

Item No. 2.1	Classification: Open	Date: 23 February 2022	Meeting Name: Council Assembly
Report title:		Policy and Resources Strategy 2022-23 – revenue budget	
Wards or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

That Council Assembly:

1. Agrees to increase the Southwark local council tax for 2022-23 by 1.99%.
2. Agrees to use the flexibility offered by government to support Adult Social Care through a precept of 1% of council tax on the basis that these additional funds will be used exclusively for adult social care.
3. Agrees to the recommendations of the 1 February 2022 cabinet.
4. Agrees to the updated position (paragraphs, 12-16), summarised below, which incorporates the changes between the provisional and final local government finance settlements:
 - £2.3m additional S.31 grant for changes to inflation
 - £27k additional grant funding as a result of minor formula adjustments
 - £519k additional ring-fenced Public health grant
5. Notes the announcement from the Chancellor of the Exchequer regarding the Energy Bills Rebate of £150 for most households and that this will be administered by the council.

BACKGROUND INFORMATION

Revenue Budget

6. On 1 February 2022 cabinet considered a report on the council's Policy and Resources strategy 2022-23 revenue budget proposals (Appendix 1) and agreed the recommendations included in the report.
7. The final 2022-23 Local Government Finance Settlement was published on 7 February 2022. This increased resources relating to changes in inflation estimates and minor technical issues, and finalised the Public Health Grant allocations.

KEY ISSUES FOR CONSIDERATION

Final Local Government Finance Settlement 2022-23 (FLGFS)

8. The FLGFS was published on 7 February 2022. Unfortunately, this was not in time for changes to be incorporated into the cabinet report of 1 February. Since the provisional settlement, the overall funding available for local government services nationally has increased by £200m. Simply, this represents an increase in the amount of grant given to authorities to compensate them for freezing the inflation-linked element of business rates in 2022-23. As a consequence, the council was awarded an additional £2.3m for the impact of this change.
9. In addition, there have been a number of small technical changes which have increased funding from the provisional settlement by a further £27k.
10. The Public Health Grant 2022-23 was announced on 7 February 2022, at £29.5m - an increase of £0.5m on the provisional estimate of £29.0m. Initial PH assumptions tend to be conservative as the grant is often announced after the council has set its budget. The Public Health grant is ring-fenced for use on public health functions which include public health challenges arising directly or indirectly from COVID-19. The allocation of these additional resources will be subject to future reports to cabinet.
11. Separately from the FLGFS, on the 3 February 2022, the Chancellor of the Exchequer announced that an Energy Bills Rebate would be provided to households in April 2022 to help protect them from rising energy costs. This included a £150 rebate for most households in council tax bands A-D. In addition to this payment, discretionary funding has also been announced, to support vulnerable people and individuals on low incomes that do not pay council tax, or who pay council tax for properties in Bands E-H. The total discretionary funding is £144m nationally. Individual authority allocations have yet to be announced.

Revenue Budget 2022-23

12. Arising from the changes in the FLGFS, a number of amendments are proposed in this report to that agreed by cabinet at the meeting on 1 February.
13. Given the purpose of the main amendment regarding inflation and the current uncertainty and volatility of inflation forecasts (including fuel prices) this report recommends that £1.3m of the additional funding is allocated directly to the inflation provision contained within the budget. This will be distributed to services by the s.151 officer as more information becomes known about the impacts of inflation.
14. This increases the total contractual inflation and pay provision for 2022-23 from £7.3m to £8.6m.
15. This report recommends that the remainder of the additional funding of £1.027m is set aside at this time as a contribution to balances, subject to

the agreement of council assembly. These balances will provide additional mitigation of risks to the council in the post-COVID-19 period.

16. Table 1 shows the high level summary of the budget following consideration by cabinet and includes the updated position following the final local government finance settlement as set out above. The report and relevant appendices to the 1 February 2022 cabinet are now attached to this report as Appendix 1.

Table 1 – 2022-23 Budget	2022-23 Budget
Resources Section	£m
Retained Business Rates (NDR Baseline)	-80.015
Business Rates top-up	-35.854
Revenue Support Grant	-37.776
Settlement Funding Assessment	-153.646
Public Health Grant	-29.504
Lower Tier Services Grant	-1.357
2022/23 Services Grant	-7.988
New Homes Bonus - residual	-5.113
Section 31 Grant - outside of growth calculation	-12.869
Increase in Final Settlement for inflation	-2.322
Improved Better Care Fund	-17.847
Social Care Support Grant	-17.776
Market Sustainability (Social Care)	-1.060
Government Grants	-95.836
Business Rate Retention - growth	-17.042
Council tax baseline funding	-124.874
Council tax increase (1.99%)	-2.485
Council tax - ASC precept (1.00%)	-1.249
Collection Fund Deficit	6.060
Total revenue from council tax and NDR growth	-139.590
Contribution (from) to balances	1.027
Contribution from Earmarked Reserves	-1.100
Contribution from ASC Resilience Reserve	-1.000
Total Resources	-390.145

Revenue Budget	£m
Base Budget Brought Forward	377.133
Contractual Inflation & Pay Provision	8.622
Growth and Commitments	18.083
Debt Financing (approved programme)	2.060
Effective use of resources and efficiencies	-6.962
Income Fees and Charges	-5.181
Other Savings	-3.610
Total Budget	390.145
Estimated Shortfall	0.000

Southwark Council Tax

17. For the purpose of setting council tax, the council calculates the total budget, less specific grants and contribution from reserves. For 2022-23 this is calculated as follows in Table 2:

Table 2- Budget Requirement	2022-23 £m
Total budget (Table 1)	390.145
Government grants (Table 1)	(95.836)
Planned contribution from reserves (Table 1-net contribution from reserves)	(1.073)
Total budget requirement	293.236

18. All local authorities are required to set their council tax by 11 March each year. The council will set its own element of the tax on 25 February 2022. 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.
19. Cabinet have recommended accepting the government's offer to raise a 1% adult social care precept in 2022-23 and to set a 1.99% increase in council tax for 2022-23.
20. The effect on the Southwark element of council tax is shown in Table 3.

Table 3- Southwark council tax 2021-22 to 2022-23	Band D			
	2021-22	2022-23	Increase	Change
Southwark Council Tax	1,164.14	1,198.95	34.81	2.99%
<i>of which:</i>				
<i>ASC precept</i>			11.64	1.00%
<i>Local increase</i>			23.17	1.99%

Consultation

21. The council's draft budget proposals for 2022-23 were issued for consultation following Cabinet on 18 January 2022.
22. In addition, responses to the recommendations from overview and scrutiny committee on 24 and 25 January 2022 were presented at the cabinet meeting by the Chair of OSC (Appendix L).

2022-23 Budget and Medium term Outlook

23. In setting out the budget proposals for 2022-23 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 to meet local priorities. In overall terms the draft budget proposed for 2022-23 is based on realistic assumptions and, notwithstanding the uncertain environment, is robust.
24. The additional resources announced at the provisional settlement for local government are welcomed after the extended period of austerity. These included additional unexpected New Homes Bonus and a new 'Services Grant'. The final settlement increased core funding to address inflation measures together with additional resources for Public Health spending. Much of the additional funding is ring-fenced to social care and at least £8m of the 2022-23 settlement is described as 'one-off'.
25. There are still significant uncertainties in the economic environment, not least because the country is coming out of COVID-19 restrictions, the ongoing impact of Brexit, rising levels of inflation, increased fuel and food costs as well as a decade of austerity. As a result, it is also likely that the council will experience additional demand for services from residents, communities and businesses.
26. There remains uncertainty around the national funding position for local government because the future years figures published at the settlement lack sufficient detail for planning purposes. Funding beyond 2022-23 remains extremely uncertain and subject to many unknowns and the council may face more significant revenue pressures. There is also significant uncertainty with the pending Fair Funding review of local government and the review of business rates.
27. The cabinet report also notes that the accumulated deficit on Special Education Needs and Disability (SEND) provision is forecast to remain at £21m at the end of 2021-22. There are a small number of authorities who 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 this matter.
28. 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.

29. The cabinet report, included as Appendix 1, provides information about the use of reserves and balances (paragraphs 61 to 65). 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. At 31st March 2021, the council's General Fund reserves levels were mid-table when compared with the rest of London. However, when taking into account the size of the authority and its revenue budget, proportionately reserve levels fall just outside the bottom third of London authorities.
30. 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.
31. The impact of all the uncertainty and future reforms cannot be assessed at this time. 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 2022.

COMMUNITY IMPACT STATEMENT

32. The community impact statement is set out in the cabinet report of 1 February 2022 attached at Appendix 1.
33. 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.
34. 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.
35. 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 J of the Cabinet Report) is an analysis of all Equality Impact Assessments that have been completed for the 2022-23 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.

36. 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

37. The report asks council assembly to agree the recommendations of the 1 February 2022 cabinet for a general fund budget requirement (after use of reserves) for 2022-23 of £293.236m including the impact of a 2.99% council tax increase for 2021-22. In accordance with part 3a of the Constitution, Council Assembly are required to agree the budget.
38. 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.
39. 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

40. 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

41. 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.
42. 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.

43. 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.

44. 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.

45. 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.

REASONS FOR URGENCY

46. The council is required to set a lawful budget by 11 March 2022.

REASONS FOR LATENESS

47. On 7 February 2022, the government published the final Local Government Finance Settlement. Due to this, it was not possible for the report to be completed before the agenda was circulated. The meeting of the council tax setting committee (being established by council assembly) is scheduled for 25 February 2022.

BACKGROUND INFORMATION

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix 1	Cabinet Report 1 February 2022 Policy and Resources Strategy 2022-23 to 2023 24 update with appendices A to L

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Tim Jones, 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		17 February 2022