

Item No. 12.	Classification: Open	Date: 6 December 2022	Meeting Name: Cabinet
Report title:		Policy and Resources Strategy 2023-24	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Stephanie Cryan, Communities, Equalities & Finance	

FOREWORD – COUNCILLOR STEPHANIE CRYAN, CABINET MEMBER FOR COMMUNITIES, EQUALITIES AND FINANCE

Following a hugely tumultuous year, this report sets out the Council’s draft budget proposals for 2023-24. Although the specific funding for local government will only be announced in late December at the local government provisional settlement, the Autumn Statement set the overall macroeconomic policy for the 5 years to 2027-28. With these guidelines, we have been able to refine our funding assumptions ahead of the provisional settlement.

There is still significant uncertainty in the economic outlook over the next few years. At the same time, the council continues to face demand from the cost of living crisis and additional pressures to support the most vulnerable, those requiring social care and those faced with homelessness.

The report has identified savings options that fit within the overall policy and financial framework, aligning resources to the council’s key priorities including commitments around Southwark Stands Together, the climate emergency, our Council Delivery Plan and the additional demand pressures.

This is the first iteration of the budget, and will be followed by an updated version at January’s cabinet meeting, ahead of the Overview and Scrutiny meeting at the end of January 2023.

We previously reported the scale of the challenge that we looked to be facing for the 2023-24 budget planning process. We set out the emerging pressures in the context of the changing economic policies of the government following the election of the new conservative leader and resulting reaction of the financial markets. These pressures include interest rate rises, energy cost increases and rapidly rising inflation.

Following the autumn statement in November, the previously reported budget gap of £19.8m for 2023-24 reduced slightly to £19.4m. Although funding for local authorities has been confirmed as cash flat, with no compensation for inflation or pay awards, the Chancellor has announced an increase of 1% in the council tax cap to 2.99% and 1% increase to the Social Care precept to 2%.

We have set out in this report £14.4m of savings through a combination of efficiencies and other savings. These proposals will be consulted on with staff, affected residents and other stakeholders and partners as necessary.

After amending our assumptions following the autumn statement, a budget gap of £6.3m remains. This is after applying a council tax increase of 4.99% in line with the governments funding assumption (2.99% general increase, and 2% for Social Care). Unlike government, the council is legally required to set a balanced budget so officers have been asked to continue to work to explore whether any further revenue income can be prudently included in the budget and scope for any further income and savings across departments. Cabinet in January will need to consider these alongside the outcome of the Local Government Finance Settlement.

Further work is needed to set out detailed plans for the period beyond 2023-24. 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 the most vulnerable, reduce inequalities and to continue to focus on the delivery of Southwark 2030.

RECOMMENDATIONS

That cabinet:

1. Note the outcome of the autumn statement delivered on the 17 November 2022 and that the provisional local government finance settlement is due to be delivered on the 21st December 2022 (paragraphs 20-21);
2. Note that before the announcement of the final local government settlement, Strategic Directors will continue to work with their respective Cabinet Members to find additional savings options;
3. Note that the intention is to prepare a balanced one year 2023-24 budget for recommendation by cabinet, in advance of council assembly in February 2023;
4. Note that the budget proposals for 2023-24 contained within this report include:
 - Estimated government grant (Settlement Funding Assessment) is assumed to remain cash flat at £153.65m a reduction of £3m from the October 2022 position;
 - Other grant income of £89.8m, an increase from the October position of £4.7m largely a result of the ring-fenced Social Care grant The distribution of the Social Care grant is highly uncertain and will not be known until the provisional settlement;

- Estimated council tax revenues of £137.9m, including a council tax increase of 4.99% (2% social care precept and 2.99% general increase);
 - A forecast deficit on the collection fund in 2022-23 of £4.4m after allowing for spreading adjustments – this will be offset by government funding set aside for this purpose;
 - Pay provision, contractual inflation and energy price inflation of £25m.
5. Note that the GLA is expected to increase its council tax precept and that given current circumstances, including TFL finances, this increase could be significant.
 6. Note the GLA council tax precept is due to be set on the 23rd February 2023, therefore a Council Tax setting Committee will need to be convened.
 7. Note the current budget options proposed to help achieve a balanced 2023-24 budget (Appendices B to E) including:
 - Efficiency savings of £12.1m;
 - Net income increase of £1.2m;
 - Savings impacting on services of £1.1m;
 - Commitments and growth of £4.8m
 8. Note the updated budget gap for 2023-24 of £6.3m;
 9. Note the draft Fees & Charges schedules at Appendix F
 10. Note that officers will complete further work in light of the provisional settlement, when published, to present further options and a fully balanced budget position for Cabinet on 17 January 2023;
 11. Note the initial Departmental Narratives at Appendix A, pending further detail in January;
 12. Note that Equality Impact Assessments are ongoing and that a cumulative impact assessment will be presented to cabinet as part of the budget update in January;
 13. Instruct officers to undertake further consultation for new budget options where necessary or appropriate; and
 14. Note that the report to cabinet on 17 January 2023 will be considered by overview and scrutiny committee on 23 January and that any recommendations arising will be incorporated into the final report to cabinet in February 2022 for recommendation to council assembly on 22 February 2023.

BACKGROUND AND PURPOSE

15. Each year, the council updates a detailed Policy and Resources Strategy covering a period that normally reflects the duration of the government's

financial settlement. As part of the Policy and Resources Strategy, and in line with requirements of the Local Government Finance Act, budgets are approved by Council Assembly for the next financial year as part of Council Tax setting. Where the settlement provides provisional funding commitments for more than one year, budgets may be agreed indicatively for a longer period.

16. For many years, this process has formed the pivotal component of the council's financial planning process. This strategy, and the formal approval by council assembly, sits at the heart of the council's commitment to financial planning and efficiency. Most importantly, the strategy is bound to the policies of the council and not least by the priorities and promises set out in the Council Delivery Plan.
17. Between 2011-12, the first year of the major austerity cuts, and 2019-20, the council lost government funding in cash terms of more than £146m. According to government calculations, lost spending power exceeded £85m during the same period. Neither of these figures allow for the real terms impact of price and demand pressures. In addition, the council has committed to priorities that have needed to be funded through a limited number of sources. During this period the council has also looked to keep council tax as low as possible, recognising the pressure this places on all households but particularly the most vulnerable. Southwark remains the eighth lowest council tax rate in London.
18. In September 2015, the council adopted the Fairer Future Budget Principles that confirmed the framework within which the Policy and Resources Strategy is formed. In September 2016 the cabinet approved the Fairer Future Medium Term Financial Strategy (FFMTFS) and Integrated Efficiency Plan noting the relationship to the Council Plan and the new theme to be fit for the future. Draft updated budget principles were included in reports to cabinet earlier this year and a fully updated FFMTFS was agreed at cabinet in January 2022.
19. This report provides an update on the work undertaken to both reflect the latest information on available resources, updated estimates of council tax and business rates and to consider budget savings and commitments proposed for 2023-24.

KEY ISSUES FOR CONSIDERATION

Autumn Statement – 17 November 2022

20. The 2022 Autumn Statement delivered on 17 November 2022 outlined the Government's spending plans for 2023-24 to 2027-28. The funding assumptions in the Budget Remit report update presented to cabinet in October 2022 were informed by Jeremy Hunt's statement of the 17 October, which reversed many of the policies outlined by his predecessor in the September 'mini-budget'. This report updates those funding assumptions further following the Autumn Statement.
21. Jeremy Hunt reversed the previous Chancellor's reliance on growth to finance the 'black hole' in the government's finances. Instead, he pledged to increase

taxes to raise £35bn and reduce government spending by £24bn over 5 years. Details of funding allocations at a local level will be included within the Provisional Local Government Finance Settlement, due to be published in the week beginning 19th December.

22. The key announcements in the November autumn statement, as they impact on Southwark were:-

- Local government planned funding is cash flat for the next 2 years, 2023-24 and 2024-25. This reduces Southwark's Settlement Funding Assessment (SFA) by £3m from the October estimate;
- The government announced increased flexibility to raise council tax (CT) by an additional 1%. A 1% increase in council tax equates to approximately £1.3m per annum. This partially mitigates the reduced funding from SFA. From 2023-24, council tax can increase by 2.99% and the social care precept by 2%.;
- Implementation of the planned social care reform has been delayed until October 2025. Planned funding of the reforms has been retained and ring fenced for social care to pay for demand pressures. In addition, there is a new adult social care grant which is intended to help support hospital discharge. The distribution formula and any specific grant conditions are yet to be announced.
- An estimated total of £89.8m is included for other grant income, an increase from the October position of £4.7m, which is mainly attributed to the new social care grants. However, it should be noted that the distribution of these grants is highly uncertain and will not be known until the provisional settlement in late December 2022.
- Social housing rents are to be capped at 7%. The current policy of CPI +1% was set at a time when inflation was around 2%. However, CPI for September 2022 was 10.1%, which under the current rules would permit social housing rent increases of 11.1%. The government have directed that the maximum increase be 7% rather than 11.1% for 2023-24. There is no compensation from the government for lost income to the Housing Revenue Account (HRA). A separate cabinet report on the HRA rent setting and budget is on this agenda;
- An increase nationally in the schools budget by £2.3bn per annum, for 2 years;
- Support for energy costs extended to April 2024 but scaled down. Average cost capped at £3,000 from £2,500 (2023-24);
- Targeted support for the Cost of Living for low income, pensioner and those on disability benefits;
- Full changes to Universal Credit delayed to 2028;
- Business rate revaluation in April 2023 has been softened by a transitional scheme that cushions the increases of rate rises and allows the full reduction to be passed to those with lower bills;
- Retail Hospitality and Leisure Relief will continue for another year and increase to 75% from 50%;
- Support for small businesses who lose eligibility for small business relief with revaluation 2023;

- Freezing the business rate multiplier for 2023-24;
- No compensation for local government for any Inflationary pressures.

Provisional Local Government Finance Settlement (PLGS)

23. The Provisional Local Government Finance Settlement is the annual determination of funding to local government from central government. It is expected to be announced on 21 December 2022. The publication of the Final Settlement in January 2023 enables local authorities to finalise their budgets and to set their council tax by the statutory deadline (11 March).

Updated financial remit

24. In accordance with instructions from the October 2022 cabinet, this report provides updated budget proposals for 2023-24. Taking into account the latest funding assumptions and changes in government policy, and assuming the options presented in schedules B-E are accepted in full, the current gap stands at £6.3m.
25. However, the remaining gap still presents a challenge, not least in the context of the savings that the council has had to make throughout the austerity period since 2010, the impact of unfunded increases in inflation, and additional commitments to support residents with the cost of living crisis. Strategic Directors will continue to work with their respective Cabinet Members to find additional savings options to present a fully balanced 2023-4 budget for the 17 January 2023 cabinet meeting, in advance of February Council Assembly.
26. Table 1 below compares the current ‘most likely’ budget scenario against the current year budget (22-23). It itemises changes in resources available (e.g., government grant and council tax income) and provides a high-level summary of efficiencies and improved use of resources, income generation and savings that impact on service levels. More detailed information on specific proposals can be found at Appendices B to E.

Table 1: Change in Key Budget lines 2022-23 to 2023-24

Budget Line	2022-23 Budget £000	2023-24 Budget £000
Settlement Funding Assessment	-153.6	-153.6
BRRS growth	-25.9	-32.1
Council tax	-128.9	-137.4
Government grants	-80.6	-89.7
Contribution from Reserves	-1.1	-2.5
Total resources	-390.1	-415.4
Base budget brought forward	377.1	390.1
Inflationary pressures	8.6	24.9
Commitments and growth	20.1	21.1
Efficiencies, income and savings	-15.8	-14.4

Budget Line	2022-23 Budget £000	2023-24 Budget £000
Net spending	390.1	421.7
Gap (cumulative)	0.0	6.3

Settlement Funding Assessment (SFA)

27. The Settlement Funding Assessment (SFA) comprises the core funding sources for authorities defined as the Revenue Support Grant (RSG), the business rates baseline and business rate top up. The autumn statement indicated a flat cash settlement for 2023-24 and for 2024-25. This represents a significant real terms reduction in funding with inflation currently running at 11.1%. The total quantum and distribution formula are unlikely to be known before the Provisional Local Government Finance Settlement.

Better Care Fund (BCF)

28. The Better Care Fund (BCF) was established in 2014-15, with the aim of supporting closer working between local authorities and the Clinical Commissioning Groups (CCG). The CCGs were replaced by the Integrated Care Boards (ICB) in July 2022, in line with the Health and Care Act 2022. The ICBs are intended to further enhance the partnership between the NHS and local authorities to deliver joined up health and care services to improve the lives of people in their area.
29. The November statement confirmed that the BCF will continue into 2023-24 and that funding will be distributed to get people out of hospital on time into a care settling, freeing up NHS beds for those who need them. There is no indication of how (or when) this will be distributed to local authorities.

Improved Better Care Fund (IBCF)

30. 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.
31. It is currently assumed that IBCF funding will continue in 2023-24 at 2022-23 cash levels (£17.9m).

Social Care Support Grant

32. As part of the 2022-23 settlement, the government distributed £2.3bn nationally to support local authorities in addressing the rising cost and demand pressures on social care services, children's and adults. It is assumed that the grant will continue at existing cash levels in 2023-24, supplemented by additional funding (local allocations as yet unknown) originally intended for Adult Social Care reform as announced in the Autumn Statement.

2022-23 Services Grant

33. In 2022-23, councils received a Services Grant worth £822m as a 'one-off' grant to spend on frontline services. The autumn statement suggested that overall the settlement would be cash flat for 2023-24, so the assumption in the updated Medium Term Financial Strategy (MTFS) is that this grant remains cash flat.
34. In 2022-23, the services grant was £8m, the highest in London. There is a risk that this grant is not repeated in 2023-24 or is redistributed through an alternative funding formula and the council's overall share of government is reduced by up to £8m.

Public Health Grant

35. The autumn statement indicated that the Public Health grant would be cash flat in 2023-24. Southwark's allocation in 2022-23 was £29.5m, so we are currently assuming that this remains the same for 2023-24.

New Homes Bonus (NHB)

36. 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).
37. It had been expected that the NHB scheme would be stopped or replaced by an alternative scheme from 2021-22. However, this was delayed in 2022-23 and has been delayed for a further year, 2023-24.
38. The total forecast NHB funding for 2023-24 is £3.19m (£5.1m in 2022-23), subject to confirmation at the local government finance settlement.

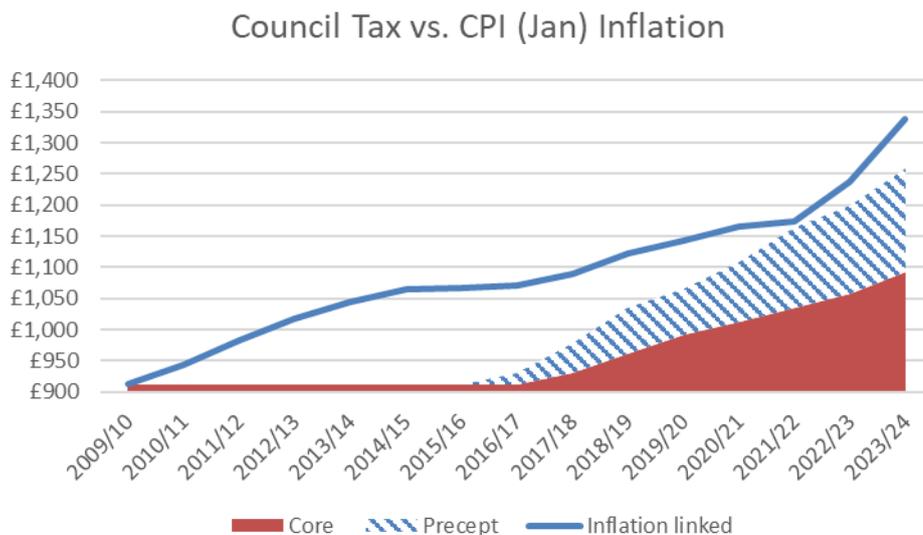
Revenue Funding from Local Taxation

Council Tax

39. 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.
40. In the autumn statement, it was announced that the cap on council tax would be increased by 1% to 2.99%, with the assumption that local authorities will use this additional flexibility to fund council services.
41. The authority has been able to maintain the eighth lowest level of council tax in

London in 2022-23, 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. The table below shows that council tax would still remain below the charge it would have been if CPI had been applied each year since 2010-11, if the increased flexibility is applied.

Table 2: Comparison of Actual (and proposed) Council Tax increases vs. Inflation



42. 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 2023-24. In addition, the council created a Cost of Living Fund in 2022-23 to support those residents who are most in need. This Fund will continue into 2023-24 and is described in paragraphs 54-58.

Social Care precept

43. 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)
44. The government has now extended this flexibility for another year with a further 1% increase to 2%. 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

45. All except two London Boroughs, including Southwark, increased their council tax in 2022-23, with 21 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.
46. 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 2.99% in council tax amounts to £3.9m income.
47. The impact of an increase in council tax of 4.99% (2.99% plus 2% Social Care Precept) will mean that residents in Band D properties will see a council tax bill rise of approximately £1.15p per week (excluding any increase levied by the GLA). Around 77% of the chargeable dwellings in the borough are banded at D or lower.

Council Tax Collection

48. As reported in the 2023-24 Council Tax Base report (also on the agenda) whilst there continues to be some growth in the number of dwellings, it is at a lower level than recent years. The report recommends that the collection rate be maintained at 97.2%, but given the current economic climate, this target is particularly challenging for the forthcoming year. The revenues collection teams will be reviewing approaches to collection and enforcement, where possible, to maintain levels of performance.

Business Rates Baseline

49. The central government agenda has been 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.
50. The 2023-24 budget includes a forecast assumption that the council's Business Rate Retention income will grow by £6.2m.
51. The economic recession, and energy cost crisis adds to the challenges of maintaining business rate yields. Careful review of financial risk reserves may be required to manage any volatility.

Household Support Fund (HSF)

52. In 2022-23, the council was allocated £5.4m in Household Support Fund grant. £2.7m was awarded for an initial 6 month period from April to September 2022. This was subsequently extended for a further 6 months from October to March 2023 at the same rate at £2.7m. The government's criteria is that the grant must

be used to support the vulnerable, low-income households with the cost of food, fuel, and other essentials and be used by 31 March 2023.

53. The grant from April to September 2022 required at least one third of the funding to be spent on families with children, and one third to be spent on pensioners. The council supported over 55,000 households through energy and water bills assistance and provided low income families with children's meals during the holidays. Overall, spending totalled £3.4m, as identified need exceeded the allocated grant.
54. The grant guidance for October 2022 to March 2023 no longer incorporates a ring-fence requirement for particular groups. Instead, the council can identify and support vulnerable households at their discretion, considering families, pensioners, unpaid carers, and the disabled among other groups. In addition, the new scheme, must run incorporate an application basis by establishing eligibility criteria and communicating this clearly with residents. There is flexibility on how exactly this should run, including the use of third parties if preferred.
55. Again, government guidance suggest that efforts should be directed to support energy and water bills, food support, essential goods like clothes, blankets, white goods, and wider essential goods and other bills including housing costs. It is expected that the majority of the fund will focus on bills, but it is at the discretion of the authority.
56. For the council, the Household Support Grant (HSF) extension from October 2022 to March 2023, will make up part of the new Southwark Council Cost of Living Fund (SCCOLF). This fund combines the HSF, with funding from the Discretionary Council Tax Rebate Fund together with a council contribution. SCCOLF was approved at cabinet in June 2022 and the council's plans for the grant extension to March 2023 approved again at the October 2022 cabinet meeting.
57. The SCCOLF is designed to concentrate efforts on the most vulnerable and those less protected by existing government support. To ensure wide coverage and access to the Fund, the council will directly identify those in need and also use the Voluntary and Community Sector organisations (VCS) and other partners to refer vulnerable households that need support. Therefore, allowing the council to have a focused approach, meeting the needs of those they can identify as vulnerable as well as those picked up by partner organisations.
58. It was announced at the autumn statement that the Household Support Fund would be extended again, at the same rate, for another year until March 2024. No allocations have been announced but it is expected that the grant will council will receive a further £5.4m in 2023-24. This will be allocated to the SCCOLF.

Special Educational Needs and Disabilities (SEND)

59. The accumulated deficit on the Dedicated Schools Grant was £21.7m at 31

March 2022 with a projected further overspend of £3m by 31 March 2023. 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 may 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.

Inflation and Pay Costs

60. Inflation will be the key risk to the council's budget setting process for 2023-24 with October CPI running at 11.1%. The autumn statement assumptions expect inflation to be 9.1% overall in 2022-23 and to fall back down to 7.4% in 2023-24.
61. Taking this forecast into account, the current general fund budget forecast includes the following assumptions;
- | | | |
|------|------------------------|--------|
| i) | Energy inflation costs | (100%) |
| ii) | Contractual inflation | (6%) |
| iii) | Pay inflation | (3%) |

Efficiencies and Improved Use of Resources

62. 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 £12.1m (detailed in Appendix B).

Income Generation

63. 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 £1.2m (detailed in Appendix C).

Savings Impacting on Service Delivery

64. 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 £1.1m with potential to impact on service delivery.
65. Comprehensive equalities analysis of the impact of these savings will be considered before the budget is finalised.

Commitments

66. The proposals include £4.9m of commitments, many of which are driven by inflationary pressures including additional funding for the in-sourcing of the council's leisure centres and investment in tackling the funding deficit through the DSG Safety Valve arrangements.
67. A detailed list of all proposed commitments can be found in Appendix E.

Fees and Charges

68. 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.
69. The council's Fairer Future Medium Term Financial Strategy sets out the policy to review discretionary fees and charges annually. In reviewing fees and charges, the policy is to increase them to a level that is at least equal to the most appropriate London average except where this either conflicts with council policy, or would lead to adverse revenue implications or would impact adversely on vulnerable clients. Detailed draft fees and charges schedules appear at Appendix F. The final schedule of proposed fees and charges for 2023-24 will be brought to cabinet for approval in January 2023.

Use of Reserves and Balances

70. 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.
71. 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.
72. The budget proposals for 2023-24 include a contribution of £2.5m from general reserves to balance the budget.
73. 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

74. 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

75. 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.
76. 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.
77. The council consulted in 2021 on the Climate Change strategy which is a key component of the refreshed Borough Plan and provided a framework for the council to engage with communities.
78. The council's website has a link to a [Consultation Hub](#) which seeks to gather resident views on a number of current policies and council strategies.

Next Steps

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

Date	Meeting	Report	Purpose
17 January 2023	Cabinet	P&R strategy	Select proposed solutions for meeting the budget challenge and fees and charges
Tbc January 2023	Overview and Scrutiny	P&R strategy	Comment on and make recommendations in respect of the cabinet's proposed 2023-24 budget
6 February 2023	Cabinet	P&R strategy	Recommend a balanced budget for 2023-24 to Council Assembly
22 February 2023	Council Assembly	P&R strategy	Approve a balanced budget for 2023-24
Tbc (February)	Council Tax Setting Committee	Setting the Council Tax 2023-24	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

80. 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.
81. Transparency and fairness form part of the seven budget principles and are an underlying principle in the Borough Plan. As with the budget for 2023-24 and for previous years, each department will undertake equality analysis/screening on its budget proposals ahead of the final decisions being taken. Where screenings identify potential impacts, more detailed analysis is being carried out.
82. 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.
83. 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.
84. 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.

Climate change implications

85. There are no direct climate change implications arising directly from this report, which provides an update on the budget setting process for 2023-24. The individual proposals contained within this report and its appendices will be subject to appropriate processes to assess and mitigate risks and to maximise potential benefits.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

86. 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.

87. 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.
88. Decision makers must understand the effect of policies, practices and decisions on people with protected characteristics.
89. 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.
90. 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

91. 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 6 December 2022 gives the opportunity for debate prior to presentation of budget figures to cabinet on 17 January 2023. Under the council's constitution, there is a requirement for the overview and scrutiny committee to review and challenge budget proposals and this is due to take place on January 2023.

REASONS FOR LATENESS

92. The Report was delayed due the timing of the autumn statement, subsequent analysis of the impact and the need to take into account the latest updates from the budget challenge process.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Policy and Resources Strategy: 2023-24 Updated Financial Remit	160 Tooley Street PO Box 64529 London SE1P 5LX	Tim Jones 020 7525 1772

APPENDICES

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

AUDIT TRAIL

Cabinet member	Councillor Stephanie Cryan, Cabinet Member for Communities, Equalities & Finance	
Lead officer	Duncan Whitfield – Strategic Director of Finance and Governance	
Report author	Timothy Jones – Departmental Finance Manager	
Version	Final	
Dated	2 December 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		02 December 2021

CHIEF EXECUTIVE

Overview

- A.1. The Chief Executive's department comprises the Strategy and Economy, HR and Organisational Development, and Planning & Growth divisions.
- A.2. Strategy & Economy brings together the Chief Executive's office, the Leader's office, strategy and change, policy, performance and partnerships, communications, local economy and emergency planning. The division supports the Leader, Cabinet, Chief Executive and corporate management team in translating political vision into projects and programmes. This includes leadership of how we together with our community develop Southwark 2030, our shared vision for the borough. It leads on economic strategy and how we build a fairer, shared economy where everyone can play their part. The division includes the emergency planning team, ensuring the Council is best able to respond to emergency incidents and build community resilience. Most notably taking a lead role in the response to the Covid-19 pandemic on our community.
- A.3. HR and Organisational Development provides people-focused strategic and operational services, which are focused on enabling the council to achieve its goals. The function includes an important focus on delivering Southwark Stands Together and ensuring the council becomes an ever more inclusive, anti-racist employer.
- A.4. 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.5. The division 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.
- A.6. The department has identified a number of savings options summarised below for the forthcoming year 2023-24 amounting to £821k. Details of the individual savings options are reflected in the budget schedules.
- | | |
|--|-------|
| ○ Efficiencies and Improved Use of Resources | £62k |
| ○ Income Generation | £708k |
| ○ Savings impacting on service delivery | £51k |
- A.7. The 2023-24 Fees and Charges for the department are proposed to be increased in line with inflation or benchmarked against other London Boroughs where appropriate and details are reflected in the Fees and Charges schedules for the department.

Equalities Analysis

- A.8. 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.9. 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, education and public health, to all sections of the population in Southwark.
- A.10. The budget proposals for 2023-24 are made up of a combination efficiencies that are continuation of tried and tested approaches as well as proposals that relate to change in the way services are delivered to achieve better value for money. The proposals aim to ensure minimal impact on statutory and front line services and some of them focus on redesigning the back office functions as well as maximising income generation. However, there are also a number of items that are savings and are expected to impact on service provision. In the current economic climate, the cost of living crisis and higher than 'normal' inflation increases, these are difficult financial decisions to make, but are consistent with the Council's vision of a fairer future for all.
- A.11. For several years now, the Council, in partnership with the NHS and voluntary sector colleagues, have provided a safe social care service with good outcomes and within budget. In 2022-23, this has only been possible with the use of reserves as well as non-recurrent contributions from the NHS. 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 cost of living crisis. There is also a growing concern within the service that an increasing number of schools are falling into financial difficulties.
- A.12. In addition, the Dedicated Schools Grant (DSG) is also expecting an unfavourable variance which is largely driven by the pressures on the High Needs (HN) block. This will result in an accumulated deficit on the balance sheet of around £24.7m by the end of this financial year. The council is in discussions with the Department of Education (DfE) to eliminate this deficit within the support of 'Safety Valve' funding. In order to achieve, this the council proposed a deficit recovery plan to bring the High Needs block back onto a sustainable footing.

Equalities Analysis

- A.13. The equalities analysis is currently being undertaken for each proposal. Consultations have been and will be undertaken for proposals relating to service changes where appropriate. The impact is mitigated by alternative offers of services, support or personal budgets, as per service user choice, in line with the Care Act eligibility and national legislative thresholds and government guidance.
- A.14. In line with our Public Sector Equality Duty, any changes to services arising from these proposals will be implemented in such a way so as to not impact disproportionately on any specific section or group in our community. The equality analysis is under way and will be collated to look for any cumulative impacts. In line with the process across the council, information on equality analysis will be shared with decision-makers for consideration before any decisions are taken.
- A.15. 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.16. 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.17. 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.

Asset Management

- A.18. General fund services comprise aids and adaptations, handypersons, empty homes and private sector housing renewal and building safety. Corporate Facilities Management (CFM) is also within the division, bringing together housing and corporate buildings management, compliance and health and safety under one consolidated lead.

Central Services

- A.19. 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.

Customer Experience

- A.20. 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.

Resident Services - Temporary Accommodation and Housing Solutions

- A.21. 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.

Equalities Assessment Summary

- A.22. 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.23. In line with our Public Sector Equality Duty, any changes to services arising from the proposals in Appendices B-E 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.

ENVIRONMENT AND LEISURE

Overview

- A.24. 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.25. 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.26. 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 four directorates, Environment, Leisure, Communities and Climate Change.
- A.27. The 2022-23 net budgets for the department is £94m

2023-24 Savings

- A.28. For the forthcoming year, 2023-24, the department has identified a number of savings options and these are reflected in the detailed budget schedules for the department.

Fees and Charges

- A.29. The 2023-24 Fees and Charges for the department are proposed to be increased in line with inflation or benchmarked against other London Boroughs where appropriate and details are reflected in the Fees and Charges schedules for the department.

Equality Analysis

- A.30. 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.31. 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.32. 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".

Efficiencies, Income generation and other savings

A.33. 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 £0.455m are proposed in 2022-23 through digital transformation, automation and channel shift.

A.34. Income generating proposals include increased legal fees within Law and Democracy.

A.35. Other savings across the division include a proposal to cease the annual revenue contribution to the Brexit reserve, and a remodelling of the Local Support offer.

Commitments

A.36. The department is proposing a small number of commitments to cover additional costs arising from changes to elections and health and social care legislation and an increase in external audit fees set by the PSAA.

Equality Analysis

A.37. 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.38. 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.39. The council is required to contribute a proportionate share to cover the costs of the London-wide Freedom Pass scheme. The annual value of this contribution is based on usage estimates and dropped significantly in recent years due to the pandemic. Whilst 2023-24 estimates still show a reduction of £800k in the council's contribution, forecasts show that over the following two years the amount will increase back to pre-pandemic levels and beyond, resulting in a net growth requirement over the three year period.

Equality Analysis

A.40. 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.