Open Agenda

Council Assembly
(Council Tax Setting Meeting)

Wednesday 27 February 2013
7.00 pm
Council Offices, 160 Tooley Street, London SE1 2QH

Councillors are summoned to attend a meeting of the Council to consider the business contained herein

Eleanor Kelly
Chief Executive

INFORMATION FOR MEMBERS OF THE PUBLIC

Access to information

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Access

The council is committed to making its meetings accessible. Further details on building access, translation, provision of signers etc for this meeting are on the council's web site: www.southwark.gov.uk or please contact the person below.

Contact

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PRINTED ON RECYCLED PAPER

Date: 15 February 2013

Council Assembly
(Council Tax Setting Meeting)

Wednesday 27 February 2013
7.00 pm
Council Offices, 160 Tooley Street, London SE1 2QH

Order of Business

The following motion should be moved, seconded and approved if the council wishes to exclude the press and public to deal with reports revealing exempt information:

> "That under the access to information procedure rules of the Southwark constitution, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in section(s) 1 – 7 of paragraph 10.4 of the procedure rules."

PART B – CLOSED BUSINESS

ANY CLOSED ITEMS IDENTIFIED AS URGENT AT THE START OF THE MEETING

Date: 15 February 2013

Agenda Item 2.1

Item No. 2.1.	Classification: Open	Date: 27 February 2013	Meeting Name: Council Assembly
Report title:		Policy and Resources Strategy 2013/14 – 2015/16: Revenue Budget	
Wards or groups affected:		All	
From:		Strategic Director of Finance and Corporate Services	

RECOMMENDATIONS

That council assembly:

1. Note that the final settlement was announced on 4 February 2013 with no significant change to Southwark's figures.

2. Note that the GLA precept included in the report is the Mayor's proposed precept. If this changes at the London Assembly plenary meeting on 25 February 2013 an addendum report will be tabled to this meeting.

3. Agree the recommendations of the 12 February 2013 cabinet for a general fund budget for 2013/14 of £334.0m and a nil council tax increase for 2013/14, attached as Appendix 1.

BACKGROUND INFORMATION

Revenue budget

4. On 12 February 2013 the cabinet considered a report on the council's revenue budget proposals for 2013/14 to 2015/16. A copy of the report is attached as Appendix 1.

5. Cabinet have made the following changes to the attached report:

- Paragraph 8, corrected to read "Note that the balanced budget for recommendation to Council Assembly on 27 February includes...."

- Recommendation 11 amended to "That the progress report for both the youth and community restoration funds be noted and the commitment to provide resources for the youth fund for a further three years to 2016/17 be confirmed. That officers prepare a further report for cabinet on how the youth fund can be best used over the extended period to further develop opportunities for improved economic, employment and education success for Southwark's young people and especially the need to build on the successes of the scheme to date (particularly the scholarship scheme) and all other relevant strategic considerations.

- Recommendation 14 amended to "That the recommendations from the overview and scrutiny committee of 28 January 2013 be noted and that the cabinet member for finance, resources and community safety respond to the committee"

- New recommendation 16 "That given current uncertainties arising from a range of welfare reforms, officers be requested to remove the proposed £55,000 saving for advice services, as detailed in the revised Appendix D of the report, with the cost to be met from council balances or from compensating savings agreed by the strategic director of finance and corporate services."

6. In addition the reference to £6.7m in bullet 8 of recommendation 8 in the cabinet report was shown in error as £6.7m, and should now be £6.2m as shown in table 1 below.

7. The report at Appendix 1 proposes a nil council tax increase for Southwark's element of the council tax and a general fund revenue budget of £334.0m in 2013/14.

8. The government announced the final 2013/14 settlement figures on 4 February 2013. There was no significant change to Southwark's figures, and any slight changes to the 12 February report are due to roundings.

KEY ISSUES FOR CONSIDERATION

Revenue budget 2013/14

9. Table 1 below shows a high level summary of the proposed budget from cabinet as set out in the budget report to cabinet on 12 February 2013. The table specifically sets out the council tax requirement which local authorities are required to calculate, under section 42A (4) of the Local Government Finance Act 1992, as amended by the 2011 Localism Act.

Table 1: high level summary budget

	2013/14 Budget £m
Revised previous year's budget	345.5
Inflation	4.0
Commitments and growth (note 2)	11.6
Less savings, efficiencies and income generation (note 1)	(24.8)
Budget adjustments (note 2)	(2.3)
Total Budget	**334.0**
Contribution from balances (note 1)	(6.2)
Total budget requirement	**327.8**
Adjusted start up funding Projected collection fund surplus 2012/13 **Council tax requirement** Tax base agreed by council assembly on 23 January 2013 **Southwark 2013/14 Band D council tax (note 3)**	(252.6) (0.9) **74.3** 81,421.05 **£912.14**

Note 1: as amended by cabinet on 12 February 2013
Note 2: as detailed in Appendix 1, cabinet report 12 February 2013
Note 3: as detailed in "Setting the Council Tax 2013/14" report 27 February 2013

10. A detailed objective and subjective analysis of service department budgets is included as Appendix 3.

Council tax

11. All local authorities are required to set their council tax by 11 March 2013. Given this timescale, it is difficult at this stage to provide comparative information for 2013/14. This council will set its own tax on 27 February 2013 (the date to which this report refers). As in previous years, any delay to this date will mean the council would have to move its instalment date beyond 1 April 2012. This would result in a loss of income to the council from cash flow and could also put at risk the ability of the council to meet its collection targets.

12. Cabinet have recommended a nil increase in council tax for 2013/14. A nil increase in council tax in 2013/14 will mean Southwark's council tax will have increased by a total of 4% since 2007/08. The general trend in comparative data on council tax between 2007/08 and 2012/13 is given in Appendix 2. Southwark's council tax for 2012/13 is 15.6% below the national average (including GLA), 6.6% below the London average (excluding GLA), and 8.6% below the London average (including GLA).

Greater London Assembly (GLA) Precept

13. The Mayor of London's consolidated budget for 2013/14 is to be presented to the London Assembly on 25 February 2013. The GLA precept included in the report is the Mayor's proposed precept. If this changes at the London Assembly plenary meeting on 25 February 2013 an addendum report will be tabled to this meeting. The proposals are for a reduction of 1.2% on the GLA precept.

	2012/13	2013/14	Change
GLA precept	£306.72	£303.00	(1.21%)
Southwark council tax.	£912.14	£912.14	(0.00)%
Total band D council tax	**£1,218.86**	**£1,215.14**	**(0.31%)**

Community impact statement

14. The community impact statement is set out in the report at Appendix 1.

Consultation

15. Following on from the extensive consultations during 2011/12 budget setting, reports on the budget proposals were considered by cabinet on 29 January 2013 and 12 February 2013.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

16. The report asks council assembly to agree the recommendations of the 12 February 2013 cabinet for a general fund budget for 2013/14 of £334.0m and

zero council tax increase for 2013/14. In accordance with Part 3A of the Constitution council assembly are required to agree the budget.

Legislative framework

17. Section 31A of the Local Government and Finance Act 1992 (the Act) provides that the council has an obligation to calculate and agree an annual budget. The Act also requires the authority to set an amount of council tax for each financial year preceding that for which it is set. Pursuant to section 30 (7) of the Act no amount may be set before the earlier of the following: (a) 1st March in the financial year preceding that for which the amount is set; (b) the date of the issue to the authority of the last precept capable of being issued to it (otherwise than by way of substitute) by a major precepting authority for the financial year for which the amount is set. Section 30 (9) of the Act states that a purported setting of an amount, if done in contravention of subsection 30 (7) shall be treated as not having occurred.

18. Under section 39 of the Act, the Greater London Authority ('GLA') is defined as a 'major precepting authority'. The GLA is planning to set its precept on 25 February 2013.

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

19. Section 106 of the Local Government Finance Act applies at any time to a member of an authority, if at that time the member is due to pay council tax payments which have remained unpaid for at least two months.

20. The payments to which the section applies are any type of either sole or joint and several liability for council tax, and any failure to pay any agreed sum of council tax. Therefore members are advised that this section is likely to apply to them if they are currently two months in arrears of any amounts of council tax, even if they have made any special contractual arrangement with the council to pay off the arrears.

21. If this section applies to any member, he/she at the relevant meeting and as soon as practicable after its commencement, must disclose the fact that the section applies and not vote on any question with respect to this matter.

22. The relevant meetings are those at which any of the following are the subject of consideration, namely:

    (a) “any calculation required by chapter 111, 1V, V of part 1 of the 1992 Act”.

    The only calculations likely to be made by this authority are those under chapter 111 of part 1 of the act, (chapter 1V relates to precepting and chapter V limitations on council tax (i.e. capping)
    The chapter 111 calculations include the calculation of the budget requirement, basic amount of tax, the additional requirements because of the special trust funds, the calculation of the tax for the different valuation bands and the basic amount of council tax to be set under Section 30.

    (b) "Any recommendation, resolution or other decision which might affect the making of any such calculation”

This is an extremely wide wording and would extend well beyond merely setting the budget. It applies to virtually any matter where the financial implications directly or indirectly might affect the calculations concerning the council tax. It would therefore apply to decisions concerning the level or extent of services as well as the expenditure, receipt or forgoing of any money.

(c) "the exercise of any function under Schedules 2-4 of the 1988 and 1992 Act"

The functions under either the 1988 or 1992 Acts concern the administration and the enforcement of community charge and council tax respectively.

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

BACKGROUND INFORMATION

Background Papers	Held At	Contact
Greater London Assembly budget papers 2013/14	Greater London Assembly	http://www.london.gov.uk/mayor-assembly/gla/budget-expenditure-charges/budget-2013-14

APPENDICES

No.	Title
Appendix 1	Cabinet Report (12 February 2013) Policy and Resources 2013/14 to 2015/16 – Revenue Budget
Appendix 2	Council tax comparisons 2007/08 – 2012/13
Appendix 3	Detailed service budget objective and subjective analysis

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Corporate Services	
Report Author	Jennifer Seeley, Deputy Finance Director	
Version	Final	
Date	14 February 2013	
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	No
Date final report sent to Constitutional Team		14 February 2013

APPENDIX 1

CABINET REPORT 12 FEBRUARY 2013

Item No. 8.	**Classification:** Open	**Date:** 12 February 2013	**Meeting Name:** Cabinet
Report title:		Policy and Resources 2013/14 to 2015/16	
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

This is the third budget in a row where government has cut significantly the support it gives to Southwark Council: an unprecedented pressure on this borough's finances. In particular, the Early Intervention Grant, that supports some of our most vulnerable children, has been cut by 30% this year. More concerning still is the £24.5m cut overall in our spending power indicated by government for 2014/15.

There are also new funding pressures to address this year. We have had a significant increase during the year on how much we have needed to spend on Special Guardianship Orders for children. We are having to replace funding cut by government for community safety programmes to protect our residents from violent crime. We need to address a shortfall in our pension fund. We will need to pick up the Youth Justice Board's tab for young people placed in secure accommodation. The government's welfare reforms will add a £1.2m bill to our temporary accommodation costs.

We are also putting aside money for a 1% increase in pay for our staff.

Despite this, the budget put forward is delivering on this council's promises. If agreed, it will ensure that we are able to pay those who work for Southwark, including people that work for our contractors, the London Living Wage. Every child at a Southwark primary school will be eligible for a free, healthy school meal from September. We will continue to support young people in going to college, sixth form, university or training through our Youth Fund. We will spend more on the maintenance of highways and fund an improved CCTV service to keep our residents safe. We will be doubling the money each ward receives for the Cleaner Greener Safer revenue fund we introduced last year.

The 2013/14 budget process has been made more complicated by government's late notification of its funding settlement with us for the year: we would normally expect to receive this in early November but had to wait until 20 December. Significant changes to local authority funding arrangements have also made the job of setting a budget more complex this year.

RECOMMENDATIONS

That cabinet:

1. Note that the Autumn Statement was published on 5 December 2012 with details of the provisional settlement for local government for 2013/14 and 2014/15 received by the council on 20 December 2012.

2. Note the analysis of the implications for the council of the Autumn Statement and the provisional settlement and that the final settlement is not now due until 13 February 2013.

3. Note the new funding arrangements for local government and particularly the arrangements for the localisation of business rates and the risks and opportunities that this creates for the council.

4. Note the response to the provisional statement made to the Department for Communities & Local Government (DCLG) by the Cabinet Member for Finance, Resources and Community Safety, including specific references to the timing of the release of the settlement and related information.

5. Note that the government has announced a spending review for spring 2013 and the potential for further changes to the 2014/15 provisional settlement.

6. Note the loss to the council of Early Intervention Grant (EIG) of £6.1m in 2013/14 and a further provisional loss of £918k in 2014/15.

7. Note the 2013/14 budget proposals contained within this report to achieve a balanced budget for consideration by cabinet with particular reference to the notional 2013/14 budget approved by Council Assembly in February 2011.

8. Note that the balanced for 2013/14 for recommendation to Council Assembly on 27 February 2013, includes:

   - the intention to freeze Council Tax at current levels and to accept the government's freeze grant arising from this decision.

   - the commitment to new growth and commitments of £11.8m per annum, including new commitments to support welfare provision of approximately £3.5m, in addition to the creation of a welfare hardship fund (as in paragraph 9).

   - the target to save approximately £24.9m per annum arising from efficiencies, income generation and other savings.

   - the provision of contributions from council balances of £6.7m in consideration of the need to make best use of these balances during a period of significant reductions in government funding.

   - the inclusion of ring fenced Public Health funding consistent with the announcement by DCLG for the council and note that this function will be included within the council budget statements moving forward.

- the transfer from the Department of Works and Pensions of Social Grant funding for small grants, crisis loans and administration and the intention to allocate this grant in full to support a council scheme that will be developed to support the most vulnerable residents in Southwark.

9. Note the setting aside from balances and reserves the specific sum of £800k in 2013/14 created by the proceeds generated as a consequence of Council Tax reforms approved by Council Assembly for the purposes of a Welfare Hardship Fund.

10. Request that the Strategic Director of Finance and Corporate Services and Strategic Director of Housing and Community Services make recommendations on how the Welfare Hardship Fund may be managed and administered to target the most vulnerable residents and groups in Southwark.

11. Note the progress report for both the Youth and Community Restoration Funds and confirm the commitment to provide resources for the Youth Fund for a further three years to 2016/17.

12. Request that the Strategic Director of Finance and Corporate Services set aside provision from earmarked reserves of up to £1m for the Business Support Fund to be allocated over a period of up to three years and the Director of Corporate Strategy be asked to draw up appropriate criteria for the fund

13. Note the provisional settlement for 2014/15 and request that the Strategic Director of Finance and Corporate Services prepare detailed budget options for consideration by cabinet in the spring of 2013 for wider consultation with residents and other stakeholders.

14. Note that the recommendations from the Overview and Scrutiny Committee of 28 January 2013 will be circulated separately.

15. Agree the proposals in this report for a balanced budget based on a nil council tax increase for 2013/14 for recommendation to Council Assembly on 27 February 2013. Budget schedules are set out in Appendices A-E.

BACKGROUND INFORMATION

16. During 2010 and in response especially to the global and national economic climate, the Chancellor of the Exchequer announced significant reductions in public sector spending over the next three years. In line with this spending review, a two year grant settlement for local government was announced in December 2010. This gave details of the extent of reductions in funding for 2011/12 and 2012/13.

17. The government has announced a spending review 2013 before summer recess with potential further changes for 2014/15. This review is likely to have a similar direction of travel to CSR10, and will probably not extend beyond 2015/16.

18. It was also confirmed that the settlement for 2013/14 would be based upon a new funding regime including the localisation of business rates, to be finalised in 2012 following full consultation.

19. At that time, government also confirmed the end of a number of streams of specific grant funding (e.g. Working Neighbourhoods Fund) and the absorption of a number of other specific funding streams within general grant (e.g. supporting people grant).

20. In the light of these announcements and following a period of consultation and agreement by cabinet, the council prepared a notional three year budget, ending in 2013/14, three years being the duration of the spending review. This notional three year budget was approved by Council Assembly in February 2011 and included indicative budgets for 2012/13 and 2013/14. In February 2012, Council Assembly approved an updated budget for 2012/13, based upon the notional targets set the previous year.

21. In the context of both reductions in government funding and a range of demand pressures on council services, both 2011/12 and 2012/13 budgets represented a substantial delivery challenge to the council. Savings of approximately £34m per annum were agreed by Council Assembly in February 2011 for 2011/12 and a further £28m in February 2012 for 2012/13.. These savings were achieved in 2011/12 and are generally on target for 2012/13. Council tax has been frozen over the same period and the council has received Council Tax freeze grant as a consequence.

22. The achievement of these budget plans places the council in a sound position to address further budget pressures in 2013/14 and beyond. The budget process for 2013/14 will build on that platform and use the indicative budget set in February 2011 as a base point, but with additional understanding of future funding now provided within the government's provisional settlement for 2013/14.

23. The council received details of the provisional settlement on 20 December 2012. The settlement also included details of funding for 2014/15.

24. Given the timing of the settlement, this report concentrates on a number of proposals for budget options to achieve a balanced budget in 2013/14. Further time will be necessary to assess alternative budget options for 2014/15 in the context of reduced spending power of £21.4m over 2013/14 as reported by DCLG and in consideration of the actual impact of the localisation of business rates on the council's finances.

25. However, the report does outline a process to be followed to prepare budget options for 2014/15 for consultation with residents and stakeholders through this year and in advance of Council Assembly in February 2014.

26. On 29 January 2013 the cabinet considered the Policy and resources Strategy 2013/14-2015/16: revenue budget which included draft proposals and officer recommendations on the budget for 2012/13. That report contained background information and reviewed the effect of detailed information issued by government on 20 December 2012 regarding the provisional local government settlement and its effect on Southwark's general fund budget.

27. The Policy and Resources Strategy 2013/14-2015/16 has been prepared in line with the delivery of the council plan and the fairer future vision.

28. The purpose of this report is to set out the headline content of the budget for 2013/14, which represents the final year of a three year budget programme as per the reports to Council Assembly on 22 February 2011, and to seek formal approval of the recommendations in respect of the budget as set out in paragraphs 1 to 15.

LOCAL GOVERNMENT FUNDING

29. On 20 November 2012 cabinet received the Policy and Resources Strategy 2013/14 - 2015/16 scene setting report. This provided in particular an indication of the changes and risks to council funding in 2013/14.

30. This report included an outline of some fundamental changes and issues which would affect the resources available to the council within the provisional settlement for 2013/14 and beyond, including :

- Changes to the local government financing system, including localisation of business rates
- Changes to formula funding that affects the calculation of the council's baseline spending
- Changes to the treatment of specific grants, such as the Early Intervention Grant (EIG)
- Welfare reform including localisation of Council Tax benefit and the introduction of Universal Credit
- Council Tax reform including changes to exemptions and discounts such as that for second homes
- Council Tax freeze grant for 2013/14
- The impact of the census and mid year population estimates.

31. On 5 December 2012, the Chancellor made his Autumn Statement setting out additional savings for local government of around 2% in 2014/15, over and above those funding reductions announced since December 2010.

32. On 19 December 2012, the government announced the provisional settlement for 2013/14 and 2014/15. These figures were published by DCLG on 20 December 2012, although some information was not available until after this time.

33. On 15 January 2013, both London Councils and the Cabinet Member for Finance, Resources and Community Safety responded to DCLG on issues relating to the provisional statement. Both responses referred specifically to the late timing of the settlement not least given the complexity of the changes and the limited amount of data and analysis to support the settlement including the detail underlying changes in spending power.

Revenue spending power

34. As part of the 2013/14 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 £4.7m reduction (1.3%). This compares with a reduction for Inner London of £42.9m (1.2%) and £99.9m (1.2%) for all London authorities. At a national level the reduction is £923.4m (1.7%).

35. 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	21.4	5.9
Inner London	303.3	7.8	175.1	4.9	42.9	1.2	206.4	5.9
London	514.8	5.9	325.3	4.0	99.9	1.2	398.7	4.9
England	2,578.5	4.7	1,742.9	3.3	923.4	1.7	1,966.8	3.8

36. The analysis of movements from 2012/13 to 2013/14 is extremely complex as new funding arrangements are introduced. In total, reductions for 2013/14 are as predicted in February 2011 and in many respects as expected from the 2010 spending review which was only for two years. The major variation relates to the significant loss of EIG funding in 2013/14. Furthermore, although the Department of Health reablement funding is included as an element which increases spending power it is ring-fenced and needs approval from the health sector.

37. 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 the period. The real terms analysis of these reductions in spending power would clearly worsen the overall loss.

38. The government have also published initial spending power reductions for 2014/15. For Southwark this reduction was shown as £21.4m (5.9%). The detailed analysis behind these figures has not yet been made available by DCLG.

39. However, it is clear that Council Tax Benefit funding will be included within general grant in 2014/15 and beyond in line with the general move to incorporate previously specific grants within general grant (e.g. previous Council Tax Freeze Grant). While initial guidance from government has indicated that Council Tax Funding Grant is protected at 2013/14 levels, the de-ring fencing of the general grant indicates that protection of any element will result in proportionately greater pressures on other Council services.

Start-up funding assessments and damping

40. The government had previously announced that for 2013/14, no local authority would be better or worse off than they would have been under the current formula grant system. To ensure that local authorities have a stable starting point at the

outset of the new funding business rates retention scheme the government has calculated a start up allocation based on 2012/13 formula and current data.

41. For 2013/14 and 2014/15, each council has been assigned a Start-Up Funding Assessment. This combines formula funding (what formula grant would have been had it continued) and rolled-in grants (previously specific grants now deringfenced and included in the single assessment).

42. The formula funding element has been calculated on a similar basis to formula grant in 2012/13. This calculation has been adjusted for technical changes that were part of the July 2012 consultation on the data components.

43. Among other issues, adjustments arising from technical changes may have implications from census and revised mid year estimates of population that may impact on future needs assessments and damping. Southwark incurred a net reduction in mid year estimates following on from the census and imputation of population numbers. The council remains in discussion with the Office for national Statistics (ONS) on this matter.

44. As with previous settlements, funding will be subject to damping, applied in bands.

45. Grant dependency is defined as the proportion of each council's budget requirement that was funded through the 2010/11 formula grant. The floor level for the bands in the damping group with education and social services responsibilities is shown below:

Floor band	Social Services authorities	Shire district councils	Fire & rescue authorities	No. of London boroughs
Band 1 (most dependent)	(2.70%)	(5.40%)	(8.70%)	17
Band 2	(4.70%)	(7.40%)	(9.20%)	3
Band 3	(6.70%)	(9.40%)	(11.70%)	9
Band 4 (least dependent)	(8.70%)	(11.40%)		4

46. Southwark is a Band 1 authority in that it is one of those councils most dependent on start up funding, with 82% of the council's net budget funded through the start up funding. Nationally, there are 38 single-tier councils in this band, 17 of which are in London. In London, the figures suggest there will be 16 floor authorities. The floors are self-financing. This means that those councils within a particular band above the floor will have the resources from their formula grant scaled back. The resources made available are then used to bring the councils which are below the floor up to their 'band' levels.

47. To enable the government to begin the new funding regime with local authorities starting with the same settlement than they would have received through current funding mechanism, each authorities allocation for 2013/14 was calculated.

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

	2013/14 Start up Funding £m	**2014/15 Indicative Funding £m**
Grants Rolled In Using Tailored Distributions	18.43	
Relative Needs Amount	164.13	
Relative Resource Amount	(32.74)	
Central Allocation	41.83	
Floor Damping	19.16	
Central Education Functions within LACSEG	(5.24)	
Formula Funding	**205.57**	**200.38**
Add Grants rolled in		
2011/12 Council Tax Freeze Compensation	2.26	2.26
Council Tax Support Funding	18.57	-
Early Intervention Funding	14.42	13.50
Homelessness Prevention Funding	1.54	1.54
Lead Local Flood Authority Funding	0.18	0.18
Learning Disability and Health Reform Funding	10.83	11.10
Total Grants rolled in	**47.80**	**28.58**
Total Start Up Funding	**253.37**	**228.96**

49. 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 £101.222m.

50. Each local authority a business rates base line is also calculated, for Southwark this is 96.572b representing 0.0089% (rounded) of a national retained shared total of £10.899bn. 40% of Southwark's baseline amount is passed on to the GLA, leaving £57.945m, see below.

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

51. This figure is deducted from the baseline funding to determine the top-up or tariff, Southwark will receive a top-up of £43.279m

52. The baseline funding of £101.222m is then deducted from the start up funding £253.373m to determine the amount of revenue support grant, for Southwark this will be £152.152m. 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 assumed a 3.0% inflation rate for the uplift of the baseline funding amount.

		2013/14 £m	2014/15 £m	Change %
Retained Business Rates (RBR)	Variable	57.94	59.72	3.0%
RBR top up from government	Fixed	43.28	44.61	3.0%
Baseline funding level		**101.22**	**104.33**	**3.0%**
Revenue Support Grant (RSG)	Fixed	152.15	124.63	(18.1%)
Total Funding		**253.37**	**228.96**	**(9.6%)**

53. Actual retained business rates income for 2013/14 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%):

54. 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.

55. 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. The government based business rates estimates on a two year average, rather than five years as initially proposed, and this presents a more buoyant figure for Southwark than would otherwise have been the case. Business rates are clearly very significantly influenced by the overall economic climate.

56. The Strategic Director of Finance and Corporate Services and acting as S151 Officer will be earmarking 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.

2012/13 revenue monitoring position

57. The detailed revenue monitoring as at quarter 3 is set out in a report on this agenda. It is important to consider these pressures as part of the budget setting process moving forward.

Overview and scrutiny committee recommendations

58. On 28 January 2013 the Overview and Scrutiny committee of the council met to consider the draft revenue budget as set out in the report to cabinet on 29 January 2013. The committee held discussions with each cabinet member on the draft budget proposals. The committee was to meet on 4 February 2013 to make a number of recommendations for the cabinet to consider as part of budget setting and implementation. These will be circulated at the cabinet meeting.

2013/14 PROPOSED BUDGET

59. 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 £334.0m in 2013/14.

2012/13 budget and proposed budget for 2013/14

	2012/13 £m	**2013/14** £m
Revised previous year budget	**323.0**	**308.2**
Inflation		
Pay award: 0% in 2012/13, now 1% for 2013/14 assumed in line with 2011 Autumn statement.	0	1.6
Inflation based on contractual commitments (linked to industry specific rates)	3.6	2.4
Commitments, Savings & Growth [1]		
Commitments and Growth	10.8	11.7
Efficiencies and improved use of resources	-17.2	-18.6
Income generation	-1.0	-0.2
Savings impacting on service delivery	-10.1	-6.1
Other adjustments		
Reversal of one-off items from 2012/13		-2.0
Net movement of council tax freeze grant	-0.1	1.4
Reduced NHS funding to support social care and benefit health	0.2	
Social fund		-1.7
Fall out of contribution from balances	3.4	4.4
Total Budget (before rolled in grants)	**312.6**	**301.1**
Rolled in specific grants		32.9
Total Budget	**312.6**	**334.0**

	2012/13 £m	2013/14 £m
	2012/13 £m	**2013/14** £m
Funded by		
Government Grants [2]		
Formula grant	-217.1	-234.1
Council tax support grant	0.0	-18.6
Net Public Health Funding (Ringfenced)	0.0	0.0
Council Tax		
Council tax [3]	-91.1	-74.3
Collection fund surplus	0.0	-0.9
Funding available	**-308.2**	**-327.9**
Funding shortfall	**4.4**	**6.1**
Contributions from balances	**-4.4**	**-6.1**
Balance	**0**	**0**

Note 1 - As detailed in the Budget Setting report appendices (Council Assembly 22 February 2011)
Note 2 - 2013/14 specific grants are reduced by £6.1m to reflect the loss of Early Intervention Grant
Note 3 - Revised 2013/14 takes account of reduced tax base due to discounts for council tax support, funded through council tax relief grant. This does not include the any potential increase in collection from changes to local discounts.

Inflation and pay award

60. Current estimates include 1% for the 2013/14 pay award at £1.6m, as outlined in the November 2012 scene setting report, subject to national agreements.

61. No provision has been made for general inflation in 2013/14 and budgets are considered to be cash limited in line with reduced government funding and the proposal to freeze council tax. The current estimates do include alternative inflation in respect primarily of contractual commitments at £2.4m for 2013/14, again as set out in the November report.

Use of balances and contingency

62. Current in order to fully fund the proposed budget a contribution of £6.1m will be required from balances. This compares with £4.4m in 2012/13. 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.

63. The council has been fortunate, like many other local authorities, that 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.

64. For 2013/14, contingency will reduce by £500k to £5m. This is less than half of the indicative estimate (£12.5m) from February 2011 and reflects the reduction in risk following the achievement of 2011/12 and 2012/13 budget targets and the allocation of contingency to offset some of the impacts in government funding.

Commitments and growth

65. The proposed budget for 2013/14 will fund new commitments and growth of £11.6m. These are detailed in Appendix A and include £1.2m for Housing as a result of welfare reforms and £1.65m for the transfer of Social Fund responsibilities from the Department of Work & Pensions to the council. The proposals also include a further £1m to support the council's commitment to London Living Wages in contracts as they are awarded or extended.

66. The budget also includes provision for £2.3m, including £800k following the cessation of Youth Justice Board funding to meet the costs of placing children remanded to local authority secure accommodation where this has been ordered by the court. Childrens Services also require an additional £600k to meet the increasing costs of the council's obligations under the Childrens Act, as a result of welfare reforms.

Savings, efficiencies and income generation

67. Proposed efficiencies £18.6m and savings of £6.1m are detailed in Appendices B and D and include the initial benefits arising from the purchase of the council's head offices at Tooley Street, which is expected to deliver additional savings as reported in December 2012 cabinet reports.

68. There are significant savings proposed in Children's Services as a result of the £6.1m loss of Early Intervention Grant, which are detailed later in this report.

Early intervention grant

69. Early Intervention Grant (EIG) was paid to councils in 2011/12 and 2012/13 as a separate un-ringfenced grant. The EIG was paid at 32% less than the combination of previous grants it replaced (Area Based Grants and Surestart Grants).

70. In 2012/13 Southwark's EIG is £20.5m and funds core, high priority Children's Services including Children's Centres, provision of support to get young people in education, employment and training, early intervention services, statutory specialist services and voluntary sector commissioning. The EIG also includes funding for the Two Year Old pilot offer which facilitates vulnerable families accessing free part-time early education places. This grant is un-ringfenced and the DfE guidance states that this grant can be used flexibly to meet local priorities.

71. For the 2013/14 settlement, EIG has merged into the council's formula grant. As it falls into formula grant, government has advised that the allocation to the council reduces by £6.1m or 29.6%, arising from top slicing of the national provision and the transfer of funding for two year olds into the ring-fenced Dedicated Schools Grant in excess of the current spend on two year placements.

Council tax freeze grant for 2013/14

72. As part of the 2011/12 local government grant settlement the government announced the council tax freeze grant, which was given to all authorities which set a zero percent increase in council tax, for the equivalent of a 2.5% increase in council tax. Southwark received £2.2m. This grant will be paid throughout the four years of the spending review, although it has now been subsumed into formula grant, for which itemised detail is not easily available.

73. In February 2011, council assembly agreed an indicative budget for 2012/13 and 2013/14 with provisional council tax increases of 2.5% in each year.

74. In October 2011 the government announced a new council tax freeze grant for 2012/13 only, for those authorities who agree to set a zero percent council tax increase. The grant is equivalent to a 2.5% increase in council tax (some £2.3m). This grant was for one year only and will cease in 2013/14. In any event Council Tax in 2012/13 remained frozen.

75. On 8 October 2012 the government announced that it would be making £228m available to English councils to fund a council tax freeze in 2013/14, equivalent to a 1% increase in council tax. For Southwark this grant will be £929k. The amount of council tax freeze grant takes account of the reduced yield caused by the introduction of a discount to administer council tax support. Local authorities taking this grant will also receive the same amount in 2014/15 to avoid a 'cliff edge'.

76. This report assumes that there will be a further Council Tax freeze in 2013/14 and that the freeze grant will be accepted by the council. While the freezing of Council Tax remains positive for those paying, when set against the loss of equivalent grants it creates a financial shortfall in resources once those grants cease or become absorbed as part of a generally declining general grant.

Public health grant

77. The Health and Social Care Bill proposed that responsibility for public health will transfer from the NHS to local government on 1 April 2013. This obtained royal assent on 27 March 2012.

78. Local authorities will receive a ring fenced grant for public health to meet the cost of these new responsibilities, however it is unclear whether the resources allocated to fund these new responsibilities will be sufficient to meet the costs. London Councils have been lobbying on this issue, and a report was presented to London Councils Leaders Committee on 16 October 2012.

79. The proposed budget includes provision of £21.8m as a result of the transfer of responsibility for Public Health to the council. It is assumed and expected that all

costs of the new service will be met from within the ring fenced public health grant recently confirmed by government.

80. A major risk remains that the public health targets have yet to be announced in full. Any unfunded pressures arising from this will become apparent during 2013/14 revenue monitoring.

Other core grants

81. The 2011/12 local government settlement heralded a major change in grant funding. From a position of some £103.5m in specific grants in 2010/11, this fell to £38.5m in 2011/12. Some grants transferred into formula grant and DSG, some formed the new core grants and others ceased to exist.

82. In 2012/13 the council received £37.5m of core grant funding. Government proposals for 2013/14 will move a further £27.5m into formula funding. 2012/13 and provisional 2013/14 core grants are shown below.

2012/13 and Provisional 2013/14 Core Grants

	2012/13	2012/13 value of grants rolling in (Note 1)	Grants included in 2013/14 start up funding (Note 2)	2013/14 Specific Grants	Total 2013/14 Funding	Change in funding	
	£m	£m	£m	£m	£m	£m	%
Early Intervention Grant	20.48	20.48	14.42	0.00	14.42	(6.06)	(29.6%)
Learning Disabilities and Health Reform Grant	10.57	10.57	10.83	0.00	10.83	0.26	2.5%
Homelessness Grant (Note 3)	1.72	1.72	1.54	0.00	1.54	(0.18)	(10.5%)
Lead Local Flood Authority Grant (Note 3)	0.44	0.18	0.18	0.26	0.44	0.00	(0.0%)
Housing and Council Tax Benefit Subsidy Administration grant	4.24	0.00	0.00	3.75	3.75	(0.49)	(11.6%)
Total	**37.45**	**32.95**	**26.97**	**4.01**	**30.98**	**(6.47)**	**(17.3%)**

Note 1 This is the 2012/13 value of current specific grants that will cease to exist in 2013/14, and will be transferred in to overall funding
Note 2 This is the value of these grants as part of 2013/14 start up funding.
Note 3: These grants currently form part of the Local Services Support Grant (LSSG)

Social fund

83. As part of its welfare reforms the government are transferring some of the elements included in the social fund, currently administered by the Department of Work and Pensions (DWP) to local government.

84. The current scheme contains Crisis Loans (for items, living expenses and alignments), Budgeting Loans and Community Care Grants. The new scheme has Crisis Loans (for items and alignments only) and Community Care Grants.

85. Southwark will receive £1.65m (£1.36m programme funding and £288k for administration) in 2013/14. The administration element will reduce the following year to £264k, giving an overall 2014/15 allocation of £1.63m.

86. Although the government does not want or expect local authorities to replicate the current scheme, it is their intention that funding should be concentrated on those facing greatest difficulty in managing their income**.** The council is undertaking an options appraisal around the social fund, to be considered by cabinet.

Welfare hardship fund

87. A welfare hardship fund of £800k is proposed to mitigate some of the impact of the benefits changes to protect the most vulnerable in the community. This fund will sit separately from the Social Fund. Subject to approval of the creation of this fund, the Strategic Directors of Finance and Corporate Services and Housing and Community Services will present options for its use to cabinet in the coming months.

Concessionary fares

88. 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.

89. In recent years there have been significant changes impacting on the cost of concessionary fares, changes in grant funding to London Councils and a phased transfer from passes issued to passes used has now resulted in a fairly stable base.

90. The main element of this increase is inflation. The largest operator charging London Councils is Transport for London (TfL), is currently increasing their charges by July 2012 RPI + 1% (4.2%). Provision for this increase is included in the budget options.

91. The concessionary fares charge to London Boroughs for 2013/14 was discussed at London Councils' Transport and Environment Committee on 13 December 2012, and the increase to Southwark in 2013/14 will be some £500k. This has been included in the budget figures.

Superannuation fund contributions

92. The actuarial review published in March 2011 identified the funding required over the period 2011/12 to 2013/14 to cover the pension fund deficit.

93. To enable the deficit to be funded, additional contributions of £1m were made for 2012/13. This requirement will continue into 2013/14 and 2014/15 at £1.5m. The position will be revised when the next actuarial review is published in 2014.

Youth fund and community restoration fund

94. The Youth Fund was announced as part of the February 2011 budget setting process. It was established as a three year (2011/12-2013/14) programme established in response to rising numbers of young people claiming out of work benefits, increased university tuition fees and the withdrawal of the national Education Maintenance Allowance scheme. It aims to help young people in Southwark improve their long term employment prospects.

95. The Community Restoration Fund (CRF) was announced, as part of the February 2012 budget setting process, in response to the civil unrest experienced in areas of Southwark in August 2011. It is a one off annual fund (2012/13) and aimed to restore community pride and deliver longer term solutions to support business growth and young people across the borough.

96. Attached as Appendix F is a progress report on the delivery of the two funding streams to date. In noting progress and particularly given the need to offer assurance for those schemes within the Youth Fund that run beyond 2013/14, cabinet are asked to note the extension of the Fund for a further three year period.

Business support fund

97. In November 2012 the council agreed a new economic well-being strategy with four simple goals: to get more people into work; to attract new businesses and offer smarter support to those already here; to encourage thriving town centres; and to help residents to be able to look after their own finances (particularly as the welfare reform agenda in implemented). Having agreed the strategy, the council is now developing sustainable implementation plans for delivery.

98. The council's priority is to make Southwark a place where business wants to invest and to enable those businesses already here to thrive and prosper. By doing so, this creates local employment opportunities for local residents. Much work is already in place, for example through the 2012/13 CRF. There is much still to be learned from these projects and activities. Appendix F sets out progress on delivery of the CRF.

99. The council understands that local businesses continue to experience difficult times. Economic conditions across the country remain uncertain and Southwark business is not immune from these conditions. The council is therefore proposing to put in place a Business Support Fund to assist business through challenging times. The purpose of the fund is to create assistance to local business (both existing and new) and business networks to develop activities that help sustain and to stimulate local economic growth.

100. The intended outcomes of the business support fund would be:

- more innovative business growth opportunities across the borough;

- a clear, well defined and common understanding of local business needs, including the barriers to business development and opportunities that exist or may be created;
- business to business support to encourage a stronger business voice and role within the community; and
- successful town centres and high streets, supported through better engagement between the council and local business networks.

101. The council will be open to fresh thinking for the business support fund. The size and scale of activities will of course vary over time. The council will therefore be flexible on fund distribution, use and timing. Examples projects could include: encouraging new business networks to support local business innovation; investment to help encourage new or niche markets and services; making flexible use of land and property to grow and develop existing small and medium size businesses; and initiatives for giving local young people better access to opportunities from new and expanding businesses in the borough. At the same time the council will continue to review its decision-making processes so that they take full account of business needs, interests and opportunities.

102. Following approval of the council's 2013/14 budget, the cabinet members for communities and economic well-being and finance, resources and community safety will begin the process of seeking ideas and views of local business. The Strategic Director of Finance and Corporate Services will be requested to set aside provision from earmarked reserves of up to £1m for this fund, to be allocated over a period of up to three years. The experience of and learning from projects currently being supported through the CRF will be used to help determine the distribution of funds to achieve best value for money and fund objectives. The Director of Corporate Strategy will be asked to draw up appropriate criteria for the fund.

SERVICE BUDGETS

103. Budget proposals are in line with local policy priorities as set out in the fairer future for all vision and Council Plan. The table below summarises the budgets for council service areas for 2012/13 and 2013/14. These are known as "control totals".

104. To enable like for like comparisons to be made between 2012/13 and 2013/14, 2012/13 budgets have been restated for specific grants rolling into start up funding.

Table 5: Service area budgets for 2012/13 and 2013/14

Service area	2012/13 Budget £m	2012/13 Budget adjusted to allow comparison with 2013/14 £m	2013/14 Budget £m
Children's Services	85.0	105.5	102.3
Adult Services (was Health & Community Services)	107.6	118.1	112.0
Chief Executive	18.8	18.8	18.5

Service area	2012/13 Budget £m	2012/13 Budget adjusted to allow comparison with 2013/14 £m	2013/14 Budget £m
Environment & Leisure	70.1	70.1	69.4
Finance & Corporate Services	46.2	46.2	44.5
Housing and Community Services	40.3	40.3	41.6
Total Service Budgets	**368.0**	**399.0**	**388.3**
Corporate Budgets	(55.4)	(53.4)	(54.3)
Total Budgets	**312.6**	**345.6**	**334.0**

105. High level schedules of draft budget proposals for 2013/14 are attached as Appendices A – E

CHILDREN'S & ADULTS SERVICES

106. The Children's and Adults department budget represents two thirds of the council's total net revenue expenditure. In 2013/14 the department is proposing savings of £15.39m against the previous year's base budget, growth requests of £1.35m and further commitments of £3.10m. 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 adult social care.

107. 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.

108. 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.

109. The Strategy and Commissioning Division provides data to support targeted service delivery, manages the multiple inspection processes, and commissions a range of placements and other services for vulnerable children and adults. In addition the division leads on specialist parenting services, compliance and departmental governance and project support for the free healthy school meal programme.

110. The Adult 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.

111. 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.

112. 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 priorities services to vulnerable groups.

113. 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

114. There are £1.25m of efficiency savings are planned to be made through
- increasing use of direct payments for short breaks for families with Children with disabilities;
- framework agreements in place to reduce costs of procurement of placements;
- reducing agency fostering spend and increasing use of in house provision**.**

115. In addition, £350k of savings are planned through the ongoing transformation of the Children's Social Care teams in line Munro recommendations and the need to improve the service user experience by reducing the number of moves between teams, and social workers. This is a highly regulated and inspected area of council activity, therefore, it is planned to minimise the impact on front line staff to ensure the council meets its statutory obligation to keep children safe.

116. In 2013/14, two new growth bids have arisen: £750k of growth is required to meet the costs of placement of young people on remand, resulting from the cessation of the Youth Justice Board contribution of two thirds of the costs.

117. In addition, the council is obliged to support destitute people from abroad who are subject to immigration control and have no entitlement to welfare benefits, Home Office support for asylum seekers or public housing. The number of families seeking this assistance of last resort has increased by more than half during 2012/13, resulting in a cost pressure of £600k. These are in addition to the ongoing commitment of £125k for increased number of Special Guardianship Orders arising from our high volume of care proceedings.

Education

118. The significant decrease in the council's funding from the previous ring-fenced Early Intervention Grant has meant that the services funded from this grant have been rigorously reviewed to identify efficiencies and possible savings. This has included Children's Centres budgets and BookStart, as well as the staffing structures including re-engineering Connexions Services and the Early Years Advisers Team and Workforce Training. Further staffing restructures within Education include Early Years Centres, and the restructure of the Early Help offer and the Specialist Services Teams. Wherever possible the aim is to maintain front line services and ensure services are targeted at the most vulnerable.

119. Both the Youth and Play Services have been subject to review over the last three years, and 2013/14 is the final stage of this process. The Dedicated Schools Grant (DSG) is now funded for eligible two year old education and therefore these costs will, in future, be met by the DSG.

120. These savings in the council's budget also need to be seen in the context to national reforms to the Dedicated Schools Grant (DSG) which funds schools and some of the centrally retained education services. Key changes during 2013/14 include a reduction over the next two years of £2.9m resulting in the ending of full-time nursery provision from September 2013, increased scrutiny of all centrally retained budgets, and significant changes to the funding of all nursery, mainstream and special school budgets.

Strategy and Commissioning

121. The key savings include back-office staffing restructure of the newly joined children's and adults staff under this service area and wider business support teams, continued efficiency savings in commissioned services and utilisation of external grant.

122. Commitments of £1.976m is planned for the roll out of the Free Healthy School Meal for Southwark Primary aged children, which from September 2013, will be available to all year groups. Increasing pupil numbers and take up means that this growth bid is higher than the original estimate.

Adult Social Care

123. Key savings areas for 2013/14 are detailed below.

124. A reduction in supporting people grant through efficiencies, service redesign and supporting services for the most vulnerable adults to deliver savings of £1.8m, including efficiencies through shared procurement with other boroughs and reconfiguration of support services.

125. Savings of £1m will be delivered by redesigning mental health services including arrangements with South London & Maudsley Trust (SLaM), reviewing the adult social care role within mental health services in partnership with other Boroughs and working more closely together. This includes

- Efficiency savings by renegotiating consistent prices for placements across the four boroughs.
- Developing an accommodation strategy to set out a revised pathway for people with mental health needs that will seek to reduce our reliance on high cost residential placements and provide more community based housing options for people. Our benchmarking suggests we are the second highest in London on the proportion of our money that goes on residential provision hence we see opportunity to achieve better outcomes for people at lower cost.
- Changing management arrangements so that the Head of Mental Health Services has stronger accountability within the council and council staff are managed directly by the council as well as continuing to operate in teams integrated with SLaM.

126. Redesigning day opportunities for people with learning disabilities which will deliver savings of £1.7m. This includes;

- Continuing to roll out personal budgets enabling people to choose the right social care to meet their needs.
- Working with providers to make the changes required by the personalisation agenda to reduce block contracting arrangements and put the money into personal budgets.
- Savings will come from across the system of community based support as the programme of individual reviews moving people on to personal budgets is undertaken:
    - Looking at opportunities for people with less complex needs to access mainstream opportunities to engage in leisure, education, training and support for employment;
    - Reduction in block funding in 2013/14 of £800k.

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

127. 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.

128. 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.

129. 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.

130. 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

131. 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.

132. 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.

133. 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.

134. 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.

135. 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.

136. 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.

137. 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

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

139. 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.

140. The proposed indicative budget for the department in 2013/14 is £19m. It is proposed to deliver savings of £500k through service re-configuration, review and management restructuring. Savings were front loaded into 2011/12 and 2012/13 meaning an overall saving of 27% over a three year period.

141. Significant savings are also being achieved across the council through the reorganisation of top tier management (£1m) and the acquisition of Tooley Street offices (£1.5m).

Chief Executive – summary equalities impact

142. 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 it 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.

143. 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.

144. As part of the communication savings, there is a proposed move to greater use of electronic communications and social media so there may be potential impacts on those with limited or no access to a computer. This will be assessed in the ongoing evaluation of all communications activities and further mitigated through supporting access though other publications or formats for example face to face communications.

145. 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

146. 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 service: they physically improve the environment, they provide opportunities for health and enjoyment or they help improve safety and confidence. The Director is the Electoral Registration Officer and Returning Officer, so the department includes the electoral services team. The other services can be can be broadly grouped into:

- Public Realm, covering parks and open spaces, parking, highways, transport planning, cleaner greener safer initiatives, cemeteries and crematorium
- Sustainable services, such as 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, the community wardens, antisocial behaviour unit, environmental enforcement, private sector housing renewals, noise teams and CCTV
- Culture, Libraries, Leisure and Learning covering: arts, heritage, leisure centres, sports outreach, libraries and adult learning.

147. The overall vision for these services 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 the savings has been in accordance with the budget principles to focus on a core provision of quality services, efficiency savings, smarter procurement and tougher contract management; reducing optional services and using data and intelligence to target services to places or people where they will be more effective.

148. The budget for environment and leisure services in 2012/13 is £70m. The department has already achieved £7.3m savings during 2011/12 and is on target to achieve £5.5m savings for 2012/13. For 2013/14 savings of £2.5m are proposed. When the significant reductions in government grants are taken into account, around £19m will be taken out of the budget over the three year period.

149. The budget proposals include commitments of £430k for:
- estimated increase in rents and service charges for Sandgate Industrial Estate for the relocated services from Manor Place Depot; and
- Statutory provision of stray dogs service.

150. In addition, growth bids of £950k have been submitted. This is made up of £380k for maintenance costs of Housing CCTV cameras that are being replaced during 2013/14, £215k for retaining some of the critical community safety programmes that would otherwise be threatened due to loss of government grants, £80k for maintaining and improving the environment for the users of cemeteries and crematoria, £200k to invest in proactive maintenance of highways and a £75k reduction in the income target set for Canada Water Library, which proved to be too ambitious.

151. It is proposed to make some £1.3m efficiency savings in public realm. This includes £500k return of budget no longer required for risk on parking income. Savings will be made through two major contracts that will start in 2013 for parking (£600k) and highways (£200k). There will also be savings from the grounds maintenance contracts from better contract management.

152. In sustainable services, £115k efficiency savings have been negotiated with the waste contractor including some specification changes and a further saving of £35k can be achieved by rationalising divisional management structures.

153. Community safety budget is proposed to reduce by £300k through more efficient commissioning of drugs and alcohol services. In addition, £60k of efficiency savings is proposed to be achieved by re-organising some of the services within the division.

154. Total efficiency savings of £640k are proposed within culture, libraries, leisure and learning. These will be achieved by restructuring and re-organising management and support services as well as making contract savings from the new leisure management agreement. It is proposed to take the opportunity of bringing public health functions into the council to support health and wellbeing aspects of community sports through the public health programme. In addition, the proposals for the division also include a further £105k for second phase of savings arising from the review of the library, which will continue to be achieved without closing any libraries.

155. There are plans to generate additional income of some £100k for 2013/14 through increasing charges across a range of services. This is in line with local policy 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) as set out in the MTRS.

156. 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. They will deliver the best value for money possible and maximise the use of existing assets, as well as exploring alternative methods of provision with our partners, neighbouring boroughs and the voluntary sector. 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

157. 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.

158. 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.

159. 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.

160. Wherever possible we have sought to share resources and work with partner organisations to identify new ways of working that may deliver efficiencies and improved value for money, as well as maximising opportunities for increasing income.

161. The following proposals have been assessed as having the highest community and equalities impact:
    - The review of the Libraries Service.
    - The proposed increases in fees and charges.

162. The proposals have been designed to minimise any adverse equality impact. In particular, the change to library opening hours under the review is being closely monitored and shows no overall adverse impact. The individual fees and charges proposals will be subject to specific equality analysis

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 2013/14 is £44.5m after the proposed savings of £3.8m. In total and since April 2011, this represents a reduction of 27% and has been achieved primarily through new and enhanced contract arrangements and reduced staff numbers. This is consistent with the plan proposed in February 2011.

165. Savings in 2013/14 will be delivered through further management restructuring, rationalised back office support and new contractual arrangements for facilities management, information and data services. This will also include a review of audit, anti-fraud and risk services to refocus priorities and reduce running costs.

Finance and Corporate Services – summary equalities impact

166. 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.

HOUSING & COMMUNITY SERVICES

167. The housing and community services department (H&CS) delivers a range of council services funded from both the general fund and more specifically through the ring-fenced housing revenue account (HRA) for those services of a landlord nature. Since the department's inception in January 2011, functions such as community engagement, registrars and coroners have transferred to housing and community services. Following recent internal departmental restructuring, the functions formerly provided within the community housing services division have been reconfigured and subsumed within the customer experience and special housing services divisions, and the environment and leisure department.

168. The HRA is part of a separate budget consultation process and cabinet received an initial scene-setting report on 11 December 2012. Following consultation with tenants and council homeowners during January, decisions on rent and service charge levels were made at cabinet on 29 January 2013.

169. The departmental vision for H&CS is to make Southwark homes great places to live where good quality services are delivered right first time. To achieve this, the department aims to improve performance in all of the core service areas by working with residents to deliver consistently high quality services, better value for money and continuing to support the most vulnerable residents. Savings derived from further efficiencies total £275k at this point, whereas there are a number of savings proposals relating to temporary accommodation and the voluntary sector that cannot be delivered without some service detriment (£270k).

170. The decision to bring the customer service contract in-house from June 2013 provides the opportunity to reconfigure and improve customer access and service delivery and drive out substantial savings over the medium term by moving towards more cost effective transaction routes and operational efficiencies. Savings arising from this are shown corporately given the strategic and cross-cutting nature of the service.

171. One of the biggest financial risks for the council is the cost of temporary accommodation provision, particularly bed & breakfast. Whilst Southwark ranks highly in terms of homelessness prevention, the demand-led nature of responding to homelessness places a disproportionate financial burden on the budget, requiring stringent control and diversion into more financially neutral forms of accommodation, e.g. estate voids and hostels in the HRA. The impending welfare reforms and housing benefit changes is likely to exacerbate the situation and have a detrimental impact on the council's ability to prevent homelessness as use of the private rented sector becomes less affordable and the cost of Private Sector Leasing (PSL)

provision will no longer be cost neutral. The financial impact is difficult to predict at this stage, but best estimates show an increased base budget commitment of £1.230m for 2013/14.

Housing & community services– summary equalities impact

172. In developing budget proposals, we are committed to delivering savings which as far as possible protect and maintain front line provision. In the main this is achieved through revised and more efficient working within housing services 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.

A strong and stable resource base

173. In setting out the draft budget proposals for 2013/14 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 2013/14 is therefore robust.

174. 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.

175. 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.

176. 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.

- 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.

177. 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.

178. The council's General Fund reserves and balances at the end of 2011/12 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.

179. 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.

180. In setting the budget the council needs to be mindful of the continued uncertainty with regards future funding particularly beyond 2013/14. The use of the Financial Risk Reserve in respect of Business Rates risks identified in paragraph 56 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.

Community impact statement

181. Transparency and fairness form part of the seven budget principles and are an underlying principle in the Council Plan. As with last year's budget, each department will undertake equality analysis on its budget proposals.

182. 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.

183. The equality analysis undertaken will build on previous analysis including the equality impact assessments carried out as part of 2012/13 budget setting and the equality analysis undertaken on decisions to implement the budget this year. The development of equality analysis will continue to ensure that it informs decision making at each stage of the budget process.

Equalities

184. The council is subject to the Equality Act 2010 and the public sector Equality Duty. This means the council must have due regard to the need to: eliminate unlawful discrimination, harassment and victimisation; advance equality of opportunity between different groups; and foster good relations between different groups. Guidance on the implications of the Equality Act 2010 and the duties it imposes on the council is available to officers and members.

185. In September 2010, the cabinet agreed seven principles that will guide its decision making on the budget. One of these principles is to limit the impact of its budget on the most vulnerable and to being transparent with any specific group or groups of users who may be affected by any cut or reduction in service provision, and to conduct an equalities impact assessment of budget proposals. These budget principles are consistent with the Approach to Equality, the council's overarching policy on equality and human rights. The equality analysis prepared as part of the 2012/13 budget setting process will be refreshed during the current budget cycle

Consultation

186. This report is the second report to inform cabinet on the planning for the third year of a three year budget framework, agreed in February 2011. The budget agreed in February 2011 was supported by an exhaustive consultation undertaken in the autumn of 2010.

Greater London Authority

187. The Mayor published his 2013/14 draft consolidated budget on 31 January 2013. This will be considered by the London Assembly at its meeting on Friday 8 February. The draft budget confirmed the Mayor's intention to lower the GLA council tax precept for residents of the 32 London boroughs in 2013/14 by a proposed 1% reduction in the precept, reducing a band D property from £306.72 to £303.00

188. The final budget proposals are scheduled to be considered at the Assembly plenary meeting planned for 25 February 2013. The London Assembly has the power to amend the Mayor's budget if they secure a two thirds majority for an alternative so the final budget will not be confirmed until after the 12 February meeting. The

confirmed precept will be presented to Southwark's Council Assembly on 27 February 2013.

Next steps

189. Following consideration and agreement at this meeting, the budget will be recommended to council assembly on 27 February 2013.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

190. The constitution determines that cabinet consider decisions regarding the strategic aspects of the regulation and control of the council's finances. The council has an obligation under Section 32 of the Local Government and Finance Act 1992 to calculate and agree an annual budget. The issues contained in this report will assist in the future discharge of that obligation.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Provisional Local Government Settlement 2013/14	Department of Communities and Local Government	http://www.local.communities.gov.uk/finance/1314/settle.htm
Mayor's budget proposals	Greater London Authority	http://www.london.gov.uk/mayor-assembly/gla/budget-expenditure-charges/budget-2013-14

APPENDICES

No.	Title
Appendices A-F	Draft high level descriptions of budget proposals: A: Commitments and Growth B: Efficiencies and Improved Use of Resources C: Income Generation D: Savings impacting on service delivery E: Reversal of one-off items from 2012/13 F: Progress report on the Community Restoration Fund and Youth Fund

AUDIT TRAIL

Cabinet member	Councillor Richard Livingstone, Finance, Resources and Community Safety	
Lead officer	Duncan Whitfield, Strategic Director of Finance and Corporate Services	
Report author	Jennifer Seeley, Deputy Finance Director	
Version	Final	
Dated	1 February 2013	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments Sought**	**Comments included**
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to constitutional team		1 February 2013

Commitments and Growth

APPENDIX A

Department	Description of Commitments	2013/14 £'000
Children's Services		
Strategy, Commissioning, Business Improvement	The provision of free healthy school meals for primary aged pupils in schools in Southwark; phased implementation over academic years 2011-14; includes impact of increased pupil numbers and higher take up than anticipated.	1,980
Children's Social Care	Council spending following the cessation of Youth Justice Board funding to meet the costs of placing children remanded to local authority secure accommodation where this has been ordered by the court.	750
Children's Social Care	Welfare Reform Impact - meeting the increasing costs of the council's obligations under the Childrens Act.	600
Children's Social Care	Special Guardianship Orders (SGOs) are financially supported placement orders made by the courts which have increasingly replaced adoption as a permanent alternative to care for children. On average an additional 20-30 a year are being made in Southwark.	125
Total Children's Services		**3,455**
Adult Social Care		
Learning Disabilities	Learning disability transition from children to adults.	1,000
Total Adult Social Care		**1,000**

Commitments and Growth **APPENDIX A**

Department	Description of Commitments	2013/14 £'000
Environment and Leisure		
Sustainable Services - Hygiene Services/Fleet	Estimated increase in rent/service charges for Sandgate Industrial Estate following relocation of services from Manor Place Depot to Sandgate.	150
Public Realm - Parks	To meet the cemeteries and crematoria's need for greater investment to maintain and improve the environment for their users.	80
Public Realm - Asset Management	Invest in proactive maintenance of highways to reduce emergency repairs which are often more expensive	200
CLLL - Libraries	There is pressure on income achievement at Canada Water Library. Whilst the income target for the library is £160k, the forecast after 9 months of the year is for actual annual income achievement to be only about £85k.	75
Community Safety & Enforcement	Retain critical community safety programmes due to reduction in government grant funding: Southwark's Young Persons Substance Misuse Service £95k and Southwark Anti-Violence Unit & Southwark Emergency Re-housing Scheme £120k.	215
Community Safety & Enforcement	Housing CCTV cameras are being replaced in 2013/14, and there will be an ongoing maintenance cost in order to provide greater security on our estates.	380
Sustainable Services - Pest Control	Statutory provision of Stray Dogs service under S68 of the Clean Neighbourhoods and Environment Act 2005.	80
Total Environment and Leisure		**1,180**

Commitments and Growth **APPENDIX A**

Department	Description of Commitments	2013/14 £'000
Housing and Community Services		
Specialist Housing Services - Temporary Accommodation	Welfare reform - Bed & Breakfast Landlords	330
SHS - Temporary Accommodation	Welfare reform - third party provider costs (underoccupation)	140
SHS - Temporary Accommodation	Welfare reform - third party provider costs (private sector landlords)	100
SHS - Temporary Accommodation	Welfare reform - third party provider costs (benefit caps)	355
SHS - Temporary Accommodation	Welfare reform - third party provider costs (self-contained)	75
SHS - Temporary Accommodation	Welfare reform - additional Employment Advice staff	55
SHS - Temporary Accommodation	Welfare reform - credit union administration fee	30
SHS - Temporary Accommodation	Welfare reform - casework, housing officer and placement staff	145
Total Housing and Community Services		**1,230**
Finance and Corporate Services		
	Social Fund programme - Grant transferred to Southwark Council from the Department of Work & Pensions for issuing crisis loans and community care grants. This includes £288k for administration of the grant.	1,651
Total Finance and Corporate Services		**1,651**

Commitments and Growth **APPENDIX A**

Department	Description of Commitments	2013/14 £'000
Corporate Budgets		
Corporate	Impact of 2010/11 triennial review of pensions. In order to maintain a planned recovery of the fund deficit in line with the funding strategy there will need to be increases in employers' contributions of circa 3% over the period to 2013/14.	1,500
Corporate	Additional resources to support London Living Wage in council contracts as they are re-let.	1,000
Corporate	Increase in charge from London Councils for concessionary fares based on current information, usage and fare increases.	500
Corporate	Auto enrolment into pension fund	300
Corporate	Increase of 2.2% in the London Pensions Fund Authority's Levy	32
Corporate	To increase the annual Cleaner, Greener, Safer revenue allocation to each ward by £10k per annum over and above £10k already included in the base budget.	210
Corporate	Reduction in level of general contingency, to reflect achievement of budget targets for 2011/12 & 2012/13	(500)
Total Corporate Budgets		**3,042**
Total Commitments and Growth		**11,558**

Efficiencies and improved use of resources **APPENDIX B**

Department	Description of Savings	2013/14 £'000
Children's Services		
Education	Grant utilisation: funding responsibility for eligible two year olds entitlement to free education transferred to the DSG. (EIG)	(1,210)
Strategy and Commissioning	Ongoing rationalisation of IT systems.	(75)
Children's Social Care	Procurement/placement savings generated via improved framework agreements.	(500)
Across Children's Services	Ongoing review and rationalisation of administrative support provided.	(340)
Education	Restructure of Early Help Offer; improving targeting of support.	(375)
Education	Reduction in EIG contributions to Education Other than At School and Pupil Referral Unit (SILS) and Speech and Language Therapy; to be funded in part through Dedicated Schools Grant.	(190)
Education	Realigning the Specialist Education Services team. Allocating statutory functions within existing structure.	(395)
Strategy and Commissioning	Reduction in Strategy and Commissioning team staffing budgets incorporating the impact of Childrens and Adult's Services teams merging within this Division.	(350)
Strategy and Commissioning	Utilisation of grant to support existing eligible expenditure.	(160)
Total Children's Services		**(3,595)**

Efficiencies and improved use of resources **APPENDIX B**

Department	Description of Savings	2013/14 £'000
Adult Social Care		
All Client Groups	Reduction in Supporting People Grant through efficiencies, service redesign and supporting the most vulnerable	(1,800)
All Client Groups	Smarter procurement	(350)
Mental Health	Redesigning mental health services to achieve better value	(1,000)
Older People	NHS investment in day services for older people	(300)
Physical Disabilities	Independent Living Team at Southwark Resource Centre to build independence skills	(200)
Learning Disabilities	Re-design transitions service to work more effectively with young disabled people moving into adulthood	(150)
Older People, Physical Disabilities and Learning Disabilities	Provide community based support to reduce the need for high cost care home placements	(965)
All Client Groups	Workforce redesign resulting from the realignment of adult social care teams to meet personalisation requirements	(300)
All Client Groups	Improving finance services	(50)
All Client Groups	Reduction in weekly revenue costs resulting from proposed capital buy-out of care home properties	(930)
Total Adult Social Care		**(6,045)**

Efficiencies and improved use of resources **APPENDIX B**

Department	Description of Savings	2013/14 £'000
Environment and Leisure		
Public Realm	Return of budget required in 2012/13 for risk on parking income collection which is no longer required. This risk budget is returned to balances in 2012/13 and reported as part of revenue monitoring.	(500)
Public Realm	Reduced costs through procurement of new parking enforcement contract and productivity improvements	(600)
Public Realm	Reduced costs through procurement of new Highways Term Contract	(200)
Public Realm	Reductions in Grounds maintenance contractor management	(20)
Sustainable Services	Restructure Divisional Management and Support	(35)
Sustainable Services	Efficiency savings from the refuse collection service contract arising from roll out of weekly food waste collections where feasible and staged introduction of fortnightly collection of dry recyclables.	(115)
Community Safety	More efficient commissioning of drugs and alcohol services.	(300)
Community Safety	Combine administrative services across the division and remove 1 post	(40)
Community Safety	Reorganisation of Environmental Health & Trading Services work	(20)
CLLL	Take the opportunity of bringing public health functions into the council to support health and wellbeing aspects of community sports through the public health programme	(100)
CLLL	Implement final stages of review of Library services. The future size and shape of the service was considered through a complete review and consultation that took place in 2011/12. No library buildings will close as a result of the review.	(105)

Efficiencies and improved use of resources **APPENDIX B**

Department	Description of Savings	2013/14 £'000
CLLL	Restructure divisional support services	(50)
CLLL	Contract savings delivered by the Leisure Management Agreement	(490)
Total Environment and Leisure		**(2,575)**
Housing and Community Services		
Community Engagement	Reduction in the Council's contribution to the London Councils Grant scheme	(105)
Community Engagement	Rationalisation of community support grants	(60)
Specialist Housing Services - Supported Housing	Full resettlement team in general fund - redirect part of work to homeless prevention	(50)
Specialist Housing Services - Temporary Accommodation	Rationalise service provision including reduced information support and placement support	(10)
Specialist Housing Services - Temporary Accommodation	Office expenses - furniture & stationery	(5)
Customer Experience - Older Persons	SMART (incorporating telecare) procurement efficiencies	(30)
Maintenance and Compliance - Housing Renewal	Adaptations repairs budget for private sector users volume efficiencies	(15)
Total Housing and Community Services		**(275)**

Efficiencies and improved use of resources **APPENDIX B**

Department	Description of Savings	2013/14 £'000
Chief Executive		
Director and Business Support	On-going review of service to deliver efficiencies including departmental restructure, modernisation programme and shared services across function.	(40)
Planning & Transport - Transport Planning	Savings are to be achieved through a restructuring of the Planning Division. While details have not been finalised and are still subject to consultation with staff and trade unions, they are expected to involve the deletion of a further three management posts together with a rationalisation in the way in which admin and support services are organised.	(70)
Human Resources	Reduction in transactional staff through extension of self-service/efficient process. Reduction in direct staffing support. These reductions exemplify the second and third stages of the HR shared services review which was first implemented in April 2009 as a result of the move to Tooley Street. The shared services review will lead to the consolidation of HR services from across the Council and improved processes, including the use of IT, to improve efficiency.	(210)
Corporate Strategy	Review of structure, staffing levels and support costs across the division. This would include significantly reducing the training budget, reviewing subscriptions to external policy services and minimising all stationery, software and printing requirements.	(60)
Communications	Savings arising from the continued shared service.	(50)
Total Chief Executive		**(430)**

Department	Description of Savings	2013/14 £'000
Finance and Corporate Services		
Information & Data Services Division	The new IT Managed service contract is due to commence on 1st February 2013 and the anticipated savings will therefore be reduced within the current year. This will be off set by an increase in savings arising from bringing forward infrastructure changes and rationalisation.	(1,590)
Financial Governance	Grant Thornton appointed as external auditor from 1 September 2012 for at least 5 years. Audit fees expected to be £314k p.a. (compared with £523k p.a. in 2011/12) and £48k p.a. for grant fees (compared with £100k p.a. in 2011/12). However, work arising from objections to the accounts will result in additional costs - difficult to predict with accuracy (in 2011/12 they totalled £39k). A review of governance structures may result in further savings, but these are not yet known or certain.	(110)
Corp. Facilities Management	Cost of new Tooley Street FM contract is set to be approx £300k less than current arrangement and there are some variable elements of the contract that could deliver additional savings. There is also the full year effect of staffing savings. 75% of FM budgets are fixed and non negotiable e.g. Tooley Street rent and NNDR, core operational building and other ring fenced budgets. There remain some limited options to achieve savings from the repairs and planned preventative maintenance budget but there are significant compliance and H&S risks attached.	(780)
Deputy Finance Director	Savings of £377k represents the loss of around 10 posts (depending on grade). Further action on a restructured and reduced finance function, taking account of corporate structures, with a commensurate reduction in support to service departments is needed. A review of non-staffing budgets across the service will also be performed.	(377)

Efficiencies and improved use of resources

APPENDIX B

Department	Description of Savings	2013/14 £'000
Deputy Finance Director - Audit & Anti Fraud	Original savings estimates were based on the DWP's proposal for the single fraud investigation service, which is not happening at this time. Savings of £170k have been identified from the Fraud Contract (£10k), Internal Audit contract and performance incentive programme (£35k) and additional income of £125k from Proceeds of Crime work and Admin Penalties	(200)
AFD Financial Services	Reduce the number of posts and reduce running costs in the Finance Transactional Shared Service (FTSS) due to more efficient ways of working. Delete half a post in FTSS (£17k).	(40)
Revenues and Benefits	Savings achieved through staffing reductions (less CT/NNDR inspectors). Risk for future years due to the implementation of the Council Tax scheme in April 2013 and the impact of customer contact/workload.	(395)
Management and CIPFA trainees	Reduction from 9 to 3 professional accounting trainee posts, achieved in part through consolidation of trainee activities within existing establishment where appropriate.	(75)
Legal Services	Legal services implemented a new structure in May 2012 delivering a saving of £620k. Savings targets to end 2014 have been achieved.	(200)
Finance and Corporate Services		**(3,767)**
Corporate	Review of departmental and corporate management structures by Deputy Chief Executive	(500)
Corporate	Savings arising from the acquisition of Tooley Street - to be reviewed annually	(1,500)
Total Corporate		**(2,000)**
Total efficiencies and improved use of resources		**(18,687)**

Income Generation **APPENDIX C**

Department	Description of Savings	2013/14 £'000
Environment and Leisure		
Public Realm	Increase Cemetery and Crematorium fees and charges to Inner London Average.	(80)
Public Realm	Increased income from sports bookings in parks	(20)
Total Environment and Leisure		**(100)**
Chief Executive		
Property Services - Managed Commercial Property Holding Account and Industrial Properties	Increased income due to rent reviews and lease renewals	(50)
Total Chief Executive		**(50)**
Total Income Generation		**(150)**

Department	Description of Savings	2013/14 £'000
Children's Services		
Education	A 12% reduction in the EIG funded Children's Centres budgets and commissioning.	(400)
Education	Second phase in restructuring the EIG funded Connexions Service to reflect LA's revised responsibilities.	(800)
Education	Reduction to the EIG funded Early Years advisers team; and PVI workforce training budget; a core service will still operate in a more targeted way focussed on accredited qualifications.	(500)
Strategy and Commissioning	Reviewing the effectiveness of SLAM "additional" contracts funded from EIG.	(100)
Education	Final stages of planned Youth Transformation programme; ongoing improvement in commissioning of services. (EIG)	(250)
Eduation	EIG funded Bookstart programme reduction; service to continue with reduced activity; targeted for most vulnerable children.	(220)
Children's Social Care	Increased use of personalised budgets to provide short breaks for families with children with disabilities; currently funded from EIG.	(200)
Children's Social Care	Continuing transformation of Children's Social Care Teams. (Part EIG)	(350)

Savings impacting on service delivery **REVISED APPENDIX D**

Department	Description of Savings	2013/14 £'000
Strategy and Commissioning	Parenting courses funded by EIG, to be funded directly by Children's Centres and schools.	(50)
Strategy and Commissioning	Reduction in Children's Services EIG contribution to the corporate advocacy service.	(30)
Education	Reconfiguration of the early years centres operating model	(500)
Education	Final stages of reducing back office functions with the transfer of the After Schools Service to Schools and review of play services.	(100)
Children's Social Care	Reduction in Agency Spend in Social Services.	(300)
Children's Social Care	Reducing the use of Independent Foster Agencies through increasing the number of foster carers within the borough.	(250)
Total Children's Services		**(4,050)**
Adult Social Care		
Learning Disabilities	Redesigning services for people with learning disabilities to support the delivery of personal budgets	(1,700)
Total Adult Social Care		**(1,700)**

Department	Description of Savings	2013/14 £'000
Housing and Community Services		
Community Engagement	Reduction in advice services commissioning on re-procurement of contract **(This saving was removed by Cabinet on 12 February 2013)**	(55)
Customer Experience - Housing Assessment & Support	Legal budget for section 204 & judicial reviews - demand-driven SLA	(15)
Customer Experience - Homelessness	External providers - cessation of GLA-funded project on homelessness prevention	(100)
Customer Experience - Homelessness	Review and rationalisation of the Private Tenancy Team - add to homeless referrals	(70)
Specialist Housing Services - Temporary Accommodation	Reduction in bed & breakfast costs by use of other temporary accommodation provision	(30)
Total Housing and Community Services		**(270)**
Chief Executive		
Economic Development & Strategic Partnership	Savings resulting from re-organisation of staffing	(40)
Total Chief Executive		**(40)**
Total savings impacting on service delivery		**(6,060)**

Reversal of one-off items from 2012/13 **APPENDIX E**

Department	Description of Commitments	2013/14 £'000
Environment and Leisure		
CLLL - Culture	Reversal of one off budgets provided in 2012/13 for Kingswood House feasibility study which is now complete. Total project cost £50k with £5k contribution from Property Section	(45)
CLLL - Culture	Reversal of one off budgets provided in 2012/13 for additional unavoidable costs to E&L services during the 5 weeks of the Olympics (£30k required for 2011/12).	(444)
CLLL - Leisure	Reversal of 2012/13 saving (rental of Mellish Fields) due to revised agreement with Bacon's College.	20
Total Environment and Leisure		**(469)**
Corporate Budgets		
Corporate	Adjustment for community restoration fund which completed in 2012/13	(1,000)
Corporate	Final adjustment of £1.5m voluntary sector transition fund set up originally for 2 years in 2011/12. (note: of the £1.5m total, £900k has been committed to date, leaving £600k which will be available for distribution in 2013/14)	(500)
Total Corporate		**(1,500)**
Total one-off reversals		**(1,969)**

APPENDIX 2

COUNCIL TAX COMPARISONS – 2007/08 TO 2012/13

Local authority	Band D Council Tax for the authority £	Increase in Council Tax for the Authority %	Band D Council Tax For the authority including GLA precept £	Increase in Council Tax for the Authority including GLA precept %
2012/13				
England	N/A	N/A	1,444.13	0.3
Greater London	997.99	(0.1)	1,304.36	(0.3)
Southwark	**912.14**	**0.0**	**1,218.86**	**(0.3)**
2011/12				
England	N/A	N/A	1,439.33	0.0
Greater London	999.06	0.0	1,308.43	0.0
Southwark	**912.14**	**0.0**	**1,221.96**	**0.0**
2010/11				
England	N/A	N/A	1,439.22	1.8
Greater London	999.23	0.0	1,308.62	0.0
Southwark	**912.14**	**0.0**	**1,221.96**	**0.0**
2009/10				
England	N/A	N/A	1,413.84	3.0
Greater London	998.86	1.7	1,308.23	1.3
Southwark	**912.14**	**0.0**	**1,221.96**	**0.0**
2008/09				
England	N/A	N/A	1,373.08	3.9
Greater London	982.29	2.9	1,291.66	2.7
Southwark	**912.14**	**4.0**	**1,221.96**	**3.5**
2007/08				
England	N/A	N/A	1,321.32	4.2
Greater London	954.76	3.1	1,258.19	3.6
Southwark	**877.06**	**3.9**	**1,180.94**	**4.3**

APPENDIX 3

DETAILED SERVICE BUDGET OBJECTIVE AND SUBJECTIVE ANALYSIS

Total Service Budgets

Department	2012/13 Budget £'000	Inflation £,000	Commitments £'000	Savings £'000	2013/14 Total Budget £'000
Children's Services	105,490	999	3,455	(7,644)	102,300
Adult Services	118,145	643	1,000	(7,746)	112,042
Chief Executive	18,766	208	0	(520)	18,454
Environment and Leisure	70,053	1,264	712	(2,679)	69,350
Finance and Corporate Services	46,012	522	1,651	(3,767)	44,418
Housing and Community Services	40,366	120	1,659	(493)	41,652
Total net service expenditure	**398,832**	**3,756**	**8,477**	**(22,849)**	**388,216**

Subjective analysis	2012/13 Budget £'000	Inflation £,000	Commitments £'000	Savings £'000	2013/14 Total Budget £'000
Employees	174,140	1,570	75	(5,482)	170,303
Premises	19,132	434	221	(427)	19,360
Transport	11,429	18	0	(282)	11,165
Supplies and services	74,096	506	887	(2,853)	72,636
Third party payments	348,100	1,088	5,165	(11,208)	343,145
Transfer payments	242,800	140	2,094	(670)	244,364
Support services	48,394	0	0	(835)	47,559
Capital charges	18,204	0	0	0	18,204
Total Expenditure	**936,295**	**3,756**	**8,442**	**(21,757)**	**926,736**
Government grants	(426,577)	0	0	0	(426,577)
Other grants	(10,092)	0	0	11	(10,081)
Fees and charges	(48,805)	0	35	(825)	(49,595)
Miscellaneous income	(2,763)	0	0	0	(2,763)
Total Income	**(488,237)**	**0**	**35**	**(814)**	**(489,016)**
Net Expenditure before recharges	**448,058**	**3,756**	**8,477**	**(22,571)**	**437,720**
Recharges to the general fund	(31,070)	0	0	(278)	(31,348)
Recharge to the HRA	(18,156)	0	0	0	(18,156)
Total net expenditure	**398,832**	**3,756**	**8,477**	**(22,849)**	**388,216**

Children's Services

Division / Service	2012/13 Budget £'000	Inflation £,000	Commitments £'000	Savings £'000	2013/14 Total Budget £'000
Education Services	26,171	142	0	(4,626)	21,687
Commissing & Bus Improvement	14,498	49	1,980	(1,128)	15,399
Specialist Services	50,501	808	1,475	(1,750)	51,034
Central Costs	13,324	0	0	0	13,324
To be Locked - Social Care	0	0	0	0	0
Core Funding	**104,494**	**999**	**3,455**	**(7,504)**	**101,444**
Educaion Services	22,427	0	0	(140)	22,287
Commissioning & Bus Improvement	88	0	0	0	88
Specialist Services	891	0	0	0	891
Central Budgets	2,237	0	0	0	2,237
Schools and External Funding -	(24,647)	0	0	0	-(24,647)
DSG Funding	**996**	**0**	**0**	**(140)**	**856**
Total net expenditure	**105,490**	**999**	**3,455**	**(7,644)**	**102,300**

Subjective analysis	2012/13 Budget £'000	Inflation £,000	Commitments £'000	Savings £'000	2013/14 Total Budget £'000
Employees	50,375	386	0	(3,322)	47,439
Premises	1,082	17	0	(10)	1,089
Transport	3,906	1	0	(9)	3,898
Supplies and services	13,138	0	0	(587)	12,551
Third party payments	224,389	579	3,430	(3,546)	224,852
Transfer payments	1,694	16	25	(170)	1,565
Support services	11,859	0	0	0	11,859
Capital charges	4,673	0	0	0	4,673
Total Expenditure	**311,116**	**999**	**3,455**	**(7,644)**	**307,926**
Government grants	(199,524)	0	0	0	(199,524)
Other grants	(3,135)	0	0	0	(3,135)
Fees and charges	(1,527)	0	0	0	(1,527)
Miscellaneous income	(1,371)	0	0	0	(1,371)
Total Income	**(205,557)**	**0**	**0**	**0**	**(205,557)**
Net Expenditure before recharges	**105,559**	**999**	**3,455**	**(7,644)**	**102,369**
Recharges to the general fund	(69)	0	0	0	(69)
Total net expenditure	**105,490**	**999**	**3,455**	**(7,644)**	**102,300**

Adult Services

Division / Service	Inflation £,000	Commitments £'000	Savings £'000	2013/14 Total Budget £'000	2012/13 Budget £'000
Older People & Phys Disabilities commissioning	17,421	42	0	(1,816)	15,647
Physical Disabilities & Occupational Therapy	12,016	82	0	(535)	11,563
Learning Disabilities	37,904	80	1,000	(2,731)	36,253
Provider Services Non-Pool	1,691	16	0	(300)	1,407
National Assistance Act (NRPF)	1,757	1	0	0	1,758
Older People Service	25,054	292	0	(1,314)	24,032
Mental Health	10,703	106	0	(1,000)	9,809
Community Care Management	7,805	17	0	0	7,822
Departmental IT	146	0	0	0	146
Corporate Health	84	1	0	0	85
Director Support	337	1	0	0	338
Business & Performance Management	3,227	5	0	(50)	3,182
Total net expenditure	**118,145**	**643**	**1,000**	**-7,746)**	**112,042**

Subjective analysis	Inflation £,000	Commitments £'000	Savings £'000	2013/14 Total Budget £'000	2012/13 Budget £'000
Employees	19,774	184	0	(338)	19,620
Premises	694	8	0	(79)	623
Transport	470	0	0	(173)	297
Supplies and services	2,887	0	0	(10)	2,877
Third party payments	90,872	327	1,000	(5,963)	86,236
Transfer payments	9,824	124	0	(500)	9,448
Support services	8,330	0	0	(633)	7,697
Capital charges	368	0	0	0	368
Total Expenditure	**133,219**	**643**	**1,000**	**(7,696)**	**127,166**
Government grants	0	0	0	0	0
Other grants	(5,373)	0	0	0	(5,373)
Fees and charges	(9,139)	0	0	(50)	(9,189)
Miscellaneous income	0	0	0	0	0
Total Income	**(14,512)**	**0**	**0**	**(50)**	**(14,562)**
Net Expenditure before recharges	**118,707**	**643**	**1,000**	**(7,746)**	**112,604**
Recharges to the general fund	(562)	0	0	0	(562)
Recharge to the HRA		0	0	0	0
Total net expenditure	**118,145**	**643**	**1,000**	**(7,746)**	**112,042**

Chief Executive

Division / Service	2012/13 Budget £'000	Inflation £'000	Commitments £'000	Savings £'000	2013/14 Total Budget £'000
Human Resources	5,830	57	0	(210)	5,677
Corporate Strategy	5,608	47	0	(190)	5,465
Regeneration	4,674	56	0	(50)	4,680
Planning & Transport	2,654	48	0	(70)	2,632
Total net expenditure	**18,766**	**208**	**0**	**(520)**	**18,454**

Subjective analysis	2012/13 Budget £'000	Inflation £'000	Commitments £'000	Savings £'000	2013/14 Total Budget £'000
Employees	20,994	197	0	(400)	20,791
Property Costs	1,276	11	0	0	1,287
Transport Expenses	154	0	0	0	154
Supplies and Services	5,261	0	0	(70)	5,191
Third Party Payments	261	0	0	0	261
Transfer Payments	0	0	0	0	0
Support Services	3,067	0	0	0	3,067
Capital charges	448	0	0	0	448
Total Expenditure	**31,461**	**208**	**0**	**(470)**	**31,199**
Government Grants	0	0	0	0	0
Other Grants & Contributions	(396)	0	0	0	(396)
Fees and Charges	(6,364)	0	0	(50)	(6,414)
Miscellaneous Income	(227)	0	0	0	(227)
Total Income	**(6,987)**	**0**	**0**	**(50)**	**(7,037)**
Net expenditure before recharges	**24,474**	**208**	**0**	**(520)**	**24,162**
Other Recharge Income	(5,356)	0	0	0	(5,356)
Recharge to HRA	(352)	0	0	0	(352)
Total net expenditure	**18,766**	**208**	**0**	**(520)**	**18,454**

Environment and Leisure

Division / Service	**2012/13 Budget £'000**	**Inflation £'000**	**Commitments £'000**	**Savings £'000**	**2013/14 Total Budget £'000**
Public Realm Division	17,958	288	181	(1,420)	17,007
Community Safety Division	10,618	91	399	(360)	10,748
Business Support Services	278	6	0	0	284
Sustainable Services	27,690	687	135	(150)	28,362
Culture, Learning, Libraries and Leisure	13,509	192	-(3)	(749)	12,949
Total net expenditure	**70,053**	**1,264**	**712**	**(2,679)**	**69,350**

Subjective analysis	**2012/13 Budget £'000**	**Inflation £'000**	**Commitments £'000**	**Savings £'000**	**2013/14 Total Budget £'000**
Employees	43,438	417	-(191)	(145)	43,519
Premises	5,724	200	221	(20)	6,125
Transport	6,613	17	0	(100)	6,530
Supplies and services	31,869	448	-(88)	(222)	32,007
Third party payments	14,591	182	735	(1,592)	13,916
Transfer payments	0	0	0	0	0
Support services	12,777	0	0	0	12,777
Capital charges	7,569	0	0	0	7,569
Total Expenditure	**122,581**	**1,264**	**677**	**(2,079)**	**122,443**
Government grants	(4,560)	0	0	0	(4,560)
Other grants	0	0	0	0	0
Fees and charges	(19,709)	0	35	(600)	(20,274)
Miscellaneous income	(1,042)	0	0	0	(1,042)
Total Income	**(25,311)**	**0**	**35**	**(600)**	**(25,876)**
Net Expenditure before recharges	**97,270**	**1,264**	**712**	**(2,679)**	**96,567**
Recharges to the general fund	(10,191)	0	0	0	(10,191)
Recharge to the HRA	(17,026)	0	0	0	(17,026)
Total net expenditure	**70,053**	**1,264**	**712**	**(2,679)**	**69,350**

Finance and Corporate Services

Division / Service	2012/13 Budget £'000	Inflation £'000	Commitments £'000	Savings £'000	2013/14 Total Budget £'000
Director's office	104	5	1,651	(75)	1,685
Financial Governance	966	2	0	(110)	858
Financial and management accounting	28	0	0	0	28
Deputy Finance Director	7,721	64	0	(577)	7,208
Financial services	2,114	34	0	(40)	2,108
Information services	12,987	75	0	(1,590)	11,472
Corporate facilities management	7,382	208	0	(780)	6,810
Revenues and benefits	12,744	81	0	(395)	12,430
Legal services	1,966	53	0	(200)	1,819
Total net expenditure	**46,012**	**522**	**1,651**	**(3,767)**	**44,418**

Subjective analysis	2012/13 Budget £'000	Inflation £'000	Commitments £'000	Savings £'000	2013/14 Total Budget £'000
Employees	28,939	279	0	(1,115)	28,103
Premises	8,993	185	0	(299)	8,879
Transport	127	0	0	0	127
Supplies and services	11,399	58	0	(1,759)	9,698
Third party payments	6,005	0	0	0	6,005
Transfer payments	219,836	0	1,651	0	221,487
Support services	9,972	0	0	(202)	9,770
Capital charges	5,047	0	0	0	5,047
Total Expenditure	**290,318**	**522**	**1,651**	**(3,375)**	**289,116**
Government grants	(222,314)	0	0	0	(222,314)
Other grants	(11)	0	0	11	0
Fees and charges	(8,386)	0	0	(125)	(8,511)
Miscellaneous income	(111)	0	0	0	(111)
Total Income	**-230,822)**	**0**	**0**	**(114)**	**(230,936)**
Net Expenditure before recharges	**59,496**	**522**	**1,651**	**(3,489)**	**58,180**
Recharges to the general fund	(13,484)	0	0	(278)	(13,762)
Recharge to the HRA	0	0	0	0	0
Total net expenditure	**46,012**	**522**	**1,651**	**(3,767)**	**44,418**

Housing and Community Services

Division / Service	2012/13 Budget £'000	Inflation £'000	Commitments £'000	Savings £'000	2013/14 Total Budget £'000
Strategic Services (HGF)	2,271	0	0	0	2,271
Community Engagement (HGF)	6,420	12	0	(166)	6,266
Maintenance & Compliance (HGF)	248	5	0	(14)	239
Specialist Housing Services (HGF)	2,178	34	1,103	(60)	3,255
Corporate Strategy (HGF)	695	2	0		697
Customer Experience (HGF)	28,431	63	556	(253)	28,797
Operations (HGF)	123	4	0		127
Total net expenditure	**40.366**	**120**	**1,659**	**(493)**	**41,652**

Subjective analysis	2012/13 Budget £'000	Inflation £'000	Commitments £'000	Savings £'000	2013/14 Total Budget £'000
Employees	10,620	107	266	(162)	10,831
Premises	1,363	13	0	(19)	1,357
Transport	159	0	0	0	159
Supplies and services	9,542	0	975	(205)	10,312
Third party payments	11,982	0	0	(107	11,765
Transfer payments	11,446	0	418	0	11,864
Support services	2,389	0	0	0	2,389
Capital charges	99	0	0	0	99
Total Expenditure	**47,600**	**120**	**1,659**	**(493)**	**48,886**
Government Grants	(179)	0	0	0	(179)
Other Grants & Contributions	(1,177)	0	0	0	(1,177)
Fees and Charges	(3,680)	0	0	0	(3,680)
Miscellaneous income	(12)	0	0	0	(12)
Total income	**(5,048)**	**0**	**0**	**0**	**(5,048)**
Net Expenditure before recharges	**42,552**	**120**	**1,659**	**(493)**	**43,838**
Recharges to the General Fund	(1,408)	0	0	0	(1,408)
Recharges to the HRA	(778)	0	0	0	(778)
Total net expenditure	**40,366**	**120**	**1,659**	**(493)**	**41,652**

Agenda Item 3.1

Item No: 3.1.	Classification: Open	Date: 27 February 2013	Meeting Name: Council Assembly
Report title:		Setting the Council Tax 2013/14	
Wards or groups affected:		All	
From:		Strategic Director of Finance and Corporate Services	

RECOMMENDATIONS

1. That council assembly note the Greater London Authority precept of £303.00 at Band D.

2. That the council tax for band D properties in Southwark be set at £1,215.14.

3. That no discount be applied to properties in the former parish of St Mary Newington.

4. That no discount be applied to properties in the former parish of St Saviours.

5. That the council tax for band D properties in Southwark be set for:

	Band D council tax £	Discount £	Net band D for the area £
the former parish of St Mary Newington	1,215.14	0	1,215.14
the former parish of St. Saviours	1,215.14	0	1,215.14
the remainder of the Borough	1,215.14	0	1,215.14

6. That the formal resolution for council taxes in 2013/14 (shown in Appendix A) be approved.

7. That the existing local 100% disregard scheme war disability and war widows/widowers pensions when calculating housing benefit should be continued in 2013/14.

BACKGROUND INFORMATION

8. Under the Local Government Finance Act 1992, the council is required to determine the level of council taxes in the borough for 2013/14. This must be completed before 11 March 2013.

9. The 2011 Localism Act has made changes to the way that the budget is presented, so that instead of calculating a budget requirement, a council tax requirement is now required to be reported.

10. At the time of writing, the Greater London Authority intends to agree its precept on 25 February 2013. The estimated amount required from Southwark is £24.671 million - a demand on the band D council tax of £303.00. This is a 1.2%

reduction on the 2012/13 precept. Any changes to this will reported at this meeting.

KEY ISSUES FOR CONSIDERATION

The council tax for Southwark services

11. The revenue budget for Southwark is £334.0m as shown in the Policy and Resources Strategy 2013/14-2015/16 report elsewhere on the agenda.

12. The total budget requirement is calculated after the contribution of £6.2m from reserves.

13. Southwark's council tax requirement for 2013/14 is then calculated as follows:

	£
Total Budget requirement	327,771,760
Less retained business rates	(57,175,620)
Less business rates top-up	(43,278,478)
Less revenue support grant	(152,150,265)
Less estimated 2012/13 collection fund deficit	(900,000)
Council tax requirement	**74,267,397**

14. The council tax requirement of £74,267,397 when divided by the 2013/14 taxbase for Southwark of 81,421.05, agreed by council assembly on 23 January 2013, gives a band D council tax requirement for Southwark services only of £912.14 for 2013/14. This is a nil increase to the 2012/13 council tax.

15. The council's total requirement, however has to include the amount required by the preceptor. The council has no control over the level of this precept.

Preceptor's requirements

16. The Greater London Authority consolidated budget is to be presented to the London Assembly on 25 February 2013. The estimated amount required from Southwark is £24.671million – a demand on the band D council tax of £303.00. This is a 1.2% reduction on the 2012/13 precept. If this changes at the meeting on 25 February, an addendum report will be tabled to this council assembly meeting.

17. The Mayor of London has committed to raise up to £625m from London Council taxpayers as a contribution to the 2012 Olympic Games and Paralympic Games; the total precept contains £20 towards this contribution. The present forecast is that based on a continuing marginal increase in the council tax base, £625m would be raised by a Band D amount of £20 for 10 years to 2015/16, and approximately £8 in year 11 in 2016/17.

Council tax for Southwark in 2013/14

18. The council tax for a band D property is therefore:

Authority	Band D Tax 2012/13 £	Band D Tax 2013/14 £	Change %
Southwark	912.14	912.14	0.00%
Greater London Authority	306.72	303.00	(1.21%)
TOTAL BAND D TAX	**1,218.86**	**1,215.14**	**(0.31%)**

Full details of council taxes levels for all property bands are shown in Appendix A.

Differential council taxes

19. Under the council tax legislation, surpluses on special funds can be used to reduce the level of council taxes. This occurs in two areas of the borough.

<u>The Former Parish of St. Mary Newington – Walworth Common Estate (subject to approval)</u>

20. Due to the continuing low interest rates, there will be no balance available on this account at 31 March 2013 to reduce the level of council tax for this area. Therefore for 2013/14 council tax will be the standard £1,215.14 for a band D property in this area.

<u>The Former Parish of St. Saviours – Borough Market</u>

21. There has been no surplus declared by Borough Market, consequently there will be no balance available on this account at 31 March 2013 to reduce the level of council tax for this area. Therefore for 2013/14 council tax will be the standard £1,215.14 for a band D property in this area.

Housing benefit – Local scheme

22. For the purpose of calculating housing benefits, local authorities are allowed discretion in disregarding war disability pension and war widows' pensions above the fixed disregard required by law (currently £10.00).

23. The council's local schemes, like most schemes in London, currently disregards the whole of these pensions for the calculation of benefits. Benefit expenditure under the local schemes does not qualify for subsidy. There are currently some 24 people receiving the disregard at an estimated cost of £32,944. Housing benefit expenditure under the local scheme for 2013/14 attracts subsidy at 75% capped at 0.2% of the total benefit cost to the authority.

24. The council is required to disregard the first £10.00 of war disability pension and war widows' pensions, but can disregard the total pension. The level of pensions for 2013/14 will be £128.52 for standard war widows'/widowers' pensions and £170.08 for war disablement pensions. It is considered that the withdrawal of the local scheme focused on this small number of people would cause undue hardship, and it is therefore recommended that the full disregard of these pensions should continue in 2013/14. An amount of £8,236 to enable this has been allowed for in the 2013/14 budgets.

25. Universal Credit is an integrated working-age credit that will provide a basic allowance with additional elements for children, disability, housing and caring. It will support people both in and out of work, replacing Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker's Allowance and income-related Employment and Support Allowance

26. As Housing Benefit will be replaced by Universal Credit, 2013/14 may be the last year in which this discretion around housing benefit may be exercised by the council. However, the war disability and war widows'/widowers' pensions are to be exempt from the cap on the maximum award of Universal Credit.

Community impact statement

27. The community impact implications of both the budget requirement and the increase in council tax levels are addressed in the Policy and Resources Strategy 2013/14-2015/16 – revenue budget elsewhere on this agenda.

28. It is considered that the withdrawal of the local scheme for disregarding war disability pension and war widows' pensions above the fixed disregard required by law would cause undue hardship for the small number of people affected.

Consultation

29. The council consults with relevant stakeholders with regard to the wider Policy and Resources Strategy process. The council has complied with the requirements of Section 65 of the Local Government Finance Act 1992 by consulting with business rate payers on spending plans for the forthcoming year.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

30. Council assembly is being asked to agree the formal resolution setting the council tax for 2012/13, and approve the local scheme for housing benefit and council tax benefit in 2012/13 that must be approved annually. Local Government Finance Act 1992 s.30 (the LGFA 1992) requires that the Council Assembly sets an amount of council tax for each financial year and for each category of dwellings in its area. The amount is calculated by taking the aggregate of the calculations made by the authority under Sections 31A, 31B and 34 to 36 of the LGFA 1992 together with the precept issued to the authority by the Greater London Authority. Preceptors must issue their precepts before March 1 preceding the financial year to which they relate.

31. Once the authority has set the amount of council tax relating to the different geographical areas of the borough (under Section 30 LGFA 1992), the amounts for each valuation band are then calculated according to the ratios set out in Section 5 of the LGFA 1992. That council tax requirement (required by Sections 31A, 31B and 34 to 36 of the LGFA 1992) is also to be agreed by Council Assembly.

32. Section 25 of the Local Government Act 2003 requires the chief finance officer (Finance Director) to report to the authority when it is making the calculations required by sections 31A, 31B and 34 to 36 of the LGFA 1992 on (a) the robustness of the estimates made for the purposes of the calculations, and (b) the adequacy of the proposed financial reserves. That information is set out in

the Policy and Resources Strategy – 2012/13 Revenue Budget included elsewhere on this agenda.. The authority is required to have regard to the chief finance officer's report when making the calculations.

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

33. Section 106 of the Local Government Finance Act applies at any time to a member of an authority, if at that time the member is due to pay council tax payments which have remained unpaid for at least two months.

34. The payments to which the section applies are any type of either sole or joint and several liability for council tax, and any failure to pay any agreed sum of council tax. Therefore members are advised that this section is likely to apply to them if they are currently two months in arrears of any amounts of council tax, even if they have made any special contractual arrangement with the council to pay off the arrears.

35. If this section applies to any member, he/she at the relevant meeting and as soon as practicable after its commencement, must disclose the fact that the section applies and not vote on any question with respect to this matter.

36. The relevant meetings are those at which any of the following are the subject of consideration, namely:

(a) "any calculation required by chapter 111, 1V, V of part 1 of the 1992 Act".

The only calculations likely to be made by this authority are those under chapter 111 of part 1 of the act, (chapter 1V relates to precepting and chapter V limitations on council tax (i.e. capping)
The chapter 111 calculations include the calculation of the budget requirement, basic amount of tax, the additional requirements because of the special trust funds, the calculation of the tax for the different valuation bands and the basic amount of council tax to be set under Section 30.

(b) "Any recommendation, resolution or other decision which might affect the making of any such calculation"

This is an extremely wide wording and would extend well beyond merely setting the budget. It applies to virtually any matter where the financial implications directly or indirectly might affect the calculations concerning the council tax. It would therefore apply to decisions concerning the level or extent of services as well as the expenditure, receipt or forgoing of any money.

(c) "the exercise of any function under Schedules 2-4 of the 1988 and 1992 Act"

The functions under either the 1988 or 1992 Acts concern the administration and the enforcement of community charge and council tax respectively.

37. Section 106 of the Local Government Finance Act 1992 makes it a criminal offence for a member to vote when prohibited from doing so or to fail to make the necessary disclosure. There is a statutory defence, with the onus of proof on the member, to prove that he did not know that the section applied to him or her at

the time of the meeting or that the matter in question was the subject of consideration at the meeting. Prosecutions shall not be instituted except by or on behalf of the Director of Public Prosecutions.

Housing & Council Tax Benefits - Local Schemes

38. Council assembly is also being asked to agree the continuation of the disregard of war disablement pensions and war widows' pensions for benefit purposes.

39. By virtue of Section 139 of the Social Security Administration Act 1992 (as amended by the council tax legislation (the Local Government Finance Act 1992) the authority may modify any part of the housing tax benefit scheme administered by the authority (although the original scheme is determined by the Secretary of State),

(i) So as to provide for disregarding, in determining a person's income the whole or part of any war disability pension or war widows' pension payable to that person or to his partner or to a person whom he is polygamous married.

(ii) Any such modifications may be adopted by resolution of the authority, and the authority may also by resolution revoke or vary such resolution to such an extent as it may be prescribed.

40. The council is required to make this decision annually.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Council Tax Base 2013/14. This document is available on this web page: http://moderngov.southwark.gov.uk/documents/b50004438/Supplemental%20Agenda%20No.1%20-%20Council%20Tax%20Base%20201314%20Wednesday%2023-Jan-2013%2019.00%20Council%20Assembly.pdf?T=9	160 Tooley Street London SE1P 5LX	Norman Lockie 020 7525 0928
Policy and Resources Strategy 2013/14-2015/16 – revenue budget	160 Tooley Street London, SE1P 5LX	John Braggins 020 7525 7489

APPENDICES

No.	Title
Appendix A	2013/14 Formal Resolution
Appendix B	2013/14 Council Tax - Changes From 2012/13

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Corporate Services		
Report Author	Jennifer Seeley, Deputy Finance Director		
Version	Final		
Dated	14 February 2013		
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	No
Date final report sent to Constitutional Team			14 February 2013

APPENDIX A

2013/14 FORMAL RESOLUTION

1 That it be noted that at its meeting on 23 January 2013 the council calculated the following amounts for the year (2013/2014) in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992.

(a) 81,421.05 being the amount calculated by the council in accordance with regulation 3 of the Local Authorities (Calculation of the Council Tax Base) Regulations 1992, as its council tax base for the year.

(b) Part of the council's area

Former Parish of St. Mary Newington (special expense area)	12,487.57
Former Parish of St.Saviours (special expense area)	1,175.02

Being the amounts calculated by the council, in accordance with Regulation 6 of the Regulations, as the amount of its council tax base for the year for dwellings in that parts of the area to which one or more special items relate.

2 To calculate that the council tax requirement for the council's own purposes for 2013/14 is:

£74,267,397

3 That, the following amounts now be calculated by the council for the year (2013/2014) in accordance with Sections 31 to 36 of the Local Government Finance Act 1992.

(a) £990,256,593
being the aggregate of the amounts which the council estimates for the items set out in Section 31A(2) (a) to (f) of the Act;

(b) -£915,989,196
being the aggregate of the amounts, which the council estimates for the items set out in Section 31A(3) (a) to (d of the Act;

(c) £74,267,397
being the amount by which the aggregate of 2(a) above exceeds the aggregate at 2(b) above, calculated by the council in accordance with Section 31A (4) of the Act, as its council tax requirement for the year;

(d) £0 credit - Parish of St Mary Newington
£0 credit - Parish of St. Saviours

being the amount of net income which the council estimates for these special expense areas (item (g) below):

(e) £74,267,397
being the amount by which the budget requirement at 2(c) above is now replaced (after adding the items 2(d) above);

(f) £912.14
being the amount at 2(e) divided by the amount at 1(a) above. calculated by the council, in accordance with Section 33(1) of the Act as the basic amount of its council tax for the year;

(g) £0
being the aggregate amount of all special items referred to in Section 34(1) of the Act;

(h) £912.14
being the amount at 2(f) above less the result given by dividing the amount at 2(g) above by the amount at 1(a) above, calculated in accordance with Section 34(2) of the Act, as the basic amount of its council Tax for the year for the dwellings in those parts of its area to which no special item relates.

(i) <u>Part of the council's area</u>

St. Mary Newington	£912.14
St. Saviours	£912.14
(Special Expense Areas)	

being the amounts given by adding to the amount at 2(h) above the amounts of the special items or items relating to dwellings in those parts of the council's area mentioned above divided by the amounts at 1(b) above, calculated by the council in accordance with section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate.

(j) Parts of the council's area

Band	Parish of St. Mary Newington	Parish of St Saviours	All other parts of the council's area
	£	£	£
A	608.09	608.09	608.09
B	709.44	709.44	709.44
C	810.79	810.79	810.79
D	912.14	912.14	912.14
E	1,114.84	1,114.84	1,114.84
F	1,317.54	1,317.54	1,317.54
G	1,520.23	1,520.23	1,520.23
H	1,824.28	1,824.28	1,824.28

being the amounts given by multiplying the amounts at 2(h) and 2(i) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D, calculated by the council in accordance with section 36(1) of the Act as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

3 That it be noted for the year (2013/2014) the Greater London Authority stated the following amounts in precepts issued to the council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

BAND	GLA
	£
A	202.00
B	235.67
C	269.33
D	303.00
E	370.33
F	437.67
G	505.00
H	606.00

4 That having calculated the aggregate in each case of the amounts at 2(j) and 3 above, the council, in accordance with section 30(2) of the Local Government finance Act 1992, hereby sets the following as the amounts of council tax for the year (2013/2014) for each of the categories of dwellings shown below:

Band	Former Parish of St. Mary Newington	Former Parish of St Saviours	All other parts of the council's area
	£	£	£
A	810.09	810.09	810.09
B	945.11	945.11	945.11
C	1,080.12	1,080.12	1,080.12
D	1,215.14	1,215.14	1,215.14
E	1,485.17	1,485.17	1,485.17
F	1,755.21	1,755.21	1,755.21
G	2,025.23	2,025.23	2,025.23
H	2,430.28	2,430.28	2,430.28

2013/14 COUNCIL TAX - CHANGES FROM 2012/13 **APPENDIX B**

INCLUDING PRECEPTORS

				ONE ADULT HOUSEHOLD				TWO OR MORE ADULT HOUSEHOLD			
BAND	VALUATION £	DWELLINGS IN BAND NO.	DWELLINGS IN BAND %	COUNCIL TAX 2012/13 £	**COUNCIL TAX 2013/2014 £**	CHANGE £	CHANGE %	COUNCIL TAX 2012/2013 £	**COUNCIL TAX 2013/2014 £**	CHANGE £	CHANGE %
A	Under 40,000	11,671	9.0	609.43	**607.57**	-1.86	-0.3	812.57	**810.09**	-2.48	-0.3
B	40,001 to 52,000	37,742	29.2	711.00	**708.83**	-2.17	-0.3	948.00	**945.11**	-2.89	-0.3
C	52,001 to 68,000	33,610	26.0	812.57	**810.09**	-2.48	-0.3	1,083.43	**1,080.12**	-3.31	-0.3
D	68,001 to 88,000	21,418	16.6	914.15	**911.36**	-2.79	-0.3	1,218.86	**1,215.14**	-3.72	-0.3
E	88,001 to 120,000	14,325	11.1	1,117.32	**1,113.88**	-3.44	-0.3	1,489.76	**1,485.17**	-4.59	-0.3
F	120,001 to 160,000	5,884	4.6	1,320.44	**1,316.41**	-4.03	-0.3	1,760.58	**1,755.21**	-5.37	-0.3
G	160,001 to 320,000	4,071	3.1	1,523.57	**1,518.92**	-4.65	-0.3	2,031.43	**2,025.23**	-6.20	-0.3
H	Over 320,000	592	0.5	1,828.29	**1,822.71**	-5.58	-0.3	2,437.72	**2,430.28**	-7.44	-0.3
TOTAL		129,313	100.0								

2013/14 COUNCIL TAX - CHANGES FROM 2012/13

EXCLUDING PRECEPTORS

				ONE ADULT HOUSEHOLD				TWO OR MORE ADULT HOUSEHOLD			
BAND	VALUATION £	DWELLINGS IN BAND NO.	DWELLINGS IN BAND %	COUNCIL TAX 2012/13 £	**COUNCIL TAX 2013/2014 £**	CHANGE £	CHANGE %	COUNCIL TAX 2012/2013 £	**COUNCIL TAX 2013/2014 £**	CHANGE £	CHANGE %
A	Under 40,000	11,671	9.0	456.07	**456.07**	0.00	0.0	608.09	**608.09**	0.00	0.0
B	40,001 to 52,000	37,742	29.2	532.08	**532.08**	0.00	0.0	709.44	**709.44**	0.00	0.0
C	52,001 to 68,000	33,610	26.0	608.09	**608.09**	0.00	0.0	810.79	**810.79**	0.00	0.0
D	68,001 to 88,000	21,418	16.6	684.11	**684.11**	0.00	0.0	912.14	**912.14**	0.00	0.0
E	88,001 to 120,000	14,325	11.1	836.13	**836.13**	0.00	0.0	1,114.84	**1,114.84**	0.00	0.0
F	120,001 to 160,000	5,884	4.6	988.16	**988.16**	0.00	0.0	1,317.54	**1,317.54**	0.00	0.0
G	160,001 to 320,000	4,071	3.1	1,140.17	**1,140.17**	0.00	0.0	1,520.23	**1,520.23**	0.00	0.0
H	Over 320,000	592	0.5	1,368.21	**1,368.21**	0.00	0.0	1,824.28	**1,824.28**	0.00	0.0
TOTAL		129,313	100.0								

Item No: 3.2	Classification: Open	Date: 27 February 2013	Meeting Name: Council Assembly
Report title:		Treasury Management Strategy 2013/14 Including Annual Investment Strategy, Prudential Indicators, and Annual Minimum Revenue Provision Statement	
Wards or groups affected:		All	
From:		Strategic Director of Finance and Corporate Services	

RECOMMENDATIONS

1. That the council assembly:

   a) Notes the treasury management strategy 2013/14 to be managed by the strategic director of finance and corporate services under financial delegation.

   b) Agrees the annual investment strategy 2013/14 set out in Appendix A, with capital preservation a key objective, in line with government guidance on investments.

   c) Agrees prudential indicators covering capital finance, borrowing and cash management for the years 2013/14 to 2015/16 set out in Appendix B.

   d) Agrees the annual minimum revenue provision statement which sets aside prudent sums from revenue to reduce debt, set out in paragraph 31 and Appendix C

   e) Notes the proposed changes to capital allowances as set out in paragraph 34, and agrees the level of capital allowances for 2013/14 in paragraph 30 should the changes not be implemented.

BACKGROUND INFORMATION

2. Each year the council assembly agrees a treasury management strategy to manage investments and debt. The investments represent balances, provisions and working capital to support the council's financial management, and the debt funds the capital spending carried out in the past or due to be carried out in the future. Investment and borrowing activity must be carried out in accordance with the Local Government Act 2003 and have regard to government guidance on investments and sums set aside as minimum revenue payment to repay debt, as well as the Treasury Management in the Public Services Code of Practice and Guidance plus the Prudential Code for Capital Finance in Local Authorities, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

3. Whilst the strategic director of finance and corporate services is, under financial delegation, responsible for all executive and operational decisions on borrowings and investments, the council assembly remains responsible for approving a debt and investment management strategy and the prudential indicators, which include limits on investments and borrowing. The indicators

give a general picture of the affordability, prudence and sustainability of financing activities and are part of a self-regulating regime brought in by the 2003 Act. An annual minimum revenue provision statement on sums to be set aside from revenue to reduce debt also needs approval each year.

4. As well as this annual strategy report, the council assembly also receives a mid-year report and an annual outturn report after the end of the year. Quarterly updates are presented to cabinet, and the audit and governance committee reviews and scrutinises treasury policies and strategy.

KEY ISSUES FOR CONSIDERATION

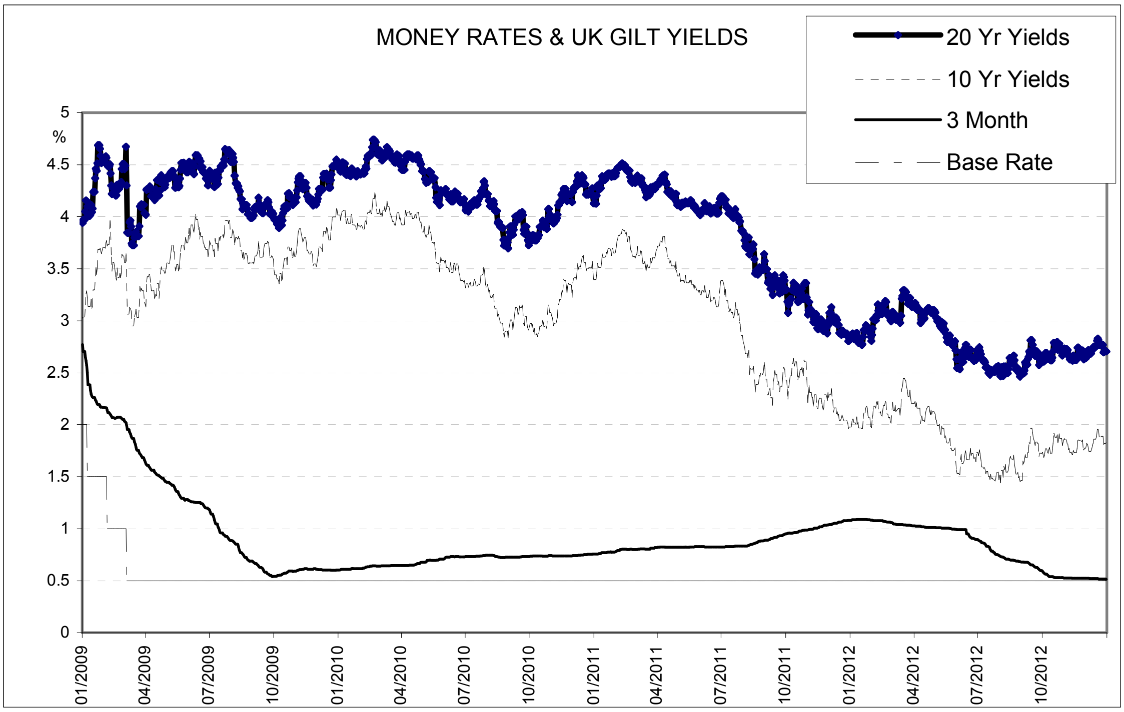
Developments in financial markets

5. 2012 was another turbulent year for financial markets. Following considerable concern in the first half of the year about the sustainability of the debt of some euro area governments amid slowing growth, substantial monetary policy action was taken in the second half of 2012 to support financial markets. The European Central Bank (ECB) cut its interest rates and signalled measures to purchase euro area government bonds. Almost immediately following the announcement the cost of Italian and Spanish government bond market borrowing fell.

6. Other central banks also continued with monetary easing. The US Federal Reserve increased purchase of financial assets and indicated that it would continue until the employment outlook improved substantially. It expected rates to remain low until 2015. In the UK, the Bank of England expanded its asset purchase programme and commenced a scheme to rise lending in the economy.

7. The central bank action combined with investor preference for high rated sovereigns such as the UK helped keep the cost of borrowing in those countries low. Lately however yields have risen slightly as investors have become more comfortable with holding more risky volatile assets, for example equities and lower rated bonds to secure higher returns. The rates on UK government borrowing (gilt yields) are set out in the chart below. It also shows that the cost of short term bank borrowing (3 month rates) began falling in the second half of 2012 on account of central bank liquidity and lower euro area sovereign risks.

8. Despite widespread monetary support, global economic prospects remain weak. Sovereigns remain challenged by fiscal targets, the financial sector continues to cut back operations and lending, and future profitability remains uncertain. The UK economy is not immune, and faces a prolonged period of austerity and slow growth. And in spite of the attraction of its debt to investors, rating agencies have indicated the UK's AAA rating is at risk. A cut would also see further downgrading in the UK financial sector, on top of any cuts from concerns about the sector's future profitability.



Investment position and strategy

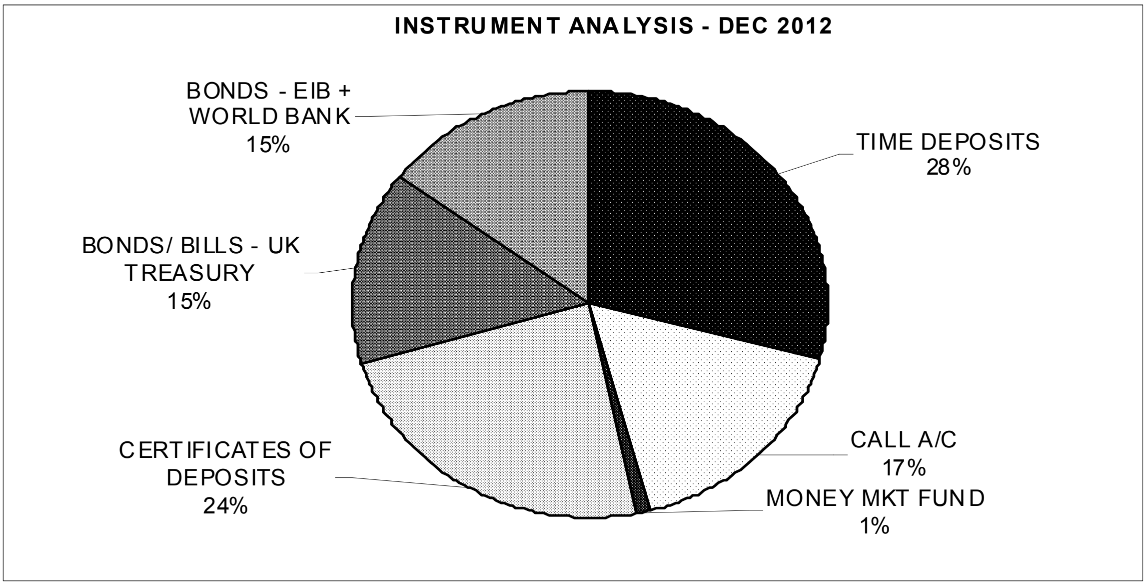
9. Given market volatility, a cautious approach to lending was maintained throughout 2012. This will continue into 2013/14. Investment exposure to banks shall be biased in favour of large institutions in stronger sovereigns where the likelihood of support, in the event it were needed, is high. And any exposure to investments above one year shall be in UK gilts, supranational bonds or other high rated investments discussed below, paragraphs 20 to 22.

10. As at 31 December 2012 the balance in investments stood at £188.6m. The sums held vary daily, depending on cash flow and debt and capital financing activity. Balances fell in December when cash was used to fund the acquisition of the freehold interest in the council's headquarters at 160 Tooley Street, discussed further in paragraph 18 below. Balances were also used to pay-off £100m in expensive borrowing in March 2012 ahead of its replacement with new cheaper borrowing in the following April, discussed further in paragraph 25 below.

11. Investments are managed by an in-house operation along with two fund managers (AllianceBernstein Ltd and Aberdeen Asset Managers Ltd) who each manage £50m in UK gilts, supranational bonds and certificates of deposit. The sums managed externally were reduced from £75m each in December to release cash for the Tooley Street acquisition.

12. The counterparties, instruments and maturities across which the cash is invested is set out in the tables and chart below.

EXPOSURE - Dec 2012 COUNTERPARTY AND RATINGS									
Exposure £m	FUND				Fitch Ratings				
COUNTERPARTY	Aberdeen	Alliance Bernstein	In-House	£m	Long	Short	Sup-port	Sovereign	Sovereign Rating
CREDIT INDUSTRIAL ET COMMERCIA	3.5	-	-	3.5	A+	F1+	1	FRANCE	AAA
SOCIETE GENERALE	-	1.0	-	1.0	A+	F1+	1	FRANCE	AAA
BANQUE NATIONALE DE PARIS	3.5	1.0	-	4.5	A+	F1+	1	FRANCE	AAA
DEUTSCHE BANK	3.5	1.0	-	4.5	A+	F1+	1	GERMANY	AAA
LANDESBANK BADEN WERTMBURG	-	1.0	-	1.0	A+	F1+	1	GERMANY	AAA
DZ BANK (DEUTSCHE ZENTRAL)	3.5	-	-	3.5	A+	F1+	1	GERMANY	AAA
GLOBAL TREAS FUNDS-MONEY FND	-	-	2.1	2.1		AAA		GLOBAL	Money Fund
ABN AMRO BANK	3.5	1.0	-	4.5	A+	F1+	1	NETHERLANDS	AAA
ING BANK	3.4	1.0	-	4.4	A+	F1+	1	NETHERLANDS	AAA
RABOBANK	-	0.5	-	0.5	AA	F1+	1	NETHERLANDS	AAA
EUROPEAN INVESTMENT BANK	10.4	7.1	-	17.5	AAA	F1+		SUPRANATIONAL	AAA
INTERNATIONAL BK RECONST DVT	3.5	6.9	-	10.4	AAA	F1+		SUPRANATIONAL	AAA
UBS	3.5	-	-	3.5	A	F1	1	SWITZERLAND	AAA
BARCLAYS BANK	5.0	1.0	15.0	21.0	A	F1	1	UK	AAA
LLOYDS TSB	3.5	-	15.1	18.6	A	F1	1	UK	AAA
NATIONWIDE BUILDING SOC	3.0	1.0	15.0	19.0	A+	F1	1	UK	AAA
RBS/NATWEST	-	-	41.0	41.0	A	F1	1	UK	AAA
UK TREASURY	-	27.6	-	27.6	AAA	F1+		UK	AAA
BANK OF NEW YORK MELLON	0.4	0.1	-	0.5	AA-	F1+	1	US	AAA
Total £m	50.2	50.2	88.2	188.6					



Investments at 31 December 2012 – Maturity Profile and Long Term Ratings

Rating	AAA	AA+ to AA-	A+ to A	Money Funds	**Total**
	£m	£m	£m	£m	**£m**
0-6 months	17.6	1.0	118.0	2.1	**138.7**
6-12 months	9.3		12.0		**21.3**
1-2 years	8.5				**8.5**
2-5 years	20.1				**20.1**
Total	**55.5**	**1.0**	**130.0**	**2.1**	**188.6**

13. Investment returns remain low, reflecting low base rates and money market rates. The return for the 9 months to December 2012 was 0.6% and is expected to be around 0.8% for the financial year. Next year, returns are

expected to be around base rates, 0.50%, on account of a prolonged period of low base rates and supportive central bank action.

14. In December 2012 the council acquired the freehold interest in its headquarters at 160 Tooley Street, which it previously leased. The acquisition was paid for by reducing sums held in investments (including sums managed externally) as it was more efficient than borrowing at current rates. Further details on the acquisition may be found on the cabinet agenda of 12 December 2012. To ensure that the transaction could settle efficiently, the £75m limit on exposure to RBS/NatWest was temporarily raised between December 2012 and January 2013. Cash balances remaining after paying for the purchase are sufficient to meet working capital and spending plans and should further sums be needed in the future they may be accessed through wholesale markets at rates which are close to prevailing investment rates.

15. The existing investment strategy covering 2012/13, approved by council assembly in February 2012, remains sound. It underlines the requirement for capital preservation and prudent risk management. However some changes are needed to ensure that the council can invest efficiently and access more high rated investments. The changes, which were considered by the audit and governance committee on 13 November 2012, involve the use of additional supranational banks and holding GBP debt issued by high rated foreign sovereigns.

Supranational banks

16. The council currently places funds with two supranational banks: the European Investment Bank (EIB) and the International Bank for Reconstruction and Development (IBRD, the “World Bank”). The two are the largest supranational entities and have the highest possible ratings of AAA/Aaa/AAA (Fitch/Moody’s/S&P). Other similarly rated supranationals that issue in sterling include:

- Asian Development Bank,
- African Development Bank
- Council for Europe Development Bank
- Inter-American Development Bank, and
- The Nordic Investment Bank.

17. Use of these banks would raise access to high rated investments. An upper limited of £5m would be placed per issuer and the maximum term would be 5 years in the interest of liquidity.

Additional sovereigns

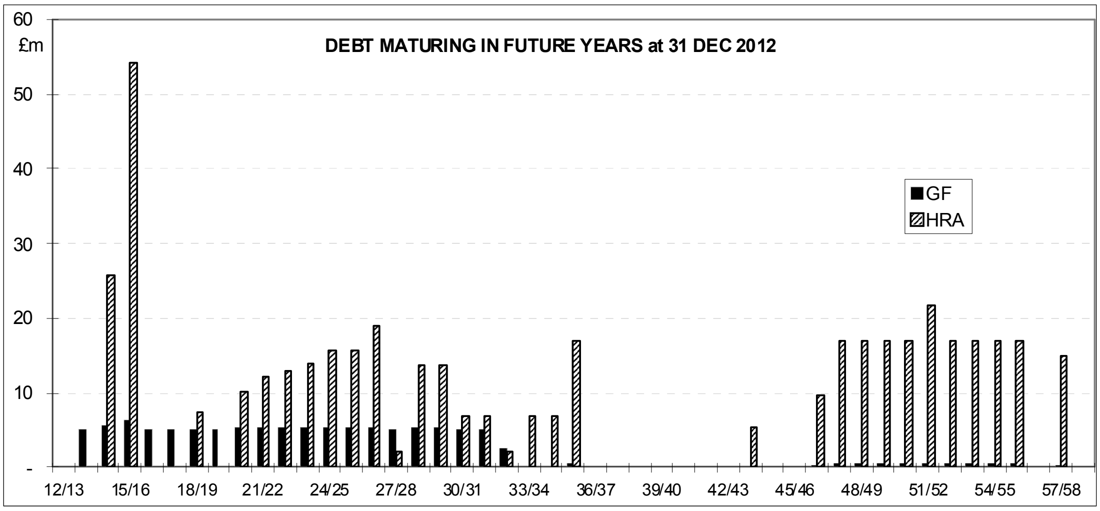
18. At the moment the strategy does not recognise GBP bonds issued by major high rated foreign states (referred to as sovereigns), e.g. Sweden. Adding flexibility to purchase these bonds would help diversify the portfolio. Exposure to such countries would have to be rated AAA/Aaa/AAA (Fitch/Moody’s/S&P) and would be limited to £5m per sovereign with a maximum maturity of 5 years on account of liquidity.

19. The 2013/14 investment strategy updated for these additions is set out at Appendix A for council assembly approval. Exposure to the additional supranationals and high rated foreign government GBP issues would be managed by the fund managers within a risk controlled framework, placing priority on capital preservation. As before, should there be further rating

downgrades, the strategic director of finance and corporate services shall have discretion to vary minimum ratings where prudent to protect the council's interests.

Debt management position and strategy

20. The debt outstanding at the end of December 2012 to fund capital spend was £560m. All the debt is from the Public Works Loans Board (PWLB) at fixed rates. From April 2012, following HRA self-financing reforms and loss of support for HRA debt interest, the loans are disaggregated between the HRA and the General Fund. The self-financing cancelled £199m in debt attributable to the HRA in March 2012, lowering the HRA share to £451m, so that it can be serviced out of HRA income without subsidy. The remainder of the £109m debt falls on the General Fund. The years in which the loans for each fund fall for repayment is set out in the chart below.



21. The maturity profile reflects the debt financing activity carried out between March 2012 and April 2012. As previously reported, £100m in high rate debt (at rates of 9.0% or more) maturing between 2014 and 2015 was paid off in March from General Fund cash and replaced in April 2012 with cheaper longer loans at 3.2%. The average rate of interest on all General Fund debt currently stands at 3.57%. The HRA average rate is 6.56% and will fall when £80m in high rate loans maturing between 2015 and 2016 are refinanced with new lower rate loans.

22. The council will have some £5m in General Fund debt maturing in 2013/14, which will not need to be refinanced as the sum can be meet from existing cash balances which includes sums set aside as the minimum revenue provision. The council is also in a strong position to refinance debt maturing in the future. It has access to PWLB lending facilities and borrowing from it has become more competitive with the introduction in November 2012 of a new lower tier rate, the certainty rate. Under it the council may borrow up to £105m at a discount of 0.20% below normal PWLB rates. The facility may be used to fund capital spend, replace cash used in place of borrowing (such as in the acquisition of 160 Tooley Street, referred to above) or to refinance debt ahead of maturity where prudent to protect the council from significant rate increases.

23. PWLB rates closely follow the cost of the government's own borrowing in gilts. Normal rates are some 1% above gilts and the certainty rate is some 0.20% below that. In 2012 gilts yields have benefited from central bank support and flight-to-safety trades. The unwinding of these forces together with risk from

adverse economic or rating developments could raise yields sharply, and it may become attractive to refinance debt to protect the council from significant rate increases. Options on refinancing will therefore be kept under review in 2013/14, and any activity carried out will take place within existing delegation and be managed within a prudent risk controlled framework.

Prudential indicators

24. Prudential indicators consist of a series of estimates and limits to give a general picture of the affordability, prudence and sustainability of capital finance and treasury management. The indicators are drawn from the Prudential Code for Capital Finance in Local Authorities and the Treasury Management Code of Practice and Guidance, which were updated for HRA self-financing under the Localism Act 2011.

25. The prudential indicators are set out in detail in Appendix B, and the Codes require council assembly, as the appropriate body for this council, to approve these for 2013/14 to 2015/16. The indicators do not affect existing budgets and approval will enable the strategic director of finance and corporate services to carry out his financial responsibilities. The indicators will be updated over the course of 2013/14 to reflect activity. One of the indicators is the authorised limit on debt and includes the cost of long term liabilities like private finance initiatives (e.g. the Old Kent Road waste management facility) and equipment and vehicle leases. The authorised limit is a self-imposed ceiling which the council is required to determine and stay below under the Local Government Act 2003. Council assembly is asked to agree the prudential indicators set out in Appendix B ensuring compliance with the 2003 Act and CIPFA's codes.

Annual minimum revenue provision statement

26. When the council funds its capital programme through borrowing (rather than from asset sales, grants or revenue contributions), a minimum revenue provision (MRP) is made each year to set aside funds from revenue to pay some of the principal of the sums borrowed. A policy on MRP is required under statutory guidance to be approved annually.

27. The MRP policy for 2013/14 recommended for approval is set out at Appendix C. The main idea is for the provision to be over a period bearing some relation to that over which the asset continues to provide a service. As now, application of the policy is the responsibility of the strategic director of finance and corporate resources. The policy includes a provision for the strategic director of finance and corporate resources to make additional MRP contributions or set aside capital receipts to reduce debt liabilities should it be prudent for the proper management of financial affairs of the council. This provision will also apply for the remainder of 2012/13 to assist, for example, in any residual issues that may arise from financing of the Tooley Street acquisition, on which MRP will commence in 2013/14.

Capital allowances

28. Currently, a proportion of the proceeds from HRA asset sales are paid over to a government 'pool'. The percentage paid differs according to the type of receipt: 50% for land and 75% for buildings. Receipts from social homebuy, non right-to-buy dwellings, land, shops and other assets can be exempt from pooling provided the money is used in affordable housing or regeneration programmes. This exemption does not apply to right-to-buy sales, which is subject to separate rules.

29. The amount of non-RTB housing disposals that may be retained is known as the capital allowance. It increases as spend on affordable housing or regeneration is programmed, and falls as receipts are drawn against it. The capital allowance agreed by council assembly in February 2012 was £192m and since then £33m in receipts have been drawn against it, which leaves a balance of £159m, against which future receipts may be drawn down from.

30. The government is considering proposals to abolish capital allowances from April 2013 and allow non-RTB receipts to be retained for housing use. However, under these proposals, if the receipts are used for non-housing purposes, debt attributable to the HRA will have to be adjusted down. On the basis that the regulations will proceed, no statement of capital allowances is required in this report. If the changes do not proceed as anticipated, then the balance of capital allowances, £159m, as set out in the paragraph above, which would be adequate for 2013/14 purposes, will apply. Future reports will confirm the application of the regulations or not.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

31. The constitution determines that agreeing the treasury management strategy is a function of the council assembly and that review and scrutiny of strategies and policies is the responsibility of the audit and governance committee.

32. Financial standing orders require the strategic director of finance and corporate services to set out the treasury management strategy for consideration and decision by council assembly, and report on activity on a quarterly basis to cabinet and at mid and year-end to council assembly. Furthermore all executive and operational decisions are delegated to the strategic director of finance and corporate services.

33. The Local Government Act 2003 and supporting regulations require local authorities to determine annual borrowing limits and have regard to the Prudential Code for Capital Finance, and the Treasury Management in the Public Services Code of Practice and Guidance, published by the Chartered Institute of Public Finance and Accountancy, when considering borrowing and investment strategies, determining or changing borrowing limits or prudential indicators.

34. Section 15(1) of the 2003 Act requires a local authority “to have regard (a) to such guidance as the Secretary of State may issue”. This guidance is found in the Department of Communities and Local Government Guidance on Local Authority Investments updated March 2010 and there is statutory guidance on the Minimum Revenue Provision (MRP) produced under amendments made to section 21(1A) of the 2003 Act by section 238(2) of the Local Government and the Public Involvement in Health Act 2007.

35. Regulations under the 2003 Act specify that the council may retain certain capital receipts provided they are used in affordable housing or regeneration. Council assembly is being asked to agree the capital allowance to enable receipts to be retained by the council, subject to the outcome of the changes referred to in paragraph 30 of the report.

36. Members are advised to give approval to the recommendations contained in paragraphs one to five of this report, ensuring continuing compliance with Government guidance and CIPFA's codes.

BACKGROUND DOCUMENTS

Background Papers	Held at	Contact
None		

APPENDICES

No.	Title
Appendix A	Annual Investment Strategy 2013/14
Appendix B	Prudential Indicators – Recommended for Approval
Appendix C	Annual Minimum Revenue Provision Statement 2013/14

AUDIT TRAIL

Lead Officer	Jennifer Seeley, Deputy Finance Director	
Report Author	Dennis Callaghan, Chief Accountant	
Version	Final	
Version Date	14 February 2013	
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	N/A	N/A
Cabinet Member	**Yes**	**Yes**
Final report sent to Constitutional Team		14 February 2013

APPENDIX A

ANNUAL INVESTMENT MANAGEMENT STRATEGY 2013/14

BACKGROUND

1. The guidance on local government investments produced by the Department of Communities and Local Government and updated in March 2010 requires local authorities to produce an annual investment strategy each year. The guidance promotes prudent management of cash with security and liquidity as priorities, while not ignoring yield.

2. Investments are grouped in two broad categories: specified and non-specified investments. Specified investments are in sterling, have high security and liquidity and are not longer than 1 year. Non-specified investments are all other investments (excluding those forming part of a local authority pension fund) which the local authority decides, having considered their risks and benefits, are prudent, subject to exposure limits. There is no intention to discourage use of non-specified investments - they help diversify and improve returns, and in the case of UK government bonds are highly liquid and exposure to default risk is negligible.

3. The annual investment strategy for 2013/14 drawing on the guidance and requiring council assembly approval is set out below. Investment exposure has always been biased in favour of major banks, where the expectation of support, in the event it were needed, is high. This is underlined in the credit criteria, which is supplemented with sovereign rating and support rating.

4. The council employs fund managers to help actively manage its exposure to longer investments, with capital preservation and liquidity as high priorities.

5. The strategy is to be published on the council's website.

ANNUAL INVESTMENT STRATEGY 2013/14

INVESTMENT OBJECTIVES

6. The council's investment objectives are to preserve principal, provide liquidity and secure a reasonable return. Cash investments should be managed prudently and may only be placed with specified and non-specified investments.

7. Specified investments, as detailed below, are investments up to 1 year with high liquidity and credit quality. Non-specified investments, as set out below, are investments that exceed 1 year and so potentially more responsive to liquidity, credit, and market factors. Prudent exposure to non-specified investments helps raise the level and sources of investment returns over the long term. Exposure to share capital that is treated as capital expenditure should be avoided as should investments not denominated in GBP Sterling.

8. The strategic director of finance and corporate services is responsible for this strategy and its management. Fund managers shall assist in advising or executing elements of the strategy. As at February 2013 the council's fund managers are: AllianceBernstein Ltd and Aberdeen Asset Managers Ltd.

CREDIT REQUIREMENTS

9. Credit risk is the risk that the institution with whom investments are held fails to meet its obligations to investors. To contain exposure to this risk, these ratings shall be consulted:
   a) Sovereign rating,
   b) Support rating, and
   c) Short and long term rating.

10. The minimum ratings required are set out in the tables below and rating definitions are given in paragraphs 27 to 36. While these ratings indicate a low risk of default and are well above the minimum regarded as investment grade, they may not always keep up with developments in turbulent markets (and do not in any case represent investment recommendations). Therefore, in managing exposure, attention should also be paid to capital strength and developments in the financial and credit markets. Exposure to risks should always be managed prudently and with due care and attention.

i) Sovereign Rating

Minimum Long Term Sovereign Rating from one of the three rating agencies		
Fitch Ratings	Moody's Investor Services	Standard & Poor's
AA-	Aa3	AA-

Sovereign rating refers to the country the bank's principal parent or key regional subsidiary is operating within.

ii) Support Rating

Support Rating for Individual Institution	
Rating Agency	**Minimum Support Rating**
Fitch Ratings	2

iii) Short and Long Term Rating
- in addition to Sovereign and Support Rating

Issuer or Issue Rating, Minimum from one of the three rating agencies				
Rating Agency	**Minimum Short Term Rating**	**Minimum Long Term Rating**	**Maximum exposure up to 1 year £m**	**Maximum exposure 1 year to 3 years £m**
Fitch Ratings	F1+	AA-	40	20
Moody's Investor Services	P1	Aa3	40	20
Standard & Poor's	A-1+	AA-	40	20
Fitch Ratings	F1	A	40	0
Moody's Investor Services	P-1	A2	40	0
Standard & Poor's	A-1	A	40	0

iv) Money Market Fund Rating

Money Market Fund Rating			
Rating Agency	**Minimum Fund Credit Rating**	**Minimum Fund Value £m**	**Maximum exposure £m**
Fitch Ratings	AAA	1000(*)	50
Moody's Investor Services	Aaa	1000(*)	50
Standard & Poor's	AAA	1000(*)	50

*The minimum size for funds holding only UK Government issued or guaranteed debt shall be £200m.

11. Ratings shall be reviewed frequently and at least monthly. In the event of adverse rating changes, investments may be recalled prior to maturity where it would be prudent to do so.

12. Exposure to any one institution shall be diversified as is consistent with securing a reasonable return.

13. Credit requirements shall not apply to investments issued or guaranteed by the UK Government, nationalised entities, local authorities or the European Investment Bank (EIB) and the International Bank for Reconstruction and Development (IBRD, “the World Bank”) where credit risk is very low.

14. There shall be no upper limit on exposure to the UK Government for credit risk purposes and the upper limit on exposure to any one UK local authority shall be £40m. (Local authorities are not usually rated, but the Local Government Act 2003 provides sanctions in the event that an authority fails to meet its liabilities to lenders and exposure to local authorities helps diversify investments in a safe way when necessary). The limit for any one nationalised entity shall be £40m, but may be increased where the entity is a major bank to protect the council’s interests.

15. The limit for the European Investment Bank and the International Bank for Reconstruction and Development shall be £40m. The limit for the following supranational banks shall be £5m per issuer, with a maximum maturity of five years and subject to a rating of AAA/Aaa/AAA from at least one rating agency (Fitch, Moody’s or S&P):
    - Asian Development Bank,
    - African Development Bank
    - Council for Europe Development Bank
    - Inter-American Development Bank, and
    - The Nordic Investment Bank.

16. The limit for GBP issues by foreign states shall be £5m per issuer, with a maximum maturity of five years and subject to a rating of AAA/Aaa/AAA from at least one rating agency (Fitch,Moody’s or S&P):

17. The limit for RBS shall be £75m. The bank is critical to the day to day financial operations of the council. It is majority owned by the UK government and is of systemic importance to the global and UK financial system and in common with other major banks has access to central bank liquidity if needed. The limit will ensure the council can manage its day to day financial operations efficiently and effectively.

18. The limit for the Bank of New York Mellon (BNYM) shall also be £75m. BNYM provides custodial and settlement services to the fund managers, replacing HSBC who provided the service before. The limit will ensure that the council can continue using the managers. BNYM is one of the largest custodian banks in the world, globally significant, and likely to receive support if needed.

19. The strategic director of finance and corporate services shall have discretion to vary minimum rating and limits in response to market developments and operational requirements where prudent to protect the council’s interests.

OVERALL LIQUIDITY AND MATURITY CONSTRAINTS

20. The first call on investments shall usually be cash flow requirements and normally not less than £60m of overall investments shall be held in maturities not exceeding 1 year.

21. Overall investments shall only have a low or low to moderately low sensitivity to market factors. As a guide, the average maturity of investments shall be below 3 years and actual exposure will depend on interest rate expectations and credit quality.

SPECIFIED INVESTMENTS

22. Specified investments shall consist of the following categories of investments, subject to being denominated in sterling, meeting credit requirements set out above and not exceeding 1 year.

Specified Investments - in Sterling, meeting credit requirements and not beyond 1 year	
A	Term deposits, accounts, bills or bonds issued or guaranteed by the UK government or UK local authorities, and bonds issued or guaranteed by supranational bodies or foreign governments.
B	Term deposits, accounts, certificates of deposits, commercial paper, senior unsubordinated notes, bonds issued by banks or UK building societies with no interest or principal conditionality.
C	Money Market Funds AAA/Aaa/AAA (Fitch/Moody's/S&P) rated with stable or variable net asset values

23. The specified investments have high capital preservation and liquidity characteristics, and as such there shall be no upper limit on sums held in them as a whole, though exposure to any one institution will be subject to credit limits set out in paragraph 2. It is further expected that overall exposure shall be biased towards major institutions, where the expectation of support, if it were needed, is high.

NON-SPECIFIED INVESTMENTS

24. Non-specified investments shall consist of the following categories of investments, which shall be in sterling and meet applicable credit requirements.

Non-specified Investments - maturities beyond 1 year, in Sterling and meeting credit requirements	
A	Bonds issued or guaranteed by the UK Government, supranational bodies or foreign governments
B	Term deposits, certificates of deposits, senior unsubordinated notes, bonds issued by banks or UK building societies, with no interest or principal conditionality.

25. Details concerning the use, characteristics and limits applying to non-specified investments are set out below. The upper limit on exposure to non-specified investments as a whole shall be 50% of all investments. In managing exposure to non-specified investments expertise and advice shall be drawn on as necessary.

Non-specified Investments- Usage, Characteristics and Limits

A	**Bonds issued by or guaranteed by the UK Government, supranational bodies, or foreign governments** *i) Typical usage* • To capture additional yields that may be available from investing longer from time to time, • To benefit from short and long run rate expectations. *ii) Characteristics* • These bonds are highly liquid and of high credit quality, however prices are sensitive to expectations about the future course of interest rates, inflation and financial conditions generally. As well as moving favourably, prices can move adversely, risking income – the longer the bond the more sensitive its price to these factors. But the principal is protected if held to maturity. Limits are placed to contain exposure to this risk. *iii) Limits* • No more than 50% of investments may be placed in this category, and exposure shall be actively managed to contain market risks. • No one bond may have a maturity exceeding 10 years or the equivalent benchmark. • Bank debt guaranteed by the UK Government shall fall within this category and exposure to such debt shall be limited to £40m per entity and a maximum term of 10 years.

Non-specified Investments- Usage, Characteristics and Limits	
B	**Fixed term deposits, certificates of deposits, senior unsubordinated notes, bonds issued by banks or UK building societies, with no interest or principal conditionality.** *i) Typical usage* • To capture additional yields over and above government issued debt that may be available from investing longer from time to time, • To benefit from short and long run rate expectations. *ii) Characteristics* • Investments in this category are issued by the high rated banks and building societies, but as credit certainty tends to be lower for longer periods, careful analysis is necessary to ensure no undue risks are taken. • Prices are sensitive to expectations about the future course of interest rates, inflation and financial conditions generally. As well as moving favourably, prices can move adversely, risking income – the longer the bond the more sensitive its price to these factors. • Investments in this category are negotiable, apart from fixed term deposits which are only repaid on maturity. *iii) Limits* • No more than 20% of investments shall be placed in this category and no one investment shall exceed 3 years in maturity. All investments should be actively managed. • Exposure shall in practice be subject to market and credit conditions and the long run credit quality of the institution as well as the merits of the investment itself. Capital preservation shall remain a priority.

	• Bank debt guaranteed by the UK Government shall fall within category A of non-specified investments.

26. The non-specified investments are managed with help from external fund managers and limits are placed to contain overall credit exposure. Any actual exposure shall be subject to the merits of the investment and market conditions.

RATING DEFINITIONS

27. Ratings are research based opinions of rating companies (Fitch Ratings, Moody's and Standard & Poor's) on the ability of an entity or security to meet financial commitments such as interest, preferred dividends and repayment of principal in accordance with their terms. Ratings do not constitute recommendations to buy, sell or hold any security, nor do they comment on the adequacy of market price, or the suitability of any security for a particular investor.

28. Fitch Long Term Rating:

AAA	Highest credit quality. AAA ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events
AA	Very high credit quality. AA ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	High credit quality. A ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

29. The Fitch Short Term Rating is a short-term issuer or obligation rating is based in all cases on the short-term vulnerability to default of the rated entity or security stream, and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the 'AAA' obligation rating category.

F1	Highest short-term credit quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.
F2	Good short-term credit quality. Good intrinsic capacity for timely payment of financial commitments
F3	Fair short-term credit quality.

30. Fitch Support Ratings do not assess the intrinsic credit quality of a bank. Rather they communicate the agency's judgment on whether the bank would receive support should this become necessary. These ratings are exclusively the expression of Fitch Ratings' opinion even though the principles underlying

them may have been discussed with the relevant supervisory authorities and/or owners.

1	A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question.
2	A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question.
3	A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so.

31. Moody’s Long Term Rating:

Aaa	Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.
Aa	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
A	Obligations rated A are considered upper-medium grade and are subject to low credit risk.

32. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa.

33. Moody’s short-term ratings are opinions of the ability of issuers to honour short-term financial obligations.

P-1	Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.
P-2	Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

34. Standard and Poor’s (S&P) Long Term Rating:

AAA	An obligation rated AAA has the highest rating assigned by S&P. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.
AA	An obligation rated AA differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.
A	An obligation rated A is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

35. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

36. Standard and Poor’s (S&P) Short Term Rating:

A-1	A short-term obligation rated A-1 is rated in the highest category by S&P. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are

	designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.
A-2	A short-term obligation rated A-2 is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

APPENDIX B

PRUDENTIAL INDICATORS

BACKGROUND

1. Capital finance, borrowing and investment arrangements are brought together in a series of prudential indicators (estimates and limits) to give a general picture of the affordability, prudence and sustainability of financing activities.

2. The indicators are drawn from the Prudential Code on Capital Finance for Local Authorities and the Treasury Management in the Public Services Code of Practice plus Guidance, published by CIPFA and updated in November 2011. The Local Government Act 2003 requires that councils have regard to these codes.

PRUDENTIAL INDICATORS

3. The indicators are grouped into three broad areas: affordability, prudence, capital expenditure and treasury. The 2011/12 indicators are shown as actuals, the latest projections are in the 2012/13 column and future estimates or limits are under the 2013/14 to 2015/16 columns. The indicators needing approval are the ones for 2013/14 to 2015/16. They do not affect existing budgets and approval will enable the strategic director of finance and corporate resources to carry out his financial responsibilities in this area. Estimates will be updated over the course of 2013/14 to reflect latest activity.

CRITERIA ONE: AFFORDABILIY AND PRUDENTIAL INDICATORS ON AFFORDABILITY

INDICATOR ONE: ESTIMATES OF THE RATIO OF FINANCING COSTS TO NET REVENUE STREAM

4. The financing ratio is the cost of financing capital expenditure (including PFI and leases) net of cash income as a proportion of the net revenue stream. The drop in the HRA ratio between 2011/12 and 2012/13 follows a fall in debt costs under HRA self-financing, in which HRA Subsidy stopped and £199m in HRA debt was cancelled, leaving the remaining HRA debt to be serviced entirely out of HRA income. The General Fund ratio for 2012/13 includes the full year effects of the two PFI schemes (St Thomas the Apostle College and the integrated waste management facility at the Old Kent Road site) which became operational in 2011/12. Part year effects of financing the acquisition of the council headquarters at 160 Tooley Street SE1 are also included in 2012/13 GF projection, with full year effects falling in the following the year. The financing ratios for the HRA and the General Fund requiring approval are set out below. The indicators do not affect existing budgets.

Financing Ratios	2011/12 Actual	2012/13 Latest Projection	**2013/14 Estimate**	**2014/15 Estimate**	**2015/16 Estimate**
HRA	27%	16.0%	**16.0%**	**15.0%**	**14.0%**
GF	4%	6.0%	**8.0%**	**8.0%**	**8.0%**

INDICATOR TWO: ESTIMATES OF THE INCREMENTAL IMPACT OF CAPITAL INVESTMENT ON THE COUNCIL TAX AND HOUSING RENTS

5. Currently no increase in budgetary requirement is proposed as a result of the capital programme and the incremental impact of capital expenditure on council tax or HRA rents recommended for approval are set out below.

Notional Rent or Council Tax Increases	2012/13	**2013/14**	**2014/15**	**2015/16**
Weekly housing rent increase as a result of capital programme	Nil	**Nil**	**Nil**	**Nil**
Council tax band D increase as a result of capital programme	Nil	**Nil**	**Nil**	**Nil**

CRITERIA TWO: PRUDENCE AND PRUDENTIAL INDICATORS FOR PRUDENCE

INDICATOR THREE: DEBT AND CAPITAL FINANCING REQUIREMENT

6. This indicator compares debt to the capital financing requirement (CFR), which is made up of funding for capital plus long term liabilities like PFI and leases. Debt should not exceed the CFR over the medium term, but may do so over the short-term in the interest of prudent financing of capital expenditure and management of debt. Under this indicator the actual debt currently stands at £560m and is below the projected closing CFR for 2012/13 of £857m.

CRITERIA THREE: PRUDENTIAL INDICATORS FOR CAPITAL EXPENDITURE AND TREASURY

INDICATOR FOUR: ESTIMATES OF CAPITAL EXPENDITURE

7. The actual capital expenditure, including spend on leases and PFI in 2011/12 was £210m. The projections and estimates for 2012/13 to 2015/16, drawing on latest monitoring are set out below. The 2012/13 GF projection includes the acquisition of the freehold interest in the council headquarters at 160 Tooley Street. And the increase in the HRA estimate for 2013/14 includes re-profiling and slippage of existing approvals. Both the HRA and GF estimates will be updated as spend programmes develop.

Capital Expenditure	2011/12 Actual £m	2012/13 Projection £m	**2013/14 Estimate £m**	**2014/15 Estimate £m**	**2015/16 Estimate £m**
HRA	53	82	**147**	**90**	**84**
GF	157	277	**121**	**64**	**51**
Total	210	359	**268**	**154**	**135**

INDICATOR FIVE: ACTUAL AND ESTIMATES OF CAPITAL FINANCING REQUIREMENTS.

8. The capital financing requirement (CFR) reflects borrowing and long term liabilities (e.g. PFI and leases) to pay for capital expenditure. Estimates of the CFR are set out below for approval. The 2012/13 GF projection includes the acquisition of the freehold interest in 160 Tooley Street and although it was paid for by reducing sums held in investments, its cost is included here as cash was used in place of borrowing – using cash was more efficient than borrowing.

CFR at year end	2011/12 Actual £m	2012/13 Projection £m	**2013/14 Estimate £m**	**2014/15 Estimate £m**	**2015/16 Estimate £m**
HRA	451	451	**451**	**451**	**451**
General Fund	234	406	**393**	**399**	**385**
Total	685	857	**844**	**850**	**836**

INDICATOR SIX: HRA LIMIT ON INDEBTEDNESS

9. The HRA limit on indebtedness is the limit imposed by the government on HRA debt under self-financing. The indebtedness limit from 2012/13 indicated in the self-financing consultation issued in February 2012 is £577m. The actual HRA debt currently stands £451m.

INDICATOR SEVEN: ACTUAL DEBT- THE AUTHORISED LIMIT AND OPERATIONAL BOUNDARY

10. The authorised limit and operational boundary accomodate existing debts and long term liabilities (leases and PFI) outstanding on any one day. The average level of borrowing in any one year is usually close to the capital financing requirement before PFI and leases but may be higher or lower on any one day depending on cash flow needs and timing of borrowing.

11. As well as accommodating existing debts and liabilities, the operational boundary also contains ordinary borrowing requirements (e.g. to fund future capital spend, re-finance maturities and replace cash used in place of borrowing). The authorised limit is a higher limit with additional capacity to prudently raise debt temporarily and enable debt refinancing to be carried out efficiently and effectively, for example replace expensive debt with cheaper debt to mitigate risks. Such activity is subject to developments in funding markets and is only carried out within a risk controlled framework and existing financial delegation. The authorised limit and the operational boundary are set out below for approval. The authorised limit is the total limit on borrowing and long term liabilities that local authorities have to determine under the Local Government Act 2003.

Operational Boundary and Authorised Limits for External debt	2011/12 Actual Max	2012/13 Latest Proj Max.	2012/13 Limit £m	**2013/14 Limit £m**	**2014/15 Limit £m**	**2015/16 Limit £m**
Operational Boundary for Debt						
Borrowing	761	563	630	815	805	795
Other long term liabilities	107	110	110	115	130	125
Total Operational (*)	868	673	740	**930**	**935**	**920**
Authorised Limit for Debt -						
Borrowing	761	563	770	850	840	830
Other long term liabilities	107	110	115	120	140	130
Total Authorised (*)	868	673	885	**970**	**980**	**960**

Note * - With the acquisition of the council's headquarters at 160 Tooley Street now complete, the borrowing capacity to replace the cash that was used to acquire it is included within the operational boundary from 2013/14. As before, the strategic director of finance and corporate resources shall have discretion to allow activity to go outside the operational boundary and vary the mix between long term liabilities and debt should it be prudent and justified. Activity must nevertheless remain within the overall authorised limit.

INDICATOR EIGHT: GROSS AND NET DEBT

12. This is an indicator about the upper limit on net debt (i.e. gross debt less investments) as a percentage of gross debt. The net debt is currently lower than the gross as revenue balances, provisions and working capital are held in investments. To ensure the funds are available when they are needed, the upper limit on net debt as a percentage of gross debt is 100%.

	2012/13 Max to Dec 2012	2012/13 Limit	**2013/14 Limit**	**2014/15 Limit**	**2015/16 Limit**
Upper Limit on Net Debt as a % of Gross Debt	66%	100%	**100%**	**100%**	**100%**

INDICATOR NINE: ADOPTION OF THE CIPFA CODE OF PRACTICE ON TREASURY MANAGEMENT IN THE PUBLIC SERVICES

13. This indicator concerns the adoption of the Treasury Management in the Public Services Code of Practice issued by CIPFA. The council adopted the 2009 code at its meeting in February 2010. The 2011 code is an update and basic principles remain unchanged.

INDICATOR TEN: INTEREST RATE EXPOSURES – FIXED
INDICATOR ELEVEN: INTEREST RATE EXPOSURES – VARIABLE
INDICATOR TWELVE: MATURITIES

14. Council debt currently consists entirely of fixed rate loans, with very little falling for repayment over the next few years. However the proportion in fixed rates could change should financing conditions become favourable in the future. The fixed and variable rate limits draw on the authorised debt limit and the maturity limit reflects existing debt with flexibility to accommodate refinancing where prudent. The exposure for the first nine months in 2012/13 is set out below and the maturity profile shows the position at start of the year.

LIMITS ON FIXED AND	2011/12	2012/13	2012/13	**2013/14**	**2014/15**	**2015/16**

VARIABLE RATES	Maximum Actual £m	Max to Dec 2012 £m	Limit £m	**Limit £m**	**Limit £m**	**Limit £m**
Upper limit for fixed interest rate exposure	761	563	655	**850**	**840**	**830**
Upper limit for variable rate exposure	0	0	165	**215**	**210**	**210**

Maturity structure of fixed rate borrowing at start of year	2012/13 Actual at start of year	2012/13 Lower Limit	2012/13 Upper Limit	**2013/14 Lower Limit**	**2013/14 Upper Limit**
Under 12 months	0%	0%	30%	**0%**	**30%**
12 months and within 24 months	0%	0%	30%	**0%**	**30%**
24 months and within 5 years	18%	0%	60%	**0%**	**60%**
5 years and within 10 years	7%	0%	80%	**0%**	**80%**
10 years and within 20 years	27%	0%	100%	**0%**	**100%**
20 years and within 30 years	7%	0%	100%	**0%**	**100%**
30 years and within 40 years	23%	0%	100%	**0%**	**100%**
40 years and within 50 years	18%	0%	100%	**0%**	**100%**

INDICATOR THIRTEEN: TOTAL PRINCIPAL SUMS INVESTED FOR PERIODS LONGER THAN 364 DAYS

15. The council's cash balances are invested across a number of counterparties which can include the government, local authorities, and large high rated banks and building societies. Exposure to investments beyond one year raises investment options and helps raise returns. However, as returns can be vulnerable to unexpected market volatility, limits are placed on such exposure. The 2013/14 upper limit on exposure beyond one year recommended for approval is shown below. In addition, exposure will be subject to the annual investment strategy and the actual exposure will depend on market conditions and be within duration limits. Capital preservation will, as required under the strategy, remain a priority.

Upper limit on investments greater than 364 days	2011/12 Actual	2012/13 Latest Position	2012/13 Limit	**2013/14 Limit**
Upper limit / Actual	Actual max exposure 14% of investments greater than 364 days Overall maximum average maturity 7 months Longest investment 5 years	15% of investments greater than 364 days Overall maximum average maturity 7 months Longest investment 5 yrs	Up to 50% of investments greater than 364 days Overall average maturity 3 years, but any one investment may be longer as referred to in the Annual Investment Strategy	**Up to 50% of investments greater than 364 days** **Overall average maturity 3 years, but any one investment may be longer as referred to in the Annual Investment Strategy**

APPENDIX C

ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2013/14

BACKGROUND

1. Under the Guidance on Minimum Revenue - issued under amendments to section 21(1(A)) of the Local Government Act 2003, the council is required to set aside a prudent sum as minimum revenue provision (MRP) to reduce borrowing and credit liabilities arising from capital expenditure and to prepare an annual statement. The council's annual minimum revenue provision statement for 2013/14, drawing on that guidance and recommended for approval by the council assembly is set out below.

ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2013/14

2. This statement covers the minimum revenue provision (MRP) that the council shall set set-aside from revenue to reduce borrowing and credit liabilities arising from capital expenditure.

3. In calculating the MRP, the council shall draw on advice and options cited in the guidance issued by the Secretary of State. In accordance with that guidance, no MRP is required in respect of the housing revenue account (HRA).

4. Any changes to this statement require council assembly approval.

Supported Capital Expenditure or Capital Expenditure incurred before 1 April 2008

5. In relation to capital expenditure for which support forms part of the calculation of revenue grant by the government or any capital expenditure incurred before 1 April 2008, the MRP shall be calculated in accordance with the Local Authorities (Capital Finance and Accounting) Regulations 2003 as if they had not been revoked. In arriving at that calculation, the capital financing requirement shall be adjusted as described in the guidance.

Self- Financed Capital Expenditure from 1 April 2008

6. Where the capital expenditure is incurred from 1 April 2008 and on an asset financed wholly or partly by self-funded borrowing, the MRP is to be made in instalments over the life of the asset in accordance with "Option 3: Asset Life Method" of the guidance.

7. The determination as to which scheme is funded from borrowing and which from other sources shall be made by the strategic director of finance and corporate resources and where an asset is only temporarily funded from borrowing in any one financial year and it is intended that its funding be replaced with other sources by the following year, no MRP shall apply.

8. The asset life method shall also be applied to borrowing to meet expenditure from 1 April 2008 which is treated as capital expenditure by virtue of either a direction under section 16(2) of the 2003 Act or regulation 25(1) of the 2003 Regulations.

9. The asset life shall be determined in accordance with advice contained in the guidance and when borrowing to construct an asset, the asset life may be treated as commencing in the year the asset first becomes operational and

postpone MRP until that year, subject to the approval of the strategic director of finance and corporate resources.

10. In the case of finance leases, on balance sheet private finance initiative contracts or other credit arrangements, the MRP shall be the sum that goes to write down the balance sheet liability.

11. The estimated life for MRP purposes shall be determined by the strategic director of finance and corporate resources.

12. Where capital expenditure involves repayable loans or grants to third parties no MRP is required as the loan or grant is repayable.

13. Where capital expenditure involves a variety of different types of works and assets, the period over which the overall expenditure is judged to have benefit over shall be considered as the life for MRP purposes. Expenditure arising from or related or incidental to major elements of a capital project may be treated as having the same asset life for MRP purposes as the major element itself.

14. Asset life for MRP purposes shall be determined by the strategic director of finance and corporate resources.

15. The strategic director of finance and corporate resources is responsible for implementing the Annual Minimum Revenue Provision Statement and has managerial, operational and financial discretion necessary to ensure that MRP is calculated in accordance with regulatory and financial requirements and resolve any practical interpretation issues. The strategic director of finance and corporate resources may also make additional revenue provisions, over and above those set out above, or set aside capital receipts to reduce debt liabilities should it be prudent for the proper management of the financial affairs of the HRA or the General Fund.

Item No. 3.3.	Classification: Open	Date: 27 February 2013	Meeting Name: Council Assembly
Report title:		Date of Council Assembly in July 2013	
Ward(s) or groups affected:		All	
From:		Proper Constitutional Officer	

RECOMMENDATIONS

1. That the council assembly dates for 2013/14 be confirmed as set out in Appendix A, and it be agreed to hold the July meeting on Wednesday 10 July 2013 for the reasons set out in paragraph 4 of the report.

2. That should council assembly wish to set an alternative date, the meeting resolves to suspend council assembly procedure rule 2.1 (Dates and frequency of meetings).

BACKGROUND INFORMATION

3. On 23 January 2013, council assembly agreed dates for its meetings for the 2013/14 municipal year. A future list of the dates is set out in Appendix A together with notes on the constraints in confirming some dates in 2014 due to the current uncertainty regarding the date of local government and European elections in 2014. This earlier decision was in response to the wishes of group whips for the calendar to be agreed earlier than usually to provide greater notice of meeting dates for the forthcoming municipal year.

KEY ISSUES FOR CONSIDERATION

4. Following the meeting in January 2013, officers noted that the date of the July 2013 needed to be changed to avoid it clashing with the Local Government Association Annual Meeting and Conference in the first week of July 2013. As a result officers have reviewed the calendar in late June / July 2013 and are recommending that the July meeting be held on Wednesday 10 July 2013. The recommendation also confirms the other dates for council assembly as set out in Appendix A.

5. It should be noted that if this change of date in July 2013 is agreed this would have some impact on the council calendar. However any meetings displaced can be accommodated on other days. The changes include: a straight switch between council assembly and community councils chair and vice-chairs meeting scheduled for 10 July 2013; with the group meetings taking place a week later on Monday 1 July 2013, this would mean two community councils meetings (Bermondsey and Rotherhithe / Borough, Bankside and Walworth) re-scheduled to Wednesday 26 June 2013.

Legal implications

6. If council assembly wishes to set an alternative date for a council assembly date it would have to suspend council assembly procedure rule 2.1, which states "Meetings (or ordinary meetings) shall take place on such dates agreed by the annual meeting..." Procedure rule 1.1.5 allows meeting dates to be changed in exceptional circumstances by the Mayor, in consultation with the monitoring officer. In this case it is considered there is sufficient time to report this to council assembly to agree the change.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Council Assembly Procedure Rule 2.1, Southwark Constitution	Constitutional Team 160 Tooley Street, London SE1 2QH	Lesley John 020 7525 7228

APPENDICES

No.	Title
Appendix A	Dates of Council Assembly 2013/14

AUDIT TRAIL

Lead Officer	Ian Millichap, Constitutional Manager	
Report Author	Ian Millichap, Constitutional Manager	
Version	Final	
Dated	12 February 2013	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Title	**Comments sought**	**Comments included**
Director of Legal Services	Yes	Incorporated in report
Strategic Director of Finance and Corporate Services	N/a	N/a
Cabinet Member	No	No
Date final report sent to Constitutional Team	14 February 2013	

APPENDIX A

DATES OF COUNCIL ASSEMBLY MEETINGS 2013/14

Council assembly is invited to confirm the following dates for meetings of council assembly including the change in July 2013 and that these dates be fixed in the council calendar for the municipal year 2013/14, subject to the notes set out in the table below:

Council Assembly Meetings 2013/14	Theme
Wednesday 10 July 2013 Note: Revised date to that previously agreed	Welfare Reform
Wednesday 16 October 2013	Green Southwark
Wednesday 27 November 2013	Local Business and Enterprise
Wednesday 22 January 2014	Active Communities and the Elderly
Wednesday 26 February 2014	Budget and council tax setting
Wednesday 26 March 2014* Note: If local government elections take place on 1 May 2014, this meeting would be rescheduled for 19 March 2014. If there is a combined election in June 2014 this meeting would proceed.	Future Vision for Southwark
Wednesday 21 May 2014* Note: This date is based on local government elections taking place on 1 May 2014. In the event of a combined election, the annual meeting would be held after the elections (in accordance with council assembly procedure rule 4.1.2).	Annual meeting (Mayor making & constitutional)

Note: * - There remains some uncertainty regarding confirmation of the dates for the local government elections and European elections in 2014. This could impact on the proposed dates for the council assembly meetings in March 2014 and May 2014.

Last Updated:
November 2012

COUNCIL ASSEMBLY AGENDA DISTRIBUTION LIST (OPEN) (FULL LIST)
MUNICIPAL YEAR 2012/13

NOTE: Original held by Constitutional Team; all amendments/queries to Lesley John Tel: 020 7525 7228

ONE COPY TO ALL UNLESS OTHERWISE STATED	Copies	To	Copies
All Councillors	1 each	**Officers**	**4**
Group Offices	**2**	Doreen Forrester-Brown	1
		Robin Campbell	1
Alex Doel, Labour Group Office	1	Ian Millichap	1
William Summers, Liberal Democrat Group Office	1	Sonia Sutton	1
Press	**2**	**Constitutional Team**	**25**
Southwark News	1	(Copies to Lesley John, 2nd Floor, Hub 4, Tooley Street)	
South London Press	1		
		Trade Unions	**9**
Corporate Management Team	**5**		
Eleanor Kelly	1	Roy Fielding, GMB	1
Deborah Collins	1	Mick Young, Unite	1
Romi Bowen	1	Chris Cooper, Unison	1
Duncan Whitfield	1	Tony O'Brien, UCATT	1
Gerri Scott	1	Michael Davern, NUT	1
		James Lewis, NASUWT	1
		Pat Reeves, ATL	1
		Miss Sylvia Morris, NAHT	1
		Irene Bishop, ASCL	1
		Local M.P.	**1**
		Simon Hughes M.P.	
		Others	**2**
		Ann-Marie Connolly	1
		Elizabeth Olive, Audit Commission, Ground Floor, Tooley Street	1
		Total:	**113**