

Overview & Scrutiny Committee

Monday 20 January 2014

6.30 pm

Ground Floor Meeting Room G02A - 160 Tooley Street, London SE1
2QH

Supplemental Agenda

List of Contents

Item No.	Title	Page No.
6.	Budget Scrutiny	1 - 78
7.	Update on IT	79 - 85

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Date: 17 January 2014

Item No. 6	Classification: Open	Date: 20 January 2014	Meeting Name: Overview and Scrutiny Committee
Report title:		Policy and Resources Strategy 2014/15 to 2016/17: Provisional Settlement	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Richard Livingstone, Finance Resources and Community Safety	

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

At the meeting on 22 October 2013, Cabinet were informed of the pressures created by the continued cuts to its grant from government, and of the outcomes of the consultation with Southwark residents on how the council should prioritise which services to protect and which to seek savings from.

This report sets out the resulting budget for 2014/15, in the face of the budget shortfall of £25.4m reported in October. This round of cuts by government means that Southwark council has lost £249.28 for every man, woman and child living in the borough since May 2010.

Reflecting the outcomes of the consultation, work has been undertaken to ensure as much of the necessary savings have been made from finding further efficiency savings and from back-office activity whilst protecting frontline services as far as possible.

The council's sound financial management since 2010 has meant that we have been able to deflect some of the pain of the government cuts in this budget. In this budget, further savings are being proposed through the decision taken to purchase the offices at 160 Tooley Street, tighter management of contracts, spending money from our capital budget to proactively maintain highways rather than having to reactively repair them and through the reorganisation of how we deliver services.

However, such savings will become increasingly difficult to achieve in future years as the opportunities to make the relatively painless reductions have already been taken. This is particularly concerning given the further £33.5m cut proposed by government in its illustrative 2015/16 allocation, which represents a further 11 per cent cut from the 2014/15 budget considered in this report. I met with Brandon Lewis MP, Under-Secretary of State for London, Local Government and Planning, on 14 January to make him aware of the likely impact this would have on Southwark.

To make matters worse, councils in London have lost New Homes Bonus in the 2014/15 round through a top-slicing of this money which is not being applied elsewhere. Furthermore, the opportunity to generate additional money from growth in business rates has been hampered by government's decision to only hand 30% of such money back to Southwark. Additionally, the council faces spending pressures in essential areas of its work to protect vulnerable children and families, in part as a result of government's decisions on welfare changes.

However, this budget is not all bad news. This budget enables this council to fulfil its commitment to ensuring that every primary school child in this borough receives a free healthy school meal. It also sees the completion of our work to ensure that everyone who works for the council, directly or through contract, receives the Living Wage. It helps our most vulnerable young people, with additional funding for young adults with Learning Disabilities and to support adoption and fostering.

Finally, I want to take this opportunity to thank all the staff across the council who have assisted in the work of pulling this budget together. In these difficult times, the dedication of our employees has helped us continually innovate to ensure that we are protecting the council's delivery of front line services.

RECOMMENDATIONS

That cabinet:

1. Note the current balanced general fund budget proposals for 2014/15 following work undertaken to identify savings and efficiencies, and including increased levels of inflation and commitments identified by departments since the report submitted to 22 October 2013 cabinet.
2. Note that the government's Autumn Statement was delivered on 5 December 2013.
3. Note that the provisional settlement for Southwark council was received on 18 December 2013, and that the final settlement is expected to be confirmed in early February 2014.
4. Note that this report is to be considered by the Overview and Scrutiny committee on 20 January 2014 and that any recommendations arising which are agreed by cabinet will be incorporated into the final report to cabinet on 11 February 2014 for recommendation to Council Assembly on 26 February 2014.
5. Note that this report includes the 2014/15 provisional settlement figures, and with the use of reserves of £6.2m presents a balanced budget for 2014/15.
6. Note the further £33.5m funding reduction announced within the illustrative figures for 2015/16 and the impact on the council following four successive years of significant savings.
7. Note an additional £800k contribution from reserves to the Welfare Hardship Fund set up in 2013/14 and that officers are to examine how funds can be more quickly directed to help those in financial difficulty.
8. Instruct officers to take steps early in the new financial year to plan for the additional resources, efficiencies and savings that will be required to deliver a balanced budget in 2015/16, based on the illustrative figures supplied.
9. Make representation to Ministers on 2015/16 draft settlement and its impact on the council.

BACKGROUND AND PURPOSE

10. In October 2013, cabinet received a report on the Policy and Resources Strategy 2014/15 to 2016/17. This scene setting report set out options for the revenue budget for 2014/15 and the outcomes from the budget consultation exercise that was undertaken over the summer of 2013.
11. The report was prepared in the context of anticipated changes in funding arrangements for the council in 2014/15 and beyond, including cost pressures and corporate savings opportunities known at the time. The report highlighted an estimated shortfall in resources of £25.4m in 2014/15, subject to the Chancellor's Autumn Statement and the provisional grant settlement expected in December 2013.
12. Arising from the report, cabinet instructed officers to explore options to address the 2014/15 budget gap to include the scope for additional business rates growth retention, improved council tax collection and recovery, use of New Homes Bonus (NHB) to support general fund services, and other strategic financing opportunities.
13. This report contains proposals associated to these options. It also provides an update on the current funding position following on from the Autumn Statement and the provisional grant settlement for the council. It also includes detailed budget options for both new commitments and for savings that would enable the council to achieve a balanced budget for 2014/15.
14. The report also sets out the likely funding position for 2015/16 and the additional pressures that this will to bear on council services.

KEY ISSUES FOR CONSIDERATION

15. Since October, officers have gathered further and more current information on future funding arrangements and cost pressures and savings opportunities. The key issues for consideration at this stage refer to:
 - Chancellor's Autumn Statement
 - Provisional grant settlement (including New Homes Bonus; specific and special grants; etc.)
 - 2013/14 General Fund monitoring position
 - Strategic financing options to help reduce the budget gap
 - New and emerging commitments
 - The outlook for 2015/16 and beyond

AUTUMN STATEMENT

16. On 5 December 2013, the Chancellor presented his Autumn Statement. The Statement set out the parameters for Local Government funding in 2014/15 and 2015/16. The Statement confirmed that there will be a continued reduction in central government funding for local authorities over the next two years, as set out in the 2013 Spending Review, announced by the Chancellor on 26 June.
17. In addition, the statement referred to a number of other relevant issues including :
 - A cap of 2% on inflationary increase in business rates.

- Up to £1,000 rebate for businesses with Rateable Value (RV) up to £50,000
- A new reoccupation relief to encourage use of vacant town centre shops.
- A further extension of the doubling of the small business rate relief (SBRR) to April 2015.
- Formally announcement of extending free school meals to all children in reception and years 1 and 2
- funding for the Pupil Premium will rise to £2.5 billion in 2014/15.

Business Rates Increase cap

18. The 2013 autumn statement announced that the government will support all businesses by capping the RPI increase in business rates to 2% in 2014/15. Business rates for 2014/15 were forecast to rise by 3.2%, in line with September 2013 RPI. This is expected to cost £270m nationally in 2014/15 and £255m in 2015/16.

Business Rates Discount

19. The introduction of a discount for two years of up to £1,000 against business rates bills for retail premises (including pubs, cafes, restaurants and charity shops) with a rateable value of up to £50,000 in 2014/15 and 2015/16. This is estimated to cost nationally, £350m in 2014/15 and £425m in 2015/16.

Re-occupation relief

20. The introduction of a temporary reoccupation relief gives a 50% discount from business rates. This discount will apply to new occupants of previously empty retail premises for 18 months, to help reduce the number of boarded up shops on high streets. The relief will be granted to businesses moving in to long-term empty retail properties on or after 1 April 2014 and on or before 31 March 2016. This is expected to cost £5m in 2014/15 and £10m in 2015/16.

Further extension of the doubling of the small business rate relief (SBRR)

21. The announcement of a further extension of the rate of the SBRR to April 2015 means that approximately 360,000 of the smallest business will continue to receive 100% relief from business rates until April 2015, with a further 180,000 benefiting from tapering relief. This is expected to cost £500m nationally in 2014/15.
22. The Department of Communities and Local Government (DCLG) intend to refund local authorities for the cost of the additional relief in 2013/14 through grant, with 60% of the lost income payable in year using estimates and the balance paid after year end based on final outturn position. It is expected that business rates discount, re-occupation relief and SBRR will be refunded to local authorities in 2014/15 on the same grant basis.

Valuation appeals

23. There are currently 168,000 business rates appeals cases outstanding nationally as at September 2013. The government announced their commitment to resolve 95% of outstanding cases by July 2015.
24. The government will consult in 2014 on changes to provide greater transparency over how rateable values are assessed, improve confidence in the system and allow well founded challenges to be resolved faster, preventing backlogs building up in future

Free school meals

25. The government will make funding available to offer every pupil attending a state-funded school in reception, year 1 and year 2 a free school lunch from September 2014. Pupil Premium rates and eligibility will be unaffected.
26. The government will also provide £759k capital funding to increase capacity in school kitchens as well as funding to enable further education and sixth form colleges to provide free meals to disadvantaged young students, in the way that school sixth forms are already required to do.
27. This is estimated to cost £620m in 2014/15 and £755m in 2015/16. The Autumn Statement and Provisional Settlement do not explain how the funding will be made available (e.g. paid to parents, direct to schools or to local authorities).

Council Tax

28. At Spending Review 2013, the government announced that it intended to set the Council Tax referendum threshold at 2% for 2014/15 and 2015/16, with a grant equivalent to a 1% increase provided to local authorities in England that decide to freeze or reduce their Council Tax in 2014/15 and 2015/16. Any local authorities wishing to increase Council Tax beyond the threshold would have to consult local people.
29. The autumn statement 2013 announced a national council tax discount of 50% for annexes from April 2014. This will support extended families living together, for example with children saving for a new home or elderly parents. It is not clear how funding will be made available to local authorities for the loss from this scheme.

New Homes Bonus

30. The government's Spending Review 2013 proposed a £400m increase to the local growth fund, subject to consultation. This would be created by top slicing 35% from New Homes Bonus and transferring it to Local Enterprise Partnerships (LEPs).
31. Following consultation the chancellor announced that, other than for London authorities, the local growth fund will no longer contain a top slice from all New Homes Bonus. This means that from 2015/16, £70 million of the New Homes Bonus awarded to London boroughs will be pooled within the London LEP, which is chaired by the Mayor of London.

Delivering savings from cutting fraud

32. To enable savings of over £2.3 billion through reductions in fraud, error and debt to be delivered, the government announced that a Single Fraud Investigation Service would be formed to investigate fraud across the whole of the welfare system.
33. Alongside this service, DCLG and the Department of Work & Pensions (DWP) will invest in local government's capacity to tackle non-welfare fraud. Additional funding will be provided in 2014/15 and 2015/16 to enable new fraud investigation posts to be created, to focus on corporate fraud.

2014/15 PROVISIONAL SETTLEMENT FOR SOUTHWARK COUNCIL

34. On 18 December 2013, the government announced the provisional settlement for 2014/15 and 2015/16. These figures give Southwark's Settlement Funding Assessment (SFA) at £227.4m. This is some £900k higher than the indicative allocation issued in July 2013 as part of the consultation, and included in the

report to October cabinet. However 2013/14 council tax freeze grant has been rolled into SFA in 2014/15, so the two figures are in fact comparable and will not materially affect the current 2014/15 budget position.

35. A more detailed analysis of the provisional settlement is included in Appendix G.
36. Overall Southwark's 2014/15 SFA has been reduced by £26.9m (10.6%). It represents the second highest settlement funding reduction in London. The cash reductions range between £27.1m for Tower Hamlets to £4.7m for Richmond-upon Thames.
37. The government's announcement gives the national spending power reduction for 2014/15 at 2.9%, (1.8% in 2015/16). This is because it excludes the Greater London Authority (GLA). The national figures including the GLA are 3.1% in 2014/15 and 2.0% for 2015/16.
38. For 2014/15, Southwark have the third highest spending power reduction. The spending power reductions range between £18.7m for Lambeth to £1.2m for Richmond-upon Thames.

Retained Business Rates

39. The fact that the formula and methodology used to determine the SFA are frozen until 2020 means that Southwark is likely to be locked into a long period of receiving among the largest level of cuts in London.
40. The government have passed on most of the risks of the business rates system to local authorities, apart from the risk of reduced business rates yield below the safety net. There is also the inherited risk of reduced revenues as a result of historic valuation appeals being upheld by the valuation office.
41. Before the introduction of the retained business rates system, appeals did not form any part of any calculations or returns, neither were appeals factored into the government's calculations of the business rates baselines.
42. It seems, though still subject to some discussion, that local authorities will have to bear the risk of the pre 31 March 2013 appeals, as well as those after 1 April 2013. The government have received the revenues from the pre 2013/14 appeals cases, but as the government did not set up provisions for losses on appeals, any appeals that are that are subsequently upheld will be a loss to the individual local authority and not the government.
43. The Strategic Director of Finance and Corporate Services has earmarked part of the Financial Risk Reserve to help protect the council from the risks and variations inherent in the new funding system and especially risks underlying business rate retention.

Specific And Special Grants

44. In 2013/14 the council will received £39.8m in specific and special grant funding. The provisional settlement figures show that this is expected to increase to £42.3m in 2014/15. This increase of £2.6m includes an estimated £1.5m for free healthy school meals. Details of all the expected grants are shown in appendix A.

2013/14 REVENUE MONITORING POSITION

45. The Revenue Monitoring Report for Quarter 2 2013/14 was presented to cabinet on 19 November 2013. The report demonstrated the results of the efforts that departments have put in to control cost pressures and deliver council commitments in line with the General Fund budget agreed by Council Assembly in February 2013.
46. As at the end of September 2013, the council was anticipating a favourable variation at the end of the financial year of approximately £208,000 against the agreed budget of £334m, after taking into account expected movements to and from reserves.
47. The report stated that there were no current calls on the 2013/14 contingency budget of £5m. This budget acts to mitigate financial risk inherent within the 2013/14 budget savings target of £24.9m and any unforeseen and immediate demand or cost pressures. In the event that this contingency is not required in 2013/14 and as for previous years, it will be made available to balances to support the next year's budget, as set out elsewhere in this report.
48. A report on the revenue monitor as at quarter 3, is due to be presented to cabinet in February 2014. At this time of writing there are no significant matters which that are likely to impact on the Quarter 2 projections.

STRATEGIC FINANCING OPTIONS

49. The following paragraphs provide additional detail and quantification of savings in the areas of the budget officers were instructed to investigate at 22 October 2013 cabinet. Consideration of these matters is in line with the results of the Spending Challenge consultation undertaken over the summer when the public were more supportive of savings in central and corporate services or those areas with a 'managerial' label.

Additional business rates growth

50. For the transition to the business rates retention system, the government calculated for each local authority a baseline funding level for 2013/14, which is then uplifted by 3.26%, the government's estimate of RPI for September 2013, to £104.5m. The actual inflation rate for September was 3.15%, this would give a revised baseline funding level of £104.4m, a reduction of £0.1m. For comparison purposes RSG would be adjusted, leaving no reduction in indicative funding.
51. 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 (20%) shares.
52. The budget report of June 2013 included £2.0m of additional business rate growth. Current projects are that the council may expect to receive an additional £500k in 2014/15.

Improved council tax collection and recovery

53. The council continues to target council tax collection. The budget as presented in June 2013 assumed a 1% per annum increase in tax base giving £0.7m and a 0.25% increase in collection rate giving £0.2m. As further information is received on the tax base, it is anticipated that a further £0.75m could be collected.

Improving council tax collection was supported by comments made in the Spending Challenge.

54. In 2013/14 the council was required to introduce a Council Tax Reduction Scheme (CTRS). This was a decision reserved to Council Assembly. The current budget proposals assume that there will be no changes to the CTRS scheme for 2014/15. This will be proposed to Council Assembly as part of the Council Tax Base and NNDR base report to Council Assembly in January 2014. That report will consider the equality impacts of continuing with the scheme without amendment.
55. Council Assembly also agree the council tax discount and exemption scheme. The current budget proposals assume that there will be no changes to the discount and exemption scheme for 2014/15. This will be proposed to Council Assembly as part of the Council Tax Base and NNDR base report to Council Assembly in January 2014.

Increased use of future NHB to support revenue

56. The draft budget position as presented in June 2013 already anticipated £2.9m of in-year NHB in addition to the existing budgeted £1.5m revenue contribution, giving a total of £4.4m. It would be possible to apply the entirety of the anticipated 2014/15 NHB allocation to the revenue budget, which would give a total increase of £8.7m.
57. At present NHB receipts beyond £1.5m per year are planned to be applied to the capital programme. If this proposal is agreed within this report, the effect will be modelled into the capital programme and reported to cabinet as part of the refresh planned for February 2014 as part of the quarter 3 capital monitoring and refresh report.

Acquisition of Tooley Street

58. The 2013/14 budget included savings from the acquisition of Tooley Street of £1.5m. It was agreed that these savings would be reviewed annually.
59. The budget model presented in June and October included an additional £1.1m saving from the acquisition of Tooley Street.
60. Further modelling has now been completed, and the internal treasury associated costs of the acquisition are now fully funded for 2014/15. It is now estimated that a further £900k of savings, taking the total up to £2.0m can be released in 2014/15 as a result of the acquisition.

Reduction in contingency

61. In 2010/11 Council Assembly approved a contingency budget of £4.0m to provide for service pressures that could not be quantified. This was increased to £5.5m in 2011/12 in light of the national Emergency Budget, and reduced by £0.5m in 2013/14 to its current level of £5.0m.
62. Current revenue monitoring indicates that the contingency will not be required in full in 2013/14, and it is proposed that for 2014/15, this contingency should be reduced back to its 2010/11 level, a reduction of £1.0m. This effect would carry forward to future years.

Contributions to balances

63. In 2007/08 Council Assembly agreed an annual base budget contribution to the Regeneration and Development reserve of £1.0m to contribute toward the cost of the regeneration of the Aylesbury Estate. This contribution was increased in 2008/09 to £2.0m. It was reduced to the current level of £1.0m in 2009/10, and the contribution has continued since.
64. It is proposed that given the progress on the Aylesbury regeneration project, this budget contribution is no longer necessary and may be deleted from 2014/15, a saving of £1.0m, which would carry forward to future years.

Government funding for free healthy school meals

65. On 17 September 2013, the Deputy Prime Minister said that all infants at schools in England will get free school lunches from September 2014. This will apply to children in reception, Year 1 and Year 2. There have been no further announcements as to how this will be calculated or funded, although it is possible that this will be by way of a specific grant, potentially with savings requirement as the funding is passed to local councils.
66. On the basis that this is a part year (Autumn and Spring terms) effect in 2014/15 and applies to around 50% of the children who currently receive a free healthy school meal from Southwark, a figure around £1.5m has been modelled by the council, and is reflected in this report.

NEW AND EMERGING COMMITMENTS

67. In addition to the strategic financing opportunities to meet the funding shortfall reported in October 2013, a number of other factors have acted to increase demand for financial resources as set out below.

Pay Award

68. The November 2011 Autumn Statement set public sector pay increases at an average of 1% for the two years after the then pay freeze came to an end (i.e. for 2013/14 and 2014/15).
69. Provision for a 1% pay award was included in the 2013/14 budget. Current estimates include 1% for the 2014/15 pay award at £1.8m, an increase of £0.2m from that reported in October 2013. This increase is due to projections on the increased staff costs following the addition of Public Health services and the in-house Customer Service Centre staff.
70. For 2014/15, the Executive of the Trade Union Side have formally tabled their detailed pay claim for 2014 for "*a minimum increase of £1 an hour on scale point 5 to achieve the Living Wage and the same flat rate increase on all other scale points*". The National Employers have undertaken to consult councils through a series of regional pay consultation briefings that they aim to conclude by 31 January 2014.
71. Quantifying the claim for Southwark council is difficult as it does not transpose easily, for example the council does not use all points of the national spine because we have adopted the London Living Wage. A broad estimate of £1 per hour for all staff is £9.4m.

General Inflation

72. Due to pressure on budgets, no allowance for general inflation effects has been provided for in the budget since 2010/11. On 17 December 2013, ONS announced the inflation statistics for November. The reported indicators show CPI at 2.1% (down by 0.1% from 2.2% in October) and RPI at 2.6%, (no change from October).
73. Over the course of the last year inflation rates started fairly steady, but then experienced sharp reductions in April and increases over the summer. Rates have fallen back sharply since September 2013, and are now at September 2012 levels.
74. Running costs budgets amount to some £165m for 2013/14, with CPI currently at 2.1% and RPI at 2.6% after taking account of alternative inflation, of £2.4m, explained in paragraph 76 below, Southwark are absorbing inflationary pressures of £1.1m and £1.9m respectively.

Alternative Inflation

75. The council calculates "alternative inflation" for long term contracts tied to industry specific rates of inflation. Alternative inflation does not have a single rate and current provisional estimates show alternative inflation costs at £3.9m for 2014/15.
76. Earlier budget reports have assumed that contractual inflation would remain fairly close to 2013/14 levels of £2.4m, given the relatively stable level of inflation during the previous twelve months.
77. Current departmental estimates show that 2014/15 contractual inflation is likely to be some £1.5m higher than for 2013/14. The main driver for this is that in 2013/14 a number of new contracts had been let, consequently no indexation was required, 2014/15 includes the inflationary uplift for these contracts.

Concessionary fares

78. Concessionary fares is the name given to scheme for the London Freedom Pass which is issued to all older and disabled Londoners to give free travel on almost all public transport in London. The Freedom Pass scheme is administered by the organisation London Councils and costs are recharged to individual London boroughs on the basis of journeys travelled.
79. The concessionary fares charge to London Boroughs for 2014/15 was agreed by London Councils' Transport and Environment Committee on 12 December 2013. Overall the cost of concessionary fares will rise in 2014/15 by 4.1%. This increase is not a composite inflation rate, and is calculated from each of the inflationary increases from each of the individual transport operators. As individual London boroughs have a different profile of usage across the individual transport operators, the inflation rate will not necessarily be the same for all councils.
80. The change in charge to individual authorities is not simply inflation, as actual usage of the freedom pass is also a factor in the calculation of the 2014/15 charge.
81. In June 2013 the council modelled £500k possible increase. The increase to Southwark in 2014/15 will actually be some £880k (7.4%), this comprises of £443k for inflation and £437k for increased usage. This higher figure has now been included in the budget figures.

	2013/14	Inflation	Usage	2014/15	Increase	
	£'000	£'000	£'000	£'000	£'000	%
Bus	9,195	270	258	9,723	528	5.70%
Underground	1,693	113	48	1,854	161	9.50%
Tram	36	3	5	44	8	22.20%
DLR	47	11	1	59	12	25.50%
Overground	120	19	45	184	64	53.30%
Total TfL charges	11,091	416	357	11,864	773	7.00%
Other non TfL charges (ATOC, non TfL buses)	772	27	80	879	107	13.90%
Total charge	11,863	443	437	12,743	880	7.40%
Administration charge (0.1%)	12			13	1	7.40%
Total cost of freedom pass	11,875			12,756	881	7.40%

OUTLOOK FOR 2015/16 AND BEYOND

Settlement Funding and Spending Power

82. The funding position for future years is still subject to considerable uncertainty. As part of the provisional settlement figures the government published some indicative funding figures for 2015/16.
83. These figures indicate that Southwark's Settlement Funding Allocation (SFA) will be reduced by a further £33.5m against 2014/15 levels, making it the highest cash loss in London.
84. For 2015/16, Southwark have the highest settlement funding reduction which is the 11th highest percentage decrease. The cash reductions range between £33.4m for Southwark (14.7%) to £4.9m for Richmond-upon-Thames (10.6%).
85. By 2015/16 this will equate to the loss of £114.7m in funding allocation from government since 2011/12. This is shown in cash terms so it does not account for real inflation and other cost pressures.
86. The table below shows the spending power for Southwark, London and England since 2011/12, it can be seen that over the four year period Southwark and London have borne a disproportionate share of the reductions.

	2011/12		2012/13		2013/14		2014/15	
	£m	%	£m	%	£m	%	£m	%
Southwark	33.7	8.4	16.9	4.6	4.7	1.3	17.7	4.8
Inner London	303.3	7.8	175.1	4.9	42.9	1.2	179.5	4.8
London	514.8	5.9	325.3	4.0	99.9	1.2	327.7	3.9
England	2,578.5	4.7	1,742.9	3.3	923.4	1.7	1,668.6	3.1

87. For 2015/16, Southwark have the second highest spending power reduction (5th highest % decrease). The cash reductions range between £19.7m for Newham (6.1%) to £3.3m for Bromley (1.4%).

New Homes Bonus

88. The government's proposal to transfer 35% of London authorities' New Homes Bonus (NHB) to the Local Enterprise Partnerships (LEPs), (paragraphs 30 and 31

refer), will have a significant effect on the amount of resources Southwark will have available to provide services.

89. 35% of Southwark's estimated 2015/16 NHB is £4.7m, this taken with some £6.0m supplementary business rates, currently paid to GLA to fund crossrail means that Southwark will have lost resources totalling around £10.7m that is available to non London authorities.
90. Southwark's response to the consultation was firmly against the top slicing, citing the concern that the resources being taken from Southwark may not be invested back into Southwark.
91. The government will consult in 2014 on measures to improve further the incentive of the New Homes Bonus, in particular withholding payments where local authorities have objected to development, and planning approvals are granted on appeal.

Social Fund Grant

92. The social fund grant, to help councils provide Crisis Loans and Community Care Grants, is expected to be withdrawn in 2015/16. For Southwark this represents a loss of £1.63m, based on the 2014/15 grant level.

Government funding for free healthy school meals

93. As the terms of the funding are not known, it is unclear whether this will have an effect in 2015/16 or future years.

Overall

94. The extent of the reductions required may require fundamental changes in the management and structures of local authorities. Steps must be taken early in the new financial year in the context of spending round and funding announcements.

2014 /15 BUDGET OPTIONS

95. When setting the revenue budget the S151 officer is required under section 43(4) of the Local Government Finance Act 1992 on behalf of their local authorities, to assess the "revenue budget requirement" for the forthcoming financial year. The revenue budget requirement is a statutory definition of expenditure to be met from all sources including government grant, council tax income and other sources. The current estimates are for a revenue budget requirement of £322.1m in 2014/15, some £11.9m less than in 2013/14, the table in paragraph 183 gives details.
96. This report sets out below an outline of the options for savings and new and emerging commitments for council services. Detailed schedules of budget proposals for 2014/15 are attached as appendices B to E.

CORPORATE COMMITMENTS

London Living Wage

97. The council has been pursuing London Living Wage (LLW) in contracts. The 2014/15 budget proposals include £1.0m which will be used to support LLW being embedded within relevant contracts to be retendered or re-let.

Pension Fund Contributions

98. The council maintains a pension fund of around £1bn to meet its current and future pension liabilities. In prior years pressure on the fund has meant that additional contributions have been required from the council's general fund budget.
99. Initial results from the Triennial Review, presented to the Pension Advisory Panel in December 2013, indicated the pension fund has seen considerable improvement in its funding position. This is due primarily to greater than expected investment returns and as a result there is no need to increase the contributions from the general fund for 2014/15.

Welfare Hardship Fund

100. An additional one off contribution from reserves to the welfare hardship fund of £800k is proposed for 2014/15. This fund will mitigate some of the impact of the benefits changes to protect the most vulnerable in the community. This fund sits separately from the Social Fund.
101. Following experience in 2013/14 the Leader has asked for an urgent review of the council's welfare hardship fund with officers to quickly examine how funds can be more quickly directed to help those in financial difficulty.
102. After nine months, around £85,000 out of a fund of £800,000 has been distributed to local people who are experiencing hardship as a result of the government's welfare changes. The review is expected to seek the views of local food banks, the citizens advice bureau and other local authorities to explore how individuals and families in desperate need can access the money the council has set aside to help them. The review will seek to understand how local people can access the welfare hardship fund, and how to get assistance to those in the most difficult circumstances, as quickly as possible.

DEPARTMENTAL BUDGETS: COMMITMENTS, EFFICIENCIES, INCOME AND SAVINGS OPTIONS

103. The Policy and Resources Strategy 2014/15 to 2016/15 reported to cabinet on 22 October 2013 contained a detailed report giving results and analysis from the spending challenge consultation held during the summer.
104. People were asked to demonstrate which services they wished to 'protect', or 'increase' and to identify those services in which, if savings had to be made, they would be prepared to see savings. The table below summarises the main messages.

Percentage of responses	Protect	Increase	Make Savings
Children's Services	30%	23%	8%
Adult Services	19%	20%	11%
Public health	11%	9%	11%
Environment (E&L)	11%	14%	11%
Culture Libraries and Leisure (E&L)	17%	14%	6%
Housing and Community Services	6%	11%	14%
Central Support Services (F&CS and CE)	6%	9%	39%
Total	100%	100%	100%

105. As far as possible, the budget proposals seek to reflect the main messages received through the consultation. The corporate savings and efficiencies identified in paragraphs 50 to 66 reflect the consultation preference to see efficiencies in central and support areas rather than public facing services.
106. The next sections identify commitments, efficiencies, income and savings for each of the departments.

CHILDREN'S AND ADULTS SERVICES

107. The Children's and Adults department budget represents two thirds of the council's total net revenue expenditure. In 2014/15 the department is proposing savings of £9.590m, use of contingencies of £1.840m and commitments of £6.388m, resulting in an overall net budget reduction of £5.042m. The department provides universal services as well as those targeted at more vulnerable families, children and adults delivered through four divisions: children's social care, education, strategy and commissioning, and adults' social care.
108. The Children's Social Care Division supports delivery of statutory social care functions, including protecting vulnerable children and those at risk of harm, providing services for looked after children, foster care, adoption, youth offending and children with disabilities.
109. The Education Division supports the delivery of universal services, including early years (0-5 years), school improvement, admissions, after school play and youth services, alongside more specialist services for children and young people with additional needs such as SEN or those excluded from school. It is also responsible for the Post 16 phase of learning to ensure Southwark young people are engaged in employment or training, in school or with other providers.
110. The Strategy, Commissioning and Business Improvement (SCBI) Division provides support for statutory partnership boards such as the Southwark Safeguarding Children's Board and Health and Well Being Board, performance data and intelligence to support targeted service delivery, manages the multiple inspection processes, and commissions and quality assures placements and services for vulnerable children and adults. In addition the division leads on specialist parenting services, compliance and departmental governance and the free healthy school meal programme.
111. The Adults' Social Care Division provides support for the vulnerable adults in our community. These are frail older people, including those with dementia, disabled people of all ages, people with a learning disability and people with mental health problems. This includes residential and nursing home placements, services to allow people to maintain independence and support them living in their own homes, home care, day care, intermediate care, advocacy and support, equipment to aid daily life, transport and meals on wheels. People who are eligible for social care increasingly have personal budgets, including direct payments, where they self-direct the support they need to meet agreed outcomes.
112. In delivering these savings we have sought to minimise the impact on statutory social care functions for the most vulnerable children, young people and adults and so maintain the council's responsibility to keep vulnerable children and adults safe.

113. The key drivers to achieving the reductions are to:
- Maximise service effectiveness, drive down costs and ensure high quality, sustainable provision within the available remaining resources
 - Protect front line services by reducing back office costs, flattening the management structure and increasing productivity
 - Reshape our retained services around the council's core statutory duties for education and social care
 - Reduce subsidies to non-statutory, discretionary services
 - Further improve commissioning and procurement to increase value for money
 - Further reduce duplication in supplies and services and ensures we focus on priority services to vulnerable groups.
114. Further, the overall aim is to deliver a fairer future for older and disabled people by creating a sustainable system that continues to support the most vulnerable and deliver value for money. This requires a change in the way the council works across the whole system of adult social care. It will mean different relationships between the council and the community, where families and older and disabled people will be expected to do more for themselves, with less reliance on the council. It means moving to a model where older and disabled people can contribute and exercise greater control over their own lives, improving their health and well being. This will also mean containing growth in demand, focussing council support to the most vulnerable, providing services differently but always with an aim to maintain and improve quality.

Children's Social Care

115. The proposed savings for Children's Social Care totals £450k to be delivered through improved commissioning of children's disability spend and looked after children residential contracts; and utilisation of the Dedicated Schools Grant and staff savings. This lower level of savings is in recognition of the risks of continuing to reduce Children's Social Care budgets whilst the number of children and families in need continues to grow. The government has also imposed a more rigorous inspection framework which incorporates increased expectations on local authorities to improve outcomes for the most vulnerable children and families.
116. In 2014/15, Children's Social Care growth bids of £2.8m are required to support increased activity across foster agency care placements, residential home placements and increased numbers of destitute families in receipt of financial assistance. During 2014/15, Children's Services is using £1.64m of contingencies support this increased activity. It is anticipated that the transformation of children's social care and continued management action will reduce the overall costs and therefore reduce future budget pressures. Management action includes a recruitment campaign to increase the number of in house foster carers, increasing the number of children adopted, and a management review of services for destitute families to improve efficiency and reduce duplication.
117. In addition, growth bids totalling £1.6m are proposed for reviews of rates paid to foster carers to improve recruitment and retention and reduce our use of independent fostering agencies and residential care. There are additional costs associated with the requirement to provide a stronger offer of post adoption support, and the requirement for payments to friends and families carers and Special Guardianship Orders to be linked to local fostering rates.

Education

118. The proposed savings for Education total £1.555m. Over the last three years every area within Education has been restructured and wherever possible the aim has been to maintain front line services and ensure services are targeted at the most vulnerable. In 2014/15, the majority of savings fall within the Early Help Division (£1.210m) and include downsizing the management costs of the Children's Centres; increasing Dedicated Schools Grant utilisation; ending of one-off support and rationalising the BookStart offer. A further £300k is to be saved through realigning the Youth and Play Service and £45k through a deletion of a vacant post.
119. There is growth of £100k to support staffing costs associated with the implementation of the Children's and Families Bill from September 2014. This is a significant reform of the needs assessment process for individuals aged 0-25 years covering special education needs, social care and health needs.
120. These savings in the council's budget also need to be seen in the context to ongoing national reforms to the Dedicated Schools Grant (DSG) which funds schools and centrally retained education services such as Special Educational Needs, Early Years entitlement for two, three and four year olds and educating children other than at school. The main budget challenge for 2014/15 is the increasing numbers of children in special educational needs provision whilst the DSG funding for high needs remains static.

Strategy, Commissioning and Business Improvement (SCBI)

121. The entire SCBI team has been restructured over the past three years; at the same time as delivering significant commissioning saving across Children's and Adults' Services. The proposed savings within SCBI total £655k; of this £500k relate to staff savings through a sharper approach to commissioning; £100k through reducing printing costs and £55k through the utilisation of the Public Health grant. This team will also implement the commissioning savings totalling £300k already included within the Children's Social Care budgets referred to above.
122. There is a commitment of £900k for the full year financial effect of the full roll out of the Free Healthy School Meals for Southwark Primary in years 5 and 6.

Adults' Social Care

123. The savings for Adults' Social Care total £6.930m, as described below.
124. Savings are proposed of £2.675m for services for people with learning disabilities which will promote independence and increasing choice, will be delivered through:
- Redesigning high cost provision to promote personalisation
 - Programme of individual reviews for people with personal budget
 - New individual support funding arrangements for adults in shared accommodation.
125. In addition, a saving of £200k is proposed for mental health day services continuing promoting and extending personalisation.
126. A number of efficiency savings are proposed totalling £4.055m including:
- Prompt hospital discharge from hospital
 - Reduction in the building repair and maintenance budgets to reflect current building portfolio.

- Reduction in the use of specialist consultants and staff savings through management restructure and vacant post deletions
- Commissioning savings for out of borough and spot placements costs and decreasing the transitional funding for market development
- Reduced demand on residential and nursing home placements
- Reduction in take up of the welfare catering service.

127. For 2014/15, growth of £988k is required to fund the increasing number of young people with Learning Disabilities receiving support.

128. During 2014/15 Adults' Social Care will be working through the future streamlining opportunities created by the integration of health and adults social care arrangements through the pooled Better Care Fund and financial risks of the Care Bill both will be implemented in 2015/16.

Public Health

129. The public health activities in 2013/14 are delivered through £21.8m ring fenced grant from the Department of Health. The key service areas are:

- sexual health services including contraception and sexual health advice and testing, £8.1m (Children's and Adults' Services);
- improving public health including smoking cessation, exercise referrals, health checks and school nursing, £3.4m (Children's and Adults' Services);
- drugs and alcohol misuse services including treatment and intervention services, £7.2m (Environment and Leisure);
- community sports contribution, £100k (Environment and Leisure);
- the staffing costs for the shared specialist public health team that includes staff transferred from the NHS and a budget held to mitigate for the financial risks associated with activity/costs for public health, £3.1m (Chief Executives).

The vast majority of this expenditure is on third party service providers.

130. Funding for public health is expected to increase by £1.1m in 2014/15 and the council will take the opportunity of bringing public health functions into the council to support health and wellbeing programmes currently undertaken by the council, and apply this funding to activities which support public health elsewhere in the council.

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

131. One of the key aspects of the work of children's services will be to minimise the impact of the budget reductions proposed, particularly with regard to groups covered within the council's Approach to Equality. Southwark is one of ten local authorities nationally with the highest percentage of children in need, and yet has suffered one of the highest reductions in central government core funding. In addition, the reduction of or loss of a considerable number of targeted grants focused on the most vulnerable groups will significantly add to the potential negative impact. Children's services will need to manage these reductions in light of its continuing statutory duties.

132. Safeguarding children and young people is our highest priority and any service reductions here or in related areas will need to be very carefully considered in relation to children at risk of harm in the community, and for the potential impact on vulnerable groups. Because of the downturn in the economy and welfare reform changes, we are starting to see in specialist children's services an increased demand for services to families in difficulty. Effective support for

schools to meet a wider range of lower-level needs and so prevent problems escalating will be required, particularly with the high level of need that our young people have in Southwark and the vulnerability of some schools. The potential growth of academies is a challenge to central services due to the potentially destabilising effect on income to maintain these services.

133. Actions to mitigate the impact of budget reductions will be considered very carefully following the council's decision. This will include looking at efficiency savings including streamlining back-office processes and reducing the number of support staff, reviewing management structures to reduce the number of managers and protect front-line service delivery, smarter procurement to drive down the costs of purchased services and stripping out any funding duplication. Contracts with external providers will be scrutinised for potential savings without impacting on key groups. In addition, other mitigating actions will be put in place, including exploring alternative delivery models, such as working in partnership with schools and other partners to deliver services in a different way, as well as understanding the local impact of initiatives or actions taken at a national level. This process has already started and has been a critical aspect of developing the initial budget proposals.
134. A further more detailed report will be produced on the potential impact of the proposed budget reductions for specific groups so these can be fully considered before any decisions are taken. This will include detailed equality analysis for each service affected by the council's decision, which will underpin individual service development and reconfiguration.

Adult Social Care - summary equalities impact

135. Budget proposals for adult social care are in the context of work to develop a system that supports people to live independently and well for as long as possible, accessing care and support services that are personalised and based on their choices and moves away from a model of dependency. The system needs to consider redesign and reconfiguration across all client groups to be sustainable, continue to support the most vulnerable and deliver value for money.
136. The two equality strands that will experience major impact from proposals are older people and disabled adults with eligible care needs as outlined through Fair Access to Care Services (FACS) criteria. Older and disabled adults without eligible needs may also experience an impact from proposals to re-shape open access services in the borough.
137. The key impact is around services not continuing to exist or being offered in a different way. We are going to focus resources on time-limited interventions that help people, such as re-ablement services, and supporting them to understand how they can best help themselves and make key contributions to the wider community. In addition, changes to services will potentially have an impact on carers, the majority of whom are women.
138. We propose a range of mitigating actions to try and minimise any potential negative impact. These include:
- Continue progress with development of personal budgets (including direct payments in cash) so that people understand how much is to be spent on their care and support and can then make decisions about the ways they wish to use their money;

- Focus on how we can support the development of a diverse provider market in Southwark so there are appropriate services available on which people can spend their personal budgets;
- Develop and improve partnerships involving individuals, communities, voluntary and private sectors, the NHS and the council's wider services to best implement proposals;
- Improve procurement and commissioning processes, and streamlining back office functions thereby focusing resources on frontline services;
- For open access services, explore models where a small injection of cash to 'pump-prime' services could support organisations to become financially self sustaining, and promote community cohesion, in line with the wider corporate approach to the voluntary sector;
- Develop proposals for effective, targeted interventions that can provide help and support for carers, recognising the key role that they play, both in delivering care and in preventing people's care needs from increasing.

139. The overall approach for adult social care services in Southwark will have a positive impact on equality strands:

- Personal budgets offer an opportunity for people to access personalised support services that take account of cultural preferences, e.g. being able to choose a carer of your own gender – evidence suggests this is particularly true for BME communities, lesbian, gay and bisexual communities and for transgender people
- Moving away from residential provision and to supported living in the community is designed to support people to live independently at home and connected with their communities for as long as possible
- A single point of informed contact supports better use of resources and targeted information and advice for people at an early stage, regardless of whether they receive state support for care.

140. However, this also needs to consider:

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

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

CHIEF EXECUTIVE'S OFFICE

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

143. The department will continue to deliver on the fairer future vision by having a relentless focus on rationalising support services so more money is protected at the frontline and working alongside others to provide the organisation with the

tools to innovate and modernise service delivery. It will also be focused on delivering functions that help achieve local strategic priorities. This will mean working to ensure the benefits of regeneration can spread across the borough including in strategic areas such as Elephant and Castle and the Aylesbury but also within Peckham, Nunhead and Camberwell.

144. The proposed indicative budget for the department in 2014/15 is £18m. It is proposed to deliver savings of £1.421m through service re-configuration, review and management restructuring, and additional income.

Chief Executive – summary equalities impact

145. Although the services provided by the CE department are largely back office, these enable a consistent approach to equality across the whole council, ensuring equality is taken into account in all decision making processes where relevant. The CE department also ensures that effective policy and robust performance measures are in place to evidence the council's compliance with the public sector equality duty in both its role as employer and service provider. In terms of direct customer contact, Southwark's significant regeneration schemes and planning services provide a platform for addressing strategic equality priorities, with regard to community development, improvements in the built environmental and in maximising economic growth opportunities.
146. Savings are proposed to be realised through service reconfiguration and reducing support costs. Therefore any impacts would fall primarily on staff rather than service users. As specific proposals are put forward, and at each stage of implementation thereafter, the different impacts on different categories of staff will be assessed. Service heads are committed to deliver savings as far as possible to maintain the level of service.
147. Residents across all housing tenures, visitors and businesses in the borough are all beneficiaries of regeneration schemes. Regeneration activity is targeted towards the more deprived areas and disadvantaged groups in the borough. There is a risk that proposals could disproportionately impact on the most disadvantaged and vulnerable groups and geographical areas in the borough and mitigating action has been identified. Where external funding has been reduced, the mitigating action is to retarget available budgets to schemes that support people with the highest level of need as far as possible. The department also proposes to maximise income on commercial properties and through restructuring planning application fees. As with all proposals equality impacts will continue to be assessed through out.

ENVIRONMENT AND LEISURE

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

- Community Safety covering Safer Southwark Partnership, drug and alcohol teams, emergency planning, environmental health, community wardens, antisocial behaviour unit, environmental enforcement, private sector housing renewal, noise and CCTV
 - Culture, Libraries, Learning and Leisure covering arts, heritage, leisure centres, sports, libraries and adult learning.
149. The department's vision is to make Southwark's neighbourhoods great places to live, that are clean, safe and vibrant and where activities and opportunities are accessible to all. The department's approach to achieving savings follows the budget principles by focusing on core provision of quality services, efficiency savings, smarter procurement and robust contract management. The department is also seeking to increase income by raising demand for services.
150. The budget for environment and leisure services in 2013/14 is £75m. The department has already achieved £7.3m savings during 2011/12, £5.5m during 2012/13 and is on target to achieve £2.6m savings for 2013/14. For 2014/15 it is proposed to make efficiencies and savings of £2.3m, including additional income of £815k.
151. It is proposed to make efficiency savings of £275k in Public Realm. This includes £200k through refinancing the highways contract and reclassifying 28 day work. This is linked to capital programme growth. There will also be savings by bringing the tree maintenance services in-house.
152. In Sustainable Services, the operation of the combined heat and power element of SELCHP will trigger income from the Renewable Obligation Certificate scheme from central government. This is expected to generate £200k.
153. The Community Safety budget is proposed to reduce by £476k. This includes £216k which was set aside because of the uncertainty over government and mayoral funding. The actual cuts made were subsequently less than anticipated, so this money is being returned. In addition, the restructuring and re-organisation of some services will lead to further savings, £260k of which relate to the departmental budget.
154. It is proposed to make efficiency savings of £391k within the Culture, Libraries, Learning and Leisure division. These have been made possible through savings from the leisure management contract as well as the introduction of self service in libraries.
155. An additional £100k savings is proposed by further reducing the costs of departmental management and support services, including the centralisation of the departmental procurement function.
156. There are plans to generate additional income of some £815k for 2014/15. Public Realm is proposing to generate £680k from its various services without increasing prices but through a greater volume of transactions. Culture, Libraries, Learning and Leisure will benefit from rental becoming payable on the cafe in Canada Water, and Sustainable Services propose to increase refuse container hire charges in line with the most appropriate London average. This is expected to generate an additional £100k.
157. In delivering these savings and income generation, the department has sought to minimise the impact on service delivery. The budget proposals have been

developed in line with the cabinet's budget principles, and they will deliver the best value for money possible whilst maximising the use of existing assets. The department's proposals are based on service need and demand with the aim of protecting front-line services and supporting the needs of our residents.

Environment and Leisure – summary equalities impact

158. Our approach to achieving savings across the Environment, Culture and Community Safety portfolios is in line with the cabinet's budget principles, and we have sought to do all we can to protect front line services and offer continuity of services to our most vulnerable residents.
159. However the majority of our services in this area are front line and directly delivered to all residents and changes and reductions to delivery are inevitable in order to meet the scale of savings required.
160. In order to minimise front line reductions and impact on the wider community and equalities groups we have sought to make savings through efficiency, back office reductions and processes, leaner staffing structures and negotiating better value from our contractors.
161. Wherever possible we have sought to identify new ways of working that may deliver efficiencies and improved value for money, as well as maximising opportunities for increasing income.
162. None of the current proposals have been assessed as having a significantly adverse effect on either protected equalities groups or the wider community.

FINANCE AND CORPORATE SERVICES

163. Finance and Corporate Services provides the support service functions of finance (in direct support of the council's section 151 statutory function), facilities management, information and data services, corporate procurement, legal and the revenues and benefits service.
164. The indicative budget for Finance and Corporate Services in 2014/15 is £45.3m after the proposed efficiencies of £2.0m. In the period April 2011 to March 2014 the department has seen a budget reduction of 27%, achieved primarily through new and enhanced contract arrangements and reduced staff numbers. This is consistent with the plan proposed in February 2011.
165. The proposed efficiencies of £2.0m represents a further 4.3% reduction on the 2013/14 budget. It will be delivered through a transformational review of the department, including contract efficiencies, employee self service and use of technology.
166. Savings in facilities management (£160k) and information & data services (£810k) will be delivered through new contractual arrangements and rationalised back office support. A head of resources post was created to manage across these services but that post was not recruited to. This will be deleted generating a £100k saving.
167. The finance (£400k) and revenues & benefits (£320k) sections will review staff structures and ensure the services they provided are delivered as efficiently as possible. Legal services (£210k) will utilise existing powers to offset costs incurred on planning and regeneration work.

Finance and Corporate Services – summary equalities impact

168. The department is committed to achieving the required level of savings. The impact of implementing these will fall largely on staff as numbers are reduced. The management team is committed to assessing the impact on staff to ensure fairness and equality. As budget reductions are implemented the impact on staff will be considered in detail throughout the implementation of each proposal, which will be conducted in accordance with the council's reorganisation, redeployment and redundancy procedure.

HOUSING AND COMMUNITY SERVICES

169. The housing and community services department (H&CS) delivers a wide-range of council services funded from both the general fund and the housing revenue account (HRA). General fund services broadly comprise: homelessness and housing options, temporary accommodation, community engagement and voluntary sector partnerships, customer contact centre, customer resolution, blue badges and concessionary travel, registrars and coroners services, traveller's sites, adaptations and other private sector housing related provision.

170. The council's landlord services are contained within the ring-fenced HRA, which is part of a separate budget consultation process. Cabinet received an indicative budget report on 10 December 2013 and following consultation with tenants and council homeowners during January, decisions on rent and service charge levels will be considered by cabinet on 28 January 2014.

171. Housing and Community services have identified a total of £140k of budget pressures. The council is facing increased pressures in temporary accommodation, driven by a combination of an increase in demand for services, and a reduction in supply (or increase in cost of the supply). The department is continuing to model the increase in costs for this service, which could amount to £2.7m. These additional costs are not certain and therefore have not been included within the budget proposals as currently drafted. In the event of these costs crystallising it will be have to be managed through contingency.

172. The departmental priority is to deliver continuous improvement in all of its core services. The key drivers to achieving this are to maximise service efficiencies, particularly in the back office and corporate overheads, obtain greater value for money through better commissioning/procurement and re-configure services around the council's statutory duties in order to protect front-line service provision and focus resources on supporting our most vulnerable residents. General fund savings derived from further efficiencies, service reviews and rationalisation total £2.153m whereas those involving a degree of service impact, which have been minimised as far as possible, total £77k.

173. The decision to bring the customer service contract in-house from June 2013 provided the opportunity to re-configure and improve customer access and service delivery and drive out savings over the medium term by moving towards more cost effective transaction routes and operational efficiencies. The transformation continues to deliver improvements at reduced cost with a proposed budget saving of £609k in the year coming. In addition within the Customer Experience division, a further £202k will be delivered in Housing Options through service re-configuration which has streamlined business processes and focused resources more effectively.

174. Operational reviews undertaken across a range of housing services, specifically hostels and supported hostel accommodation, mobile alarm response service

(SMART) and sheltered housing services require the rebasing of cost allocations totalling £1.038m between the general fund and the HRA, in accordance with the statutory provisions of the HRA ring-fence to account for landlord and non-landlord services separately. Further service efficiencies across H&CS include: the Mayor's office (£18k), community councils (£20k), specialist housing services (£154k) and private sector housing (£14k).

175. Budget commitments total £140k and are required to address specific underlying anomalies and align budgets within the independent advice services contract and the coroner's service to reflect current volumes/activities. However, the biggest financial risk going forward is in relation to the provision of temporary accommodation, particularly the cost of bed & breakfast. Whilst Southwark is recognised as a leader in homeless prevention, it is simultaneously facing challenges through increased homeless demand, exacerbated by the impact of the 'under-occupation charge' and wider welfare reforms, and a contraction in the supply of accommodation, both in the private and RSL sectors. Whilst the council maximises its use of estate void properties in the HRA to mitigate the cost of bed and breakfast, this is also under some pressure as regeneration projects accelerate and the supply of estate voids becomes uncertain. The potential cost arising from the increase in homeless demand is difficult to gauge given its demand-led nature and this risk is best met through the drawdown of corporate reserves in the event that the cost pressure cannot be contained within the base budget.

Housing and Community Services – summary impact statement

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

USE OF BALANCES AND CONTINGENCY

177. Currently, a contribution from reserves of £6.2m will be required to fully fund the proposed budget. This compares with £4.4m in 2012/13, and £6.2m in 2013/14. The Strategic Director of Finance and Corporate Services recognises and accepts that it is necessary to make some prudent use of balances through the period of introduction of new funding arrangements for local government and the general cutbacks in public expenditure. He recognises also that this expedient can only be short term and that year on year the council target must be to remove any dependency on reserves and balances order to reconcile resources with spending needs.
178. Until the 2012/13 budget, as part of the budget process, the use of reserves in one budget was always replaced in the next. From 2013/14 it has not been possible to do this, and a total of £16.8m will have been taken from reserves to support the budget when 2014/15 is included.
179. The council has been fortunate that, like many other local authorities, reserves and balances have been maintained throughout what has been a very challenging two years. This makes prudent access to these resources more appropriate,

especially when considering the retention of a reasonable, albeit lower, level of contingency within the base budget.

180. For 2014/15, contingency will be further reduced by £1.0m to £4.0m, this reflects the reduction in risk following the achievement of 2013/14 budget targets, and is referred to in paragraphs 61 to 62 of this report.

Revised 2014/15 position

181. As anticipated in the October cabinet report, the identification of key areas of corporate savings and income generation do not fully meet the budget gap. This report presents a balanced budget after taking account of increased inflationary and service pressures, and corporate, themed and departmental savings and the use of £6.2m reserves.

182. The table below shows the indicative budget for 2014/15, including changes since the October 2013 cabinet report:

	2013/14	Indicative 2014/15	
		as at 22/10/13	as at 15/01/14
	£m	£m	£m
Previous year budget ¹	341.2	334.0	334.0
Inflation	4.0	3.8	5.7
Commitments	9.6	1.5	8.4
Savings ²	(24.9)	(1.1)	(2.0)
Social fund	(1.7)		
Net change in council tax freeze grant.	1.4	0.0	0.9
Fall out of contribution (from) / to balances	4.4	0.0	0.0
Total Budget	334.0	338.2	347.0
Funded by			
Settlement Funding Allocation (SFA) [Previously Start up funding allocation (SUFA)]	(253.3)	(226.5)	(227.5)
Growth in NNDR	0.7	(2.0)	(2.5)
Council tax	(74.3)	(75.2)	(76.9)
Collection fund (surplus) / deficit	(0.9)	0.0	(1.3)
Application of growth in new homes bonus		(2.9)	(8.7)
Total Funding	(327.8)	(306.6)	(316.9)
Budget shortfall	6.2	31.6	30.1
Contribution (from) / to balance	(6.2)	(6.2)	(6.2)
Budget shortfall after contribution from balances	0.0	25.4	23.9
Corporate initiatives			(4.6)
Departmental savings			(19.3)
Revised budget shortfall	0.0	25.4	0.0

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 - Savings are £2.0m additional Tooley Street savings, currently shown as £0.9m increase over savings reported to October cabinet.

183. The budget departmental control totals are shown below, including commitments and savings:

Service area	2013/14 Budget	Inflation	Commitments	Savings	2014/15 Budget proposed by officers
	£m	£m	£m	£m	£m
Children's and Adult Services	206.5	3.1	6.4	-11.4	204.6
Chief Executive	19.6	0.2	0.0	-1.4	18.4
Environment & Leisure	72.8	1.5	0.0	-2.3	72.1
Finance & Corporate Services	45.9	0.5	0.0	-2.0	44.4
Housing and Community Services ¹	37.5	0.1	1.0	-2.2	36.4
Total Service Budgets	382.3	5.5	7.4	-19.3	375.9
Corporate Budgets ²	-48.3	0.1	1.9	-6.6	-52.8
Total net expenditure budget	334.0	5.6	9.4	-25.9	323.1
Contributions from balances	-6.2	0.0	0.0	0.0	-6.2
Total Budget	327.8	5.6	9.4	-25.9	316.9
Total resources	-327.8				-316.9
Balance	0.0				0.0

Note 1 - Concessionary fare / freedom pass commitments are included in Housing and Community Services.

Note 2 - Corporate budgets commitments includes fall out of 2013/14 council tax freeze grant rolled into settlement funding.

A strong and stable resource base

184. In setting out the draft budget proposals for 2014/15 the Strategic Director of Finance and Corporate Services, as the statutory section 151 officer, is assured that the range of spending commitments and proposed savings are being set within the resources available that meet local priorities. The draft budget proposed for 2014/15 is therefore robust.

185. In addition to ensuring that sufficient funds are available to finance the ongoing management of the council services, the Strategic Director of Finance and Corporate Services needs to be assured that there is an appropriate level of reserves and balances available. The Local Government Act 2003 requires the chief finance officer to report on the adequacy of reserves held, and requires members to have regard to that report in setting the budget. The Act also gives powers to the Secretary of State to specify a minimum of reserves to be held, but those powers have not yet been applied.

186. Reserves are funds set aside from underspends or proposed budget contributions, to meet contractual commitments or future expenditure plans, including meeting risks or liabilities that may arise at a later date. For example, the council has a number of pressures which fluctuate over time and are unpredictable in nature. These could include winter maintenance (such as pot holes and road gritting for highways) or meeting the upkeep of older buildings that the council operate from. Reserves are the most effective way in which to mitigate these pressures, subject to appropriate criteria. Another example is one-off redundancy costs arising from restructuring, where it may be that these costs

cannot be met from existing revenue budget provision. Therefore and, subject to an appropriate business case, reserves may be used to support these costs.

187. The council has a number of reserves. The most significant of which are:
- Modernisation, service and operational improvement reserve. This is for one-off expenditure and multi-year projects that are designed to modernise and improve service levels and operational efficiency of Southwark's activities. Schemes will include accommodation pressures, shared services, customer service improvements and information services. The use of the reserve is subject to protocols in accordance with the council's MTRS.
 - Regeneration and development reserve. This reserve is to fund one-off expenditure and multi-year projects to facilitate the significant regeneration and development taking place in the borough. Projects include the Elephant & Castle, Canada Water, Southwark Schools for the Future, and land acquisitions associated with these projects. Also funded from this reserve are the office accommodation strategy, the Potters Fields project and the street cleaning pilot.
 - Financial risk reserve. This reserve is set aside against future financial risks that may arise. For example, taxation risk, legislative changes including actions involving the Greater London Authority, major projects, risks as a result of unavoidable changes in accounting practice, risks arising from retention of business rates arrangements.
188. Due to the size, scale and complexity of projects and services across the borough the council is required to maintain a general level of balances to meet future unpredictable expenditure demands. Securing outcomes around key priorities of regeneration, recognising key operational risks attached to the unique size of our housing stock and more generally the levels of deprivation across the borough and associated factors, means that it is essential the council maintains a robust approach to both reserves and balances. Maintaining an adequate level of reserves and balances are therefore key factors in the Strategic Director of Finance and Corporate Services' assessment of the robustness of the budget.
189. The council's general fund reserves and balances at the end of 2012/13 totalled £102.6m, made up of £84.5m earmarked reserves and £18.1m general fund balance. In total this represents some 10.5% of the general fund spend in 2011/12.
190. The earmarked reserves, by their nature, are reserves set aside and earmarked for spending plans. Many of those spending plans were already in progress as at the end of 2012/13, especially around the council's modernisation agenda and major capital projects. The reserves also include balances that the council cannot freely reallocate, for example Dedicated Schools Grant unspent or PFI credits received in advance to meet future years' costs on the waste PFI scheme; or are balances that the council would not wish to redirect, for example the council's self insurance reserve.

Medium Term Resources Strategy

191. In setting the budget the council needs to be mindful of the continued uncertainty with regards future funding particularly beyond 2014/15. The use of the Financial Risk Reserve in respect of Business Rates risks identified in paragraphs 42 and 43 forms part of the mitigation strategy. The risks identified strengthen the

importance of maintaining a robust MTRS within which to plan council business and sustain delivery of essential frontline services.

192. The current MTRS has been updated and a draft is attached as appendix F.

Council Tax Reduction Scheme

193. The Council Tax Reduction Scheme (CTRS) was introduced on 1 April 2013 as a result of the government's decision to abolish council tax benefit, requiring local authorities to adopt and manage local schemes, with a 10% reduction in funding.

194. Following a public consultation, Southwark's CTRS was agreed by council assembly on 28 November 2012, and formal approval to the policy statement was not obtained until Council Assembly on 23 January 2013.

195. The 2013/14 Southwark scheme capped council tax support for working age claimants to 85% of Council Tax benefit entitlement levels and abolished second adult rebate for non-pensioners. Under the scheme pension age claimants continue to receive 100% support as required by legislation. This support is given as a discount against council tax bills. For 2013/14, this equated to some 21,000 band D equivalent dwellings and represented a reduction in council tax of £18.6m.

196. For 2014/15 there is no change proposed to the underlying principles of the current CTRS scheme. As CTRS is a discount on council tax, any variance will result in a positive or negative impact on the amount of council tax receivable rather than having a budget cost implication. For 2014/15 this will be monitored through the collection fund, and any significant variance reported as part of quarterly revenue monitoring.

197. The Department of Work and Pensions will be uprating state benefits from 1 April 2014 and as part of the welfare reform agenda all working age benefits will be restricted to a 1% increase in 2014/15. Historically, when benefit incomes are up rated annually so were the applicable amounts used for the assessment of Housing Benefit and Council Tax Benefit. This will be the case for housing benefit and CTRS in 2014/15.

198. In consideration of these inflationary measures and to ensure therefore that CTRS claimant entitlement is not removed or reduced in 2014/15 a consequential amendment is required to the applicable amounts within our scheme.

199. As there will be no change to the underlying principles of the current CTRS scheme in 2014/15 and the changes to the applicable amounts are as a consequence of a routine uprating, these are therefore consequential financial amendments and can be agreed under the delegation to the Director of Finance and Corporate Services without requiring further consultation.

200. CTRS for 2014/15 will form part of the taxbase calculation that that will be reported to council assembly in January 2014.

Capital programme

201. The council's capital programme is reported on a quarterly basis to cabinet. The next monitoring report is planned for February 2014, and will include a wider refresh to the capital programme. As reported in paragraphs 56 and 57, if the revenue proposals around the use of New Homes Bonus to support revenue (rather than capital) in 2014/15 are agreed, this will have an impact on the capital programme and will be modelled in that review.

Next steps including scrutiny

202. On 20 January the Overview and Scrutiny Committee are due to meet to consider the draft revenue budget as set out in this report. Any recommendations made will be brought forward to cabinet for their consideration.
203. A full report will be presented to cabinet on 11 February 2014. The budget will be proposed to council assembly on 26 February 2014.
204. A timetable of scheduled meetings leading up to council tax setting is shown below, as detailed on the forward plan.

22 January 2014	Council Assembly	2014/15 Council Tax Base and NNDR, including Council Tax Reduction Scheme
28 January 2014	Cabinet	Policy and Resources Strategy 2013/14-2015/16 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 Setting the Council Tax 2013/14

Community impact statement

205. 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 an equality analysis on its budget proposals.
206. 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.
207. 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.
208. In relation to the CTRS we are continuing to monitor the impact of the scheme on our communities in order to keep under review our public sector equality obligations. The consequential financial amendments to the applicable amounts discussed within this report do not reduce or remove eligibility and the recommendations in this report will ensure that CTRS claimants are not adversely affected by the inflationary changes. The entitlement to CTRS in 2014/15 will remain the same.
209. Further the council has made available within the Southwark Emergency Support Scheme access to a Hardship Fund that can provide financial support for those individuals who meet the stated hardship criteria. This Hardship Fund therefore assists claimants experiencing financial difficulty as a consequence of the

introduction of CTRS. In addition the Rightfully Yours service continues to provide a service that seeks to assist in securing maximum entitlement to all welfare benefits, particularly for those claimants from disabled households.

210. In October, Cabinet received a report on the feedback from the budget consultation exercise that took place over the summer of 2013. These budget proposals have considered fully the outcome of this consultation. Illustratively, it should be noted that the budget proposed :

- protects children's and adults services with only £1.9m reduction (less than 1%).
- protects Environment and Leisure (responsible for Environment and Culture, Libraries & Leisure with a £0.5m reduction (less than 1%)
- puts £9.4m of commitments and inflation into Children's and Adult Services (4%)
- puts £1.7m of commitments and inflation into Culture, Libraries and Leisure (2%),
- makes savings of £3.4m (5.0%) from central support services.
- makes savings of £6.6m in corporate budgets (11%)
- focuses on corporate and strategic services rather than direct service provision

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

211. 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 Finance Act 1992 and associated Regulations. The issues contained in this report will assist in the future discharge of that obligation.

212. 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.

213. Decision makers must understand the effect of policies practices and decisions on people with protected characteristics.

214. Equality impact assessments are the mechanism by which the council considers these effects. The report at paragraphs 205 to 207 sets out how it is proposed equality impact assessments will be undertaken in relation to the budget proposals.

215. 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 12/02/13 http://moderngov.southwark.gov.uk/documents/s35390/Report%20Policy%20and%20Resources%20201314%20to%20201516.pdf	160 Tooley Street	John Braggins Senior Accountant 020 7525 7489
Policy and Resources Strategy 2014/15 – Revenue Budget - Initial Financial Remit: Cabinet 26/06/13 http://moderngov.southwark.gov.uk/documents/s38822/Report%20Policy%20and%20Resources%20Strategy%20201415%20Revenue%20Budget%20-%20Initial%20Financial%20Remit.pdf	160 Tooley Street	John Braggins Senior Accountant 020 7525 7489
Policy and Resources Strategy 2014/15 to 2016/17: Scene Setting Report and Revenue Budget Options, including Budget Consultation Outcome: Cabinet 22/10/13 http://moderngov.southwark.gov.uk/documents/s41467/Report%20Policy%20and%20Resources%20Strategy%20201415%20to%20201617%20Scene%20Setting%20Report%20and%20Revenue%20Budget%20Op.pdf	160 Tooley Street	John Braggins Senior Accountant 020 7525 7489

APPENDICES

No:	Title
Appendix A	2013/14 and Provisional 2014/15 Specific / Special Grants
Appendix B	Proposed Commitments
Appendix C	Proposed Efficiencies and improved use of resources
Appendix D	Proposed Income Generation
Appendix E	Proposed Savings impacting on service delivery
Appendix F	Draft MTRS 2014/15-2016/17
Appendix G	Technical information on the Autumn Statement

AUDIT TRAIL

Cabinet member	Cllr Richard Livingstone, Finance Resources and Community Safety	
Lead officer	Duncan Whitfield – Strategic Director of Finance & Corporate Services	
Report author	Jennifer Seeley - Deputy Finance Director	
Version	draft 4	
Dated	15/01/14	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Cabinet Member		Yes
Date final report sent to constitutional team		

2013/14 and Provisional 2014/15 Specific & Special Grants

	2013/14	2014/15	Change in funding	
	Funding	Funding	£m	%
	£m	£m	£m	%
Public Health Grant	21.809	22.946	1.137	5.2%
PFI Grant (Schools)	4.414	4.414	0.000	0.0%
Housing and Council Tax Benefit Subsidy Administration grant	3.751	3.751	0.000	0.0%
Education Services Grant	3.642	3.575	(0.067)	(1.8%)
PFI Grant (Waste)	2.776	2.776	0.000	0.0%
Social Fund – Programme	1.363	1.363	0.000	0.0%
Social Fund - Administration	0.288	0.264	(0.024)	(8.3%)
2013/14 Council tax freeze grant ¹	0.929	0.000	(0.929)	(100.0%)
2014/15 Council tax freeze grant	0.000	0.992	0.992	100.0%
Local Reform and Community Voices	0.275	0.284	0.009	3.3%
New Burdens Grants ²	0.258	0.220	(0.038)	(14.7%)
Local Services Support Grant	0.255	0.255	0.000	0.0%
Estimated Free healthy school meals ³	0.000	1.500	1.500	100.0%
Total	39.760	42.340	2.580	6.5%

Note 1 – 2013/14 Council tax freeze grant has been rolled into 2014/15 settlement funding

Note 2 – New Burdens Grants comprise of Council Tax New Burdens (£241.7k 2013/14), Community Right to Challenge (£8.5k 13/14) and Community Right to Bid (£7.8k 2013/14) In 2014/15 Council Tax New Burdens Grant will reduce to £203.3k, the others remain the same.

Note 3 – Formal announcement yet to be made so this is an estimate only

Proposed Commitments

Appendix B

Department	Description of Commitments	2014/15 £'000
Children's and Adult Services		
Adult Services		
Adults	Increase in number of young people with Learning Disabilities receiving support.	990
<u>Children's Services</u>		
Children's Services	Free Healthy School Meals: full year effect of year 5/6 roll out	900
Education	Special Educational Needs system reforms arising from the Children's and Families Bill	100
Children's Social Care	Increased numbers of destitute families receiving financial assistance	1,400
Children's Social Care	Increased activity in agency foster care placements	500
Children's Social Care	Increased activity in residential home placements	900
Children's Social Care	Review of the current foster carer allowances	400
Children's Social Care	Review of the funding rates for post adoption support	1,000
Children's Social Care	Review of carer rates for friends and family carers	200
Total Children's and Adult Services		6,390

Proposed Commitments

Appendix B

Department	Description of Commitments	2014/15 £'000
Housing and Community Services Community Engagement - VCS Commissioning & Support Community Engagement - VCS Commissioning & Support Customer Experience - Coroners Service	Advice Services Contract - requirement to align budget with current contract commitment following non-achievement of savings target over the previous commissioning round. Cost pressure has previously been absorbed through underspends elsewhere within the wider housing general fund, but can no longer be contained. Leaseholder Advice - Cabinet approved the provision of independent advice service for leaseholders. This falls outside of the existing Advice Service Contract which is over-committed (see above), and requires the base budget to be aligned. Will form integral part of commissioned service contract going forward. The Coroners service operates as a consortium between Southwark, Greenwich, Lambeth and Lewisham and is funded in proportion to their populations. Over time the income budget has become overstated as a result of changes in the relative populations of the consortium members requiring re-alignment to accurately reflect income expectations going forward.	64 22 54
Total Housing and Community Services		140
Corporate Budgets Total Corporate Budgets	Provision for London Living Wage mainly to be embedded within any contracts to be retendered or relet, also addressing any increases for staff which cannot be accommodated in service budgets. Concessionary fares (Freedom Pass) arising from fare increases and number of people eligible.	1,000 881 1,881
Total Commitments		8,411

Proposed Efficiencies and improved use of resources:

Appendix C

Department	Description of Savings	2014/15 £'000
Children's and Adult Services		
Adults' Social Care - Adults with Learning Disabilities	Redesign of high cost provision, promoting independence, personalisation and choice and control for clients	(900)
Adults' Social Care	Integrated care systems with Health partners. Ensuring prompt discharge from hospital and making maximum use of reablement services	(1,500)
Adults' Social Care - Business Support	Reduction in building maintenance and repair budgets to reflect current building portfolio	(200)
Adults' Social Care - Business Support	Reduction in use of specialist support consultants on completion of personalised budgets transformation programme	(200)
Adults' Social Care	Review of management structures and workforce efficiency including savings of vacant posts	(500)
Adults' Social Care - Adults with Learning Disabilities	Review of personal budgets and support plans	(600)
Adults' Social Care - Quality and Transformation	Decrease in need for transitional funding used to develop the market for personalisation programme and aid the move to this new model	(400)
Adults' Social Care - Adults with Learning Disabilities	Reduce costs through improved commissioning for out of borough placements and re-negotiation of spot contract arrangements	(655)
Adults' Social Care - Adults with Learning Disabilities	New individual support funding arrangements for adults with learning disabilities supported in shared accommodation	(1,175)
Adults' Social Care - Older People Services	Reduced demand on residential and nursing home placements	(500)
Adults' Social Care	Reduced take up of the welfare catering service	(100)
Adults' Social Care	Mental health day services review and redesign, promoting independence and personalisation	(200)

Proposed Efficiencies and improved use of resources:

Appendix C

Department	Description of Savings	2014/15 £'000
Education -Early Help	Rationalise the organisation of the Children's Centres where management can be shared	(402)
Education	Staffing reduction of existing vacant post	(45)
Education - Youth	Realign staff and time allocation in the Youth & Play Service and reduction in voluntary sector commissioning	(300)
Education - Early Help	Cessation of previous Early Intervention Grant used for one off support/commitments	(300)
Education - Early Help	Utilise Dedicated Schools Grant to fund core early years staff costs for two year olds	(300)
Children's Social Care - CLA	Increased use of Dedicated Schools Grant to contribute to education costs of looked after children residential placements	(150)
SCBI	Staff restructure savings across Strategy, Commissioning and Business Improvement	(300)
SCBI	Reduction in printing costs across the department delivered through target setting and further use of technology	(100)
Children's Social Care (delivered by SCBI)	Review and rationalise Children's disabilities services spend	(150)
Children's Social Care (delivered by SCBI)	Renegotiation of looked after children residential contracts	(150)
SCBI	Utilise public health grant to support Health and Well Being policy and strategy	(55)
Children's Social Care	Planned use of (one-off) reserves to support the Children's Social Care increased activity whilst the impact of management actions to reduce this are embedded during 2014/15	(1,840)
Total Children's and Adult Services		(11,022)

Proposed Efficiencies and improved use of resources:**Appendix C**

Department	Description of Savings	2014/15 £'000
Environment and Leisure		
Public Realm	Volume discount by refinancing highways contract and reclassifying 28 day work. This is linked to capital programme growth	(200)
Public Realm	Insourcing tree maintenance	(75)
Sustainable Services	Renewable Obligation Certificate Scheme - share of department's income from central government's renewables energy finance incentive scheme through operation of SELCHP due to combined heat and power	(200)
Community Safety	Reversal of funding approved in 2012/13 in anticipation of the loss of some of the grants from Mayor's office and central government for community safety programmes. Although there were some reductions in funding, these were not as severe as predicted and can be contained in budget.	(216)
Community Safety	Divisional reorganisation	(260)
CLLL	Contract savings delivered by the leisure management agreement	(291)
CLLL	Savings from introduction of self service in libraries	(100)
Business Support	Reorganise business support costs	(40)
Total Environment and Leisure		(1,382)

Proposed Efficiencies and improved use of resources:

Appendix C

Department	Description of Savings	2014/15 £'000
Housing and Community Services		
Community Engagement - Mayors Office	Mayor's car service - the hired vehicle component of the non-staffing budget is currently £70k (c.68%), reducing from £120k per annum when provided in-house and £90k in 2012/13. New contract procurement exercise underway to replace existing ad-hoc arrangements within revised budget allocation.	(13)
Community Engagement - Mayors Office	Reduction in members expenses budget £20k - re-align budget to reflect current activity.	(5)
Community Engagement - Neighbourhoods	Further re-alignment of community council's publicity budgets in order to reflect current activity. 20% reduction in 2013/14 following rationalisation in the number of community council's. Current budget reducing to £20k.	(20)
Community Engagement - VCS Commissioning & Support	Efficiencies achieved through reprocurement of LINK/ Healthwatch contract, awarded to CAS @ £120k per annum against a base budget of £200k. In addition, £87k further grant received for 2013/14 to be carried forward as one-off contingency.	(80)
Community Engagement - VCS Commissioning & Support	Community Action Southwark contract - 5% budget reduction at re-procurement (budget £360k). To be absorbed by CAS through operational efficiencies without impact to front-line delivery.	(18)
Customer Experience - Customer Resolution	Rationalisation of administrative/operational budgets across activity - no service impact. Restructure leading to change in roles and deletion of vacant post - no redundancies.	(48)
Customer Experience - Customer Contact Centre	On-going customer access modernisation programme - transition to automated voice switchboard. Requires redeployment of existing switchboard staff to other vacant posts within the CCC, deletion of posts, no redundancies.	(127)
Customer Experience - Customer Contact Centre	Performance Team restructure following transition to in-house provision. Posts currently vacant, no redundancies.	(90)
Customer Experience - Customer Contact Centre	Service reconfiguration - reduce number of Tier 2 customer services officers. Currently vacant/fixed-term posts, so no redundancies. Change not expected to have any detrimental impact on call handling, but may mean less mentoring support for Tier 1 staff.	(96)
Customer Experience - Divisional Services	General efficiencies identified across the division following transition to in-house provision. No service impact.	(78)

Proposed Efficiencies and improved use of resources:

Appendix C

Department	Description of Savings	2014/15 £'000
Customer Experience - My Southwark	Re-design of customer enquiry management at My Southwark Service Points will automate customer appointment/enquiry handling and deliver service efficiencies. Phase 1 to be implemented at Walworth Road, leading to a reduction of 5 posts, which may be mitigated through redeployment or voluntary retirement. Phase 2: Peckham to follow pending successful roll-out of phase 1.	(170)
Customer Experience - Homelessness & Housing Options	Service re-configuration - net saving arising from reduction in posts and budget redirection to transition to new operating arrangements. Staffing impact to be contained within new structure, no redundancies.	(124)
Customer Experience - SMART (Fred Francis House)	SMART service being relocated from Fred Francis House to customer contact centre (Queens Road 3). Service rationalisation with Out of Hours delivers service synergies and management efficiencies resulting in deletion of vacant posts, no redundancies.	(78)
Finance & Corporate Services - Operational Services	Operational reviews across a range of housing services: hostels and supported hostel accommodation, mobile alarm response service (SMART) and sheltered housing services require some cost allocation rebasing between GF and HRA in accordance with the statutory provisions of the HRA ring-fence to account for landlord and non-landlord services separately.	(1,038)
Maintenance & Compliance - Private Sector Housing	Adaptations, stairlift and handypersons repairs services - reduction in operational budgets can be accommodated at existing activity levels, but reduction removes flexibility and presents capacity risk if volumes increase.	(14)
Specialist Housing Services - Re-ablement Team	Restructure of support staff providing resettlement advice for clients moving to the private sector. Delete vacant post, no redundancies.	(38)
Specialist Housing Services - Temporary Accommodation	Decline in take-up of rent deposit scheme in preference to other incentives schemes, such as finders fee.	(33)
Specialist Housing Services - Temporary Accommodation	Reduce subscriptions/publications budget - no service impact.	(29)
Specialist Housing Services - Temporary Accommodation	Re-align employee allowance budgets to reflect current activity - no service impact.	(14)
Specialist Housing Services - Temporary Accommodation	Staffing rationalisation - deletion of one procurement post, currently vacant, no redundancies.	(40)
Total Housing and Community Services		(2,153)

Proposed Efficiencies and improved use of resources:

Appendix C

Department	Description of Savings	2014/15 £'000
Chief Executive		
Human Resources	Savings arising from the re-letting of the Comensura contract for agency staff (net £180k) and rationalising other contract costs (£21k)	(201)
Organisational Development	Review of structure (£85k) and across the board reduction in training budgets of 10% (£85k) offset by more efficient delivery methods.	(176)
Corporate Strategy	Reduction in staffing and other costs across the division.	(747)
Regeneration	Reduction in project budget in Regeneration North team.	(60)
Planning	Reduction of posts across the division	(87)
Total Chief Executive		(1,271)
Finance and Corporate Services		
	Transformational review of Finance and Corporate Services functions including contract efficiencies, realignment of services, employee self serve and use of technology. Revenues & Benefits £320k ISD £810k Professional Finance Services £400k Corporate facilities management £160k Legal Services £210k	(1,900)
	Deletion of Head of Resources (post never recruited or filled)	(100)
Total Finance and Corporate Services		(2,000)

Proposed Efficiencies and improved use of resources:

Appendix C

Department	Description of Savings	2014/15 £'000
Corporate	Savings The 2013/14 budget included part year savings from the acquisition of Tooley Street of £1.5m. It was agreed that these savings would be reviewed annually. Further modelling has now been completed, and the internal treasury associated costs of the acquisition are now fully funded for 2014/15, allowing a further £2.0m savings to be realised.	(2,000)
	Corporate initiatives Current revenue monitoring indicates that the contingency will not be required in full in 2013/14, and it is proposed that for 2014/15, this contingency should be reduced back to its 2010/11 level of £4.0m, a reduction of £1.0m.	(1,000)
	Given the progress on the Aylesbury regeneration project, that the £1.0m per annum contribution to regeneration and development reserve is no longer required.	(1,000)
	Estimated government funding for Free Healthy School Meals for children in reception, Year 1 and Year 2	(1,500)
	Funding for public health is expected to increase by £1.1m in 2014/15 and the council will take the opportunity of bringing public health functions into the council to support health and wellbeing programmes currently undertaken by the council, and apply this funding to activities which support public health elsewhere in the council.	(1,100)
Total Corporate		(4,600)
Total efficiencies and improved use of resources		(24,428)

Income Generation**Appendix D**

Department	Description of Savings	2014/15 £'000
Environment and Leisure		
Public Realm	Increase divisional income - without price increases but from greater sales/volume	(680)
CLLL	Rental from cafes in Libraries (Canada Water)	(35)
Sustainable Services	Increase refuse bin hire charges by 10%	(100)
Total Environment and Leisure		(815)
Chief Executive		
Planning	Additional income from collection of mayoral CIL	(75)
Planning	Additional planning fee income arising from higher activity	(75)
Total Chief Executive		(150)
Total Income Generation		(965)

Department	Description of Savings	2014/15 £'000
Children's and Adult Services		
Education -Early Help	Rationalise Bookstart initiative so that literacy opportunities are maintained through the Children's Centres but the administrative process of BookStart is deleted	(210)
Children's Social Care	Reducing staffing costs (equivalent to four posts)	(200)
Total Children's and Adult Services		(410)
Environment and Leisure		
Business Support	Centralise departmental procurement support	(60)
Total Environment and Leisure		(60)
Housing and Community Services		
Community Engagement - Civic Engagement & Community Cohesion	Review of civic office staffing requirement, currently 2.8 fte's - reduce by 0.8 fte. Reduces operational capacity to support civic events programme. Possible redundancy situation, which may be mitigated through redeployment or voluntary retirement.	(25)
Community Engagement - Civic Engagement & Community Cohesion	Civic ceremonies (budget £36k) - reduce by £2k (5.7%). Reduces operational capacity to stage civic events.	(2)
Community Engagement - VCS Commissioning & Support	Reduction in central co-ordination costs of VCS grants programme. At 5% level represents a 50% reduction in central administration/co-ordination costs, eg. printing etc, relating to grant applications.	(14)
Total savings impacting on service delivery		(511)

APPENDIX F

DRAFT
Medium Term
Resources Strategy
2014/15 – 2016/17

Contents

Foreword by Councillor Richard Livingstone

Introduction and background

Implementation

Financial Management and Control Strategy

Workforce Strategy

Asset Management Plan

Voluntary and Community Sector Strategy

Contracts and Procurement Strategy

Technology Strategy

Facilities Management Strategy

Foreword



Southwark's strength is its people. With our immense diversity comes an array of amazing talents and vast depths of untapped potential. The council's vision is for a "fairer future for all" in Southwark.

Having made some difficult budget decisions in the context of reduced financial resources over at least the medium term, effective planning and resource management will be crucial to meeting our collective goals.

The purpose of the Medium Term Resources Strategy (MTRS) is to enable the council to make best use of financial, human, technological and other resources available and to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders.

The scale of the resource challenge in the coming years cannot be understated. Effective and efficient management of resources through a robust MTRS will be pivotal to meeting that challenge and delivering our Council Plan.

The core principles of fairness and support to the most vulnerable were fundamental to the setting of the budget. These principles will continue to guide the MTRS and our management of resources over the coming years.

Cllr Richard Livingstone

Cabinet Member for Finance, Resources and Community Safety

INTRODUCTION AND BACKGROUND

Council services that support all major policy objectives and priorities as set out in the Council Plan are delivered using any number of a range of different resources. This document sets out the council's resources strategies in relation to financial management and control, workforce, asset management, the voluntary and community sector, contracts and procurement and technology.

The key resources are:

Financial

Focus	Enablers
<ul style="list-style-type: none"> ▪ <i>Retention of Business Rates</i> ▪ <i>Government and other grants</i> ▪ <i>Council tax</i> ▪ <i>Fees and charges</i> ▪ <i>Capital finance</i> ▪ <i>Housing finance</i> ▪ <i>Financial control and anti-fraud</i> 	<ul style="list-style-type: none"> ▪ <i>Value for money</i> ▪ <i>Statutory & Regulatory duties (s151)</i>

Workforce

Focus	Enablers
<ul style="list-style-type: none"> ▪ <i>Employees</i> ▪ <i>New recruits</i> 	<ul style="list-style-type: none"> ▪ <i>Recruitment and retention</i> ▪ <i>Learning and development</i> ▪ <i>Rewards and remuneration</i> ▪ <i>Mobile ways of working</i>

Assets

Focus	Enablers
<ul style="list-style-type: none"> ▪ <i>Administrative buildings</i> ▪ <i>Office accommodation</i> ▪ <i>Operational buildings</i> ▪ <i>Housing stock</i> ▪ <i>Commercial portfolio</i> 	<ul style="list-style-type: none"> ▪ <i>Facilities management</i> ▪ <i>Health and safety and Equality Act compliance</i>

Voluntary & Community Sector

Focus	Enablers

<ul style="list-style-type: none"> ▪ <i>Partnership</i> 	<ul style="list-style-type: none"> ▪ <i>Grants</i> ▪ <i>VCS compact</i>
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Contracts and Procurement

Focus	Enablers
<ul style="list-style-type: none"> ▪ <i>Procurement</i> ▪ <i>Commissioning</i> ▪ <i>Supplier relationship and contract management</i> 	<ul style="list-style-type: none"> ▪ <i>Service design</i> ▪ <i>Market considerations</i> ▪ <i>Competencies and compliance</i>

Technology

Focus	Enablers
<ul style="list-style-type: none"> ▪ <i>Business applications</i> ▪ <i>IT infrastructure</i> ▪ <i>Desktop</i> ▪ <i>Network</i> 	<ul style="list-style-type: none"> ▪ <i>Service design</i> ▪ <i>partnership working</i> ▪ <i>training</i>

Facilities Management

Focus	Enablers
<ul style="list-style-type: none"> ▪ <i>Administrative buildings</i> ▪ <i>Office accommodation</i> ▪ <i>Operational buildings</i> 	<ul style="list-style-type: none"> ▪ <i>Facilities management</i> ▪ <i>Health and safety and Equality Act compliance</i>

Depending upon the design of each service, all or some of these resources may be utilised to deliver agreed outcomes. Because the extent of resources is limited, principally by financial constraints, the council sets out clear priorities in order to distribute available resources effectively.

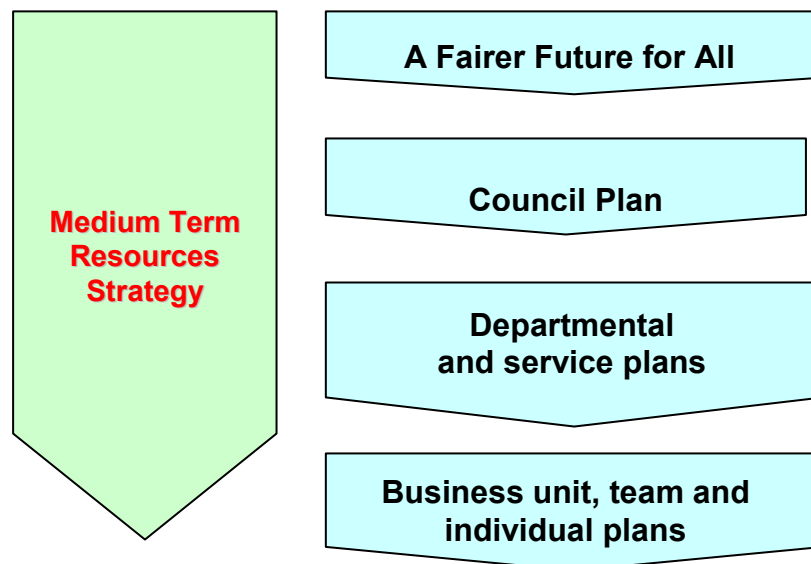
The MTRS provides a framework of underlying principles by which resources may be allocated across the council and other relevant considerations that need to be taken into account.

Each key resource is managed centrally within the council and has a specific strategy in place. Each strategy is designed not only to enable best practice but also to allow for innovation and most importantly to deliver the key outcomes for frontline services across the council. These strategies are set out within this document.

The MTRS has been embedded in the council's strategic planning processes since 2008. While the strategy was developed initially in response to the government's first three year grant settlement, it has become an essential management tool in directing council resources. It has adapted and will continue to adapt over time to changes in council policy and other relevant factors. Most importantly the MTRS provides a key reference point for the Council Plan.

IMPLEMENTATION

The MTRS and Council Plan form important components of the council's "business management framework". The business management framework provides a "golden thread" linking the council's overarching strategy and plans such as the Council Plan to the performance of departments and individual members of staff within the council. This ensures that there is collective responsibility across the council for achieving the outcomes of the MTRS. The MTRS is kept under regular review, including an annual refresh, to ensure it remains relevant to delivering the Council Plan and local priorities.



FINANCIAL MANAGEMENT AND CONTROL STRATEGY

Lead Department: Finance & Corporate Services

Strategic Director: Duncan Whitfield

Lead Officer: Jennifer Seeley

Context

The Financial Management and Control Strategy sets out the financial principles of the Council and the remit within which it plans its business. The strategy is set in the context of a number of key themes, each structured to support all major policy objectives and priorities as set out in the Council Plan. As the council faces a sustained period of reducing resources, the key considerations influencing key principles of the strategy are:

- Retention of Business Rates
- Government and other grants
- Council tax
- Fees and charges
- Capital finance
- Housing finance
- Financial control and anti-fraud
- Value for money
- Statutory and regulatory duties (S151)

Key Outcomes

Over the period of the MTRS we will achieve the following:

- Unqualified accounts each year.
- A balanced three year budget agreed annually.
- A robust ten year capital programme.
- A five year housing investment programme, secured and maintained.
- Maximisation of the collection income due to the council.
- Maintenance of appropriate levels of general and earmarked balances and contingencies to protect council services and assist in mitigating future risks.
- Maximisation of returns from council investments, within a prudent framework.
- Minimisation of the impact of fraud and corruption on council business.

Key Principles

The principles which underpin how finance resources will be allocated are set out below.

Budget setting

- To prioritise commitments made and updated by the cabinet and the vision to create a fairer future for all by promoting social and economic equality in an economically vibrant borough.
- To protect front-line services and support the most vulnerable people.
- To provide value for money, value for council tax payers and to contribute towards delivering the vision of creating a fairer future for all in Southwark.
- To explore alternative ways of providing a service, talking to partner organisations, the voluntary sector, the trade unions, the business community and other local authorities (links to *contracts and procurement* below).
- To be transparent with any specific group or groups of users who may be affected by any cut or reduction in service provision as soon as possible, and explore with them other ways to provide the service, conducting equalities analysis for all budget proposals.
- To provide a clear and comprehensive explanation for why any service should be cut, reduced or no longer provided by the council, and this explanation should be capable of being subject to robust challenge.
- To take a three year approach and have regard to innovative ways of providing services and maintaining employment in the borough.

Financial Management

- To spend only within budgeted limits whilst sustaining and achieving performance improvement in line with strategic policies and priorities.
- To rigorously review all proposed unavoidable commitments and ensure that all possible avenues for delivery, including alternative funding, have been explored, and that the costs have been kept to the minimum required to meet statutory and contractual requirements.
- To only fund new service growth from additional, identified departmental savings.
- To underpin all council resource allocation decisions with financial reality and health checks.
- To return all windfall benefits not planned within base budgets to central resources for corporate allocation in line with strategic priorities.

Value for money and the management of performance

- To ensure that value for money is sustained and impact of spending reductions on service performance and quality is mitigated as far as effectively possible.
- To monitor and benchmark service performance relative to costs against other councils, nationally and locally.
- To ensure there is an appropriate test of value, efficiency and quality in commissioning arrangements.
- To maximise returns on cash investments while maintaining capital preservation and liquidity.
- To target sustained upper quartile performance for pension fund investments.

Reserves, balances and central contingency

- To present balanced budgets year on year without recourse to reserves and balances except for specific earmarked projects.
- To maintain a central contingency at a sufficient level to cover demand pressures that are volatile, difficult to predict or unforeseen and cannot be reliably quantified at the time the budget is set.
- To maintain reserves and balances at a level sufficient to manage the potential risks and opportunities of the council.
- To target an increase in general fund balances to £20m, over the course of medium term, in line with similar local authorities in London.
- To maintain appropriate earmarked reserves to mitigate risk and smooth cost pressures arising from major council projects and priorities, not least regeneration and development, modernisation and service improvement.
- To use the New Homes Bonus to incentivise house building by returning the benefits of growth to the community, generally through capital projects.
- To allocate to reserves any money received from relevant short-term funding streams, to meet the implementation costs of major projects.

Savings and efficiencies

- To maintain a robust programme of efficiencies and other savings that minimise the impact on the delivery of local priorities.
- To invest to save on the basis of sound and robust business cases.
- To continually review the extent and costs of discretionary services or activity being provided in the context of service priorities and resources available, and explore alternative ways of providing a discretionary service or activity prior to proposing any cut or reduction.

Income and investments

- To maintain the Southwark element of any council tax increases within consumer price index inflation levels over a medium term planning horizon.
- To maximise billings and improve council tax collection rates and non-domestic rates (NNDR) collection rates eliminating unnecessary waste identified within processes.
- To maximise external funding opportunities whilst ensuring the continuance of and further investment in key priorities.
- To achieve an effective and prioritised forward strategy when specific external funding streams cease.
- To maximise the council's income generation by seeking income streams in line with council policies and priorities.
- To increase discretionary fees and charges to a level, at a minimum, that is equal to the most appropriate London average (e.g. inner London, family, groupings etc) except where this conflicts with council policy, would lead to adverse revenue implications or would impact adversely on vulnerable clients.
- To increase all fees and charges capped by statute to the maximum level the cap allows.
- To make appropriate representations to government to ensure the council receives the fairest possible level of grant to support Southwark's population and communities.
- To act to reduce arrears overall, with particular emphasis on council tax, rent and NNDR, and seek prompt payment or payment in advance so as to improve the council's overall cash flow position.

Treasury Management

- To optimise investment income returns within the principles of "security, liquidity then yield", in line with the risk appetite and counterparty selection as set out in the Treasury Strategy report as approved by Council Assembly each year.
- To manage debt from borrowing in line with the principles of the Prudential Code and within the setting of Prudential Indicators as approved by Council Assembly each year.
- To use prudential borrowing only where business cases are agreed in accordance with the principles of the overall treasury strategy.
- To seek to reduce the cost of borrowing through debt repayment or debt refinancing where it is economically viable and affordable within the budget framework to do so.

- To set aside funds from the revenue budget to meet the cost of the repayment of debt in accordance with statutory provisions or under the requirements of the Prudential Code as implemented.
- To secure increased funding levels of the pensions fund over time to achieve 100% funding within the period recommended by actuaries.

Capital Programming and strategic projects

- To incorporate major strategic projects in the mainstream capital programme.
- To exploit opportunities afforded through the regeneration programme, including setting a target for capital receipts from regeneration projects to support the council's future capital programme.
- To profile capital schemes realistically over their lifetime and apply full whole life costing principles to all major capital projects including investment and disposal decisions.
- To establish over the medium term sufficient lifecycle maintenance provision for the council's fixed assets where the assets are essential for service delivery and it is cost effective to maintain them in line with the council's asset management plans.
- To review uncommitted budgets within the existing approved capital programme annually and reprioritise as necessary.
- To identify, review and select the most appropriate procurement strategies and partnerships arrangements (where appropriate) for all major capital projects.
- To maximise and accelerate the programme of capital receipts ensuring best consideration and due regard to service provision, in line with the asset management strategy.
- To maximise use of planning gains and associated benefits in accordance with agreements and strategic priorities, by prioritising the use of external grants and planning gains ahead of corporate receipts.
- To pool corporately all capital receipts without any specific earmarking unless so directed by the cabinet.
- To build and maintain a capital contingency reserve (£5m) to fund urgent and unavoidable works, including health and safety and DDA works.

Housing finance

- To ensure the adoption of a balanced Housing Revenue Account (HRA) budget throughout the budget planning horizon.

- To support the provision of landlord services to residents, including planning for balance levels adequate to support the continuing provision of these services.
- To set rents at a level consistent with income assumptions within the 30-year HRA self-financing business plan
- To calculate service charges for tenants and leaseholders to match relevant costs for particular levels of service provision.
- To maintain a business plan for the HRA consistent with self-financing requirements.
- To support the delivery of the housing investment programme within the context of self-financing.

Governance and partnerships

- To regularly review the financial standing orders, financial regulations and contract standing orders to ensure their robustness and continued suitability in order to safeguard the council's assets, maximise its resources and ensure value for money.
- To ensure effective governance arrangements for all partnership agreements are in place particularly where there is a shared use of resources.
- To maintain a risk register for joint risks of all partnerships.
- To optimise the opportunities for efficiencies afforded by improved partnership working and shared services.

Financial control and anti-fraud

- To review controls, systems and processes and ensure proposals for improvement following fraud loss are robust.
- To promote efficiencies to tackle fraud through collaborative working, including local and regional partnerships.
- To share information and good practice with key stakeholders, within statutory guidelines in the interest of preventing and detecting fraud. This will include continuing to undertake statutory data matching across all relevant service areas.
- To ensure a systematic and comprehensive approach to fraud prevention across all service provision.
- To promote ethical behaviour and raise fraud awareness.
- To promote a zero tolerance approach towards fraud which ensures dishonesty is dealt with firmly and consistently.
- To constantly keep under review key fraud risks so that fraud exposure is minimised.
- To enhance the effectiveness of the anti-fraud service through maximising and reinvesting losses recovered.

- To successfully manage operational demand through times of change.
- To conduct professional investigations in line with the changing statutory environment and requirements.
- To minimise fraud risk across all service provision through the effective provision of advice and support.
- To ensure continued fitness for purpose, through regular and rigorous review, of policies, procedures and working practices in relation to the prevention and detection of fraud.

WORKFORCE STRATEGY

WORKFORCE STRATEGY

Lead Department: Chief Executive's

Strategic Director: Eleanor Kelly

Lead Officer: Bernard Nawrat

Context

The Council is operating in an environment which will require a significant reduction in posts arising from the general fund savings programme. In implementing these savings the Council will look first at existing vacant posts, agency / temporary staff cover, as well as natural wastage. The Council has tried and tested policy and procedures to manage workforce change and there will be greater emphasis on the redeployment process, supporting staff and in mitigating redundancies.

Key Outcomes

Over the period of the MTRS we will achieve the following:

- The Council remains an employer of choice.
- Staff are equipped with skills to manage the organisation through a period of significant change.
- A talented and diverse workforce is retained and developed.
- Efficiencies and service improvements are achieved through embedding flexible working practices throughout the organisation.

Key Principles

There are some underlying principles that the Council will aim to maintain through this period of significant change whilst trying to meet financial challenges through collective means. These principles are:

- **Recruitment & Retention**
Ensure that Southwark is an employer of choice that attracts, develops, motivates and retains staff of sufficient numbers and talent to deliver our fairer future promises.
- **Resource management**
Ensure we use every penny as if it were our own through striving to do things better.

- **Reward, recognition & support.**

Deliver a total reward package which is fair, seen as fair & robust to external scrutiny.

- **Employee development & career opportunities**

Develop people's skills & knowledge so that they enjoy productive careers & deliver innovative high performing services and excellent customer care.

- **Employee engagement & communication**

Enable employees to trust the organisation and be committed to its goals. They must be empowered to believe their views count and will be acted upon.

- **Identifying & developing leaders**

Employ and build leaders who can demonstrate the courage, energy and capability to deliver organisational goals and work in partnership with others.

ASSET MANAGEMENT PLAN

Lead Department: Chief Executive's
Strategic Director: Eleanor Kelly
Lead Officer/s: Steve Platts / Matthew Jackson

Context

Built around the objective of delivering corporate priorities from available resources as efficiently as possible, the refreshed Asset Management Plan (AMP) establishes a framework for rationalisation across the council's £3 billion corporate asset base and for achieving sustainability in the retained portfolio.

The overriding objective of the AMP is to achieve a corporate portfolio of property assets that is appropriate, fit for purpose and affordable. In turn the estate will contribute to improving operational and service delivery outcomes.

Much of course has changed in the public sector resources environment over the last few years. Therefore the AMP seeks to fully address the pressures of escalating property holding costs, and mounting financial constraints on the public sector purse. The council's estate and those across the public sector (including those of our operating partners) will emerge very significantly altered and our overall vision is to plan for a smaller, sustainable corporate estate.

Key Outcomes

Over the period of the MTRS we will achieve a property estate that:

- Is treated as a corporate resource and is managed corporately;
- Supports the delivery of the council plan;
- Is well maintained and fit for purpose (i.e. delivering services);
- Is fully utilised;
- Is suitably located and accessible;
- Is cost effective and represents a value for money return on the council's investment.

Key Principles

The principles which underpin how the council's assets are managed are set out below.

Corporate & Operational

- To achieve a corporate portfolio that is appropriate, fit for purpose, affordable and which contributes to improving operational and service delivery outcomes i.e. (sustainable; efficient; value for money).
- To ensure strategic planning of the estate is fully integrated into the council's business planning processes.
- To proactively mitigate the affects of the market downturn whilst reconciling this with the strategic objectives of the council.
- To consolidate property management arrangements at strategic and operational levels.
- To manage our estate in accordance with our obligations as a landlord and with regard to all relevant health and safety / statutory compliance requirements;
- To constantly review and monitor the operational estate to achieve portfolio objectives, including the maximisation of opportunities and efficiencies from the council's occupation of 160 Tooley Street and Queen's Road offices.
- To successfully manage operational demand for corporate accommodation arising from extensive restructuring across the organisation and the ongoing drive towards modernise.
- To provide flexible solutions to operational requirements to allow for changing future demands in the operational estate (including through exit strategies).
- To respond to changing demand for property services from all parts of the organisation; balancing those demands against the resources available.
- To promote collaborative/partnership working to provide efficiencies, either through occupational, operational or procurement arrangements.
- To promote high environmental sustainability in both existing buildings and in procurement of new assets in order to minimise costs in use and emissions.

Arrangements for Asset Management

- To ensure the provision of effective, professional property advice in support of departmental strategic objectives;
- To raise the profile of asset management planning corporately and operationally across the authority and reinforce the role of the Corporate Property Officer;
- To renew and reinforce structures for asset management planning at a corporate

level;

- To ensure property strategies in support of corporate objectives are properly resourced and programmed;
- To review and refine systems, data, and performance management arrangements in order to fulfil the growing client expectations;
- To safeguard the Council's legal position with regard to its land holdings by completing a comprehensive review and registration of title programmes.

Regeneration

- To contribute to key regeneration projects through acquisition and disposal activity, rent and lease renewal strategies, and use of compulsory purchase order powers where appropriate.

Investment Assets

- To challenge reasons for holding investment property and monitor investment returns and performance;
- To manage rent reviews and lease renewals to maximise revenue income;
- To take appropriate action to minimise the arrears of rent;
- To proactively manage the investment portfolio to ensure compliance with lease terms and protect/enhance value.

The Voluntary & Community Sector Estate

- To review the strategy in 2014 for managing voluntary and community sector assets owned by the council, building on the previous strategy framework of 2009, and 2010 Corporate Asset Management Plan.

Surplus Properties and Disposal

- To deliver challenging capital receipt targets whilst maintaining best consideration principles and balancing revenue requirements.

VOLUNTARY AND COMMUNITY SECTOR STRATEGY

Lead Department: Housing and Community Services

Strategic Director: Gerri Scott

Lead Officer/s: Stephen Douglass

Context

The voluntary and community sector (VCS) has an essential role to play in Southwark. In the coming years the role of VCS organisations will be increasingly important to ensure that our most vulnerable residents are not left behind. To do this in the current financial climate the council and the VCS will together have to change and modernise the way we work and draw upon the expertise and experience that exists across all our partners.

The council has a history of promoting greater engagement by the community however the resource environment is now much tighter than in recent years. The community must now be encouraged to seek opportunities for widening this engagement and meeting the challenge that sits alongside the loss of financial resources. The fundamental principle is about change that has collaboration at its heart. We will work to build on the strong relationship we have developed with the VCS to shape the services our residents use and help tackle the problems facing the local community.

Work will continue on the key principles of relationship between the council and VCS to ensure that they are fit for purpose and robust. Keeping the principles under review will assist in the delivery of activities involving partnership working between the council and the VCS.

Key Outcomes

Over the period of the MTRS we will work in partnership with the VCS to achieve:

- A modernised relationship between the council and the VCS that supports the delivery of efficient public services.
- A self-sustaining sector that enables local organisations to find new ways of accessing funding, resources, and support.

- Modern and streamlined commissioning processes that reduce transactional costs for the council and the VCS, provide value for money and clear outcomes for our communities.

Key Principles

The principles which underpin the council's approach to the VCS is set out below;

- To work with partners to reconfigure and redesign public services to meet the needs of the most vulnerable in future.
- To work with the VCS to develop public services which are efficient and effective.
- To reduce the burdens on the council and the sector that are imposed through commissioning relationships by removing unnecessary barriers and streamlining commissioning processes so as to minimise transaction costs.
- To further promote the social benefits that come from having a strong relationship with the VCS community.
- To reduce cost by working in more efficient ways with the sector to support a programme of VCS modernisation.
- To ensure that the impact of the cuts on frontline service provision is minimised by helping to develop a strong independent VCS ready to face the challenges of the future.
- To promote and encourage the sharing of VCS back office costs and collaboration and merger where it is appropriate and best to do so.
- To better understand the overall funding landscape of the VCS sector and how council funding helps to lever funds from other sources.
- To work with the VCS to maximise resources and support from a wide range of sources in order to ensure the sustainability of the sector enabling local organisations to find new ways of accessing funding, resources, and support.
- To support the VCS in developing the most effective and the best value for money services. Finding better ways of measuring outcomes for our residents so that we know what is being achieved not just what is being done.
- To ensure that the VCS is supported in the development of business plans, fundraising strategies and future funding bids that leads to self-sustaining financial and other key resource outcomes. We will also work with our VCS partners to develop volunteering and local philanthropy.
- To actively encourage the development of initiatives that will support third sector organisations to engage with the personalisation agenda.

- To encourage and support, where possible and viable, new models of service provision, innovation, resource activity that also more effectively and efficiently realise savings over the medium term planning period.
- To take an approach that strengthens the resilience of the sector by finding new or better ways of supporting our local VCS that go beyond the financial. This may for example include how we use our property portfolio to supports the VCS to achieve self-sustainability and take advantage of regeneration and development opportunities to find new ways of improving and providing community spaces that are efficient and fit for purpose.

CONTRACTS AND PROCUREMENT STRATEGY

Lead Department: Finance & Corporate Services

Strategic Director: Duncan Whitfield

Lead Officer: Jennifer Seeley

Context

The aim of the Contracts and Procurement Strategy is to ensure that the council takes the right steps when:

- Identifying service needs and options for the ways in which these may be best delivered.
- Procurement of these services where contracting is the preferred option.
- Management and monitoring and commissioning of contracts that have been awarded.

Where contracting with external suppliers is the preferred vehicle for providing services, this must be successful in meeting defined service objectives, meet the commitments of the Council Plan and achieve value for money.

Procurement, contract management and commissioning remains a critical element of the council's efficiency programme and budget plan, alongside issues of people, property and process. All cost reductions and efficiencies must be considered in the context of the need to maintain the most appropriate service levels, protection of the council's statutory and regulatory functions and the needs for customer satisfaction. The Finance and Corporate Services department will therefore continue to support managers across the council to secure products and services that provide value for money.

Key Outcomes

Over the period of the MTRS we will achieve the following through procurement, commissioning and contract management:

- Maintain a clear and unambiguous understanding of current and future service needs.
- Provide contracts that deliver quality services at an affordable cost.
- Sustain a joint passion with our contractors for customer service and satisfaction.

- Commit to contracts that achieve a right first time approach to service delivery.
- Continually improve through collaboration and partnership working with contractors.
- Facilitate and promote innovation through procurement, contract management and commissioning.
- Procure and manage contracts in a way that is fair to local businesses and to their employees.
- In real and recognised terms, be known as a good organisation to do business with.

Key Principles

In achieving these outcomes, the council's contracts and procurement function will continually refer to following key principles:

Value for Money

- To recognise the balance between price and quality and the relative importance of both.
- To get best value from contracted services through :
 - Challenge of procurement arrangements and seeking opportunities to reduce price, improve quality and maximise efficiency.
 - Delivery of service solutions that are future proof.
 - Understanding distinction between essential and non essential service needs and the impacts on cost.
 - Decisions supported by comprehensive and robust data.
 - Whole life analysis of options and assessment of risks.
- To improve contract management by continuously improving and learning from experience of 'relationship management'.
- To achieve continuous improvement from all areas of procurement expenditure by ensuring that all procurement activity is undertaken by informed managers supported by professional procurement staff.
- To increase the utilisation of e-procurement facilities to deliver process and procurement savings.
- To continue joint procurement of services with other councils where such arrangements deliver value for money and improved services.

Good Governance, Effective Process and Competencies

- To ensure all procurement practices are legal, ethical and transparent, conforming to procurement legislation and regulation and robust enough to meet the challenge of external scrutiny.
- To ensure that the council's governance arrangements are appropriate to meet the principles of openness and accountability.
- To maintain a model where service directors are accountable for the delivery of service definition, procurement, commissioning and contract monitoring.
- To provide specialist support, advice and leadership as appropriate.
- To have clear, unambiguous and sufficiently flexible operational arrangements that respond to service needs, reduce red tape and protect statutory and regulatory responsibilities of the council.
- To promote a climate of corporate compliance supported by appropriate staff competencies in procurement, contract management and commissioning.
- To promote commitment of suppliers to the prevention, detection of fraud and corruption in their processes.

Support and Advice

- To provide high quality guidance, support, documentation and awareness sessions for service managers and their staff engaged in procurement processes.
- To ensure all procurement process projects follow standard project and risk management procedures appropriate for the size and complexity of the procurement.
- To reduce the costs of procurement process and the time it takes by taking a planned and co-ordinated approach that is efficient, effective and streamlined and avoids duplication and waste.
- To ensure existing contracts, frameworks and internal and external procurement vehicles such as the Local Education Partnership are utilised to reduce procurement costs.

Social Considerations

- To demonstrate improvement in the equality of opportunity and the promotion of good relationships between people within a diverse community in all procurement activity.
- To ensure that all procurement considers the environment and where appropriate includes evaluation models that take into account the council's sustainability objectives.

- To develop socially responsible specifications and to seek to realise social, environmental and community benefits through procurement.
- To create a basis for assessing social, environmental and community benefits within the process for evaluating contracts where it is both affordable and legal to do so, taking into account the Public Services (Social Value) Act 2012.

Market Considerations

- To work with current suppliers and contractors to explore opportunities for bringing benefits to the local community and employment, including application of the London Living Wage.
- To operate a mixed economy of service provision with ready access to a diverse, competitive range of suppliers providing quality services, (including small firms, social enterprises, minority businesses, and voluntary and community sector groups), and wherever possible encourage local sourcing and local employment.
- To promote the concept of the London Living Wage not only within Council contracts but also with those businesses and employers working in Southwark.
- To build good relations with suppliers and making Southwark an organisation of preferred choice for companies of all types.
- To ensure that good communications exist with suppliers before, during and after procurement processes.
- To be 'open and transparent' treating all potential suppliers both 'fairly' and equally during tender processes
- To make available contract and tender applications on the council website.

Contracts fit for purpose

- To secure an open and honest approach to relationship management.
- To ensure good communication exist with contractors and that respective roles and responsibilities are clear.
- To share objectives for service outcomes.
- To continually develop contracts through formal and informal management of relationships, including variations to reflect changing need and innovation.

TECHNOLOGY STRATEGY

Lead Department: Finance & Corporate Services

Strategic Director: Duncan Whitfield

Lead Officer/s: Richard Heap / Ian Morrisey / Matthew Hunt

Context

This strategy is in a transitional phase. Options are being considered for the future support and management of the IT service, especially that which is presently provided through existing contracts in the context of new and emerging technologies, **such as cloud computing**.

Exploiting the opportunities provided by technology remains integral to the council's drive to deliver essential high quality, universal services that get it right first time and reduce waste and duplication.

The effective use of technology – along with change management, process redesign and training - is fundamental to achieving service wide improvement in a time of resource restraint. Southwark is committed to exploring the use of technology to the advantage of its citizens, wherever the resulting business benefits are justified by the investments required, and wherever the organisation needs to deliver service excellence.

The Technology Strategy will be revised as the council transforms specifically in response to reductions in funding across all services and to changes in functions, activities and delivery models that this will create. Significant investment however will be required in technology to ensure that key business applications are responsive to service needs, and to enable and facilitate better service delivery at an affordable cost.

Key Outcomes

Over the period of the MTRS we will achieve the following:

- Services kept operational
- Improve supplier relationships
- Improve supplier performance
- Enhance customer relationship and involvement

-

Key Principles

The principles which underpin the council's strategy around technology will continue to be reviewed and currently include:

- To keep information services operational.
- To realise the potential of existing systems through the effective implementation of changes to the infrastructure;
- To improve the delivery and cost of services through the effective use of technology;
- To have the technology which enables the sharing of data and information so that sound decisions can be made and processes can be streamlined;
- To enable residents increased access to services within the borough by improved on-line and interactive provision;
- To maximise output from contracted outsource providers;
- To improve supplier relationships and improve stakeholder management in IS delivery.

Facilities Management

- To maintain a sustainable corporate estate and preserve its inherent investment and utility value. This will be delivered through comprehensive facilities management arrangements and a planned preventative maintenance programme;
- To put in place a full condition survey programme for the operational estate;
- To improve stock condition and minimise backlog maintenance;
- To ensure statutory compliance and minimise facilities exposure to risk;
- To rationalise and repackage facilities management contracts to achieve management efficiencies, economies of scale and mitigation of corporate landlord compliance risk;
- To consolidate facilities management budgets providing total cost of occupancy to support strategic asset management;
- To undertake informed outsourcing based on fixed price repairs and maintenance bringing significant cost certainty and increasing transfer of risk to the supply side;
- To continue the delivery of the corporate compliance programme, working toward best practice allowing effective and transparent management of risk.

FACILITIES MANAGEMENT STRATEGY

Lead Department: Finance & Corporate Services

Strategic Director: Duncan Whitfield

Lead Officer: Matthew Hunt

Context

Through its established Asset Management Plan and ongoing modernisation programme the Council is working to deliver a corporate, operational portfolio that is appropriate, fit for purpose and affordable. This process is well underway with a significant disposal programme in train.

Key to this is the development and ongoing, effective management of healthy, safe and compliant buildings that provide both a good, efficient working environment for staff and modern facilities for the delivery of services to Southwark residents.

The Council's Facilities Management (FM) strategy is to progress towards a consolidated approach to FM for its operational estate both in terms of management and the provision of contracted services. It is moving from multiple, single provider service contracts to a small number of newly procured, appropriately specified service arrangements.

This approach to procurement will provide the platform to bring together all FM arrangements for the operational estate, and to develop those with partners to deliver further efficiencies through economies of scale

All new and refreshed office accommodation will operate under the Council's fully adopted Modern Ways of Working (MWoW) principles, with the adoption of these principles where practical in the remaining estate.

The FM Strategy will be reviewed as the council and its operational estate transforms specifically in response to reductions in funding across all services and to the resultant changes in operational property requirements.

Key Outcomes

Over the period of the MTRS we will achieve the following:

- A reducing operational estate
- Increased and co-ordinated management of FM related budgets
- A rationalised FM supplier base
- Innovative and improving FM services at reducing cost.
- Improved supplier relationships
- Continuously improving supplier performance
- Delivery of customer focussed services
- Comprehensive management information for the operational estate

Key Principles

The principles which underpin the FM strategy will continue to be reviewed and currently include:

- To maintain a sustainable corporate estate and preserve its inherent investment and utility value delivered through comprehensive FM arrangements and a co-ordinated planned preventative maintenance programme;
- To put in place and manage comprehensive condition data and associated building related management information;
- To improve stock condition through a targeted capital preventative planned maintenance programme;
- To ensure statutory building related compliance and effectively manage any residual risk;
- To implement corporate standards across all FM services to bring consistent, affordable and appropriate service levels to the working environment;
- To rationalise and repackage FM contracts through informed procurement to achieve management efficiencies and economies of scale bringing increasing cost certainty and transfer of risk to the supply side;
- To implement best practice contract management to deliver services that meet the evolving needs of the council;
- To continue the consolidation of FM budgets providing total cost of occupancy to support strategic asset management and ensure the best use of the council's resources.

Appendix G
Technical Information on the Autumn Statement
London Councils response on New Homes Bonus Proposals

1. On 9 December 2013, London Councils released a statement with regard to the £70m withheld from London authorities;
 - New Homes Bonus is granted to councils in recognition of the pressures they and their communities face when new housing is built in their borough. For example, the cost of more people using locally delivered services, such as adult care or libraries, or investment in infrastructure. The Autumn Statement announced that, from 2015, London boroughs will face a cut of £70 million in the New Homes Bonus. It also announced that outside of London the New Homes Bonus will not be given to Local Enterprise Panel (LEPs), as had been originally proposed, but would instead continue to go to the councils who deliver local services. The government has, however, decided that in London the New Homes Bonus will be given to the London Local Enterprise Panel, chaired by the Mayor of London.
 - The Chair of London Councils, Mayor Jules Pipe, said: “All Londoners should be outraged by this move. If the New Homes Bonus is essential for councils in Leeds and Manchester to fund the pressures of growth, why should Londoners be any different? This must be reversed. The very fact that it has been proposed raises fundamental questions about the governance of the growth agenda in London and the government’s commitment to it.”

Economic growth

2. The latest economic forecasts suggest that the economy will move from a deficit to surplus in 2017, the table below shows the recovery profile

	2012/ 13	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/ 18	2018/ 19
Public sector current receipts (a)	37.8	37.7	37.8	37.9	38.1	38.1	38.3
Total managed expenditure b	42.9	43.7	42.7	41.9	40.7	39.5	38.4
Of which							
Public sector current expenditure (c)	41.9	40.8	39.6	38.9	37.8	36.6	35.6
Public sector net investment (d)	(0.4)	1.5	1.6	1.5	1.5	1.5	1.5
Depreciation(e)	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Deficit							
Public sector net borrowing (b-a)	5.1	6.0	4.9	4.0	2.6	1.3	0.1
Surplus on current budget (a-c-e)	(5.5)	(4.5)	(3.3)	(2.5)	(1.1)	0.2	1.4

Future inflation

3. Based on the latest economic forecasts, the ONS have produced their latest inflation forecasts. These are shown below with previous forecasts for comparison.
4. The Treasury’s 2% CPI inflation target is not expected to be achieved until 2016.

CPI Inflation (Target 2.0%)	2012	2013	2014	2015	2016	2017
CPI – Dec 2013	2.8%	2.6%	2.3%	2.1%	2.0%	2.0%
CPI – Mar 2013	2.8%	2.8%	2.4%	2.1%	2.0%	2.0%
CPI - Dec 2012	2.8%	2.5%	2.2%	2.0%	2.0%	-

CPI Inflation (Target 2.0%)	2012	2013	2014	2015	2016	2017
CPI – Mar 2012	2.8%	1.9%	1.9%	2.0%	2.0%	-

RPI – Dec 2013	3.2%	3.1%	2.9%	3.3%	3.6%	3.7%
RPI – Mar 2013	3.2%	3.2%	2.8%	3.2%	3.6%	3.9%
RPI – Dec 2012	3.2%	3.0%	2.6%	3.1%	3.4%	-
RPI – Mar 2012	3.2%	2.3%	2.5%	3.6%	4.0%	-

Provisional Finance Settlement

Settlement Funding Assessments (previously start up funding) and damping

- On 18 December 2013, the government announced the provisional settlement for 2014/15 and illustrative figures for 2015/16. These figures give Southwark's Settlement Funding Assessment (SFA) at £227.4m. This is some £0.9m higher than the indicative allocation issued in July as part of the consultation, and included in the report to October cabinet. However 2013/14 council tax freeze grant has been rolled into SFA in 2014/15, so the two figures are comparable and will not materially effect the current 2014/15 budget position.
- Overall Southwark's SFA has been reduced by £26.9m (10.6%), this compares with Inner London £259.6m (10.7%), and £504.4m for all London authorities (10.4%). At a national level the reduction is £2,473.9 (9.4%).

		Southwark	Inner London	London	England
Adjusted 2013/14	£m	254.3	2,415.6	4,859.2	26,256.4
2014/15 Funding	£m	227.4	2,156.0	4,354.8	23,782.5
Change	£m	(26.9)	(259.6)	(504.4)	(2,473.9)
Change	£m	(10.6)	(10.7)	(10.4)	(9.4)
2015/16 funding	£m	194.0	1,835.5	3,727.1	20,650.8
Change	£m	(33.4)	(320.5)	(627.7)	(3,131.7)
Change	%	(14.7)	(14.9)	(14.4)	(13.2)

- For Southwark, the government's calculation of settlement funding comprises of the following:

	Adjusted 2013/14 Funding	2014/15 funding	Change		2015/16 Funding	Change	
	£m	£m	£m	%	£m	£m	%
Upper - tier funding	161.416	144.294	(17.122)	(10.6%)	120.996	(23.298)	(0.161)
Lower - tier funding	62.728	53.773	(8.955)	(14.3%)	45.000	(8.773)	(0.163)
Formula Funding	224.144	198.067	(26.077)	(11.6%)	165.996	(32.071)	(0.162)
Add Grants rolled in 2011/12 Council Tax Freeze grant	2.257	2.247	(0.010)	(0.4%)	2.247	0.000	0.000
Early Intervention	14.416	13.298	(1.118)	(7.8%)	12.162	(1.136)	(0.085)
Homelessness Prevention	1.541	1.518	(0.023)	(1.5%)	1.518	0.000	0.000

	Adjusted 2013/14 Funding	2014/15 funding	Change		2015/16 Funding	Change	
	£m	£m	£m	%	£m	£m	%
Lead Local Flood Authority	0.183	0.180	(0.003)	(1.6%)	0.180	0.000	0.000
Learning Disability and Health Reform	10.831	10.933	0.102	0.9%	10.930	(0.003)	0.000
2013/14 Council Tax freeze grant	0.929	0.929	0.000	0.0%	0.929	0.000	0.000
Returned holdback	0.000	0.272	0.272	-	0.000	(0.272)	(1.000)
Settlement Funding Assessment	254.301	227.444	-26.857	(10.6%)	193.962	(33.482)	(14.7%)

8. For 2014/15, Southwark have the second highest settlement funding reduction (12th highest % decrease. The cash reductions range between £27.1m for Tower Hamlets (11.1%) to £4.7m for Richmond-upon Thames (9.2%)
9. For 2015/16, Southwark have the highest settlement funding reduction (11th highest % decrease. The cash reductions range between £33.4m for Southwark (14.7%) to £4,9m for Richmond-upon-Thames (10.6%).

Revenue spending power

10. As part of the 2014/15 finance settlement the government announced for all councils' reductions in their spending power when compared to the previous year. According to DCLG analysis, Southwark have incurred a £17.7m reduction (4.8%). This compares with a reduction for Inner London of £179.5m (4.8%) and £327.7m (3.9%) for all London boroughs. At a national level the reduction is £1,668.7m (3.1%).
11. The Governments announcement gives the national funding reduction at 2.9%, (1.8% in 2015/16) this is because it excludes the GLA. The national figures above include GLA, so to provide a like for like comparison between previous years.
12. For 2014/15, Southwark have the third highest spending power reduction (11th highest % decrease. The spending power reductions range between £18.7m for Lambeth (5.0%) to £1.2m for Richmond-upon Thames (0.7%)
13. For 2015/16, Southwark have the second highest spending power reduction (5th highest % decrease. The cash reductions range between £19.7m for Newham (6.1%) to £3.3m for Bromley (1.4%).
14. The table below shows the reductions in spending power for Southwark, London and England since 2011/12, it can be seen that over the five year period Southwark and London have borne a disproportionate share of the reductions.

		Southwark	Inner London	London	England
2011/12	£m	33.7	303.3	514.8	2,578.50
	%	8.4	7.8	5.9	4.7
2012/13	£m	16.9	175.1	325.3	1,742.90
	%	4.6	4.9	4.0	3.3
2013/14	£m	21.4	206.4	398.7	1,966.80
	%	5.9	5.9	4.9	3.8

		Southwark	Inner London	London	England
2014/15	£m	17.7	179.5	327.7	1,668.6
	%	4.8	4.8	3.9	3.1
2015/16	£m	18.8	172.0	267.6	1,053.3
	%	5.3	4.9	3.3	2.0

15. The 2015/16 spending power reductions are further disguised by the inclusion of the £3.5bn Better Care Fund designed to enable local places to integrate care that is currently commissioned by the NHS and local authorities. This is a pooled budget that will fund both NHS and local services, depending on local needs, it is possible that only a small amount of this could go to local government.
16. The table below shows the reduction in spending power if this is excluded.

		Southwark	Inner London	London	England
2015/16	£m	29.0	284.4	571.8	2,868.7
	%	8.4	8.3%	7.2%	5.7%

17. A DCLG explanatory note said it was right to include this money in the spending power calculation because “it is for local authorities and NHS to agree locally how the funding will be spent through Health and Wellbeing Boards”, Simon Parker, director of the think tank New Local Government Network, said “It’s surely either in the NHS ring-fence or it isn’t”,
18. These reductions for Southwark follow on from the loss of £33.7m (8.4%) in 2011/12 and £16.7m (4.6%) in 2012/13. For all years, the assessment is in cash terms and takes no account of inflation, albeit that pay awards have been frozen through most of the period. The real terms analysis of these reductions in spending power would clearly worsen the overall loss.

Retained Business Rates

19. For the transition to the business rates retention system, the government have calculated for each local authority a baseline funding level. For Southwark this is £103.193m for 2014/15, and £106.041m for 2015/16.
20. 40% of Southwark’s baseline amount is passed on to the GLA, leaving £59.071m, see below.

	2014/15 £m	2015/16 £
Net forecast rate yield	196.970	202.344
Less: amount to be paid to central government (50%)	(98.452)	(101.172)
Business rate baseline	98.452	101.172
Less amount to be passed on to the GLA (40% of business rates baseline, 20% of net rate yield)	(39.381)	(40.469)
RBR income for Southwark Council (30%)	59.071	60.703

21. This figure is deducted from the baseline funding to determine the top-up or tariff, Southwark will receive a top-up of £44.122m in 2014/15 and £45.339 in 2015/16

22. The 2014/15 baseline funding of £103.193m is then deducted from the start up funding £227.4443m to determine the amount of revenue support grant, for Southwark this will be £124.251m in 2014/15, the total of each of the above element of the retained business rates system matches the start up funding as can be seen below. For 2014/15 the government have capped the increase to 2% for the uplift of the baseline funding amount.

		2014/15 £m	2015/16 £m
Retained Business Rates (RBR)	Variable	59.071	60.703
RBR top up from government	Fixed	44.122	45.339
Baseline funding level		103.193	106.042
Revenue Support Grant (RSG)	Fixed	124.251	87.920
Total Funding		227.444	193.962

23. 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 was submitted by the council to DCLG. The net rate yield from the NNDR1 report is then adjusted to take account of the central government (50%) and Greater London Authority (GLA) share (20%):
24. As for any new scheme of this material significance, there is much uncertainty over the operation of the business rate retention scheme. This presents significant risk to the council but also some opportunity in the event of an increase in business rate yield that surpasses government targets. Any uncollected business rates, or unfavourable variation from government estimates of rateable values, will impact directly on council resource available and therefore on resources available to fund and to provide services.
25. Although the business rates retention scheme will include a safety net at 7.5% to protect local authorities from significant reductions in business rates, this means that shortfalls from 0-7.5% will not be protected and will have to be borne by the local authority. It would be possible for a local authority to lose just below 7.5% for a number of years and never receive any safety net payment. In addition, the council has to estimate for the impact of appeals, of which there are 1,400 outstanding at present.
26. The Strategic Director of Finance and Corporate Services and acting as S151 Officer has earmarked part of the Financial Risk Reserve to help protect the council from the risks and variations inherent in the new funding system and especially risks underlying business rate retention.

Thursday, 16 January 2014

Dear Councillor Bowman

I am writing to you following the meeting of the Overview and Scrutiny Committee (OSC) held on 2nd December 2013. At the meeting I committed to provide a further update on the steps taken to stabilise the performance of the Southwark's current IT environment before the end of December 2013 and on progress with the plan for the "new world" IT environment to be delivered in 2014. In addition I agreed to feedback on specific performance issues raised in relation to IT operations at Council offices at Queens Road 3.

As discussed at the December OSC, Capita has faced real challenges since taking on the contract that led to a reduction in the level of service we would expect to provide. We recognise the impact this is having on the council and are focussing hard on a phased resolution approach based on 3 key stages: stabilise, maintain & improve.

From a stabilisation perspective during December the following key improvement actions were progressed. These have included:-

- Following on from the external assurance reviews that were commissioned with various specialist third parties a number of changes were made to tackle a number of major issues, not least the slow Citrix login times
- These changes delivered a reduction from login times that could take as long as 45 minutes to an independently verified average of less than 3 minutes
- Restored general internet performance to previous levels
- Further enhancements to the test environment and change control arrangements.

The activities being undertaken by Capita to ensure the services are maintained at acceptable performance levels until CEP is delivered are:-

- A comprehensive end-to-end risk assessment of the existing IT systems highlighting areas of vulnerability and developing solutions to address.
- To fully implement planned changes to the account structure and key roles to drive improved governance and control.

In addition, it has been necessary to address specifically a number of staff performance issues within the Capita team. This has included a closer review of previous staffing behaviours, some of which predate this contract, the introduction of new personnel and the removal of some staff from this contract where necessary. This work continues into 2014 to help assure performance moving forward. While improvements have been made, the estate remains subject to some unpredictable and unanticipated performance shortfalls; these can be extremely difficult to identify or to isolate, despite the further tightening of change control arrangements. These behaviours remain principally a function of the basic design of the estate inherited by Capita.

In particular, this means that some of the most straightforward changes may lead to unexpected outcomes, even after thorough testing. This makes service improvement much more difficult than it should be and greatly increases risk associated. This confirms the importance of the core enabling projects, which as an integrated set of solutions, will remove the complexity in inflexibility of the current infrastructure.

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The third phase relates to significantly improving the Council's IT systems. As you are aware we have been planning and designing the Core Enabling Programme (CEP) comprising of the 10 core projects identified by the Council. These projects will deliver LBS a reliable end-to-end ICT service that will support the delivery of council's strategy for modernisation & technology enabled service delivery, the development of which both the Council and Capita will be proud. The CEP will bring technology up to a standard that is responsive and supportable, resilient and efficient, and, satisfies the minimum of current end-user needs and then goes further to build a solid foundation upon which to generate future service improvements.

During recent weeks it has become apparent that our initial approach to CEP is no longer valid insofar as the team have placed too much reliance on the migration of existing data and system configurations that we have found increasingly to be flawed as a consequence of a significant number and variety of incremental changes and dependencies introduced over many years. These shortcomings in current configuration remain the root cause of the business as usual issues that we have repeatedly encountered since taking on this contract.

Capita, in conjunction with Southwark, are currently re-planning the programme to ensure we deliver maximum benefit from the changes. This planning activity will continue through January; by the end of the month we will be in a position to commit to a set of milestone dates for delivery. It is now known that this revised approach will extend the delivery timescales. This plan will provide a clear articulation of the dependencies on Southwark and will ensure we have an end to end plan for delivery. This plan will also include a communications plan that will be used as the basis of our end user readiness activities and describe what the CEP will deliver to them and when.

From a personal perspective I believe Capita have significant value to bring to Southwark and recognise that we have a long road ahead to rebuild confidence in us but I will ensure that we will not rest until we provide you with the services you require.

In relation to the Queens Road 3 systems failings I can confirm 3 key incidents occurred & I have prepared a summary report (attached) outlining the timings, impact and resolution steps taken to avoid re-occurrence.

I look forward to meeting again at the January 2014 OSC meeting to discuss further.

Yours sincerely



Craig Rodgerson
Chief Executive
Capita Justice and Secure Services

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TO: Members of Southwark Council
FROM: Capita Executive
DATE: 18th December 2013
REF: OSCMeeting – CustomerService Centre at Queens Road Three

This briefing is in response to an Overview Scrutiny Committee Meeting request on 2nd December 2013.

PROFILE: CUSTOMER SERVICE CENTRE

Southwark Council's Customer Service Centre (CSC or call centre) provides a year round (24x7x365) operation to the public, supporting a range of critical services to its citizens.

The call centre was relocated to a new site at Lugard Rd, SE15 2HP (also known as Queens Road 3 / QR3) that occupies the entire ground floor, with 120 seat capacity for call handling agents operating during the core hours of 08:00 to 18:00. There continue to be approximately 24 agents operating outside of the core hour's period.

Capita was responsible for the implementation of the office IT infrastructure. In particular, a new telephony solution was designed and procured that could be extended to a small number of other Council locations that are running localised operations. Principle among these was a section of the first floor at 160 Tooley Street (around 40-60 agents) delivering Revenues and Benefits telephone services.

Throughout the migration, the implementation of new IT, and the ongoing operation of this site and its services Capita have recognised the importance of this customer facing function. Accordingly this critical service is marked as a key service priority in the circumstances of service disruptions.

INCIDENTS AND REMEDIATION

The following is an account of three significant service impacting events that have affected the main CSC location at Queens Road 3 since the migration.

(1) SERVICE INTERRUPTION - 30 TH JULY 2013 3 HOURS 13 MINUTES	
Incident	<p>Issue:Users experienced an interruption to service with a loss of Citrix connectivity and loss of telephony for 60 users for 3 hrs 13 minutes (RMS Ref XG301279)</p> <p>Impact:No access for a group of users to citrix and business applications and the ability to receive and make telephone calls.</p>
Analysis	<p>The key reason for service impact was a failure of one of the Virgin Media circuits that provides network connectivity services for QR3.</p> <p>Virgin Media reported the issue caused by a faulty card which kept rebooting incurring downtime for all that connected through it.</p> <p>This incident also highlighted a configuration error within the network switches that failed to initiate a failover circuit - designed to absorb all activity and maintain business as usual whilst the initial circuit is out of operation. Due to the configuration error, only half of the QR3 connections were operating.</p>
Remediation	<p>Virgin Media remediation activity: the replacement of the faulty hardware.</p> <p>Capitaremmediation activity for the Wide Area Network infrastructure: Settings were reconfigured and the failure error was replicated so it could be tested and confirm that the recovery design was effective. This formal change was implemented to add circuit resiliency to QR3 and this was implement on the 10th August 2013.</p>

(2) SERVICE INTERRUPTION –23 RD JULY 2013 6 HOURS 16 MINUTES	
Incident	<p>Issue: Corporate Contact Centre based at Queens Road 3 unable to receive external calls. Incident reported as 'all phone lines have gone down'</p> <p>Impact: Reduced productivity at the site in the delivery services to the public.</p>
Analysis	<p>A call was logged on the 23/07/13 for the Corporate Contact Centre based at Queens Road 3. Investigations commenced with Avaya and BT followed by referral to Capita local engineer. From investigations it transpired that these servers were incorrectly included in the server patching to achieve PSN accreditation. This caused these key servers to go off line. Server SAB AACC1 services stopped and should have failed over to AACC2, this did not complete resulting in the service disruption.</p>
Remediation	<p>Once the cause of the service disruption was identified the following remediation activities were progressed</p> <ul style="list-style-type: none"> • Third Party Sabio connected remotely to bring the server AACC1 back on line to restore service. • A full review of the patching cycle was completed and shared with the Third Party • A full check against the inventory of assets deployed to deliver the Avaya Telephony Service at QR3 concluded to prevent this re-occurring and the patching checklists updated • Resilience of the load balancing between AACC1 and AACC2 referred to Sabio for investigation. • Support documentation updated to avoid re-occurrence.

(3) SERVICE INTERRUPTION –IT PERFORMANCE ISSUES	
Incident	<p>Issue: Users at the site experienced extended login times to Citrix and slow response when opening applications, often in excess of 30 minutes, which impacts their ability to deliver a service to the public.</p> <p>Impact: Reduced productivity at the site in the delivery services to the public.</p>
Analysis	<p>Review of IT Service Desk calls confirmed increased volumes of user Citrix related calls and highlighted some re-occurring user issues.</p> <p>Floor walkers were deployed at some LBS sites who observed the user experience first-hand.</p>
Remediation	<p>Capita commissioned a 3rd party review of the Citrix environment which identified a number of recommendations. Capita deployed a dedicated team working solely on</p>

	<p>investigating each of the recommendations to identify which changes should be implemented to improve the user experience.</p> <ul style="list-style-type: none"> • Identified an Internet Explorer v8.0 bug which was patched and rectified • Load balanced the Citrix server farm estate to share the user community across the available servers in a dynamic controlled manner. • The network was investigated and a switch setting was updated to increase the throughput. • It was identified that users were launching multiple sessions as a result of the frustration of the delays in response which was compounding the issue. This facility was disabled. • Commissioned an external review of storage and identified a number of files needing to be purged which in turn increased performance. <p>The actions above have been acknowledged to have stabilised the Citrix user experience moving it from ~30-40 min logins to sub 3 mins, and continue to monitor the situation.</p> <p>On the 12th Dec 2013 a business led user experience sample was conducted involving a number of business areas / users. The results showed a range of 33 seconds to 4 minutes with an average time of 1 minute 38 seconds.</p> <p>Additional areas for improvement have been identified and are being assessed / progressed through the change management process :-</p> <ul style="list-style-type: none"> • Users' login scripts – these scripts determine the access permissions to the London Borough of Southwark closed network and to designated applications. These scripts have been in existence for many years and have accumulated commands that have become obsolete but still run unnecessarily as part of the script. • Users' profile size - the size of the profile can impact the login time. The contents of the User profiles warranted a review to assess what was currently relevant and which elements could be removed to reduce the volume. • Profile location – Profiles are stored on designated hardware. In peak periods of login this hardware has shown high levels of utilisation and its available resources are limited.
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(4) SERVICE INTERRUPTION – IWORLD HOUSING PERFORMANCE ISSUES

Incident	<p>Issue: The users at QR3 experience a number of different issues with Iworld Housing resulting in multiple incidents being logged to the Service Desk. These range from slowness to full outages and the inability to launch the application at all. From looking at the incidents it is clear that a number of these incidents are related to Citrix faults with delivering the application.</p> <p>Impact: Reduced productivity at the site in the delivery services to the public.</p>
Analysis	<p>There are several root causes to the outages/performance issues at QR3.</p> <p>Issues with backup timings have been found to cause slowness..</p>

	<p>Issues with 'Stuck threads' within the application database also cause slowness and eventually service disruption.</p> <p>Issues with 'Spinning processes' on the lworld back end also cause slowness and service disruption.</p> <p>The general issue relating to the delivery of applications over the Citrix environment are common to the site and remediation is under the wider improvement work.</p>
Remediation	<p>Stuck threads – Northgate advised CSIS to update the version of Java on the lworld live server to combat this issue, the work was carried out in the test environment first, then moved through to the live production server. This upgrade did not resolve the issue. Northgate have since provided a further potential fix relating to a change within the Oracle table configuration but this is currently under review. Once all parties are in agreement this is the correct approach the work will be scheduled.</p> <p>Spinning processes – The root cause investigation resides with Northgate to provide a permanent fix. Capita have developed a permanent workaround to automatically 'Kill' spinning (redundant) processes, with the work to implement scheduled w/c 13 January.</p> <p>Backup routines – Schedule of work being prepared to submit a change to amend the backup routine to avoid key service hours during the early hours.</p> <p>Ongoing Review – Work continues with both Northgate and Capita to improve the application performance.</p>

(5) SERVICE INTERRUPTION – SOUTHWARK.GOV.UK

Incident	<p>Issue: The users at QR3 experience a number of access issues to Southwark.gov.uk website resulting in multiple incidents being logged to the Service Desk.</p> <p>Impact: Reduced productivity at the site in the delivery services to the public and reduce access for the general public.</p>
Analysis	<p>There are several root causes to the outages/performance issues at QR3.</p> <p>Issues with external links provisioned by Virgin Media where hardware faults have impacted referred to above in item 1.</p> <p>Issues with slow performance when accessing the web, heightened in September resulting in a requirement to upgrade the websense solution.</p> <p>Issue at the Datacentre where a dislodged cable resulted in service disruption.</p>
Remediation	<p>Internet Access – In September 2013 due to internet access grinding to a halt a decision was reached to implement an upgrade to the websense solution that manages internet access. Whilst there was some remediation work post the upgrade to stabilise the implementation, internet access was improved.</p>

Datacentre – Recently a dislodge cable caused a service outage of 7hrs 26 minutes. The Capita Network Support raised a call with the 3rd Party Vendor Vtesse as the outside interface to public-facing router was down.

The Vendor Vtesse had identified the root cause as a dislodged cable (which was stored within a 'locked cabinet' at the Datacentre). This cabling issue was rectified by the Vendor. Recommendations for improvement to monitoring and provide resilience for this connection are in hand; Capita has commissioned a full review of network single points of failure which will be completed during February and undertaking a review of the 3rd party contract with Vtesse

Ongoing Review – Capita continue to monitor, investigate and respond to internet / website related issues.

CURRENT STATUS

Recognising the level of criticality of the service being provisioned from QR3, and in addition to the remediation plans already in progress, Capita is involved with regular reviews with key stakeholders at the site, namely Patrick Smith, Catherine Spence and LangaNcayiyana.

We work closely with individuals on site, with the ISDS team and our own experts and other providers, to investigate, understand, and document key concerns and work collaboratively to improve the service. Where necessary problem records are raised to identify repeat incidents and target investigations with all parties to identify a permanent fix, work around or record a known error.

A Capita engineer is also available on a daily basis at QR3 to deal with incidents, and this has been since contract commencement.

Collectively our primary aim is to improve the response times and sustain the overall service performance of the existing Citrix estate, whilst in parallel we are developing a new Citrix platform due to be released in 2014 as part of the Core-Enabling Programme

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