

Council Assembly

Tuesday 22 February 2011

7.00 pm

Town Hall, Peckham Road, London SE5 8UB

Supplemental Agenda No.2

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The recommendation of the cabinet on the revenue budget report is contained in this supplemental agenda. This was considered by the reconvened meeting of the cabinet on 15 February 2011.

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Date: 16 February 2011

Agenda Item 2.1

| | | | |
|----------------------------------|--------------------------------|--|--|
| Item No. 2.1 | Classification: Open | Date: 22 February 2011 | Meeting Name: Council Assembly |
| Report title: | | Policy and Resources Strategy 2011/12-2013/14 – Revenue Budget – Recommendation from the Cabinet | |
| Wards or groups affected: | | All | |
| From: | | Finance Director | |

RECOMMENDATION

That Council Assembly:

1. Agree the recommendations of the 15 February Cabinet for a general fund budget for 2011/12 of £323.0m and a nil council tax increase for 2011/12 (see Appendix 1 which has been previously circulated on Supplemental Agenda No. 1).
2. Note the draft indicative balanced budgets of £308.3m for 2012/13 and £311.6m for 2013/14, based on a council tax increase of 2.5% for 2012/13 and 2.5% for 2013/14 subject to formal budget reports to Council Assembly for each of these years (see Appendix 1 which has been previously circulated on Supplemental Agenda No. 1).
3. Note the savings required to deliver a balanced housing revenue account for 2011/12 and note the recommendation of the cabinet for the proposals to deliver the savings (see Appendix 2 which has been previously circulated on Supplemental Agenda No. 1)

BACKGROUND INFORMATION

Revenue Budget

4. On 15 February 2011 the Cabinet considered a report on the Council's revenue budget proposals for 2011/12 to 2013/14. A copy of the report (Appendix 1) has been previously circulated on Supplemental Agenda No. 1. The Cabinet, at this meeting, determined the general fund revenue budget and council tax recommendation for council assembly. The Cabinet also agreed an additional recommendation at the meeting and the full Cabinet decision is set out at Appendix 3.
5. The report at Appendix 1 (previously circulated) proposes a nil council tax increase for Southwark's element of the council tax and a general fund revenue budget of £323.0m in 2011/12. The report also proposes draft indicative general fund budget proposals of £308.3m and £311.6m for 2012/13 and 2013/14 respectively.

HRA Budget

6. The Cabinet considered the rent setting part of the HRA budget on 25 January 2011. That report included reference to the efficiency savings required to deliver a balanced HRA and indicated that a further report would be presented to Cabinet setting out the detail of the savings for endorsement before the end of the current financial year. This further report (Appendix 2, previously circulated) was presented to and agreed by Cabinet on 15 February 2011.

KEY ISSUES FOR CONSIDERATION

Revenue Budget 2011-2012

7. Table 1 below shows a high level summary of the proposed budget from cabinet as set out in the budget report to Cabinet of 15 February 2011. The table specifically sets out the revenue budget requirement which local authorities are required to calculate, under section 43 (4) of the Local Government Finance Act 1992.

Table 1

| | 2011/12 Budget |
|---|---------------------------|
| | £'000 |
| Income from formula grant and NNDR | 232,790 |
| Projected collection fund deficit 2010/11 | 65 |
| Income from council tax at 0% increase | 90,296 |
| Total estimated resources | 323,021 |
| Revised previous year's budget | 349,633 |
| Inflation | 3,466 |
| Commitments | 7,490 |
| Growth | 6,097 |
| Less Savings | (33,740) |
| | 332,946 |
| Social care and benefit health grant | (4,284) |
| Council tax Freeze grant in 2011/12 | (2,239) |
| Contribution (from) and to balances | (3,402) |
| Total budget requirement | 323,021 |

Indicative Medium Term Financial Plans - 2012/13 and 2013/14

8. The draft indicative budget proposals for 2012/13 and 2013/14 are set out in table 2 below. The plans assume central government grant (Formula Grant) of £214.8m in 2012/13 based on the indicative grant for 2012/13 given in the final settlement. No details for the grant settlement beyond 2012/13 have been published by government.

Table 2

| | 2012/13 Indicative budget £'000 | 2013/14 Indicative budget £'000 |
|--------------------------------------|--|--|
| Income from formula grant and NNDR | 214,821 | 214,821 |
| Income from council tax | 93,479 | 96,774 |
| Total estimated resources | 308,300 | 317,595 |
| Revised previous year's budget | 332,946 | 317,440 |
| Inflation | 3,550 | 9,583 |
| Commitments | 4,885 | 5,410 |
| Growth | 3,441 | 3,398 |
| Less Savings | (27,382) | (24,104) |
| | 317,440 | 311,727 |
| Social care and benefit health grant | (4,111) | |
| Council tax freeze grant in 2011/12 | (2,239) | |
| Contribution (from) and to balances | (2,790) | (132) |
| Total budget | 308,300 | 311,595 |

Greater London Assembly (GLA) Precept

9. The Mayor of London's consolidated budget for 2011/12 will be presented and approved by the GLA on the 23 February 2011. The proposal is to recommend a nil increase on the GLA precept.

Council Tax

10. All local authorities are required to set their council tax by 11 March 2011. Given this timescale, it is difficult at this stage to provide comparative information for 2011/12 from other local authorities. The date of the approval of the 2011/12 GLA precept means that this Council cannot set its own tax on 22 February 2011 (the date to which this report refers). The setting of the full band D council tax will be delegated to a cross party council tax setting committee. It is anticipated that the special council tax setting committee will meet on Thursday 24 February 2011.
11. Cabinet have recommended a nil increase in council tax for 2011/12. A nil increase in council tax in 2011/12 will mean Southwark's council tax will have increased by a total of 8% since 2005/06. The general trend in comparative data on council tax for the last few years up to 2010/11 is given in Appendix 3. Southwark's council tax for 2010/11 is 15.1% below the national average and 6.7% below the London average (including GLA).

Community Impact Statement

12. The community impact statement is set out in the report at Appendix 1 (previously circulated).

Consultation

13. Following on from agreement of the budget principles in September 2010, the Cabinet instigated a range of consultation processes, all of which have generated feedback from residents, community groups and other stakeholders. The details of this are set out in the report at Appendix 1 (previously circulated).

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities Law & Governance

14. The report requires Council Assembly to agree the recommendations of the 15 February Cabinet for a general fund budget for 2011/12 of £323.0m and zero council tax increase for 2011/12 and approve the draft indicative balanced budgets of £308.3m for 2012/13 and £311.6m for 2013/14, based on a council tax increase of 2.5% for 2012/13 and 2.5% for 2013/14 subject to formal budget reports to Council Assembly for each of these years. In accordance with Part 3A of the Constitution Council Assembly are required to agree the budget. Council Assembly should also note the advice from the Strategic Director of Communities Law & Governance contained in the report to Cabinet on 15 February 2011.

Legislative Framework

15. Section 32 of the Local Government and Finance Act (the Act) provides that the Council has an obligation to calculate and agree an annual budget. The Act also requires the authority to set an amount of council tax for each financial year preceding that for which it is set. Pursuant to section 30 (7) of the Act no amount may be set before the earlier of the following: (a) 1st March in the financial year preceding that for which the amount is set; (b) the date of the issue to the authority of the last precept capable of being issued to it (otherwise than by way of substitute) by a major precepting authority for the financial year for which the amount is set. Section 30 (9) of the Act states that a purported setting of an amount, if done in contravention of subsection 30 (7) shall be treated as not having occurred.
16. Under section 39 of the Act, the Greater London Authority ('GLA') is defined as a 'major precepting authority'. The GLA is intending to set its precept on 23 February 2011 and issue the same to the Council later that day. Whilst Council Assembly can still make the budget calculations under sections 32-36 of the Act in advance of receiving the precept, as the Council is expressly prohibited from setting the council tax until the GLA has issued its precept, this means the council tax can not be set on 22 February.
17. Section 67 (2) (c) of the Act states that only the authority can set an amount of council tax for the financial year. However section 67 (3) of the Act provides that where the authority so directs a committee of the authority appointed by it for that purpose can carry out this function. The authority itself, not the committee, must specify the number of members of the committee and fix the length of term of the committee. The members of the committee must also all be members of the authority and not co-opted individuals.
18. Council Assembly can appoint the committee on 22 February pursuant to Part 4 of clause 3A of the Constitution.

Restrictions on Voting Under Section 106 of the Local Government Finance Act 1992

19. Section 106 of the Local Government Finance Act applies at any time to a member of an authority, if at that time the member is due to pay council tax payments which have remained unpaid for at least two months.
20. The payments to which the section applies are any type of either sole or joint and several liability for council tax, and any failure to pay any agreed sum of council tax. Therefore members are advised that this section is likely to apply to them if they are currently two months in arrears of any amounts of council tax, even if they have made any special contractual arrangement with the council to pay off the arrears.
21. If this section applies to any member, he/she at the relevant meeting and as soon as practicable after its commencement, must disclose the fact that the section applies and not vote on any question with respect to this matter.
22. The relevant meetings are those at which any of the following are the subject of consideration, namely:
 - (a) "any calculation required by chapter 111, 1V, V of part 1 of the 1992 Act".

The only calculations likely to be made by this authority are those under chapter 111 of part 1 of the act, (chapter 1V relates to precepting and chapter V limitations on council tax (i.e. capping)
The chapter 111 calculations include the calculation of the budget requirement, basic amount of tax, the additional requirements because of the special trust funds, the calculation of the tax for the different valuation bands and the basic amount of council tax to be set under Section 30.
 - (b) "Any recommendation, resolution or other decision which might affect the making of any such calculation"

This is an extremely wide wording and would extend well beyond merely setting the budget. It applies to virtually any matter where the financial implications directly or indirectly might affect the calculations concerning the council tax. It would therefore apply to decisions concerning the level or extent of services as well as the expenditure, receipt or forgoing of any money.
 - (c) "the exercise of any function under Schedules 2-4 of the 1988 and 1992 Act"

The functions under either the 1988 or 1992 Acts concern the administration and the enforcement of community charge and council tax respectively.
23. Section 106 of the Local Government Finance Act 1992 makes it a criminal offence for a member to vote when prohibited from doing so or to fail to make the necessary disclosure. There is a statutory defence, with the onus of proof on the member, to prove that he did not know that the section applied to him or her at the time of the meeting or that the matter in question was the subject of consideration at the meeting. Prosecutions shall not be instituted except by or on behalf of the Director of Public Prosecutions.

BACKGROUND INFORMATION

| Background Papers | Held At | Contact |
|-------------------|---------|---------|
| See Appendices | | |

APPENDICES

| No. | Title |
|------------|--|
| Appendix 1 | Cabinet Report (15 February 2011) Policy and Resources 2011/12 to 2013/14 – Revenue Budget. <i>Note: Previously circulated on Supplemental Agenda No. 1.</i> |
| Appendix 2 | Cabinet Report (15 February 2011) Housing Revenue Account – Approval of HRA Budget 2011/12. <i>Note: Previously circulated on Supplemental Agenda No. 1.</i> |
| Appendix 3 | Cabinet decision from 15 February 2011 meeting on general revenue budget |
| Appendix 4 | Council tax comparisons 2004/05 – 2010/11 |

AUDIT TRAIL

| | | |
|---|------------------------------------|--------------------------|
| Lead Officer | Duncan Whitfield, Finance Director | |
| Report Author | Duncan Whitfield, Finance Director | |
| Version | Final | |
| Dated | 16 February 2011 | |
| Key Decision? | Yes | |
| CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER | | |
| Officer Title | Comments Sought | Comments included |
| Director of Communities, Law & Governance | Yes | Yes |
| Finance Director | Yes | Yes |
| Cabinet Member(s) | Yes | Yes |
| Date final report sent to Constitutional Team | 16 February 2011 | |

APPENDIX 3**Cabinet decision on the general revenue budget from 15 February 2011****RESOLVED:**

1. That it be noted that the budget principles agreed by cabinet on 21 September 2010 have guided the process for budget setting.
2. That the announcement of the final grant settlement by Department of Communities and Local Government (DCLG) on 31 January 2011 be noted.
3. That a balanced budget based on a nil council tax increase for 2011/12 be agreed for recommendation to council assembly on 22 February. Budget schedules are set out in Appendices A to E of the report.
4. That it be noted that subject to agreement by council assembly to the budget recommendations, that there will be a need to complete and invoke both statutory consultation procedures where necessary and the council's own policies and procedures as appropriate in order to implement the savings and income generation proposals detailed in Appendix C to E of the report.
5. That it be noted that the Greater London Assembly (GLA) will set its precept on 23 February and council assembly will therefore establish a committee for setting the council tax for 2011/12.
6. That the indicative balanced budgets for 2012/13 and 2013/14, based on a council tax increase of 2.5% for 2012/13 and 2.5% for 2013/14 be noted.
7. That it be noted that budget consultation took place with residents and community groups from September 2010 to 8 February 2011 and that the feedback from the consultation has been given due consideration by the cabinet.
8. That the recommendations from the overview and scrutiny committee meeting on 31 January 2011 be agreed (Appendix F)
9. That the deputations and verbal responses provided by cabinet members be noted and the following agreed:
 - a. That steps be taken to further tighten existing corporate procedures for employing consultants.
 - b. To work with Community Action Southwark to develop the Council's work with the voluntary sector and implementation of the Southwark voluntary sector transition fund.
 - c. To continue to explore opportunities throughout the entire budget period, including 2013/14 to deliver sport for young people with other organisations and maximise further alternative funding.
 - d. That arts and environmental organisations be encouraged to seek opportunities to deliver commissioned services where this will meet the council's objectives and replace local funding streams.
 - e. To work with the voluntary sector to provide an alternative method of funding for council's housebound library services.

- f. To inform all organisations who experience a cut in funding of the opportunities provided by the Southwark voluntary sector transition fund and that they be encouraged to apply to these funds, the national transition funds and adult social care innovation fund.
 - g. The overall impact on the ecology and environment grants programme, after the introduction of newly commissioned services will be no greater than 28% of the current grant budget
 - h. Prioritise the assessment for eligibility for those residents who currently acquire day care services which are funded directly or indirectly by Southwark council in order to maximise funding entitlement.
10. That a voluntary sector transition fund and criteria for the fund be established, subject to the council assembly agreeing the revenue budget on 22 February 2011. The proposed criteria are set out in Appendix G of the report.
 11. That it be noted that £1m will be allocated each year for the duration of the three year budget to support young people, in particular for the mitigation of the high youth unemployment in the borough and the impact of the removal of education maintenance allowances. The detailed proposals to support this resource will be presented to cabinet for approval at the meeting on 22 March 2011.
 12. That the need to use balances of £6.3m in order to support service delivery and deliver a balanced budget in 2011/12 and 2012/13 be noted.
 13. That the provision of a contingency fund be made to mitigate risks contained within the budget for 2011-14 be noted, including:
 - the ability to deliver savings of £84.3m over the three years from 2011/12. £84.3m is more than double the level of savings that have been delivered in the last three years;
 - the impact of increased demands across services;
 - the impact of fluctuations in inflation;
 - that no certainty is attached to the grant settlement after 2012/13, including the future of the grant 'floor';
 - the uncertainty on the distribution of funding to support social care and benefit health; and
 - the uncertainty on the new homes bonus grant, including how and when the grant will be distributed, the conditions of the scheme, especially beyond 2012/13, and the basis for the calculation.
 14. That it be noted that negotiations continue with the Primary Care Trust (PCT) on the use of funding to support social care and benefit health.
 15. That it be noted that confirmation is awaited from the government on the outcome of consultation on the new homes bonus grant.
 16. That the need to absorb the impact of inflation within the cash limited budgets proposed within the report (other than that which is contractually committed) be noted.
 17. That the new growth of £12.9m allocated over the three years from 2011/12 to support local priorities be noted.

18. That it be noted that there is a separate report asking for approval on savings required to deliver a balanced housing revenue account for 2011/12 (elsewhere on the agenda). This follows consultation carried out to date. In future years cabinet will align processes for housing and general revenue fund budget setting.
19. That it be noted that, given the scale and complexity of budget implementation, further work is being undertaken on the medium term resources strategy (MTRS). An updated MTRS will be considered by cabinet on 22 March 2011 in the context of the council assembly decision on a balanced budget for 2011/12.
20. That the need for enhanced budget monitoring arrangements to be in place to ensure savings plans remain on target be noted, and mitigating action be undertaken at the earliest opportunity where there is a risk of adverse variance against target.

Cabinet also noted the deletion of paragraph 212 from the report presented to Cabinet.

Council Tax Comparisons – 2004/05 to 2010/11

| Local authority | Band D Council Tax for the authority £ | Increase in Council Tax for the Authority % | Band D Council Tax For the authority including GLA precept £ | Increase in Council Tax for the Authority including GLA precept % |
|------------------|--|---|--|---|
| 2010/11 | | | | |
| England | N/A | N/A | 1,439 | 1.8 |
| Greater London | 999 | 0.0 | 1,309 | 0.0 |
| Southwark | 912 | 0.0 | 1,222 | 0.0 |
| 2009/10 | | | | |
| England | N/A | N/A | 1,414 | 3.0 |
| Greater London | 999 | 1.7 | 1,308 | 1.3 |
| Southwark | 912 | 0.0 | 1,222 | 0.0 |
| 2008/09 | | | | |
| England | N/A | N/A | 1,373 | 3.9 |
| Greater London | 982 | 2.9 | 1,292 | 2.7 |
| Southwark | 912 | 4.0 | 1,222 | 3.5 |
| 2007/08 | | | | |
| England | N/A | N/A | 1,321 | 4.2 |
| Greater London | 955 | 3.1 | 1,258 | 3.6 |
| Southwark | 877 | 3.9 | 1,181 | 4.3 |
| 2006/7 | | | | |
| England | N/A | N/A | 1,268 | 4.5 |
| Greater London | 926 | 2.0 | 1,214 | 4.5 |
| Southwark | 844 | 0.0 | 1,133 | 3.1 |
| 2005/06 | | | | |
| England | N/A | N/A | 1,214 | 4.1 |
| Greater London | 908 | 3.4 | 1,162 | 3.8 |
| Southwark | 844 | 1.8 | 1,099 | 2.6 |
| 2004/05 | | | | |
| England | N/A | N/A | 1,167 | 5.9 |
| Greater London | 878 | 6.4 | 1,119 | 5.8 |
| Southwark | 829 | 2.4 | 1,071 | 3.5 |

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