

## Cabinet

Tuesday 13 December 2016

4.00 pm

Ground Floor Meeting Room GO2A, 160 Tooley Street, London  
SE1 2QH

## Supplemental Agenda No.3

### List of Contents

Item No.	Title	Page No.
21.	<b>Policy and Resources Strategy 2017-18 - 2019-20: Provisional Settlement</b>	1 - 25

### Contact

Paula Thornton on 020 7525 4395 or email: [paula.thornton@southwark.gov.uk](mailto:paula.thornton@southwark.gov.uk)  
Webpage: [www.southwark.gov.uk](http://www.southwark.gov.uk)

Date: 9 December 2016

<b>Item No.</b> 21.	<b>Classification:</b> Open	<b>Date:</b> 13 December 2016	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Policy and Resources Strategy 2017-18	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Fiona Colley, Finance, Modernisation and Performance	

### **FOREWORD - COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR FINANCE, MODERNISATION AND PERFORMANCE**

In this month's report we are able to present the first draft of the council's budget for 2017-18.

It is largely comprised of the savings and commitments we agreed last February in our indicative 3 year budget. This has been updated to reflect increased pressures in a number of service areas as well as additional savings identified since February.

In common with most local authorities our most significant budget pressures are in social care. As reported in last month's cabinet report, we are currently estimating that the Children's, Adults and Public Health department will be £15m over budget in 2016-17. With this in mind we are proposing that the savings originally planned for Adults Social Care in 2017-18 are pushed back to 2018-19 to allow the department time to recover the budget position before embarking on further savings.

At time of writing government has made no provisions to address the nationwide crisis in funding for Adult Social Care. Even now we still await the provisional local government settlement and details of the Better Care Fund for 2017-18. We are also still waiting for details of several other significant grants such as New Homes Bonus, Education Support Grant and Housing Benefit Administration Grant.

At this stage we are estimating a loss of £15m of government funding in 2017-18. Once we have accounted for inflation, growth in service demand and new commitments and offset this with improved council tax and business rate growth income we find ourselves with a £20.7m target for budget savings. To date we have identified £18.1m of savings as set out in the appendices, with a £2.6m deficit still to fill before we can set a balanced budget in February.

There is still a great deal of uncertainty about funding and much work to do to balance the budget. Cabinet will receive a further report and updated budget proposals in January.

## RECOMMENDATIONS

That cabinet:

1. Note that the autumn statement was presented on 23 November and provided little further clarity on local authority funding, subject to the provisional local government funding settlement scheduled for release at some time during December 2017 (paragraphs 27 - 29).
2. Note that DCLG has confirmed the four year settlement in response to the council's acceptance of the four year funding settlement (paragraph 18).
3. Note that as reported to cabinet in November and given continued uncertainties over adult social care and children's services cost and demand pressures and government funding sources, the intention is to prepare a balanced one year 2017-18 budget for presentation to cabinet for approval in advance of council assembly in February 2017 (paragraph 16).
4. Note the reducing level of reserves and balances available to the council to help mitigate the risks of funding reductions moving into future financial years (paragraphs 52 - 54).
5. Note the current budget options proposed to help achieve a balanced budget 2017-18 (Appendices B – D).
6. Note the current budget gap for 2017-18 of £2.6m after the incorporation of these options.
7. Note that the general fund budget proposals for 2017-18 contained within this report include
  - Estimated grant resources likely to be available arising from the provisional settlement expected on 16 December (Appendix A)
  - Estimated council tax revenue of £87.5m and retained business rates growth of £8.9m (paragraph 35)
  - Planned use of balances of £4.0m
  - Planned contingency of £4m (paragraph 55)
  - Proposals for budget changes in 2017-18 of :
    - commitments £11.0m (paragraphs 38 - 43, Appendix B);
    - efficiencies and improved use of resources of £13.3m (paragraphs 44 - 47; Appendix C)
    - income generation proposals of £3.4m (paragraphs 48 - 49; Appendix D)
    - other savings impacting on service delivery of £1.4m (paragraphs 50 - 51; Appendix E)
8. Note that this budget currently assumes that the Southwark element of the council tax continues to remain frozen for 2017-18; this has been the case since 2008-09 (paragraph 24).
9. Note the proposed approach to address the Children's and Adults' Social care budget pressures (paragraphs 30- 33).

10. Note that this budget proposes to use the flexibility offered by the government to support social care through an increase in the Adult Social Care precept, equivalent to 2% of council tax, on the basis that these additional funds will be used exclusively for Adult Social Care (ASC) (paragraph 25).
11. Request that officers complete further work in the light of further notifications from government and recommendations from cabinet and represent a fully balanced budget position for cabinet on 24 January 2017.
12. Note the continuing work underway by strategic directors to complete appropriate equality assessments for all budget proposals in advance of cabinet meeting on 24 January 2017 (paragraphs 61 - 68).
13. Note the consultation that took place prior to agreeing the indicative budget options for 2017-18 and 2018-19 and that further consultation will be undertaken for new budget options where necessary or appropriate (paragraphs 56 - 59).
14. Note that the further report to cabinet on 24 January 2017 will be considered by overview and scrutiny committee on 30 January 2017 and that any recommendations arising will be incorporated into the final report to cabinet on 7 February 2017 for recommendation to council assembly on 22 February 2017 (paragraph 60).

## **BACKGROUND INFORMATION**

15. The 1 November 2016 report "Revenue Monitoring Report incorporating Updated Medium Term Financial Strategy and Treasury Management 2016-17" set out the revised financial remit for the three year planning period to 2019-20. This final year, 2019-20, coincides with the end of the current four year settlement term and the proposed start date for the new system of 100% Business Rate Retention. The report set out the current funding gap of £8.1m in 2017-18; £20.0m in 2018-19 and £31.4m in 2019-20. This budget gap included assumptions regarding a commitment for the emerging cost pressures in Children's and Adults and for No Recourse to Public Funds.
16. In accordance with the recommendation in November, this report provides updated budget proposals for 2017-18 only. This one year budget is considered by the section 151 officer to be the most appropriate strategy at this time given continued uncertainties over adult social care and children's services cost and demand pressures and government funding sources. These updated proposals reduce the budget gap to £2.6m. Further work is being undertaken by officers to present a fully balanced 2017-18 budget for the 24 January 2017 cabinet meeting in advance of February council assembly. A summary of the 2017-18 budget can be found at Appendix A.
17. This budget strategy is underpinned by the principles set out in the Fairer Future Medium Term Financial Strategy (FFMTFS) and Integrated Efficiency Plan 2017-18 to 2019-20, agreed by cabinet on 20 September 2016. The FFMTFS will continue to be reviewed as more information becomes available and officers continue to work on the future years' budget savings targets to bring the council to a balanced budget in 2018-19 and 2019-20. These will be subject to further cabinet reports during 2017.
18. The indicative budgets were set at an assumed level of government funding as set out in the February 2016 four year settlement. The council accepted the

government's offer of a four year funding settlement for 2016-17 to 2019-20 and received confirmation of this from the government on 16 November 2016. The offer covers the revenue support grant and indicates that tariffs and top-ups in 2017-18, 2018-19 and 2019-20 will not be altered for reasons related to the relative needs of local authorities. However, significant uncertainty remains for some major funding streams that are not covered by the multi-year offer. Most significantly, new homes bonus, education support grant, public health grant and the new improved better care fund will be subject to close scrutiny moving forward.

19. This report outlines all major variations from the 2016-17 budgets. It itemises changes in resources available (e.g. government grant and Council Tax income) and provides a high level summary of efficiencies and improved use of resources, income generation and savings that impact on service levels. It also itemises new and emerging growth and commitments that may arise from issues such as price inflation (e.g. Employer National Insurance contributions), demand pressures and costs arising as a result of council plan priorities (e.g. expansion of playground provision).
20. Separate schedules are provided that give details of each element of these variations. Responsibility for each element is retained by the cabinet member responsible for the portfolio and operationally managed by the strategic director for that service (Appendices B, C, D and E).
21. The Policy and Resources Strategy 2017-18 underpins the work of all council departments, ensuring financial sustainability and the best possible level of service for residents. The council remains committed to promoting efficiency as the key driver to reducing costs and minimising the impact of budget decisions on front line services. The Fairer Future for All promises commitment to *spending every penny as if it were our own*. This promise is reinforced with the Fairer Future Budget Principles and will remain the council's prime motivation in Policy and Resources Strategies in coming years. Inevitably as total resources available continue to reduce, demands increase for services and planned efficiency improvements are delivered, protection of these valued front line services becomes increasingly difficult.

#### **FAIRER FUTURE MEDIUM TERM FINANCIAL STRATEGY**

22. The 2015 Spending Review and Autumn Statement announced a 53% cut in government funding to local authorities from 2016-17 to 2019-20. The Spending Review included proposals for 100% retention of business rates by 2020, phasing out of the Revenue Support Grant, the opportunity to raise Council Tax by up to 2% per annum to cover adult social care costs, the continuation of the Public Health grant ring-fencing for a further two years, and New Homes Bonus reform.
23. There are several reviews and consultations taking place that will affect local government financing over the period covered by this forecast but the outcome of these has not yet been confirmed.
24. The Fairer Future Medium Term Financial Strategy continues to deliver on the council's fairer future promise to continue to keep council tax low. This budget continues to assume the Southwark element of council tax in 2017-18 remains frozen; note this has remained frozen since 2008-09.

25. As part of the 2015 autumn statement the Chancellor of the Exchequer announced that local authorities responsible for social care would be given the powers to raise a social care precept of up to 2% above the council's existing level of council tax. It has been assumed in these budget proposals that the adult social care precept will be increased by 2% per annum over the period of this budget, subject to annual review by cabinet, and agreement by council assembly. As set out in the proposed commitment schedules, the estimated £1.8m funding will be earmarked for Adult Social Care.
26. In addition, details are awaited regarding the continuation of the adult social care precept arrangement introduced for 2016-17 and any continued cap on increases in council tax referendum caps.

### **November 2016 Autumn Statement**

27. On 23 November 2016, Chancellor Philip Hammond delivered his first Autumn Statement. This included a number of policy announcements including confirmation that the Autumn Statement will be abolished and the Budget will be moved to the autumn. The 2017 Budget (in March) will therefore be the last spring Budget, and there will be a further Budget in the autumn of 2017. The government will, however, continue to respond to the OBR's economic forecasts in the spring in a "Spring Statement" from 2018.
28. In addition to the policy announcements, the Chancellor also provided the usual updates on the public finances, and the overall economic outlook. At this stage, it is too early to confirm what the exact impact on local government will be and more detail is likely to emerge over time. There were no changes to local government funding announced. These are likely to be made clearer as part of the provisional settlement to be published for consultation at some time in December 2017.
29. In particular, it is expected that the provisional settlement will provide further detail with regard to the size and distribution of key future funding sources that include education support grant (ESG), improved better care fund and new homes bonus. In the absence of this detail for 2017-18 and beyond, this report has made best estimates of these resources likely to be available to the council.

### **Children's, Adults' and Public Health Budget Pressures**

30. As reported to cabinet on 1 November 2016, the Children's, Adults' and Public Health services are experiencing significant pressures on their revenue budgets. These pressures are created by a combination of cost and demand pressures and reductions in Public Health grant at a time when savings also need to be made in the context of wider reductions in resources available to the council as a whole.
31. Given the extent of the projected variation from budgets in 2016-17, it is considered inappropriate to proceed at this time with indicative savings for 2017-18 that were set out to council assembly in February 2016. While these targets remain appropriate, more time will be required to deliver these savings while maintaining appropriate levels of service and mitigating risks to the services and their clients and to the council's budget.
32. As a consequence, this report is recommending the deferral of indicative savings for Adult services for 2017-18 and 2018-19 by one year. There were no savings

proposed for Children's services as the budget was specifically being protected because of known pressures already emerging.

33. In financial terms, this means that notionally the children's and adults' social care savings and income generation for 2017-18 originally proposed at £12.2m will now be reassigned to 2018-19. Original proposals for 2018-19 originally proposed at £9.2m will now be reassigned to 2019-20. This position will be reviewed as part of the budget setting process for 2018-19 once the current budget position has been stabilised and as further information becomes available on cost and demand pressures and the emerging improved better care fund.
34. Public health is funded through a ring-fenced specific grant. This report indicates the need to achieve further savings in 2017-18 of £690k to reflect the 2017-18 reduction in grant of a further 2.4%.

### Updated financial remit

35. This report assumes an increased estimate in Southwark's council tax base, as reported at Agenda Item 20 of this meeting, "Council Tax Base 2017-18". Both housing growth and regeneration within the borough is reflected in the growing tax base and business rate growth, increasing the overall funding available to support services within the medium term resources strategy.
36. Through the council's budget cycle, further savings and income generation options are presented for consideration to close the budget gap.
37. The 2017-18 proposals for each Directorate are summarised in the table below and detailed in Appendices B, C, D and E.

	<b>Commitments £000</b>	<b>Efficiencies £000</b>	<b>Income £000</b>	<b>Savings £000</b>
Children's and Adults' Services and Public Health	2,536			(690)
Environment and Leisure	100	(2,720)	(2,465)	(50)
Housing and Modernisation	3,343	(2,686)	(182)	(679)
Chief Executive's		(565)	(493)	
Finance and Governance	50	(1,655)	(300)	
Corporate	4,980	(5,700)		
<b>Total</b>	<b>11,009</b>	<b>(13,326)</b>	<b>(3,440)</b>	<b>(1,419)</b>

### Commitments

38. In February 2016 cabinet report, a number of assumptions were made for unavoidable council commitments for additional expenditure as part of the council's Medium Term Resources Strategy. Since then, these commitments have been continually reviewed as better information is gathered. Current assumptions for 2017-18 include commitments that total £11.0m (Appendix B).
39. For some, these commitments include unavoidable service related costs including IT and facilities management that enable improved and basic

management of the council estate allowing for modernisation and service improvement to ensure the council is “fit for the future”.

40. Further as identified in the 1 November 2016 cabinet revenue monitoring report management action to contain cost pressures in No Recourse to Public Funds expenditure is continuing, however, an underlying demand pressure remains.
41. A commitment is proposed to support the council plan promises: to ensure that young people have the best start in life through ensuring a top quality playground in every local area; and fairer future promise for an age friendly borough through the ongoing implementation of the Southwark ethical care charter.
42. The additional funds raised through the application of the adult social care precept has been committed and ring-fenced for adult social care, to ensure that services can support our most vulnerable residents to lead and enjoy independent lives.
43. Further, the commitments include council wide cost pressures relating to national legislative or regulatory changes such as the national insurances changes from April 2016, apprenticeship levy, business rate revaluation, concessionary fares, increase in insurance premium tax and the London Living Wage. In addition to local commitments such as funding to support the council's ambitious modernisation and regeneration plans.

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

44. The fairer future promises contain a commitment to keep council tax low by delivering value for money across all our high quality services. In part, this is met through ensuring that the council is focussed on meeting the budget gap with proposed efficiency savings. The fact that efficiency savings of £13.3m represent three quarters of the total budget proposals is evidence of this commitment to residents (detailed in Appendix C).
45. Services that play a support role for front line services continue to be challenged to reduce costs and operate more efficiently, savings of over £3.1m are proposed across finance, legal, human resources, communication, ICT and facilities management services. These include both staffing savings as well as review of other expenditure. However, delivering year on year savings whilst not impacting on front line services is becoming more challenging as we approach a further year of government funding cuts.
46. A key area of focus to deliver savings without impacting on quality is through the ongoing review of our contracting and procurement arrangements. This is demonstrated through the proposals to deliver savings through the new leisure services contract and procurement arrangements for temporary accommodation. In addition, a significant saving has been identified through a review of the resource required for the waste PFI contract.
47. Government guidance on the minimum revenue provision (MRP) requires that the general fund set aside prudent sums to reduce debt and long term liabilities arising from capital spend. MRP costs fall on revenue budgets and run for many years into the future, usually over the period over which the expenditure provides benefit or the period over which the revenue grant supporting the expenditure runs for. A council may not change the total MRP it is liable for but may prudently modify the timing of payments to improve affordability and take



account of individual spend and financing characteristics. The MRP policy approved by council assembly in February 2016 updated the previous strategy to enable these factors to be taken into account and generating savings which have mitigated the impact of reductions in government funding.

### **Income Generation**

48. 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. This may include introducing charges for some discretionary services and ensuring that we maximise the recovery of our costs. The schedules at Appendix D set out a number of proposals totalling £3.4m generating additional income.
49. The council's Fairer Future Medium Term Financial Strategy and integrated efficiency plan 2017-18 to 2019-20, agreed by Cabinet on 20 September 2016, sets out the policy to review discretionary fees and charges annually. In reviewing fees and charges the policy is to increase them to a level that is at least equal to the most appropriate London average except where this either conflicts with council policy, or would lead to adverse revenue implications or would impact adversely on vulnerable clients. These proposals have been prepared in the context of this policy. Detailed fees and charges schedules across all services will be presented in time for them to be implemented for the start of the new financial year.

### **Savings Impacting on Service Delivery**

50. 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. Additional savings of £1.4m are proposed with potential to impact on service delivery. These equate to less than 8% of the total savings presented.
51. Comprehensive equalities analysis of the impact of these savings will be considered as part of the proposal considerations.

### **Use of Reserves and Balances**

52. 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.
53. The budget proposals for 2017-18 include a planned release of reserve of £4.0m. For a number of years, the council has 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 has this helped to protect council services but it has also allowed time to transition towards new ways of working and productivity improvements.

54. 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 are appropriate and affordable. In previous years, this judgment has been facilitated by the availability of unused contingency funds as budgets have met their targets. While the section 151 officer considers that £4.0m is an appropriate contribution for 2017-18, this now incurs a greater level of risk given the requirement to offset emerging cost pressures in adult social care. The position will be kept under review, and at this time, the availability of similar resources in 2018-19 will present a challenge. While this approach may be acceptable during such an unprecedented period of funding reductions, the annual use of balances to contribute towards base budgets is not sustainable.

<b>Summary of earmarked reserves</b>	<b>Balance as at 31/03/2015 £000</b>	<b>Net movement in reserves £000</b>	<b>Balance as at 31/03/2016 £000</b>
Corporate projects and priorities	16,866	(7,294)	9,572
Service reviews and improvements	27,922	(9,921)	18,001
Capital programme and other capital investment	30,345	(3,523)	26,822
Strategic financing, technical liabilities and future financial risks	29,645	(868)	28,777
<b>Total</b>	<b>104,778</b>	<b>(21,606)</b>	<b>83,172</b>

### **Planned Corporate Contingency**

55. 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**

56. 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. The analysis was reported to cabinet and council assembly.
57. Since then consultation on the Voluntary and Community strategy was conducted to ensure that all sections of the voluntary and community sector could contribute to the development of the strategy, and a series of four open invitation listening events was held which attracted over 200 people. The listening events took place in an atmosphere of good will. There was also recognition of the need to find new ways of making the most of diminishing budgetary resources. There has also been consultation on the development of the policy and policy drafts through the Health and Wellbeing Board, Children's and Adults Board, the Forum for Equalities and Human Rights, the council's departmental commissioning network and the council/VCS Liaison Group.

58. Following the 2016-17 budget proposals consultation on the youth sector has resulted in over 600 responses.
59. In a change to prior years practice, the council will be consulting with a wider range of business rate payers, to include large, medium and small scale business rate payers.

### Next Steps

60. The next main governance steps to establishing the 2017-18 general fund revenue budget are outlined in the table below:

Date	Meeting	Report	Purpose
24/01/2017	Cabinet	P&R strategy	Select proposed solutions for meeting the budget challenge
30/01/2017	Overview and Scrutiny	P&R strategy	Comment on and make recommendations in respect of the cabinet's proposed 2017-18 budget
07/02/2017	Cabinet	P&R strategy	Recommend a balanced budget for 2017-18 to Council Assembly
22/02/2017	Council Assembly	P&R strategy	Council Tax setting and approve a balanced budget for 2017-18

### Community impact statement

61. 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.
62. Transparency and fairness form part of the seven budget principles and are an underlying principle in the Council Plan. As with the budget for 2017-18 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.
63. 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 cross-cutting and organisation-wide impacts.
64. For many services the budget proposals will include efficiencies which 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.
65. 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 so as to not impact disproportionately on any specific section or group in our community. Where necessary, consultation will be undertaken alongside mitigating actions where necessary. In line with the process across the council,

information on the equality analysis will be shared with the relevant cabinet members so it can be considered when decisions are taken. The equality analyses will be collated across the council to look for any cumulative impacts.

66. To date no cumulative impacts have been identified through the analysis. However, this process will be completed in time to be reported on in the final budget report in January 2017.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Law and Democracy**

67. 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.
68. 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.
69. Decision makers must understand the effect of policies, practices and decisions on people with protected characteristics.
70. 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.
71. 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**

72. 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 13 December 2016 gives the opportunity for debate prior to presentation of budget figures to cabinet on 24 January 2017. Under the council's constitution there is a requirement for the overview and scrutiny committee to review and challenge budget proposals and this is due to take place on 30 January 2017.

## REASONS FOR LATENESS

73. Due to the anticipation of new key settlement information from the Department of Communities and Local Government, the report was delayed to consider this impact; however this new information is now expected in the coming week. Further, extra time has been required to formulate budget options that minimise the impact on Southwark residents.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Revenue Monitoring Report incorporating Updated Medium Term Financial Strategy and Treasury Management 2016-17	160 Tooley Street PO Box 64529 London SE1P 5LX	Jennifer Seeley 020 7525 0695
<b>Link: (Copy and paste into browser)</b> <a href="http://moderngov.southwark.gov.uk/documents/s64608/Report%20Revenue%20Monitoring%20Report%20incorporating%20Updated%20Medium%20Term%20Financial%20Strategy%20and%20Treasury%20.pdf">http://moderngov.southwark.gov.uk/documents/s64608/Report%20Revenue%20Monitoring%20Report%20incorporating%20Updated%20Medium%20Term%20Financial%20Strategy%20and%20Treasury%20.pdf</a>		
Policy and Resources 2016-17 to 2018-19 : cabinet 27/01/16	160 Tooley Street PO Box 64529 London SE1P 5LX	Jennifer Seeley 020 7525 0695
<b>Link: (Copy and paste into browser)</b> <a href="http://moderngov.southwark.gov.uk/documents/b50006581/Supplemental%20no.%20%20Wednesday%2027-Jan-2016%2016.00%20Cabinet.pdf?T=9">http://moderngov.southwark.gov.uk/documents/b50006581/Supplemental%20no.%20%20Wednesday%2027-Jan-2016%2016.00%20Cabinet.pdf?T=9</a>		
Council's Fairer Future Budget Principles approved by cabinet (September 2015).	160 Tooley Street PO Box 64529 London SE1P 5LX	Jennifer Seeley 020 7525 0695
<b>Link: (Copy and paste into browser)</b> <a href="http://moderngov.southwark.gov.uk/documents/s56454/Report%20and%20appendices%202016-17%20PR%20Scene%20setting.pdf">http://moderngov.southwark.gov.uk/documents/s56454/Report%20and%20appendices%202016-17%20PR%20Scene%20setting.pdf</a>		

## APPENDICES

No:	Title
Appendix A	Medium Term Financial Strategy 2017-18 (Refreshed)
Appendix B	Proposed Commitments 2017-18
Appendix C	Proposed Efficiencies and Improved Use of Resources 2017-18
Appendix D	Proposed Income Generation 2017-18
Appendix E	Savings Impacting on Service Delivery 2017-18

**AUDIT TRAIL**

<b>Cabinet member</b>	Councillor Fiona Colley, Cabinet Member for Finance, Modernisation and Performance	
<b>Lead officer</b>	Duncan Whitfield – Strategic Director of Finance and Governance	
<b>Report author</b>	Jennifer Seeley – Director of Finance	
<b>Version</b>	Final	
<b>Dated</b>	9 December 2016	
<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 Democracy	Yes	Yes
Strategic Director of Finance and Governance	N/a	N/a
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to constitutional team</b>		9 December 2016

## APPENDIX A

## Medium Term Financial Strategy 2017-18 (Refreshed)

	2016-17 Budget £m	2017-18 Budget Proposals £m
<b>Resources (change in each year)</b>		
Retained Business Rates	(60.7)	(61.9)
Business rates top-up	(45.3)	(46.2)
Revenue Support grant	(73.5)	(57.8)
<b>Total Settlement Funding Assessment (DCLG)</b>	<b>(179.5)</b>	<b>(165.9)</b>
Public Health Grant	(29.0)	(28.2)
Autumn statement measures grant	(3.2)	(2.5)
Increase in FHSM grant	(0.9)	(0.9)
<b>Specific grants inc Public Health</b>	<b>(33.1)</b>	<b>(31.6)</b>
<b>Total Government Funding</b>	<b>(212.6)</b>	<b>(197.5)</b>
Business Rate Retention growth	(4.6)	(8.9)
Business Rate Retention collection fund surplus	0.0	(3.9)
Council Tax baseline	(83.2)	(87.5)
ASC Council Tax precept	(1.7)	(3.5)
Council Tax Surplus / deficit	(2.4)	(2.0)
<b>Total revenue from council tax</b>	<b>(91.9)</b>	<b>(105.8)</b>
<b>Total funding before contribution from balances</b>	<b>(304.5)</b>	<b>(303.3)</b>
Current contribution from balances	(6.2)	(4.0)
<b>A . Total Resources</b>	<b>(310.7)</b>	<b>(307.3)</b>
<b>Previous Years Budget (Previous year D)</b>	<b>318.2</b>	<b>310.7</b>
<b>Inflation</b>		
Employees (1% p.a. for 2016-17 - 2019-20)	1.7	1.7
Employees - NI changes for pensions - Keep centrally	0.5	
Other costs and income		
Contractual inflation including LLW	2.8	1.5
<b>Commitments &amp; Contingency:</b>		
Corporate contingency (existing budget is £4m)		
Growth and Commitments	13.3	11.0
<b>Grants</b>		
New Homes Bonus	(6.3)	2.5
<b>Changes in grant related expenditure:</b>		
Public health commissioning grant - Full year effect	3.5	
Increase in LPFA Levy	0.1	
Care act funding rolled into RSG	1.6	
Lead local flood authorities rolled into RSG	0.2	
Reduction in HB and CTB related admin grants	0.7	0.6
Net change in council tax freeze grant	0.9	
<b>B . Budget before savings and efficiencies</b>	<b>337.2</b>	<b>328.0</b>
<b>Net Shortfall before Savings and efficiencies (Current year A+B)</b>	<b>26.5</b>	<b>20.7</b>
<b>Savings</b>		
Effective use of resources and efficiencies	(13.9)	(13.3)
Income Fees and Charges	(10.0)	(3.4)
Other Savings	(2.6)	(1.4)
<b>C. Total Savings</b>	<b>(26.5)</b>	<b>(18.1)</b>
<b>D. Total budget (Current Year B + C)</b>	<b>310.7</b>	<b>309.9</b>
<b>E. Funding Shortfall / (Surplus)</b>	<b>(0.0)</b>	<b>2.583</b>

## Proposed Commitments 2017-18

Department	Division	Description of Commitment	2017-18 £000
Children's and Adults' Services	Public Health	Increase in costs for free healthy school meals and fruit and vegetables due to increasing school rolls	100
Children's and Adults' Services	Adult Social Care	Additional funds raised through the application of the adult social care precept to ensure that services can support our most vulnerable residents to lead and enjoy independent lives	1,800
Children's and Adults' Services	Adult Social Care	Implementation of Southwark Ethical Care Charter in care at home contracts	500
Children's and Adults' Services	Adult Social Care	Demand Pressures for over 85 year olds; increase of 22% demand in care packages; growth assumes a reduction of 3% in the weekly unit cost	91
Children's and Adults' Services	Adult Social Care	Unavoidable contract inflationary increase	45
<b>Children's and Adults' Services</b>		<b>Total CAS Commitments</b>	<b>2,536</b>
Environment and Leisure	Parks and Leisure	Revenue to support expansion of playground provision arising from Parks and Top Quality Play commitment	100
<b>Environment and Leisure</b>		<b>Total E&amp;L Commitments</b>	<b>100</b>
Housing and Modernisation	Modernisation (IDSD)	A range of updates, upgrades and enhanced server and system licences to support the enhanced IT infrastructure.	130
Housing and Modernisation	Modernisation (Organisation Transformation)	Incorporation of the former Corporate Programmes Unit into Modernise (net budget requirement - formerly reserve funded)	213
Housing and Modernisation	Modernisation (IDSD)	ICT re-organisation/restructure - increase in-house capacity to maintain/improve business as usual and develop/deliver the council's IT strategy	1,000



Department	Division	Description of Commitment	2017-18 £000
Housing and Modernisation	Communities	Budget Pressures from growth in No Recourse to Public Funds clients	2,000
<b>Housing and Modernisation</b>		<b>Total H&amp;M Commitments</b>	<b>3,343</b>
Finance and Governance	Professional Financial Services	Removal of audit and fraud recovery of proceeds of crime income target as Southwark is no longer responsible for housing benefit fraud investigation	50
<b>Finance and Governance</b>		<b>Total F&amp;G Commitments</b>	<b>50</b>
Corporate	Concessionary Fares	Concessionary fares increases due to inflation and change in usage patterns	300
Corporate	Corporate	Review of recharges for central services to ensure that savings achieved are properly apportioned between general fund and Housing Revenue Account (HRA)	500
Corporate	Corporate	Contribution to modernisation reserves for major council projects	250
Corporate	Corporate	Contribution to regeneration and development reserves for major council projects	250
Corporate	Corporate	Increase in London Living Wage of 3.7%	100
Corporate	Pensions	Apprentice levy on large employers being introduced in April 2017	500
Corporate	Insurance	2% increase in insurance premium tax	80
Corporate	Corporate	Employees – national insurance rate change	1,500
Corporate	Corporate	Estimated cost of NNDR revaluation on council administrative and operational buildings, subject to appeal	1,500
<b>Corporate</b>		<b>Total corporate commitments</b>	<b>4,980</b>
		<b>Southwark Total Commitments</b>	<b>11,009</b>

**APPENDIX C**

**Proposed Efficiencies and Improved Use of Resources 2017-18**

<b>Department</b>	<b>Division</b>	<b>Description of Efficiency</b>	<b>2017-18 £'000</b>
Environment and Leisure	Culture	Complete a total review of the library service to streamline and modernise service provision without closing libraries	(200)
Environment and Leisure	Culture	Review arts and events grants and management structure	(205)
Environment and Leisure	Regulatory Services	Reconfiguration of division into functionally flexible and adaptive teams with a multi-disciplinary approach to responding to council priorities	(65)
Environment and Leisure	Energy and Sustainability	Reduced energy prices and increased efficiency of infrastructure	(75)
Environment and Leisure	Parks and Leisure	Refocus area repairs and maintenance priorities to optimise opportunities within the existing capital programme	(60)
Environment and Leisure	Parks and Leisure	Review use of existing capital budget contribution in line with new contractual arrangements for leisure facilities maintenance	(140)
Environment and Leisure	Parks and Leisure	Anticipated savings from new Leisure Management Agreement	(850)
Environment and Leisure	Parks and Leisure	Efficiencies arising from the specification of the new Grounds Maintenance contract	(50)
Environment and Leisure	Parks and Leisure	Review new parks and leisure management structure	(200)
Environment and Leisure	Waste and Cleansing	Reduce waste service communications programme	(50)
Environment and Leisure	Regulatory Services	Provision of CCTV service to assist the parking contractor in accordance with legislation	(105)
Environment and Leisure	Libraries & Heritage	Library and Heritage Management team restructure	(50)
Environment and Leisure	Waste and Cleansing	Remodel waste PFI waste tonnage growth from 1.5% per annum to 1.2% per annum.	(600)
Environment and Leisure	Regulatory Services	Review of warden management	(70)

Department	Division	Description of Efficiency	2017-18 £'000
<b>Environment and Leisure</b>		<b>Total E&amp;L Efficiency Savings</b>	<b>(2,720)</b>
Housing and Modernisation	Customer Experience	Service reconfiguration and rationalisation and procurement efficiencies – merged housing solutions/ temporary accommodation	(271)
Housing and Modernisation	Modernise	Service reconfiguration and rationalisation – HR and Organisational Development and Transformation	(137)
Housing and Modernisation	Modernise (IDSD)	Service reconfiguration and rationalisation	(60)
Housing and Modernisation	Modernise (IDSD)	IT user volume reduction and control	(55)
Housing and Modernisation	Modernise (IDSD)	MFD and telephone call volume reduction and control	(40)
Housing and Modernisation	Modernise (IDSD)	Contract renegotiation and cost reduction – voice/data, hosted services and secure login system	(200)
Housing and Modernisation	Modernise (IDSD)	Contract renegotiation and cost reduction – software licences	(300)
Housing and Modernisation	Modernise (CFM)	Operational estate rationalisation programme	(110)
Housing and Modernisation	Modernise (CFM)	Facilities management services re-procurement	(72)
Housing and Modernisation	Modernise (CFM)	Service reconfiguration and rationalisation – postal services	(60)
Housing and Modernisation	Modernise (CFM)	Reconfigure staff catering arrangements	(35)
Housing and Modernisation	Modernise (CFM)	Stationery and consumables reduction and control	(30)
Housing and Modernisation	Modernise (CFM)	Review of cleaning and security service levels across operational estate	(30)
Housing and Modernisation	Modernise (CFM)	Review of removals and storage arrangements	(40)
Housing and Modernisation	Modernise (IDSD)	Wide Area Network (WAN) contract renegotiation	(150)

Department	Division	Description of Efficiency	2017-18 £'000
Housing and Modernisation	Modernise (CFM)	Reduction in postage charges - cease using first class mail	(25)
Housing and Modernisation	Modernise (CFM)	Restructure/rationalisation - recruit to critical operational/ technical posts with consequent reduction of 4 posts overall	(220)
Housing and Modernisation	Modernise (CFM)	Invest to Save - installation of hand dryers at Tooley Street offers on-going contractual saving over current provision	(30)
Housing and Modernisation	Modernise (CFM)	Review of stationery core supplier list - pursue cheaper procurement options	(10)
Housing and Modernisation	Modernise (HR)	Overachievement of savings as part of an ambitious remodelling of the HR function which has resulted in a reduction in employee costs of c.20% and further savings across the baseline budget.	(138)
Housing and Modernisation	Modernise (Organisation Transformation)	Deletion of two posts through the voluntary severance scheme. The work of the team is under review in order to deliver the requirements of the new workforce strategy.	(124)
Housing and Modernisation	Customer Experience	Reduce usage/cost of nightly paid accommodation through alternative provision (estate voids, private rented sector) and unified temporary accommodation procurement through Housing and Modernise.	(500)
Housing and Modernisation	Asset Management	Rationalisation of the newly combined Specialist Housing Service comprising: Adaptations, Handypersons, Private Sector Renewal/ Empty Homes.	(36)
Housing and Modernisation	Central Services	Reduction in legal budget	(13)
<b>Housing and Modernisation</b>		<b>Total H&amp;M Efficiency Savings</b>	<b>(2,686)</b>
Chief Executive	Planning	Continued rationalisation of the planning organisational structure in line with natural turnover of staff and changing demands for the service	(75)
Chief Executive	Regeneration	Realignment of staffing resources to support major programmes of work and reorganisation of property services	(100)
Chief Executive	Communications	Review of function and activity	(230)
Chief Executive	Cabinet Office	Review of function and activity	(152)
Chief Executive	Regeneration	Reduce various running costs	(8)
<b>Chief Executive</b>		<b>Total CE Efficiency Savings</b>	<b>(565)</b>

Department	Division	Description of Efficiency	2017-18 £'000
Finance and Governance	Exchequer Services	Review and rationalise Financial Control and Processing team structure in the context of an increase in electronic transactions. Review of key processes supporting IT and productivity levels within the area	(75)
Finance and Governance	Exchequer Services	Housing Benefits processing – implementation of Universal Credit reduced the volume of staff required for processing housing benefits	(320)
Finance and Governance	Exchequer Services	Local support services – reduction in support activities and integration of new income collection functions to provide economies in scale in the Rightfully Yours and similar teams	(50)
Finance and Governance	Exchequer Services	Move towards becoming a cashless council by 2017-18 including review of bullion office services	(150)
Finance and Governance	Law and Democracy	Realignment of staffing budgets in prior year and review of staffing structure to provide a more efficient use of resources across law and democracy division incorporating legal, constitution and land charges	(310)
Finance and Governance	Law and Democracy	Cease or reduce undertaking work upon which service departments place a low priority, or if services could be provided more cheaply externally	(100)
Finance and Governance	Law and Democracy	Review of support services following restructure of division	(60)
Finance and Governance	Law and Democracy	Review fees through revised service agreements with client departments	(75)
Finance and Governance	Law and Democracy	Review provision of training to take advantage of lower cost and free provision provided via contracts	(20)
Finance and Governance	Professional Financial Services	Staff savings through impact of voluntary redundancies. Reduction of 5 posts (6%). Note this is in addition to a 35% reduction in posts in finance in 2016-17	(257)
Finance and Governance	Professional Financial Services	Deletion of apprentice post in anti fraud team, and deletion part year of anti fraud grade 10 post (from 01/10/17)	(43)
Finance and Governance	Finance and Information Governance	Permanent reduction in one post that has been held vacant pending savings; this equates to a 5% reduction in FTE across the division	(55)
Finance and Governance	Finance and Information	Reduction in departmental sponsorship scheme of professional training across Finance, Legal and Exchequer Services	(10)

Department	Division	Description of Efficiency	2017-18 £'000
	Governance		
Finance and Governance	Finance and Information Governance	Reduction in external audit core fees (£100k) and external audit grants fee (£30k)	(130)
<b>Finance and Governance</b>		<b>Total F&amp;G Efficiency Savings</b>	<b>(1,655)</b>
Corporate	Corporate	Review of existing debt structure for 160 Tooley Street, including further reduction in General Fund debt liabilities, subject to agreement with external auditors	(2,000)
Corporate	Corporate	Review of council's minimum revenue provision in order to reduce revenue costs for 2017-18 onwards by extending repayment periods of depreciation subject to agreement with external auditors	(3,700)
<b>Corporate</b>		<b>Total Corporate Efficiency Savings</b>	<b>(5,700)</b>
		<b>Southwark Total Efficiency Savings</b>	<b>(13,326)</b>

## Proposed Income Generation 2017-18

Department	Division	Description of Income Generation	2017-18 £'000
Environment and Leisure	Culture	Introduce a self-financing events service and increased income from events hires	(225)
Environment and Leisure	Waste and Cleansing	Increase income from expansion of commercial waste service in response to demand	(40)
Environment and Leisure	Energy and Sustainability	Income from additional solar panel installations at sites to be identified	(10)
Environment and Leisure	Regulatory Services	Additional income from highway licensing and management fees arising from major regeneration projects	(150)
Environment and Leisure	Parks and Leisure	All marina fees reviewed and increased in line with FFMTFS and to ensure movement in rates that are consistent with similar facilities in inner London over time	(60)
Environment and Leisure	Parks and Leisure	Redevelopment and potential expansion of marina facilities in Greenland Dock	(100)
Environment and Leisure	Regulatory Services	Continued implementation of additional licensing scheme for houses in multiple occupation and of the selective licensing scheme for private rented properties	(400)
Environment and Leisure	Regulatory Services	Review of recharging of departmental overheads	(100)
Environment and Leisure	Regulatory Services	Increased income arising from the increase in cashless payments (in line with council policy) coupled with reduced expenditure arising from adoption of modern ways of parking enforcement	(350)
Environment and Leisure	Regulatory Services	Bring charges for parking bay suspension to inner London average	(70)
Environment and Leisure	Regulatory Services	Income from private contractors for the right to access the public realm during construction works	(400)
Environment and Leisure	Regulatory Services	Project based Air Quality Assessments to the extent permitted by parking legislation	(200)

Department	Division	Description of Income Generation	2017-18 £'000
Environment and Leisure	Waste & Cleansing	Funding of additional street cleaning staff during leafing season to enable parking enforcement to continue	(100)
Environment and Leisure	Parks and Leisure	Extra income from café and concessions procurement	(50)
Environment and Leisure	Regulatory Services	Cease incentivisation discount offered for paying for parking by phone and savings on parking meter collection costs	(210)
<b>Environment and Leisure</b>		<b>Total E&amp;L Income Generation</b>	<b>(2,465)</b>
Housing and Modernisation	Modernise (CFM)	Increase rental income for occupation of Tooley Street by Clinical Commissioning Group (CCG)	(107)
Housing and Modernisation	Modernise (CFM)	Shand Street Flats - generate income from letting flats at Tooley Street complex	(75)
<b>Housing and Modernisation</b>		<b>Total H&amp;M Income Generation</b>	<b>(182)</b>
Chief Executive	Planning	Additional Community Infrastructure Levy (CIL) service charge income arising from continuing stream of developments	(100)
Chief Executive	Planning	Additional planning fee income in line with continued increase in demand and increase in fees (set nationally)	(125)
Chief Executive	Planning	Review of fees for pre-planning advice	(75)
Chief Executive	Planning	Provision of additional in-house planning consultancy for council projects	(50)
Chief Executive	Regeneration	Ongoing review of commercial rents to renew and replace leases and to reduce running costs	(108)
Chief Executive	Regeneration	Charging for services provided through partnerships associated with major regeneration projects borough wide	(35)
<b>Chief Executive</b>		<b>Total CE Income Generation</b>	<b>(493)</b>
Finance and Governance	Exchequer Services	Create internal enforcement agents for debt recovery	(200)
Finance and Governance	Exchequer Services	Housing Benefit overpayment recovery - increase income on debt recovery (subject to future government welfare benefit changes including universal credit)	(100)
<b>Finance and</b>		<b>Total F&amp;G Income Generation</b>	<b>(300)</b>



Department	Division	Description of Income Generation	2017-18 £'000
<b>Governance</b>			
		<b>Southwark Total</b>	<b>(3,440)</b>

APPENDIX E

Savings Impacting on Service Delivery 2017-18

Department	Division	Description of Savings Impacting on Service Delivery	2017-18 £'000
Children's and Adults' Services	Public Health	Reduction in expenditure in line with reduction in grant funding	(690)
<b>Children's and Adults' Services</b>		<b>Total CAS Savings impacting on service delivery</b>	<b>(690)</b>
Environment and Leisure	Parks and Leisure	Reduce tree inspection frequency and intervention levels	(50)
<b>Environment and Leisure</b>		<b>Total E&amp;L Savings impacting on service delivery</b>	<b>(50)</b>
Housing and Modernise	Communities	Contract renegotiation and cost reduction - voluntary and community sector commissioning	(74)
Housing and Modernisation	Communities	Reduced staffing – Community Participation and Civic Office	(100)
Housing and Modernisation	Customer Experience	Move to online only provision for some appropriate non-emergency services – Customer Services	(229)
Housing and Modernisation	Customer Experience	Remove residual Bermondsey My Southwark Service Point (MSSP) budgets following 2016-17 closure	(221)
Housing and Modernisation	Resident Services	Rationalisation of corporate/housing strategy functions within Housing and Modernisation. Former homelessness prevention grant savings to be released in year 1, but funding for fixed-term post to be retained until 2018-19 for Temporary Accommodation (TA) strategy.	(55)
<b>Housing and Modernisation</b>		<b>Total H&amp;M Savings impacting on service delivery</b>	<b>(679)</b>
		<b>Southwark Total</b>	<b>(1,419)</b>

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