

Item No.	Classification: Open	Date: 1 February 2022	Meeting Name: Cabinet
Report title:		Policy and Resources Strategy 2022-23 to 2024-25 update	
Ward(s) or groups affected:		All	
Cabinet Member:		Cabinet member for Finance, Performance and Democracy	

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

I am delighted to present the latest version of the Council's budget for 2022-23.

Work has continued since the last version of this report to close the £1.6million budget gap previously reported and today's report now presents a balanced budgetary position.

Teams across the Council have worked incredibly hard to find areas of savings, whilst ensuring that these do not adversely impact on our most vulnerable residents. We have also been able to make significant commitments to support residents across the Borough.

Whilst we have been able to present a balanced budgetary position, the financial outlook beyond 2022-23 remains extremely uncertain and subject to many unknowns, not least the government's 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 that the final local government finance settlement had not been published at the time of writing this report, no changes from the provisional settlement published on the 16 December 2021 are anticipated.
2. Note that this report presents the final balanced general fund budget proposals for 2022-23 including:
 - Un-ringfenced Settlement Funding Assessment grant of £153.6m, a modest increase of £1.1m on 2021-22
 - Other grant income of £93m, an increase of £14.8m on 2021-22 but including £8m of one-off Services Grant funding and an increasing amount of ring-fencing;
 - Estimated retained business rates income of £17m, a decrease of £1.9m from 2021-22;
 - Estimated council tax revenues of £128.608m, 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 2022-23 of £6m after allowing for spreading adjustments;
 - Pay provision and contractual inflation of £7.3m.
3. Approve the updated Fairer Futures Medium Term Financial Strategy (including Budget Principles) at Appendix G.
4. Note that the GLA is expected to increase its council tax precept by 8.8% following publication of the Mayor's draft budget in late December 2021.
5. 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.
6. Note the current budget options proposed to help achieve a balanced 2022-23 budget (Appendices B to E) including:
 - Efficiency savings of £6.962m;
 - Net income increase of £5.181m;
 - Savings impacting on services of £3.610m;
 - Commitments and growth of £17.564m
7. Note that, in order to ensure that the base budget is on a secure financial footing a contingency is proposed for 2022-23 of £4m for temporary accommodation.
8. Note the Departmental Narratives and the ongoing equality analyses of the budget proposals (Appendix A);

9. Note that the 18 January 2022 cabinet report was considered by Overview and Scrutiny committee on 24 and 25 January 2022.

BACKGROUND AND PURPOSE

10. 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.
11. 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.
12. 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. Further contextual information is included at Appendix K.
13. 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 FFMTFS is included at Appendix G.
14. 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

Provisional Local Government Finance Settlement 2022-23 (PLGFS)

15. The PLGFS was published on 16 December 2021, providing a real terms increase in local authority funding of over 4%. This is good news for Southwark and will provide a welcome inflow of funding after an extended period of austerity. Much of this funding is ring-fenced to social care, however there is also additional unexpected New Homes Bonus and a new 'Services Grant'. Further detail on this new funding can be found below at paragraph 18.
16. However, despite a favourable near-term result, the medium term outlook is less clear. This is now the fourth consecutive year of single-year settlements (or multi-year settlements with insufficient information beyond year one), a factor that is severely hampering medium and long-term planning. Of particular concern is the new 'Services Grant', amounting to just shy of £8m for Southwark in 2022-23 and which is being described as 'one-off'.

Updated financial remit

17. In accordance with instructions from the December 2021 cabinet, this report provides updated budget proposals for 2022-23. These proposals, together with updated estimates of government funding, business rate and council tax income have contributed towards achieving a balanced budget. This has been achieved under challenging circumstances, not least in the context of the savings that the council has had to make throughout the austerity period since 2010, the increased ring fencing of a large element of resources available for social care and the ongoing impact of the pandemic.

18. The table below shows a high level summary of the 2022-23 budget. Further detail and commentary on individual lines follows this table.

	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	-28.985
Lower Tier Services Grant	-1.331
2022/23 Services Grant	-7.988
New Homes Bonus - residual	-5.113
Section 31 Grant - outside of growth calculation	-12.869
Improved Better Care Fund	-17.847
Social Care Support Grant	-17.776
Market Sustainability (Social Care)	-1.060
Government Grants	-92.968
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 Earmarked Reserves	-1.100
Contribution from ASC Resilience Reserve	-1.000
Total Resources	-388.304

Revenue Budget	£m
Base Budget Brought Forward	377.133
Contractual Inflation & Pay Provision	7.300
Growth and Commitments	17.564
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	388.304

*Rounding of numbers

Settlement Funding Assessment (SFA)

19. 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. This will increase by £1.1m (0.7%) in 2022-23, supplemented by additional s.31 grant which will be paid to the council as compensation for the freezing of the Non-Domestic Rates multiplier.

2022-23 Services Grant

20. This is a new, one-off, un-ringfenced grant included in the 2022-23 PLGFS. It is proposed to be distributed on the same basis as SFA and the provisional share for Southwark is £8m. The grant can be used to pay for any council services and includes an amount to compensate the authority for increases to employers' National Insurance Contributions related to Social Care Reform.

Market Sustainability and Fair Cost of Care Fund

21. This is part of the funding trailed at the Spending Review and amounts to £162m nationally in 2022-23. It is to distributed based on the existing Adult Social Care Relative Needs Formula and Southwark's share is expected to be £1m. The money is to support Local Authorities to prepare their markets for reform and to move towards paying providers a fair cost of care.

Better Care Fund (BCF)

22. 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)

23. 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.
24. The PLGFS has indicated an increase of 3% in 2022-23, amounting to £524k.

Social Care Support Grant

25. 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. The PLGFS is proposing a welcome increase of nearly £4.6m (35%) in 2022-23, all of which will be ring-fenced for social care expenditure.

Public Health Grant

26. 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 are included at Appendix H.

New Homes Bonus (NHB)

27. 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).
28. 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.
29. An additional payment has been included within the PLGFS, bringing expected NHB income in 2022-23 to £5.1m, a reduction of £3m on 2021-22.

Revenue Funding from Local Taxation

Council Tax

30. 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.
31. 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.
32. Council tax remains below the charge it would have been if CPI had been applied each year since 2010-11. Appendix K describes comparative budget context.
33. 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

34. 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)
35. 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.
36. 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

37. 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.
38. 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 £2.485m income.
39. 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.
40. The Mayor of London published his draft budget on 22 December 2021, including a proposal to increase the GLA Council Tax precept by 8.8% - equivalent to £31.93 annually for a band D property. This means the total impact of council tax increases (both Council and GLA) for those living in Band D properties will be approximately £1.28 per week.

Council Tax Collection

41. As reported in the 2022-23 Council Tax Base report at December cabinet, 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 recommended that the collection rate should be maintained at 97.2%, reflecting the continuing high performance of the revenues collection teams.

Business Rates Baseline

42. 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.
43. 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.
44. The economic downturn from the impact of the pandemic adds to the challenges. There is a significant risk that long term structural changes will reduce business rate yield. Careful review of financial risk reserves may be required to manage this volatility.
45. 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

46. 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.
47. 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.

48. 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

49. 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)

50. 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.
51. 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

52. 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.

Inflation

53. Inflation rates have been rising throughout 2021-22 and despite the OBR predicting a peak of 4.4% in mid-2022, by November 2021 that forecast had already been exceeded with CPI at 5.1%. 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 £4m for contractual inflation in 2022-23.

Efficiencies and Improved Use of Resources

54. 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

55. 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 £5.181m (detailed in Appendix C).

Savings Impacting on Service Delivery

56. 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 £3.610m with potential to impact on service delivery.
57. Comprehensive equalities analysis of the impact of these savings is at Appendix J.

Commitments

58. 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.
59. 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

60. 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. Fees and charges schedules for 2021-22 were approved by Cabinet in January 2022. A detailed list can be found in Appendix F.

Use of Reserves and Balances

61. 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.
62. 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.
63. Given the extraordinary circumstances the council was presented with in 2021-22, a contribution of £5.8m from reserves was budgeted for.
64. The budget proposals for 2022-23 include a £2.1m contribution from reserves.
65. 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

66. 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

67. 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.

68. 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

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

Date	Meeting	Report	Purpose
23 February 2022	Council Assembly	P&R strategy	Approve a balanced budget for 2022-23
25 February 2022	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

70. 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.
71. Transparency and fairness form part of the seven budget principles and are an underlying principle in the Borough Plan. As with the budget for 2022-23 and for previous years, each department undertakes 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.
72. 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. The Cumulative Equality Analysis document (Appendix J) is an assessment 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.
73. 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.

74. 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.
75. Appendix J identifies individual impacts for each budget proposal. In the case of those having a negative impact, mitigating actions have been identified in all cases. Overall, no disproportionate cumulative impact on any one group has been identified.

Climate change implications

76. The Council has reinforced its commitment to combatting carbon emissions and rising global temperatures, by joining the international Climate Change Campaign and declaring a Climate Change Emergency. The Climate Emergency is a major focus for the council, working in partnership with stakeholders, partners, staff and residents to tackle the effects of global warming and the risk to our planet.
77. The Council has committed to doing everything that it can to make Southwark carbon neutral by 2030.
78. How the council uses its resources has a significant impact on the borough's carbon emissions. Across the work we do from our housing investment, to investment in parks and green spaces, to infrastructure changes such as electric charging points how the council chooses to use resources all impacts on our carbon emissions. The council is looking at how it can better align its work to reduce its carbon impact and meet the target of being carbon neutral.
79. As the council further develops its approach, it is looking at how carbon impact is better considered in the decisions that we take including financial decisions. Officers are currently looking at best practice in other councils as well as innovation in this area to enable decisions which are made in the council to more fully consider their carbon impact.
80. Further details of the financial implications of the council's climate change strategy can be found in the Climate Impact Statement at Appendix I.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

81. 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.
82. 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.
83. Decision makers must understand the effect of policies, practices and decisions on people with protected characteristics.
84. 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.
85. 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

86. The cabinet is required to prepare a budget proposal for submission to council assembly. This is the last cabinet meeting before Council Assembly on 23 February 2022 and the Council Tax Setting Committee . The council is required to set a lawful budget by 11 March 2022.

REASONS FOR LATENESS

87. 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 18 January 2022 gave the opportunity for debate prior to presentation of budget figures to cabinet on 1 February 2022. Under the council's constitution, there is a requirement for the overview and scrutiny committee to review and challenge budget proposals and this took place on 24 January 2022.

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	Efficiencies and Improved Use of Resources
Appendix C	Income Generation
Appendix D	Savings Impacting on Service Delivery
Appendix E	Commitments
Appendix F	Fees & Charges
Appendix G	Fairer Futures Medium Term Financial Strategy
Appendix H	Public Health Budget Proposals
Appendix I	Climate Impact Statement
Appendix J	Cumulative Equalities Impact Statement
Appendix K	Budget Contextual Information

AUDIT TRAIL

Cabinet member	Councillor Rebecca Lury, Cabinet Member for Finance, Performance and Democracy	
Lead officer	Duncan Whitfield – Strategic Director of Finance and Governance	
Report author	Timothy Jones – Departmental Finance Manager	
Version	Final	
Dated	28 January 2022	
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		28 January 2022

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 proposals for changes are included at Appendix F.

Commitments

- A.10. A 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. Equalities analysis have been completed 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 have been completed to examine any cumulative impact. 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. Commitments total £0.347m, for 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. A contingency is to be set up in 2022-23 to mitigate any potential pressure in 2022-23 (paragraph A.54).

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 £4.872m
- Efficiencies and Improved Use of Resources £135k
 - Income Generation £4,587k
 - Savings Impacting on Service £500k

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.

Savings Impacting on Service

A.42. Planned improvements to the NRPF process focussed on speedier resolution of older cases are expected to yield savings of £500k without impacting on the councils ability to accept new cases.

Equality Analysis

A.43. 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.44. 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.45. 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.46. The specific budget proposals include savings and income generation of £0.846m.

Efficiencies, Income generation and other savings

A.47. 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.48. Income generating proposals include increased legal fees within Law and Democracy.

A.49. 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.

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.

Contingency for Temporary Accommodation

A.54. A pressure of £4m has been set aside as a contingency predominantly to meet homelessness demand to be released by the Strategic Director of Finance and Governance in conjunction with the Cabinet Member for Finance, Performance and Democracy and the Cabinet member for Council Homes and Homelessness.

Equality Analysis

A.55. There are no equality analysis implications for these proposals.