Item No. 9.	Classification: Open	Date: 18 October 2022	Meeting Name: Cabinet
Report title:		Policy and Resources Strategy: Financial Remit 2023-24 to 2024-25 Update	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Stephanie Cryan – Finance, Democracy & Digital	

FOREWORD – COUNCILLOR STEPHANIE CRYAN, CABINET MEMBER FOR FINANCE, DEMOCRACY & DIGITAL

This report updates the council's medium term financial outlook and notes the ongoing pressures on local government finances.

In this report, we update the emerging pressures post the mini budget announcement on the 23 September 2022, and set out the context of the changing macroeconomic policies of the government following the election of the new conservative leader and the financial markets reaction. These macroeconomic pressures include interest rate rises, (currently at 2.25% but set to reach 6%) which will have a major impact on borrowing charges, energy cost increases and rapidly rising inflation. Given the current economic pressures and the Conservative Party recent policy changes, this has further reduced expected funding and created significant additional cost pressures to those reported in July. These come on top of the previous austerity years and flags yet another round of austerity at a time when public services are already starved of cash.

The current estimate of the budget gap is £19.84m in 2023-24, assuming council tax increases of 1.99% and ASC precept of 1%. However we will not know the full scale of the gap until we receive our funding settlement in December.

There was no specific announcement for local government at the mini budget, to enable a firmer view of the council's budget position, but the overall picture is significantly bleaker, reports of potential departmental cuts across Whitehall and the unhelpful and misleading comments from the Minister of State for Local Government that there is still fat to trim suggest a worrying direction of travel for Local Government finance. After a decade of austerity there is no fat to trim.

Rather the forecast includes a range of assumptions which may prove to be incorrect; sensitivity testing around these assumptions indicates a significant range of outcomes. The 'most-likely' projected funding gap for planning purposes is £19.84m (previous July forecast was £24.2m) in 2023-24, but this is in a range of £9.13m to £53.08m (previous estimate £3.1m best case to £50.5m in the worst case).

The report reiterates the approach for the budget process for 2023-24 that takes account of the above and the requirement to identify savings options that fit within the overall policy and financial framework, aligning resources to the council's key priorities and with regard to the emerging pressures.

Even at this stage there are a great many assumptions and uncertainties, and the financial and economic conditions are continually changing. Given recent changes in the government, there is a further layer of uncertainty in the macroeconomic outlook. And the council continues to face demands and pressures on our services, from the cost of living crisis and additional support for the most vulnerable, social care and homelessness.

Despite these challenges we remain committed to delivering services for our residents and ensuring we support the most vulnerable in line with our emerging Council Delivery Plan and Plan for Southwark 2030.

RECOMMENDATIONS

That cabinet note:

1. The updated Medium Term Financial Strategy (MTFS) included at Appendix 1, forecasting a most likely gap in 2023-24 of £19.84m;

2. The tax and policy changes announced in the 23 September mini-budget and the potential for further policy changes following the election of the new Prime Minister;

3. The mini-budget gave no specific details on local government funding but the subsequent rapid deterioration in the UK economy will require substantial remedial action which is likely to include cuts to public sector spending;

4. Given the change in policy direction, the council faces a further period of austerity at a time when public services are already under significant pressure arising from the impact of the previous austerity period (2010-2020) together with the worsening economic outlook.

5. The updated assumptions are detailed in paragraph 36. The key assumptions being:

    - All government funding expected to increase by 2% to account for inflationary pressures with the exception of;

        - New Homes Bonus – expected reduction of circa £2m resulting from ending of current scheme;
        - Market Sustainability and Fair Cost of Care Fund – expected to increase with matching commitments;

    - Public Health Grant expected to remain at current cash levels;
    - 2022/23 Services Grant expected to remain at current levels with a reduction to offset the reversal to the 1.25% National Insurance increase.

- The Fair Funding Review and Business Rate Retention Reset will be delayed again until at least 2024-25;

- Additional costs arising from pay and contract prices (3% and 6% respectively);

- Additional costs arising from energy cost increases on council properties (100%)

- Additional debt financing costs arising from additional capital projects (£3.4m);

- Council tax will increase by the maximum amount allowed (1.99%);

- An adult social care precept of 1%.

6. That the budget challenge process commenced in early October 2022 as planned and that an update on progress will be brought to cabinet in December 2022.

7. Continuing financial uncertainty as a result of a number of further factors:

- The reaction of the currency and bond markets to the mini budget and subsequent emergency actions taken by the Bank of England;
- Unknown impact of U- turn over abolition of 45% tax band;
- The government's Medium-Term Fiscal Plan due to be published on 31 October, giving further details of proposed debt repayments and a full forecast from the Office for Budget Responsibility (OBR);
- Possible spending cuts to public services[1] of up to 15% as a means to reduce government borrowing in the medium term.
- Further announcements in October and November are expected on the supply-side growth measures, including changes to the planning system, business regulations, childcare, immigration and digital;
- Unlikely that the three-year spending review outline cash figures will be updated for the increased inflation forecasts;
- Limited information on the major changes to Adult Social Care which are expected to carry a significant price-tag in 2023-24 and 2024-25;
- The Business Rate Revaluation taking effect on 1 April 2023 and the potential impact on locally retained revenues;
- The 50% rate relief for retail, leisure and hospitality businesses, and the Energy Bill Relief Scheme for businesses will end on 31 March 2023;

[1] Outlook for public finances' (IFS) 11 October 2022

- Rising inflation including exceptional increases in energy costs driving a cost of living crisis;
- Rising interest rates increasing the cost of credit for residents and the cost to the council of financing its ambitious capital programme;
- Economic and financial impacts to the council of exiting the European Union;
- The current absence of any certainty of funding streams to support climate emergency plans.

8. That discussions with the Department for Education (DfE) for financial support for the historic Dedicated Schools Budget (DSG) ‘high needs’ deficit of £21.7m are ongoing.

9. The Strategic Director of Finance and Governance, with the support of other Strategic Directors are preparing indicative savings options and commitments, initially for 2023-24. For the following 2 years, 2024-25 and 2025-26, a long term strategy is going to be developed which will support the new Council Delivery Plan.

BACKGROUND AND PURPOSE

10. This report provides an update to the 18 July 2022 report to Cabinet, ‘Policy and Resources Strategy 2022-23 – Financial Remit 2023-24 and Scene Setting’. This report highlights the uncertainty from a significant change in fiscal policy following the appointment of the new Conservative Prime Minister. The new emphasis is on growth and tax cuts which are to be financed by higher levels of borrowing.

KEY UPDATES

Fiscal Event (mini budget) 23 September 2022

11. The previous Chancellor, Kwasi Kwarteng, announced a mini budget on 23 September 2022 which was designed to grow the economy by 2.5% per year. The main announcements were:

A re-statement of energy bills support

(i) Energy Price Guarantee and Energy Bill Support Scheme which are intended to limit price increases for 2 years with an estimated saving of £1,400 per year with the most vulnerable receiving an average of £2,500;
(ii) Energy Bill Relief Scheme for businesses (includes public sector buildings and schools);
(iii) Long term review of potential energy price savings with suppliers to reduce overall volatility in the market.

Tax Cuts intended to support growth and incentives

- Reversal of the 1.25% rise in National Insurance from 6 November 2022
- Abolition of the expected Health and Social Care Levy (HSCL)
- Basic rate of tax reduced from 20p to 19p from 1 April 2023 and abolition of 45% tax rate (the 45% rate was re-instated on 3 Oct in a policy U turn)
- Abolition of expected rise in corporation tax – remains at 19%
- Stamp duty cut announced
- Simplification of tax system (simplify IR35 rules and repeal to law to support the self employed)

Other announcements

- Incentives to induce people back into work together with potential cut to Universal Credit (UC)
- Bankers bonus cap cancelled
- Government intention to legislate to require TU to put pay offers from employers to a vote of members
- 40 new 'investment zones' created to allow planning rules to be relaxed and reduce business rate taxes
- New planning and infrastructure bill to streamline and speed up planning process for major infrastructure projects.

12. There was no Office for Budget Responsibility (OBR) accompanying analysis of the impact of these measures but confirmation that these were set to be published on 23 November 2022 (although this has now been brought forwards to 31 October). The previous Chancellor suggested that the abolition of the HSCL would have no impact on the government's planned spending on health and social care as these would be funded through borrowing.

13. There was no specific announcement on local government spending plans or any announcement on climate change measures. There was also no confirmation that benefits or departmental spending plans would be uprated for inflation. It looks increasingly likely that local government will experience a second period of austerity.

14. The Institute for Fiscal Studies (IFS) suggested that the macroeconomic outlook had materially deteriorated since March 2022. And despite the huge package of energy cost support this year, the median earner is set to see a 3% fall in real incomes.

Market and Bank of England reaction to the mini budget

15. The markets reacted very poorly to the uncosted borrowing plans in the mini budget, with a resultant crash in the gilt market and an immediate collapse of the pound to the lowest level in history. Given the scale of the risk to the UK's financial stability and the risk to pension fund liquidity, the Bank of England (BoE) was forced to buy government debt to stabilise the financial markets on 28 September. This initially calmed the markets, but by early in the week of

10th of October, yields on long dated gilts were already climbing back towards the level that triggered the BOE intervention in September.

16. The government's growth plan has been seen as adding additional inflationary pressure to the economy and in an attempt to reduce inflation and ease the cost of living crisis, the BoE has signalled further interventions - a significant rise in interest rates. Market data suggests participants are pricing in base rates of up to 6% by the middle of 2023.

17. The International Monetary Fund (IMF) warned that the UK's mini budget could have serious economic consequences and recommended against its implementation. Due to inflationary pressures in the UK, it cautioned against large and untargeted fiscal measures that would likely increase inequality. The IMF suggested that the November budget (moved to 31 October) could provide an early opportunity to revaluate the tax measures that benefited high income earners and consider ways to provide more targeted support. The government have already reinstated the 45% top rate of income tax on 3 October. Other announcements may also be reversed in the coming October budget.

18. On 11 October 2022, the IFS[2] published a report on the previous Chancellor's options to achieve fiscal sustainability. The Institute forecast that the debt interest will be double what was estimated in March 2022 and would require a £62bn fiscal tightening to stabilise debt as a fraction of national income. So even reversing all of the permanent tax cuts in the previous Chancellor's mini-budget would not be enough. If the government delivers this through spending cuts then the following options might be considered:-

- Working age benefits to grow in line with earnings rather than prices in the next 2 years – which would be felt by those in the bottom half of income distribution;
- A 15% cut to public services spending – local government- (outside of the NHS and Ministry of Defence cash limits). This would be difficult to achieve where deep cuts were delivered during the austerity years between 2010 and 2019.

Energy Cost Crisis

19. The energy price cap for domestic users increased by 54% in April 2022 and was due to increase by 80% in October 2022 (gas 91%, electricity 70%). The government announced the 'Energy Price Guarantee', (which caps the October increase to 27%), together with the 'Energy Bill Support Scheme' in response to the rise in energy bills for domestic users. The schemes are intended to limit price increases for 2 years with an estimated saving of £1,400 per year with the most vulnerable receiving an average of £2,500. But again the headline figure of £2,500 is not a cap but an estimated cost of the average bill which ultimately will depend on usage.

[2] Outlook for public finances' (IFS) 11 October 2022

20. The ‘Energy Bill Relief Scheme’ has been established to provide similar levels of support for businesses (includes public sector buildings and schools) but currently this is only guaranteed for 6 months.

21. The council’s energy is supplied through a framework agreement with ‘Kent County Council- Laser’. Bulk purchase agreements have ensured that the price of gas and electricity are competitive but current energy budgets remain under significant pressure. Prices are contractually agreed until March 2023 and thereafter from 2023-24 significant and large increases are expected. The council has budgeted for an additional £3.2m for general fund energy inflation in 2023-24. Energy inflation across the Housing Revenue Account is exceeding the budget for 2022-23 and expected to be significantly higher in 2023-24.

Cost of Living Crisis

22. The Office for National Statistics (ONS) released a report on 30 September[3] which reported on the impact of the cost of living crisis. 91% of adults reported their cost of living had increased compared with a year ago, due to the price of food shopping, energy bills and fuel prices. Around three quarters of adults reported being worried about rising costs of living in the past two weeks. And around 3 in 10 of those who are currently paying rent of mortgage payments reported they are finding it difficult to make these payments. These statistics highlight the likely increasing levels of support that will be needed for residents. Cabinet approved the creation of the Southwark Council Cost of Living Fund in June 2022 to provide support to vulnerable households to help pay for higher energy bills and food support. This council intends to create a new Cost of Living Fund, following a comprehensive review of its local welfare assistance scheme (Southwark Energy Support Scheme) which will help households avoid fuel and food poverty this winter.

Businesses

23. There will be significant uncertainty for businesses in 2023-24. Business Rate Revaluation will take effect on 1st April 2023 (with a risk of an impact on locally retained revenues). At the same time, the 50% rate relief for retail, leisure and hospitality businesses will end on 31 March 2023. In addition, the Energy Bill Relief Scheme is scheduled to end on 31 March 2023 which will add further cost pressures to businesses.

Ukraine Crisis

24. The current war in Ukraine has led to a refugee crisis. The council is providing support and assistance to 360 newly arrived Ukrainian refugees. The council has received grant funding for these refugees up until 31 August 2022. It is likely that there will be more refugees arriving over the next few months and

[3] ONS Public opinions and social trends, Great britain: 14-25 Sept 2022

again the council will provide support and assistance and seek to ensure that funding continues to be made available to continue to support the additional costs. There is a risk that not all costs continue to be fully funded in the longer term, we will continue to monitor and further progress will be reported to cabinet as appropriate.

Climate emergency

25. The council has provided significant capital budgets to meet the climate emergency objective to be carbon neutral by 2030. To date this has almost exclusively been provided through council resources (e.g. borrowing) and has not benefited from any material commitments from government.

26. The mini budget did not provide any indication that climate change would be a priority. Green levies on energy bills were suspended and the new Prime Minister announced that the fracking ban will be lifted to help boost the UK's domestic gas supplies. Central government funding for climate emergency projects seems unlikely to be forthcoming.

Dedicated Schools Grant (DSG)

27. The accumulated deficit on the Dedicated Schools Grant was £21.7m at 31 March 2022 with a projected further overspend of £3m in 2022-23. The council is in discussions with the Department for Education (DfE) to eliminate the historic deficit with the support of Safety Value funding. The deficit recovery plan that enables access to the grant will be difficult to comply with, as it is based on current DfE inflation estimates, which are lower than the Office for National Statistics (ONS) and Bank of England estimates. Any shortfall in funding is likely to impact on the general fund. The council is waiting for final details from the DfE and this risk area forms part of the budget challenge process.

Capital programme

28. The council, through austerity and COVID-19 periods, has sustained a significant capital programme for the development and improvement of assets and infrastructure across the borough. Where possible this is funded through capital receipts and grant provision but all costs over and above these funding streams are resourced through borrowing.

29. Interest rates, which have been at historic lows for a prolonged period, are now starting to rise and are currently at 2.25%, with financial markets anticipating a rise of up to 6% by summer 2023. The maintenance of the capital programme at existing levels will inevitably create additional burdens on the general fund budget from these interest rate rises.

30. Over and above this, the capital programme is experiencing levels of inflation that well exceed RPI and CPI particularly where work relates to buildings and

construction. The Financial Times4 reported that UK construction materials in July 2022 were 24.1% higher than a year earlier. These inflated costs will convert into higher debt charges to the general fund moving forwards. The council will be presenting a full and refreshed capital programme to Council Assembly in February 2023.

Spending Review

31. The main strategic funding decisions of central government as they relate to local government are normally made at each Spending Review; although these have been supplemented at subsequent annual Local Government Finance Settlements.

32. The Autumn 2021 Spending Review was the first multi-year review in several years. The review was a positive one (at that time), with a headline 3% average annual growth in spending power. However, as usual, this growth is predicated on councils using the maximum available council tax increase and also includes significant amounts of ring-fenced growth to the adult social care budget. The review was heavily front-loaded, with most good news in 2022-23 and the remaining growth in years 2 and 3 largely comprised of money ring-fenced for social care reform.

33. It's important to note that the 3% growth figure in the 2022-23 settlement was informed by optimistic inflation forecasts, which at the time were in the region of 3%. With inflation now running in excess of 9%, the settlement (which was well received nationally at the time) is now effectively a real-terms funding cut. This means the base from which we are building our 2023-24 budget is already underfunded for inflationary pressures. Again, there has been no further annoucements as to whether budgets will be updated for the impact of inflation in 2023-24 onwards. However, the government have confirmed that they would not re-open funding settlements announced at the Spending Review 2021 to address rising cost pressures on the public sector and has asked government departments to find efficiency savings, leading to fears over cuts to funding local government.

34. At the Local Government Association (LGA) conference in July 2022, the Secretary of State for Levelling Up, Housing and Communities announced that councils will receive a two-year settlement from 2023-24, which will provide some welcome certainty after a series of one-year settlements. However, no detail was made available at the fiscal event on 23 September 2022.

35. The government announced that a Medium-Term Fiscal Plan will be published on 31 October, giving further details proposed of borrowing and debt repayments and a full forecast from the Office for Budget Responsibility (OBR).

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[4] **Financial Times, 23 September 2022, '**Kwasi Kwarteng promises to speed up UK infrastructure projects'

In addition, further announcements in October and November are expected on the supply-side growth measures, including changes to the planning system, business regulations, childcare, immigration and digital.

UPDATED FINANCIAL REMIT 2023-24 – REVISED ASSUMPTIONS

36. The report revisits the most likely financial position to be faced by the council in 2023-24. At this stage the 'most-likely' budget scenario is based on the following assumptions:

- That there will be no further COVID-19 funding and that council spend on pandemic related activities will be contained within existing budgets;

- That the council's major revenue income streams (business rates, council tax, sales, fees & charges and commercial income) may come under collection pressures as the cost of living crisis progresses;

- The expected Spending Funding Assessment (SFA) and the ring fenced social care grants are set at 2% following the recent market turbulence and the Prime Minister's wish to find departmental savings. It is assumed that the council will not be funded for the impact of inflation;

- The Fair Funding Review and 75% Business Rate Retention will not be implemented until at least April 2024;

- That, following the cessation of the New Homes Bonus scheme on 31 March 2021, the residual payments and any replacement scheme will result in a net grant reduction of around £1.9m in 2023-24;

- The proposed 1.25% National Insurance (NI) increase was reversed in the mini budget. As the funding for this was included in lower services grant, this will have no impact on the net position, as the grant will be adjusted accordingly. The departmental budgets have already been uplifted in 2022-23 so mid-year adjustments to departmental budgets will be required to account for this change.

- Business Rates reset expected to be postponed until at least April 2024. The council is likely to lose significantly as a consequence of the Business Rate Baseline Reset so reserves have been set aside to mitigate the impact;

- Council tax increase in 2023-24 of 1.99%, with no changes in the local council tax support scheme; a 1% increase in the adult social care precept has been assumed;

- Retaining the contingency of £4m within the overall budget to support in year cost pressures

Inflation and Pay Costs

37. Inflation will be the key risk to the council's budget setting process for 2023-24. The latest Office for National Statistics (ONS) forecast for inflation (August) is 8.6% The Bank of England (BOE) announced in September that it expects CPI to peak at a little under 11% in October, a reduction since the previous forecast due to the introduction of the Energy Price Guarantee. The BoE predict that the direct contribution of energy to annual CPI is now around 4% in 2022 Q4 compared with around 6.5% at the time of the August report. However, the recent fiscal turbulence following the mini budget, creates unprecedented uncertainty around the rise in inflation rates.

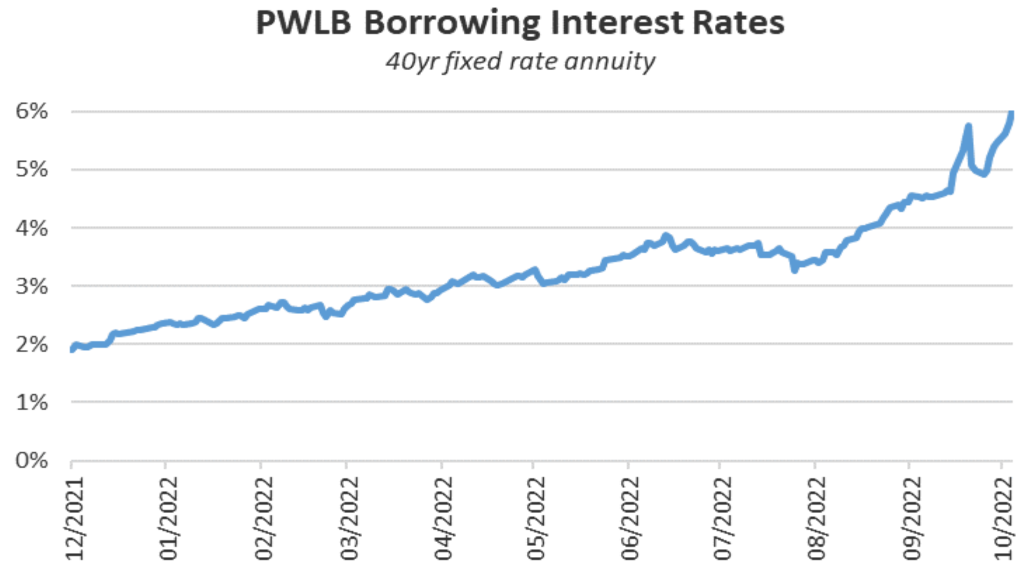
38. Taking this forecast into account, the current general fund budget forecast – which is subject to rapid change - assumes a inflation costs as follows:

i) Energy inflation costs (100%)
ii) Contractual inflation (6%)
iii) Pay award inflation (3%)

Debt financing

39. Prior to the mini budget the Bank of England was tackling inflation via interest rate hikes The BoE raised interest rates from 1.75% to 2.25% on 22 September. The government's growth plan, outlined in the mini budget, has added additional inflationary pressure to the economy and in an attempt to reduce inflation and ease the cost of living crisis, the BoE has signalled further interventions - a significant rise in interest rates to come. There is speculation that interest rates could reach 6% by the middle of next year. The market is expecting a base rate of over 4% by Q2 2023. This will affect the rate at which the council borrows to fund its ambitious capital programme and additional resources have been factored into the draft budget in recognition of this.

40. The chart overleaf illustrates the significance of the change in interest rates over the ten months to October, with the cost of new PWLB debt (and re-financing of existing maturing debt) tripling. The longer rates stay elevated, the greater the impact will be on the council's ability to borrow to fund the capital programme.



41. Debt financing costs have been revised following the interest rate rises and the current assumption is that this will cost £3.4m an increase of £0.4m from the July estimate. However, this assumes that General Fund borrowing in 2023-24 will reduce by 25% when compared with 2021-22, due to a range of factors including market factors and slippage.

Overview

42. On the basis of the assumptions made at this time, it is estimated that net savings of £19.84m will be required in 2023-24, a reduction of £4.4m from the July position. The best and worst case scenarios have both worsened in line with the worsening economic climate. These assumptions will be continually reviewed and updated as firmer information becomes available. Appendix 1 updates the medium term financial strategy.

Risks to delivery

43. All risks are subject to regular review and the council's current and future financial position is subject to a number of risk management processes, with the financial risks affecting the council captured in the council's overall risk assessment. In addition, financial management and monitoring continues to be undertaken on a risk-based approach, with focus on those budgets which are subject to fluctuating demand.

44. It is recognised that the Fairer Future Medium Term Financial Strategy carries a number of significant risks. Delivery of the annual programme of efficiencies, savings and income targets will be difficult, but failure to implement these will inevitably require the council to consider even more difficult decisions.

45. Wider macro-economic risks, discussed above, over which the council has no

control, but which may impact on finances include;

- Change in government policy following the election of new Prime Minister;
- High energy costs likely to continue into 2023-24;
- Rising interest rates;
- Rising inflation and the cost of living crisis;
- Ongoing economic volatility due to post-pandemic supply chain issues
- Medium term implications of exiting the European Union.

Next Steps

46. The main governance steps to establishing the 2023-24 general fund revenue budget are outlined in the table below:

Date	Meeting	Purpose
October	Budget Challenge Round 1	
November	Cabinet - Updated P&R Strategy	To provide an update (if necessary) to include details of any government funding announcements/Spending Review
	Budget Challenge Round 2	
December	Cabinet - Updated P&R Strategy	To provide options for meeting the budget challenges over the next three financial years
	Cabinet - Council Tax Base	To confirm the council tax base that will apply for 2023-24
January	Cabinet - Updated P&R Strategy	To select proposed solutions for meeting the budget challenge
January	Overview & Scrutiny	Comment on and make recommendations in respect of the cabinet's proposed 2023-24 budget and indicative budgets for future years
February	Cabinet - P&R Strategy	Recommend to Council Assembly balanced budget for 2023-24
	Council Assembly	Council Tax setting and approve a balanced budget for 2023-24 and agree indicative budgets for 2024-25 and 2025-26

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

47. 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.

48. 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 will be carried out.

49. 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 will also be undertaken to consider any crosscutting and organisation-wide impacts.

50. 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.

51. Equality analysis will occur throughout the cycle of planning and implementation of future budget proposals. In line with our Public Sector Equality Duty, we will seek to avoid any changes to services arising from these proposals impacting 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.

Climate change implications

52. 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.

53. The Council has committed to doing everything that it can to make Southwark carbon neutral by 2030.

54. 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.

55. 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.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

56. 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.

57. 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.

58. Decision makers must understand the effect of policies, practices and decisions on people with protected characteristics.

59. 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.

60. 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

61. It is important that the cabinet receive regular updates on the progress of the budget setting process, particularly given the pace of change in the economic,

political and policy environment in recent months.

REASONS FOR LATENESS

62. The report was delayed due to the exceptional economic environment following the government's mini-budget in late September and the subsequent reactions from the Bank of England and financial markets. Late submission of the report enables cabinet to consider the most up-to-date information.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Policy and resources strategy 2022-23 – Financial Remit 2023-24 and Scene Setting	160 Tooley Street London SE1 2QH	Timothy Jones 020 7525 1772

APPENDICES

No:	Title
1	Updated Medium Term Financial Strategy

AUDIT TRAIL

<table>
<tr><td>Cabinet member</td><td colspan="2">Councillor Stephanie Cryan, Cabinet Member for Finance, Democracy & Digital</td></tr>
<tr><td>Lead officer</td><td colspan="2">Duncan Whitfield – Strategic Director of Finance and Governance</td></tr>
<tr><td>Report author</td><td colspan="2">Timothy Jones – Departmental Finance Manager</td></tr>
<tr><td>Version</td><td colspan="2">Final</td></tr>
<tr><td>Dated</td><td colspan="2">12 October 2022</td></tr>
<tr><td>Key Decision?</td><td colspan="2">Yes</td></tr>
<tr><td colspan="3">CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</td></tr>
<tr><td>Officer Title</td><td>Comments sought</td><td>Comments included</td></tr>
<tr><td>Director of Law and Democracy</td><td>Yes</td><td>Yes</td></tr>
<tr><td>Strategic Director of Finance and Governance</td><td>No</td><td>No</td></tr>
<tr><td>Cabinet Member</td><td>Yes</td><td>Yes</td></tr>
<tr><td colspan="2">Date final report sent to constitutional team</td><td>14 October 2022</td></tr>
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