

Financial Position: Budget Delivery and Future Strategy

Overview & Scrutiny Committee – 4 November 2024

1. Budget Delivery

General Fund – Current Year

Department	Budget	Budget	Forecast	Forecast Variance	Reserve Movement	Variance after reserves
	£000	£000	£000	£000	£000	£000
Children and Adults Services	165,023	165,023	168,771	3,748	(2,581)	1,167
Integrated Health and Care	3,897	3,897	3,960	64	-	64
Environment Neighbourhoods and Growth	103,277	103,897	101,615	(2,283)	4,114	1,831
Housing	28,411	28,411	38,008	9,597	(3,611)	5,986
Governance and Assurance	24,103	24,103	25,442	1,338	(1,053)	285
Finance	69,199	67,699	74,828	7,129	(3,646)	3,483
Strategy and Communities	8,237	8,237	9,773	1,536	(1,450)	86
Support Costs Re-allocation	(43,370)	(43,370)	(43,370)	(0)	-	(0)
Contribution from reserves		(2,500)	(2,500)	-		-
Total	(621)	355,398	376,527	21,129	(8,227)	12,901
General Contingency		4,000	4,000	-	-	-
Outturn		359,398	380,527	21,129	(8,227)	12,901

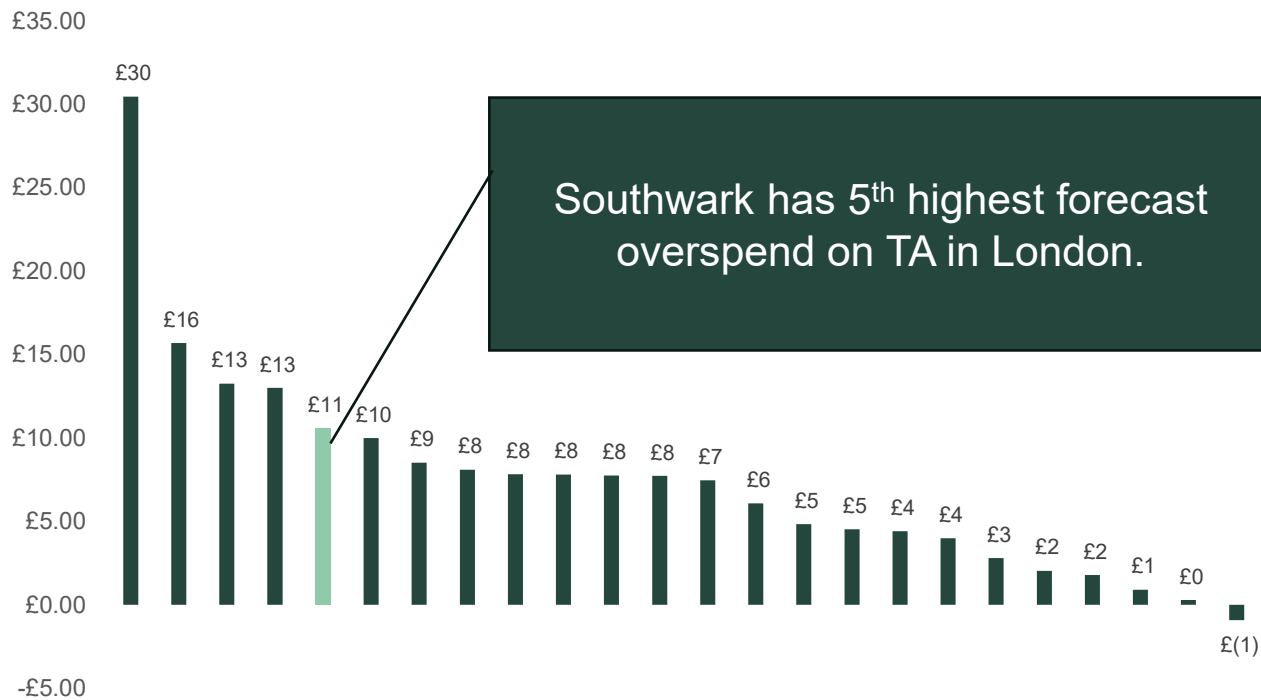
Full report [here](#).

General Fund – Key Delivery Risks

Temporary Accommodation

Increased demand (driven by a range of factors) plus rapidly increasing costs (private sector rents) pushing up the total cost.

Forecast TA Overspends (£m)



London Councils warns boroughs risk overspending on homelessness budget by £250m

NEWS 12.09.24 12.01 AM BY JENNY MESSENGER

London boroughs are at risk of exceeding their homelessness budgets by £250m in 2024-25 in spite of an increase in government funding, as temporary accommodation costs soar to around £3m a day.

- 23/24 gross Homeless spend in England: **£3bn!**

General Fund – Key Delivery Risks

Other Key Delivery Risks;

NRPF: growth in demand and cost (particularly social care packages)

Commercial: rents income challenged and high void costs

Customer Services: additional resources in place to address capacity issues

Children's Social Care: increasing cost of placements

HRA – Current Year

Table 1: 2024-25 Housing Revenue Account Forecast Month 4

	Outturn	Budget	Forecast	Variance	Savings	
	23-24	24-25	24-25	24-25	Approved	Assumed
Income	£000's	£000's	£000's	£000's	£000's	£000's
Tenant's Charges	-266,628	-297,660	-297,633	27	-1,450	-681
Voids	9,443	6,482	9,136	2,654	0	0
Homeowner Charges	-38,440	-37,502	-37,502	1	0	0
Other Income	-16,225	-16,795	-16,477	318	-150	0
Total Income	-311,850	-345,475	-342,476	2,999	-1,600	-681
Expenditure						
Tenant facing services	167,718	156,971	166,660	9,689	-16,263	-8,792
Other Services	71,523	76,617	75,609	-1,008	-1,412	-633
Capital and Financing	50,080	71,851	71,851	0	0	0
Debt Financing	25,066	40,036	37,813	-2,223	0	0
Total Expenditure	314,387	345,475	351,933	6,458	-17,675	-9,425
Total HRA	2,537	0	9,457	9,457	-19,275	-10,106

- Anticipating **£9.457m** overspend
- Of £19.3m of savings originally planned;
 - £2.1m delivered
 - c£4.5m not deliverable this year
 - £1m high delivery risk
 - £7.75m medium delivery risk
 - £4m low delivery risk

Any O/S at year-end will require reduction in reserves or increase in borrowing.

23/24: borrowed for Asset Management for the first time (£59m)

24/25: expect to borrow significantly less

Full report [here](#).

HRA – National Context

More than 100 councils call for reform of local authority financing and Right to Buy

NEWS 03.09.24 12.01 AM BY JENNY MESSENGER

A cross-party coalition of more than 100 councils has called on the government to usher in solutions, including a multimillion-pound cash injection and reforms to Right to Buy, to England's "broken" council housing system, in a new report.

£2.2bn 'black hole' nationally

What's causing this?

- Government **rent controls**: mandated 1% reduction for 4 years from 2016. Cap of 7% when formula yielded 11% in 2024. Costs Southwark £40m annually!
- **Unfunded requirements** arising from the Fire and Building **Safety** Acts. Southwark's disproportionately high number of '**high rise**' buildings exacerbates this.
- **Inflation** on building & maintenance costs, particularly since the pandemic
- Rising **interest costs** – borrowing to build new homes costs 3x what it did in December 2021! And we're building more homes than anyone else....

2. Future Strategy



MTFS Update

Three Year MTFS Agreed at Assembly

The next 3 years...

		2023-24	2024-25	2025-26	2026-27
Resources	Un-Ringfenced Government Grants	(82.38)	(84.52)	(79.27)	(79.27)
	Ringfenced Government Grants	(78.68)	(88.93)	(88.93)	(88.93)
	TOTAL GOVERNMENT FUNDING	(161.05)	(173.46)	(168.20)	(168.20)
	Council Tax	(137.71)	(145.29)	(158.75)	(170.01)
	Business Rate Growth	(136.06)	(134.84)	(136.76)	(136.76)
	COUNCIL TAX AND RETAINED BUSINESS RATES	(273.77)	(280.13)	(295.51)	(306.77)
	Contribution from earmarked reserves	(2.50)	(2.43)	(2.50)	-
TOTAL RESOURCES	(437.32)	(456.02)	(466.21)	(474.97)	
Growth & Savings	Prior Year Budget	391.15	437.32	456.02	466.21
	Inflation	48.74	28.99	27.43	18.19
	Commitments & Contingency:	13.84	10.48	5.69	4.67
	Savings	(16.41)	(20.78)	(17.51)	(8.72)
	<i>In-Year Gap</i>		0.00	5.41	5.38
	<i>Prior year savings not yet identified</i>			0.00	5.41
	TOTAL SHORTFALL (cumulative)	-	0.00	5.41	10.79

2027-28
tbc

£10.79m* to find
for years 2&3

These numbers will change as we revise our assumptions following the Autumn Budget in October and the Provisional Local Government Finance Settlement in late December.

2025-26 'Budget Challenge'

Key Messages

Lighter Touch – already broken the back of the three-year period. Keen to avoid a repeat of the line-by-line approach taken in in 2024-25.

Opportunity for Review of existing proposals for year 2 & 3. This has taken place and with few exceptions (e.g TA, NRPF) there is confidence that the 3-year savings plan is on track for delivery.

Containing Growth – keen to avoid any unfunded commitments being brought forward for 2025-26 as these increase the current budget gap. However, departments will receive contractual inflation and an uplift in salaries budgets in the usual fashion. The 3 year budget should be just that, a 3 year budget. Focus on mitigation of overspends, delivery of in-year budgets.

Transformation

Having already agreed a 3 year savings plan, and assuming the successful delivery of that plan, there remains a gap of around **£5m** to bridge in each of the next two years.

The council intends to take a **cross-organisation transformation** approach to identifying and delivering these savings.

Areas of Focus

- Review of corporate resources
- Office Accommodation Strategy
- New ERP implementation
- Procurement
- Tech & Digital
- Alignment with S2030

Governance

Programme management approach being taken, workstreams required to identify savings. Oversight via **Corporate Change Board**.

Central Gov't Autumn Budget

Headlines

- Core Spending Power + 3.2%
- £600m for Social Care (distribution to be announced)
- £700m other funding (to be announced)
- £233m for Homelessness
- £1bn for SEND & Alternative Provision
- Affordable Homes Programme +£500m
- RTB reforms
- Employers' NICs +1.2% (and threshold change)

Need to wait for November policy statement and December provisional settlement for details of impact on Southwark

Timeline Overview

	March	April	May	June	July	August
Budget	Agree approach CMT	Agree approach Directors Forum Cabinet	-	GF Cash limits confirmed Transformation priorities & ownership Procurement 'Kick-off'	MTFS 1 Report to Cabinet CMT Challenge 1 on Revenue & Procurement	-
Monitoring	-	-	HRA: P1 (internal)	Outturn: Cabinet	HRA: P3 (internal)	-
Capital Bids	Agree approach CMT	Agree approach Directors Forum Cabinet	-	Capital Bids	Capital Bids	-

	September	October	November	December	January	February
				Consultation ----->		
Budget	Budget LMB's	Budget Challenge Sessions Cabinet Away Day	OSC for: - GF MTFS - HRA	MTFS 2 Report to Cabinet incl. Draft Budget & Procurement Plan	Rent Setting & HRA budget to Cabinet OSC - Final Session Multi-Ward Forums	Budget at Assembly (via Feb Cabinet)
Monitoring	P3/4 Revenue Monitor: Cabinet HRA: P5 (internal)	P3/4 Capital Monitor: Cabinet	HRA: P7 (internal)		P7 Monitor: Cabinet HRA: P9 (internal)	
Capital Bids	CMT Challenge	Agree Bids		Programme Agreed: Cabinet		