

<b>Item No.</b> 9.	<b>Classification:</b> Open	<b>Date:</b> 6 February 2023	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Policy and Resources - 2023-24 General Fund Budget Proposals	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Stephanie Cryan, Communities, Equalities and Finance	

## **FOREWORD - COUNCILLOR STEPHANIE CRYAN, CABINET MEMBER FOR COMMUNITIES, EQUALITIES AND FINANCE**

I am happy to present the latest version of the Council's budget.

Work has continued since the January Cabinet version of this report to close the £1.44m budget gap and today's report now presents a balanced budgetary position.

I want to thank Cabinet Members and officers who have worked extremely hard to find savings and efficiencies as well as present commitments that support the commitments in our Council Delivery Plan. All of this has been done whilst ensuring that we are protecting our most vulnerable residents during the cost of living crisis.

Central government decisions on local government funding have been confirmed for one year only with indicative funding levels only for 2024-25. In addition, many of the reforms to local government have been halted. So, there remains significant uncertainty for local government in the medium term. The ongoing pattern of only providing a one-year settlement with very little indication of funding levels for future years makes it hard to plan ahead and is a reflection of the short term outlook on finances that has characterised Central Government over the past decade.

Whilst we have been able to present a balanced budgetary position, the financial outlook beyond 2023-24 remains extremely uncertain and subject to many unknowns, not least the outcome of the next general election in 2024 and the macro economic climate.

In January, we noted the scale of the challenge that we looked to be facing for the 2024-25 budget planning process. We set out the emerging pressures of soaring inflation, the economic impact of the pandemic, and energy cost price increases creating huge pressures on our communities and businesses. Meaningful medium term financial planning remains highly speculative.

Against this challenging backdrop, this administration remains determined to keep our promises for a cleaner, safer, fairer Southwark to protect the most vulnerable, reduce inequalities and to continue to focus on the delivery of Southwark 2030

## RECOMMENDATIONS

That cabinet:

1. Note that the final local government finance settlement has not been published at the time of writing this report, but there are no significant changes expected from the provisional settlement published on the 20th December 2022.
2. Note that this report presents the final balanced general fund budget proposals for 2023-24:
  - Un-ringfenced Settlement Funding Assessment grant of £162.4m, an increase of £8.7m on 2022-23
  - Un-ringfenced other grant income of £6.2m, a decrease of £8.3m on 2022-23
  - An increase of £12.5m in ring fenced grants to £78.7m
  - Estimated retained business rates growth of £47m, an increase of £21m from 2022-23, due to business rate revaluation and updating for high levels of inflation;
  - Estimated council tax revenues of £137.8m, including a council tax increase of 4.99% (2% adult social care precept and 2.99% general increase);
  - Pay provision and contractual inflation of £33.8m, for the 2-year period 2022-23 and 2023-24.
3. Note that the Mayor of London has revised the draft budget for 2023-24, including a proposal to increase the GLA Council Tax precept by 9.7%, equivalent to £38.55 increase for a band D property.
4. Note the GLA council tax precept is due to be set on the 23rd February, one day after Council Assembly sets the budget for Southwark, therefore a Council Tax setting Committee will need to be convened.
5. Note the current budget options proposed to help achieve a balanced 2023-24 budget (Appendices B to E) including:
6. Note that, in order to ensure that the base budget is on a secure financial footing a number of commitments are proposed for 2023-24.
7. Note the Departmental Narratives and the ongoing equality analyses of the budget proposals (Appendix A);
8. Note that the January cabinet report and accompanying schedules was considered by the Overview and Scrutiny committee on 23 January and 24 January 2023 and that the recommendations arising and officer responses are included at Appendix I.

## **BACKGROUND AND PURPOSE**

9. 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.
10. For many years this process has formed the pivotal component of the council's financial planning process. This strategy, and the formal approval by council assembly, sits at the heart of the council's commitment to financial planning and efficiency. Most importantly, the strategy is bound to the policies of the council and not least by the commitments in the Fairer Future Medium Term Financial Strategy (FFMTFS).
11. 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.
12. 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**

### **Provisional Local Government Finance Settlement 2023-24 (PLGFS)**

13. The PLGFS was published on 20 December 2022, following the policy announcement on the 12 December 2022. The government announced a 9.2% increase in core spending power, to help councils deal with inflationary and other cost pressures, with extra funding directed for social care. This headline increase has assumed that councils will raise their council tax by the maximum permitted without a referendum.
14. The policy statement suggested that this would be a 2-year settlement (which was to be welcomed after the past four consecutive years of single-year settlements). But once again, the provisional settlement was a holding position designed for stability. Proposed allocations for 2023-24 and a set of principles for funding in 2024-25. These principles are helpful for planning purposes, but there were no individual authority level allocations in which to create a detailed 2-year budget. In addition, inevitably, there was no information as to the

direction of travel after the next election. There is still some way to go before councils can plan in the longer term.

15. The additional funding for social care existing pressures is welcomed but it will not be enough in the longer term to address the severity of the pressure facing social care services. In addition, there was no indication of how the delayed adult social care reforms would now be financed, given that the funding allocated for this has been re-cycled to support current pressures.
16. Allocations for the Dedicated Schools Grant (DSG) were published alongside the provisional settlement but the planned policy reforms aimed at reducing the pressure on high needs budgets have not been published to date. This will be needed to ensure that high needs deficits are eliminated before the end of March 2026, when the statutory override arrangements are due to end.
17. The broad approach was to roll-over the core elements of the 2022-23 settlement, preserving the current distribution; additional resources for social care but less in general local government funding and a modest increase in the ability to raise council tax to fund services.
18. The key points were as follows:
  - Core Spending Power will increase by 9.2% across England and London boroughs in 2023-24.
  - The Council Tax referendum threshold will increase from 1.99% to 2.99% for 2023-24
  - Social Care Precept will increase from 1% to 2% in 2023-24.
  - Settlement Funding Assessment (SFA) will increase by 5% to £15.7bn.
  - Compensation for under-indexation of the business rates multiplier to fund very high levels of inflationary pressure.
  - Tariffs/top-ups will be adjusted to ensure the 2023 Revaluation, as far as practicable, will not impact on boroughs' retained business rates
  - The Social Care Grant will increase by £1.5bn in 2023-24 to £3.9bn (£612m in London).
  - Adult Social Care (ASC) Market Sustainability and Improvement will be supported by a £562m ring-fenced grant with £400m added to the existing £162m Market Sustainability and Fair Cost of Care Fund.
  - Services Grant will reduce by 44% in 2023-24
  - The Lower Tier Services Grant is to be discontinued.
  - The New Homes Bonus will continue in 2023-24 as an annual grant. Legacy payments will end, and the future of the grant is due to be confirmed before the 2024-25 LGF Settlement.
  - Four existing grants (worth £239m) are to be rolled into SFA and the Social Care Grant.
  - £100m of additional funding for local authorities to support those on local council tax schemes, by a further reduction of up to £25 off council tax bills.
  - For 2024-25, the RSG will be updated in line with CPI.
  - Neither fundamental reform to needs assessments nor the business rates reset will be implemented before 2025-26.

- Public Health grants have not yet been published.

### Updated financial remit

19. In accordance with instructions from the January 2023 cabinet, this report provides updated budget proposals for 2023-24. These proposals present a balanced budget. This has been achieved under challenging economic circumstances, unprecedented levels of inflation and energy costs and increases in pay awards. Social care reform has been delayed and the funding recycled and ring-fenced to support the current pressures in social care.
20. The table below shows a summary of the 2023-24 budget following the announcement of the provisional settlement. Further detail and commentary on individual lines follows this table.

	<b>2023-24 Forecast</b>
<b>Settlement Funding Assessment</b>	- <b>162.38</b>
<i>Revenue Support Grant</i>	- 42.18
<i>Business Rates Baseline</i>	- 87.33
<i>Top-Up</i>	- 32.87
<b>Un-Ringfenced Government Grants</b>	- <b>6.17</b>
<i>2023/24 Services Grant</i>	- 4.50
<i>New Homes Bonus</i>	- 1.67
<b>Ringfenced Government Grants</b>	- <b>78.68</b>
<i>Public Health Grant</i>	- 29.50
<i>Social Care Grant</i>	- 27.47
<i>Independent Living Fund (rolled into Social Care Grant)</i>	- 0.18
<i>Improved Better Care Fund</i>	- 17.85
<i>ASC Market Sustainability &amp; Improvement Fund</i>	- 3.68
<b>TOTAL GOVERNMENT FUNDING</b>	- <b>247.23</b>
<b>Council Tax</b>	- <b>137.71</b>
<i>Council tax baseline funding</i>	- 128.61
<i>Council tax base - properties/LCTS working age</i>	- 2.29
<i>Council tax - annual uplift</i>	- 3.91
<i>Council tax - Social Care precept</i>	- 2.62
<i>Council tax - estimated surplus as at 31/03/22</i>	- 0.28
<b>Business Rate Growth</b>	- <b>47.72</b>
<i>Business Rate Retention Growth</i>	- 10.75
<i>S.31 Grants (incl. C19 reliefs)</i>	- 27.38
<i>S.31 Grant for Top-Up</i>	- 5.60
<i>Collection Fund surplus estimate as at 31/03/22</i>	- 3.99
<b>COUNCIL TAX AND BUSINESS RATE GROWTH</b>	- <b>185.44</b>
<b>Total Funding before contributions from balances</b>	- <b>432.67</b>
<i>Contribution from earmarked reserves</i>	- 3.00
<b>TOTAL RESOURCES</b>	- <b>435.67</b>
<b>Prior Year Budget</b>	<b>390.15</b>
<b>Inflation</b>	
<i>Pay Awards 23/24</i>	5.85
<i>Pay Awards 22/23 unbudgeted pressure</i>	5.49
<i>Contractual Inflation (inc. energy costs)</i>	14.60
<i>Contractual Inflation (2022/23 unbudgeted pressure)</i>	3.42
<i>Energy price inflation on Council Buildings</i>	4.45

	<b>2023-24 Forecast</b>
<b>Commitments &amp; Contingency:</b>	
Ringfenced Social Care Commitments	14.93
Other Growth and Commitments	13.19
<b>Budget Before Savings &amp; Efficiencies</b>	<b>452.07</b>
<b>Budget Gap before Savings &amp; Efficiencies</b>	<b>16.41</b>
<b>Savings</b>	
<i>Effective use of resources and efficiencies</i>	- 12.81
<i>Income, Fees and Charges</i>	- 2.53
<i>Other Savings</i>	- 1.07
<b>TOTAL SAVINGS</b>	<b>- 16.41</b>
<b>TOTAL BUDGET</b>	<b>435.67</b>
<b>TOTAL SHORTFALL</b>	<b>0.00</b>

\*rounding of lines may not exactly match totals

## Un-ring-fenced grants

### Settlement Funding Assessment (SFA)

21. The Settlement Funding Assessment (SFA) comprises the core funding sources for authorities defined as the Revenue Support Grant (RSG), retained business rates and business rate top up. This will increase by £8.7m (5.7%) in 2023-24, supplemented by additional 'Section 31' grant, which will be paid to the council as compensation for the freezing of the non-domestic rates multiplier.

### 2023-24 Services Grant

22. This was billed as a one-off grant for 2023-24, distributed on the same basis as SFA and the share for Southwark was £8m. The grant continues into 2023-24 – Southwark's share is £4.5m - a significantly reduced rate, reversing out the compensation for increases to employers' national insurance contributions and top-slicing for the supporting families programme and to pay for other parts of the settlement, such as increasing the RSG.

### New Homes Bonus (NHB)

23. 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).
24. It had been expected that the NHB scheme would be stopped or replaced by an alternative scheme from 2021-22. However, this was delayed. It has now been confirmed that the scheme is being recycled together with the lower tier

services grant, in order to create a minimum core funding increase for all authorities of 3%. The expectation was that the grant would reduce from £5.1m to £3m. However, the grant has been further reduced to £1.7m for 2023-24.

### **Lower Tier Services Grant**

25. The lower services grant of £1.4m in 2022-23 has been discontinued and repurposed to provide a funding guarantee to ensure that all councils see at least a 3% increase in their core spending power.

### **Ring-fenced grants**

#### **Public Health Grant**

26. Southwark's allocation in 2022-23 was £29.5m. No allocations for 2023-24 have yet been announced.

#### **Social Care Support Grant**

27. 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 was confirmed that this grant would continue into 2023-24, supplemented by the additional funding, originally intended for adult social care reform as announced in the Autumn Statement. The allocation for Southwark is £27.5m. The Independent living fund (Southwark's allocation - £0.18m) was a separate grant which will now be rolled into this grant.

#### **Better Care Fund (BCF)**

28. The Better Care Fund was established in 2014-15, with the aim of supporting closer working between local authorities and the Clinical Commissioning Groups (CCG). The 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. Additional funding has been allocated through this pooled fund with further guidance expected.

#### **Improved Better Care Fund (IBCF)**

29. The Improved Better Care Fund was originally announced as part of the 2016-17 settlement. Funding was subsequently increased in the spring of 2017 as a response to the national pressure on adult funding care crisis.
30. The PLGFS has indicated that this will remain cash flat in 2023-24 at £17.8m.

#### **Market Sustainability and Improvement Funding**

31. In 2022-23 this grant was for market sustainability to support local authorities to

prepare their markets for reform and to move towards paying providers a fair cost of care. This continues into 2023-24 and includes new grant funding to address discharge delays, social care waiting times and workforce pressures. This ring fenced grant has increased from £1m to £3.7m.

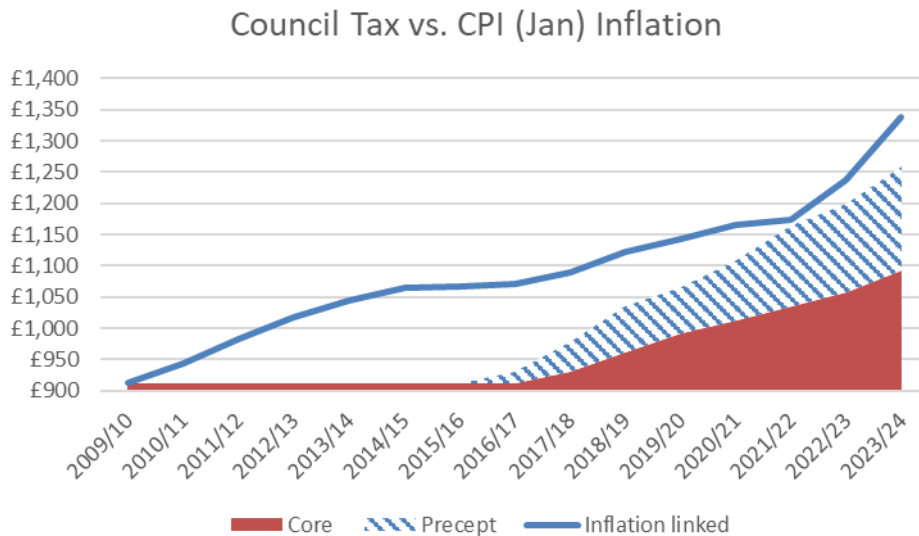
## **Revenue Funding from Local Taxation**

### Council Tax

32. 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.
33. 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.
34. 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**



35. The Council Tax Relief Scheme continues to provide support for our financially vulnerable residents. The government have announced that £100m support for local councils to provide additional support of up to £25 for those residents in receipt of local council tax support, with some flexibility to determine local approaches to support other vulnerable households. Southwark council's share of this allocation is £628k.

Adult Social Care precept

36. 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)
37. The government has now extended this flexibility with a further 1% increase in the precept in each of the next two years. This equates to a further increase of £1.3m per annum. The social care spending plans assume this level of additional funding will be available.
38. 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

39. 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.
40. 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.
41. 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).
42. The Mayor of London has revised the draft budget for 2023-24, including a proposal to increase the GLA Council Tax precept by 9.7%, equivalent to £38.55 increase for a band D property. This means the total impact of council tax increases (both Council and GLA) for those living in Band D properties will be approximately £1.89 per week.

### Council Tax Collection

43. As reported in the 2023-24 Council Tax Base report at December cabinet 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

44. 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.
45. The 2023-24 budget includes a forecast assumption that the council's Business Rate Retention income will grow by £10.75m.
46. The economic recession, energy cost crisis and business rate revaluation adds to the challenges of managing any volatility in business rate yields. This area of funding remains highly uncertain.

### **Household Support Fund (HSF)**

47. The December and January cabinet report detailed the central government funding for the cost of living crisis by way of the Household Support Fund grant in 2022-23.
48. 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. Allocations have not yet been announced, but it is expected that the grant will remain the same as 2022-23 and the council will receive a further £5.4m in 2023-24. This will be allocated to the Southwark Council Cost of Living Fund (SCCOLF).

### **Holiday Activities and Food Programme (HAF)**

49. In 2021, the government announced a three year funding package for holiday activities and food programmes. The first year of this funding was for 2022-23 and is to coordinate and provide free school holiday provision, food and enriching activities for those children from low income households. The council have been allocated £1.5m of grant funding to deliver the HAF programme. The majority of the funding has been directly awarded as grant funding to local holiday provision providers to deliver the programme. The funding of this programme is to continue in 2023-24 and 2024-25.

### **Homelessness Prevention Grant (HPG)**

50. The Homelessness Reduction Act 2017 aimed to prevent homelessness before it occurred, wherever possible. Following this Act, the Flexible Homelessness Support Grant was introduced, (replacing the Temporary Accommodation Management Fee) to support local authorities to invest in preventative measures. The Homelessness Reduction Grant was introduced in 2020-21 to enable authorities to continue to meet the ongoing homelessness preventive costs. In 2021-22, these two grants were combined into the Homelessness Prevention Grant (HPG), to help deliver strategies to prevent homelessness and rough sleeping. Southwark received £5.5m in 2022-23.
51. Southwark are due to receive £5.7m in 2023-24 and £5.8m in 2024-25 which includes transitional grant protection. Increases in 2024-25, are lower in London than for other authority types whilst London faces growing pressures in the system. Looking beyond 2025, the government is planning to change the arrangements, creating an uncertain future, which may impact future grant allocations.

### **Special Educational Needs and Disabilities (SEND)**

52. 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. Despite confirmation of additional High Needs Block funding for 2023-24 (£3m)

announced in November, 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. There is a risk that both the inflationary pressures and any shortfall in funding may impact on the general fund. The council anticipates entering into a formal Safety Valve agreement with the DfE by the 31 March 2023.

### **Inflation and Pay Costs**

53. Inflation is a key risk to the council's budget setting process for 2023-24 with December CPI running at 9.2%. The autumn statement assumptions expected inflation to be 9.1% overall in 2022-23 and to fall back down to 7.4% in 2023-24. ONS<sup>1</sup> data shows that the largest contributions came from housing and household services, principally energy costs, and food costs. Very high energy costs have put increasing pressure on council budgets in 2023-24. Whilst continuing high rates of food inflation will have a greater impact on low income households, who spend a greater proportion of their household budget on food. This in turn will create further demand on council services.
54. The provisional settlement increased the revenue support grant element of government funding by inflation. But other government grants were mainly reduced in real terms and funding directed towards ring fenced grants. The impact of extraordinarily high levels of inflation has not been fully funded for 2023-24 and no additional funding to compensate for higher than expected inflation in 2022-23. However, this proposed budget has set aside some resources for this unfunded increase in inflation and pay pressures for both 2022-23 and 2023-24.

### **Efficiencies and Improved Use of Resources**

55. 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 £12.8m (detailed in Appendix B).

### **Income Generation**

56. 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 £2.5m (detailed in Appendix C).

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<sup>1</sup> 18 January 2023.

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/december2022#main-points>

## **Savings Impacting on Service Delivery**

57. 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.
58. Comprehensive equalities analysis of the impact of these savings will be considered before the budget is finalised.

## **Commitments**

59. A detailed list of all commitments can be found in Appendix E. The overarching theme of these commitments is to protect frontline service and to ensure that service budgets are sustainable, particularly in the context of the reduced availability of reserves to support budget pressures.

## **Fees and Charges**

60. Under Part 3C of the constitution, cabinet is responsible for the approval of new fees and charges and agreement of charging levels in line with the medium term resources strategy. Fees and charges schedules for 2023-24 were approved by Cabinet on 17 January 2023. A detailed list can be found in Appendix F.

## **Use of Reserves and Balances**

61. The council retains a level of earmarked reserves and these are reported each year within the annual statement of accounts. These reserves are maintained to fund:
  - invest to save opportunities, which form part of the modernisation agenda and are expected to deliver future ongoing revenue savings;
  - investment in regeneration and development where spend may be subject to unpredictable market and other factors;
  - exceptional items or pressures which are difficult to predict and which are not included in revenue budgets or within the capital programme.
62. For a number of years previously, the council had planned for the use of reserves to help smooth the impact of government funding reductions and other budget pressures especially during the period of austerity. Not only did this help to protect council services but it has also allowed time to transition towards new ways of working, productivity improvements and efficiencies.
63. The budget proposals for 2023-24 include a contribution of £3m from general reserves to balance the budget.
64. 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**

65. 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**

66. 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.
67. 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 last few years. It was agreed at Cabinet in July 2022, that a plan, Southwark 2030, would be developed by working with residents, the local voluntary sector, businesses and the wider public sector. Engagement work on this is currently underway.
68. The council consulted in 2021 on the Climate Change strategy which forms a key component for our longer term strategic plans for the borough, in particular achieving net zero by 2030, and so provided a framework for the council to engage with communities.

### **Next Steps**

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

Date	Meeting	Report	Purpose
22 February 2023	Council Assembly	P&R strategy	Approve a balanced budget for 2023-24
24 February 2023	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**

70. The council works in accordance with the single public sector equality duty contained within section 149 of the Equality Act 2010. This means the council must have due regard to the need to eliminate unlawful discrimination, harassment and victimisation, and advance equality of opportunity and foster good relations between different groups.
71. Transparency and fairness form part of the seven budget principles and are an underlying principle in the Borough Plan. As with the budget for 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.
72. Undertaking equality analysis helps the council to understand the potential effects that the budget proposals may have on different groups. The analysis also considers if there may be any unintended consequences and how any of these issues can be mitigated. Analysis is also undertaken to consider any crosscutting and organisation-wide impacts. The Cumulative Equality Analysis document (Appendix H) is an assessment of all Equality Impact Assessments that have been completed for the 2023-24 budget setting process year, assessing the overall impact that the proposed changes made by the council may have on the borough.
73. For many services, the budget proposals will include efficiencies that have staffing implications. As specific proposals are brought forward, and at each stage of implementation thereafter, the different impacts on different categories of staff will be assessed in accordance with the council's reorganisation, redeployment and redundancy procedures.
74. Equality analysis will continue through the cycle of planning and implementation of these budget proposals. In line with our Public Sector Equality Duty, any changes to services arising from these proposals will be implemented in such a way to not impact disproportionately on any specific section or group in our community. Where necessary, consultation will be undertaken alongside mitigating actions where necessary. In line with the process across the council,

information on the equality analysis has been shared with the relevant cabinet members so it can be considered when decisions are taken.

75. Appendix H identifies individual impacts for each budget proposal. In the case of those having a negative impact, mitigating actions have been identified in all cases. Overall, no disproportionate cumulative impact on any one group has been identified. The response to the Overview and Scrutiny recommendations is detailed at Appendix I and includes further information on the equalities impact assessment of specific budget proposals.

### **Climate change implications**

76. The council has reinforced its commitment to combatting carbon emissions and rising global temperatures, by 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 climate change and the risk to our planet.
77. The council has committed to doing everything that it can to make Southwark carbon neutral by 2030.
78. How the council uses its resources has a significant impact on the borough's carbon emissions. Across the work we do from our housing investment, to investment in parks and green spaces, to infrastructure changes such as electric charging points how the council chooses to use resources all impacts on our carbon emissions. The council has agreed a climate changes strategy and action plan and is delivering the work in this to reduce the borough's emissions. We are working to better align all aspects of the council's work to reduce carbon and contribute to our net zero commitment.
79. As the council further develops its approach, it is looking at how carbon impact is better considered in the decisions that we take including financial decisions. This includes the services that we procure as well as our direct operational emissions. 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. Fuller details of the financial implications of the council's climate change impact of the budget savings and commitments can be found in the Climate Change Impact Analysis at Appendix G.

### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

#### **Director of Law and Governance**

80. 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.



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

85. The cabinet is required to prepare a budget proposal for submission to council assembly. This is the last cabinet meeting before Council Assembly on 22 February 2023 and the Council Tax Setting Committee. The Local Government Act 1992 requires that billing authorities complete and approve their budgets and set a council tax before 11 March immediately prior to the start of the financial year on 1 April.

#### **REASONS FOR LATENESS**

86. 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 17 January 2023 gave the opportunity for debate prior to presentation of budget figures to cabinet on 6 February 2023. Under the council's constitution, there is a requirement for the overview and scrutiny committee to review and challenge budget proposals and this took place on 23 and 24 January 2023.

#### **BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
Cabinet agenda 17 January 2024 (item 8): Policy and Resources Strategy 2023-24 to 2025-26 update	160 Tooley Street PO Box 64529 London SE1P 5LX	Tim Jones 020 7525 1772
<b>Link:</b> <a href="#">Agenda for Cabinet on Tuesday 17 January 2023, 11.00 am - Southwark Council</a>		

Background Papers	Held At	Contact
Overview and scrutiny committee agenda 24 January 2023 - Formulation of Recommendations to Cabinet on the Policy and Resources Strategy 2023-24	160 Tooley Street PO Box 64529 London SE1P 5LX	Tim Jones 020 7525 1772
<b>Link:</b> <a href="#">Agenda for Overview &amp; Scrutiny Committee on Tuesday 24 January 2023, 7.00 pm - Southwark Council</a>		

## 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	Fees & Charges
Appendix G	Climate Change Impact Analysis
Appendix H	Cumulative Equality Analysis
Appendix I	Overview and Scrutiny Committee (OSC) recommendations including a report on the review of the equality analyses

## AUDIT TRAIL

<b>Cabinet member</b>	Councillor Stephanie Cryan Communities, Equalities & Finance	
<b>Lead officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report author</b>	Timothy Jones, Departmental Finance Manager	
<b>Version</b>	Final	
<b>Dated</b>	2 February 2023	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Law and Governance	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		2 February 2023