

Item No. 18.	Classification: Open	Date: 10 February 2015	Meeting Name: Cabinet
Report title:		Policy and Resources Strategy - 2015/16 to 2017/18: Revenue Budget	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Fiona Colley, finance, strategy and performance	

FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR FINANCE, STRATEGY AND PERFORMANCE

This report sets out in detail our draft budget proposals for 2015/16. Cabinet is asked to agree these proposals recommendation to Council Assembly on 25 February.

This year is the fifth consecutive of cuts in government funding, with Southwark once again one of the hardest hit councils. Since 2010 our spending power has fallen by almost £700 per household, the sixth hardest hit local authority in the country. In 2015/16 alone we are the third hardest hit council losing £155 per household, whilst some other, less deprived, boroughs are seeing an increase in spending power.

However, despite the reduced funding we will not reduce our ambitions for this borough. Within these proposals we have budgeted to deliver our Fairer Future promises such as the Southwark Ethical Home Care Charter and the pilot of Free Swims and Gyms.

In November and December we ran extensive public consultation at Community Council and pop-up street stalls. Residents told us they wanted us to be more efficient and find more cost effective ways to deliver our services, to cut back office costs and to protect front line services especially adult social care and children’s services.

So yet again we are finding ways to be more efficient with our money and targeting our savings away from the front line so we can keep delivering quality services and protecting the most vulnerable. Within these budget proposals £26m of the £30m of savings are from efficiencies and improved use of resources and just £1m from savings impacting on services.

We have listened to people and are protecting the things that they say matter most like libraries, children’s centres, leisure and home care.

Every household in the borough is affected by council tax. Just as the council faces budget challenges, many of our residents are also suffering from difficult financial times. Therefore we are recommending freezing council tax for the seventh consecutive year, consistent with the fairer future promises.

RECOMMENDATIONS

That cabinet:

1. Note that the government's Autumn Statement was delivered on 3 December 2014; that the final settlement was announced on 3 February 2015, but is still subject to parliamentary approval. The motion to approve the Settlement in Parliament will be on the 10 February 2015.
2. Note that the provisional settlement contained no indicative grant settlement figures for 2016/17 or beyond.
3. Note that the final settlement included additional resources for the council of £750,000 in respect of an increased allocation to assist in dealing with pressures on local welfare and health and social care, and that this has been used to substitute the need for use of the Hardship Fund to support the Southwark Emergency Support Scheme in 2015/16.
4. Note that the Hardship Fund resources will be returned to ringfenced earmarked resources to be allocated by cabinet to support those most in need at some future date.
5. Note that representations have been made to the minister by the leader and by the cabinet member for finance, strategy and performance with regard to the provisional settlement.
6. Note that specific funding by government for Local Welfare Provision has been removed from the settlement.
7. Note that cabinet have previously agreed to extend the Southwark Emergency Support Scheme until 2017/18, despite the withdrawal of this Social Welfare Provision funding and that budget provision for 2015/16 is provided in the budget proposals contained in this report.
8. Note that on 27 January, cabinet agreed to set a one year budget for 2015/16 in the context of uncertainty over funding levels for 2016/17 and beyond.
9. Note the balanced general fund budget proposals for 2015/16 contained within this report, including resources available, commitments, income generation efficiencies and improved use of resources and other savings impacting on service delivery.
10. Note that the balanced budget plans for Council Tax to be frozen for 2015/16.
11. Note that these proposals for 2015/16 include the impacts of:
 - The provisional grant settlement;
 - An increase in Council Tax revenue to reflect an increase in the taxbase and improved collection rates;
 - An increase in retained business rates;
 - Pay awards for council staff in line with national agreements;
 - Contractual inflation;
 - Top slicing of new homes bonus to redirect resources to the Local Enterprise Partnership (LEP);

- Reduction in grant to support Housing Benefit administration;
 - One off use of reserves of £6.2m;
 - One off reductions in insurance fund provisions of £300k to reflect reduced insurance risks;
 - Contingency provision retained at £4m to help mitigate risks inherent within the council's savings programme for 2015/16 and beyond.
12. Note the need in the context of these proposals to monitor especially the implementation of the Care Act during 2015/16 and any further and unforeseen implications on general fund budget proposals.
 13. Note the feedback from the public budget consultation exercise.
 14. Note that the delivery of the Fairer Future Council Plan commitments is included in this budget.
 15. Take into account the recommendations of the overview and scrutiny committee on 2 February 2015 contained in paragraphs 97 to 102, and ask the cabinet member to respond to the committee.
 16. Note the draft 2015/16 to 2017/18 medium term resources strategy included in paragraphs 91 and 92 and Appendix L.
 17. Agree the proposals in this report for a balanced budget based on a nil council tax increase for 2015/16 for recommendation to Council Assembly on 25 February 2015. The budget schedules are set out in Appendices H-K.

BACKGROUND AND PURPOSE

18. This report follows the cabinet meeting of 27 January and now includes changes arising from the announcement of the final grant settlement. The report includes the results of the budget consultation exercise and makes proposals for a balanced budget for 2015/16.

KEY ISSUES FOR CONSIDERATION

The Autumn Statement

19. On 3 December 2014, the Chancellor of the Exchequer presented his Autumn Statement.
20. It was announced that the overall government Resource Departmental Expenditure Limit (RDEL), the most significant source of government funding for local authorities, will fall from £337.4 billion in 2014/15 to £302.5 billion in 2019/20. This is a cut of £34.9 billion (10%) in cash terms over six years, or £59 billion (17%) in real terms. This is over and above the funding reductions delivered during the period from 2010/11 and represents a further measure to address the government's deficit position.
21. The tables below illustrate the extent of budget reductions for non-ringfenced departments between the government's 2014 budget in March and the autumn statement in December 2014. Ringfenced departments are designated as Health,

Education, Department for International Development and the devolved nations (Scotland, Wales and Northern Ireland).

22. Non-ringfenced departments are all the other departments. This includes the DCLG which is responsible for local authorities. The statement set out additional pressures for the non-ringfenced departments for 2016/17 and beyond. These pressures go beyond the budget position set out by government in March 2014.

Budget March 2014 - % cut to Resource Departmental Expenditure Limits

	2014/15	2015/16	2016/17	2017/18	2018/19
Ringfenced	2.2%	1.0%	1.0%	1.0%	1.1%
Non-ringfenced	(4.5%)	(10.8%)	(12.2%)	(16.8%)	(8.3%)

Autumn Statement 2014 % cut to Resource Departmental Expenditure Limits

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Ringfenced	2.2%	2.6%	0.7%	1.1%	1.1%	1.1%
Non-ringfenced	(4.5%)	(10.8%)	(19.8%)	(18.2%)	(12.5%)	(10.7%)

23. Briefing papers for both the Autumn Statement and the provisional grant settlement as produced by the Local Government Association and London Councils are available as background papers to this report. The 2014 National Audit Office report on the Financial Sustainability of Local Authorities is also available as a background paper by way of supporting information.

24. The main features of the Autumn Statement that affect local government are as follows :

Government Funding

- The pace of the funding reductions required for 2016/17 and 2017/18 appear to be faster and steeper than previously anticipated. The Office for Budget Responsibility (OBR) estimates that there will be further funding reductions for the sector of 60% by 2020.
- An extra £2 billion will be spent on frontline NHS services in 2015/16. This is part of a multi-year £3.1 billion UK-wide investment in the NHS.
- The principles of the Troubled Families programme will be extended as part of the next Spending Review to other groups of people with complex needs. This is expected in 2015.
- New financial rewards will be paid to local authorities that reduce the amount of money lost through fraud and error in Housing Benefit.
- The government is committing to give local authorities and CCGs indicative multi-year budgets as soon as possible after the next Spending Review.

Business Rates

- In order to reduce the tax burden on small businesses, the government will conduct a long term review of the structure of business rates. The outcome of the review will be reported before the government's 2016 budget. The

review is expected to be fiscally neutral and consistent with the government's previously agreed financing of local authorities.

- A review into the way in which the business rates system in England is administered by the Valuation Office Agency and local authorities, with a view to strengthening its responsiveness to changes in property values and its simplicity and transparency to business ratepayers, began in February 2014. The government published their interim findings in December 2014 and will refer to these as part of their longer term review.
- As in this financial year, the government will for 2015/16 :
 - cap the business rates multiplier increase at 2%, (the increase if September RPI had been used, would have been 2.3%);
 - extend the doubling of small business rates relief for a further year; and
 - increase the business rates discount for retail and food and drink premises with a rateable value of £50,000 and below.
- The government will extend transitional arrangements for properties with a rateable value of £50,000 and below facing significant bill increases due to the ending of Transitional Rate Relief from April 2015 to March 2017.
- The government will change regulations so that alterations to rateable values can only be backdated to the period between April 2010 and April 2015 for Valuation Office Agency (VOA) alterations made before April 2016 and for ratepayers' appeals made before April 2015.

Final 2015/16 Local Government Finance Settlement

25. The final 2015/16 local government finance settlement was announced on 3 February. No indicative figures for 2016/17 were announced. However, until the settlement is agreed by parliament, this is still subject to change. The secretary of state will be presenting this settlement to parliament on 10 February 2015.
26. As part of the final settlement, it was confirmed that Southwark Council would lose further spending power in cash terms in 2015/16 of £20.4m as set out in this report. This excludes any allowance for inflation, pay awards or demand pressures.
27. This loss in spending power is in addition to loss of around £73.0m since 2011/12 as advised by the DCLG, again excluding price and demand pressures during that period. Southwark Council has been one of the worst affected councils in London by these austerity measures and that trend is set to continue into 2015/16.

Changes in Settlement Funding Assessment (SFA)

28. Final figures from the government show that Southwark Council faces a further £32.2m (14.2%) reduction in the Settlement Funding Assessment (SFA) in 2015/16. Total resources from government fall from £227.5m to £195.2m. The SFA excludes ringfenced specific grants such as Public Health.
29. The SFA reduction of £32.3m for Southwark Council comprises a loss in revenue support grant of £34.2m less the projected increase in retained business rates and top up of £1.9m. Overall this is an improvement of £0.7m since the report to Cabinet in January 2015.

30. This is a consequence of a combination of factors: the capped increases in the business rate multiplier; adjustments for the inclusion of 2014/15 council tax freeze grant; and the removal of funding for the carbon reduction scheme in 2015/16 revenue support grant. Since the January report, the government announced in the final settlement that Southwark would receive a further £0.7m to assist in local welfare and health and social care provision. These changes are set out in the table below.

	2014/15 £m	Provisional 2015/16 £m	Final 2015/16 £m	Change from 2014/15 £m
Retained business rates	(59.2)	(60.2)	(60.2)	(1.0)
Business rates top-up	(44.1)	(45.0)	(45.0)	(0.9)
Revenue Support Grant	(124.2)	(88.5)	(88.5)	35.7
Council Tax Freeze Grant		(0.9)	(0.9)	(0.9)
Carbon Reduction Scheme		0.1	0.1	0.1
Local welfare provision			(0.7)	(0.7)
Revenue support grant	(124.2)	(89.3)	(90.0)	34.2
Total SFA	(227.5)	(194.5)	(195.2)	32.3

Changes in spending power

31. Revenue spending power (RSP) was introduced by government as an indicator in 2011/12 and has become a measure to assess the impact of changes to grants on council budgets. Each year, the elements of the calculation may change, but the assessment currently includes :

- Revenue Support Grant
- Assumed funding from the local share of business rates
- Council Tax
- Council Tax Freeze Grant
- Public Health Grant
- Autumn statement measures grant
- New Homes Bonus Grant
- NHS funding (from 2015/16, Better Care Fund)
- Efficiency support grant (applies to councils with reductions in spending power greater than 6.4%, and therefore not available to Southwark)

32. The calculation excludes :

- income from fees and charges (including parking)
- investment income
- hypothecated grants which are passed on to third parties (e.g. Dedicated Schools Grant (DSG) and Housing Benefit Administration Grant)
- Education Services Grant (ESG)
- minor bid-based funding streams

33. The government reported an average loss in spending power across all local authorities of 1.7% for 2015/16. This average calculation importantly included

additional monies for ring fenced specific grants (e.g. Better Care Fund) where Local Authorities are not the sole administering authorities.

34. London faced an average 3.2% loss and London Council's modelling shows that Southwark's spending power will reduce by 5.7%, the second highest cash reduction in spending power in London (£20.4m) behind Hackney at 6.1%. (£20.7m).
35. Using the government's calculation, the average reduction for London authorities is 3.2% (inner London 4.8%, outer London 2.0%). The outer London decrease includes five boroughs with increased spending power ranging from Barnet at 0.2% (£.6m) to Richmond with a 1.8% increase (£3.1m)
36. As part of the government's final settlement documentation, the loss of spending power per dwelling is reported.
37. For Southwark, the £20.4m loss in spending power represents a loss per dwelling of £155 . The cumulative effect of the total reductions in spending power of some £94m represents a total loss of spending power per dwelling since 2010/11 of almost £700.

Council Tax, Retained Business Rates and Collection Fund

38. In addition to the retained business rate assumptions given by the government, authorities are able to generate additional resources through growth in the rateable value of business premises.
39. Development in Southwark continue to progress and as a result an estimate of £5.0m over and above the £60.2m included in the government's assumptions within SFA is being included within the budget proposals set out in this report. This is an increase of £2.5m on the estimated growth included in the 2014/15 budget.
40. A total of £65.2m is therefore included in the budget for retained business rates in 2015/16.
41. The collection fund is currently forecasting a net surplus in 2014/15. This surplus is now expected to be approximately £2.9m arising from an increasing taxbase, improved collection rates and the impact of fewer exemptions and discounts. The Council Tax Base report for 2015/16 was agreed by Council Assembly on 21 January 2015 and this is the basis for council tax income in this report. Allowance is made in the assumed levels of council tax income for the revised taxbase and improved collection rates.
42. The business rates collection account remains in deficit as the backlog of appeals in excess of £30m continues to be provided over five years in line with recommended accounting practice.

Changes in Grant Funding

New Homes Bonus and the local growth fund

43. The New Homes Bonus (NHB) commenced in 2010/11. It is calculated on the amount of extra council tax revenue raised from new-build homes and long-term empty homes brought back into use. There is also payment for providing

affordable homes. This was intended to release resources for local authorities to pay for the increased services resulting from the growth in dwellings.

44. Initially, NHB was set aside primarily to help resource the council's capital programme to encourage reinvestment across the borough and thereby to encourage more house building. Only a small proportion of NHB was directed to revenue purposes. In 2014/15, given the continued extent of funding reductions, it became necessary to redirect this resource to support the General Fund.
45. As previously reported, an element of Southwark's 2015/16 NHB and beyond will be top-sliced for use by the GLA (28%) for the London Enterprise Panel (LEP) programme.
46. Provisional figures announced in the settlement show that the general fund element of NHB for Southwark in 2015/16 will be £12.2m, an increase of £2m over the £10.2m funding level from 2014/15. However when the estimated top-slice of £3.4m (notification of the exact amount has not yet been formally received) is deducted, £8.8m will remain to support the General Fund budget. It is not clear whether this top-slice will continue in 2016/17.
47. Overall, this represents a net reduction in NHB of £1.4m over the sum included in the 2014/15 General Fund budget. This reduction has been included within the balanced budget proposals included in this report.

Autumn Statement Measures Grant

48. In the 2013 Autumn Statement, measures set out by the Chancellor of the Exchequer had an impact on the amount of business rates that local authorities could retain. These measures included a cap at 2% (RPI was running at 2.6% at the time) on the inflation increase of rateable values for 2014/15, the doubling of small business rates relief and retail relief.
49. To compensate for this, in July 2014 the government announced the Autumn Statement Measures Grant, and Southwark's reimbursement was £1.9m, being the sum lost as a result of the autumn statement measures.
50. It has been confirmed that the Autumn Statement Measures Grant will now continue into 2015/16 and as a result, an additional £1.9m has been included in the grant resources available in the 2015/16 budget proposals included in this report. This is a change from the assumptions reported to Cabinet in October 2014. The exact level of grant will remain unknown as it will be calculated by DCLG from the Council's NNDR1 (estimate of business rates for 2015/16). This return is scheduled to be completed by 31 January.

Housing Benefit Administration Grant, Localised Council Tax Support Grant and Council Tax Support

51. Since October 2014, provisional grant figures have been published and are included within this report. These show a grant loss of some £400k over 2014/15.

Better Care Fund (BCF)

52. The report to October cabinet included the assumption that the full £10.2m additional better care funding would be available for use by the council, as reflected in the DCLG's spending power assessment published as part of the

2014/15 settlement. At the time, a number of caveats were highlighted indicating that these resources would be pooled with the NHS and would not be fully controlled by the council and that the resources would be shared with the NHS.

53. Following the council's successful submission to NHS England (favourably received and approved by them) this specific funding line has been removed from the grant projections. The BCF will be used in accordance with the Health and Well being Board's approved submission.
54. Part of the agreement with the NHS relates to investment in the implementation of the requirements of the Care Act. Planning and implementation will continue through 2015/16 and will need to be continually reviewed in the context of the scale of the project and financial risks associated with it.

Council Tax Freeze Grant

55. The provisional grant settlement announcement confirmed that Council Tax Freeze Grant will continue to be paid in 2015/16 to a limit of a 1% increase on the current Band D rate. The settlement also confirmed that a local referendum would be required to approve any Council Tax increase above 2%.
56. This report is assuming that in line with previous years, the freeze grant will be accepted by the council and that there will be no increase in the Southwark Council element for 2015/16. On this basis, grant will be received of approximately £900k as a replacement for tax that would otherwise be billable.
57. The consequence of accepting the freeze grant relates principally to the loss in future years of any income generation by the council tax increase that has been foregone. There is a risk as the freeze grant is withdrawn or absorbed within general grant provisions of a net loss to the resources available.

Free Healthy School Meals

58. In 2014/15, £1.5m was included within the council's approved budget as an estimate of new grant to be received to reflect government's policy to introduce free school meals for reception year and years one and two. This scheme had already been implemented by the council for a wider range of children (reception to year six) and has been funded accordingly.
59. For 2015/16, further grant is expected of £860k and this has been included as part of the council's projected grant income. The total estimated for the Universal Infant Free School Meals grant for 2015/16 is now £2.36m.
60. It should be noted that this grant does not cover all of Southwark's free healthy school meals costs which, for 2015/16, amount to approximately £5.639m. This budget an extra £200,000 council funding as a result of the increasing numbers of pupils at Southwark schools.

Local Welfare Provision (Social Fund grant)

61. In 2013/14, as part of its welfare reforms, the government transferred some of the elements of the social fund, previously administered by the Department of Work and Pensions (DWP), to local authorities. The grant was set out for two years to be administered by local authorities. Southwark Council ringfenced this grant to

support its own Southwark Emergency Support Scheme (SESS) that has run successfully in support of those most in need in the borough.

62. In 2013/14 Southwark received £1.65m in Social Fund grant. In 2014/15, and renamed as the local welfare provision grant, this reduced to £1.63m.
63. In the final settlement the government have included additional resources of £0.7m (£74m nationally) to assist in local welfare and health and social care provision, ensuring that funding is available for the continuation of the Southwark Emergency Support Scheme (SESS).

Public Health Grant and Commissioning of 0-5 children's public health services

64. In April 2013 public health responsibilities were transferred from the NHS to local authorities. To enable local authorities to discharge their new responsibilities, a specific and ringfenced Public Health Grant was created. Southwark's allocation of Public Health Grant in 2013/14 was £21.8m, this increased to £22.9m in 2014/15, and has been frozen at this level for 2015/16.
65. Current modelling is based on the latest information on the public health grant. This budget includes some £22.9m public health grant, plus an estimated contribution from the CCG of £1.4m, a total of £24.3m.
66. On 11 December 2014 the government wrote to Chief Executives of all upper tier local authorities to confirm that from 1 October 2015 the commissioning of 0-5 year old children's public health services will transfer from NHS England to Local Authorities.
67. These services are vital to support families in giving children a healthy start and are therefore vital for life chances and communities across the country. This will include commissioning of the Healthy Child Programme including delivery of the health visiting service and FNP (Family Nurse Partnership) targeted services for teenage mothers.
68. Southwark's proposed costs for the six months of transfer in 2015/16 is £3.464m, (some £6.9m in a full year). The transfer of responsibility will be funded through an addition to the indicative 2015/16 public health grant. Similarly this grant will be ringfenced for the purposes set out.
69. It is currently being assumed that there will be no unfunded costs relating to these services falling on councils.
70. From April 2016, it is anticipated that the Public Health Grant will include all public health responsibilities transferred to Local Authorities from 1 April 2013 onwards, including 0-5 public health services. This is based on advice from the Advisory Committee on Resource Allocation (ACRA).

Actions to meet the challenge of the 2015/16 Budget

71. In general terms, but with the main exception of changing governance for the Better Care Fund monies, the council faces a budget gap not dissimilar to that expected following the indicative statement made by government alongside the 2014/15 final settlement.

72. Reports were submitted to cabinet through the course of 2014/15, updating them on the situation, especially in the context of emerging information and the Autumn Statement. In October 2014 a funding gap was reported to cabinet of £31.4m. A further report was presented to cabinet in December 2014.
73. These reports also drew attention to a range of budget pressures and other commitments, including those to meet council priorities. These have included the pressures of inflation and pay awards, concessionary fares, and the ethical care charter.
74. Throughout the year, all Strategic Directors and their teams have been taking a number of measures to help meet the challenge of delivering a balanced budget in 2015/16. These considerations have taken place alongside a detailed programme of consultation with the public and other key stakeholders. The results of this consultation are reflected within this report and the detailed proposals for each department are set out in the appendices.
75. This report consolidates this work and presents a draft balanced budget for 2015/16 for consideration by cabinet. In view of uncertainty over the government's funding arrangements for 2016/17 and beyond and the scale of the work needing to be completed to prepare further budget proposals impacting on council services, the Strategic Director of Finance and Corporate Services is seeking agreement from the cabinet to propose a one year budget only. This would be on the understanding that options for further savings in 2016/17 are drawn up early in the new financial year in response to funding levels and other factors being projected for the future by London Councils and others.
76. Arising from the proposals, there will be a number of staffing impacts as services are reviewed and rationalised and where they are fundamentally transformed. Detailed resource planning will be needed across these services to give certainty as to the precise numbers affected. At this time, it is estimated that as many as 200 posts may be lost, although some will be currently vacant or filled by agency placements or interims. There will also be some natural turnover. At all times, compulsory redundancies will be kept to a minimum, although it is almost certain that there will be some job losses. In all cases, these changes will be subject to consultation with individuals, staff groups and the trades unions.
77. The table below outlines the balanced budget proposal for 2015/16 in line with funding and resource considerations outlined above and budget proposals for each council service as detailed in the appendices to this report.

2015/16 Budget

Item	2014/15 Budget £m	2015/16 Balanced Budget £m
Resources		
Retained Business Rates (DCLG)	(59.2)	(60.2)
Business rates top-up (DCLG)	(44.1)	(45.0)
Revenue Support and other Grants, (including Public Health and other specific grants)	(146.0)	(120.5)
Total funding (inc Public Health and other new grant funding)	(249.3)	(225.7)
Council Tax and Retained Business rates		
Council Tax baseline	(76.9)	(78.2)

Item	2014/15 Budget £m	2015/16 Balanced Budget £m
Taxbase increase (2%)		(1.6)
Budgeted increase in collection levels by 0.25%		(0.2)
Estimated increase in business rate retained	(2.5)	(5.0)
Collection fund surplus	(1.3)	(2.9)
Total revenue from council tax & retained business rates	(80.7)	(87.9)
Total funding	(330.0)	(313.6)
2014/15 budget starting point (includes Public Health expenditure)	355.8	336.2
Inflation		
Employees (1.2% increase)	1.8	2.1
Contractual inflation	3.9	2.3
Commitments	8.4	4.7
Grants		
New Homes Bonus	(8.7)	1.4
Changes in grant related expenditure		3.6
HB admin subsidy, and council tax support:	0.0	0.4
Net change in council tax freeze grant	0.9	(0.9)
Net budget before proposals	362.1	349.8
Proposals		
Efficiencies and improved use of resources	(24.4)	(26.1)
Income generation	(1.0)	(2.9)
Savings impacting on service delivery	(0.5)	(1.0)
Total budget	336.2	319.8
Planned Contribution from Balances	(6.2)	(6.2)
Net budget after contribution from balances	330.0	313.6

78. The budget proposals include the prudent use of reserves, The Section 151 officer considers this level of reserve contribution appropriate given the current funding position. It should be noted that any under utilisation of contingency set aside in the 2014/15 budget will be the first call on this contribution.
79. 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 in order to reconcile resources with spending needs.
80. The 2015/16 budget proposals include a further £6.2m use of reserves. This contribution is consistent with both 2013/14 and 2014/15.

Budget Consultation – Engaging With The Community

81. As in recent years, the cabinet requested that community conversations took place across the borough through November and December. The consultation took place in the context of the scenario whereby the council would need to make savings of around £90m over the next three years. This estimate was established in the context of forecast reductions in central government funding and its

potential distribution as set out by London Councils and the Local Government Association.

82. These conversations included specific events at each of the five community councils and consulting people at pop-up street stalls at busy locations in the borough for example at East Street Market. The results of this consultation are set out in full in Appendix A of this report
83. Residents were also given the option of giving on-line feedback on the budget consultation exercise. Specifically, the survey asked residents where they would prefer to make savings and which services they would prefer to protect.
84. The results from this latest series of community conversations were compared with the 2013 conversations to look for any significant changes in local opinion. Over the last two years, more than 700 residents have participated in the consultation across all parts of the borough. This response has proved extremely helpful in understanding better local opinion, although it has been recognised repeatedly how difficult the choices have been as funding reductions have consistently demanded high levels of savings.
85. In general the pattern of findings for 2014 are not significantly different from 2013. Most significantly, it is clear that there is a preference among stakeholders to protect front line services and to focus savings on those items considered managerial or back office. This overriding priority is replicated in other surveys across the country. The consultation again demonstrated a preference especially to protect Children's and Adults' services. This again is reflected in budget consultations across the country.
86. Residents were also able to record any specific comments that they may have and more than 400 individual responses were received. A summary of these responses are included within appendix A.
87. The budget proposals contained within this report have considered fully the outcome of the consultation. Illustratively, it should be noted that the budget proposed includes further significant savings targets for the two central departments, the Chief Executive's Department and the Finance and Corporate Services Department. These departments provide the major part of the council's back office services. Where possible, savings in front line service departments also attempt to tackle management and administration costs in order to minimise the impact on the front line.
88. In addition, there are proposals for a number of projects to increase income to the council in an attempt to mitigate the impact of funding reductions on the level or quality of services.
89. Most importantly, the major elements of the budget proposals are concentrated on savings arising from efficiencies and redesign or configuration of services, seeking best practice and reducing unit costs.
90. Detailed commentaries from each of the departments and public health on their 2015/16 budget proposals identifying changes from commitments, efficiencies, income and savings, are included as Appendices to this report.

Medium Term Resources Strategy

91. In setting the budget the council needs to be mindful of the continued uncertainty with regards future funding particularly beyond 2015/16. These risks strengthen the importance of maintaining a robust MTRS within which to plan council business and sustain delivery of essential frontline services.
92. The current MTRS has been updated and a draft is attached as appendix L.

2016/17 and 2017/18 Policy and Resources Strategy

93. No indicative announcement has been made with regard to funding beyond 2015/16. However the Autumn Statement announcement that the government is committed to give local authorities and CCGs indicative multi-year budgets as soon as possible after the next spending review in 2015 is good news for future years' financial planning.
94. The effect of the reductions in non-ringfenced RDEL cash allocations for 2016/17 onwards are highlighted in paragraph 21. If applied to Southwark's provisional 2015/16 Settlement Funding Assessment, the impact would be as shown below.

	2015/16	2016/17	2017/18	2018/19	2019/20
RDEL change		(19.8%)	(18.2%)	(12.5%)	(10.7%)
Southwark SFA	£194.5m	£156.0m	£127.6m	£111.6m	£99.7m
Reduction		(£38.5m)	(28.4m)	(£16.0m)	(£11.9m)

95. If realised, the scale of this change in funding is significant with further loss of grant over the period to 2019/20 of approximately £100m. The council will wish to monitor closely the outcomes of the next spending review and to make representations insofar as cuts of this nature will inevitably compromise the consistency of services being delivered, both at a statutory and discretionary level.
96. Subject to the agreement of the 2015/16 budget, the council will wish to engage in forward planning as soon as possible in order to ensure that balanced budgets may continue to be achieved into the future.

Overview and scrutiny committee recommendations

97. On 2 February the overview and scrutiny committee (OSC) met to discuss the budget options reported to cabinet in January with cabinet members and chief officers. The following paragraphs contain the recommendations from OSC arising
98. Cabinet review the voluntary redundancy offer being made to employees at the council. OSC believes that an enhanced offer may attract more people, and make it possible to secure more long term savings. An enhanced offer should be contained in a new, formal voluntary redundancy policy which should be pro-actively advertised to staff.
99. OSC notes that many of the budget proposals require savings involving demand management and changing client behaviour. This means that for some proposed savings there is a risk that they will not be delivered. OSC recommends that officers bring back a report to the committee in six months' time to:

- review the progress in making savings and monitor the risk and impact of those savings
 - update the committee on the Better Care Fund
 - clarify the impact on staff in terms of voluntary and compulsory redundancies, and
 - assure the committee that opportunities for the Community Infrastructure Levy are being taken advantage of.
100. OSC notes the level of government funding and distribution across councils and recommends that the cabinet work with London Councils to set out a fairer case for councils like Southwark and put this to the DCLG.
101. Some of the savings proposed in the budget are rightly based on moving Southwark residents to digital interaction. Councillors should also set an example in this respect. OSC recommends that the relevant cabinet member looks into the possibility of reducing amount of paper documents sent to members, with a view to reducing the amount of money spent on printing council agendas and papers. Proposals should be based on a “bring your own device” model which is increasingly common in the workplace.
102. That council officers look into the possibility of introducing a staff bank approach for street cleaning, rather than making use of agencies to supply staff.

Next steps

103. This report will be submitted to council assembly for the annual budget and council tax setting meeting on 25 February 2015.

Community impact statement

104. Transparency and fairness form part of the seven budget principles and are an underlying principle in the Council Plan. As with the budget for 2014/15 and for previous years, each department is finalising equality analysis on its budget proposals ahead of the final decisions being taken.
105. 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 being undertaken to consider any cross-cutting and organisation-wide impacts.
106. For many services the budget proposals 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.
107. The development of equality analysis informs each stage of the budget process and work continues to update the analysis as further information becomes available throughout the cycle of planning and implementation.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

108. 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.
109. 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.
110. Decision makers must understand the effect of policies practices and decisions on people with protected characteristics.
111. Equality impact assessments are the mechanism by which the council considers these effects. The report sets out how it is proposed equality impact assessments will be undertaken in relation to the budget proposals.
112. 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

113. 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.
114. Under the council's constitution there is a requirement for the OSC to review and challenge budget proposal. This took place on 2 February 2015, and recommendations arising from this meeting are included in paragraphs 97 to 102 of this report...

REASONS FOR LATENESS

115. To enable the recommendations from OSC, and final settlement figures to be incorporated into the report.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Policy and Resources 2014/15 to 2016/17: cabinet 28/01/14	160 Tooley Street PO Box 64529 London SE1P 5LX	Jennifer Seeley 020 7525 0695
Link: http://moderngov.southwark.gov.uk/documents/s43572/Report%20Policy%20and%20Resources%20Strategy%20201415%20to%20201617%20-%20Provisional%20Settlement.pdf		
Autumn Statement 2014 Briefing – LGA	LGA website	Local Government Association
Link: http://www.local.gov.uk/documents/10180/5533246/On+the+Day+Briefing+Autumn+Statement+2014.pdf/bc59ad98-25f2-4188-a166-c0511d2d3ba2		
Autumn Statement Briefing 2014 – London Councils	London Councils Website	London Councils
Link: http://www.londoncouncils.gov.uk/policylobbying/localgovernmentfinance/publications/autumnstatement2014.htm		
Provisional 2015/16 LG settlement briefing – LGA	LGA website	Local Government Association
Link: http://www.local.gov.uk/documents/10180/5533246/LGA+On+the+Day+briefing+Provisional+LG+Finance+Settlement-201516.pdf/4ce0905f-d881-4426-8a7b-9755ec6d26bc		
Provisional 2015/16 LG settlement briefing – London Councils	London Councils website	London Councils
Link: http://www.londoncouncils.gov.uk/policylobbying/localgovernmentfinance/publications/localgovfinancesettlement.htm		
The 2014 National Audit Office report on the Financial Sustainability of Local Authorities	NAO website	National Audit Office
Link: http://www.nao.org.uk/wp-content/uploads/2014/11/Financial-sustainability-of-local-authorities-20141.pdf		

APPENDICES

	Title
A	Consultation Responses and analysis
B	Supporting Narrative for Budget Proposals – Children’s and Adult Services
C	Supporting Narrative for Budget Proposals – Chief Executive’s Department
D	Supporting Narrative for Budget Proposals – Environment and Leisure
E	Supporting Narrative for Budget Proposals – Finance and Corporate Services
F	Supporting Narrative for Budget Proposals – Housing and Community Services
G	Supporting Narrative for Budget Proposals – Public Health
H	Proposed growth and commitments
I	Proposed efficiencies and improved use of resources
J	Proposed income generation
K	Proposed savings impacting on service delivery
L	2015/16 to 2017/18 Medium Term Resources Strategy

AUDIT TRAIL

Cabinet member	Councillor Fiona Colley, Cabinet member for finance, strategy and performance	
Lead officer	Duncan Whitfield – Strategic Director of Finance & Corporate Services	
Report author	Jennifer Seeley – Deputy Finance Director	
Version	FINAL	
Dated	6 February 2015	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to constitutional team		6 February 2015