

<b>Item No.</b> 22.	<b>Classification:</b> Open	<b>Date:</b> 29 January 2013	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Policy and Resources Strategy 2013/14 - 2015/16 Revenue Budget	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Richard Livingstone, Finance Resources and Community Safety	

### **FOREWORD – COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY**

This is the third budget in a row where government has cut significantly the support it gives to Southwark Council: an unprecedented pressure on this borough's finances. In particular, the Early Intervention Grant, that supports some of our most vulnerable children, has been cut by 30% this year. More concerning still is the £24.5m cut overall in our spending power indicated by government for 2014/15.

There are also new funding pressures to address this year. We have had a significant increase during the year on how much we have needed to spend on Special Guardianship Orders for children. We are having to replace funding cut by government for community safety programmes to protect our residents from violent crime. We need to address a shortfall in our pension fund. We will need to pick up the Youth Justice Board's tab for young people placed in secure accommodation. The government's welfare reforms will add a £1.2m bill to our temporary accommodation costs.

We are also putting aside money for a 1% increase in pay for our staff.

Despite this, the budget put forward is delivering on this council's promises. If agreed, it will ensure that we are able to pay those who work for Southwark, including people that work for our contractors, the London Living Wage. Every child at a Southwark primary school will be eligible for a free, healthy school meal from September. We will continue to support young people in going to college, sixth form, university or training through our Youth Fund. We will spend more on the maintenance of highways and fund an improved CCTV service to keep our residents safe. We will be doubling the money each ward receives for the Cleaner Greener Safer revenue fund we introduced last year.

The 2013/14 budget process has been made more complicated by government's late notification of its funding settlement with us for the year: we would normally expect to receive this in early November but had to wait until 20 December. Significant changes to local authority funding arrangements have also made the job of setting a budget more complex this year.

## RECOMMENDATIONS

That cabinet:

1. Note that the Autumn Statement was published on 5 December 2012 with details of the provisional settlement for local government for 2013/14 and 2014/15 received on 20 December 2012.
2. Note the initial analysis of the implications for the council of the Autumn Statement and the provisional settlement
3. Note the new funding arrangements for local government and particularly the arrangements for the localisation of business rates and the risks and opportunities that this creates.
4. Note the response to the provisional statement made to the Department for Communities & Local Government (DCLG) by the Cabinet Member for Finance, Resources and Community Safety, including specific references to the timing of the settlement and related information.
5. Note the loss of Early Intervention Grant (EIG) of £6.1m in 2013/14 and a further provisional loss of £918k in 2014/15.
6. Note the 2013/14 budget proposals contained within this report to achieve a balanced budget for consideration by cabinet with particular reference to the notional 2013/14 budget approved by Council Assembly in February 2011.
7. Request that the Strategic Director of Finance and Corporate Services prepare a further report setting out a balanced budget for 2013/14 for approval by cabinet on 12 February 2013 for recommendation to Council Assembly on 27 February 2013, including:
  - the intention to freeze Council Tax at current levels and to accept the government's freeze grant arising from this decision.
  - the commitment to new growth and commitments of £11.8m per annum, including new commitments to support welfare provision of approximately £3.5m, in addition to the creation of a welfare hardship fund (as in paragraph 8).
  - the target to save approximately £24.9m per annum arising from efficiencies, income generation and other savings.
  - the provision of contributions from council balances of £6.7m in consideration of the need to make best use of these balances during a period of significant reductions in government funding.
  - the inclusion of ring fenced Public Health funding consistent with the announcement by DCLG for the council and note that this function will be

included within the council budget statements moving forward.

- the transfer from the Department of Works and Pensions of Social Grant funding for small grants, crisis loans and administration and the intention to allocate this grant in full to support a council scheme that will be developed to support the most vulnerable residents in Southwark.
8. Note the setting aside from balances and reserves the specific sum of £800k in 2013/14 created by the proceeds generated as a consequence of Council Tax reforms approved by Council Assembly for the purposes of a Welfare Hardship Fund.
  9. Request that the Strategic Director of Finance and Corporate Services and Strategic Director of Housing and Community Services make recommendations on how the Welfare Hardship Fund may be managed and administered to target the most vulnerable residents and groups in Southwark.
  10. Note that performance reports are being prepared for both the Youth and Community Restoration Funds and the commitment that will be made to the Youth Fund for a further three years to 2016/17.
  11. Note the provisional settlement for 2014/15 and request that the Strategic Director of Finance and Corporate Services prepare detailed budget options for consideration by cabinet in the spring of 2013 for wider consultation with residents and other stakeholders.

## **BACKGROUND INFORMATION**

12. During 2010 and in response especially to the global and national economic climate, the Chancellor of the Exchequer announced significant reductions in public sector spending over the next three years. In line with this spending review, a two year grant settlement for local government was announced in December 2010. This gave details of the extent of reductions in funding for 2011/12 and 2012/13.
13. It was also confirmed that the settlement for 2013/14 would be based upon a new funding regime including the localisation of business rates, to be finalised in 2012 following full consultation.
14. At that time, government also confirmed the end of a number of streams of specific grant funding (e.g. Working Neighbourhoods Fund) and the absorption of a number of other specific funding streams within general grant (e.g. supporting people grant).
15. In the light of these announcements and following a period of consultation and agreement by cabinet, the council prepared a notional three year budget, ending in 2013/14, three years being the duration of the spending review. This notional three year budget was approved by Council Assembly in February 2011 and included indicative budgets for 2012/13 and 2013/14. In February 2012, Council Assembly approved an updated budget for 2012/13, based upon the notional targets set the previous year.

16. In the context of both reductions in government funding and a range of demand pressures on council services, both 2011/12 and 2012/13 budgets represented a substantial delivery challenge to the council. Savings of approximately £34m per annum were agreed by Council Assembly in February 2011 for 2011/12 and a further £28m in February 2012 for 2012/13.. These savings were achieved in 2011/12 and are generally on target for 2012/13. Council tax has been frozen over the same period and the council has received Council Tax freeze grant as a consequence.
17. The achievement of these budget plans places the council in a sound position to address further budget pressures in 2013/14 and beyond. The budget process for 2013/14 will build on that platform and use the indicative budget set in February 2011 as a base point, but with additional understanding of future funding now provided within the government's provisional settlement for 2013/14.
18. The council received details of the provisional settlement on 20 December 2012. The settlement also included details of funding for 2014/15.
19. Given the timing of the settlement, this report concentrates on a number of proposals for budget options to achieve a balanced budget in 2013/14. Further time will be necessary to assess alternative budget options for 2014/15 in the context of reduced spending power of £21.4m over 2013/14 as reported by DCLG and in consideration of the actual impact of the localisation of business rates on the council's finances.
20. However, the report does outline a process to be followed to prepare budget options for 2014/15 for consultation with residents and stakeholders through this year and in advance of Council Assembly in February 2014.

## **KEY ISSUES FOR CONSIDERATION**

### **LOCAL GOVERNMENT FUNDING**

21. On 20 November 2012 cabinet received the Policy and Resources Strategy 2013/14 - 2015/16 scene setting report. This provided in particular an indication of the changes and risks to council funding in 2013/14.
22. This report included an outline of some fundamental changes and issues which would affect the resources available to the council within the provisional settlement for 2013/14 and beyond, including :
  - Changes to the local government financing system, including localisation of business rates
  - Changes to formula funding that affects the calculation of the council's baseline spending
  - Changes to the treatment of specific grants, such as the Early Intervention Grant (EIG)
  - Welfare reform including localisation of Council Tax benefit and the introduction of Universal Credit

- Council Tax reform including changes to exemptions and discounts such as that for second homes
  - Council Tax freeze grant for 2013/14
  - The impact of the census and mid year population estimates.
23. On 5 December 2012, the Chancellor made his Autumn Statement setting out additional savings for local government of around 2% in 2014/15, over and above those funding reductions announced since December 2010.
24. On 19 December 2012, the government announced the provisional settlement for 2013/14 and 2014/15. These figures were published by DCLG on 20 December 2012, although some information was not available until after this time.
25. On 15 January 2013, both London Councils and the Cabinet Member for Finance, Resources and Community Safety responded to DCLG on issues relating to the provisional statement. Both responses referred specifically to the late timing of the settlement not least given the complexity of the changes and the limited amount of data and analysis to support the settlement including the detail underlying changes in spending power.

### Revenue Spending Power

26. As part of the 2013/14 finance settlement the government announced for all councils reductions in their spending power when compared to the previous year. According to DCLG analysis, Southwark have incurred a £4.7m reduction (1.3%). This compares with a reduction for Inner London of £42.9m (1.2%) and £99.9m (1.2%) for all London authorities. At a national level the reduction is £923.4m (1.7%).
27. The table below shows the spending power for Southwark, London and England since 2011/12, it can be seen that over the four year period Southwark and London have borne a disproportionate share of the reductions.

	2011/12		2012/13		2013/14		2014/15	
	£m	%	£m	%	£m	%	£m	%
Southwark	33.7	8.4	16.9	4.6	4.7	1.3	21.4	5.9
Inner London	303.3	7.8	175.1	4.9	42.9	1.2	206.4	5.9
London	514.8	5.9	325.3	4.0	99.9	1.2	398.7	4.9
England	2,578.5	4.7	1,742.9	3.3	923.4	1.7	1,966.8	3.8

28. The analysis of movements from 2012/13 to 2013/14 is extremely complex as new funding arrangements are introduced. In total, reductions for 2013/14 are as predicted in February 2011 and in many respects as expected from the 2010 spending review which was only for two years. The major variation relates to the significant loss of EIG funding in 2013/14. Furthermore, although the Department of Health reablement funding is included as an element which increases spending power it is ring-necked and needs approval from the health sector.
29. These reductions for Southwark follow on from the loss of £33.7m (8.4%) in 2011/12 and £16.7m (4.6%) in 2012/13. For all years, the assessment is in cash terms and takes no account of inflation, albeit that pay awards have been frozen through the

period. The real terms analysis of these reductions in spending power would clearly worsen the overall loss.

30. The government have also published initial spending power reductions for 2014/15. For Southwark this reduction was shown as £21.4m (5.9%). The detailed analysis behind these figures has not yet been made available by DCLG.
31. However, it is clear that Council Tax Benefit funding will be included within general grant in 2014/15 and beyond in line with the general move to incorporate previously specific grants within general grant (e.g. previous Council Tax Freeze Grant). While initial guidance from government has indicated that Council Tax Funding Grant is protected at 2013/14 levels, the de-ring fencing of the general grant indicates that protection of any element will result in proportionately greater pressures on other Council services.

### **Start-Up Funding Assessments and Damping**

32. The government had previously announced that for 2013/14, no local authority would be better or worse off than they would have been under the current formula grant system. To ensure that local authorities have a stable starting point at the outset of the new funding business rates retention scheme the government has calculated a start up allocation based on 2012/13 formula and current data.
33. For 2013/14 and 2014/15, each council has been assigned a Start-Up Funding Assessment. This combines formula funding (what formula grant would have been had it continued) and rolled-in grants (previously specific grants now deringfenced and included in the single assessment).
34. The formula funding element has been calculated on a similar basis to formula grant in 2012/13. This calculation has been adjusted for technical changes that were part of the July 2012 consultation on the data components.
35. Among other issues, adjustments arising from technical changes may have implications from census and revised mid year estimates of population that may impact on future needs assessments and damping. Southwark incurred a net reduction in mid year estimates following on from the census and imputation of population numbers. The council remains in discussion with the Office for national Statistics (ONS) on this matter.
36. As with previous settlements, funding will be subject to damping, applied in bands.

37. Grant dependency is defined as the proportion of each council's budget requirement that was funded through the 2010/11 formula grant. The floor level for the bands in the damping group with education and social services responsibilities is shown below:

Floor band	Social Services authorities	Shire district councils	Fire & rescue authorities	No. of London boroughs
Band 1 (most dependent)	(2.70%)	(5.40%)	(8.70%)	17
Band 2	(4.70%)	(7.40%)	(9.20%)	3
Band 3	(6.70%)	(9.40%)	(11.70%)	9
Band 4 (least dependent)	(8.70%)	(11.40%)		4

38. Southwark is a Band 1 authority in that it is one of those councils most dependent on start up funding, with 82% of the council's net budget funded through the start up funding. Nationally, there are 38 single-tier councils in this band, 17 of which are in London. In London, the figures suggest there will be 16 floor authorities. The floors are self-financing. This means that those councils within a particular band above the floor will have the resources from their formula grant scaled back. The resources made available are then used to bring the councils which are below the floor up to their 'band' levels.
39. For Southwark, the government's calculation of start up funding comprises of the following :

	2013/14 Start up Funding £m	2014/15 Indicative Funding £m
Grants Rolled In Using Tailored Distributions	18.43	
Relative Needs Amount	164.13	
Relative Resource Amount	(32.74)	
Central Allocation	41.83	
Floor Damping	19.16	
Central Education Functions within LACSEG	(5.24)	
<b>Formula Funding</b>	<b>205.57</b>	<b>200.38</b>
Add Grants rolled in		
2011/12 Council Tax Freeze Compensation	2.26	2,26
Council Tax Support Funding	18.57	-
Early Intervention Funding	14.42	13.50
Homelessness Prevention Funding	1.54	1.54
Lead Local Flood Authority Funding	0.18	0.18
Learning Disability and Health Reform Funding	10.83	11.10
<b>Total Grants rolled in</b>	<b>47.80</b>	<b>28.58</b>
<b>Total Start Up Funding</b>	<b>253.37</b>	<b>228.86</b>

40. The total start up funding is dependant on the business rate retention mechanism. The council's net rate yield is adjusted to take account of the central government (50%) and Greater London Authority (GLA) share (20%), to give the council's retained business rates (RBR) element:

	<b>£m</b>
Net forecast rate yield	193.14
Less: amount to be paid to central government (50%)	(96.57)
amount to be passed on to the GLA (20%)	(38.63)
<b>RBR income for Southwark Council (30%)</b>	<b>57.94</b>

41. To this RBR of £57.94m is added the retained business rates (RBR) top up which is fixed, and the Revenue Support Grant, also fixed, to give total start up funding. This is shown in the table below:

		2013/14 £m
Retained Business Rates (RBR) - 30%	Variable	57.94
RBR top up from government	Fixed	43.28
Revenue Support Grant (RSG)	Fixed	152.15
<b>Total 2013/14 Funding</b>		<b>253.37</b>

42. Actual retained business rates income for 2013/14 will be dependent on the assessed rateable values, effect of appeals and collection rates. An NNDR1 return to estimate this is due to be submitted by the council to DCLG by 15 March 2013. The net rate yield from the NNDR1 report is then adjusted to take account of the central government (50%) and Greater London Authority (GLA) share (20%):
43. As for any new scheme of this material significance, there is much uncertainty over the operation of the business rate retention scheme. This presents significant risk to the council but also some opportunity in the event of an increase in business rate yield that surpasses government targets. Any uncollected business rates, or unfavourable variation from government estimates of rateable values, will impact directly on council resource available and therefore on resources available to fund and to provide services.
44. Although the business rates retention scheme will include a safety net at 7.5% to protect local authorities from significant reductions in business rates, this means that shortfalls from 0-7.5% will not be protected and will have to be borne by the local authority. It would be possible for a local authority to lose just below 7.5% for a number of years and never receive any safety net payment. In addition, the council has to estimate for the impact of appeals, of which there are 1,400 outstanding at present. The government based business rates estimates on a two year average, rather than five years as initially proposed, and this presents a more buoyant figure for Southwark than would otherwise have been the case. Business rates are clearly very significantly influenced by the overall economic climate.
45. The Strategic Director of Finance and Corporate Services and acting as S151 Officer will be earmarking part of the Financial Risk Reserve to help protect the



council from the risks and variations inherent in the new funding system and especially risks underlying business rate retention.

## 2013/14 PROPOSED BUDGET

46. When setting the revenue budget the S151 officer is required under section 43(4) of the Local Government Finance Act 1992 on behalf of their local authorities, to assess the “revenue budget requirement” for the forthcoming financial year. The revenue budget requirement is a statutory definition of expenditure to be met from all sources including government grant, council tax income and other sources. The current estimates are for a revenue budget requirement of £334.5m in 2013/14. This excludes ring fenced public health funding recently announced for 2013/14.

### 2012/13 Budget and proposed budget for 2013/14

	2012/13 £m	2013/14 £m
<b>Revised previous year budget</b>	<b>323.0</b>	<b>308.2</b>
<b><u>Inflation</u></b>		
Pay award: 2% was assumed for 2013/14 in 2011/12, now 1% assumed in line with 2011 Autumn statement,	0	1.8
Inflation based on contractual commitments (linked to industry specific rates)	3.6	2.4
<b><u>Commitments, Savings &amp; Growth</u></b> <sup>1</sup>		
Commitments and Growth	10.8	11.8
Efficiencies and improved use of resources	(17.2)	(18.7)
Income generation	(1.0)	(0.1)
Savings impacting on service delivery	(10.1)	(6.1)
<b><u>Other adjustments</u></b>		
Reversal of one-off items from 2012/13		(2.0)
Net movement of council tax freeze grant	(0.1)	1.4
Reduced NHS funding to support social care and benefit health	0.2	
Social fund		(1.6)
Fall out of contribution from balances	3.4	4.4
<b>Total Budget (before rolled in grants)</b>	<b>312.6</b>	<b>301.5</b>
Rolled in specific grants		33.0
<b>Total Budget</b>	<b>312.6</b>	<b>334.5</b>
<b><u>Funded by</u></b>		
<b><u>Government Grants</u></b> <sup>2</sup>		
Formula grant	(217.1)	(234.0)
Council tax support grant	0	(18.6)
Net Public Health Funding (Ringfenced)	0	0

	2012/13 £m	2013/14 £m
<b>Council Tax</b>		
Council tax <sup>3</sup>	(91.1)	(74.3)
Collection fund surplus	0	(0.9)
<b>Funding available</b>	<b>(308.2)</b>	<b>(327.7)</b>
<b>Funding shortfall</b>	<b>4.4</b>	<b>6.8</b>
<b>Contributions from balances</b>	<b>(4.4)</b>	<b>(6.8)</b>
<b>Balance</b>	<b>0</b>	<b>0</b>

Note 1 - As detailed in the Budget Setting report appendices (Council Assembly 22 February 2011)

Note 2 - 2013/14 specific grants are reduced by £6.1m to reflect the loss of Early Intervention Grant

Note 3 - Revised 2013/14 takes account of reduced tax base due to discounts for council tax support, funded through council tax relief grant. This does not include the any potential increase in collection from changes to local discounts.

### **Inflation and Pay Award**

47. Current estimates include 1% for the 2013/14 pay award at £1.8m, as outlined in the November 2012 scene setting report, subject to national agreements.
48. No provision has been made for general inflation in 2013/14 and budgets are considered to be cash limited in line with reduced government funding and the proposal to freeze council tax. The current estimates do include alternative inflation in respect primarily of contractual commitments at £2.4m for 2013/14, again as set out in the November report.

### **Use of Balances and Contingency**

49. Current in order to fully fund the proposed budget a contribution of £6.8m will be required from balances. This compares with £4.4m in 2012/13. The Strategic Director of Finance and Corporate Services recognises and accepts that it is necessary to make some prudent use of balances through the period of introduction of new funding arrangements for local government and the general cutbacks in public expenditure. He recognises also that this expedient can only be short term and that year on year the council target must be to remove any dependency on reserves and balances order to reconcile resources with spending needs.
50. The council has been fortunate, like many other local authorities, that reserves and balances have been maintained throughout what has been a very challenging two years. This makes prudent access to these resources more appropriate, especially when considering the retention of a reasonable, albeit lower, level of contingency within the base budget.
51. For 2013/14, contingency will reduce by £500k to £5m. This is less than half of the indicative estimate (£12.5m) from February 2011 and reflects the reduction in risk following the achievement of 2011/12 and 2012/13 budget targets and the allocation of contingency to offset some of the impacts in government funding.

## **Commitments and Growth**

52. The proposed budget for 2013/14 will fund new commitments and growth of £11.8m. These are detailed in Appendix A and include £1.2m for Housing as a result of welfare reforms and £1.65m for the transfer of Social Fund responsibilities from the Department of Work & Pensions to the council. The proposals also include a further £1m to support the council's commitment to London Living Wages in contracts as they are awarded or extended.
53. The budget also includes provision for £2.3m, including £800k following the cessation of Youth Justice Board funding to meet the costs of placing children remanded to local authority secure accommodation where this has been ordered by the court. Childrens Services also require an additional £600k to meet the increasing costs of the council's obligations under the Childrens Act, as a result of welfare reforms.

## **Savings, Efficiencies and Income Generation**

54. Proposed efficiencies £18.5m and savings of £6.1m are detailed in Appendices B and D and include the initial benefits arising from the purchase of the council's head offices at Tooley Street, which is expected to deliver additional savings as reported in December 2012 cabinet reports.
55. There are significant savings proposed in Children's Services as a result in the £6.1m loss of Early Intervention Grant, which are detailed later in this report.

## **Early Intervention Grant**

56. Early Intervention Grant (EIG) was paid to councils in 2011/12 and 2012/13 as a separate un-ringfenced grant. The EIG was paid at 32% less than the combination of previous grants it replaced (Area Based Grants and Surestart Grants).
57. In 2012/13 Southwark's EIG is £20.5m and funds core, high priority Children's Services including Children's Centres, provision of support to get young people in education, employment and training, early intervention services, statutory specialist services and voluntary sector commissioning. The EIG also includes funding for the Two Year Old pilot offer which facilitates vulnerable families accessing free part-time early education places. This grant is un-ringfenced and the DfE guidance states that this grant can be used flexibly to meet local priorities.
58. For the 2013/14 settlement, EIG has merged into the council's formula grant. As it falls into formula grant, government has advised that the allocation to the council reduces by £6.1m or 29.6%, arising from top slicing of the national provision and the transfer of funding for two year olds into the ring-fenced Dedicated Schools Grant in excess of the current spend on two year placements.

## **Council Tax Freeze Grant for 2013/14**

59. As part of the 2011/12 local government grant settlement the government announced the council tax freeze grant, which was given to all authorities which set a zero percent increase in council tax, for the equivalent of a 2.5% increase in

council tax. Southwark received £2.2m. This grant will be paid throughout the four years of the spending review, although it has now been subsumed into formula grant, for which itemised detail is not easily available.

60. In February 2011, council assembly agreed an indicative budget for 2012/13 and 2013/14 with provisional council tax increases of 2.5% in each year.
61. In October 2011 the government announced a new council tax freeze grant for 2012/13 only, for those authorities who agree to set a zero percent council tax increase. The grant is equivalent to a 2.5% increase in council tax (some £2.3m). This grant was for one year only and will cease in 2013/14. In any event Council Tax in 2012/13 remained frozen.
62. On 8 October 2012 the government announced that it would be making £228m available to English councils to fund a council tax freeze in 2013/14, equivalent to a 1% increase in council tax. For Southwark this grant will be £929k. The amount of council tax freeze grant takes account of the reduced yield caused by the introduction of a discount to administer council tax support. Local authorities taking this grant will also receive the same amount in 2014/15 to avoid a 'cliff edge'.
63. This report assumes that there will be a further Council Tax freeze in 2013/14 and that the freeze grant will be accepted by the council. While the freezing of Council Tax remains positive for those paying, when set against the loss of equivalent grants it creates a financial shortfall in resources once those grants cease or become absorbed as part of a generally declining general grant.

### **Public Health Grant**

64. The Health and Social Care Bill proposed that responsibility for public health will transfer from the NHS to local government on 1 April 2013. This obtained royal assent on 27 March 2012.
65. Local authorities will receive a ring fenced grant for public health to meet the cost of these new responsibilities, however it is unclear whether the resources allocated to fund these new responsibilities will be sufficient to meet the costs. London Councils have been lobbying on this issue, and a report was presented to London Councils Leaders Committee on 16 October 2012.
66. The proposed budget includes provision of £21.8m as a result of the transfer of responsibility for Public Health to the council. It is assumed and expected that all costs of the new service will be met from within the ring fenced public health grant recently confirmed by government.
67. A major risk remains that the public health targets have yet to be announced in full. Any unfunded pressures arising from this will become apparent during 2013/14 revenue monitoring.

### **Other Core Grants**

68. The 2011/12 local government settlement heralded a major change in grant funding. From a position of some £103.5m in specific grants in 2010/11, this fell to £38.5m in

2011/12. Some grants transferred into formula grant and DSG, some formed the new core grants and others ceased to exist.

69. In 2012/13 the council received £37.5m of core grant funding. Government proposals for 2013/14 will move a further £27.5m into formula funding. 2012/13 and provisional 2013/14 core grants are shown below.

### 2012/13 and Provisional 2013/14 Core Grants

	Latest 2012/13	Remaining as specific grant in 2013/14	Rolling in to overall control total 2013/14	2013/14 Funding	Change in funding	
	£m	£m	£m	£m	£m	%
Early Intervention Grant	20.48	0.00	14.42	14.42	(6.06)	(29.6%)
Learning Disabilities and Health Reform Grant	10.57	0.00	10.83	10.83	0.26	2.5%
Homelessness Grant (note 1)	1.72	0.00	1.54	1.54	(0.18)	(10.5%)
Lead Local Flood Authority Grant (note 1)	0.44	0.26	0.18	0.44	0.00	(0.0%)
Housing and Council Tax Benefit Subsidy Administration grant	4.24	3.75	0.00	3.75	(0.49)	(11.4%)
<b>Total</b>	<b>37.45</b>	<b>4.01</b>	<b>26.97</b>	<b>30.98</b>	<b>(6.47)</b>	<b>(17.3%)</b>

note 1: Part of Local Services Support Grant (L:SSG)

### Social Fund and Welfare Hardship Fund

70. As part of its welfare reforms the government are transferring some of the elements included in the social fund, currently administered by the Department of Work and Pensions (DWP) to local government.
71. The current scheme contains Crisis Loans (for items, living expenses and alignments), Budgeting Loans and Community Care Grants. The new scheme has Crisis Loans (for items and alignments only) and Community Care Grants.
72. Southwark will receive £1.65m (£1.36m programme funding and £288k for administration) in 2013/14. The administration element will reduce the following year to £264k, giving an overall 2014/15 allocation of £1.63m.
73. Although the government does not want or expect local authorities to replicate the current scheme, it is their intention that funding should be concentrated on those facing greatest difficulty in managing their income. The council is undertaking an options appraisal around the social fund, to be considered by cabinet.

74. A welfare hardship fund of £800k is proposed to mitigate some of the impact of the benefits changes to protect the most vulnerable.

### **Concessionary fares**

75. Concessionary fares is the name given to scheme for the London Freedom Pass which is issued to all older and disabled Londoners to give free travel on almost all public transport in London. The Freedom Pass scheme is administered by the organisation London Councils and costs are recharged to individual London boroughs on the basis of journeys travelled.
76. In recent years there have been significant changes impacting on the cost of concessionary fares, changes in grant funding to London Councils and a phased transfer from passes issued to passes used has now resulted in a fairly stable base.
77. The main element of this increase is inflation. The largest operator charging London Councils is Transport for London (TfL), is currently increasing their charges by July 2012 RPI + 1% (4.2%). Provision for this increase is included in the budget options.
78. The concessionary fares charge to London Boroughs for 2013/14 was discussed at London Councils' Transport and Environment Committee on 13 December 2012, and the increase to Southwark in 2013/14 will be some £690k. This has been included in the budget figures.

### **Superannuation fund contributions**

79. The actuarial review published in March 2011 identified the funding required over the period 2011/12 to 2013/14 to cover the pension fund deficit.
80. To enable the deficit to be funded, additional contributions of £1m were made for 2012/13. This requirement will continue into 2013/14 and 2014/15 at £1.5m. The position will be revised when the next actuarial review is published in 2014.

### **Youth Fund and Community Restoration Fund**

81. The Youth Fund was announced as part of the February 2011 budget setting process. It is a three year (2011/2012 - 2013/2014) programme established in response to rising numbers of young people claiming out of work benefits, increased university tuition fees and the withdrawal of the national Education Maintenance Allowance scheme. It aims to help young people in Southwark improve their long term employment prospects.
82. The Community Restoration Fund was announced, as part of the February 2012 budget setting process, in response to the civil unrest experienced in areas of Southwark in August 2011. It is a one off annual fund (2012/13) and aims to restore community pride and deliver longer term solutions to support business growth and young people across the borough.
83. Officers are preparing a progress report on the delivery of these two funding streams to date. This will include a recommendation to extend the Youth Fund for a further

three years, to continue to support young people in Southwark to attend university, gain skills and qualifications and employment opportunities.

## SERVICE BUDGETS

84. Budget proposals are in line with local policy priorities as set out in the fairer future for all vision and Council Plan. The table below summarises the budgets for council service areas for 2012/13 and 2013/14. These are known as “control totals”.

### Service area budgets for 2012/13 and 2013/14

Service area	2012/13 Budget  £m	2012/13 Budget adjusted for £33m rolled in grants  £m	2013/14 Budget proposed by officers  £m
Children’s Services	85.0	105.5	102.3
Adult Services (was Health & Community Services)	108.0	118.5	112.4
Chief Executive	19.4	19.4	19.2
Environment & Leisure	70.4	70.4	69.9
Finance & Corporate Services	53.4	53.4	51.6
Housing and Community Services	40.5	40.5	39.0
<b>Total Service Budgets</b>	<b>376.7</b>	<b>407.7</b>	<b>394.4</b>
Corporate Budgets	(64.1)	(62.2)	(38.6)
<b>Total Budgets</b>	<b>312.6</b>	<b>345.5</b>	<b>355.9</b>

85. High level schedules of draft budget proposals for 2013/14 are attached as Appendices A – E.

## CHILDREN’S AND ADULTS SERVICES

86. The Children’s and Adults department budget represents two thirds of the council’s total net revenue expenditure. In 2013/14 the department is proposing savings of £15.39m against the previous year’s base budget, growth requests of £1.35m and further commitments of £3.10m. The department provides universal services as well as those targeted at more vulnerable families, children and adults delivered through four divisions; children’s social care, education, strategy and commissioning, and adult social care.
87. The Children’s Social Care Division supports delivery of statutory social care functions, including protecting vulnerable children and those at risk of harm, providing services for looked after children, foster care, adoption, youth offending and children with disabilities.
88. The Education Division supports the delivery of universal services, including early years (0-5 years), school improvement, admissions, after school play and youth services, alongside more specialist services for children and young people with additional needs such as SEN or those excluded from school. It is also responsible

for the Post 16 phase of learning to ensure Southwark young people are engaged in employment or training, in school or with other providers.

89. The Strategy and Commissioning Division provides data to support targeted service delivery, manages the multiple inspection processes, and commissions a range of placements and other services for vulnerable children and adults. In addition the division leads on specialist parenting services, compliance and departmental governance and project support for the free healthy school meal programme.
90. The Adult Social Care Division provides support for the vulnerable adults in our community. These are frail older people, including those with dementia, disabled people of all ages, people with a learning disability and people with mental health problems. This includes residential and nursing home placements, services to allow people to maintain independence and support them living in their own homes, home care, day care, intermediate care, advocacy and support, equipment to aid daily life, transport and meals on wheels. People who are eligible for social care increasingly have personal budgets, including direct payments, where they self-direct the support they need to meet agreed outcomes.
91. In delivering these savings we have sought to minimise the impact on statutory social care functions for the most vulnerable children, young people and adults and so maintain the council's responsibility to keep vulnerable children and adults safe.
92. The key drivers to achieving the reductions are to:
  - Maximise service effectiveness, drive down costs and ensure high quality, sustainable provision within the available remaining resources;
  - Protect front line services by reducing back office costs, flattening the management structure and increasing productivity;
  - Reshape our retained services around the council's core statutory duties for education and social care;
  - Reduce subsidies to non-statutory, discretionary services;
  - Further improve commissioning and procurement to increase value for money;
  - Further reduce duplication in supplies and services and ensures we focus on priorities services to vulnerable groups.
93. Further, the overall aim is to deliver a fairer future for older and disabled people by creating a sustainable system that continues to support the most vulnerable and deliver value for money. This requires a change in the way the council works across the whole system of adult social care. It will mean different relationships between the council and the community, where families and older and disabled people will be expected to do more for themselves, with less reliance on the council. It means moving to a model where older and disabled people can contribute and exercise greater control over their own lives, improving their health and well being. This will also mean containing growth in demand, focussing council support to the most vulnerable, providing services differently but always with an aim to maintain and improve quality.



## **Children's Social Care**

94. There are £1.25m of efficiency savings are planned to be made through
  - increasing use of direct payments for short breaks for families with Children with disabilities;
  - framework agreements in place to reduce costs of procurement of placements;
  - reducing agency fostering spend and increasing use of in house provision.
95. In addition, £350k of savings are planned through the ongoing transformation of the Children's Social Care teams in line Munro recommendations and the need to improve the service user experience by reducing the number of moves between teams, and social workers. This is a highly regulated and inspected area of council activity, therefore, it is planned to minimise the impact on front line staff to ensure the council meets its statutory obligation to keep children safe.
96. In 2013/14, two new growth bids have arisen: £750k of growth is required to meet the costs of placement of young people on remand, resulting from the cessation of the Youth Justice Board contribution of two thirds of the costs.
97. In addition, the council is obliged to support destitute people from abroad who are subject to immigration control and have no entitlement to welfare benefits, Home Office support for asylum seekers or public housing. The number of families seeking this assistance of last resort has increased by more than half during 2012/13, resulting in a cost pressure of £600k. These are in addition to the ongoing commitment of £125k for increased number of Special Guardianship Orders arising from our high volume of care proceedings.

## **Education**

98. The significant decrease in the council's funding from the previous ring-fenced Early Intervention Grant has meant that the services funded from this grant have been rigorously reviewed to identify efficiencies and possible savings. This has included Children's Centres budgets and BookStart, as well as the staffing structures including re-engineering Connexions Services and the Early Years Advisers Team and Workforce Training. Further staffing restructures within Education include Early Years Centres, and the restructure of the Early Help offer and the Specialist Services Teams. Wherever possible the aim is to maintain front line services and ensure services are targeted at the most vulnerable.
99. Both the Youth and Play Services have been subject to review over the last three years, and 2013/14 is the final stage of this process. The Dedicated Schools Grant (DSG) is now funded for eligible two year old education and therefore these costs will, in future, be met by the DSG.
100. These savings in the council's budget also need to be seen in the context to national reforms to the Dedicated Schools Grant (DSG) which funds schools and some of the centrally retained education services. Key changes during 2013/14 include a reduction over the next two years of £2.9m resulting in the ending of full-time nursery provision from September 2013, increased scrutiny of all centrally retained

budgets, and significant changes to the funding of all nursery, mainstream and special school budgets.

### **Strategy and Commissioning**

101. The key savings include back-office staffing restructure of the newly joined children's and adults staff under this service area and wider business support teams, continued efficiency savings in commissioned services and utilisation of external grant.
102. Commitments of £1.976m is planned for the roll out of the Free Healthy School Meal for Southwark Primary aged children, which from September 2013, will be available to all year groups. Increasing pupil numbers and take up means that this growth bid is higher than the original estimate.

### **Adult Social Care**

103. Key savings areas for 2013/14 are detailed below.
104. A reduction in supporting people grant through efficiencies, service redesign and supporting services for the most vulnerable adults to deliver savings of £1.8m, including efficiencies through shared procurement with other boroughs and reconfiguration of support services.
105. Savings of £1m will be delivered by redesigning mental health services including arrangements with South London & Maudsley Trust (SLaM), reviewing the adult social care role within mental health services in partnership with other Boroughs and working more closely together. This includes
  - Efficiency savings by renegotiating consistent prices for placements across the four boroughs.
  - Developing an accommodation strategy to set out a revised pathway for people with mental health needs that will seek to reduce our reliance on high cost residential placements and provide more community based housing options for people. Our benchmarking suggests we are the second highest in London on the proportion of our money that goes on residential provision hence we see opportunity to achieve better outcomes for people at lower cost.
  - Changing management arrangements so that the Head of Mental Health Services has stronger accountability within the council and council staff are managed directly by the council as well as continuing to operate in teams integrated with SLaM.
106. Redesigning day opportunities for people with learning disabilities which will deliver savings of £1.7m. This includes;
  - Continuing to roll out personal budgets enabling people to choose the right social care to meet their needs.
  - Working with providers to make the changes required by the personalisation agenda to reduce block contracting arrangements and put the money into personal budgets.
  - Savings will come from across the system of community based support as the programme of individual reviews moving people on to personal budgets is

undertaken:

- Looking at opportunities for people with less complex needs to access mainstream opportunities to engage in leisure, education, training and support for employment;
- Reduction in block funding in 2013/14 of £800k.

**Children's Services (incorporating both Education and Children's Social Care) - summary equalities impact**

107. One of the key aspects of the work of children's services will be to minimise the impact of the budget reductions proposed, particularly with regard to groups covered within the council's Approach to Equality. Southwark is one of ten local authorities nationally with the highest percentage of children in need, and yet has suffered one of the highest reductions in central government core funding. In addition, the reduction of or loss of a considerable number of targeted grants focused on the most vulnerable groups will significantly add to the potential negative impact. Children's services will need to manage these reductions in light of its continuing statutory duties.
108. Safeguarding children and young people is our highest priority and any service reductions here or in related areas will need to be very carefully considered in relation to children at risk of harm in the community, and for the potential impact on vulnerable groups. Because of the downturn in the economy and welfare reform changes, we are starting to see in specialist children's services an increased demand for services to families in difficulty. Effective support for schools to meet a wider range of lower-level needs and so prevent problems escalating will be required, particularly with the high level of need that our young people have in Southwark and the vulnerability of some schools. The potential growth of academies is a challenge to central services due to the potentially destabilising effect on income to maintain these services.
109. Actions to mitigate the impact of budget reductions will be considered very carefully following the council's decision. This will include looking at efficiency savings including streamlining back-office processes and reducing the number of support staff, reviewing management structures to reduce the number of managers and protect front-line service delivery, smarter procurement to drive down the costs of purchased services and stripping out any funding duplication. Contracts with external providers will be scrutinised for potential savings without impacting on key groups. In addition, other mitigating actions will be put in place, including exploring alternative delivery models, such as working in partnership with schools and other partners to deliver services in a different way, as well as understanding the local impact of initiatives or actions taken at a national level. This process has already started and has been a critical aspect of developing the initial budget proposals.
110. A further more detailed report will be produced on the potential impact of the proposed budget reductions for specific groups so these can be fully considered before any decisions are taken. This will include detailed equality analysis for each service affected by the Council's decision, which will underpin individual service development and reconfiguration.

## **Adult Social Care - summary equalities impact**

111. Budget proposals for adult social care are in the context of work to develop a system that supports people to live independently and well for as long as possible, accessing care and support services that are personalised and based on their choices and moves away from a model of dependency. The system needs to consider redesign and reconfiguration across all client groups to be sustainable, continue to support the most vulnerable and deliver value for money.
112. The two equality strands that will experience major impact from proposals are older people and disabled adults with eligible care needs as outlined through Fair Access to Care Services (FACS) criteria. Older and disabled adults without eligible needs may also experience an impact from proposals to re-shape open access services in the borough.
113. The key impact is around services not continuing to exist or being offered in a different way. We are going to focus resources on time-limited interventions that help people, such as re-ablement services, and supporting them to understand how they can best help themselves and make key contributions to the wider community. In addition, changes to services will potentially have an impact on carers, the majority of whom are women.
114. We propose a range of mitigating actions to try and minimise any potential negative impact. These include:
  - Continue progress with development of personal budgets (including direct payments in cash) so that people understand how much is to be spent on their care and support and can then make decisions about the ways they wish to use their money;
  - Focus on how we can support the development of a diverse provider market in Southwark so there are appropriate services available on which people can spend their personal budgets;
  - Develop and improve partnerships involving individuals, communities, voluntary and private sectors, the NHS and the council's wider services to best implement proposals;
  - Improve procurement and commissioning processes, and streamlining back office functions thereby focusing resources on frontline services;
  - For open access services, explore models where a small injection of cash to 'pump-prime' services could support organisations to become financially self-sustaining, and promote community cohesion, in line with the wider corporate approach to the voluntary sector;
  - Develop proposals for effective, targeted interventions that can provide help and support for carers, recognising the key role that they play, both in delivering care and in preventing people's care needs from increasing.
115. The overall approach for adult social care services in Southwark will have a positive impact on equality strands:
  - Personal budgets offer an opportunity for people to access personalised support services that take account of cultural preferences, e.g. being able to choose a carer of your own gender – evidence suggests this is particularly true for BME communities, lesbian, gay and bisexual communities and for

transgender people

- Moving away from residential provision and to supported living in the community is designed to support people to live independently at home and connected with their communities for as long as possible
- A single point of informed contact supports better use of resources and targeted information and advice for people at an early stage, regardless of whether they receive state support for care.

116. However, this also needs to consider:

- Developments in the local provider market so culturally specific services are available
- Particular support that some groups, such as older people or those with mental health needs, may require to access the benefits of personal budgets
- Particular support for people who may have spent a considerable time in residential care
- Appropriate support for those who continue to need respite services
- People who need to access information in different ways (e.g. website, email, telephone) and those who may not have English as a first language.

117. We recognise that we will need to work closely with partner across the council, particularly in areas like housing and employment, to understand the cross-cutting impacts of the need to reduce spend in these areas and our desired outcome of helping more people to live independently and well at home and in the community.

## **CHIEF EXECUTIVE'S OFFICE**

118. The Chief Executive (CE) department is made up of human resources, corporate strategy, regeneration and planning.

119. The department will continue to deliver on the fairer future vision by having a relentless focus on rationalising support services so more money is protected at the frontline and working alongside others to provide the organisation with the tools to innovate and modernise service delivery. It will also be focused on delivering functions that help achieve local strategic priorities. This will mean working to ensure the benefits of regeneration can spread across the borough including in strategic areas such as Elephant and Castle and the Aylesbury but also within Peckham, Nunhead and Camberwell.

120. The proposed indicative budget for the department in 2013/14 is £19m. It is proposed to deliver savings of £500k through service re-configuration, review and management restructuring. Savings were front loaded into 2011/12 and 2012/13 meaning an overall saving of 27% over a three year period.

121. Significant savings are also being achieved across the council through the reorganisation of top tier management (£1m) and the acquisition of Tooley St offices (£1.5m).

## **Chief Executive – summary equalities impact**

122. Although the services provided by the CE department are largely back office, these enable a consistent approach to equality across the whole Council, ensuring equality is taken into account in all decision making processes where relevant. The CE department also ensures that effective policy and robust performance measures are in place to evidence the Council's compliance with the public sector equality duty in both its role as employer and service provider. In terms of direct customer contact, Southwark's significant regeneration schemes and planning services provide a platform for addressing strategic equality priorities, with regard to community development, improvements in the built environment and in maximising economic growth opportunities.
123. Savings are proposed to be realised through service reconfiguration and reducing support costs. Therefore any impacts would fall primarily on staff rather than service users. As specific proposals are put forward, and at each stage of implementation thereafter, the different impacts on different categories of staff will be assessed. Service heads are committed to deliver savings as far as possible to maintain the level of service.
124. As part of the communication savings, there is a proposed move to greater use of electronic communications and social media so there may be potential impacts on those with limited or no access to a computer. This will be assessed in the ongoing evaluation of all communications activities and further mitigated through supporting access through other publications or formats for example face to face communications.
125. Residents across all housing tenures, visitors and businesses in the borough are all beneficiaries of regeneration schemes. Regeneration activity is targeted towards the more deprived areas and disadvantaged groups in the borough. There is a risk that proposals could disproportionately impact on the most disadvantaged and vulnerable groups and geographical areas in the borough and mitigating action has been identified. Where external funding has been reduced, the mitigating action is to retarget available budgets to schemes that support people with the highest level of need as far as possible. The department also proposes to maximise income on commercial properties and through restructuring planning application fees. As with all proposals equality impacts will continue to be assessed through out.

## **ENVIRONMENT AND LEISURE**

126. Environment & Leisure department delivers services that make a real difference to the everyday lives of all residents and visitors. The majority of our operations are frontline service: they physically improve the environment, they provide opportunities for health and enjoyment or they help improve safety and confidence. The Director is the Electoral Registration Officer and Returning Officer, so the department includes the electoral services team. The other services can be broadly grouped into:
- Public Realm, covering parks and open spaces, parking, highways, transport planning, cleaner greener safer initiatives, cemeteries and crematorium
  - Sustainable services, such as waste management and refuse collection, street cleaning and recycling, carbon reduction and energy projects

- Community safety covering: Safer Southwark Partnership, drug and alcohol teams, emergency planning, environmental health, the community wardens, antisocial behaviour unit, environmental enforcement, private sector housing renewals, noise teams and CCTV
  - Culture, Libraries, Leisure and Learning covering: arts, heritage, leisure centres, sports outreach, libraries and adult learning.
127. The overall vision for these services is to make Southwark's neighbourhoods great places to live, that are clean, safe and vibrant and where activities and opportunities are accessible to all. The department's approach to achieving the savings has been in accordance with the budget principles to focus on a core provision of quality services, efficiency savings, smarter procurement and tougher contract management; reducing optional services and using data and intelligence to target services to places or people where they will be more effective.
128. The budget for environment and leisure services in 2012/13 is £70m. The department has already achieved £7.3m savings during 2011/12 and is on target to achieve £5.5m savings for 2012/13. For 2013/14 savings of £2.5m are proposed. When the significant reductions in government grants are taken into account, around £19m will be taken out of the budget over the three year period.
129. The budget proposals include commitments of £430k for:
- the consultancy costs for the procurement work relating to the contracts due for renewal,
  - estimated increase in rents and service charges for Sandgate Industrial Estate for the relocated services from Manor Place Depot; and
  - Statutory provision of stray dogs service.
130. In addition, growth bids of £950k have been submitted. This is made up of £380k for maintenance costs of Housing CCTV cameras that are being replaced during 2012/13, £215k for retaining some of the critical community safety programmes that would otherwise be threatened due to loss of government grants, £80k for maintaining and improving the environment for the users of cemeteries and crematoria, £200k to invest in proactive maintenance of highways and a £75k reduction in the income target set for Canada Water Library, which proved to be too ambitious.
131. It is proposed to make some £1.3m efficiency savings in public realm. This includes £500k return of budget no longer required for risk on parking income. Savings will be made through two major contracts that will start in 2013 for parking (£600k) and highways (£200k). There will also be savings from the grounds maintenance contracts from better contract management.
132. In sustainable services, £115k efficiency savings have been negotiated with the waste contractor including some specification changes and a further saving of £35k can be achieved by rationalising divisional management structures.
133. Community safety budget is proposed to reduce by £300k through more efficient commissioning of drugs and alcohol services. In addition, £60k of efficiency savings is proposed to be achieved by re-organising some of the services within the division.

134. Total efficiency savings of £640k are proposed within culture, libraries, leisure and learning. These will be achieved by restructuring and re-organising management and support services as well as making contract savings from the new leisure management agreement. It is proposed to take the opportunity of bringing public health functions into the council to support health and wellbeing aspects of community sports through the public health programme. In addition, the proposals for the division also include a further £105k for second phase of savings arising from the review of the library, which will continue to be achieved without closing any libraries.
135. There are plans to generate additional income of some £100k for 2013/14 through increasing charges across a range of services. This is in line with local policy to increase discretionary fees and charges to a level, at a minimum, that is equal to the most appropriate London average (e.g. inner London, family, groupings etc) as set out in the MTRS.
136. In delivering these savings and income generation, the department has sought to minimise the impact on service delivery. The budget proposals have been developed in line with the cabinet's budget principles. They will deliver the best value for money possible and maximise the use of existing assets, as well as exploring alternative methods of provision with our partners, neighbouring boroughs and the voluntary sector. The department's proposals are based on service need and demand with the aim of protecting front-line services and supporting the needs of our residents.

#### **Environment and Leisure – summary equalities impact**

137. Our approach to achieving savings across the Environment, Culture and Community Safety portfolios is in line with the cabinet's budget principles, and we have sought to do all we can to protect front line services and offer continuity of services to our most vulnerable residents.
138. However the majority of our services in this area are front line and directly delivered to all residents and changes and reductions to delivery are inevitable in order to meet the scale of savings required.
139. In order to minimise front line reductions and impact on the wider community and equalities groups we have sought to make savings through efficiency, back office reductions and processes, leaner staffing structures and negotiating better value from our contractors.
140. Wherever possible we have sought to share resources and work with partner organisations to identify new ways of working that may deliver efficiencies and improved value for money, as well as maximising opportunities for increasing income.
141. The following proposals have been assessed as having the highest community and equalities impact:
  - The review of the Libraries Service.
  - The proposed increases in fees and charges.



142. The proposals have been designed to minimise any adverse equality impact. In particular, the change to library opening hours under the review is being closely monitored and shows no overall adverse impact. The individual fees and charges proposals will be subject to specific equality analysis

### **FINANCE AND CORPORATE SERVICES**

143. Finance and Corporate Services provides the support service functions of finance (in direct support of the council's section 151 statutory function), facilities management, information and data services, corporate procurement, legal and the revenues and benefits service.
144. The indicative budget for Finance and Corporate Services in 2012/13 is £49.9m after the proposed savings of £3.8m. In total and since April 2011, this represents a reduction of 27% and has been achieved primarily through new and enhanced contract arrangements and reduced staff numbers. This is consistent with the plan proposed in February 2011.
145. Savings in 2013/14 will be delivered through further management restructuring, rationalised back office support and new contractual arrangements for facilities management, information and data services. This will also include a review of audit, anti-fraud and risk services to refocus priorities and reduce running costs.

### **Finance and Corporate Services – summary equalities impact**

146. The department is committed to achieving the required level of savings. The impact of implementing these will fall largely on staff as numbers are reduced. The management team is committed to assessing the impact on staff to ensure fairness and equality. As budget reductions are implemented the impact on staff will be considered in detail throughout the implementation of each proposal.

### **HOUSING AND COMMUNITY SERVICES**

147. The housing and community services department (H&CS) delivers a range of council services funded from both the general fund and more specifically through the ring-fenced housing revenue account (HRA) for those services of a landlord nature. Since the department's inception in January 2011, functions such as community engagement, registrars and coroners have transferred to housing and community services. Following recent internal departmental restructuring, the functions formerly provided within the community housing services division have been reconfigured and subsumed within the customer experience and special housing services divisions, and the environment and leisure department.
148. The HRA is part of a separate budget consultation process and cabinet received an initial scene-setting report on 11 December 2012. This is now subject to consultation with tenants and council homeowners during January, culminating in a decision on rent and service charge levels at cabinet on 29 January 2013.
149. The departmental vision for H&CS is to make Southwark homes great places to live where good quality services are delivered right first time. To achieve this, the

department aims to improve performance in all of the core service areas by working with residents to deliver consistently high quality services, better value for money and continuing to support the most vulnerable residents. Savings derived from further efficiencies total £315k at this point, whereas there are a number of savings proposals relating to temporary accommodation and the voluntary sector that cannot be delivered without some service detriment (£230k).

150. The decision to bring the customer service contract in-house from June 2013 provides the opportunity to reconfigure and improve customer access and service delivery and drive out substantial savings over the medium term by moving towards more cost effective transaction routes and operational efficiencies. Savings arising from this are shown corporately given the strategic and cross-cutting nature of the service.
151. One of the biggest financial risks for the council is the cost of temporary accommodation provision, particularly bed & breakfast. Whilst Southwark ranks highly in terms of homelessness prevention, the demand-led nature of responding to homelessness places a disproportionate financial burden on the budget, requiring stringent control and diversion into more financially neutral forms of accommodation, e.g. estate voids and hostels in the HRA. The impending welfare reforms and housing benefit changes is likely to exacerbate the situation and have a detrimental impact on the council's ability to prevent homelessness as use of the private rented sector becomes less affordable and the cost of Private Sector Leasing (PSL) provision will no longer be cost neutral. The financial impact is difficult to predict at this stage, but best estimates show an increased base budget commitment of £1.229m for 2013/14.

### **Housing and community services– summary equalities impact**

152. In developing budget proposals, we are committed to delivering savings which as far as possible protect and maintain front line provision. In the main this is achieved through revised and more efficient working within housing services and across departments through streamlining back-office processes and management structures. Other mitigating actions such as exploring alternative delivery models, partnership working and smarter procurement and rigorous contract management provide opportunities to maximise value and deliver the same or equivalent service benefits at reduced cost. This is already embedded in the development of budget options and specific equality impact assessments are undertaken as part of ongoing considerations around the implementation of the budget decisions.

### **A Strong and Stable Resource Base**

153. In setting out the draft budget proposals for 2013/14 the Strategic Director of Finance and Corporate Services, as the statutory section 151 officer, is assured that the range of spending commitments and proposed savings are being set within the resources available that meet local priorities. The draft budget proposed for 2013/14 is therefore robust.
154. In addition to ensuring that sufficient funds are available to finance the ongoing management of the council services, the Strategic Director of Finance and Corporate Services 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.

155. Reserves are funds set aside from underspends or proposed budget contributions, to meet contractual commitments or future expenditure plans, including meeting risks or liabilities that may arise at a later date. For example, the council has a number of pressures which fluctuate over time and are unpredictable in nature. These could include winter maintenance (such as pot holes and road gritting for highways) or meeting the upkeep of older buildings that the council operate from. Reserves are the most effective way in which to mitigate these pressures, subject to appropriate criteria. Another example is one-off redundancy costs arising from restructuring, where it may be that these costs cannot be met from existing revenue budget provision. Therefore and, subject to an appropriate business case, reserves may be used to support these costs.
156. The council has a number of reserves. The most significant of which are:
- Modernisation, service and operational improvement reserve. This is for one-off expenditure and multi-year projects that are designed to modernise and improve service levels and operational efficiency of Southwark's activities. Schemes will include accommodation pressures, shared services, customer service improvements and information services. The use of the reserve is subject to protocols in accordance with the Council's MTRS.
  - Regeneration and development reserve. This reserve is to fund one-off expenditure and multi-year projects to facilitate the significant regeneration and development taking place in the borough. Projects include the Elephant & Castle, Canada Water, Southwark Schools for the Future, and land acquisitions associated with these projects.
  - Financial risk reserve. This reserve is set aside against future financial risks that may arise. For example, taxation risk, legislative changes including actions involving the Greater London Authority, major projects, risks as a result of unavoidable changes in accounting practice, risks arising from retention of business rates arrangements.
157. Due to the size, scale and complexity of projects and services across the borough the council is required to maintain a general level of balances to meet future unpredictable expenditure demands. Securing outcomes around key priorities of regeneration, recognising key operational risks attached to the unique size of our housing stock and more generally the levels of deprivation across the borough and associated factors, means that it is essential the council maintains a robust approach to both reserves and balances. Maintaining an adequate level of reserves and balances are therefore key factors in the Strategic Director of Finance and Corporate Services' assessment of the robustness of the budget.

158. The council's General Fund reserves and balances at the end of 2011/12 totalled £102.6m, made up of £84.5m earmarked reserves and £18.1m General Fund balance. In total this represents some 10.5% of the General Fund spend in 2011/12.
159. The earmarked reserves, by their nature, are reserves set aside and earmarked for spending plans. Many of those spending plans were already in progress as at the end of 2012/13, especially around the council's modernisation agenda and major capital projects. The reserves also include balances that the council cannot freely reallocate, for example Dedicated Schools Grant unspent or PFI credits received in advance to meet future years' costs on the waste PFI scheme; or are balances that the council would not wish to redirect, for example the council's self insurance reserve.
160. In setting the budget the council needs to be mindful of the continued uncertainty with regards future funding particularly beyond 2013/14. The use of the Financial Risk Reserve in respect of Business Rates risks identified in paragraph 0 forms part of the mitigation strategy. The risks identified strengthen the importance of maintaining a robust MTRS within which to plan council business and sustain delivery of essential frontline services.

### **Community impact statement**

161. Transparency and fairness form part of the seven budget principles and are an underlying principle in the Council Plan. As with last year's budget, each department will undertake equality analysis on its budget proposals.
162. Undertaking equality analysis will help the council to understand the potential effects that the budget proposals may have on different groups. The analysis will also consider if there may be any unintended consequences and about how these issues can be mitigated. Analysis will also be undertaken to consider any cross-cutting and organisation-wide impacts.
163. The equality analysis undertaken will build on previous analysis including the equality impact assessments carried out as part of 2012/13 budget setting and the equality analysis undertaken on decisions to implement the budget this year. The development of equality analysis will continue to ensure that it informs decision making at each stage of the budget process.

### **Equalities**

164. The council is subject to the Equality Act 2010 and the public sector Equality Duty. This means the council must have due regard to the need to: eliminate unlawful discrimination, harassment and victimisation; advance equality of opportunity between different groups; and foster good relations between different groups. Guidance on the implications of the Equality Act 2010 and the duties it imposes on the council is available to officers and members.
165. In September 2010, the cabinet agreed seven principles that will guide its decision making on the budget. One of these principles is to limit the impact of its budget on the most vulnerable and to being transparent with any specific group or groups of users who may be affected by any cut or reduction in service provision, and to

conduct an equalities impact assessment of budget proposals. These budget principles are consistent with the Approach to Equality, the council's overarching policy on equality and human rights. The equality analysis prepared as part of the 2012/13 budget setting process will be refreshed during the current budget cycle

### **Consultation**

166. This report is the second report to inform cabinet on the planning for the third year of a three year budget framework, agreed in February 2011. The budget agreed in February 2011 was supported by an exhaustive consultation undertaken in the autumn of 2010.

### **Next steps**

167. A full report will be presented to cabinet on 12 February 2013. The budget will be proposed to council assembly on 27 February 2013.

168. A timetable of scheduled meetings leading up to council tax setting on 27 February is shown below:

23 January 2013	Council Assembly	2013/14 Council Tax Base and NDR1
28 January 2013	Overview and Scrutiny Committee	Policy and Resources Strategy 2013/14 - 2015/16
29 January 2013	Cabinet	Policy and Resources Strategy 2013/14 - 2015/16 - revenue budget
12 February 2013	Cabinet	Policy and Resources Strategy 2013/14 - 2015/16 - revenue budget
27 February 2013	Council Assembly	Policy and Resources Strategy 2013/14 - 2015/16 - revenue budget
27 February 2013	Council Assembly	Setting the Council Tax 2013/14

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Legal Services**

169. The constitution determines that cabinet consider decisions regarding the strategic aspects of the regulation and control of the council's finances. The council has an obligation under Section 32 of the Local Government and Finance Act 1992 to calculate and agree an annual budget. The issues contained in this report will assist in the future discharge of that obligation.

## REASONS FOR URGENCY

170. The council is committed to publishing budget proposal as the earliest possible opportunity to ensure they are available to the public for comments and questions. Under the council's constitution there is a requirement for the Overview and Scrutiny Committee to review and challenge budget proposals. Presenting this report to cabinet on 29 January 2013 gives the opportunity for debate prior to presentation of final budget figures at Council Assembly on 27 February 2013.

## REASONS FOR LATENESS

171. Due to the late arrival and complexity of the information supplied by the Department of Communities & Local Government extra time has been required to analyse the impact for Southwark.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Local Government Settlement 2013/14 <a href="http://www.local.communities.gov.uk/finance/1314/settle.htm">http://www.local.communities.gov.uk/finance/1314/settle.htm</a>	Department of Communities and Local Government	

## APPENDICES

No.	Title
Appendix A	Commitments and Growth
Appendix B	Efficiencies and Improved Use of Resources
Appendix C	Income Generation
Appendix D	Savings impacting on service delivery
Appendix E	Reversal of one-off items from 2012/13

## AUDIT TRAIL

<b>Cabinet member</b>	Councillor Richard Livingstone, Finance, Resources and Community Safety	
<b>Lead officer</b>	Duncan Whitfield, Strategic Director of Finance and Corporate Services	
<b>Report author</b>	Jennifer Seeley, Deputy Finance Director	
<b>Version</b>	Final	
<b>Dated</b>	21 January 2013	
<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 Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Cabinet Member	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		22 January 2013