

Cabinet

Tuesday 19 September 2017

4.00 pm

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

Supplemental Agenda No. 2

List of Contents

| Item No. | Title | Page No. |
|----------|---|----------|
| 7. | Deputation Requests To consider any deputation requests. | 1 - 2 |
| 19a. | Ledbury Estate: Report from the Overview and Scrutiny Committee To consider the recommendations of the overview and scrutiny committee. | 3 - 4 |
| 30. | Policy and Resources Strategy: Revenue Monitoring report, including Treasury Management 2017-18 (Month 4) To note the general fund outturn forecast for 2017-18 and associated issues. To approve general fund budget movements that exceed £250,000 and note those that are less than £250,000. | 5 - 20 |

Contact

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Date: 14 September 2017

| | | | |
|------------------------------------|--------------------------------|-----------------------------------|---------------------------------|
| Item No. 7. | Classification: Open | Date: 19 September 2017 | Meeting Name: Cabinet |
| Report title: | | Deputation requests | |
| Ward(s) or groups affected: | | All | |
| From: | | Proper Constitutional Officer | |

RECOMMENDATION

1. That cabinet considers whether or not to hear a deputation from the Ledbury Estate Action Group and Tenants and Residents Association (TRA) in respect of fire safety works and associated issues.

BACKGROUND INFORMATION

2. When considering whether to hear the deputation request, cabinet can decide
 - To receive the deputation at this meeting or a future meeting; or
 - That the deputation not be received; or
 - To refer the deputation to the most appropriate committee/sub-committee.
3. A deputation shall consist of no more than six people, including its spokesperson. Only one member of the deputation shall be allowed to address the meeting for no longer than five minutes. After this time cabinet members may ask questions of the deputation for up to five minutes. At the conclusion of the questions, the deputation will be shown to the public area where they may listen to the remainder of the open section of the meeting.

KEY ISSUES FOR CONSIDERATION

4. The deadline for receipt of deputation requests for this cabinet meeting was Midnight 13 September 2017. The request was received in line with this constitutional deadline.

Deputation request

The Ledbury Estate Action Group and Tenants and Residents Association

5. The Ledbury Estate Action Group and Tenants and Residents Association wish to address cabinet on “fire safety works and associated issues on Ledbury Estate Tower Blocks.”

Community impact statement

6. The Southwark Constitution allows for deputations to be made by groups of people resident or working in the borough.

BACKGROUND DOCUMENTS

| Background Papers | Held At | Contact |
|---|--|---------------------------------|
| Cabinet procedure rule 2.11 on deputations: | 160 Tooley Street London SE1 2QH | Paula Thornton 020 7525 4395 |
| Link: (copy and paste into browser) http://modern.gov.southwark.gov.uk/documents/s63344/Cabinet%20procedure%20rules_July%202015.pdf | | |

APPENDICES

| No. | Title |
|------|-------|
| None | |

AUDIT TRAIL

| | | |
|---|---|--------------------------|
| Lead Officer | Everton Roberts, Principal Constitutional Officer | |
| Report Author | Paula Thornton, Constitutional Officer | |
| Version | Final | |
| Dated | 14 September 2017 | |
| Key Decision? | No | |
| CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER | | |
| Officer Title | Comments sought | Comments included |
| Director of Law and Democracy | No | No |
| Strategic Director of Finance and Governance | No | No |
| Cabinet Member | No | No |
| Date final report sent to Constitutional Team | | 14 September 2017 |

| | | | |
|------------------------------------|--------------------------------|---|---------------------------------|
| Item No. 19a. | Classification: Open | Date: 19 September 2017 | Meeting Name: Cabinet |
| Report title: | | Ledbury Estate: Report from the Overview and Scrutiny Committee | |
| Ward(s) or groups affected: | | Livesey ward | |
| From: | | Overview and Scrutiny Committee | |

RECOMMENDATION

1. That the cabinet considers the recommendations of the overview and scrutiny committee set out below and the relevant cabinet member reports back within eight weeks.

RECOMMENDATIONS OF THE OVERVIEW AND SCRUTINY COMMITTEE

2. That the council carries out a full, thorough and independent review of the repairs history of the Ledbury estate.
3. That the council urgently engages with contractors to ensure an end to the missed appointments currently being experienced by residents on the Ledbury estate.

BACKGROUND INFORMATION

4. The overview a scrutiny committee received the Ledbury Estate update report and the tenants and residents response at its meeting on 11 September 2017. In addition to the above recommendations to cabinet, the committee agreed:
 - 1) To request a full written response to the points raised in the submission from Ledbury TRA and Action Group.
 - 2) That the residents should receive written assurance of their right to return following any work to Ledbury towers.
 - 3) That the housing department will set up an email address that Ledbury resident can use to escalate any urgent matters.
 - 4) That the Ledbury TRA and action group will work together to produce a regular email to feed into the strategic director's daily briefing for management follow up and response.
 - 5) That the housing and community safety scrutiny sub-committee should monitor progress on Ledbury.
 - 6) That the strategic director will review the operation of the council and contractor teams based in the Ledbury TRA hall to ensure that residents are able to have confidential discussions with housing officers, and that requests for repairs are taken without being redirected to the call centre.

REASON FOR URGENCY

5. Cabinet are considering two related items on this agenda, “Borough Wide Fire Safety and “Appointment of Keepmoat Emergency Works at Ledbury Estate”. It is important that cabinet consider any feedback from overview and scrutiny committee to feed into ongoing urgent work on these matters and any future reports to cabinet.

REASON FOR LATENESS

6. It has not been possible to circulate this report five clear days in advance of the meeting. Overview and scrutiny committee received a report on Ledbury Estate at its 11 September meeting and heard from residents. The committee were aware that the cabinet was due to receive a report on Ledbury and fire safety at its 19 September meeting, and wished to add the above recommendations as part of the cabinet’s consideration.

BACKGROUND DOCUMENTS

| Background Papers | Held At | Contact |
|---|--|--------------------------------|
| Overview and Scrutiny Committee Agenda 11 September 2017 | Scrutiny Team 160 Tooley Street London SE1 2QH | Shelley Burke 020 7525 7344 |
| Link: http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=308&MId=5889&Ver=4 | | |

APPENDICES

| No. | Title |
|------|-------|
| None | |

AUDIT TRAIL

| | | |
|---|--|--------------------------|
| Lead Officer | Shelley Burke, Head of Overview & Scrutiny | |
| Report Author | Fitzroy Williams, Scrutiny Project Assistant | |
| Version | Final | |
| Dated | 13 September 2017 | |
| Key Decision? | No | |
| CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER | | |
| Officer Title | Comments Sought | Comments included |
| Director of Law and Democracy | No | No |
| Strategic Director of Finance and Governance | No | No |
| Chief Officers | No | No |
| Cabinet Member | No | No |
| Date final report sent to Constitutional Team | 13 September 2017 | |

| | | | |
|------------------------------------|--------------------------------|---|---------------------------------|
| Item No. 30. | Classification: Open | Date: 19 September 2017 | Meeting Name: Cabinet |
| Report title: | | Policy and Resources Strategy: Revenue Monitoring report, including Treasury Management 2017-18 (Month 4) | |
| Ward(s) or groups affected: | | All | |
| Cabinet Member: | | Councillor Fiona Colley, Finance, Modernisation and Performance | |

FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR FINANCE, MODERNISATION AND PERFORMANCE

This first budget monitoring report of 2017-18 shows a rapidly improving picture in the council's finances. After the £27.4m use of reserves in the last financial year it is heartening to see our budget recovery work succeeding and spending coming closer into line with budgets. This has involved not only spending reductions, but also agreeing realistic budgets for areas of growing demand.

I particularly welcome the agreement of the health and wellbeing board and our partners in the CCG to allocate the £7.4m of improved Better Care Fund money to support the growing need for homecare and nursing care.

Whilst we are certainly in a much better position there remain services where we need to closely monitor pressures including temporary accommodation where rent collection is being hit hard by the introduction of Universal Credit and No Recourse to Public Funds services where spending is reducing, but is still considerably over budget with destitute residents continuing to need support as they wait for Home Office immigration decisions.

RECOMMENDATIONS

1. That the cabinet notes:
 - the general fund outturn forecast for 2017-18 of £0.407m (table 1, paragraph 11) after the application of the supplementary improved better care fund grant (IBCF) as agreed by the Health and Well Being Board on 11 September
 - the reduced but continuing pressures on the Children's and Adults' social care of £4.229m; prior to the application of the IBCF, these cost pressures were forecast to be £11.7m (paragraphs 12 to 21)
 - the adverse variance in Public Health of £0.6m due to continued demand pressures in sexual health services (paragraphs 22 to 26)
 - cost pressures in Housing and Modernisation in Temporary Accommodation, No Recourse to Public Funds and Corporate Facilities Management (paragraph 28 to 44)
 - the £4m contingency is utilised in full to mitigate the total impact of cost pressures (paragraph 48)

- the general fund outturn forecast including the final projected outturn position assumes a total net reduction in reserves of £7.1m (Table 2)
 - the forecast reduction in reserves includes the full allocation of remaining Dedicated Schools Grant Reserve of £1.249 (Table 2, paragraph 62)
 - the housing revenue account forecast set out in table 2, paragraph 50 to 57
 - the treasury management activity to date in 2017-18 (paragraph 63 to 67).
2. That cabinet approves the general fund budget movements that exceed £250k, as shown in Appendix A.
 3. That cabinet note the general fund budget movements that are less than £250k as shown in Appendix A.

BACKGROUND INFORMATION

4. The purpose of this report is to provide a forecast for the end of the financial year 2017-18, using predictions based on the experience to date, and to use this to inform the policy and resources strategy for future years' budgets. Work continues throughout the council to ensure that a balanced position is achieved by the end of the year.
5. The council agreed a balanced general fund budget of £274.327m on 22 February 2017 based on a 2% council tax increase (with 3% precept for adult social care), and £3.7m use of reserves. This budget was set in the context of further significant overall cuts in government funding. Subsequently, as reported to cabinet in July 2017, government issued a supplementary budget including notification of a further £7.471m of improved Better Care funding.
6. In the context of 2016-17 adverse budget variances and the consequential reduction in the level of balances, officers are attentive to the 2017-18 budget position, in particular the cost pressures in children's and adults' services.
7. The council also approved budget decisions including reductions of £26.4m within the general fund for 2017-18. Performance on achieving these savings is closely monitored and significant variances will be included in departmental narratives.
8. Following the agreement of the council's 2017-18 budget in February 2017, the government announced a supplementary spring budget. The details of the announcements were shared as part of the cabinet report of 18 July 2017 - "Policy and Resources Strategy 2017-18 and 2018-19 Updated Financial Remit". This supplementary budget included additional allocations of Improved Better Care Fund of £7.417m for 2017-18, increasing the total allocation of Improved Better Care Fund to £9.1m. The report provides an update on the decision for the utilisation of this supplementary Improved Better Care Fund grant (paragraphs 15 and 17).
9. The cabinet agreed a balanced housing revenue account (HRA) budget on 24 January 2017.

KEY ISSUES FOR CONSIDERATION

General fund overall position

10. Table 1 below shows the current forecast outturn position by department. All strategic directors will continue to take action ensure that they deliver their services within budget. Progress for each department is shown in the narrative below.

Table 1: General fund outturn position for 2017-18

| General fund | Original budget | Budget movement | Revised budget | Forecast Spend in year | Variance before use of reserves | Planned movement in reserves | Further movement in reserves | Total use of resources | Variance after use of reserves |
|---|-----------------|-----------------|----------------|------------------------|---------------------------------|------------------------------|------------------------------|------------------------|--------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Children's and Adults' | 177,384 | -1,709 | 175,675 | 187,375 | 11,700 | | | 187,375 | 11,700 |
| Supplementary Improved Better Care Fund ⁽¹⁾ | 0 | 0 | 0 | -7,471 | -7,471 | | | -7,471 | -7,471 |
| Total Children's and Adults' | 177,384 | -1,709 | 175,675 | 179,904 | 4,229 | 0 | 0 | 179,904 | 4,229 |
| Public Health | 0 | 0 | 0 | 600 | 600 | | | 600 | 600 |
| Environment and Social Regeneration Housing and Modernise | 65,363 | 214 | 65,577 | 65,577 | 0 | | | 65,577 | 0 |
| Chief Executive's | 65,537 | 1,189 | 66,726 | 70,953 | 4,227 | -668 | -2,676 | 67,609 | 883 |
| Finance and Governance | 7,474 | -215 | 7,259 | 7,259 | 0 | | | 7,259 | 0 |
| Strategic Finance | 18,221 | 578 | 18,799 | 19,094 | 295 | | | 19,094 | 295 |
| Support cost recharges | -16,775 | -57 | -16,832 | -20,032 | -3,200 | 1,600 | | -18,432 | -1,600 |
| Contingency | -43,177 | 0 | -43,177 | -43,177 | 0 | | | -43,177 | 0 |
| | 4,000 | 0 | 4,000 | 0 | -4,000 | | | 0 | -4,000 |
| Total general fund services | 278,027 | 0 | 278,027 | 280,178 | 2,151 | 932 | -2,676 | 278,434 | 407 |
| Use of reserves to underwrite base budget | -3,700 | 0 | -3,700 | | 3,700 | -3,700 | | -3,700 | 0 |
| Net revenue budget | 274,327 | 0 | 274,327 | 280,178 | 5,851 | -2,768 | -2,676 | 274,734 | 407 |

⁽¹⁾ Please refer to paragraphs 15 and 17.

11. As shown in Table 1, within services there is a forecast adverse variance of £0.407m; this is after the net utilisation of £5.444m of general fund reserves. Reserves are considered in more detail in paragraphs 58 to 62.

Children's and Adults' Services

12. Children's and Adults' Services have experienced significant increased demand pressures especially in the period since 2015-16. These have been consistently reported to cabinet through regular monitoring and revenue outturn reports and have included increased levels of referrals, information and advice, and carers' assessments arising from implementation of the Care Act. These pressures have coincided with continued reductions in government funding and have been mitigated to some extent by increased joint working with health partners and through contributions from the Better Care Fund and a range of

management actions. At the same time, throughout this period the budget for children's social care has been protected at existing levels.

13. In addition, the social care sector has also been adversely impacted by price pressures. These include those arising from the implementation of London Living Wage and Ethical Care Charter that the council has fully supported in order to help improve the quality of services provided by the council and by contractors. Inflationary pressures have also been felt by providers and the department will continue to consider the financial sustainability of providers in order to protect the quality of care and safeguard our most vulnerable residents. The 3% precept for adult social care is raising approximately £2.7m in 2017-18 and is being used to improve the quality of home care services for older people.
14. The total 2016-17 outturn adverse variance was £14.9m, after the planned use of reserves (£11.5m). The increased pressures, in both level of demand together with the complexity of need, reflect the service pressures in social care being experienced across London and the country and also the population increases of children and older people in Southwark. The 2016-17 position was made up of a number of years of underlying pressures which were previously contained within departmental budgets, supported in part by higher levels of government funding. These pressures can no longer be met within these decreasing resources. However, the department is aware that adjustments to the lower funding levels must be dealt with sensitively and the need to mitigate any impact on vulnerable residents.
15. For 2017-18, Children's and Adults' Services are currently forecasting an adverse variation of £11.7m for 2017-18. This is after £1.7m of the original Improved Better Care Fund (IBCF) funding allocated to older people's homecare and the application of the Adult Social Care Precept (£2.7m). Following on from the agreement of the Health and Wellbeing Board to release of the supplementary IBCF funding notified in the government's Spring budget of £7.471m in line with the agreed priorities, this variation will be reduced to approximately £4.229m.
16. Pressures in children's social care have historically been covered through corporate and departmental reserves which are no longer available, so the Strategic Director of Finance and Governance is considering the application of monies to fund the structural deficit, expected to be in excess of £2m but subject to further review.
17. It should be noted that the supplementary IBCF funding of £7.471m was announced after the agreement of the council's budget, which was set in February. This increases the total Improved Better Care Fund to £9.1m for 2017-18. The IBCF expenditure budget allocation was agreed by the Strategic Director of for Children's and Adults' Services (on behalf of the council), the Clinical Commissioning Group (CCG) and by the Health and Wellbeing Board on 11 September. The supplementary IBCF is to be allocated to older people's contracted homecare (£5.3m) and nursing care (£1.9m) to fully fund these at current levels. Significant pressures remain in older people's spot homecare packages. A transformation fund of £250k will also be created from the supplementary IBCF funding to enable the testing of innovative improvements and enhancements to home care, nursing home care, extra care housing and residential care to improve the health and wellbeing and resilience of vulnerable service users in the community, and in support of our work to reduce

delayed transfers of care, reduce hospital admissions and to support people to remain in the community post-discharge. Use of the transformation fund will be determined by the Strategic Director for Children and Adults in consultation with the Strategic Director for Finance and Governance. Deployment of these resources will take account of the financial position of adult social care.

18. The allocation of Better Care Fund in 2017-18 (£22.3m) is marginally higher than in 2016-17 (£21.8m) and it includes monies previously provided separately for winter pressures. Funding has been required to meet increasing demand in areas such as end of life care and dementia, and to develop seven day working which is a key national condition of the funding. Southwark has been the sixth best performer nationally for low levels of delayed transfers of care, with delays less than a third of the national average. Re-ablement services have been improved with a reduction in the number of patients re-admitted to hospital (over 90% of patients remain at home 91 days after discharge). This performance represents a saving to the public sector as a whole, but at a cost to the council. Care home admissions have been kept at low levels, through re-ablement and services such as Night Owls and Care@home, allowing more people to be cared for at home, and helping to rebuild confidence, mobility, and independence.
19. Children's and Adults' Services represents the largest proportion of the council's budget and accordingly have repeatedly set out to achieve significant budget efficiencies and savings, while successfully maintaining the high quality of services provided. In 2015-17 these amounted to £34.8m, with a further £8.0m to be achieved in 2017-18. The department is managing a large programme of efficiency initiatives and is mindful that the pace of change must allow for the correct fulfilment of obligations to appropriate consultation, procurement and value for money assessments, and implementation in ways that appropriately mitigate risk and treat residents with dignity and respect. Some departmental efficiencies are contingent on successful engagement with health partners to update service user pathways and ensure appropriate identification of, and funding for, health care needs. Slippage has occurred with savings relating to some commissioned services but the department has strong plans to achieve savings in the medium term, including in collaboration with the modernise programme.
20. Southwark's education services continue to provide a high quality service, being in the top eight of local authorities in the country for the proportion of schools rated as good or outstanding. The division is currently meeting significant special education needs cost pressures within its existing budget, with rising costs in placements and related transport, increasing demand in services for young people over 16 years old, and increasing demand in particular for Autistic Spectrum Disorder (ASD) placements. A strategy is being developed including increasing in-borough provision to reduce the need for expensive private and independent placements. Despite recent announcements on funding, potential changes to the national funding formula remain a medium term risk for the division. It is forecast that the Dedicated Schools Grant reserve will be fully utilised in 2017-18 to support the day nurseries and special educational needs cost pressures.
21. The council engaged RSM Tenon in 2016-17 to undertake a thorough review of the pressures underlying the budget variations which largely supported the variations previously identified and reported. A budget recovery board was established in November 2016, chaired by the Strategic Director for Finance

and Governance and supported by the Strategic Director for Children and Adults, which reports to the Chief Executive. The board helped drive forward the management actions implemented to reduce the adverse variances in 2016-17 and continues to provide assurance over the implementation of 2017-18 savings, efficiencies and management actions which are moving the department towards containing spend within budget levels and in line with unit costs benchmarked against statistical neighbours, London and national levels. The 2017-18 one-off Adult Social Care Support Grant of £1.578m has been used to create an ASC Transformation Fund Reserve – this is shown as a reserve movement in Table 1 above. This Transformation Fund reserve is being utilised to provide short-term investment to save posts in commissioning, procurement, and review social workers to ensure that management actions can be successfully implemented in a timely manner.

Environment and Social Regeneration (including Public Health)

22. The Environment & Social Regeneration department is forecasting an adverse variance of £600k.
23. The £600k adverse variance is due to the continued demand pressures in sexual health services on the public health grant despite management action taken to reduce costs where controllable through use of block contract arrangements, the implementation during 2017-18 of the pan-London e-service, integrated sexual health tariff and more efficient methods of service delivery.
24. During 2016-17, the demand pressure in sexual health services led to an adverse variance of £1.9m against the final 2016-17 revenue outturn position and the cabinet meeting of 18 July 2017 noted that the adverse variance has been transferred to a negative reserve against future ring-fenced Public Health grant.
25. At this meeting, cabinet is also being requested to approve another report for the council to access the new London-Wide sexual health contract awarded to Kings College Hospital and Guy's and St Thomas Hospital Trust for the provision of integrated sexual health services in clinics across the borough. This contract arrangement is expected to generate savings of approximately £10m over the next four to five years and will contribute towards the negative reserve mentioned above and enhance public health service delivery across the borough.
26. The predicted 2017-18 position of Public Health has not allowed the paying back of the negative reserve. However, as part of the 2018-19 budget challenge process Public Health will be identifying potential areas to be reviewed to achieve further efficiencies in 2018-19 and 2019-20, above the sexual health and substance misuse savings offsetting an anticipated decrease in grant, to ensure that the negative reserve is paid back in following years.

Savings

27. The department has implemented most of the proposed savings for this financial year and is on course to meet the savings target set for 2017-18.

Housing and Modernisation (H&M)

Overview

28. Early forecasts indicate there is an adverse variance of £4.227m against budget, before the drawdown of earmarked reserves to cover known commitments within the modernisation division. The forecast is based on best estimates and includes a number of assumptions in terms of volumes, activity and costs. It remains subject to movement and should be viewed with caution at this point. The forecast includes the cost of severance and redundancy following planned restructuring (currently £0.7m), which cannot be met from within departmental resources. The key headlines are outlined below.

Housing Solutions/Temporary Accommodation (TA)

29. The council continues to face significant financial pressure in this area, both from a cost perspective through higher demand for TA and in terms of the detrimental impact welfare benefit reforms have had on income collection. Measures to mitigate the cost pressure are in place, such as the use of HRA hostels and estate voids rather than more expensive nightly paid accommodation and a number of successful homeless prevention initiatives have been implemented that fulfil the council's statutory homelessness obligations and are an important contributor to keeping costs down.
30. Of particular concern at this time is the continued high demand and constraints on the supply-side. Whilst the net unit cost of TA is broadly neutral, collection has become increasingly difficult as a result of Universal Credit and direct payments. This has impacted on the level of arrears which in turn impacts the level of bad debt provision required. This is currently forecast to be a minimum of £0.5m higher than budget.
31. Across the wider Customer Services division, savings predicated on transitioning to greater digital service provision have had to be re-profiled due to the need for further development work. This requires additional staffing resources in the interim, but is largely off-set by underspends in other activities within the division.

No Recourse to Public Funds (NRPF)

32. Caseload has been reduced by 8% since the start of the financial year and costs are £0.5m lower than at the same point last year. New acceptances are significantly lower and the position appears to have stabilised at between 5-10 cases per month on average, which is testament to the more robust client assessment and validation procedures that have been put in place. The focus remains on the systematic review of long-standing cases and closure where appropriate but also on reducing the average cost of on-going cases, particularly temporary accommodation by moving clients to more affordable properties through the Housing Solutions service.

33. Notwithstanding these measures, the pace of reduction is gradual and often dependent on external factors, such as government agencies, which can be protracted and not directly within the council's control. However, cases are being proactively escalated to the Home Office for more rapid decision making in determining a client's status as to whether they have leave to remain, recourse to public funds or no barrier to return, as this is the critical factor in reducing caseload and alleviating the financial burden on the council.
34. The demand-driven nature of NRPF continues to present a financial risk for the council and if no further reductions were achieved the outturn forecast would be around £1.1m over budget. However, plans are in place to continue the downward trajectory, which requires a net reduction of between 20-24 cases per month over the rest of the financial year to remain within the revised budget target (£6.1m) set for 2017-18. This includes both reducing case numbers and accommodation costs and accelerating the pace of reviews of existing clients whilst not losing the focus on a robust approach to the front-door.

Information Technology and Digital Services (ITDS)

35. In June 2017 cabinet agreed to establish a shared service with the London Boroughs of Brent and Lewisham for the provision of IT services, commencing 1 November 2017. Due diligence is currently on-going to establish the full scope of services to be provided and; applications supported and to validate the provisional financial model for business as usual (BAU) and transition. In addition to the direct cost of the shared service, there are the costs of the retained IT function and services currently under contract to third party providers, which will terminate in due course.
36. Cabinet recognised that a stable, resilient and quality IT service which will provide modern, reliable, secure and cost effective technology underpins everything the council does and is critical to delivering the transformation agenda and realising potentially significant operational cost savings down the line. However, this cannot be achieved without greater revenue and capital investment initially. Funding comprises a combination of revenue base budgets (both general fund and HRA), earmarked reserves and capital in the current year, but will require a budget commitment in 2018-19 to baseline the new service going forward.
37. As this point, there is no material change to the estimated costs that were reported to cabinet in June, and were any changes to emerge from the due diligence work the expectation is that it would be contained within the contingency sums already built into the financial model.

Corporate Facilities Management (CFM)

38. The council has a considerable operational estate to which facilities management services must be delivered to ensure that buildings are compliant with health and safety regulations and fit for purpose. Services are provided through two primary contracts which provide a higher level of compliance and consistency across the estate, but at greater cost. Currently, it has not been possible to offset this entirely through economies of scale, but requires greater and faster rationalisation of the estate in line with the modernisation agenda.

39. CFM also manages/delivers capital projects that generate internal fee income; however, current programme activity is below what is necessary to meet the budgeted income target. There are also a number of corporate savings assumed within the CFM budget, which are either deliverable by departments (predominantly of a volume/activity nature), or that are dependent on the implementation of wider corporate decisions that are either delayed or in abeyance. The current forecast shows a £1.7m deficit before the drawdown of earmarked reserves to mitigate the impact.

Human Resources and Organisation Transformation (HR & OT)

40. HR administers and manages the Comensura contract for the provision of temporary staff across the council. Over the last few years, usage has been above projected levels with a consequent positive impact on the management fee income. Whilst this trend continues, measures are in place that will see levels reduce through refocused workforce planning such as temp-to-perm arrangements and external recruitment to long-standing agency roles. Some arrangements will also cease altogether which will reduce the council-wide agency expenditure and consequently income recovery will shift downwards, closer to the budgeted figure.
41. OT administers the training programme/budget on behalf of Children's and Adults services. Overall, expenditure is in line expectations at this point, but any requirement for training beyond the base provision will be a first call against the specific earmarked reserve for this purpose.

Chief Executive's department

42. The Chief Executive Department is forecasting to budget at this stage and no variance is being projected. The budgets are being monitored closely and any changes to this projected outturn position will be reported at the next revenue monitor report to cabinet.
43. The department has implemented most of the proposed savings for this financial year and is on course to meet the savings target set for 2017-18.

Finance and Governance

44. The department is currently forecasting a £295k unfavourable variance, prior to any utilisation of reserves. The forecast variance of £295k above budget is comprised primarily of the additional cost of the snap national election for 2017 as well as voluntary severance expenses, offset by underspending within staffing budgets and contract savings.
45. Whilst the Cabinet Office does reimburse much of the cost associated with management of the general election for the constituencies within Southwark; this amount is not sufficient to cover the full cost of a comprehensive and robust election operation. The shortfall is estimated to be in the region of £400k and, dependent on the overall position of the department at the end of the financial year, may needed to be funded via reserves.

46. The overall staffing expense across the department, including voluntary severance costs, is expected to be below budget. The department is currently on track to meet the savings targets as required for this financial year.

Strategic Finance

47. Strategic Finance is currently forecasting a favourable variance of £1.600m. This arises from a review of the insurance provision, treasury and technical liability budgets.

Contingency

48. It is anticipated that the £4m contingency budget will be fully utilised to meet the Children's and Adults' Services and No Recourse to Public Funds budget pressures as described above.

Progress in Delivering Efficiencies and Improved Use of Resources and Income Generation

49. As part of the budget setting process for 2017-18, £26.6m savings and income generation proposals were agreed. At this point, it is anticipated that in the majority of cases where savings are at risk of being fully implemented in year, substitute savings have been identified, as reflected in the forecast outturn position reported for each department.

Housing Revenue Account (HRA)

Table 2: HRA forecast outturn position for 2016-17

| HRA M4 MONITOR 2017-18 | Full Year Budget | Forecast Outturn | Forecast Variance |
|------------------------------------|-------------------------|-------------------------|--------------------------|
| | £000 | £000 | £000 |
| Asset Management | 48,305 | 50,468 | 2,163 |
| Communities | 8,957 | 8,687 | -270 |
| Resident Services | 37,281 | 37,382 | 101 |
| Customer Services | 3,246 | 3,453 | 208 |
| Central Services | 125,645 | 125,805 | 160 |
| Tenant's Rents & Service Charges | -220,278 | -221,768 | -1,490 |
| Exchequer Services | -27,839 | -28,710 | -871 |
| Revenue Contribution to Capital | 23,745 | 23,745 | 0 |
| Appropriations to /(from) Reserves | 937 | 937 | 0 |
| Total HRA | 0 | 0 | 0 |

50. The size and complexity of the HRA means the forecast should be viewed with a degree of caution at this point. There are a number of known and potential budget pressures and commitments, some of which are of a material nature and will be kept under review and managed within the available resources. In summary, the key budget headlines are outlined below.

51. Landlord services, particularly the maintenance, repair and improvement of the housing stock, consume the greatest proportion of operating resources. Control of high volume, high value contracts is critical in delivering greater value for money, but responsive repairs budgets remain under pressure and are currently forecast to be overspent (£1.2m). The forecast also includes a projected trading deficit of a further £1m from Southwark Building Services (SBS), which falls as a cost to the HRA as their primary client. Whilst this represents an improvement over last year, management are currently considering options to improve performance still further, with a target of achieving break-even over the medium-term.
52. A key indicator for the HRA is the rent debit, which is currently tracking above target, principally due to a lower void turnover rate and greater availability of estate voids for temporary accommodation use, which is exceeding budget planning estimates. Assuming this trend continues for the remainder of the year, the additional rental income generated (c. £1.5m) will contribute to mitigating budget pressures elsewhere in HRA. Rent collection performance continues to show resilience despite the impact of welfare benefit changes and the implementation of direct payment and universal credit. In any event, the HRA continues to maintain adequate revenue provisions to meet potential losses of this nature.
53. Homeowner service charges represent the second largest income stream to the HRA and costs are fully recoverable under the terms of their lease in order to prevent cross-subsidy from tenants. The value of rechargeable capital works is intrinsically linked to the HIP, but is not linear. The extent of capital investment in the housing stock over recent years is unprecedented and this has been reflected in higher billing to homeowners. However, current and future works programmes are not of the same magnitude and the proportion of works that are eligible for homeowner contribution is likely to be lower, leading to a budget pressure. Measures to mitigate the position are being considered and the situation will be kept under review and reported at the earliest opportunity, but it may ultimately be necessary to moderate the planned debt repayment or revenue support for the Housing Investment Programme (HIP) to ensure a balanced position at year-end. This also has longer-term implications that will be addressed as part of budget setting going forward.
54. Under self-financing, rents and service charges and other income streams assumed paramount importance for the sustainability of the HRA business plan, but there have been a succession of changes in government policy, culminating in the imposition of the 1% rent reduction policy (2016-17 to 2019-20), which has reduced the financial flexibility within the HRA to maintain and invest in the housing stock and build new homes as originally envisaged.
55. The central services activity comprises key budgets pertaining to departmental/corporate overheads, debt financing, CERA, depreciation, arrears write-offs/provisions and major projects, the revenue impact of which falls outside mainstream operational budgets due to their exceptional nature. For example, Ledbury, which presents an unavoidable and immediate additional call on resources, the extent of which is not quantifiable at this time.
56. Furthermore, following the recent tragic events at Grenfell Tower, urgent work is currently being undertaken to assess the implications for the council's

housing stock. Notwithstanding the measures the council has adopted since Lakanal in 2009 and the considerable investment already made in fire safety (c. £62m), there is the potential requirement for significantly greater investment going forward which would put an intolerable strain on the council's ability to meet that demand without additional central government support, either through direct funding or a relaxation of policy constraints on RTB receipts, borrowing and rents.

57. The ring-fenced nature of the HRA requires that surpluses/deficits are carried forward between years and at 31 March 2017 HRA reserves reduced to £14.3m, as funds were required to support the capital housing investment programme in 2016-17. Whilst every effort is made to maintain reserves at an appropriate level to mitigate future risks, fulfil future commitments already made and enable the transformation and modernisation of services going forward, this is considered to be below the optimal level required and presents a moderate risk. This will be managed over the medium-term with a view to building a more sustainable level of balances going forward.

Reserves

58. The council retains a level of earmarked reserves and these are reported each year within the annual statement of accounts. These reserves are maintained to fund:
- invest to save opportunities, which form part of the modernisation agenda and are expected to deliver future ongoing revenue savings
 - investment in regeneration and development where spend may be subject to unpredictable market and other factors
 - exceptional items or pressures which are difficult to predict and which are not included in revenue budgets or within the capital programme
59. Where a department identifies a need for additional funding there is a robust process for seeking support from reserves. The department must demonstrate that it is unable to contain the identified additional pressure within its existing budget, or provide evidence of prior agreement that the expenditure will be met from reserves. Further, opportunities will be sought to reduce the call on reserves through capitalisation of costs as appropriate.
60. The budget approved by council for 2017-18 included a planned release of reserve of £3.7m. This call on reserves provided some flexibility in terms of budget setting and the savings that the council identified in the Policy and Resources Strategy. This call on reserves will have to be made in full. As the year progress departments will continue to take management actions to reduce the cost pressures identified, and any plans to draw down further from reserves to support the budget for 2017-18 will be monitored.
61. The level of reserves will need to be kept under close review. In 2016-17, £23.124m of revenue reserves (including Dedicated Schools Grant of £8.923m and £4.036m capital reserves) were utilised, resulting in revenue reserves opening balances of £33.226m for 2016-17. As the period of austerity and funding reductions for local government continues, the council will wish to ensure that reserves are retained at appropriate and adequate levels to safeguard service provision as well as to support modernisation of the organisation.

62. The forecast level of closing revenue reserves are set out below; a net reduction of reserves of £5.251m. In addition, a reduction in the Dedicated Schools Grant of £1.249m and £0.600m increase in the deficit carried forward on the ring-fenced Public Health Grant is forecast.

Table 2: Forecast Revenue Reserves 2017-18

| | 2017-18 opening balance £000 | Budgeted reserve movements £000 | Other reserve movements £000 | Forecast Budget variance £000 | Total Movement in Reserves £000 | Forecast closing balance £000 |
|--|---------------------------------|------------------------------------|---------------------------------|----------------------------------|------------------------------------|----------------------------------|
| Corporate Projects and Priorities | 4,955 | 1,600 | | | 1,600 | 6,555 |
| Service Reviews and Improvement | 4,801 | | -2,676 | | -2,676 | 2,125 |
| Strategic Financing, Technical Liabilities and Future Financial Risk | 24,128 | -4,368 | | 193 | -4,175 | 19,953 |
| Total | 33,884 | -2,768 | -2,676 | 193 | -5,251 | 28,633 |
| Public Health Grant | -1,907 | | | -600 | -600 | -2,507 |
| Dedicated Schools Grant | 1,249 | -1,249 | | | -1,249 | 0 |
| Total | 33,226 | -3,349 | -3,344 | -407 | -7,100 | 26,126 |

Please note, this excludes the capital programme reserves totalling £22.516m which brings the total opening reserves to £55.742m.

Treasury management

63. The council holds its cash in money market instruments diversified across major banks, building societies, and bonds issued by the UK government and supranational entities. Cash funds represent income received in advance of expenditure plus balances and reserves. The investment priorities are capital preservation and liquidity. These investments are managed by an in-house operation and two investment firms: Aberdeen Asset Managers and Alliance Bernstein.
64. For the period 1 April 2017 to 31 July 2017 the average available cash balances for the council were £141m (£175m during the same period last year) and the balance at 31 July 2017 was £125m (£198m at 31 July 2016). The reducing cash balances reflects a number of factors, in particular the use of reserves to support both capital and revenue spending and the recent commercial property portfolio acquisition.
65. The investment return for the first quarter was 0.32%.
66. In April 2017 £2.5m in Public Works Loan Board (PWLB) loans matured and were paid off. No new debt has been drawn and the debt balance outstanding at 30 July 2017 was £455m. Affordability and the “cost of carry” remained important influences on the council’s borrowing strategy.

67. The Policy and Resources Policy and Resources Strategy: capital monitoring report, including capital programme update 2017-18 report, indicates that external borrowing will be necessary in 2017-18. Options for the most appropriate financing are being considered to meet this requirement.

Community impact statement

68. This report monitors expenditure on council services, compared to the planned general fund budget agreed in February 2017, and HRA budget agreed in January 2017. Although as a monitoring report this report has been judged to have no direct impact on local people and communities, the expenditure it is reporting reflects plans designed to have an impact on local people and communities. Community impact was considered at the time the services and programmes were agreed. It is important that resources are efficiently and effectively utilised to support the council's policies and objectives.

REASONS FOR URGENCY

69. Cabinet are required to consider this item urgently because the emerging improving financial position of the council is of significant interest, particularly, in the context of the 2016-17 general fund budget pressures previously reported to cabinet (18 July 2017: Revenue Monitoring Report and Treasury Management 2016-17 Outturn Report).

REASONS FOR LATENESS

70. It has not been possible to circulate this report five clear days in advance of the meeting because key information was required regarding the utilisation of the new supplementary Improved Better Care Fund for 2017-18.
71. The use of this grant was considered at the Health and Well-Being Board which met on Monday 11 September, and therefore, this decision has now been reflected in the report.

BACKGROUND DOCUMENTS

| Background Papers | Held At | Contact |
|---|---|------------------------------|
| Policy and Resources Strategy 2017-18 | 160 Tooley Street PO Box 64529 London SE1P 5LX | Fay Hammond 020 7525 0614 |
| Link: (Copy and paste into browser) http://moderngov.southwark.gov.uk/documents/s66524/Report%20Policy%20and%20Resources%20Strategy%202017-18%20-%202019-20.pdf | | |
| Housing Revenue Account budget: 2017-18 | 160 Tooley Street PO Box 64529 London SE1P 5LX | Ian Young 020 7525 7849 |
| Link: (Copy and paste into browser) http://moderngov.southwark.gov.uk/documents/s66095/Report%20Housing%20Revenue%20Account%20-%20Final%20Rent-Setting%20and%20Budget%20Report%202017-18.pdf | | |

| Background Papers | Held At | Contact |
|---|---|------------------------------|
| Revenue Monitoring Report and Treasury Management 2016-17 Outturn Report | 160 Tooley Street PO Box 64529 London SE1P 5LX | Fay Hammond 020 7525 0614 |
| Link: (Copy and paste into browser) http://modern.gov.southwark.gov.uk/documents/s69816/Report%20Revenue%20Monitoring%20Report%20and%20Treasury%20Management%202016-17%20Outturn%20Report.pdf | | |

APPENDICES

| No. | Title |
|------------|--|
| Appendix A | Interdepartmental Budget Movements Months 1 to 4 |

AUDIT TRAIL

| | | |
|---|---|--------------------------|
| Cabinet Member | Councillor Fiona Colley, Finance, Modernisation and Performance | |
| Lead Officer | Duncan Whitfield, Strategic Director of Finance and Governance | |
| Report Author | Jennifer Seeley, Director of Finance | |
| Version | Final | |
| Dated | 14 September 2017 | |
| Key Decision? | Yes | |
| CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER | | |
| Officer Title | Comments Sought | Comments included |
| Director of Law and Democracy | No | No |
| Strategic Director of Finance and Governance | N/a | N/a |
| Cabinet Member | Yes | Yes |
| Date final report sent to constitutional team | | 14 September 2017 |

Interdepartmental Budget Movements months 1 to 4

APPENDIX A

Interdepartmental movements to be approved for months 1 to 4

| Department From | Amount £ | Department To | Amount £ | Description of the budget movement |
|------------------------------------|-------------|------------------------------|-------------|---|
| Children's and Adults' Services | (948,816) | Housing and Modernisation | 948,816 | Transfer the Community Safety function to Housing and Modernise |
| Children's and Adults' Services | (468,874) | Finance and Governance | 468,874 | Update the income and expenditure budgets to reflect the universal infant free school meal grant |

Interdepartmental movements to be noted for months 1 to 4

| Department From | Amount £ | Department To | Amount £ | Description of the budget movement |
|--|-------------|--|-------------|---|
| Strategic Finance | (57,085) | Housing and Modernisation | 57,085 | To fully reflect the costs of Camberwell Library |
| Environment and Social Regeneration | (77,511) | Finance and Governance | 77,511 | Transfer of two posts relating to highways insurance claims to the Insurance section in order to consolidate the service |
| Chief Executive | (214,422) | Housing and Modernisation | 214,422 | Transfer of Time Off for Trade Union Duties (TOFTUDS) so that it is in the same department as the rest of the Human Resources function |
| Children's and Adults' Services | (239,600) | Environment and Social Regeneration | 239,600 | Transfer of Rough Sleeper contract |
| Children's and Adults' Services | (52,397) | Environment and Social Regeneration | 52,397 | Transfer of Rough Sleeper Coordinator post |
| Housing and Modernisation | (31,229) | Finance and Governance | 31,229 | Transfer of 0.67 post from ISD to Exchequer Services |

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Paula Thornton Tel: 020 7525 4395

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| Tamsin Hewett, Liberal Democrat group Office | 1 | | |
| Press | | Dated: 14 September 2017 | |
| Southwark News | 1 | | |
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