

Item No. 8.	Classification: Open	Date: 11 December 2018	Meeting Name: Cabinet
Report title:		Policy and Resources Strategy 2019-20	
Ward(s) or groups affected:		All	
Cabinet Member:		Cabinet member for finance, performance and brexit	

FOREWORD - COUNCILLOR VICTORIA MILLS, CABINET MEMBER FOR FINANCE, PERFORMANCE AND BREXIT

This report sets out in detail the council's budget position for 2019-20 and our proposals to balance the budget. Yet again Southwark Council faces significant funding cuts with a further loss of £8.6m of general government funding. These funding cuts come at a time of continuing demands and pressures on our services, particularly social care, children's services, education, homelessness and welfare support.

Whilst we welcome the additional one-off social care grant of £4.3m announced as part of the Autumn Budget and the previously announced growth in the Improved Better Care Fund of £3.2m, this only goes part way to meeting the growing demands on children's and adult's social care services. We still await the promised Green Paper on the long-term funding of Adult Social Care and remain concerned that the Government's Budget statement made no mention of any long-term plan for social care funding.

The indicative budget proposals include £5m of Adult Social Care savings in 2019-20 offset by commitments of £4.7m. This demonstrates the investment of the increased Improved Better Care Fund (£3.2m) in protecting homecare, reablement and bed-based care packages and transformation work to improve the health, wellbeing and resilience of vulnerable residents.

We also face significant challenges in Children's Services and Education. Children's Services provide vital support for vulnerable children in our borough and we face great pressures in terms of the cost of placements, particularly residential care for looked after children. Thanks again to the work of our Budget Recovery Board we are able to propose £1.1m of efficiency savings in this area, but to make the budget sustainable we will also inject a further £3.3m for a net growth in the Children's Services budget of £2.2m.

In Education, reduced grant and funding continue to impact on the budget, as well as the increasing demand for statutory SEN education and home to school transport. There are significant pressures on schools funding via the Dedicated Schools Grant. Demand and cost pressures are particularly acute on the High Needs Block where government funding is insufficient. As at 31 March 2018 there was an accumulated deficit of £4.1m, which is forecast to increase to £11m by the end of 2018-19. The council continues to work with the Southwark Schools Forum on a deficit recovery plan, which includes proposals for reductions in central retentions, block transfers as well as reductions in funding to settings. This will be subject to full consultation and equalities impact assessment.

Whilst Southwark is recognised nationally as a leading authority in homelessness prevention, statutory and policy obligations, increasing demand and restricted housing supply mean that temporary accommodation remains a particularly challenging area. Based

on current policy, cost pressures are projected to continue to rise during 2019-20. Efficiency savings and policy changes in relation to the discharge of duty into the private sector and out of borough (along with other initiatives being developed with London Councils) would assist in mitigating this budget pressure. Net growth in Temporary Accommodation budget of £2.7m has been included in the budget proposals.

Local government pay is now the lowest in the public sector. Whilst the government has removed the 1% pay cap, they have not provided any resources to local authorities to help us give our staff the pay rise that they deserve. The budget presented today reflects a 2% 2019-20 pay award which is estimated to increase the pay bill by £4.5m in 2019-20.

All these pressures, alongside other growing costs such as inflation mean that as well as having to cope with £8m of cuts, we also need to fund £23.9m of additional budget pressures and growth.

We have also set out in this report £18m of savings, a combination of efficiency savings (£14.005m), additional income from fees and charges (£3.050m) and other savings of (£0.900m). These proposals will be consulted on with staff, affected residents and other stakeholders and partners.

However, despite these savings and the additional income from our continuing growth in homes and the local economy, a budget gap of £3.9m remains and of course, unlike government, the council is legally required to set a balanced budget. Officers have been asked to continue to work to explore whether any further income and savings across departments can be realised. Cabinet will need to consider these alongside the option of a council tax increase, which could raise up to £3.2m (2.99% increase).

RECOMMENDATIONS

That cabinet:

1. Note that the government's Budget Statement was presented by the Chancellor of the Exchequer on 29 October 2018, key headlines being set out in this report (paragraphs 26 - 27)
2. Note that the provisional local government finance settlement, due to be announced on 6 December 2018, has been delayed until after the Brexit vote on Tuesday 11 December (paragraphs 28 – 29).
3. Note, as reported to cabinet in September 2018 and recognising the continued uncertainty for local government funding, that the intention remains for the Council to prepare a balanced one-year 2019-20 budget for approval by cabinet in advance of council assembly in February 2019 (paragraph 19)
4. Note the current budget options proposed to help achieve a balanced budget 2019-20 (Appendices C to F).
5. Note that the budget proposals for 2019-20 contained within this report include:
 - Estimated general grant resources likely to be available arising from the provisional settlement (Appendix A), a reduction of £8.647m from 2018-19;
 - Improved Better Care Fund resources totalling £15.752m, an increase of £3.168m from 2018-19;

- Additional one-off social care grants of circa £4.254m announced in the Autumn 2018 budget;
 - Retained business rates growth of £25.0m (paragraph 41 to 44), an increase of £3.250m over 2018-19 arising from proceeds generated by continued regeneration in the borough; plus an estimated surplus brought forward of £1.158m;
 - Estimated council tax revenue of £107.322m, including £2.476m additional income arising from growth in the tax base and £0.4m from increased premium on long-term empty properties; an estimated collection fund surplus of £3.500m;
 - Planned contingency to be maintained at £4m to mitigate underlying budget risks. (paragraph 74).
6. Note that the following savings, commitments and pay and price pressures have been proposed to help ensure the delivery of a balanced budget in 2019-20 (Appendices C – F):
- Efficiency savings of £14.005m;
 - Income generation of £3.050m;
 - Savings impacting on services of £0.900m;
 - Commitments and growth of £14.236m
 - Pay Award and contractual inflation of £8.450m
 - Debt financing costs of £3.809m
7. Note that, in order to ensure that the base budget is on a secure financial footing a number of commitments are proposed for 2019-20 totalling £14.236m, including:
- £8.072m for Children's and Adult's Services funded principally from the growth in the Improved Better Care Fund (£3.168m) and additional social care funding (4.254m);
 - A net increase of £2.7m to further support spending pressures on Temporary Accommodation and £0.7m No Recourse to Public Funds (NRPF);
8. Note the ongoing negotiations regarding the continuation of the London Business Rates Pool arrangement into 2019-20 (paragraphs 45 - 48) and to:
- Delegate authority to the strategic director of finance and governance in consultation with the cabinet member for finance, performance and Brexit to agree the operational details of the pooling arrangements with the participating authorities;
 - Authorise the strategic director of finance and governance, in consultation with the head of legal services, to make any amendments as may required by the Secretary of State, and to enter into the final Memorandum of Understanding on behalf of the council.
9. Note the updated budget gap for 2019-20 of £3.853m and notes that this budget gap would reduce by £3.2m should the council decide to increase council tax by 2.99%, in line with the government threshold. Officers will complete further work to present a fully balanced budget position for Cabinet on 22 January 2019.
10. Note the Departmental Narratives (Appendix B) and the equality analyses provided for the budget proposals.
11. Note the consultation that took place prior to agreeing the indicative budget options for 2017-18 and 2018-19 and to instruct officers to undertake further consultation for new

budget options where necessary or appropriate (paragraphs 75 - 76).

12. Note that the report to cabinet on 22 January 2019 will be considered by overview and scrutiny committee on 28 January 2019 and that any recommendations arising will be incorporated into the final report to cabinet on 5 February 2019 for recommendation to council assembly on 27 February 2019 (paragraph 77).

BACKGROUND AND PURPOSE

13. In September 2016, the cabinet approved the Fairer Future Medium Term Financial Strategy (FFMTFS) and Integrated Efficiency Plan noting the relationship to the Council Plan and the new theme to be fit for the future. The council accepted the four-year finance settlement in line with the final local government finance settlement (February 2016). 2019-20 is the fourth and final year of that four-year settlement. The offer covered the revenue support grant and confirmed that tariffs and top-ups would not be altered for reasons related to the relative needs of local authorities.
14. The Council Plan for the period 2018-2022 contains a range of promises and commitments, which the council will work towards delivering over the coming four years. Financial appraisals will be undertaken as new plans are developed and the financial implications of any approved commitments will be reflected in the 2019-20 budget, refreshed MTFS and capital programme.
15. In 2018-19, London Councils entered into a one-year pilot arrangement for the retention of business rate growth through pooling. Subject to final agreement with the government, it is expected that the pooling arrangement will continue in 2019-20, albeit on less generous terms and with more risk passed to the council.
16. Despite the consistency of funding given by the four-year settlement, there remains continued uncertainty with regard to a number of elements of government funding. These include the New Homes Bonus, Public Health grant, Better Care Funding and Social Care grants. In addition pay and price inflation and demand pressures need continual review to ensure that budgets set each year are sustainable.
17. The government has expressed a continued commitment to give local authorities greater control over the money they raise locally. Since 2013-14, when the new funding arrangement commenced, the council's reliance on local taxation as an income source has increased, with council tax and business rates now representing 40% of funding estimated for 2019-20. Therefore, a key part of the budget process is for officers to reassess the estimated income from council tax (driven in the main by the number of new homes, council tax banding of these homes, the council tax relief scheme) and Business Rates (driven by the rateable value, appeals and businesses coming into/out of the rating lists).
18. At cabinet on 18 September 2018, the financial remit was considered which included known and estimated resources available at that time, and assumptions regarding the costs of pay awards and inflation. The report concluded with a budget gap of £17.956m. Officers were asked to prepare indicative savings and commitments for 2019-20 in order to balance the budget. This report provides an update on the work undertaken to both reflect the latest information on available resources, updated estimates on council tax and business rates and to consider budget savings and commitments proposed for 2019-20.
19. As set out in September 2018, the budget will be prepared on a one-year basis for 2019-20, recognising that the settlement is indicative and a range of other significant

uncertainties relating to the council's financial position. A one-year budget is considered by the section 151 officer to be the most appropriate strategy at this time given the significant uncertainties and complexities regarding the future funding of local government beyond 2019-20, including:

- Government Spending Review during 2019
- A new local government needs based funding formula, the Fair Funding Review,
- Redesign of the Business Rates Retention System for 75% retention from 2020-21
- Resetting of the business rates baseline from 2020-21,
- The future of the London Business Rates Pool,
- An anticipated Green Paper on funding of adult social care
- Economic uncertainty regarding the outcome of Brexit negotiations and wider economic pressures on inflation, interest rates and area costs within London (especially housing)

Updated Financial Remit

20. In accordance with instructions from the September 2018 cabinet, this report provides updated budget proposals for 2019-20. These proposals, together with updated estimates of government funding, business rate and council tax income reduce significantly the budget gap to £3.853m. However, the remaining gap still presents a challenge, not least in the context of the savings that the council has had to make throughout the austerity period since 2010 and the increased ring fencing of a large element of resources available for adult social care.
21. Further work is being undertaken by officers to present a fully balanced 2019-20 budget for the 22 January 2019 cabinet meeting in advance of February council assembly. A summary of the 2019-20 proposed budget can be found at Appendix A.
22. The indicative budgets were set at an assumed level of government funding as set out in the February 2016 four-year settlement. The council accepted the government's offer of a four year funding settlement for 2016-17 to 2019-20 and received confirmation of this from the government on 16 November 2016.
23. This report outlines all major variations from the 2018-19 budgets. It itemises changes in resources available (e.g. government grant and council tax income) and provides a high-level summary of efficiencies and improved use of resources, income generation and savings that impact on service levels. It also itemises new and emerging growth and commitments that may arise from issues such as price, demand pressures and costs arising from the delivery of council plan priorities.
24. Separate schedules are provided that give details of each element of these variations. Responsibility for each element is retained by the cabinet member responsible for the portfolio and operationally managed by the strategic director for that service (Appendices C, D, E and F).
25. The Policy and Resources Strategy 2019-20 underpins the work of all council departments, ensuring financial sustainability and the best possible level of service for residents. The council remains committed to promoting efficiency as the key driver to reducing costs and minimising the impact of budget decisions on front line services. The Fairer Future promises commit to spending every penny as if it were our own. This promise is reinforced with the Fairer Future Budget Principles. Inevitably, as total resources available continue to reduce, demands increase for services and planned efficiency improvements are delivered, protection of these valued front line services

becomes increasingly difficult.

Government Budget Statement – 29 October 2018

26. On 29 October 2018, the Chancellor of the Exchequer delivered the Budget. As well as the usual updates on the public finances and overall economic outlook, the Budget included a number of policy announcements, the key headlines are set out below (source: London Councils' on the day briefing):
- £240 million of new funding was announced for Adult Social Care funding in 2019-20 (Southwark allocation is £1.571m).
 - A further £410 million will be made available to support both adult and children's social care in 2019-20 (Southwark allocation £2.683m).
 - The Budget committed to "putting social care on fairer and more sustainable footing" in the forthcoming ASC green paper, although the date of the green paper is yet to be announced
 - The immediate removal of the HRA borrowing cap was confirmed (from 29 October 2018)
 - £420 million of new funding for potholes, allocated based on DfT's need based formula (Southwark allocation £0.558m)
 - Small business retail relief was announced for retail businesses with a rateable value less than £51,000 for two years – this will cost government £900 million and local government will be "fully compensated".
 - £675 million of co-funding will be awarded to local authorities over the next 5 years to help them draw up plans to revitalise high streets.
 - £400 million of capital funding was announced for schools to invest in equipment and facilities in 2018-19.
 - £84 million will be invested over five years to expand programmes for children in care.
27. Not mentioned in the Budget:
- Any long term plan for children's social care funding
 - No extra funding was found for schools High Needs pressures
 - No recognition of homelessness funding pressures
 - The date or timetable for next years Spending Review

Provisional Local Government Finance Settlement

28. In response to the Hudson review into local government finance, governance and processes, the government had indicated that they would publish the provisional local government finance settlement on the 6th December. However, on the 5th December the Secretary of State for Housing, Communities and Local Government announced that the Settlement would be delayed until after the Brexit vote on 11 December 2018.
29. The 2019-20 provisional settlement will consult on the final year of this four year deal, and is expected to confirm:
- no change to the Settlement Funding Assessment agreed as part of the four year settlement;
 - that the council tax referendum threshold in 2019-20 will remain at 3% with no changes to the adult social precept arrangements
 - the additional resources provided at Autumn Budget 2018, Southwark's allocation being £4.254m;
 - the continuation of the London Business Rates Pilot in 2019-20

- the Public Health Grant at £26.744m, as previously announced
- Improved Better Care Fund of £15.752m, as previously announced
- New Homes Bonus of £12.318m, subject to an announcement on baseline funding

Local Taxation

Council Tax

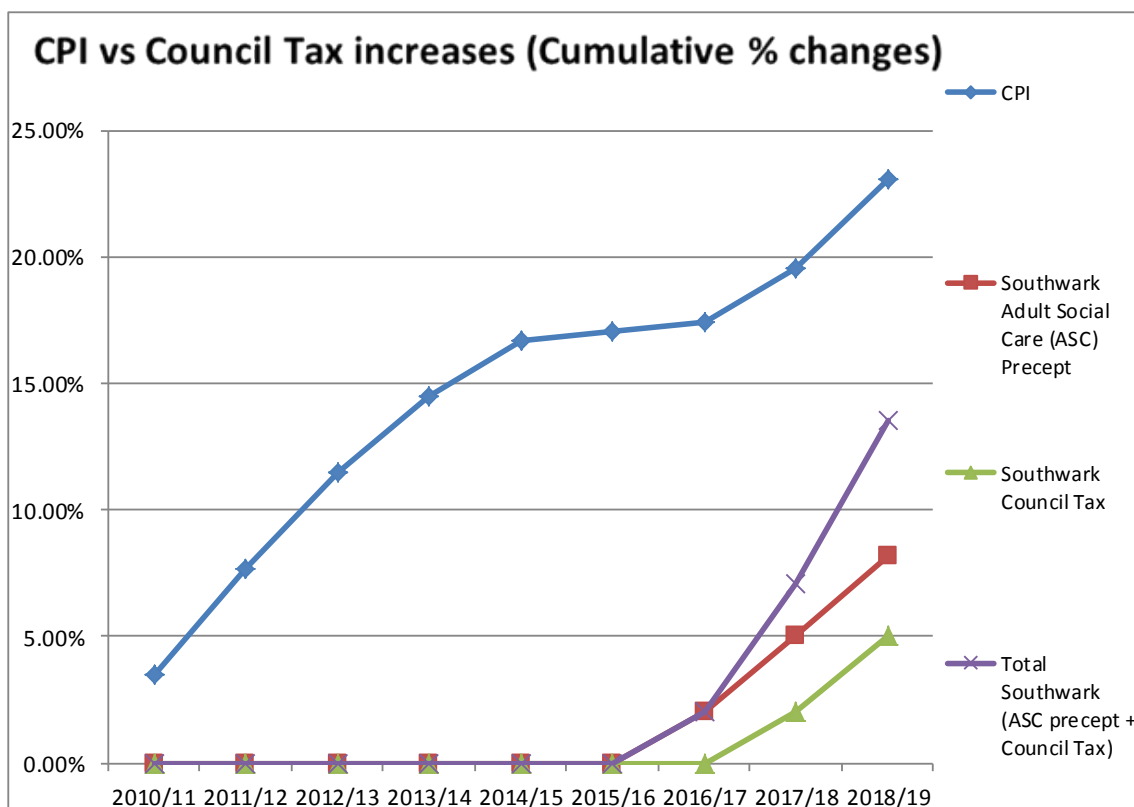
30. The council is committed to the fairer future promise to “keep council tax low”. The Southwark element of council tax was frozen from 2008-09 until 2017-18 when financial pressures and the cumulative impact of reduced government funding meant that it was no longer sustainable to hold this position.
31. The authority has been able to maintain the eighth lowest level of council tax in London in 2018-19, despite having incurred the largest reduction in government grants. Throughout this period, the government applied a cap on any council tax increases. The purpose of this cap is to ensure that ‘excessive’ council increases occur only where councils have a clear mandate from local people. This level has not been exceeded by Southwark to date and the cap remains in place for 2019-20.
32. Council tax has remained below the charge it would have been if CPI had been applied each year since 2010-11.
33. The Council Tax Relief Scheme continues to provide support for our financially vulnerable residents and the Council has committed to making no changes to the scheme for 2019-20.

ASC precept

34. In 2016-17, and in line with government guidance, the council applied a 2% precept to help fund adult social care. Of the 33 London boroughs, 26 took advantage of this precept. For 2017-18, government extended the adult social care precept to allow for 6% over 2017-20, with no more than 3% in each of the first two years. A 3% precept was applied in 2017-18 and 2018-19, providing a contribution towards the significant financial pressures within the Adult Social Care budget. No further increase in the precept is permitted.

Southwark Element of the Council Tax

35. 8 of the 13 inner London Boroughs increased their council tax in 2018-19, 23 out of 33 across London, including Southwark. This is indicative of the cumulative impact the financial stress across local authorities in London.
36. In the context of pressures on council finances, the resilience of reserves and the continued year on year reductions in spending power, council tax remains a key source of income for the council. An increase of 2.99% (with no increase for adult social care precept) in council tax amounts to £3.2m income. This is one of the options that it will be necessary to consider to close the budget gap to protect services.
37. As demonstrated in the graph below, increases in the council element of council tax remains below the charge it would have been if CPI inflation had been applied each year from 2010-11.



38. The impact of an increase in council tax of 2.99% will mean that:

- Residents in Band C properties and below will see a council tax bill rise of 41p per week (over 60% of residents in the borough live in Bands A-C)
- 12,000 of the residents continuing to receive support through the local council tax relief scheme (CTRS) will pay no more than 9p extra per week
- The council tax reduction scheme will continue to ensure that 6,900 eligible pensioners will continue to receive 100% relief and will see no rise in their council tax bills.

Council Tax Collection

39. As reported elsewhere on this agenda the council tax base is growing in the borough – a direct reflection of the regeneration and investment in new homes. This report recommends that the collection rate is maintained at 97.2%, reflecting current performance and in consideration of the increased collection risk as universal credit is rolled out.
40. The 2018-19 collection fund forecast outturn position is a surplus of £3.500m and this has been accounted for in the council tax calculations for 2019-20.

Business Rates Baseline

41. The government agenda is for local authorities to move towards self-sufficiency and away from dependence on central government. As a step towards this reform, in 2013-14, government changed the funding system to increase reliance on local taxation. Revenue support grant allocations reduce over the period 2013-20, whilst the level of retained business rates increases.

42. If the council remains part of the London Business Rate pool pilot, Revenue Support Grant is substituted with a baseline business rate funding level. As set out in Appendix A, the council will be funded via business rate baseline of £149.793m (£156.346m less a tariff deduction of £6.553m).
43. The 2019-20 budget includes a forecast assumption that the council's Business Rate Retention income will exceed the baseline funding level by £25.0m (i.e. in total the retained business rates total of £174.793m; consisting of the baseline of £149.793m and £25.0m in excess of this baseline). This is after appropriate provisions have been made for appeals. Furthermore, it is estimated that £1.158m of Business Rate collection fund surplus will be available to support the budget.
44. This ongoing move to self-sufficient local government demonstrates the importance of Southwark's capital investment programme within the borough, either as the lead authority or with partners. Regeneration is the key to ensuring sustainable budget sources as we move closer to reliance wholly on local taxation, either through business rates or through council tax as well as increasing opportunities across the borough for quality of life, jobs and environmental improvements.

Business Rates London Wide Pool

45. In 2018-19, London Councils entered into a one-year pilot arrangement for the retention of business rate growth through pooling. Although the first year of the pilot relates to business rates generated during 2018-19, the available distribution will not be finalised until September 2019. Latest indications are that the Pool is on track to deliver the forecast growth, which is over and above that included within the 2018-19 budget. In accordance with the budget strategy, and recognising that any additional income will be one-off, these receipts will be ring-fenced for one-off initiatives, which will include the Positive Futures Fund announced on 28 November 2018 and almost certainly the Southwark Pioneers Fund which was agreed in the recent Council Plan.
46. The Government has recently issued an updated prospectus for the continuation of the pilot devolution pooling arrangement into 2019-20, albeit on less generous terms than 2018-19, and with more risk passed to the council. Negotiations are ongoing with the Secretary of State. This report seeks agreement to delegate any decisions necessary to continue the council's participation in the Pool in 2019-20 to the strategic director of finance and governance in consultation with the Cabinet Member for finance, performance and brexit.
47. As in 2018-19, the first call on any additional resources generated would be used to ensure that each borough and the GLA receives at least the same amount as it would have without entering the pool. Given the increased risk and the fact that any growth will not be known until September 2020, any additional pooled business rate income will not form part of the 2019-20 budget setting process.
48. The 2018-19 London Business Rates pilot agreement set out the principles and method for distributing any net financial benefits generated by the pool. This included facilitating collective investment through a 'Strategic Investment Pot' designed to promote economic growth and lever additional investment funding from other sources. Almost £47 million has been awarded to eight major projects that will benefit London's businesses, with a particular focus on digital infrastructure to boost economic growth, including an £8m allocation to the South London innovation corridor to provide workspace, business support and talent development.

Updated financial remit

49. Through the council's budget cycle, savings and income generation options are presented for consideration to close the budget gap which, should these proposals be agreed, closes the gap to £3.853m.
50. The 2019-20 proposals for each Directorate are summarised in the table below and detailed in Appendices C, D, E and F.

	Commitments £000	Efficiencies £000	Income £000	Savings £000	Net impact £000
Adults Social Care	4,739	(4,213)	-	(800)	(274)
Children's Services	3,333	(1,010)	-	(100)	2,223
Education	-	(337)	-	-	(337)
Total Children's and Adults' Services	8,072	(5,560)	-	(900)	1,612
Environment and Leisure	812	(860)	(3,000)	-	(3,048)
Place and Wellbeing	200	(1,207)	(50)	-	(1,057)
Housing and Modernisation	3,400	(776)	-	-	2,624
Chief Executive's	-	(5)	-	-	(5)
Finance and Governance	252	(997)	-	-	(745)
Corporate	1,500	(4,600)	-	-	(3,100)
Total	14,236	(14,005)	(3,050)	(900)	(3,719)

*Commitments within Children's and adults' Services include £7.422m funded from Improved Better Care Fund and additional grant to support adult's and children's social care.

Pay Award

51. The current budget plans for 2019-20 are based on a projected 2% pay rise for all staff. Significant work is currently underway both nationally and within London to reach agreement on pay awards moving forwards. In part, negotiations will be considering the arguments that local authority pay has been disproportionately suppressed because of the pay cap and that this situation needs rebalancing. Further, there are concerns to ensure that the lower graded staff are adequately paid and that pay differentials remain appropriate. A provision has been included within the budget plans. The position will continue to be monitored and a further update will be included within the report to cabinet in January, including any relevant financial implications.

Inflation

52. The Consumer Price Index (CPI) 12 month rate for September was 2.4% with domestic inflationary pressures expected to build over the coming months. This budgetary pressure is recognised in the budget with a £3.950m allocation for contractual

inflationary pressures in 2019-20.

Efficiencies and Improved Use of Resources

53. The fairer future promises contain a commitment to keep council tax low by delivering value for money across all of our services. In part, this is met through ensuring that the council is focussed on meeting the budget gap with proposed efficiency savings. The total budget proposals include efficiency savings of £14.005m (detailed in Appendix C).
54. The indicative budget proposals include £5m of Adult Social Care savings in 2019-20 offset by commitments of £4.7m. This demonstrates the investment of the increased Improved Better Care Fund (£3.2m) in protecting homecare, reablement and bed-based care packages and transformation work to improve the health, wellbeing and resilience of vulnerable residents.
55. In Education Services there are savings and efficiencies of £0.337m as the school improvement service moves towards a fully traded model.
56. Environmental and Leisure Services are proposing total efficiency savings of £0.860m by rationalising litter picking schedules to focus effort where it is most needed; reviewing library operations consistently with the new library strategy and council plan commitments to keep libraries open when people need them; by moving to more environmentally friendly lights and proposed changes in highways sweeping services.
57. Place and Wellbeing directorate are proposing savings of £0.282m through realignment of staffing resources and other efficiencies in service provision and commissioning arrangements and £0.925m savings within the Public Health ring-fenced grant from a combination of efficiencies, service design and economies in commissioning arrangements across the service areas.
58. Finance and Governance are proposing efficiency savings across the department mainly made up of staffing-related savings totalling £0.852m, which reflects the fact that over 70% of the overall expenditure budget is staffing costs. Savings from staffing costs will be achieved through increased efficiency, reduction in caseload and changing what we do and how we work, to become an organisation that is fit for the future. In addition to the staffing related savings, £0.145m of other savings are proposed relating to modernising council and committee meetings, reductions in printing and postage usage and savings arising from external audit contract procurement.

Income Generation

59. As the council looks for ways to protect front line services, consideration is given to maximising the council's income generation by seeking income streams in line with council policies and priorities. The council will seek to generate additional income by reviewing fees, charges and contributions and seeking further opportunities to provide commercial services. This may include introducing charges for some discretionary services and ensuring that we maximise the recovery of our costs. The schedules at Appendix D set out a number of proposals totalling £3.050m generating additional income.
60. The additional income principally relates to £0.7m on the leisure management contract; £1.2m from the introduction and extension of controlled parking zones; and £0.37m from expanding the car club permit scheme, street advertising; and introducing a nighttime levy and paid subscription for green waste collections.

Savings Impacting on Service Delivery

61. Wherever possible, the aim is to continue to protect front line services from saving reductions. However, the extent of the government austerity measures means that after careful consideration, it is inevitable that some service reductions will be required to balance the budget. The schedules at Appendix E propose savings of £0.9m with potential to impact on service delivery.
62. The significant savings relate to the review of the re-ablement service saving £0.8m.
63. Comprehensive equalities analysis of the impact of these savings will be considered as part of the proposal considerations.

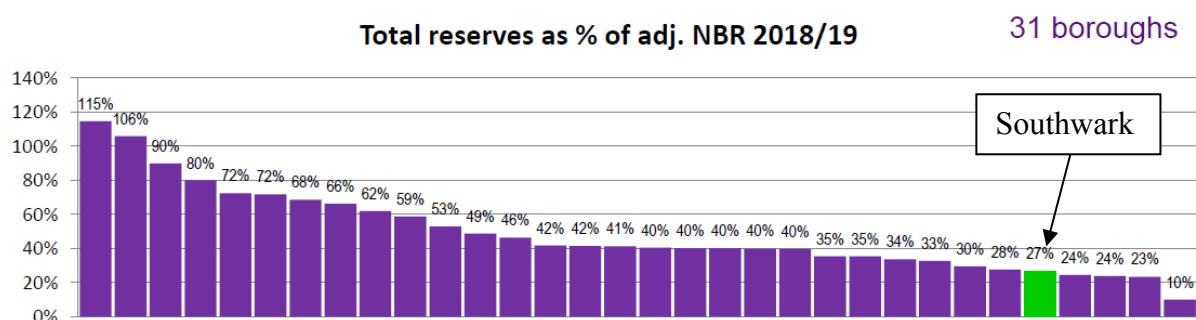
Commitments

64. The commitments within Children's and Adults' services are funded in part from the increase in Improved Better Care Fund allocation of £3.168m and additional grant announced in the governments October Budget of £4.254m.
65. Within Children's Services, commitments include funding of £0.35m for asylum seeking children and £0.3m and the extension of leaving care responsibilities to age 25.
66. Temporary Accommodation and No Recourse to Public Funds continue to be areas of financial pressure. Net commitments of £2.7m and £0.7m are proposed here to ensure these areas of budget risks are sustainable in 2019-20.
67. Other commitments include £0.3m to tackle tree maintenance and inspection work and £0.05m for community toilet scheme.
68. The council of course remains ambitious to deliver a fairer future for all residents and set out comprehensive plans for expanded and new services in its Council Plan for 2018-22, agreed by Cabinet in October and Council Assembly in November. It will be possible to begin delivering on several of these commitments during 2019-20 and this draft budget includes commitments totalling £0.425m to begin the roll-out of Free Healthy School Meals to children in our council nursery schools and school nurseries, to ensure every primary school child is able to see a theatre performance and to offer free swimming lessons to local residents.
69. A detailed list of all commitments can be found in Appendix F. The overarching theme of these commitments is to ensure that service budgets are sustainable, particularly in the context of the reduced availability of reserves to support budget pressures.

Use of Reserves and Balances

70. The council retains a level of earmarked reserves and these are reported each year within the annual statement of accounts. These reserves are maintained to fund:
 - invest to save opportunities, which form part of the modernisation agenda and are expected to deliver future ongoing revenue savings;
 - investment in regeneration and development where spend may be subject to unpredictable market and other factors;
 - exceptional items or pressures which are difficult to predict and which are not included in revenue budgets or within the capital programme.

71. For a number of years previously, the council had planned for the use of reserves to help smooth the impact of government funding reductions and other budget pressures especially during the period of austerity. Not only did this help to protect council services but it has also allowed time to transition towards new ways of working, productivity improvements and efficiencies.
72. The level of balances remains subject to the scrutiny of the section 151 officer who must ensure that any one off contributions to the budget is appropriate and affordable. In previous years, this judgment has been facilitated by the availability of unused contingency funds as budgets have met their targets. The budget proposals for 2019-20 do not include a planned release of reserve.
73. London Councils conducted a financial stress survey across London which included reviewing the levels of reserves. As demonstrated by the below graph, the council levels of reserves are low relative to the councils budget requirements and other councils. This remains a concern in the context of Southwark's ambitious programme for regeneration and revenue cost pressures across services.



Planned Corporate Contingency

74. It is proposed that the planned corporate contingency of £4m be maintained to support emerging budget pressures during the year. In the current and previous years, this contingency has been essential to manage in year demand and cost pressures.

Consultation

75. High-level consultation was conducted on the three-year budget proposals for 2016-17 to 2018-19. The consultation responses received were consistent with prior years' consultations, and were used to inform the budget proposals. A substantial majority of those who responded to this consultation agreed that the council should continue to focus on being more efficient, protecting frontline services and directing resources to those most in need and this is reflected in the budget proposals.
76. Since then consultation on the Voluntary and Community strategy was conducted to ensure that all sections of the voluntary and community sector could contribute to the development of the strategy, and a series of four open invitation listening events was held which attracted over 200 people. The listening events took place in an atmosphere of goodwill. There was also recognition of the need to find new ways of making the most of diminishing budgetary resources. There has also been consultation on the development of the policy and policy drafts through the Health and Wellbeing Board, Children's and Adults' Board, the Forum for Equalities and Human Rights, the council's departmental commissioning network and the council/VCS Liaison Group.

Next Steps

77. The next main governance steps to establishing the 2019-20 general fund revenue budget are outlined in the table below:

Date	Meeting	Report	Purpose
22/01/2019	Cabinet	P&R strategy	Select proposed solutions for meeting the budget challenge
28/01/2019	Overview and Scrutiny	P&R strategy	Comment on and make recommendations in respect of the cabinet's proposed 2019-20 budget
05/02/2019	Cabinet	P&R strategy	Recommend a balanced budget for 2019-20 to Council Assembly
27/02/2019	Council Assembly	P&R strategy	Council Tax setting and approve a balanced budget for 2019-20

Community impact statement

78. The council works in accordance with the single public sector equality duty contained within section 149 of the Equality Act 2010. This means the council must have due regard to the need to eliminate unlawful discrimination, harassment and victimisation, and advance equality of opportunity and foster good relations between different groups.
79. Transparency and fairness form part of the seven budget principles and are an underlying principle in the Council Plan. As with the budget for 2018-19 and for previous years, each department will undertake equality analysis/screening on its budget proposals ahead of the final decisions being taken. Where screenings identify potential impacts, more detailed analysis is being carried out.
80. Undertaking equality analysis helps the council to understand the potential effects that the budget proposals may have on different groups. The analysis also considers if there may be any unintended consequences and how any of these issues can be mitigated. Analysis is also undertaken to consider any crosscutting and organisation-wide impacts.
81. For many services the budget proposals will include efficiencies which have staffing implications. As specific proposals are brought forward, and at each stage of implementation thereafter, the different impacts on different categories of staff will be assessed in accordance with the council's reorganisation, redeployment and redundancy procedures.
82. Equality analysis will continue through the cycle of planning and implementation of these budget proposals. In line with our Public Sector Equality Duty, any changes to services arising from these proposals will be implemented in such a way to not impact disproportionately on any specific section or group in our community. Where necessary, consultation will be undertaken alongside mitigating actions where necessary. In line with the process across the council, information on the equality analysis will be shared with the relevant cabinet members so it can be considered when decisions are taken. The equality analyses will be collated across the council to look for any cumulative impacts.

83. To date no cumulative impacts have been identified through the analysis. However, this process will be completed in time to be reported on in the final budget report in January 2019.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

84. 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.
85. 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.
86. Decision makers must understand the effect of policies, practices and decisions on people with protected characteristics.
87. Equality analysis is the mechanism by which the council considers these effects. The report sets out how it is proposed equality analysis will be undertaken in relation to the budget proposals.
88. 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

89. The council is committed to publishing budget proposals at the earliest possible opportunity to ensure they are available to the public for comments and questions. Presenting this report to cabinet on 12 December 2018 gives the opportunity for debate prior to presentation of budget figures to cabinet on 22 January 2019. Under the council's constitution, there is a requirement for the overview and scrutiny committee to review and challenge budget proposals and this is due to take place on 28 January 2019.

REASONS FOR LATENESS

90. The Report was delayed to incorporate information arising from the Provisional Local Government Finance settlement, which was due to be announced on 6 December 2018. As set out at paragraph 28, the Government has now deferred the announcement and advised that it will not be published before 12 December 2018 (date to be confirmed).

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Policy and Resources Strategy: 2019-20 Updated Financial Remit	160 Tooley Street PO Box 64529 London SE1P 5LX	Rob Woollatt 020 7525 0614
http://moderngov.southwark.gov.uk/documents/s77446/Report%20Policy%20and%20Resources%20Strategy%20revenue%20monitoring%20report%20including%20treasury%20management%202018.pdf		
Council's Fairer Future Budget Principles approved by cabinet (September 2015).	160 Tooley Street PO Box 64529 London SE1P 5LX	Rob Woollatt 020 7525 0614
http://moderngov.southwark.gov.uk/documents/s56454/Report%20and%20appendices%202016-17%20PR%20Scene%20setting.pdf		

APPENDICES

No:	Title
Appendix A	Indicative Budget Proposals 2019-20
Appendix B	Departmental Narratives 2019-20
Appendix C	Proposed Efficiencies and Improved Use of Resources 2019-20
Appendix D	Proposed Income Generation 2019-20
Appendix E	Proposed Savings Impacting on Service Delivery 2019-20
Appendix F	Proposed Commitments 2019-20

AUDIT TRAIL

Cabinet member	Councillor Victoria Mills, Cabinet Member for Finance, Performance and Brexit		
Lead officer	Duncan Whitfield, Strategic Director of Finance and Governance		
Report author	Rob Woollatt, Interim Departmental Finance Manager		
Version	Final		
Dated	7 December 2018		
Key Decision?	Yes		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments included
Director of Law and Democracy		Yes	Yes
Strategic Director of Finance and Governance		Yes	Yes
Cabinet Member		Yes	Yes
Date final report sent to constitutional team			7 December 2018