

<b>Item No.</b> 2.1	<b>Classification:</b> Open	<b>Date:</b> 21 February 2024	<b>Meeting Name:</b> Council Assembly
<b>Report title:</b>		Policy and Resources Strategy: 2024-25 Budget and Medium Term Financial Strategy	
<b>Wards or groups affected:</b>		All	
<b>From:</b>		Strategic Director of Finance	

## RECOMMENDATION

1. That Council Assembly approves:
  - a. the final balanced budget as detailed in Table 1.
  - b. the allocation of the additional funding from the final local government finance settlement comprising:
    - £0.072m additional Services Grant
    - £3.272m additional ring fenced Social Care grant
    - An expected £0.970m National Non-Domestic Rates (NNDR) levy release

as detailed in paragraphs 8-12 of this report.
  - c. the refreshed general fund capital programme for the 10 year period to 2033-34 and the refreshed housing investment programme (HIP) for the 10 year period to 2033-34 (paragraphs 21-23)
2. That Council Assembly notes:
  - a. the 6 February 2024 cabinet report at Appendix 1, which provides details of the draft budget following the local government provisional settlement
  - b. the updated Public Health Grant updated allocations (paragraph 16)
  - c. the requirement, as stipulated in the Final Local Government Finance Settlement, for the development of a productivity plan (paragraphs 10-11).

## BACKGROUND INFORMATION

### Revenue Budget

3. On 6 February 2024 cabinet considered the Policy and Resources strategy report (Appendix 1). The report noted the balanced budget position for

2024-25, including proposals for 2025-26 and 2026-27 and noted that any final changes would have to wait for the final local government settlement.

4. The final Local Government Finance Settlement 2024-25 (FLGFS) was published on 5 February 2024. This detailed an extra £600m to local authorities. The main allocation was an addition to the social care grant of £500m. The remaining £100m was allocated to other specific areas such as the rural service provision and drainage boards, with a small proportion to the services grant.
5. The Secretary of State for Levelling Up, Housing and Communities, Michael Gove, announced that outside the settlement, £100m would be returned to local authorities from the business rates levy account on a one-off basis.
6. The Statement further requested that local authorities develop productivity plans by July 2024, which are to be agreed by Council Leaders and Members and published on the council's website, together with updates on progress. The plans are expected to cover the following four main areas:
  - i) transformation of services to make better use of resources;*
  - ii) opportunities to take advantage of advances in technology and make better use of data to inform decision making and service design;*
  - iii) ways to reduce wasteful spend within systems, including specific consideration of expenditure on consultants and discredited staff Equality, Diversity and Inclusion programmes – this does not include programmes designed to promote integration and civic pride, and counter extremism; and*
  - v) barriers preventing activity that Government can help to reduce or remove'.*
7. Alongside this, the government is to establish a new productivity review panel, made up of sector experts including the Office for Local Government and the Local Government Association.

## **KEY ISSUES FOR CONSIDERATION**

### **Final Local Government Finance Settlement 2024-25 (FLGFS)**

8. The FLGFS was published on 5 February 2024, one day before the 6 February cabinet and after the publication of the cabinet papers. It was agreed that any changes in funding would be set out in this report to council assembly.
9. The final settlement increased resources for Southwark by an extra £3.272m through the Social Care Grant and £0.072m through the un-ring fenced Services Grant. Council Assembly should note that the minor increase in the Services Grant is only an increase relative to the

provisional settlement and is still a £3.9m reduction in the grant when compared with 2023-24.

10. The additional social care funding is ring fenced, and is to be treated as a 'one off grant', and was in response to the provisional local government consultation which highlighted the continuing pressures in social care and the need to support financial sustainability. Appendix 2 details the planned allocation of this additional grant. It is proposed that the additional £0.072m is added to reserves to be used for the demand and cost pressures in temporary accommodation.
11. The Secretary of State for Levelling Up, Housing and Communities, Michael Gove, announced £100m of resources outside the settlement, which would be returned to local authorities from the business rates levy account on a one-off basis. There are no details of allocations for this grant but it is expected to be approximately £0.970m. Once the amount is confirmed, it is proposed that this be added to reserves to support the pressures in temporary accommodation.
12. The Public Health grant was announced for 2024-25 on 6 February 2024. This increased the allocation by £0.258m which will be allocated to the public health budget for inflationary pressures. The MTFS has been updated accordingly.

### Revenue Budget 2024-25

13. Following the FLGFS, the £72k increase in the Services Grant has been factored into the MTFS (noting that throughout the budget planning process it has always been assumed it would disappear in 2025-26). This has the effect of increasing total grant funding resources by £72k, offset by a corresponding reduction in the total funding from reserves to recognise the earmarking of that £72k for Temporary Accommodation. This can be seen in the 'Contribution from earmarked reserves' line which has reduced from £2.5m to £2.428m.
14. Table 1 shows the high level summary of the budget and includes the updated position following the final local government finance settlement. The report and relevant appendices to the 6 February 2024 cabinet are attached to this report as Appendix 1.

**Table 1: Revenue Budget 2024-25 to 2026-27**

	2023-24	2024-25	2025-26	2026-27
<b>Un-Ringfenced Government Grants</b>	<b>(82.4)</b>	<b>(84.5)</b>	<b>(79.3)</b>	<b>(79.3)</b>
Revenue Support Grant	(42.2)	(45.0)	(45.0)	(45.0)
Top-Up	(32.9)	(34.3)	(34.3)	(34.3)
Services Grant	(4.7)	(0.8)	-	-
New Homes Bonus	(1.7)	(4.4)	-	-
One-Off NNDR Levy release (Final Settlement)	(1.0)			
<b>Ringfenced Government Grants</b>	<b>(78.7)</b>	<b>(88.9)</b>	<b>(88.9)</b>	<b>(88.9)</b>
Public Health Grant	(29.5)	(31.1)	(31.1)	(31.1)

	2023-24	2024-25	2025-26	2026-27
Social Care Grant	(27.6)	(33.1)	(33.1)	(33.1)
Improved Better Care Fund (iBCF)	(17.8)	(17.8)	(17.8)	(17.8)
ASC Market Sustainability & Improvement Fund	(3.7)	(6.9)	(6.9)	(6.9)
<b>TOTAL GOVERNMENT FUNDING</b>	<b>(161.1)</b>	<b>(173.5)</b>	<b>(168.2)</b>	<b>(168.2)</b>
<b>Council Tax</b>	<b>(137.7)</b>	<b>(145.3)</b>	<b>(158.8)</b>	<b>(170.0)</b>
Council tax baseline funding	(128.6)	(137.4)	(148.2)	(158.8)
Council tax base growth	(2.3)	(3.8)	(3.0)	(3.2)
Council tax - annual increase	(3.9)	(4.2)	(4.5)	(4.8)
Council tax - Social Care precept	(2.6)	(2.8)	(3.0)	(3.2)
Council tax - estimated (surplus)/deficit	(0.3)	2.9	-	-
<b>Business Rate Growth</b>	<b>(136.1)</b>	<b>(134.8)</b>	<b>(136.8)</b>	<b>(136.8)</b>
Retained Business Rates	(98.1)	(102.8)	(102.8)	(102.8)
S.31 Grants	(27.4)	(28.2)	(28.2)	(28.2)
S.31 Grant for Business Rates Top-Up	(5.6)	(5.8)	(5.8)	(5.8)
Business Rates - estimated (surplus)/deficit	5.3	1.9	-	-
Support for deficits	(5.2)			
BRR - S.31 grants c/f	(5.0)			
<b>COUNCIL TAX AND RETAINED BUSINESS RATES</b>	<b>(273.8)</b>	<b>(280.1)</b>	<b>(295.5)</b>	<b>(306.8)</b>
<b>Total Funding before contributions from balances</b>	<b>(434.8)</b>	<b>(453.6)</b>	<b>(463.7)</b>	<b>(475.0)</b>
Contribution from earmarked reserves	(2.5)	(2.4)	(2.5)	-
<b>TOTAL RESOURCES</b>	<b>(437.3)</b>	<b>(456.0)</b>	<b>(466.2)</b>	<b>(475.0)</b>
<b>Prior Year Budget</b>	<b>391.1</b>	<b>437.3</b>	<b>456.0</b>	<b>466.2</b>
<b>Inflation</b>				
Pay Awards	5.9	9.5	10.0	6.3
Pay Awards 22/23 unbudgeted pressure	5.5	-	-	-
Contractual Inflation	14.6	9.8	9.0	6.3
Contractual Inflation (Social Care & PH)	14.9	9.7	8.5	5.6
Contractual Inflation (2022/23 unbudgeted pressure)	3.4	-	-	-
Energy price inflation on Council Buildings	4.5	-	-	-
<b>Commitments &amp; Contingency:</b>				
Other Growth and Commitments	13.8	8.7	3.7	2.7
Reverse one-off commitments	-	(0.8)	-	-
Debt Financing (approved programme)	-	2.5	2.0	2.0
<b>Budget Before Savings &amp; Efficiencies</b>	<b>453.7</b>	<b>476.8</b>	<b>489.1</b>	<b>489.1</b>
<b>Budget Gap before Savings &amp; Efficiencies</b>	<b>16.4</b>	<b>20.8</b>	<b>22.9</b>	<b>14.1</b>
<b>Savings</b>				
Effective use of resources and efficiencies	(12.8)	(13.1)	(9.4)	(6.1)
Income, Fees and Charges	(2.5)	(7.5)	(6.7)	(2.6)
Other Savings	(1.1)	(0.2)	(1.4)	(0.1)
<b>TOTAL SAVINGS</b>	<b>(16.4)</b>	<b>(20.8)</b>	<b>(17.5)</b>	<b>(8.7)</b>
<b>TOTAL BUDGET</b>	<b>437.3</b>	<b>456.0</b>	<b>471.6</b>	<b>480.3</b>
<i>In-Year Gap</i>			5.41	5.38
<b>TOTAL SHORTFALL (cumulative)</b>	<b>-</b>	<b>-</b>	<b>5.41</b>	<b>10.79</b>

## Southwark Council Tax

- All local authorities are required to set their council tax by 11 March each year. The council will set the council tax on 23 February 2024 at a council tax setting committee as the GLA precept is due to be set on the 22 February 2024 (the day after Council Assembly).
- Cabinet agreed to recommend to council assembly an increase of 2% in

the social care precept and a 2.99% increase in council tax for 2024-25. The effect on the Southwark element of council tax is shown in Table 2.

**Table 2 Southwark council tax 2023-24 to 2024-25**

	Band D			
	2023-24	2024-25	Increase	Change
Southwark Council Tax	1,258.78	1321.58	62.80	4.99%
of which:				
Social care precept			25.17	2.00%
Local increase			37.63	2.99%

### Capital programme refresh

- The council's constitution requires council assembly to agree the capital strategy programme at least every four years, ensuring effective financial control and the achievement of value for money, within the provisions of financial standing orders. In February 2024, Cabinet agreed to recommend this refreshed capital programme to Council Assembly for approval.

#### *General Fund capital programme*

- The council undertook a full review of all capital projects, which included over 350 specific general fund projects and entailed a full recalculation and re-profiling of associated funding and costs to ensure that the programme remained affordable and aligned to council priorities. The refreshed general capital fund programme, including the approved new capital projects, is detailed at Appendix 1, appendix J. This shows the total budgeted programme to 2033-34 at £505m of which approximately £385m is expected to be funded from borrowing.

#### *Housing Investment Programme (HIP)*

- The October cabinet report detailed the financial pressures on both the housing revenue account and the housing investment programme. Similar to the general fund programme, the HIP underwent a detailed review to ensure that it continued to meet the strategic aims and policy objectives of the council whilst remaining affordable and sustainable. The HIP refresh is detailed in Appendix 1, appendix K. This shows the programme to 2033-34 at £1.74bn, of which approximately £873m will be funded from borrowing.

### Consultation

- 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).

### Section 151 officer comment on the budget (S25 Statement)

- In addition to ensuring that sufficient funds are available to finance the

ongoing management of the council services, the Strategic Director of Finance 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 cabinet report at Appendix 1 included comments on the budget (paragraph 117-119) and also provided information about the use of reserves and balances (paragraphs 67 to 71).

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

22. The community impact statement is set out in the cabinet report of 6 February 2024. Transparency and fairness form part of the seven budget principles and are an underlying principle in the Borough Plan. As with the budget for 2024-25 and for previous years, each department will undertake equality analysis on its budget proposals ahead of the final decisions being taken. Where initial analysis identifies potential impacts, more detailed analysis is being carried out.
23. 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.
24. The Budget Equality Analysis Report 2024-25 (Appendix 1, appendix H) sets out the importance of the Equality Impact and Needs Analysis (EINA) being an on-going process, to be built upon as proposals are developed, consulted upon and implemented. It is a dynamic and pro-active process, which is part of the overall Equality, Diversity and Inclusion (EDI) work in the Council. As such it is an integral part of the implementation of the Council's EDI policy commitments as outlined in the Southwark Equality Framework (Cabinet, July 2021).
25. 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.
26. 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, further consultation will be undertaken alongside mitigating actions. 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.

27. Appendix 1, (appendix H) identifies those budget savings that have a potential negative impact and where mitigating actions have been identified. The Equality and Human Rights Panel (EHRP) provided initial feedback on the draft budget equality analysis report and related EINAs (Equality Impact and Needs Analysis). We appreciate however that more time is needed to be given to EHRP in the future to provide their full feedback. The role of EHRP is as a critical scrutiny friend on the Council's Equality, Diversity and Inclusion work. EHRP are an important part of the Council's external Equality Governance.
28. The response to the Overview and Scrutiny recommendations, which incorporates the views of the Panel is detailed at Appendix I and includes further information on the equality analysis of specific budget proposals.

### **Health impact statement**

29. This report is not considered to contain any proposals that would have a significant health impact.

### **Climate change implications**

30. There are no direct climate change implications arising directly from this report, which provides an update on the budget setting process for 2024-25. 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 (SF 07/02/2024)**

31. The report asks council assembly to agree an increase of 4.99% in council tax.
32. 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.
33. 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**

34. 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**

35. 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.
36. 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.
37. 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.
38. 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.

39. 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.

## BACKGROUND INFORMATION

Background Papers	Held At	Contact
None		

## APPENDICES

No.	Title
Appendix 1	Cabinet Report 6 February 2024 Policy and Resources 2024-25 Budget and MTFS update including capital programme refresh (and including Appendices A to K)
Appendix 2	Additional Social Care Grant 2024-25 (to follow)

## AUDIT TRAIL

<b>Cabinet member</b>	Councillor Stephanie Cryan Cabinet Member for Communities, Democracy & Finance	
<b>Lead officer</b>	Clive Palfreyman – Strategic Director of Finance	
<b>Report author</b>	Timothy Jones – Director of Corporate Finance	
<b>Version</b>	Final	
<b>Dated</b>	8 February 2024	
<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>
Assistant Chief Executive, Governance and Assurance	Yes	Yes
Strategic Director of Finance	Yes	Yes
Cabinet Member	Yes	Yes
<b>Date final report sent to constitutional team</b>		8 February 2024