

Item No.	Classification: Open	Date: 9 February 2010	Meeting Name: Executive
Report title:		Policy and Resources Strategy 2010/11 to 2012/13 – The 2010/11 Revenue Budget (The Budget and Policy Framework) and Medium Term Resources Strategy	
Ward(s) or groups affected:		All	
From:		Finance Director	

RECOMMENDATIONS

1. The Executive:
 - i. Agrees a balanced budget for 2010/11 for recommendation to Council Assembly on 23 February 2010 as set out in paragraph 18 and Appendices A to D, based on a council tax increase of 0%, which is in line with local policy priorities.
 - ii. Agrees the updated Medium Term Resources Strategy (MTRS) as set out in Appendix E.
 - iii. In view of the current economic climate and uncertainty with regards future grant settlements, instructs the Finance Director and other Chief Officers to closely monitor and review business and budget plans and processes.

BACKGROUND

2. On 20th October 2009, a report was presented to Executive which set the context for the business and budget planning round. It noted the continued uncertainty of local government financing arrangements for 2011/12 and beyond not least with regard to the recession at that time and economic climate looking forward. The report also agreed initial changes to a refreshed MTRS which is in line with local priorities as expressed through the corporate plan.
3. On 9th December 2009 the Chancellor of the Exchequer announced the pre-budget report (PBR). This sets out the government's broad financial policies for 2010/11 and future years. The PBR confirms that the government will stick to planned levels of overall departmental spending in 2010/11, with increases in public sector current expenditure of 0.8% per annum in real terms for 2011/12 to 2014/15.
4. Other PBR proposals include the freeze on public sector salaries (i.e. fixed at 1%) for 2011/12 and 2012/13. National insurance will increase by a further 0.5% from April 2011. This is in addition to the 0.5% increase announced in the 2009/10 budget. Spending on frontline schools will increase by 0.7% per annum in real terms. The emphasis in the PBR of any increase in resources to police, schools and health will have significant implications for all other spending areas across local government. £11billion will be saved through a programme of 'smarter government', together with a further £5billion from targeting and prioritising spending and reforms across public sector pay and pensions. However, specific details are yet to be announced.
5. On 15th December 2009, a report was presented to Executive which set out confirmation of the provisional local government settlement for 2010/11. This confirmed that Southwark would receive the minimum 1.5% increase in grant. There were no changes to that set out in the 2009/10 settlement and 2010/11 indicative settlement. There was no indication of grant settlement beyond 2010/11. This creates uncertainty and increases the challenge in planning resources over the medium term. However, the Executive is asked to approve an updated MTRS which provides a framework for planning for 2010/11 and beyond.

KEY ISSUES FOR CONSIDERATION

Revenue monitoring

6. On 26th January the revenue monitoring report was presented to Executive. The report set out the current financial position which highlighted a £1.3m adverse variance. This is largely as a result of unavoidable pressures within children's services and adult social care. Management action will continue to mitigate the impact of these pressures and where these are ongoing they will be addressed through the 2010/11 budget, details of which are set out below.

Final settlement 2010/11 and recent issues arising

7. 2010/11 represents the third year of a three year budget programme agreed by council assembly in February 2008. It was appropriate and relevant for the council to agree a three year budget at that time. The council has continued to deliver against overall objectives to date over that three year period. This is against a backdrop of unprecedented changes in the global financial environment as a result of the economic downturn. The recession that has followed the crisis had a significant impact on the UK economy. London, as a global financial centre, was and remains particularly vulnerable, even in the light of the very small growth experienced most recently in the economy. It is within this context that there is a need for the council to comprehensively review its plans at this time, including agreement of the 2010/11 budget.
8. On 15th December 2009, the Executive noted the provisional 2010/11 local government settlement. First announced in November 2007, the settlement covers the remaining period of the Comprehensive Spending Review (CSR) 2007.
9. The final settlement for 2010/11 was announced on 21 January 2010 and contains no changes to the formula grant announced in November 2007. Southwark will therefore not receive any additional grant to that originally announced.
10. The council will be receiving some £238m in specific and 'unringfenced' revenue grant (£176.1m relates to DSG an increase of 4.8%) from the government in 2010/11, an increase of £14m (6.1%). This is based on the announcements received to date, confirmation is still awaited on some £2m of specific grants (based on 2009/10 allocations). However after 2010/11 (the third year of the current Comprehensive Spending Review) there is no certainty as to the level of these grants or whether some will continue in the future.
11. In 2010/11 the expected allocation for area based grant (ABG) is £43.956m. The overall the level of grant has fallen by £0.828m (1.85%) from 2009/10 to 2010/11. Like other grants, it remains unclear as to what will be the level and status of area based grant from 2011/12. A potential risk relates to the possibility for area based grant to be subsumed within general grant allocation and the consequential impact on overall resources to Southwark. For 2010/11 budget it is proposed to passport all Area Based Grant and Working Neighbourhoods Fund (WNF). In 'passporting' WNF grant the council will continue to closely monitor the delivery of performance against worklessness targets, in particular seeking to ensure that resources support activity that achieves value for money outcomes.
12. Supporting people grant will be included within area based grant for 2010/11. Nationally supporting people grant is £1.636bn. Southwark's allocation is £18.766m. This is the same as the 2009/10 allocation.
13. The government has given no indication of grant for local government for 2011/12 and beyond and has not provided any assurance that a grant floor would continue to be in place for future years. The failure to set out future grant allocation makes it extremely challenging to plan with any certainty for future years. This is made more significant due to continued impact of economic uncertainty on council services. Officers, through relevant representative bodies, are continuing to lobby for changes to be made to the government's grant formula and to seek assurance on the determination of the "grant floor" in future years.

14. Up until most recently inflation had fallen to record low level but officers had reported concern as to the potential for future instability and volatility moving forward. In November 2009 the inflation rate (i.e. the Retail Price Index) moved into positive territory for the first time since January 2009. This was followed by an unprecedented monthly increase of 2.1% to reach on overall RPI of 2.4% in December 2009. This rate of increase is the highest recorded for thirty years. The impact of such volatility on council's expenditure is significant in that higher inflation leads to increases in running costs associated with service delivery; at the same time as rising demand pressures across most council services.
15. Separately, the unprecedented recent low interest rates have had a significant impact on the value of return to the council from short term investments. The forecast for the average return rate on our investments in 2009/10 is projected to be 1.4%, which compares to 5.5% for 2008/09. The latest estimates suggest that the rate of return on investments will decrease further from the 2009/10 position. Combined with continued demand pressures, including the impact of economic uncertainty, this increases the complexity in how the council effectively manages resources to support local priorities and key services.
16. A further consequence of low interest rates is the council's ability to meet its future commitments in relation to the costs of pensions. This will need to be quantified from the next actuarial review.
17. Taken as a whole, this uncertainty strengthens the importance of maintaining a robust MTRS within which to plan council business and sustain delivery of essential frontline services.

2010/11 Budget

18. The proposed budget for 2010/11 is summarised in table 1 below. Table 1 sets out the expected resources based on the information received to date in the local government settlement. A summary of the commitments and savings are described in paragraphs 19 to 38 of this report and set out in further detail in appendices A to D.

Table 1. 2010/11 proposed budget

	2010/11 proposed budget
Formula grant	(230.7)
Council Tax @ 0%	(88.0)
Projected collection fund (surplus)/ deficit 2009/10	(1.2)
Total income resources	(319.9)
2009/10 budget	315.2
Inflation	4.8
Salary Clawback 2009/10	(1.0)
Commitments	14.3
Efficiencies and Improved use of Resources	(11.0)
Income generation	(0.7)
Other savings	(1.7)
2010/11 budget proposals	319.9

19. The budget proposed for 2010/11 includes some £14.3million commitments arising from increased demand pressures. The council is experiencing a number of new and emerging pressures not least the impact of continued economic uncertainty, and additional demand pressures across the council, particularly with regards social care. These pressures relate to external factors that are beyond the control of the council and include changes to regulation, legislation alongside recommendations from government. The council will continue to mitigate the overall impact of these pressures on service delivery.
20. The council is delivering on an ambitious programme of savings to achieve value for money outcomes across services. As part of this ambitious programme of savings the budget proposed for 2010/11 includes savings of some £13.4million. The delivery of modernisation is a central part of meeting saving targets, with the office accommodation move to Tooley Street facilitating further improvement in medium to longer-term savings. This includes the rationalisation of management structures, shared service delivery, better use of information technology and reduced costs resulting from co-location (e.g. reduced staff travel across the borough). A key challenge will be to deliver more with fewer resources overall, especially where the service costs relate largely to salaries. In taking forward the savings programme the council will therefore need to continue to build on a robust MTRS including raising organisational capacity through skills development of staff.
21. Savings are also proposed as a result of service re-configuration and design which are focused on securing improved service delivery at the frontline whilst achieving value for money. Further savings are proposed resulting from better contract management and procurement.
22. £0.7m (of the overall £13.4m savings) relates to resources generated from income. Through the budget process it has been necessary to review income from fees and charges to ensure that they are sensitive to the impact on residents during the current recession whilst at the same time providing resources to support local priorities and meet demand costs. This includes raising levels where best appropriate to bring them in line with other London authorities
23. In proposing savings the council continues to recognise the importance of the contribution of voluntary and community sector providers in delivering local priorities. It is important that providers are able to effectively forward plan and the council, in as far as it is able, needs to take this into consideration when planning and preparing future budgets. In order to give providers the time to effectively respond to any reconfiguration in resources, where possible a minimum of three months notice will be given on any intended changes.
24. The following paragraphs summarise the budget proposals across each of the council's departments.

Childrens Services

25. The budget proposals for children's services in 2010/11 include commitments of some £2.7m. In particular, there has been a significant increase in the number of children requiring care and support and in the complexity of cases. This is at the same time as additional rigour being applied from external regulation and inspection particularly with regard safeguarding. These demands are driving up cost pressures within the social care system. This is compounded by the issue of retaining and recruiting high quality staff which has been reported on a national scale.

26. As a result of an ongoing review of costs across all services (including utilising benchmarking data on costs compared to similar authorities) the council is seeking to identify those areas where higher costs cannot be easily justified in terms of client demand or other local factors. Opportunities for modernisation in these service areas are being rigorously explored and savings proposals for 2010/11. Some £2.2m savings have been targeted at these areas; including improved commissioning and procurement (£350k), more effective combining of funding streams (£400k) and service reconfiguration and redesign (£1.35m). Some £100k will be generated through income generation.
27. The schools forum members continue constructively with the authority to protect funding allocations to priority activities. Strong support, for example, has been received from both Headteachers Executive and the Schools Forum for the development of a subscription scheme for schools to buy back valued support services provided by the council. This will ease the pressure on core funded budgets in 2010/11. It will prepare schools for the more fundamental changes in funding that are likely from 2011/12 onwards.

Health and Community Services

28. The budget proposals for health and community services in 2010/11 includes a commitment of £1.5m which is supporting approximately 30 children with learning disability care needs in transition to adult social care. For 2011/12 and 2012/13 this pressure is expected to increase and therefore close monitoring and stringent financial control on costs will be required. Furthermore, subject to legislation being in place, it is intended that councils provide free personal care to those who meet the specified criteria. This could be introduced as early as 1 October 2010 therefore the council will need to monitor the impact on overall resources moving forward.
29. A major transformation, improvement and modernisation programme is underway centred in health and community services around personalisation. This includes service redesign. Through this change process a number of savings proposals have been set out as part of a total package of £3.3m for 2010/11. The proposals will assist in future delivery of efficiencies. Savings plans proposed for 2010/11 include: redesign of support provided to people with learning disabilities with complex health and social care needs (£600k); re-tender and review of contracts (£700k); re-modelling, redesign and reconfiguration of service areas particularly those relating to supporting people (£2m).

Environment and Housing

30. The budget proposals for environment and housing for 2010/11 include commitments of some £1m, of which £634k will support running costs of the new library. £309k is to overcome the income shortfall within the libraries and cemeteries business units. Budget pressures include falling income levels across many services, for example parking, due to the current economic downturn and events management which have increasing security costs.
31. Savings totalling £1.5m are proposed across the environment and housing department. Of these, £455k relates to general efficiencies through service redesign and rationalisation along with improvements to contract processes. During the 2009/10, the department embarked on a series of structural reviews and rationalisation of services with minimum impact on front line provision. As a result savings of nearly £0.9m are proposed, with the majority (£633k) coming from the community safety and enforcement division. Other structural reviews that are proposed to generate savings include the healthy living programme (£140k). The ongoing exploration of opportunities to maximise resources through change of working methods and reconfiguration of services as part of planned modernisation will deliver £150k savings.

32. The department also compared its fees and charges with neighbouring authorities and as a result new income sources generating £150k are proposed for consideration. The benchmarking exercise concluded that the fees charged for most services are comparable with inner London average.

Regeneration and Neighbourhoods (incorporating Major Projects)

33. The budget proposals for regeneration and neighbourhoods for 2010/11 include commitments of some £1.2m relating principally to the change in subsidy from 2010/11 with regards to housing benefits announced by the government.

34. Within regeneration and neighbourhoods savings of £0.9m are proposed. The majority of these savings (£675k) are generated via efficiency and income generating proposals and the remainder of the savings are being achieved with minimal impact on service delivery. A further £220k of efficiency savings are being proposed from major projects activity by integrating project areas and management arrangements. Officers will be exploring the potential for further efficiency savings from service re-configuration and shared services across the department on an ongoing basis and these will be incorporated into future budget proposals.

Corporate services

35. Taken all together, the budget proposals for corporate services (Finances and Resources, Deputy Chief Executive's, Communities, Law & Governance) include commitments of some £3.9m resulting from pressures beyond the control of the council. For example, external factors resulting from increased regulatory burdens. These include pressures within the law area and in the field of health and safety. Commitments include proposed changes to the allocations of concessionary fares (£2m) across London that would have a direct impact on council finances, aligned with potential changes to how this is resourced from central government. Remaining commitments of £1.9m relate to a number of factors, the most significant of which include £940k pension costs and £545k relating to contract pressures within the revenues and benefits services.

36. The effect of continued economic uncertainty on council services requires close management. It is therefore proposed that £4.0m of commitments be included in 2010/11 to ensure that there is sufficient flexibility in the council's broader resource base so that it can respond to the impact of economic uncertainty and service pressures.

37. Some £5.3m savings are proposed for 2010/11 across corporate services. £3m of these relate to a range of shared service delivery projects across the council which are linked to the move to Tooley Street.

38. Also linked to the move to Tooley Street, the remaining £2.3m of savings include the rationalisation of management structures and service reconfiguration across corporate services. In particular, £500k will be saved through improved contract management of the customer service centre. £528k of savings will be achieved through a range of information services contracts and reduced internal costs.

Collection fund monitor 2009/10

39. The estimated balance on the collection fund for council tax transactions to 31 March 2010 is a surplus of £1.652m, of which Southwark's element is £1.232m. This is shown in table 2 below. The surplus is due mainly to higher than expected council tax billing in 2009-10, principally as a result of new developments being completed in the borough, and a reduction in discounts following a review of entitlements at the end of 2008-09. The surplus is one-off and must be used to reduce the demand on Council Tax payers in 2010-11.

Table 2. Collection fund monitor 2009/10

	£m
Southwark Council	1.232
Greater London Authority	0.420
Total Surplus	1.652

Schools Budget and Dedicated Schools Grant (DSG)

40. The schools budget can be defined as planned expenditure to be made directly by schools together with amounts to be spent centrally on education. The amount spent directly by schools is determined through a local formula to produce what is known as the individual schools budget. The main block of funding for schools budget expenditure is received in the form of a specific dedicated schools grant. This grant is based on the number of pupils and a per pupil funding allocation. The 2008/09 – 2010/11 comprehensive spending review set the per pupil allocations for Southwark as follows:

2008/09	2009/10	2010/11
£5,755.83	£5,961.29	£6,200.27

This means a per pupil increase in funding of 4% in 2010/11.

41. The increase of 4% per pupil provides for an increase in delegated school budgets of a minimum of 2.1% under the terms of the minimum funding guarantee (MFG). In coming to this guarantee, the Department for Children, Schools and Families (DCSF) has provided funding for an increase in schools' costs in 2010-11 of 3.1%, abated by 1% as schools' contribution to the delivery of the department's overall efficiency savings target. DCSF will provide a further increase in the funding per pupil of 0.8% as headroom to enable authorities to implement the MFG. The remainder of the increase in DSG funding receivable (i.e. equivalent to a further 1.1% increase in resources per pupil) is provided to assist authorities and their schools to support the universal roll out of a personalised offer to all pupils – including those with special educational needs.
42. The advice from DCSF is that in taking decisions on the allocation of these resources, local authorities and their schools forums should consider the Government's priorities. These are: ensuring all children are making good progress; early intervention to prevent children from falling behind; targeted support for specific groups – certain ethnic minorities, white working class children, children in care and those with special educational needs; and ensuring that the school workforce has the skills and confidence to address the needs of children within these groups.
43. On the 31st January 2008 the government launched the review of the formula for distributing dedicated schools grant (DSG). The aim is to develop a single, transparent formula that will be available for use in distributing the DSG to local authorities from 2011 to 2012. It is expected that broad decisions from the review will be announced in summer 2010.
44. In previous years schools budget funding for 16-18 year olds has been allocated through the Learning and Skills Council (LSC). However proposals within the Apprenticeships, Skills, Children & Learning Bill currently moving through parliament mean that from 2010/11 the LSC will cease to exist and local authorities will take on responsibility for securing education and training for all 16 to 19 year olds. The change will give the authority the responsibility and duty to deliver for all children and young people from 0 to 19

45. At present four LSC staff members are seconded to Southwark to assist with the transfer to the new arrangements. These staff will transfer formally to Southwark on the 1st April 2010. The Council will receive a Special Purpose Grant (SPG) from the DCSF to enable us to carry out the new functions and, in particular, to cover the employment costs of the necessary staff. The grant will be paid for a minimum of 3 years and will be received as a component of ABG (Area Based Grant).
46. Schools balances remain a concern for the government at this time with balances nationally continuing to rise. While the government decided to put on hold new legislation that would have forced local authorities to recover and redistribute excessive balances, there is a risk that the government may take action to reduce balances under the next spending review particularly if it appears that local authorities continue to indicate that they are not taking action themselves to manage balances effectively. Ministers have reiterated their concern in this area recently and have now issued a final warning to schools and authorities that they will take action if there is no significant reduction in the amount of surplus balance held during 2010/11.
47. A report recommending a tightening of the existing balance control mechanism was presented to the Schools Forum on 28th January . This will strengthen the authority's powers to challenge those schools holding 'excess' balances as at 31st March 2009. Excess balances are defined by DCSF as balances of over 5% of budget share for secondary schools and of over 8% for primary schools. The forum fully supported the authority's proposals for scrutiny of the balances held by these schools and indicated its support for any proposal that the authority might make for the reallocation of excess balances where these cannot be justified.
48. Officers provided a full briefing on the financial position facing the authority to Schools Forum members in November. An initial report on the position with regard to the likely position on the Schools Budget was considered at the Forum's meeting on December 10th. The authority's detailed proposals were considered by the Forum on 28th January.
49. The authority's proposals for delegated school budgets take on board the additional costs facing schools including a national pay award of 2.3% for teachers, an increase in the employer's contribution to the Southwark superannuation scheme of 0.5% and increased NNDR charges. Further additional resources will be allocated to provide additional funding for pupils with Special Educational Needs both in mainstream schools and Southwark Special Schools. Resources have also been identified to direct additional funding to non-maintained early years providers to reflect the costs of educating children with additional educational needs. The Forum also accepted the local authority's proposal to provide all schools with automatic meter reading devices in order to assist in meeting the Council's carbon reduction commitment.

Housing Revenue Account (HRA)

50. The HRA reflects the statutory requirement under Section 74 of the Local Government and Housing Act 1989 to account separately for local authority housing provision. It is a ring-fenced account, containing solely the costs arising from the provision and management of the Council's housing stock, offset by tenants' rents and service charges, housing subsidy, leaseholder service charges and other income.
51. For 2010/11, the Government's draft Subsidy Determination was not issued until 9th December 2009, and consultation ended on 25th January, therefore rent levels and resources are predicated on the guidance contained in the draft, pending receipt of the final Determination sometime in February. Normally there is little or no change between the draft and the final Determination, however, in the event of a change requiring amendment to rent levels or a significant shift in resources, then these matters would be subject to further consultation and most likely impact on the implementation date, given the 28 day statutory notification requirement

52. Management and Maintenance (M&M) spend targets have overtaken current allowances, which together with changes in stock weightings result in an uplift of 3.8% on management and 4.7% on maintenance allowances. Major Repairs Allowance (MRA) is up 3%. Conversely, rent claw back increases by 3.1% in line with the national guideline rent increase. Government effectively operates control over rent policy through the rent restructuring regime and claws back rent resources by more than is generated by the annual increase applied to tenant's rents. Together with movements in debt charges and debt charge subsidy, the net position in budget terms is £0.4m better than the current year.
53. Despite the settlement and low inflationary pressures, the HRA continues to be under severe financial pressure to meet the continuing needs of maintaining and improving the housing stock and cope with the demands arising from the events at Lakanal and Sumner Road. Commitments and budget pressures total £5.7m. This has been balanced by a range of measures, including a proposed average rent increase of 1.35% with effect from 5th April 2010. Garages and other non-residential property are subject to a strategic review which is due to report in spring 2010 and will consider the introduction of a differential charging policy. In the interim, options for either a freeze or an increase of circa 33% are proposed. Tenant service charges and district heating charges are recommended to be frozen. Efficiency savings are assumed in line with corporate guidance on the General Fund and will be delivered through revised and more efficient working across housing services, together with contract and supply chain improvements. Re-profiling and re-direction of resources allow priorities, such as repairs and maintenance to be protected and where possible receive targeted increases for 2010/11.
54. Consultation on the HRA Rent Setting Report commenced at Tenant Council on 4th January 2010, followed by individual Area Housing Forums during January and a further Tenant Council meeting on 25th January, culminating in consolidated recommendations being reported to Executive on the 26th January.

Capital

55. In September 2009 the Executive noted the new and emerging pressures on the capital programme arising from issues of service demands, the recession, and the impact on the pace of regeneration schemes, and requested the Finance Director to submit a refreshed 10 year capital programme for approval to a future Executive meeting. Officers continue to work on this programme. A capital monitoring report is being presented elsewhere on the agenda.

Greater London Authority (GLA) precept

56. The GLA is to set its budget and precept on 10th February 2010. The draft budget has indicated an increase in precept of 0.0%.

A strong and stable resource base

57. In setting out the budget options for 2010/11 the Finance Director 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 budget proposed for 2010/11 is therefore robust.

58. In addition to ensuring that sufficient funds are available to finance the ongoing management of Council services, the Finance Director needs to be assured that there is an appropriate level of reserves and balances available. Reserves and balances are needed in any event but especially to protect against risks due to the size, scale and complexity of projects and services. Maintaining an adequate level of reserves, balances and risk are key factors in the Finance Director's assessment of the robustness of the budget. Target level of working balances have been set at £20m over the medium term, in line with similar organisations in London. The Council has made progress to achieving this level of balances, currently standing at £18.3m as included in the audited statement of accounts for 2008/09. The Finance Director will continue to review the level of balances and reserves and report to the Executive through the normal monitoring process.
59. In setting the budget the council needs to be mindful of the continued uncertainty with regards future funding particularly from 2011/12 onwards. Allied with continued economic uncertainty this strengthens the importance of maintaining a robust MTRS within which to plan council business and sustain delivery of essential frontline services.

Learning Disabilities Funding Changes

60. The consultation document 'Valuing People Now: From Progress to Transformation' (2007) proposed the transfer of learning disability social care commissioning and funding from Primary Care Trusts to local government from April 2009 based upon spend by PCTs in 2007/8. The proposal was part of a wider transformation of adult social care set out in 'Putting People First' (2007). It is anticipated that this will bring clear benefits to people with a learning disability.
61. In August 2008 the Department of Health (DH) issued guidance to primary care trusts (PCTs) and Councils asking them to begin local discussions to collect and analyse local data to establish PCT spend on social care for adults with a learning disability. This was to include both revenue expenditure and capital interests used to deliver social care to people with learning disabilities. The transfer does not include funding for either mainstream/general healthcare nor forensic/offender services.
62. The process was to be used locally to agree the value of transfers for 2009/10 and 2010/11. The DoH has indicated that from April 2011 the allocation of these social care resources will be made directly from central government to local authorities. The DH has not given any indication about how these allocations will be calculated or how this funding will be made available to local authorities. However the DH has indicated that it will consult local authorities on these matters.
63. The funding changes are designed to provide greater clarity about resources available for adults with learning disabilities. Local authorities will be responsible for specialist social care and the NHS will be allowed to focus fully on its primary learning disability responsibility of providing equal access to high quality healthcare
64. In Southwark the task of agreeing the value of the transfers for 2009/10 and 2010/11 has been relatively straightforward as Southwark Health & Social Care has been using powers contained in Section 31 of the Health Act 1999 and Section 75 of the National Health Service Act 2006 to lead commission learning disabilities social care services through a pooled budget with Southwark PCT since 2002.
65. This requires Southwark PCT to contribute 34% to the total expenditure of the pooled budget. The values of transfers agreed with Southwark PCT are:

2009/10: £11.733m (as at month 9)
2010/11: £11.951m

66. In addition there are capital interests owned by the PCT that are eligible to transfer to the Council. These take the form of 6 properties in Southwark that are being used to provide registered residential care and supported living services to people with learning disabilities. Officers from both organisations are currently working on the necessary due diligence and conveyance arrangements to enable the buildings to transfer to the Council.
67. There are considerable financial risks to the Council after the responsibility for funding passes from the PCT to central government on 1 April 2011. The main ones are: no annual increase in funding to reflect increases in unit costs due to higher needs and increases in client numbers especially relating to clients in transition from children's services - in 2011/12 additional transition clients are expected to cost £2.5m and under the current Section 75 pooled budget arrangements 34% of this additional cost would be funded by health. The DH are unable to provide information about how the national budget available for distribution to local authorities in 2011/12 onwards is to be allocated.

MTRS

68. At its meeting on 20th October 2009, the Executive considered and approved initial changes to the MTRS. Since that time officers have continued to work to update the MTRS so that it provides an effective framework for the regular review of resource priorities and principles to best reflect the changing and uncertain environment in which the council operates. The budget set out in this report has been based on the updated MTRS, which is attached for approval at Appendix E.

Community Impact Statement

69. The purpose of this report is to outline budget proposals for Council services, following the final local government settlement and with a recommended Council Tax of 0%. Future decisions made on the basis of the agreement of the 2010/11 budget may require detailed consideration of the impact on local people and communities as appropriate including consultation where required.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

70. The council has obligations under Section 32 of the Local Government and Finance Act 1992 to calculate and agree an annual budget. The matters contained in this report will assist in the future discharge of that obligation.

BACKGROUND INFORMATION

Background Papers	Held At	Contact
Policy and Resources Strategy and budget working papers	Town Hall	Cathy Doran, extension 54396 Stephen Gaskell, Extension 57293

APPENDICES

No	Title
A - D	Budget schedules
E	MTRS

Audit Trail

Lead Officer	Duncan Whitfield, Finance Director	
Report Author	Cathy Doran, Finance and Resources Stephen Gaskell, Corporate Strategy	
Version	Final draft	
Dated	29 January 2010	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
List other Officers here	All Chief Officers	Yes
Executive Member(s)	Yes	Yes
Date final report sent to Constitutional Support Services	1 February 2010	