration's political assistant. Our services are responsible for managing and enhancing the standing of the council through the development of external and internal communications, public affairs, policy projects and initiatives.
- A.4. Employee Experience brings together the human resources and organisational development teams and is a key enabler for organisational delivery leading the workforce strategy including how we learn and build on the work of Southwark Stands Together to deliver equalities outcomes across all we do as a workforce.
- A.5. Planning and Growth brings together planners, project managers, regeneration and colleagues across the council dedicated to shaping place and investment to improve economic prosperity.
- A.6. The department leads on the council's delivery of regeneration and building strong local communities, bringing about thousands of new homes, jobs and opportunities across the borough and making our neighbourhoods places in which people are proud to live and work.

Efficiencies and Improved Use of Resources

- A.7. The department is proposing efficiency savings of £200k from the management structure from the reorganisation of the regeneration sections within the department.

Income Generation

- A.8. The department is also proposing additional £100k from property income.
- A.9. The Fees and Charges for the planning section are being reviewed and will be increased as required in order to meet the current 2021/22 income budget target for the service area.

Commitments

A.10. Commitment of £180k is proposed to deal with the Impact of the Building Safety Bill in Building Control section.

Equalities Analysis

A.11. As specific proposals are brought forward the impacts on residents and staff will be assessed for equalities impact, although an initial equalities impact assessment has not highlighted any areas of concern. Any proposals affecting staff will be assessed in accordance with the council's reorganisation, redeployment and redundancy procedures.

CHILDREN'S AND ADULTS' SERVICES

Overview

- A.12. Children's and Adults' Services represents approximately two thirds of the council's budget. The department provides a wide range of services, including social care and education, to all sections of the population in Southwark.
- A.13. The budget proposals for 2022-23 include a range of modest efficiencies that largely achieve reductions in expenditure through the continuation and improvement of tried-and-tested approaches. These efficiencies, which are both safe and fair, are necessary to contain inflationary cost pressures which include increases relating to employee related costs such as the national insurance pressure as well as the contractual inflation partly related to increases in the London Living Wage. Proposals also include a number of items that are savings and expect to impact services. These are difficult financial decisions to make but are consistent with the Council's vision of a fairer future for all.
- A.14. The sector continues to struggle with the combined effects of austerity, demand pressures, workforce challenges, continued funding uncertainty as well as taking on significant burdens as result of the pandemic. The impact of this is seen nation-wide, both in the number of councils reporting major social care overspends and in the number of providers going bankrupt or handing back contracts in other boroughs.
- A.15. For several years now, the Council, in partnership with NHS and voluntary sector colleagues, has risen to these challenges and continues to provide a safe social care service with good outcomes within budget. The department once again expected to break even for 2021-22 on General Fund as well as first time in a number of years on the Dedicated School Grant. However, this still leaves a £21.7m accumulated deficit on the balance sheet in relation to the ring fenced DSG. There is also a growing concern within the service that an increasing number of schools falling into financial difficulties.
- A.16. The Council continues to work with the Schools Forum to tackle the growing deficit on the DSG. The Government has now instructed councils to ringfence DSG deficits in a separate adjustment account outside of the general fund, in an effort to prevent a situation arising whereby DSG overspends overwhelm available reserves, however this merely delays resolution of the underlying issue – chronic underfunding.

Equalities Analysis

- A.17. Initial equalities analysis is currently being undertaken for each proposal. Consultations have been and will be undertaken for proposals relating to service changes where appropriate. Impact is mitigated by alternative offers of services, support or personal budgets as per service user choice in line with Care Act eligibility and national legislative thresholds and government guidance; other services are discretionary and universal.
- A.18. In line with our Public Sector Equality Duty, any changes to services arising from these proposals will be implemented in such a way so as to not impact disproportionately on any specific section or group in our community. The equality analysis is under way and will be collated to look for any cumulative impacts. In line with the process across the council, information on equality analysis will be shared with decision-makers for consideration before any decisions are taken.

A.19. Southwark Council's Fairer Future Promises are reflected in the proposals set forth as is a shift upstream to prevention and early help, recognising the evidence base and the outcomes that can be achieved by offering our residents good universal services.

HOUSING AND MODERNISATION (H&M)

Overview

- A.20. The department comprises a diverse range of services funded from both the general fund and the ring-fenced housing revenue account (HRA) for landlord services. In delivering the council's Fairer Futures Commitments, the department aims to maximise investment in its housing stock, build new council homes at council rents, deliver consistently high quality services and continue to support the most vulnerable residents, particularly those in need of temporary housing.
- A.21. A high proportion of the housing general fund budget is either demand driven or of a fixed contractual nature, for example, temporary accommodation and the customer contact centre, which leaves relatively little scope to make any meaningful savings towards meeting the budget gap without having a detrimental impact on services. For 2022-23 savings and additional income generation of £417k have been identified as achievable without any service impact. Conversely, commitments total £6.347m, predominantly to meet homelessness demand (£6m) and other cost pressures within customer experience (£178k) and corporate facilities management (£169k).

Asset Management

- A.22. General fund services comprise aids and adaptations, handypersons, empty homes and private sector housing renewal and building safety. In addition, corporate facilities management (CFM) transferred into the division to bring both housing and corporate buildings management, compliance and health and safety under one consolidated lead. For 2022-23, savings of £213k are expected to be realised through the closure of three operational buildings.
- A.23. The CFM service is currently in the process of retendering for both hard and soft facilities management contracts across the corporate estate, that are due to commence during 2022. The new arrangements will also see cleaning services at the council's main administrative hubs, Tooley Street and Queens Road coming in-house. Given that there has been some instability in the facilities management industry over recent years, along with the planned insourcing, there is a risk that it will require a budget commitment (albeit part-year), which cannot be quantified until tenders are received.
- A.24. The need to undertake this complex procurement for a second time in parallel with the challenge of responding to the changes necessitated by the pandemic, has highlighted capacity shortfalls that need to be addressed to ensure adequate cover across the corporate estate. Three additional posts are proposed for 2022-23 at a cost of £169k. Costs currently being incurred to support the FM procurement are expected to drop out in 2023-24.
- A.25. Prior to March 2020, there were plans for the CCG to expand their occupation at Tooley Street which would have provided a valuable rental stream for the council, but this was aborted due to the uncertainty created by the pandemic. However, there are now advanced plans with Guy's and St. Thomas and the CCG to lease further work space at both Queens Road and Tooley Street respectively, generating additional income of £129k from 2022-23.

Central Services

A.26. Budgets held within this activity are of a department-wide nature including corporate recharges and costs that are not specifically attributable to a particular service, for example, financing and depreciation charges. Other budgets held centrally include contingency against irregular or exceptional events. A saving of £75k in 2022-23 is proposed following review and the determination that a residual pension expenses contingency budget is no longer required.

Customer Experience

A.27. The division is responsible for a diverse range of functions including the customer service centre (CSC), customer resolution, Freedom Pass (concessionary travel), registrars and citizenship, coroners and mortuary services.

A.28. Budget commitments for 2022-23 include £70k for the coroner's service that operates as part of a consortium with Lewisham, Greenwich and Lambeth with Southwark as the lead authority, which is facing budget pressures next year as a result of continued pandemic compliance issues. A £33k commitment is required for a new call-monitoring platform for the Southwark Monitoring and Alarm Response Team (SMART) together with a £75k increase to cover the cost of rebasing the staffing budget for the SMART and Out of Hours services.

A.29. The council is currently engaged on a major IT improvement programme involving migrating its data centre and computing environment to the cloud, which is expected to be substantially complete this financial year, along with the implementation of revised target operating models (TOMs) in both the shared technology service and the retained technology and digital services team. While the impact of these changes are expected to deliver greater efficiency in subsequent years, no savings can realistically be delivered in the short-term.

Resident Services - Temporary Accommodation and Housing Solutions

A.30. Southwark is a leading authority on homeless prevention recognised nationally. However the cost of TA remains unremitting, driven by the growing national homelessness crisis, unaffordable private sector rented accommodation and government restrictions on Local Housing Allowance (LHA) rates meaning welfare benefits no longer cover the cost of private rented accommodation. These factors along with the unprecedented fallout of the pandemic has had a very significant impact on the council's TA budget. Furthermore, the Housing Solutions service is under similar budgetary pressure with the need for additional staff resources to cope with the demand and the rising cost of upfront incentives payable to landlords to support homeless households into private sector leased accommodation. The most recent published budget forecast for 2021-22 was a combined overspend of £8.3m. Notwithstanding the resources already committed to TA in recent budget rounds, there is an overwhelming need for further rebasing of the budget to a more sustainable level with an indicative commitment of £6m, including the Housing Solutions service for 2022-23.

Equalities Assessment Summary

A.31. The department undertakes equality analysis/screening on its budget proposals ahead of final decisions being taken. This helps to understand the potential effects that the

budget proposals may have on different groups and whether there may be unintended consequences and how such issues can be mitigated. Analysis is also undertaken to consider any cross-cutting and organisation-wide impacts and continues through the cycle of planning and implementation of these proposals

A.32. In line with our Public Sector Equality Duty, any changes to services arising from these proposals will be implemented in such a way so as to not impact disproportionately on any specific section or group in our community. Where necessary, consultation will be undertaken alongside mitigating actions where necessary. In line with the process across the council, information on the equality analysis will be shared with the relevant cabinet members so it can be considered when decisions are taken. To date no cumulative impacts have been identified through the analysis.

ENVIRONMENT AND LEISURE

Overview

- A.33. The Environment and Leisure department delivers services that make a real difference to the everyday lives of all residents and visitors. The department is focused on providing high quality services to the borough's residents and shaping those services to support the wellbeing of our residents and support the objectives of other parts of the Council.
- A.34. The department aims to make Southwark's neighbourhoods great places to live, places that are clean, safe and vibrant and where activities and opportunities are accessible to all. As well as our front-line environmental services we are proud to work with partners to improve health and wellbeing for all our residents through a rich leisure and cultural programme.
- A.35. Many of the operational activities of the department are frontline services for the benefit of all residents: they physically improve the environment; they provide opportunities for health and enjoyment, support knowledge and learning or help improve safety and confidence. The department has five directorates, Public Health, Environment, Leisure, Communities and Climate Change.
- A.36. The 2021-22 net budgets for the department is £87.8m
- A.37. For the forthcoming year, 2022-23, the department has identified a number of savings options amounting to £4.372m
- Efficiencies and Improved Use of Resources £135k
 - Income Generation £4,237k

Efficiencies and Improved Use of Resources

- A.38. The efficiency saving relates to the savings on the Parks Grounds Maintenance contract.

Income Generation

- A.39. The department is expecting to reinvest significant income from the introduction of Low Traffic Neighbourhood in schemes to improve access around the borough including healthy streets and with the aim of tackling the climate emergency. This income is expected to be one off for 2022/23 only and the ongoing income from LTNs will be reviewed for 2023/24.
- A.40. Other income generating proposals include the additional income from the new Private Rented Sector Licensing scheme to be implemented from March 2022 and the estimated income from the uplift in departmental Fees and Charges for 2022/23.

Commitments

- A.41. Commitments include the resources required of £1.1m to reshape the tree service in line with council priorities. Commitments in the library services are also proposed to keep all the borough's libraries open, accessible and providing a good quality service, and additional funding for the new Una Marson library, opening in 2022 on the Aylesbury Estate. Other commitments include the establishment of the Climate

Emergency Team and the additional resources required in the Equality and Diversity Team.

Equality Analysis

A.42. As specific proposals are brought forward the impacts on residents will be assessed for equalities impact, although an initial equalities impact assessment has not highlighted any significant concern. Any proposals affecting staff will be assessed in accordance with the council's reorganisation, redeployment and redundancy procedures.

FINANCE AND GOVERNANCE

Overview

A.43. The Finance and Governance Department includes the Director's office, which provides strategic leadership for the department and Section 151 responsibilities; Exchequer Services, which encompasses revenues and benefits and housing rent collection, as well as the financial transaction processing teams; the Law and Governance division responsible for electoral, constitutional, governance and legal services and the Professional Financial Services.

A.44. In supporting the Fairer Future promises of the council, the department's vision is to "make a positive difference everywhere we engage" and to be "efficient and effective in all that we do". Specifically, Finance and Governance endeavours to help the council to "manage every penny as carefully as local families look after their own household budgets".

A.45. The specific budget proposals include savings and income generation of £0.846m.

Efficiencies, Income generation and other savings

A.46. Over 70% of the departments expenditure budget is staffing costs and we are continuously reviewing services to ensure they are operating efficiently and are adapting to changing demands and caseloads so as to ensure they are fit for the future. Savings of £0.280m are proposed in 2022-23 through implementation of a digital self-service platform and greater automation of processes.

A.47. Income generating proposals include increased legal fees within Law and Democracy.

A.48. Other savings across the division include proposals to make minor reductions in posts across PFS, Legal, Procurement and Exchequer services which are likely to be manageable through unfilled vacancies and natural turnover.

Commitments

A.49. The department is not proposing any commitments in 2022-23.

Equality Analysis

A.50. As specific proposals are brought forward, and at each stage of implementation thereafter, the impacts on different categories of staff will be assessed in accordance with the council's reorganisation, redeployment and redundancy procedures.

CORPORATE

Overview

A.51. The Corporate budgets include technical accounting budgets such as Minimum Revenue Provision (MRP), treasury income and costs, pension related costs and budgets which impact across the wider council. The £4m contingency budget also sits within corporate to support the wider budget risks.

Commitments

A.52. As indicated in capital monitoring and treasury management reports, the council has an underlying need to borrow in order to fund the council's capital investment programme. A commitment is included to reflect the additional debt financing costs of £2.5m in 2022-23 as a consequence of approved capital investment decisions.

A.53. Debt financing costs are expected to increase further in 2023-24 and 2024-25 in line with the growing borrowing requirement resulting from the council's ambitious capital programme.

Equality Analysis

A.54. There are no equality analysis implications for these proposals.