

<b>Item No.</b> 10.	<b>Classification:</b> Open	<b>Date:</b> 26 June 2013	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Policy and Resources Strategy 2014/15 - Revenue Budget - Initial Financial Remit	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Richard Livingstone, Finance Resources and Community Safety	

## **FOREWORD - COUNCILLOR RICHARD LIVINGSTONE, FINANCE, RESOURCES AND COMMUNITY SAFETY**

This council continues to face massive budget pressure as a consequence of the unprecedented cuts from government. Southwark Council has had the eleventh highest level of cuts per head of all English councils after the first three years of those cuts.

This report looks forward to the budget that the council will be setting for the 2014/15 financial year and identifies a £23m budget gap that needs to be addressed, even once new money coming in is considered. The sound financial management of the council in this period of decreasing funding from government means that there are some resources, such as reserves and balances, that we may be able to use to address part of this shortfall. Nevertheless, the scale of the £23m budget gap will entail some difficult decisions about services too.

For this reason, this report signals the start of a consultation process with the community to enable their full participation in helping us decide where savings should be made. At the same time, officers will be working hard to review all areas of expenditure to ensure that this council is spending every pound as effectively as possible. These pieces of work will inform budget options that will be presented in the autumn.

## **RECOMMENDATIONS**

That cabinet:

1. Note the provisional funding settlement for 2014/15 as announced by Government in December 2012, including lost spending power of £20.6m as adjusted.
2. Note that the forthcoming Spending Round announcement is due on 26 June 2013 and that this contains the potential for further reductions in funding to local government over the next two years.
3. Note the emerging pressures on council budgets for future years including general and contractual inflation, pay awards and general demand pressures across services.

4. Reaffirm their commitment to the ten fairer future promises as set out in the Council Plan and Medium Term Resources Strategy (MTRS) and the seven budget principles to guide and underpin the work of officers in arriving at a balanced budget proposal for 2014/15.
5. Instruct officers to continue to work on budget options for a balanced budget in 2014/15 for presentation to the cabinet in the autumn of 2013, following a programme of public consultation over the summer.

## **BACKGROUND INFORMATION**

6. In February 2013, Council Assembly agreed the 2013/14 revenue budget as the third year of a three year notional plan set out in February 2011. While a provisional settlement for 2014/15 had been announced in December 2012, this left little time to consider real options for preparing a balanced budget option for 2014/15. Consideration was deferred until the spring of 2013.
7. Not least, the provisional settlement for 2014/15 indicated a loss in spending power for the council of £21.4m arising from the net loss of government funding. This loss, while since adjusted by government as part of the final draft settlement for 2014/15 to £20.6m, represents another significant challenge for the council.
8. This report is a scene setting report for the 2014/15-2016/17 budget process. The budget will be prepared in the context of a number of fundamental changes and issues which affect the resources available to and demands upon the council.
9. Since the government announcement of an indicative 2014/15 settlement amount, they have announced that a spending review will take place in 2013. The announcement is currently expected on 26 June and is expected to include further cuts in local government funding in 2015/16 and possibly 2016/17. Due to these issues, the council does not have certainty over the funding available for 2014/15 or for any year beyond.
10. The budget for 2014/15 will be prepared in the context of a three year budget framework (2014/15-2016/17). It is intended that a draft budget will be prepared for agreement by council assembly in November 2013, with the final budget agreement and council tax setting in February 2014 by which time government should have confirmed the final settlement for each local authority.
11. As part of the scene setting for 2014/15 there are known pressures or matters to be taken into consideration. These matters are listed here and explored further in the report:
  - Indicative 2014/15 start up funding
  - Council Tax freeze grant for 2014/15
  - impact of the census
  - Public Health Transfer
  - Pay Award
  - General and Alternative Inflation
  - Use of Balances
  - New Homes Bonus

## **Recent Funding Settlements**

12. The period from February 2011 which established the three year framework has seen considerable changes to the council, with the savings amounting to £87.1m, and investment in council priorities, commitment and growth of £34.0m. In this period a total of £62.6m of specific grant was transferred to formula funding, a significant amount of this funding has been cut, effectively reducing the resources available to the council
13. Indicative government figures for 2014/15, published as part of the 2013/14 settlement suggest that Southwark will receive £24.4m (9.6%) less than in 2013/14.
14. In the absence of any more certain information the proposals for 2014/15 are included in this report. Assumptions on 2015/16 and 2016/17 are included as footnotes in the Provisional Indicative budget for 2014/15 to 2016/17 table in paragraph 65.

## **KEY ISSUES FOR CONSIDERATION**

### **Revenue spending power**

15. The term “revenue spending power” was first introduced by the government as part of the 2011/12 Local Government Finance Settlement. It is made up of formula grant plus council tax income along with a selection of specific grants and NHS support for health and social care.
16. 2011/12 was the first year of the major cuts in government funding of local authorities. Based upon the spending power the Secretary of State announced average local authority grant reductions of 4.4% with no authority to experience reductions of more than 8.9% in 2011/12. For those authorities experiencing cuts beyond this level an £85m Transition Grant was introduced for 2011/12 and £14m in 2012/13. Southwark was not eligible for transition grant in either year. No transition grant was given in 2013/14.
17. As part of the 2013/14 finance settlement the government announced indicative spending power figures for 2014/15. Based on these figures, Southwark will incur a £20.6m reduction (6.0%). This compares with a reduction for Inner London of £198.4m (5.9%) and £380.7m (4.9%) for all London authorities. At a national level the reduction is £1,867.3m (3.8%).
18. These reductions for Southwark in 2014/15 follow on from the loss of £33.7m (8.4%) in 2011/12, £16.9m (4.6%) in 2012/13 and £3.9m (1.1%) in 2013/14. 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.
19. The table below shows the reduction in spending power (excluding |Public Health) 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)	(3.9)	(1.1)	(20.6)	(6.0)
Inner London	(303.3)	(7.8)	(175.1)	(4.9)	(34.8)	(1.0)	(198.4)	(5.9)
London	(514.8)	(5.9)	(325.3)	(4.0)	(80.3)	(1.0)	(380.7)	(4.9)
England	(2,578.50)	(4.7)	(1,742.90)	(3.3)	(828.3)	(1.7)	(1,876.30)	(3.8)

20. Since 2010/11, Southwark will have lost a total of £75.1m revenue spending power by 2014/15.
21. Revenue Spending Power masks the reduction in formula grant. In 2011/12 Southwark's spending power was 8.4% while the reduction in formula grant was 11.3%. For 2014/15, the reduction in spending power is 6.0%, while the reduction in start up funding is 9.6%.
22. The difference between the reductions in start up funding and revenue spending power are due to increases in specific grants, mainly New Homes Bonus, which do allow local authorities to spend more, do not form part of the council tax requirement or budget requirement calculations, and as such do not affect year on year budgeting decisions.
23. The movements contributing to the reduction in spending power are included in the table below

Southwark	2013/14	2014/15	Change	Change
	£m	£m	£m	%
<b>Start-up Funding Assessment</b>	<b>253.372</b>	<b>228.954</b>	<b>-24.418</b>	<b>-9.64%</b>
Council tax	91.243	91.243	0.000	0.00%
Council tax support grant	-18.571	-18.571	0.000	0.00%
Lead Local Flood Authorities	0.255	0.255	0.000	0.00%
Social Fund Admin Grant	0.288	0.264	-0.024	-8.33%
Community Right to Challenge	0.009	0.009	0.000	0.00%
Community Right to Bid	0.008	0.008	0.000	0.00%
CT Freeze 2013-14	0.929	0.929	0.000	0.00%
New Homes Bonus	8.061	10.940	2.879	35.72%
New Homes Bonus adjustment	0.858	1.525	0.667	77.74%
Local Reform and Community Voices DH revenue grant	0.275	0.284	0.009	3.15%
NHS funding to support social care and benefit health	5.621	5.890	0.269	4.79%
<b>Revised Spending Power at final settlement</b>	<b>342.348</b>	<b>321.730</b>	<b>-20.618</b>	<b>-6.02%</b>
Public Health	21.809	22.946	1.137	5.21%
<b>Revised Spending Power at final settlement</b>	<b>364.157</b>	<b>344.676</b>	<b>-19.481</b>	<b>-5.35%</b>

24. Revenue Spending power does not include allowances for increased demand, population changes, general or contractual inflation or pay awards.

## Indicative 2014/15 start up funding from 2013/14 settlement

25. The 2013/14 budget was the first prepared in the context of fundamental changes to the way councils were resourced. The 2013/14 budget setting process was made more difficult by the late timing of the settlement, 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. These issues were explained in a report to cabinet in February 2013 and included:

- changes to the local government financing system, including localisation of business rates
- changes to formula funding that affected the calculation of the council's baseline spending
- changes to the treatment of specific grants, such as the Early Intervention Grant (EIG)
- the localisation of council tax benefit, including its impact on the calculation of the council tax base
- council tax reform including changes to exemptions and discounts such as that for second homes

26. Given the material changes outlined above, it is important that both spending and resources are monitored closely in 2013/14. Information gained will be used to support the development of the 2014/15 budget proposals.

27. For Southwark, the government's calculation of start up funding comprises of the following:

	<b>2013/14 Start up Funding £m</b>	<b>2014/15 Indicative Funding £m</b>
<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>228.96</b>

28. For the transition to the business rates retention system, the government calculated for each local authority a baseline funding level for 2013/14. For Southwark this was £101.222m. For 2014/15 the government's indicative allocation has uplifted this by 3%, the government's estimate of RPI for September 2013, to £104.33m.

29. A business rates base line is also calculated for each local authority. For Southwark this is £96.57m representing 0.0089% (rounded) of a national retained shared total of £10.899bn. For 2014/15 this had been inflated to

£99.53m. This is after 50% has been passed to government. A further 40% of Southwark's baseline amount (20% after the government share) is passed on to the Greater London Authority (GLA), leaving £59.72m, see below.

	2013/14 £m	2014/15 £m
Net forecast rate yield	193.14	199.06
Less: amount to be paid to central government (50%)	(96.57)	(99.53)
<b>Business rate baseline</b>	<b>96.57</b>	<b>99.53</b>
Less amount to be passed on to the GLA (40% of business rates baseline, 20% of net rate yield)	(38.63)	(39.81)
<b>RBR income for Southwark Council (30%)</b>	<b>57.94</b>	<b>59.72</b>

30. This figure is deducted from the baseline funding to determine the top-up or tariff. Southwark will receive an indicative top-up of £44.61m in 2014/15.
31. The 2014/15 adjusted baseline funding of £104.33m is then deducted from the start up funding of £228.963m to determine the amount of revenue support grant. For Southwark this will be £124.63m.
32. The total of each of the above elements of the retained business rates system matches the start up funding as can be seen below. For 2014/15 the government have assumed a 3.0% inflation rate for the uplift of the baseline funding amount.

	2013/14 £m	2014/15 £m	Change £m	Change %
Retained Business Rates (RBR)	57.94	59.72	1.78	3.0%
RBR top up from government	43.28	44.61	1.33	3.0%
<b>Baseline funding level</b>	<b>101.22</b>	<b>104.33</b>	<b>3.11</b>	<b>3.0%</b>
Revenue Support Grant (RSG)	152.15	124.63	(27.52)	(18.1%)
<b>Total Funding</b>	<b>253.37</b>	<b>228.96</b>	<b>(24.41)</b>	<b>(9.6%)</b>

33. In addition to the rate of inflation used to uplift the baseline, actual retained business rates income for 2014/15 will be dependent on the assessed rateable values, effect of appeals and collection rates. An NNDR1 return to estimate this will be submitted by the council to DCLG in January 2014. The net rate yield from the NNDR1 report is then adjusted to take account of the central government (50%) and GLA share (20%).
34. As highlighted in budget papers for 2013/14, when any new scheme of this material significance is introduced, it may take a little time for the operation of the scheme to be fully understood and modelled. Experience during 2013/14 will be used to inform projections for 2014/15 moving forward.
35. The retained business rates scheme 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 resources available and therefore on resources available to fund and to provide services.

36. Although the business rates retention scheme includes 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.

### **Council Tax freeze grant for 2014/15**

37. In 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 2013/14 Southwark will receive around £929k. Local authorities taking this grant will also receive the same amount in 2014/15 to avoid a cliff edge.
38. Southwark council tax has remained frozen since 2008/09.
39. While the council tax freeze grant is positive for council tax payers, it limits flexibility for the council and will ultimately lead to a budget gap when the grant finishes.

### **The impact of the census and mid year population estimates**

40. The data used to determine start up funding is now frozen, population and other factors that traditionally affected the funding formula will not be reviewed until preparations begin for the 2020/21 settlement at the earliest.

### **Public Health Transfer**

41. Responsibility for public health transferred from the NHS to local government on 1 April 2013.
42. For 2013/14 Southwark will receive a ring fenced grant for public health to meet the cost of these new responsibilities of £21.809m, however it is unclear whether the resources allocated to fund these new responsibilities will be sufficient to meet the costs. Close revenue monitoring during 2013/14 will seek to identify any unfunded pressures.
43. The government have announced that this grant will increase to £22.946m in 2014/15, an increase of £1.137m.
44. Budgets for public health are held within the Chief Executive's, Children's and Adult's services, and Environment and Leisure departments, with overall responsibility being held by the Strategic Director of Children's and Adults' services.

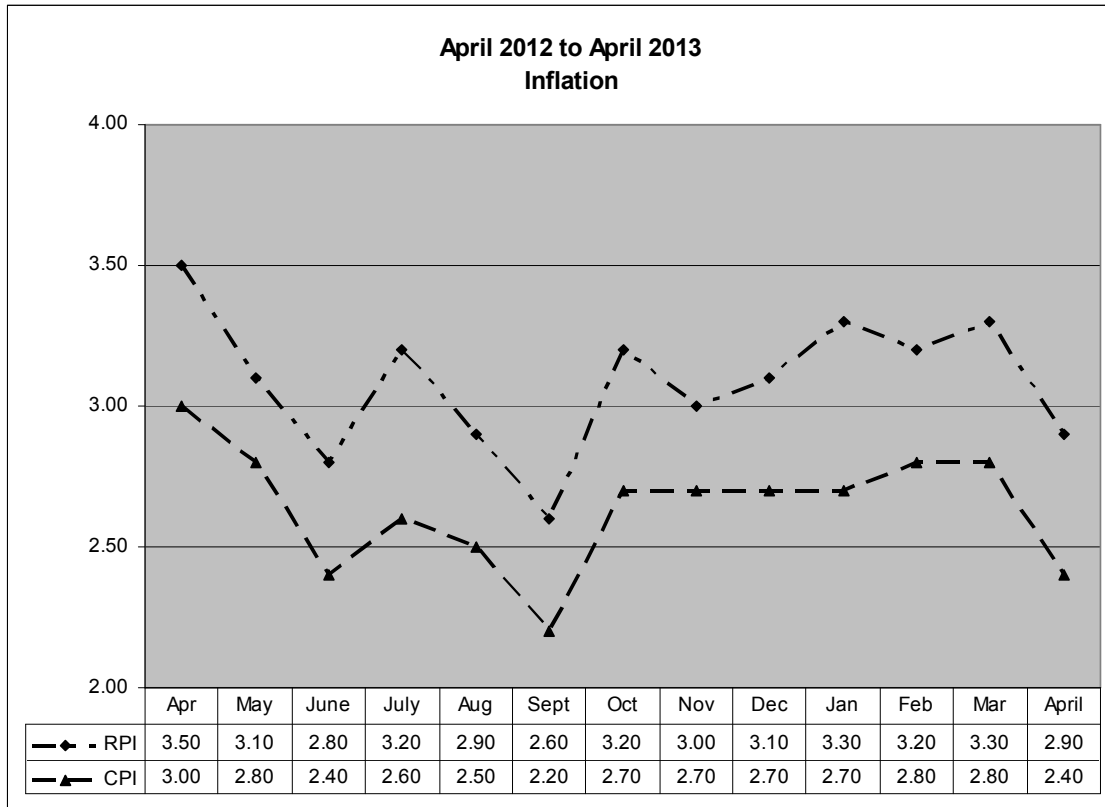
## **Pay Award**

45. Public sector pay has not increased since 2009/10, the two year public sector pay freeze announced by the government in the emergency budget on 22 June 2010 froze pay for 2011/12 and 2012/13.
46. The November 2011 Autumn Statement set public sector pay increases at an average of one per cent for the two years after the current pay freeze comes to an end (i.e. for 2013/14 and 2014/15).
47. In Southwark, there has been no NJC pay award since April 2009 and so there has been a Southwark pay freeze for four years, apart from the low wage payments and the change in April 2012 when the minimum spinal column point payable was amended to reflect the council's commitment to pay London Living Wage as a minimum full time salary.
48. The 2013/14 budget agreed in February 2013, contained provision for a 1% increase. In April 2013 a 1% pay award was offered by local authority employers for 2013/14.
49. Current estimates therefore include a further 1% for a 2014/15 pay award at a cost of £1.6m

## **General Inflation**

50. From March 2013, the Office for National Statistics (ONS) began publishing two new indicators, CPIH and RPIJ. CPIH will be similar to the Consumer Price Index (CPI) but includes a measure of owner occupiers' housing costs based on how much it would cost them to rent similar properties. RPIJ has the same coverage as the RPI but uses a different formula for aggregating some price changes, which produces a lower measure of inflation.
51. The ONS also announced that RPI inflation numbers will no longer be National Statistics, although will still be reported, RPIX will no longer be measured. It is unclear how these decisions will affect indexation of contracts currently using RPIX.
52. Due to pressure on budgets, no allowance for general inflation effects has been provided for in the budget since 2010/11. On 21 May 2013, ONS announced the inflation statistics for April 2013. The reported indicators show CPI at 2.4% (0.4% reduction from March), RPI 2.9% (again 0.4% down on the March index).
53. The chart below shows the movement in inflation from April 2012 to April 2013. Over the course of the year all inflation rates have reduced against their 2012 figures, and after rising from their lowest position since 2009 in September 2012 between October and March, have again begun to fall.





54. Running costs budgets amount to some £150m for 2013/14, with CPI currently at 2.4% and RPI at 3.9% after taking account of alternative inflation of £2.4m, explained in paragraph 55 below, Southwark are absorbing inflationary pressures of £2.0m and £1.2m respectively.

#### **Alternative Inflation**

55. The council also calculates “alternative inflation” which covers things like long term contracts tied to industry specific rates of inflation (e.g. contracts, utilities, etc). Alternative inflation does not have a single rate and current provisional estimates show alternative inflation at £2.2m for 2014/15.
56. As shown above, as RPI inflation numbers will no longer be National Statistics, although will still be reported, and RPIX will no longer be measured. At this stage it is unclear how these decisions will affect indexation of contracts currently using RPIX. Officers are reviewing the alternative indicators for inclusion in future contracts, and for existing contracts which note RPI indicators will be working with contract managers to agree how the annual reviews are to be measured.
57. The council will continue to work closely with its contractors to achieve efficiencies, and to get maximum value for money from the considerable spend on contracts. Current projections assume that contractual inflationary increases will slow over time.

#### **Use of balances**

58. Following the unprecedented reductions in government grant for 2011/12, and the short notice given by the government to identify savings, £3.4m was taken

from reserves to support the 2011/12 budget setting process. For 2012/13 an additional £1.0m was taken from reserves.

59. The 2013/14 budget agreed by council Assembly on 27 February 2013 included an additional £1.8m, a total contribution from reserves of £6.2m.
60. The scale of budget reductions required for 2014/15-2016/17 means that it is unlikely that a balanced budget will be achievable from departmental savings alone, and further calls on reserves are almost inevitable. The model presented in paragraph 65 assumes £6.2m contribution from reserves in each of the years 2014/15, 2015/16 and 2016/17.

### **New Homes Bonus**

61. The government intends to maintain its commitment to continue the incentive for local authorities to deliver housing growth, and to do this future funding will be taken from the overall revenue spending review control total at a level to meet the full commitment of the scheme.
62. From 2013/14, for each of the seven years of the reset period, the government will be removing resources from the overall control total to meet their estimate of New Homes Bonus (NHB). NHB will be calculated in the same way, and any surplus resources will be returned to authorities at the same proportion as it was taken as a specific grant (New Homes Bonus adjustment). The total anticipated NHB in 2014/15 is £10.94m, which is an increase of £2.879m on the anticipated 2013/14 figure.
63. Essentially, from 2013/14 NHB is a revenue resource. Currently £1.5m of NHB is earmarked to the general fund, the remainder is used to fund capital. To assist in moving to a balanced budget for 2014/15 the increase in anticipated NHB will be applied directly to revenue and therefore the revenue contribution will be increased by £2.9m to a total of £4.4m.

### **Latest 2014/15 – 2016/17 indicative budgets**

64. The 2013/14 agreed by council assembly in February 2013 was the final year of a three year budget strategy. It is intended that 2014/15 will begin a further three year strategy.
65. The table below shows the 2013/14 budget, plus early indicative 2014/15 budget on the basis of a number of high level assumptions. These assumptions are explained in the footnotes, although these will need to be tested and revised as appropriate as the 2014/15 budget is constructed for approval by cabinet and by council assembly.

#### **Provisional Indicative budget for 2014/15**

	2013/14	Indicative 2014/15
	£m	£m
Previous year budget <sup>1</sup>	341.2	334.0
Inflation <sup>2</sup>	4.0	3.8
Commitments <sup>3</sup>	9.6	1.5
Savings <sup>4</sup>	(24.9)	(1.1)
Social fund	(1.7)	

	2013/14	Indicative 2014/15
	£m	£m
Net change in council tax freeze grant.	1.4	0.0
Fall out of contribution (from) / to balances	4.4	0.0
<b>Total Budget</b>	<b>334.0</b>	<b>338.2</b>
<b>Funded by</b>		
Start up funding allocation (SUFA) <sup>5</sup>	(253.3)	(228.9)
Growth in NNDR <sup>6</sup>	0.7	(2.0)
Council tax <sup>7</sup>	(74.3)	(75.2)
Collection fund (surplus) / deficit <sup>8</sup>	(0.9)	-
Application of growth in new homes bonus <sup>9</sup>		(2.9)
<b>Total Funding</b>	<b>(327.8)</b>	<b>(309.0)</b>
<b>Budget shortfall</b>	<b>6.2</b>	<b>29.2</b>
Contribution (from) / to balances <sup>10</sup>	(6.2)	(6.2)
<b>Revised budget shortfall</b>	<b>0.0</b>	<b>23.0</b>

Note 1 - 2012/13 budget (previous years budget for 2013/14) has been adjusted by £32.9m rolled in specific grants.(£341.2m = £308.2m + £33.0m)

Note 2 - Inflation Assumes a 1% pay award for 2014/15 (£1.6m), no general inflation, and a reducing level of contractual inflation of £2.2m.

Note 3 - commitments are an increase in concessionary fares at £0.5m and an increase in pension contributions of £1m

Note 4 - savings are £1.1m additional Tooley Street savings.

Note 5 - Assumes no change to the indicative 2014/15 funding reduction of £24.4m announced by the government as part of the 2013/14 settlement.

Note 6 - growth in retained share of NNDR of £2m

Note 7 - Assumes 0% increase in council tax, a 1% per annum increase in tax base giving £0.7m and a 0.25% increase in collection rate giving £0.2m

Note 8 - No estimate is currently available for 2013/14 collection fund (surplus) / deficit. This will be monitored through the year and reported as part of the quarterly revenue monitoring reports.

Note 9 - Application of an anticipated additional £2.9m new homes bonus in 2014/15 directly to revenue –rather than applying the additional funding to support the capital programme, as shown in paragraph 63

Note 10 – Use of £6.2m of balances as shown in paragraph 60

66. Although the council would seek to prepare an indicative three year budget, there are substantial uncertainties in predicting the level of resources available for 2015/16 and 2016/17.

67. Assumptions may be made about possible pay awards, contractual and general inflation, but these are in part based on predictions of future inflation rates so cannot be robust at this stage.

68. Indicative view is that there will be a reduction of between 2.5 and 3.5% in the start up funding allocation in for both 2015/16 and 2016/17.

69. Indicative view is that the council could plan on the basis of around 1% increase in the council tax base and 0.25% increase in council tax collection rates for 2015/16 and 2016/17. However monitoring in 2013/14 will be vital in testing the robustness of these assumptions. The full effects of the localisation of council tax benefits and other welfare reform changes are not yet fully manifest.

### Specific grants

70. In addition to Public Health Grant, New Homes Bonus and Council Tax Freeze grant, Southwark is still in receipt of a number of specific grants, although not at the same level as in previous years.

Grant	Department	2013/14 £m	Indicative 2014/15 £m	Variance £m
PFI – Education	A&CS	4.414	4.414	0.000
Housing Benefit Subsidy Admin grant	F&CS	3.751	0.000	(3.751)
PFI – Waste	E&L	2.776	2.776	0.000
Social Fund	Corporate	1.363	1.363	0.000
Social Fund administration	Corporate	0.288	0.264	(0.024)
Local Reform and Community Voices	A&CS	0.275	0.284	0.009
Lead Local Flood Authorities	Corporate	0.255	0.255	0.000
Council Tax Support – New Burdens	F&CS	0.242	0.203	(0.039)
<b>Total</b>		<b>13.364</b>	<b>9.559</b>	<b>(3.805)</b>

71. By far the biggest reduction in 2014/15 is the £3.8m loss of Housing Benefit Subsidy Admin grant following the transition from housing benefit to universal credit. This follows on from the £0.5m reduction in 2013/14 when council tax benefit administration was removed.
72. Increases and decreases in specific grants do not affect the overall funding total, but will have to be managed within departmental control totals, outside of the budget savings requirement exercise.

### Housing Revenue Account (HRA)

73. The draft HRA rent setting and budget report is planned to be presented to cabinet in December 2013, and the final report is planned to be presented in January 2014.

### Capital Programme

74. In July 2011, Council Assembly agreed the recommendations of the cabinet for a ten year general fund capital programme 2011-21 of £351m. This was refreshed and agreed by cabinet on 25 September 2012 to give a programme for 2012-22.
75. In October 2011 cabinet agreed a five year Housing Investment Programme to the value of £326m, and the 25 September 2012 report to cabinet reported forecast expenditure of £403m. This programme will be key in delivering the council's priority of ensuring all council homes are warm, dry and safe.

## Community impact statement

76. Transparency and fairness form part of the seven budget principles and are an underlying principle in the Council Plan. As with the 2013/14 budget, each department will undertake equality analysis on its budget proposals.
77. 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.
78. The equality analysis undertaken will build on previous analysis including the equality impact assessments carried out as part of 2013/14 budget setting and the equality analysis undertaken on decisions to implement the budget this year. The development of equality analysis will commence now to ensure that it informs decision making at each stage of the budget process.

## Consultation

79. This report lays out the initial financial remit for 2014/15 and asks officers to continue to work on budget options for a balanced budget in 2014/15 for presentation to the cabinet in the autumn of 2013, following a programme of public consultation over the summer.

## Next steps

80. Taking account of all the information contained in this report a further report will be presented to cabinet on 16 July, this will begin the public consultation process, with further reports to cabinet in September and October 2013.
81. The 22 October report will form the basis for a draft budget report to council assembly on 27 November 2013. However it is unlikely that the provisional 2014/15 finance settlement will have been announced in time for this to be included.
82. A further report will be presented to cabinet on 28 January 2014, following agreement of the 2014/15 tax base (Council Tax and NNDR) at council assembly, and receipt of at least a provisional settlement.
83. This will be in advance of the Overview and Scrutiny Committee meeting to discuss the budget proposals in February 2014. A full report will be presented to cabinet on 11 February 2014. The budget will be proposed to council assembly on 26 February 2014.
84. A timetable of scheduled meetings leading up to council tax setting on 26 February is shown below, as detailed on the forward plan.

16 July 2013	Cabinet	Policy and Resources Strategy 2013/14 - 2015/16 – revenue budget consultation
17 September 2012	Cabinet	Policy and Resources Strategy 2013/14 - 2015/16 – revenue budget consultation outcome

22 October 2013	Cabinet	Policy and Resources Strategy 2013/14 - 2015/16 – scene setting report and revenue budget options
October / November	Overview and Scrutiny Committee	To review the scene setting report
27 November 2013	Council Assembly	Draft 2014/15 budget Council Tax Reduction Scheme
10 December 2013	Cabinet	Policy and Resources Strategy 2014/15 - 2016/17: provisional settlement
22 January 2014	Council Assembly	2014/15 Council Tax Base and NNDR
28 January 2014	Cabinet	Policy and Resources Strategy 2013/14-2015/16 revenue budget
February 2014	Overview and Scrutiny Committee	To review the draft revenue budget
11 February 2014	Cabinet	Policy and Resources Strategy 2013/14-2015/16 revenue budget
26 February 2014	Council Assembly	Policy and Resources Strategy 2013/14-2015/16 revenue budget
26 February 2014	Council Assembly	Setting the Council Tax 2013/14

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Legal Services**

85. 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.
86. 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 goods relations between people who share protected characteristics and those who do not.
87. Decision makers must understand the effect of policies practices and decisions on people with protected characteristics.
88. Equality impact assessments are the mechanism by which the council considers these effects. The report author at paragraphs 57 to 59 sets out how it is proposed equality impact assessments will be undertaken in relation to the budget proposals.

89. 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.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Policy and Resources 2013/14 to 2015/16: cabinet 12/02/2013	160 Tooley Street London SE1 2QH	<a href="http://modern.gov.southwark.gov.uk/documents/s35390/Report%20Policy%20and%20Resources%20201314%20to%20201516.pdf">http://modern.gov.southwark.gov.uk/documents/s35390/Report%20Policy%20and%20Resources%20201314%20to%20201516.pdf</a>

## APPENDICES

No:	Title
None	

## AUDIT TRAIL

<b>Cabinet member</b>	Cllr Richard Livingstone, Finance Resources and Community Safety	
<b>Lead officer</b>	Duncan Whitfield, Strategic Director of Finance & Corporate Services	
<b>Report author</b>	Jennifer Seeley, Deputy Finance Director	
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<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
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to constitutional team</b>		17 June 2013