

Item No. 2.1	Classification: Open	Date: 22 February 2023	Meeting Name: Council Assembly
Report title:		Policy and Resources Strategy 2023-24 to 2024-25	
Wards or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

That Council Assembly:

1. Approves the allocation of the additional £1.157m funding from the final local government finance settlement comprising:
 - £0.185m additional Services Grant
 - £0.972m one off NNDR levy release

as detailed in paragraphs 14-19 of this report and lines 447 and 455 of Appendix E.
2. Approves the final balanced budget position as detailed in Table 1.
3. Agrees to increase the Southwark local council tax for 2023-24 by 2.99%.
4. Agrees to use the flexibility offered by government to support Adult Social Care through a precept of 2% of council tax on the basis that these additional funds will be used exclusively for adult social care.
5. Notes the 6 February 2023 cabinet report at Appendix 1, which details the draft budget following the local government provisional settlement.
6. Notes the announcement from the Chancellor of the Exchequer of further details of the means tested benefits to support the most vulnerable, including pensioners and disabled people of up to £1,350.

BACKGROUND INFORMATION

Revenue Budget

7. On 6 February 2023 cabinet considered a report on the council's Policy and Resources strategy 2023-24 revenue budget proposals (Appendix 1). The report noted the balanced budget position following the provisional settlement and that any final changes would have to wait for the final local government settlement.

8. Public Health Grant allocations were not announced at the 6 February 2023 cabinet and have yet to be released.
9. The final 2023-24 Local Government Finance Settlement was published on 6 February 2023. This increased resources to the Services Grant by £19.1m nationally above the provisional settlement by distributing unused contingency back into local government. In addition, every authority in England will receive a share of the £100m accumulated surplus currently held in the business rates levy account, to be distributed based on each local authority's 2013-14 Settlement Funding Assessment.

KEY ISSUES FOR CONSIDERATION

Final Local Government Finance Settlement 2023-24 (FLGFS)

10. The FLGFS was published on 6 February 2023, on the same day as the cabinet meeting but not in time for any changes to be incorporated. The final settlement increased resources for Southwark by an extra £0.185m to the Services Grant and an extra £0.972m of additional funding through the distribution of the release of the business rates levy. The combined increase in resources available to the council is £1.16m from the provisional to the final settlement.
11. The Public Health Grant 2023-34 has yet to be announced. The council has made the assumption that this will remain at 2022-23 levels as reported to February cabinet. Public Health budget assumptions continue to be conservative as the grant is often announced after the council has set its budget. The Public Health grant is ring-fenced for use on public health.
12. Separately from the FLGFS, on the 8 February 2023, the Chancellor of the Exchequer announced that those on means tested benefits will receive £301 in Spring 2023 and those on disability benefits will receive a £150 payment in Summer 2023. The £301 payment has been announced as the first of five direct cost of living payments for the most vulnerable households, including pensioners and disabled people, with the total amount of support reaching up to £1,350, as follows:
 - £301 – First 2023/24 Cost of Living Payment – during Spring 2023
 - £150 – 2023 Disability Payment – during Summer 2023
 - £300 – Second 2023/24 Cost of Living Payment – during Autumn 2023
 - £300 – 2023 Pensioner Payment – during Winter 2023/4
 - £299 – Third 2023/24 Cost of Living Payment – during Spring 2024
13. These payments will be made automatically from the Department of Work and Pensions and HMRC. This is in addition to the funding through the Household Support Grant and the Energy Price Guarantee. The government have estimated that there are 45,300 households eligible for means tested Cost of Living payments and 24,100 eligible for the disability

cost of living payments in Southwark.

Revenue Budget 2023-24

14. Arising from the additional funding available from the FLGFS, a number of amendments are proposed to that reported to cabinet on 6 February 2023.
15. The February cabinet report recommended that a contribution of £3m from reserves could be used to balance the budget. Prior to this, reports to cabinet had initially allocated £2.5m as the contribution from reserves, to balance the budget. For comparison, the 2022-23 budget included a £1.1m contribution from reserves. This report recommends that the contribution to reserves reverts back to £2.5m and £0.5m of the additional funding received at FLGFS will be allocated to deliver this change.
16. A review of the provision for backdated pay for London weighting and overtime allowed a reduction of £0.095m to £0.605m, from the original allocation of £0.700m. This report recommends that the remainder of the final settlement funding of £0.655m together with the £0.095m released from this provision, be used for a one off contribution to the cost of living fund for 2023-24. This will enable schemes to address holiday hunger to be provided for in 2023-24.
17. Table 1 shows the high level summary of the budget following consideration and includes the updated position following the final local government finance settlement. The report and relevant appendices to the 6 February 2023 cabinet are now attached to this report as Appendix 1. Note that 'Appendix E – Commitments' to the February cabinet report, has been changed (and highlighted) to accommodate the changes in paragraph 16 above.
18. The February cabinet report noted that inflation is a key risk to the council's budget setting process for 2023-24 with January CPI running at 10.1%. 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 final settlement made no changes to these funding levels. The impact of extraordinarily high levels of inflation has not been fully funded for 2023-24 and there was no additional funding to compensate for higher than expected inflation in 2022-23.
19. This proposed budget has set aside resources for the unfunded increase in inflation and pay pressures in 2022-23 and the expected impact for 2023-24. Resources set aside to compensate for the exceptional increases in inflation in 2022-23, will be distributed on an equitable basis to departmental budgets at the end of the financial year 2022-23. This will ensure that there has been some mitigation for budget pressures due to unprecedented levels of inflation. Resources set aside for inflationary pressures for 2023-24 will be held centrally, pending confirmation of pay awards and a review of the actual inflationary pressures on council budgets next year.

Table 1	2023-24 Forecast
Settlement Funding Assessment	- 162.38
Revenue Support Grant	- 42.18
Business Rates Baseline	- 87.33
Top-Up	- 32.87
Un-Ringfenced Government Grants	- 7.33
2023/24 Services Grant	- 4.69
New Homes Bonus	- 1.67
One-Off NNDR Levy release (Final Settlement)	- 0.97
Ringfenced Government Grants	- 78.68
Public Health Grant	- 29.50
Social Care Grant	- 27.47
Independent Living Fund (rolled into Social Care Grant)	- 0.18
Improved Better Care Fund	- 17.85
ASC Market Sustainability & Improvement Fund	- 3.68
TOTAL GOVERNMENT FUNDING	- 248.39
Council Tax	- 137.71
Council tax baseline funding	- 128.61
Council tax base - properties/LCTS working age	- 2.29
Council tax - annual uplift	- 3.91
Council tax - Social Care precept	- 2.62
Council tax - estimated surplus as at 31/03/22	- 0.28
Business Rate Growth	- 47.72
Business Rate Retention Growth	- 10.75
S.31 Grants (incl. C19 reliefs)	- 27.38
S.31 Grant for Top-Up	- 5.60
Collection Fund surplus estimate as at 31/03/22	- 3.99
COUNCIL TAX AND BUSINESS RATE GROWTH	- 185.44
Total Funding before contributions from balances	- 433.82
Contribution from earmarked reserves	- 2.50
TOTAL RESOURCES	- 436.32
Prior Year Budget	390.15
Inflation	
Pay Awards 23/24	5.85
Pay Awards 22/23 unbudgeted pressure	5.49
Contractual Inflation (including energy costs)	14.60
Contractual Inflation (2022/23 unbudgeted pressure)	3.42
Energy price inflation on Council Buildings	4.45
Commitments & Contingency:	
Ringfenced Social Care Commitments	14.93
Other Growth and Commitments	13.84
Budget Before Savings & Efficiencies	452.73
Budget Gap before Savings & Efficiencies	16.40
Savings	
Effective use of resources and efficiencies	- 12.81
Income, Fees and Charges	- 2.53
Other Savings	- 1.07
TOTAL SAVINGS	- 16.41
TOTAL BUDGET	436.32
TOTAL SHORTFALL	0.00

Southwark Council Tax

20. For the purpose of setting council tax, the council calculates the council tax requirement as £137m
21. All local authorities are required to set their council tax by 11 March each year. The council will set the council tax, on 24 February 2023 at a council tax setting committee as the GLA precept is due to be set on the 23 February 2023. As in previous years, any delay to this date will mean the council may have to move its council tax instalment date beyond 1 April. This would result in a loss of income to the council from cash flow and could also put at risk the ability of the council to meet its collection targets.
22. Cabinet noted the recommendation to accept the government's offer to raise a 2% adult social care precept in 2023-24 and to set a 2.99% increase in council tax for 2023-24.

The effect on the Southwark element of council tax is shown in Table 2.

Table 2- Southwark council tax 2022-23 to 2023-24	Band D			
	2022-23	2023-24	Increase	Change
Southwark Council Tax	1,198.95	1,258.78	59.83	4.99%
of which:				
ASC precept			23.98	2.00%
Local increase			35.85	2.99%

Consultation

23. Responses to the recommendations from the overview and scrutiny committee on 23 and 24 January 2023 were presented at the cabinet meeting by the Chair of OSC (Appendix 1, appendix I).

2023-24 Budget and Medium Term Outlook

24. In setting out the budget proposals for 2023-24 the Strategic Director of Finance and Governance, as the statutory Section 151 Officer, is assured that the range of spending commitments and proposed savings are being set within the resources available to meet local priorities. In overall terms, the budget proposed for 2023-24 is based on realistic assumptions and, notwithstanding the uncertain environment, is robust.
25. The broad approach adopted at the provisional and final settlement for local government was to roll over the core elements of 2022-23 preserving the current distribution with additional resources targeted for social care; reduced general local government funding and a modest increase in the ability to raise council tax to fund services.

26. There are still significant uncertainties in the economic environment, not least, because of the challenges arising from unprecedented levels of inflation, increased fuel and food costs as well as a decade of austerity. Social care reform has been delayed and the funding recycled and ring-fenced to support the current pressures in social care.
27. There remains uncertainty around the national funding position for local government. The policy statement ahead of the provisional settlement suggested that this would be a 2 year settlement but there are no allocations set out for 2024-25, only a broad set of principles. So, funding beyond 2023-24 remains extremely uncertain and subject to many unknowns and the council may face more significant revenue pressures. There is also significant uncertainty as to whether the reforms promised for local government finance will be implemented and there is also no indication of timescales for this.
28. The February cabinet report noted other specific grants outside the main government funding announced at the provisional settlement. The household support grant has been extended again for 2023-24 to support the vulnerable during the cost of living crisis. In addition, the holiday activities and food programme continues in 2023-24 and 2024-25 to coordinate and provide free school holiday provision, food and enriching activities for those children from low income households. The homelessness prevention grant has been announced for both 2023-24 and 2024-25.
29. The cabinet report also noted that the accumulated deficit on Special Education Needs and Disability (SEND) provision is forecast to be £24.7m at 31 March 2023. There are a small number of authorities who have been the recipient of 'Safety Valve' arrangements whereby the DfE makes substantial contributions towards eliminating the deficit over a multi-year period. The council anticipates entering into a formal 'Safety Valve' agreement with the DfE by the 31 March 2023.
30. In addition to ensuring that sufficient funds are available to finance the ongoing management of the council services, the Strategic Director of Finance and Governance needs to be assured that there is an appropriate level of reserves and balances available. The Local Government Act 2003 requires the chief finance officer to report on the adequacy of reserves held, and requires members to have regard to that report in setting the budget. The Act also gives powers to the Secretary of State to specify a minimum of reserves to be held, but those powers have not yet been applied.
31. The cabinet report, included as Appendix 1, provides information about the use of reserves and balances (paragraphs 61 to 64). Maintaining an adequate level of reserves and balances are therefore key factors in the Strategic Director of Finance and Governance's assessment of the robustness of the budget. At 31st March 2022, the council's General Fund reserves levels were mid-table when compared with the rest of London. However, when taking into account the size of the authority and its

revenue budget, proportionately reserve levels fall just outside the bottom third of London authorities.

32. The position remains under close review and the s151 officer will continue to make recommendations as appropriate within the Policy and Resources Strategy. He considers the current plans for use of balances to be acceptable and recognises that the budget continues to allow for a contingency that mitigates the risk of shortfalls in savings and income targets or higher levels of commitments arising from unforeseen budget pressures.
33. The impact of all the uncertainty and future reforms cannot be assessed at this time. The risks identified strengthen the importance of maintaining a robust Medium Term Financial Strategy (MTFS) within which to plan council business and sustain delivery of essential frontline services. A refreshed financial outlook of the financial position will be presented to Cabinet in summer 2023.

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

34. The community impact statement is set out in the cabinet report of 6 February 2023 attached at Appendix 1, appendix H.
35. 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.
36. Transparency and fairness form part of the seven budget principles and are an underlying principle in the Council Plan. As with the budget for 2023-24 and for previous years, the council has undertaken equality analysis/screening on its budget proposals, which helps to understand the potential effects that the proposals may have on different groups and whether there may be unintended consequences and in the event, how such issues can be mitigated.
37. Analysis is also undertaken to consider any crosscutting and council-wide impacts. Where screenings identify potential impacts, more detailed analysis is carried out. The Cumulative Equality Analysis document (Appendix I (i) and (ii) of the Cabinet Report) is an analysis 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. The report summarises the data and considerations that were taken into account for each of the protected groups and looks at the cumulative impact of these changes upon each group.
38. 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.

Climate change implications

39. 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. Further details of the financial implications of the council's climate change strategy can be found in the Climate Impact Statement at Appendix G.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Assistant Chief Executive, Governance and Assurance

40. The report asks council assembly to agree a council tax requirement of £137m including the impact of a 4.99% council tax increase for 2023-24. In accordance with part 3A of the Constitution, Council Assembly is required to agree the budget and set the council tax.
41. In respect of all recommendations, council assembly is reminded of the requirement to consider the public sector equality duty as set out in Section 149 of the Equality Act 2010 before reaching a decision.
42. When undertaking their duties under section 149 the council must ensure:
- The duty must be fulfilled before the decision in question is enacted;
 - The duty must be exercised in substance with 'rigour and an open mind'; it is not a matter of 'ticking boxes'; and
 - The duty is continuing; it does not end with the completion of the EIA and due regard must be had as policy evolves and is implemented.

Legislative Framework

43. Section 31A of the Local Government and Finance Act 1992 ("the 1992 Act") provides that the Council has an obligation to calculate and agree an annual budget and council tax requirement.

Restrictions on Voting Under Section 106 of the Local Government Finance Act 1992

44. Section 106 of the 1992 Act applies at any time to a member of an authority, if at that time the member is due to pay council tax payments which have remained unpaid for at least two months.
45. The payments to which the section applies are any type of either sole or joint and several liability for council tax, and any failure to pay any agreed sum of council tax. Therefore members are advised that this section is likely to apply to them if they are currently two months in arrears of any

amounts of council tax, even if they have made any special contractual arrangement with the council to pay off the arrears.

46. If this section applies to any member present at a relevant meeting they must as soon as practicable after its commencement, disclose the fact that the section applies and not vote on any question with respect to this matter.
47. The relevant meetings are those at which any of the following are the subject of consideration, namely:

- (a) Any calculation required by chapter III, IV, IVZA or IVA of Part 1 of the 1992 Act

The only relevant calculations in this context are those under Chapter III of Part 1 of the 1992 Act, (Chapter IV relates to precepting, Chapter IVZA to referendums and Chapter IVA to limitations on council tax (i.e. capping)).

The Chapter III calculations include the calculation of the council tax requirement, the additional requirements because of any special items, the calculation of the tax for the different valuation bands and the basic amount of council tax to be set under Section 31B.

- (b) Any recommendation, resolution or other decision which might affect the making of any such calculation

This is an extremely wide wording and would extend well beyond merely setting the budget. It applies to virtually any matter where the financial implications directly or indirectly might affect the calculations concerning the council tax. It would therefore apply to decisions concerning the level or extent of services as well as the expenditure, receipt or forgoing of any money.

- (c) The exercise of any function under Schedules 2-4 of the Local Government Finance Act 1988 ("the 1988 Act") and the 1992 Act

The functions under either the 1988 or 1992 Acts concern the administration and the enforcement of community charge and council tax respectively.

48. Section 106 of the 1992 Act makes it a criminal offence for a member to vote when prohibited from doing so or to fail to make the necessary disclosure. There is a statutory defence, with the onus of proof on the member, to prove that he did not know that the section applied to him or her at the time of the meeting or that the matter in question was the subject of consideration at the meeting. Prosecutions shall not be instituted except by or on behalf of the Director of Public Prosecutions.

REASONS FOR URGENCY

49. The council is required to set a lawful budget by 11 March 2023.

REASONS FOR LATENESS

50. On 6 February 2023, the government published the final Local Government Finance Settlement. Due to this, it was not possible for the report to be completed before the agenda was circulated. The meeting of the council tax setting committee (being established by council assembly) is scheduled for 24 February 2023.

BACKGROUND INFORMATION

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix 1	Cabinet Report 6 February 2023 Policy and Resources 2023-24 General Fund Budget proposals including Appendices A to I

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Tim Jones, Departmental Finance Manager	
Version	Final	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Assistant Chief Executive, Governance and Assurance	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	16 February 2023	