

Cabinet

Tuesday 7 February 2012

4.00 pm

Ground Floor Meeting Room GO2A - 160 Tooley Street, London
SE1 2QH

Supplemental Agenda No. 1

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Note: Item 18 on the agenda is the closed version of this report.

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Date: 3 February 2012

Item No. 6.	Classification: Open	Date: 7 February 2012	Meeting Name: Cabinet
Report title:		Deputation Requests	
Ward(s) or groups affected:		All	
From:		Strategic Director of Communities, Law & Governance	

RECOMMENDATIONS

1. That the cabinet consider whether to hear a deputation from the Southwark Refugee Communities Forum (SRCF).

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 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

Southwark Refugee Communities Forum

4. A deputation request has been submitted by the Southwark Refugee Communities Forum, an umbrella organisation with a membership of 34 refugee community organisations and service providers, to address the cabinet with regard to concerns about future funding.
5. The deputation wish to address the cabinet on the likely to impact upon Southwark Refugee Communities Forum and its members in 2012/13, should the funding that they have requested not be secured. They have identified the following issues that they feel are likely to arise if the funding not secured:
 - 34 refugee community organisations will loose their coordinated voice in the borough and refugees and asylum seekers will be less heard
 - Refugee community organisations will loose their platform to interact with each other and collaborate with the voluntary and statutory sector and will be less capable to engage in local initiatives

- Refugee community organisations will have less access to specialised support, while an expected increased demand
 - Refugee communities will loose access to the hot desking and IT resource facilities, which provide 90% of their members, who do not have premises, with an office space where they can coordinate and manage their activities at no cost
 - SRCF will be less capable to involve people from a refugee background in areas of the council's work, including community council meetings, consultation around community cohesion, community development strategies, economic development, employment and housing, etc.
 - SRCF will be limited in promoting cultural interchange and mutual understanding among different minority ethnic groups as well as between recently arrived and well established refugee communities
 - SRCF will be less able to support refugee community organisations, which will lead to the disintegration of the refugee network in Southwark.
6. Southwark Refugee Communities Forum request that their funding application to the community support programme be given careful consideration.

REASONS FOR URGENCY

7. The deputation request was received in line with the constitutional deadline for the receipt of deputation requests and is therefore eligible for consideration by cabinet as to whether or not to hear at this meeting.

REASONS FOR LATENESS

8. The deadline for the receipt of deputation requests was 1 February 2012, after the main cabinet agenda despatch on 30 January 2012. It has therefore not been possible to send out this report five clear days in advance of the meeting because of the need to ensure that all deputation requests received by the deadline were included in this report.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Correspondence from the deputation	160 Tooley Street, London SE1 2QH	Everton Roberts 020 7525 7221 / Paula Thornton 020 7525 4395

AUDIT TRAIL

Lead Officer	Ian Millichap, Constitutional Manager	
Report Author	Paula Thornton, Constitutional Officer	
Version	Final	
Dated	2 February 2012	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	No	No
Finance Director	No	No
Deputy Chief Executive	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	2 February 2012	

Item No. 7.	Classification: Open	Date: 7 February 2012	Meeting Name: Cabinet
Report title:		Policy and Resources Strategy 2012/13 to 2014/15 – Revenue Budget	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Richard Livingstone, Finance, Resources and Community Safety	

FOREWORD - COUNCILLOR RICHARD LIVINGSTONE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY

This report notes the final Local Government Settlement for 2012/13 and sets out our proposed budget for that year, following discussions with the community. If agreed, this proposed budget will be considered by Council Assembly on 29 February 2012.

2012/13 is the second year of deep cuts in our funding from government. We do not yet have a clear indication of what further cuts are coming in 2013/14 and beyond, but we have planned this draft budget to enable us to address those once government indicates what those might be. It is therefore a budget that has to make some tough decisions that will impact on every area of the council's expenditure.

We are also faced with inflation running well ahead of government targets and increasing cost pressures that are outside of our control, such as for the London concessionary fares scheme.

But we also recognise that this economic bad news - less money and higher inflation - affects not only the council but residents as well. It is therefore important that we recognise this in our budget: this is a strong budget for hard times.

Last February, Council Assembly agreed a three-year budget that not only confirmed the budget for 2011/12 but also established indicative budgets for 2012/13 and 2013/14. Given the continuing uncertainties regarding the 2013/14 budget, our proposal is that the budget considered by Council Assembly in February 2012 is for 2012/13 only, in effect updating the indicative budget agreed in February 2011.

Amongst the changes to that February 2011 version of the 2012/13 budget that are included in this budget are:

- A further year's freeze in Council Tax
- The introduction of clear plans to ensure that the London Living Wage benefits not only our directly employed staff but also those who work for us through employment agencies or through contractors
- The establishment of a new Cleaner Greener Safer Revenue Fund for Community Councils to determine, devolving more decisions to a more local level

- The establishment of a Community Restoration Fund to respond to the challenge of the August disorder events
- The use of £.4.4m from the Council's reserves to help with the pressures on the budget.

In addition, we will develop further the initiatives agreed in the current year:

- This budget enables the further rollout of the Free Healthy School Meals programme for our primary schools to include years 2, 3 and 4 from September 2012, in addition to the coverage of Reception and Year 1 classes now in place
- There is a proposed further reduction in Meals on Wheels prices
- It continues the successful Voluntary Sector Transition Fund scheme that we established in 2011.

Despite the difficult financial climate which has resulted from current government policy, these are budget proposals that demonstrate clearly that we are continuing to strive for a Fairer Future for All in Southwark.

RECOMMENDATIONS

That cabinet:

1. Note that the budget principles agreed by cabinet on 21 September 2010, supported by the ten fairer future promises agreed by council assembly on 6 July 2011, have guided and underpinned the process for budget setting.
2. Note that the final local government grant settlement for 2012/13 was announced on 31 January 2012 by the Department of Communities and Local Government (DCLG) with no changes from the provisional settlement.
3. Note that budget consultation on the three year budget 2011/12-2013/14 took place with residents and community groups from September 2010 to February 2011 and that the feedback from that consultation was given due consideration by cabinet for proposals for 2011/12 and indicative proposals for 2012/13.
4. Note that subject to agreement by Council Assembly to the budget recommendations there will be a need to complete and invoke both statutory consultation procedures where necessary and the Council's own policies and procedures as appropriate in order to implement the savings and income generation proposals detailed in Appendices C to E.
5. Note that the Greater London Assembly will set its precept on 9 February 2012, as described in paragraphs 218 to 220. It is expected that a 1% reduction will be announced, reducing a band D property from £309.82 to £306.72.
6. Note that because government funding beyond 2012/13 is not known, and is unlikely to be announced until November 2012, the Finance Director proposes that a single year budget for 2012/13 only will be set. This report sets out changes that are likely to impact on 2013/14 and beyond, but at this stage cannot be quantified. Officers will report back at the earliest opportunity once any announcements are made.

7. Note that recommendations from the Overview and Scrutiny committee of 9 January 2012 are included as appendix F to this paper.
8. Note the need to use balances of £4.4m in order to support service delivery and deliver a balanced budget in 2012/13.
9. Note the confirmation of the payment of New Homes Bonus to the Council in 2012/13, and that £1.5m is allocated to support General Fund services within the revenue budget proposals.
10. Note the need to absorb the impact of inflation within the cash limited budgets proposed within this report (with the exception of that which is contractually committed) as described in paragraphs 51 to 55.
11. Note that new commitments and growth of £10.865m is allocated in 2012/13 to support local needs and priorities.
12. Note that the budget proposals include accepting the government's further council tax freeze grant for 2012/13.
13. Note the medium and long term impact of accepting the council tax freeze grant on the Council Tax Base, especially in the context of the grant being removed from 2013/14.
14. Note the Finance Director recommends the retention of contingency and maintenance of balances to mitigate the funding risks and risks inherent in achieving the high savings targets outlined in this paper.
15. Agree the establishment of a £1m Community Restoration fund for 2012/13 only subject to the Council Assembly agreeing the revenue budget on 29 February 2011. Details of the fund are set out in paragraphs 145 to 171.
16. Agree the proposals in this report for a balanced budget based on a nil council tax increase for 2012/13 for recommendation to Council Assembly on 29 February 2012. Budget schedules are set out in Appendices A to E.

BACKGROUND INFORMATION

17. In June 2010 the cabinet set out its vision, 'Fairer Future for all in Southwark'. This set out the broad local priorities of the current administration.
18. On 21 September 2010 the Cabinet agreed seven budget principles to guide and underpin the work of officers in preparing a balanced budget for February 2011.
19. In January 2011 the council received its final grant settlement for 2011/12 of £232.8m, a reduction in cash terms of £29.7m (11.3%) against the rebased 2010/11 formula grant. This settlement represented the first year of a two year settlement from the 2010 spending review.
20. In February 2011 Council Assembly agreed a balanced budget of £323.0m for 2011/12. This was based on a zero percent increase in Council Tax, and included £2.2m Council Tax Freeze Grant, the equivalent of a 2.5% increase in council tax. The agreed budget included £7.5m of financial commitments largely to meet increasing demand and other pressures and £6.1m growth in additional

or new services. The budget included budget reductions, savings and efficiencies of some £33.8m (10.5% of 2010/11 revenue budget). This included a range of options including the rationalisation of management structures and back office structures and options for savings in contract spend.

21. Moving forward from 'Fairer Future for all in Southwark', on 6 July 2011, Council Assembly agreed the Council Plan. Included in the plan are ten fairer future promises which reinforce the seven budget principles.
22. On 18 October cabinet received a scene setting report on the forthcoming budget setting round. Noting that this was the second year of a three year budget framework cabinet instructed officers to continue to work on budget options for presentation to cabinet in January 2012. Cabinet also noted the continued uncertainty in the budget environment for 2013/14 and future years.
23. On 13 December 2011 the cabinet considered the Policy and Resources Strategy 2012/13 to 2014/15 – Provisional Local Government Settlement, 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 8 December 2011 regarding the provisional local government settlement and its effect on Southwark's general fund budget.
24. The purpose of this report is to set out the headline content of the budget for 2012/13, which represents the second year of a three year budget programme as per the report to Council Assembly on 22 February 2011, and to seek formal approval of the recommendations in respect of the budget as in paragraphs 1 to 16 above.

KEY ISSUES FOR CONSIDERATION

Formula grant – national position – based on the final settlement

25. In 2012/13 the total level of formula grant funding to local government nationally will be £27.2 billion, a reduction of 7.3% against the 2011/12 position. To ensure a like for like comparison between 2011/12 and 2012/13 the position for 2011/12 has been revised. This revision involves a further claw back of resources from education authorities to fund academies. For 2012/13 the 2011/12 element of council tax freeze grant has been included in the total formula grant, nationally at £652m, for Southwark £2.2m; the reductions at national level exclude this addition.
26. For 2011/12 the government announced a number of significant changes to the formula grant at a national level.
27. The way in which the minimum funding guarantee, or floor, is calculated and applied has 'bands' within each class of authority, based on the level of dependency a council has on its formula grant. For single tier authorities, like Southwark, the bands, and the percentage reduction in formula grant in 2012/13 (excluding the addition of council tax freeze grant) are:

	Maximum reduction in formula grant compared to 2011/12
Band 1	- 7.4%
Band 2	- 8.4%
Band 3	- 9.4%
Band 4	- 10.4%

28. Southwark is a Band 1 authority in that it is one of those councils most dependent on formula grant, with 72% of the council's net budget funded through formula grant. Nationally, there are 38 single-tier councils in this band, 17 of which are in London. The floors are self-financing. This means that those councils within a particular band that are 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.

Revenue spending power and transition grant

29. Revenue spending power for a council is made up of formula grant plus council tax income along with other government grants and NHS support for health and social care.
30. As part of the 2011/12 local government grant settlement, the government introduced a transition grant to manage the impact of spending reductions. Whether a council receives the transition grant or not is dependent on the extent to which their overall 'revenue spending power' has decreased as a result of the final grant settlement.
31. Southwark received no transition grant in 2011/12, and will not receive any transition grant in 2012/13. This is because the level of reduction in Southwark's 'revenue spending power' in 2012/13 is 4.5%. In cash terms this equates to a reduction in revenue spending power of £16.2m in 2012/13 when compared to 2011/12. Southwark's level of reduced revenue spending power is lower than the threshold of reduction set nationally by the government which would qualify the council for transition grant.

Council tax

32. The indicative budget process for 2011/12 -2013/14 as reported to Council Assembly in February 2011 included an estimated £93.5m of council tax income for 2012/13. This assumed an increase in Council Tax of 2.5%.
33. The updated amount of council tax revenue for inclusion in the 2012/13 budget is £91.1m. This estimate is based on a tax base of 103,929 chargeable dwellings, an assumed collection rate of 96.25% and a zero increase in the current band D of £912.14. The variation of £2.4m is for the following reasons:
- £2.3m - value of a 2.5% council tax increase, currently being matched by council tax freeze grant
 - £0.2m - lower than predicted (0.1%) increase in the tax base
 - £0.1m - estimated accumulated collection fund deficit as at 31 March 2012
 - (£0.2m) - the effect of an assumed increase in collection rate of 0.25%.

34. Tables 1 and 2 below show how the tax base has changed since 2008/09. The shortfall in the 2012/13 forecast tax base of £200k appears to be due to an increase in discounts that had previously been reducing; this is in large part due to the number of dwellings attracting discounts either for single persons, students or second homes.

Table 1: Breakdown of council tax income 2008/09 to 2012/13

	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m
Total Dwellings	103.2	105.5	106.6	108.5	109.6
Exemptions	(4.1)	(4.4)	(4.1)	(3.7)	(3.7)
Discounts	(11.3)	(11.1)	(10.9)	(10.8)	(11.1)
Council Tax yield @ 100%	87.8	90.0	91.6	94.0	94.8
Band D council tax	£912.14	£912.14	£912.14	£912.14	£912.14
Budgeted collection rate	96.0%	96.0%	96.0%	96.0%	96.25%
Budgeted non collection	(3.5)	(3.6)	(3.7)	(3.9)	(3.6)
Net Council Tax yield	84.3	86.4	87.9	90.2	91.2
Net Tax base	92,473	94,672	96,419	98,994	100,031

Table 2: Movement in tax base 2008/09 to 2012/13

Movement between years	2008/09 to 2009/10	2009/10 to 2010/11	2010/11 to 2011/12	2011/12 to 2012/13
Total Dwellings	2.2%	1.0%	1.8%	1.0%
Exemptions	7.3%	-6.8%	-9.8%	0.0%
Discounts	-1.8%	-1.8%	-0.9%	2.8%
Council Tax yield @ 100%	2.4%	1.8%	2.6%	0.9%
Net tax base change	2,199	1,747	2,575	1,037

35. The figures for 2012/13 are taken from the 2012/13 Council Tax Base report which was presented to Council Assembly on 25 January 2012.

Council tax freeze grant

36. As part of the 2011/12 local government grant settlement, the government announced the council tax freeze grant. This was awarded to all authorities which set a zero increase in council tax, for the equivalent of a 2.5% increase in council tax. Southwark received £2.2m. It is understood that this grant will be paid throughout the four years of the spending review, and has now been subsumed into formula grant. This grant will cease in 2015/16.
37. On 22 February 2011, Council Assembly agreed indicative council tax increases of 2.5% for 2012/13 and 2013/14. 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 will be equivalent to a further 2.5% increase in council tax. This grant would be for one year only, and will cease in 2013/14. It is estimated that if this approach is approved, Southwark would receive some £2.3m. The freeze grant for 2012/13 will match the 2012/13 proposed council tax increase identified in February 2011 report.

38. However, the 2012/13 freeze grant is for one year only and therefore will not be included in the 2013/14 grant settlement. This means that, based on the indicative three year budget set out in February 2011, a 5% increase in council tax would need to be assumed for 2013/14 to reach the indicative band D level.
39. The creation of a one year only grant, although welcome, does not in itself deliver medium term certainty in financial planning for the council. Moreover it adds to the uncertainty attached to financial plans for 2013/14 and beyond. The council will continue to lobby to secure greater certainty in future financial settlements so that it can financially plan for the future with more confidence. The Secretary of State has stated that if council tax increases are proposed to be above 3.5% in any one year then the council would be required to call a referendum of local residents to approve this increase. The Finance Director recommends the retention of contingency and maintenance of balances to mitigate these funding risks in addition to risks inherent in achieving such high savings targets.

Final grant settlement 2012/13

40. The Secretary of State for Communities and Local Government announced the 2012/13 final local government settlement on 31 January 2012. There is no change from the provisional 2012/13 settlement figures announced on 8 December 2011.
41. Overall, Southwark will experience a total reduction in formula grant in cash terms of £17.2m (excluding the addition of £2.3m council tax freeze grant) for 2012/13. The total reduction in grant in cash terms over the first two years of the Spending Review 2010 is therefore £46.9m. This is the highest cash reduction of all London boroughs.
42. Southwark remains a 'floor' authority. This means the council receives more than that determined by the formula due to the application of a "minimum funding guarantee" that ensures no council receives less than a nationally determined minimum. Without the floor Southwark would experience an additional loss in cash terms of £19.3m grant in 2012/13.
43. As a result of the settlement, Southwark, like others in London, is even more dependent on the floor and how it is applied.
44. The table below shows how the formula grant has changed between 2010/11 and 2012/13 and how Southwark compares to the London and national position:

Table 3: Formula grant changes from 2011/12 to 2012/13 for Southwark

	Final 2011/12 formula grant	Revised 2011/12 formula grant (re-baselined)	Final 2012/13 formula grant (excl council tax freeze grant)	% change between revised 2011/12 and final 2012/13 formula grant	
	£m	£m	£m	£m	%
England	29,419.3	29,284.8	27,138.1	-2,146.7	-7.3%
London	4,221.8	4,200.3	3,879.4	-320.9	-7.6%
Southwark	232.8	232.0	214.8	-17.2	-7.4%

Core grants

45. 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. Based on current published information the council will receive some £39.7m in core grants in 2012/13, which is an increase of £1.2m (3.1%) on 2011/12 grant levels. 2011/12 and 2012/13 core grants are shown below. Core grants will also be confirmed as part of the final local government settlement.

Table 4: 2011/12 and final 2012/13 core grants

	Latest 2011/12	Final 2012/13	Change between 2011/12 & 2012/13	
	£m	£m	£m	%
Early Intervention Grant	19.6	20.5	0.9	4.2
Learning Disabilities and Health Reform Grant	12.5	12.8	0.3	2.4
Local Services Support Grant (LSSG)	2.2	2.2	0.0	0.0
Housing and Council Tax Benefit Subsidy Administration grant	4.2	4.2	0.0	0.0
Total	38.5	39.7	1.2	3.1

New Homes Bonus

46. The New Homes Bonus (NHB) is intended to reward local authorities and communities where growth in housing stock takes place. The proposed formula for allocation is to match the level of council tax paid on each new home for 6 years with an additional £350 for each affordable unit. As an 'unringfenced' grant, there is no restriction on its use.
47. There is currently £1.5m allocated to revenue within the 2011/12 revenue budget base. The total NHB received for 2011/12 was £2.5m, and the remaining £1m has been earmarked to fund capital expenditure.

Table 5: Actual and estimated New Homes Bonus 2011/12 to 2016/17

	2011/12 Actual £m	2012/13 final £m	2013/14 est. £m	2014/15 est. £m	2015/16 est. £m	2016/17 est. £m	Total £m
Estimated total grant	2.6	5.2	7.8	10.3	12.9	15.5	54.3
Revenue commitment	1.5	1.5	1.5	1.5	1.5	1.5	9.0
Balance for capital	1.1	3.7	6.3	8.8	11.4	14.0	45.3

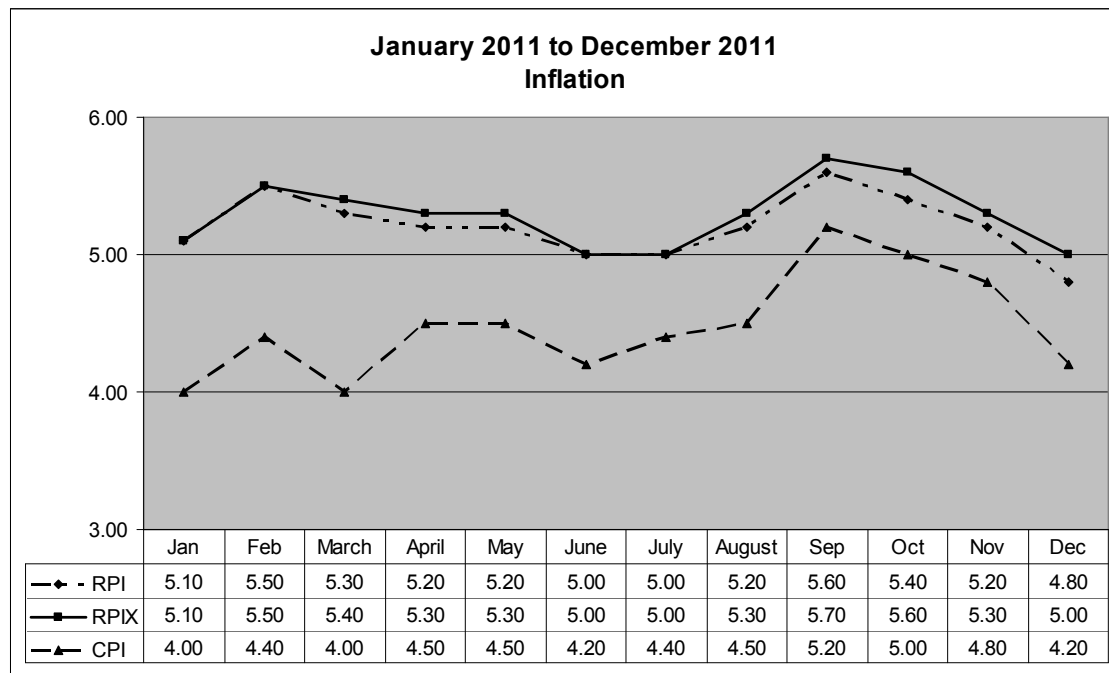
48. On 21 June 2011, the cabinet agreed that all estimated surplus NHB resources over and above that committed to the revenue budget should be earmarked to the corporate resource pool to support the ten-year capital programme. Table 5 below shows the estimated level of expected NHB in future years.

NHS Grant

49. In 2011/12 Southwark received £4.3m from a £1 billion national provision from the Department of Health via Primary Care Trust allocations, as set out in the NHS Operating Framework published in December 2010. This allocation is to support social care and benefit health, and was confirmed for two years at £4.3m in 2011/12 and £4.1m in 2012/13. It was originally understood that this grant would cease in 2013/14, it is now clearer that the contribution is likely to continue, although allocations are still yet to be announced.
50. In 2011/12, the grant was used to support the overall revenue budget. For 2012/13 an allocation of £4.1m has been included in Health and Community Services base budget, so the department is able to allocate this funding directly.

Inflation

51. **Pay award.** Pay has been frozen for 2012/13, which is the second year of the two year public sector pay freeze announced by the government in the emergency budget on 22 June 2010. The November 2011 Autumn Statement set public sector pay increases at an average of one per cent for the two years after the current pay freeze comes to an end (i.e. for 2013/14 and 2014/15). The chancellor has asked the independent pay review bodies to report by July 2012 on whether pay can be "more responsive to local labour markets", potentially heralding more regionally-based public sector pay rates.
52. **General Inflation.** When setting the 2011/12 budget no provision was made for general running costs inflation. On 17 January 2012, ONS announced the inflation statistics for December. The reported indicators show CPI at 4.2% (down by 0.6% from 4.8% in November), RPI 4.8% (down by 0.4% from 5.2% in November), and RPIX 5.0% (down by 0.3% from 5.3% in November).
53. The chart below shows the movement in inflation from January 2011 to December 2012. Figures for January 2012 are anticipated on 14 February 2012.



54. Running costs budgets amount to some £172m for 2011/12. With CPI currently at 4.2% and RPI at 4.8% after taking account of alternative inflation of £3.6m, explained in paragraph 55 below, the council is absorbing inflationary pressures in the order of £3.6m to £4.7m.
55. **Alternative Inflation.** The council also calculates “alternative inflation” which covers things like long term contracts tied to industry specific rates of inflation (e.g. utilities, business rates, waste etc.). Alternative inflation does not have a single rate and current estimates show alternative inflation at £3.6m for 2012/13.

2011/12 revenue monitoring position

56. The council is experiencing a number of new and emerging service pressures. Major pressures identified include families with “no recourse to public funds” and unaccompanied asylum seeking children. Other pressures exist within public realm as a result of a reduced income from parking control notices as a result of improved compliance. 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

57. On 9 January 2012 the Overview and Scrutiny committee of the council met to consider the draft revenue budget report as set out in the report to cabinet on 13 December 2011. The committee held discussions with each cabinet member on the draft budget proposals. The committee made a number of recommendations for the cabinet to consider as part of budget setting and implementation. These are shown in Appendix F, where possible with the information requested.

This report

58. This report now sets out proposals for a balanced budget in 2012/13 for consideration by the cabinet.

59. Subject to agreement of this report, it will be presented to Council Assembly on 29 February as the cabinet's recommendation on the final budget for 2012/13.
60. When setting the revenue budget local authorities are required, under section 43(4) of the Local Government Finance Act 1992, to calculate their "revenue budget requirement" for the forthcoming financial year. The revenue budget requirement is a statutory definition of expenditure to be met from formula grant and council tax income. The proposals are for a revenue budget requirement of £308.3m in 2012/13.
61. The table below shows the 2011/12 budget agreed by Council Assembly on 22 February 2011, the indicative 2012/13 budget approved at the same time, and the 2012/13 budget proposals. The table shows the movement in 2012/13 from the indicative budget included in the 2011/12 to 2013/14 budget setting report.
62. There is now a requirement for an additional £1.6m from reserves to balance the budget, giving a total of £4.4m.
63. This variance is because savings and income are £1.1m higher than indicated in 2011/12, growth commitments have increased by £2.6m, and council tax income is £0.2m less due to a lower than anticipated tax base. This is matched by an increase of £0.2m from an increase in collection rate from 96% to 96.25% and an estimated collection fund deficit of £0.1m for the year ending 31 March 2012.

Table 6: 2011/12 Budget, and indicative and proposed budgets for 2012/13

	2011/12 Budget	Indicative 2012/13 Budget reported to 22/02/11 Council Assembly	2012/13 Budget proposals
	£m	£m	£m
Formula Grant (note 1)	(232.8)	(214.8)	(217.1)
Council Tax Income	(90.2)	(93.5)	(91.1)
Total Income Resources	(323.0)	(308.3)	(308.2)
Revised Previous year's budget	349.6	326.4	326.4
Inflation			
- Pay award pay frozen for 2011/12 and 2012/13	0	0	0
- General inflation (running costs): 0% allowed for 2011/12 and 2012/13	0	0	0
- Alternative inflation based on contractual commitments (linked to industry specific rates)	3.5	3.6	3.6
Commitments	7.5	4.9	10.1
Growth	6.1	3.4	0.7
Efficiencies and improved use of resources	(22.3)	(13.7)	(17.2)
Income generation	(0.5)	(0.3)	(1.0)
Savings impacting on service delivery	(11.0)	(13.4)	(10.1)
Council Tax freeze grant 2011/12 (note 1)	(2.2)		2.2
Council Tax freeze grant 2012/13 (note 1)			(2.3)
Funding to support social care and benefit health	(4.3)	0.2	0.2
Total Service Area Budgets	326.4	311.1	312.6
Contribution (from) and to balances	(3.4)	(2.8)	(4.4)
Total budget (note 2)	323.0	308.3	308.2

Note 1: Government proposals on Council Tax freeze grant for 2012/13 were announced on 3 October 2011 and therefore were not known at the time of the report to Council Assembly in February 2011. For 2012/13 the 2011/12 element has now been included in formula grant figures.

Note 2: although the projected council tax increase has been matched by government grant, this change is due to the projected collection fund deficit.

Service area budgets

64. Budget proposals are in line with local policy priorities as set out in the fairer future for all vision and Council Plan. Table 7 below summarises the budgets for council service areas for 2011/12 to 2013/14. These are known as "control totals".

Table 7: Service area budgets for 2011/12 and 2012/13

Service area	2011/12 Budget	2012/13 Rebased Indicative Budget reported to 22/02/11 Council Assembly	2012/13 Budget proposals
	£m	£m	£m
Children's Services	90.1	86.3	86.4
Communities, Law & Governance	11.6	10.5	10.2
Deputy Chief Executive's including Regeneration & Neighbourhoods	18.2	17.3	17.2
Environment & Leisure	72.6	70.4	70.0
Finance & Resources	49.4	46.8	47.1
Health and Community Services	112.4	104.3	107.7
Housing Services	36.7	36.6	37.4
Total Service Budgets	391.0	372.2	376.0
Corporate Budgets	(64.6)	(61.1)	(63.4)
Total Budgets	326.4	311.1	312.6

65. High level schedules of budget proposals for 2012/13 and 2013/14 are attached as Appendices A – E.
66. Detailed objective and subjective service budgets are included as Appendix G.
67. The following paragraphs contain commentaries from each department.

Children's services

68. Children's Services currently represents around 28% of the council's net revenue expenditure. The department provides universal services as well as those targeted at more vulnerable families and children. There continues to be a high level of demand for services for children in need. Recent DfE data identifies Southwark as having the 5th highest rate of children in need nationally (compared to 7th in 2009/10). These services are delivered through three divisions.
- The Specialist Services 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.
 - The Education Division supports the delivery of universal services, including early 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.

- The Strategy, Commissioning and Business Improvement 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. In addition the division leads on specialist parenting services, compliance and departmental governance and project support for the free healthy school meal programme.
69. To deliver the challenging budget savings for 2011-14, Children's Services remains focussed on the key priorities set out within the Children and Young People Plan:
- Thinking family – families at the centre of all we do
 - Narrowing the gap – better and more equal life chances for all
 - Raising the bar – high-quality provision that meets local needs
 - Succeeding into adulthood – at-risk young people achieve wellbeing
 - Working together – children are safeguarded from harm and neglect.
70. During 2011/12 £5.763m of savings are planned to be achieved. When the significant reductions in government grants for children's services are taken into account around £12m has been taken out of the budget.
71. For 2012/13 the Children's Services budget is proposed to be £86.4m. The total savings and commitments for the department remain unchanged from those agreed at council assembly in February 2011. However additional growth of £250k has arisen from the new legal requirement to ensure that rates paid to Family and Friends carers are comparable to those paid to the local authority approved carers. The council's continuing commitment to free healthy school meals as set out in the budget for 2011/12 will continue. In September 2012 these will be rolled out to primary pupils in years 2, 3 and 4.
72. Further, the following amendments are proposed as substitutions, in part, for staffing savings agreed in February 2011:
- Transfer of the responsibility for universal Careers Services to schools from Local Authorities as set out in the in 2011 Education Act saving £700k in 2012/13
 - Reducing back office and central management costs of Children's Centres saving £125k in 2012/13.
73. The savings by division are as follows:
- £1.6m Specialist Services (Children's Social Care)
 - £3.844m Education Division
 - £730k Strategy, Commissioning and Business Improvement Division.
74. In delivering these savings we have sought to minimise the impact on statutory social care functions for the most vulnerable children and young people and so maintain the Council's responsibility to keep children safe.
75. The key drivers to achieving the reductions are to:

- Maximise service effectiveness, drive down costs and ensure high quality provision within the available remaining resources
- Protect front line services by reducing back office costs 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 cut waste and duplication in supplies and services.

Children's services – summary equalities impact

76. 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 has the fifth-highest of children in need nationally, and yet has suffered one of the highest reductions in central government core funding. Children's services has and will continue to need to manage these reductions in light of its continuing statutory duties and in the context of transforming services.
77. Safeguarding children and young people is of the highest priority and any service reductions here or in related areas have been 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 continuing downturn in the economy, it is very likely that there will be increased demand for services to families in difficulty, for example in specialist services. Effective support for and by schools to meet a wider range of lower-level needs and so prevent problems escalating are required, particularly with the high level of need that our young people have in Southwark and the vulnerability of some schools. The growth of academies and free schools adds further complexities to the local school landscape
78. Actions to mitigate against the impact of budget reductions have been considered very carefully following the council's decision. This has included streamlining back-office processes and the department's management structures to protect frontline service delivery, as well as smarter procurement to drive down the costs of purchased services and stripping out any funding duplication. Contracts with external providers have and will continue to be scrutinised for potential savings without impacting on key groups. In addition, other mitigating actions have been put in place, including exploring alternative delivery models, such as working in partnership with schools 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 is ongoing and a critical aspect of developing the initial budget proposals.
79. A more detailed report has been produced on the potential impact of the agreed budget reductions so that these can be fully considered within the decision-making process. As each proposal is implemented, further analysis, including a detailed equality impact assessment for each service affected by the council's decision, will underpin individual service development and reconfiguration

Communities, law and governance

80. Communities, Law and Governance (CLG) includes the Council's statutory monitoring officer function and is also responsible for legal services, electoral services, coroners, registrars and scrutiny and community engagement functions.
81. The overall vision for Communities, Law and Governance is to ensure that the Council's services are accessible, accountable and efficient, delivered lawfully and engage and empower local people. We will contribute to the fairer future for all by reducing our own costs while continuing to support members in their leadership role and our partners in the voluntary and community sector (VCS).
82. The budget for Communities, Law and Governance in 2012/13 is £10.2m.
83. The budget plans for Communities, Law and Governance include a commitment item of £50k to support continuing activities within Community Action Southwark (CAS) and their work to ensure effective working with the voluntary sector in Southwark. There is also a growth item of £62k to deal with the increased volumes of enquiries and pressures of the Freedom of Information (FOI) and Data Protection Act (DPA) regimes, to free up departments through stronger central support.
84. In February 2011 it was agreed to deliver savings within Communities, Law and Governance of some £2.4m over the three years from 2011/12 through rationalising back office and support costs and service reconfiguration. The department also inherited a savings item within registrars of £100k. Savings of £1.1m have already been delivered in 2011/12. The remaining savings will mostly be delivered in 2012/13, from resizing and reviewing team structures across legal services. There will also be some reductions in non statutory committees.
85. The Community Councils are to be retained as a valued way of engaging with local people and bringing our services closer to the people we serve. However, the current cost of running the community councils is in excess of £1m and this is not sustainable in the current context of severe reductions in public expenditure. The council's democracy commission was asked to undertake a fundamental review of the work of the community councils, including resident consultation, which examined the role and function of community councils and whether the current functions and powers are the right ones to meet the aims of community councils in the current resource context.
86. The review concluded in December 2011 and recommended reducing the number of community councils to 5, reducing the number of meetings to 5 per year, establishing 2 planning sub-committees for minor applications with revised thresholds for decisions going to the main planning committee and the two sub-committees, removing school governor appointments and making changes to marketing publicity and engagement at meetings. Some of the changes will require alterations to the constitution, which will be referred to the constitutional steering panel to recommend to council assembly in due course. These changes will deliver the required saving of £344k on the cost of operating community councils. The recommended boundaries of the 5 Community Councils are:
 - Merge Borough & Bankside and Walworth

- Merge Bermondsey and Rotherhithe (retaining the current split of Livesey Ward between Bermondsey & Rotherhithe and Peckham & Nunhead)
- Merge Peckham and Nunhead & Peckham Rye
- Dulwich unchanged
- Camberwell unchanged.

Communities, law & governance – summary equalities impact

87. The department consists of four divisions providing back office services and indirect and direct services to individuals and our communities. The proposed year two savings are largely driven by localised efficiency measures but also include one area of service reduction. More significant is the review of the voluntary sector grants programme in the context of reductions in government funding.
88. Each division is undertaking equality analysis – the most significant impact of the proposed savings is in relation to staff with a total net loss of 18 posts. Current options and future implementation will seek to minimise this impact. It is recognised that divisional numbers are very small presenting a limitation to mitigation opportunities.
89. A full consultation process has taken place with the voluntary sector to elicit their views and explore ways in which the Community Support programme could be re-configured. In the next stage of analysis currently funded groups are submitting information based on the equalities strands to inform the application and assessment process as it proceeds

Deputy Chief Executive's (DCE) including regeneration and neighbourhoods

90. The DCE department is made up of human resources, communications, corporate strategy, organisational development, planning and transport services (including building control and development management and policy), economic development, housing strategy and regeneration, property and the major regeneration schemes.
91. The DCE department will 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 transform service delivery. It will also be focused on delivering functions that help achieve local policy 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.
92. There will be opportunities within the department to streamline structures through rationalisation of internal organisational arrangements. There will be an imperative to maximise opportunities from very limited external funding streams. Resources will be focused on the most vulnerable through partnership arrangements with developers to help create jobs and through optimising council land and property to achieve policy objectives. Seeking alternative ways to deliver services will also be a priority.
93. The proposed indicative budget for the department in 2012/13 is £17.2m.

94. It is proposed to deliver savings of some £1.057m in 2012/13 through service re-configuration, review and management restructuring. This will be achieved by rationalising back office and support costs and merging functions as a result of bringing together previously separate departments.
95. Savings will include reviewing how services are provided, such as across community housing functions and housing renewal, so they are retargeted to deliver a more effective service for those most in need.

Deputy Chief Executive's including regeneration and neighbourhoods – summary equalities impact

96. The services within DCE are largely back office, with a small amount of front line customer contact, while the regeneration schemes have the greatest direct impact externally. 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.
97. 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 through other publications or formats for example face to face communications.
98. 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 equalities impacts will continue to be assessed through out.

Environment and leisure

99. The services provided by Environment and Leisure currently make up around a fifth of the council's total service budgets and they can be broadly grouped into:
 - Environment covering: the public realm such as parks and open spaces, parking, highways, 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, anti-social behaviour unit, environmental enforcement, noise teams and CCTV

- Culture, Libraries, Leisure and Learning covering: arts, museums, leisure centres, sports outreach, libraries and adult learning.
100. 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.
 101. The budget for environment and leisure services in 2012/13 is £70.0m.
 102. The budget proposals include commitments of £1.1m for 2012/13, of which £500k is to cover the loss of income within parking services as a result of better compliance and lower traffic volumes due to economic downturn, £444k for additional corporate unavoidable costs during the five weeks of the Olympics games (one year only), £80k for loss of income from Stead Street car park which is being closed for housing development, and £44k relates to additional TfL costs for maintaining traffic signals.
 103. Savings of £4.3m are proposed for 2012/13, with further indicative savings of £2.3m in 2013/14. This is in addition to £6.9m already achieved in 2011/12. The total savings of £13.5m over three years represents 23% of the budget for 2010/11. The savings proposal for 2012/13 is some £1.8m more than the indicative 2012/13 savings agreed in February 2011.
 104. It is proposed to make £850k of reduction in public realm over the two years from 2012/13. Savings will be made through two major procurements that will start in 2013/14 for parking and highways contracts. The reactive street maintenance budget will also be reduced and management arrangements for South Dock Marina will be reviewed to generate efficiency savings.
 105. In sustainable services, £1.8m savings can be achieved by recalculating waste PFI cost profiling due to lower waste tonnage than anticipated at contract negotiation. Further efficiency savings have also been negotiated with the waste contractor including some specification changes. Other savings arise from rationalising divisional management structures and utilising spare capacity from the waste and recycling centre at the Old Kent Road Site. These proposals will deliver savings of £2.2m over the two years from 2012/13.
 106. It is proposed to save a total of £1.2m across the community safety and enforcement division over the two years from 2012/13, in addition to £1.8m (25% of budget) savings made in 2011/12. This will be achieved through management restructuring and service review and reconfiguration. The loss of grants and reduction in funding has resulted in the service cutting a number of current functions and the division has moved to a closer and more collaborative approach with partner agencies to maximise the resources at their disposal. The proposals include the re-organisation of the division, sharing the commissioning of drugs and alcohol services as well as merging CCTV monitoring and maintenance services with other authorities. The proposals also include release of a second phase of savings from the re-organisation of the community warden's service around our key town centres, supported by a response service for the whole borough, which was approved as part of 2011/12 budget process.

107. It is proposed to restructure and re-organise management and support services within culture, libraries, leisure and learning. It is also proposed to make contract savings from the new leisure management agreement and restructure the Community Sports unit with the ending of the Southwark Community Games from 2013/14. The library services review identified £397k savings over two years, without closing any libraries. These proposals will deliver some £1.7m of savings over two years from 2012/13.
108. There are plans to generate additional income of some £715k over the two years from 2012/13 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 Medium Term Resources Strategy. The proposals also include reorganisation of road network management team to include new London wide permitting scheme and other highway licensing functions.

Environment & leisure – summary equalities impact

109. 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.
110. 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.
111. 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.
112. 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.
113. The following proposals have been assessed as having the highest community and equalities impact:
- The proposed changes to reactive street maintenance and focusing resources on urgent repairs
 - The proposal to rationalise the school crossing patrol service
 - The proposed re-targeting environment grants programme
 - The proposed introduction of cashless parking across the borough
 - The proposal to increase the parking fees to Inner London average
 - The proposed reorganisation of the Community Wardens Service to focus on three key town centre locations, supported by a response team service, parks team and separately funding Borough and Bankside Team, linked directly to the retained but smaller environmental enforcement team
 - The proposed restructure of community sports unit and cessation of the Southwark Community Games in 2013/14

- The review of the Libraries Service.

Finance and resources

114. Finance and resources provides the corporate support services of finance (in direct support of the council's section 151 statutory function), facilities management, information and data services and procurement, as well as the revenues and benefits service.
115. The overall vision is to achieve excellent financial and resource management to help the council achieve key policy objectives in delivering a fairer future for all. Resources will need to be managed well with sound and robust audit and governance underpinning delivery of policy objectives. There will be a continual, rigorous focus on effective resource management, financial monitoring and control so that value for money outcomes are achieved across all council services.
116. The indicative budget for Finance and Resources in 2012/13 is £47.1m after the proposed savings.
117. It is proposed to deliver savings within Finance and Resources of £2.7m for 2012/13 through management restructuring, rationalised back office support and new contractual arrangements for facilities management, information and data services. The savings include a further review of finance functions across the council, building on the recent shared services review. This will also include a review of audit, anti-fraud and risk services to refocus priorities and reduce running costs. Savings will also be achieved through smarter procurement and contract management.

Finance and resources – summary equalities impact

118. The finance and resources department is committed to achieving the required level of savings as per the Cabinet report of January 2012 (Policy and Resources Strategy 2012/13 - 2014/15 - Revenue Budget). The departmental proposals are grouped into three areas: rationalisation, innovation and redesign, and transformation. The impact of implementing these will fall 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

119. In early 2011, the council established a stand-alone Housing Services Department, comprising the following divisions: Area Management, Maintenance & Compliance, Major Works, Community Housing, Customer Experience and Home Ownership and Tenant Management Initiatives. Though much departmental service delivery is landlord-based and therefore accounted for within the HRA, there are important general fund elements, which are set out below:

Division	General Fund Services
Area Management	Travellers Sites
Maintenance & Compliance	Stairlift Maintenance
Community Housing Services	Temporary Accommodation Housing Assessment & Support Older Persons Housing Options External Homeless Partners
Customer Experience	Customer Service Centre Concessionary Fares

120. The departmental vision for Housing Services 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 by working with residents to deliver consistently high quality services, doing more for less and supporting the most vulnerable residents.
121. Taking the various aspects of Community Housing together, the demand for temporary accommodation is a principal area of concern, and alternatives to the high cost options of utilising the private rented sector and bed and breakfast placements continue to be explored with some success in mitigating this pressure in cost terms.
122. As part of the council's medium-term budget plan, savings were identified against the Customer Service Centre for 2011/12, predicated on the basis of a fundamental contract realignment. A strategic review is underway and the council's options to deliver the service improvements required at reduced cost are being assessed. This includes ongoing negotiations to deliver improved contract management, and realise savings through operational efficiencies with a reduction in volumes without adversely impacting upon service delivery. The council remains committed to this means of transforming customer access as a policy objective.
123. In terms of 2012/13, significant savings proposals include a restructure of the Housing Renewal (£110k) and Housing Options (£38k) teams; a reduction in temporary accommodation placements (£38k) within an overall total of £284k. Regarding the wider budget planning horizon, anticipated savings relating to the Customer Service Centre contract form £750k and up to £4.1m of totals for 2013/14 and 2014/15 of £904k and £5.0m respectively.
124. The proposed budget for Housing Services in 2012/13 after the proposed savings is £37.4m.

Housing – summary equalities impact

125. In developing budget proposals, we are committed to delivering savings which, as far as possible, maintain front line provision, and to achieving this through efficiencies in back office support, more efficient cross department working and maximising income.
126. Mitigation of the impacts has been consistent with this commitment, and includes measures such as managing savings through efficiencies and streamlining, as well as contract management to maintain and maximise value and service.

127. Specific equality impact assessments will continue to be undertaken as part of on-going considerations around the implementation of the budget decision. This includes assessment of cross cutting impacts. Equality impact assessments will continue to be embedded in the process moving forward.

Health and community services (adult social care)

128. Health and community services provides support for the most vulnerable people 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.
129. The overall aim for health and community services in relation to adult social care 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.
130. The proposed budget for health and community services in 2012/13 is £107.7m after savings of £10.3m. Key savings areas for 2012/13 are detailed below.
131. Reducing supporting people budgets for housing related support in the community for all clients. This will be done through a combination of efficiency and service reductions. In 2012/13 funding will be withdrawn from some services, including lower support community based services for offenders (£250k) and people with substance misuse problems (£60k). Lower level support to former homeless groups, including people with learning and physical disabilities, mental health issues and older people will be reduced by £260k. In addition there will be a reduction in hostel capacity by decommissioning two hostels for homeless people (£1.18m).
132. The redesigning of mental health services, including a two year programme reducing day care services by £400k, will allow the move to personal budgets. An innovation fund of £150k will be made available to encourage a wider variety of service provision.
133. For services to older people the merger of management arrangements in two council run day centres for older people will save £100k. This will mean a shared management arrangement between the Fred Francis and Southwark Park day centres.

134. The redesign of day centre provision for people with learning disabilities, saving £1.0m and developing clients' independent living skills will facilitate their access to local services. To support these changes an innovation fund of £100k will be made available.
135. Other areas of savings include driving down costs through smarter procurement across a range of care services and developing a new customer approach for personalised services across adult social care, reducing posts in assessment & care management and commissioning to save £881k. In addition, the phased transfer, over three years, from high dependency on residential care into community based services will also contribute towards overall savings.

Health & social care – summary equalities impact

136. H&CS budget proposals are in the context of Southwark's vision for adult social care. We want people to live independently and well in the community for as long as possible, accessing personalised care and support services based on their choices. We need to consider redesign and reconfiguration across the system to be sustainable, continue to support the most vulnerable and deliver value for money. With limited resources, the council also needs to prioritise meeting its statutory duty to offer services to people with eligible care needs (currently set at substantial and critical needs in Southwark).
137. Key areas where savings are proposed include:
- Re-shaping day services across all client groups
 - Shifting the balance of care from residential provision towards community support
 - Obtaining best value from contracts and effectively targeting, including a cross-borough framework approach for Supporting People contracts
 - Bringing greater consistency to our contributions policy. This may also include bringing our policy more in line with a majority of London boroughs in terms of the maximum allowable amount to be charged
 - Adapting our social care workforce in order to deliver this new journey for customers and embedding a personalised approach in all the work we do
 - Re-designing our approach for young people with learning disabilities coming through transition, supporting independent living and a seamless experience.
138. Equality analysis for the overall budget proposals is currently being refreshed. Some proposals have also been refreshed, with some individual savings figures revised. While this does not mean that service redesign and transformation will not need to occur, it seeks to try and ensure that transformation can be achieved most effectively and with the best outcomes for individuals. Individual proposals that are agreed to be taken forward may need individual, detailed equality analysis as appropriate.
139. Overall, the budget proposals are likely to have greatest impact on older and disabled adults in Southwark, primarily those with eligible care needs (as outlined above). In addition, there is the need to consider the impact on black and minority ethnic (BME) communities in certain areas, particularly linked to open access services. For those people with eligible care needs, there is also the potential for an impact on carers, the majority of whom tend to be women.

140. The key impact is around services not continuing to exist or being offered in a different way. As part of our overall vision for adult social care, it is likely that, in future, there will be fewer people receiving ongoing, long-term social care support. Instead, we are looking to focus resources on time-limited interventions that help people get back on their feet, such as re-ablement services, and supporting them to understand how they can best help themselves and make key contributions to the wider community.
141. We propose a range of mitigating actions to try and minimise any potential negative impact. These include:
- Progress on our personal budget model (including direct payments in cash) so 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 supporting a diverse market to develop in Southwark, so that there are services available for people to spend their personal budgets
 - Develop and improve partnerships involving individuals, communities, voluntary and private sectors, the NHS and the Council's wider services
 - Improve procurement and commissioning processes, and streamlining back office functions thereby focusing resources on frontline services
 - Promoting innovation in service provision and opportunities for small, limited cash injections that could enable organisations to become financially self-sustaining
 - 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.
142. Work on contributions for community-based services will continue to be in line with government guidance and will need to include consultation with users. Around 50% of people receiving services in Southwark are not required to make a contribution.
143. The overall approach for adult social care services in Southwark may also 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 & 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 and well at home for as long as possible, recognising they may need some particular initial support to do so
 - 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.
144. 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

Community restoration fund

145. Southwark has a strong sense of community which was put to the fullest test when on Monday 8 August 2011 parts of the borough experienced disturbances, following similar disturbances in north London. This was a difficult and challenging time for all concerned with pressure put on local resources.
146. The disturbances had the potential to create further tension but instead the local community responded positively for example through the community-led "Peckham Peace Wall". Furthermore, a series of community conversations followed in which individuals and groups have provided insight into the impact of the disturbances and what can be done to learn for the future. These conversations also highlighted that young people need and value opportunities to be part of their community and in the decisions that affect them.
147. As an immediate response to the disturbances the council set up an emergency small business recovery fund of £100k to provide immediate, short-term support to small businesses in Southwark physically affected by the public disorder. Around £85k has been spent to date. The fund was covered from the Financial Risk Reserves. Other resources have also been set out by the government to support local areas to recover from the public disorder and the council continues to pursue all opportunities to secure this funding for the borough.
148. The full impact of the disturbances may however only become apparent over the medium to longer term. Short term, immediate funding is helpful, although it is important for the council to look at ways in which it can support communities to rebuild in those areas most severely affected by the disorder, and across the borough as a whole, over the longer term.
149. The council believes strongly in giving our young people the best start in life, and it is committed to investing in providing the best opportunities for them. Those that took part in the disturbances last August represent a tiny minority of adults and young people in the borough, and do not represent the vast majority of young people using our services or who the community restoration fund (CRF) is intended to support.
150. Before the disturbances, our high streets and town centres were already facing pressures from the impact of out of town shopping centres and the growth of internet shopping. The growth in unemployment, particularly among young people, is a sign of tough economic times. At the same time, the make up of communities is continuing to change through the impact of regeneration and population churn, all of which can impact upon community resilience. All of these challenges require fresh, innovative thinking and long-term collaboration between communities, businesses and public bodies if they are to be overcome.
151. Recognising the importance of supporting communities over the longer term, on December 13 2011 the cabinet agreed in principle to the establishment of a £1m Community Restoration Fund (CRF) for 2012/13 only.
152. The cabinet report of 13 December 2011 set out an initial position that the CRF be focused on restoring local community pride and delivering longer term solutions to support business and young people across the borough. The CRF would particularly target support to those areas and communities that were most affected by the August disturbances.

153. Following the meeting and through January 2012 the council has been discussing the development of the CRF with key stakeholders, including local business leaders and business organisations. This work has been important in helping to establish initial details of the fund, which are set out below.
154. On 9 January 2012 the Overview and Scrutiny committee of the council met to consider the draft revenue budget report as set out in the report to cabinet on 13 December 2011. The committee made a number of recommendations for the cabinet to consider as part of budget setting and implementation. One of the recommendations was that the final budget report to cabinet includes details on the setting up of the CRF, including criteria and process for assessment and award. Details of the CRF are set out below.

Community restoration fund – purpose and outcomes

155. The core purpose of the CRF is to support activities, projects and programmes that help to deliver longer term solutions to support the wider community, in particular local business and young people. The CRF will focus on activities, projects and programmes that can demonstrate a long-term impact and sustainability beyond the lifetime of the fund itself.
156. The CRF aims to support innovation, drawing out new and different ideas which bring out the best in the borough's local communities and support the wider economy. This might include using the CRF to act as a catalyst for growth or to generate additional value to ongoing activity. The CRF may also be matched with other resources, council or external resources, to provide additional support with associated stretch targets and milestones that would have not otherwise been secured.
157. The total value of the CRF in 2012/13 will be £1million. This will be revenue only.
158. Although one overall fund, the CRF will have two distinct areas of focus, covering activities, projects and programmes that support local businesses and/or young people across the borough. The fund will also support those projects and activities which link the two areas together.
159. Supporting local business. To support local businesses and business growth, the CRF will enable local businesses to respond positively to the opportunities from regeneration and inject fresh thinking and energy to our high streets and town centres at a time of ongoing economic hardship, triggering sustainable improvements. The intended outcomes and benefits of the business part of the fund are:
- Thriving high streets and town centres at the centre of local communities that attract increased footfall and economic activity from across Southwark's diverse communities
 - Businesses that are more able to adapt and innovate in response to regeneration and changing local economic circumstances
 - Businesses that work together collaboratively to share ideas and resources and achieve increased economic growth in their area.

Any activity, project or programme that intends to meet one or more of the above will be considered eligible for CRF monies.

160. Supporting young people. To support young people, the CRF will enable the creation of new, innovative or enhanced opportunities for young people including supporting positive activities for young people in the community. The intended outcomes and benefits of the youth part of the fund are:

- To invest in increased positive opportunities for young people with the aim of giving young people more things to do
- To provide opportunities which prevent or intervene to divert those small numbers of young people who are at risk of making poor life choices, including criminal activity, and support a pathway to positive activities within the community.

Any activity, project or programme that intends to meet one or both of the above will be considered eligible for CRF monies.

Community restoration fund – governance and decision-making

161. The CRF represents a new and exciting opportunity for the council to work innovatively with the local community. As such the council will want to ensure there is maximum flexibility in how the fund is managed, distributed and monitored.

162. Some activities will be directly managed by the council, some activity may be commissioned through the council, whilst other activity will be delivered through the release of grant via a bidding and application process (similar to that for the voluntary sector transition fund) in 2012/13.

163. Management of the CRF will be the responsibility of the Finance Director. The Finance Director will chair an officer board that will include lead officers from the sponsoring departments. The sponsoring department for business support is Deputy Chief Executive's. The sponsoring department for youth support is Children's Services. The officer board will meet regularly to review candidate activities, projects and programmes and undertake monitoring and evaluation of the fund. All decisions on the fund will be made by the relevant Cabinet members through the council's individual decision-making (IDM) process based on officer advice. For business support all recommendations for fund distribution will be decided by the cabinet member for corporate strategy and regeneration. For youth support, all recommendations for fund distribution will be decided by the cabinet member for children's services. In deciding fund distribution any other relevant Cabinet Member will also be consulted as appropriate. Involvement will also be sought from external stakeholders, including young people.

164. Equalities analysis will be undertaken in relation to activities proposed and supported by the CRF including monitoring of impact in accordance with our ongoing equality duty. This is in line with our aims for equality in Southwark - "Southwark Council's approach to equalities: delivering a fairer future for all".

165. Monies awarded by way of grant through the CRF will be subject to the usual Council grant monitoring processes. Decision-making on the award of funding

will be in line with the Council's procedures for awarding grants. No loans will be issued through the CRF.

166. Any council service or organisation that is in receipt of CRF will be expected to provide details of the performance measures and milestones that will be achieved as a result of the activity, project or programme in place. In particular the things that are planned to be achieved once the CRF monies cease should be explicitly set out. These measures should be in line with the respective outcomes set out in paragraphs 159 and 160.
167. Performance monitoring will be proportionate to both risk and to the overall value of the CRF being made available to fund an activity, project or programme. Given that the emphasis of the CRF is on innovation and new ideas, it is not envisaged that performance monitoring be deliberately onerous or unduly bureaucratic but incorporated into the council's overall performance reporting processes.
168. To ensure that the CRF is independently evaluated and assessed, the monitoring of outcomes achieved by the fund will be undertaken through Internal Audit as part of their annual plan of work.
169. Any balance left over in the fund in 2012/13 overall will be earmarked and carried forward to 2013/14. This will be reported through the council's normal revenue monitoring procedures.
170. Any local organisations will be eligible for CRF that are:
 - a business wholly or partly located within the London Borough of Southwark
 - an organisation or group of organisations representing the interests of a group of businesses or young people in Southwark
 - any deliverer of business support services or youth services in/for Southwark.
171. The CRF will be particularly targeted at those areas within the borough most affected by the August disturbances, although the whole borough will be eligible for funding. Also there may be some activities, projects and programmes that go beyond the borough boundary in their nature. Although the expectation is that the CRF will deliver positive outcomes in the borough, this may not preclude activities of a cross borough nature.

Cleaner, greener safer revenue budget

172. It is proposed to introduce a cleaner, greener, safer revenue budget, equating to £10k per ward, for community councils to determine from 1 April 2012. This £210k revenue fund will be supported by officers in the Communities, Law and Governance department in collection and presentation of bids. Decisions on allocation of funding will be taken by community councils. The criteria for this fund will include giving community councils the flexibility to support the provision of local services that have been reduced due to the impact of spending cuts on the council.

Voluntary sector transition fund

173. In 2011/12 a transition fund of £1.5m was established over two years, £1m in 2011/12, and £500k in 2012/13, with no provision for 2013/14. The fund was set up to provide interim support in helping VCS organisations make the changes necessary to meet the challenges from reduced public sector funding and work with the council to develop a more sustainable sector.
174. Phases 1 to 3 are now complete across 2011/12 committing £743k of expenditure with 54 organisations across the borough. The balance of the funding will be committed during 2012/13. Details of VCS organisations supported so far are included in Appendix F.

Concessionary fares (i.e. “Freedom Passes”)

175. Concessionary fares is the name given to 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.
176. 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 in cost calculation from ‘passes issued’ to ‘passes used’ have now resulted in a fairly stable base.
177. However the year on year change in the cost of the freedom pass is subject to inflationary increases and changes in usage. Transport for London (TfL) are the largest operator charging London Councils, and were planning to increase their charges by July 2011 RPI + 2% (7.0%).
178. The Chancellor’s Autumn Statement stated that fares should only increase by RPI + 1%, and the Mayor of London has announced a reduction in the average cost of fares for 2012 on this basis. The concessionary fares charge to London Boroughs for 2012/13 was discussed at London Councils’ Transport and Environment Committee on 15 December 2011, and the final increase for Southwark has been confirmed as £792k.

Superannuation fund contributions

179. 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.
180. To enable the deficit to be funded, additional resources are required for 2012/13 of £1m. This requirement will continue into 2013/14 and 2014/15 at £1.5m and £1m respectively.
181. The position will be revised when the next actuarial review signed off, this is likely to be in March 2014, although interim figures will become available during summer 2013.

Agency workers directive

182. The Agency Worker Regulations come into effect on 1 October 2011. Under these regulations, agency workers are entitled to at least the same pay and

some conditions as though they were directly employed by the council after 12 weeks. They do not gain employment rights, e.g. redundancy. Conditions such as occupational sick pay and access to pensions are also excluded. Agency workers can continue to be paid more than substantive staff; employees do not have rights under the regulations to make claims of comparability.

183. From 26 December 2011, agency staff employed since 1 October 2011 have been entitled to the same annual leave entitlement as a substantive worker and at a minimum, the same level of pay that would be paid to a new worker in that role.
184. Action is currently being taken to mitigate this. Managers were required to review the use of agency staff as at 31 December 2011 when all assignments ceased unless authorised for extension.
185. However there are exceptional circumstances where agency staff are essential for provision of critical front-line service, such as street cleaners. The use of agency staff will continue to be strictly monitored through management action to ensure costs are minimised, in line with the council's Medium Term Resources Strategy.

London living wage

186. The London Living Wage (LLW) was introduced in 2005 to provide headroom above the National Minimum Wage (NMW) to stop working Londoners from falling into poverty.
187. In November 2008 Council Assembly agreed to review the policy, in so far as UK and EU law permitted, including staff employed by contractors providing a service on behalf of council, on the London Living Wage. The 2011/12 – 2013/14 Workforce Strategy (part of the Medium Term Resources Strategy) includes “to ensure all staff employed by the council are employed at or above the London Living Wage”.
188. In 2011/12, Southwark was one of a minority of councils in London to pay all its permanent employees at or above the LLW. Cabinet members have now asked that officers plan to bring all contracted staff up to this level over the next three years. For future new contracts the presumption will be that LLW will be included in contracts where services/works are to be provided on council premises or in the London area, and where best value can be demonstrated on a case by case basis.
189. The Mayor of London set the LLW at £8.30 per hour in May 2011. This is 14.5% above the £7.25 per hour poverty threshold wage and 40% above the £5.93 per hour NMW, and represents an increase of 5.7% over the 2010 LLW.
190. Included in the 2012/13 budget is a £1m allocation required as a consequence of the agency worker directive, requiring parity pay rates with council staff and the application of LLW. Further budget commitments will be required over the next three to four year period as existing contracts are awarded and renewed. Currently it is estimated that additional resources of £3m will be required by 2015/16, although this commitment will be subject to rigorous procurement processes linked to quality improvement in the services being delivered.

Human resources

191. The 2011/12 budget proposals required a reduction of some 400 FTE posts to achieve the savings. The 2012/13 proposals, appended, require a further significant reduction in posts arising from the general fund savings programme. As in 2011/12, management will look first at vacancies (a selective recruitment freeze has been in place for over 2 years), and agency / temporary staff cover, as well as through natural wastage. The council has tried and tested procedures to manage workforce change and has prepared to provide greater emphasis on the redeployment process, supporting staff and in mitigating redundancies.
192. On 19 July 2011, a report was presented to cabinet on amendments to strategic management arrangements. This report will help kickstart the process for cabinet to deliver on their commitment from the 2011/12 budget setting to cut £1m from the costs of senior managers over the next two years, and divert the money saved back into frontline services. A further report on senior management arrangements is planned for cabinet in March 2012.
193. There are some underlying principles that the council will aim to maintain through this period of significant change whilst trying to ease the financial pressures over the medium term, which form part of the medium term resources strategy:
- To aim to maintain our standing as a good employer and as an employer of choice
 - To continue to provide opportunities to refresh the workforce through apprentices, trainees etc. and employ high quality specialist staff to critical hard to fill roles, particularly as recruitment is curtailed
 - To implement a framework for managing and learning from change process, overcoming barriers and emphasising the positive aspects
 - To undertake equality impact assessments at all critical stages of the change process
 - To encourage innovation and technological opportunities where these best deliver intended outcomes
 - To continue to invest in learning and development; and provide accessible, targeted and high quality corporate learning, targeting skills maximisation, leadership capacity and nurturing career development
 - To sustain a remuneration strategy that supports organisational objectives and is affordable, perceived as fair and retains a diverse motivated workforce
 - To review top pay in line with Hutton inquiry report (due March 2011); and review the application of terms and conditions and discretionary elements to ensure they are contemporary and fit for purpose
 - To promote innovation and voluntary schemes which contribute to the reduction of the overall paybill for example through flexible working, flexible retirement; and to facilitate fast track approval

- To continue to make progress in key areas of sickness management and agency controls
- To maximise opportunities for redeployment utilising the existing workforce positively to meet future needs
- To ensure all staff employed by the council are employed at or above the London living wage.

Use of balances

194. As a result of the unprecedented reductions in government grant for 2011/12, and the short notice given by the government to identify savings, reserves were used to support the 2011/12 budget setting process. Given the unprecedented nature of the circumstances facing the council, the Finance Director recognises the need to use limited balances while strategies and plans are put in place to deliver service changes that match resources available. He also recognises that the contributions from balances must be limited as the use of balances cannot be sustainable in the long term as they become exhausted.
195. For 2011/12 £3.4m was taken from reserves, the indicative budgets for 2012/13 and 2013/14 required an additional £2.8m and £0.1m from reserves, although 2013/14 did not contain any estimate for grant reduction.
196. Current budget proposals will require a contribution from reserves for 2012/13 of £4.4m, an increase of £1.6m from the indicative budget. This is because although savings and income are £1.1m higher than indicated in 2011/12, growth commitments have increased by £2.6m. In addition, council tax income is £0.2m less due to a lower than anticipated tax base. This is matched by an increase of £0.2m from a 0.25% increase in collection rate and an estimated collection fund deficit of £100k for the year ending 31 March 2012.

2013/14 and beyond

197. From 2012/13, the Localism Act, which received Royal Assent on 15 November 2011, has given communities the power to call for a referendum if an authority raises council tax above a limit determined by the Secretary of State. The Secretary of State's limit for 2012/13 was announced on 8 December 2011 as 3.5%.
198. On 18 July 2011 the government commenced a consultation on the Local Government Resource Review, including proposals for business rates retention (at the local level). This began the process that will culminate in a significant change in the way that local government is funded. Business rates are currently collected by local authorities, and paid to the government, and then reallocated through the grant formula. Under the proposals included in the consultation, authorities will keep the business rates that they collect, subject to a threshold/baseline set by the government. The government will set a baseline, similar to the cost floors under the current funding mechanism. Authorities below the threshold will be described as "top up" authorities, and will receive additional funding up to the threshold. These top ups will be funded from tariffs taken from authorities generating business rates above the threshold. Southwark is likely to be a top up authority. This consultation concluded on 24 October 2011.

199. The proposals to retain business rates locally raise two fundamental issues which are thought to impact on adult social care services. There is a concern that a new funding system created through localised business rates may not address the funding gap between the resources available to local authorities for adult social care and the increasing demand for care. If this is not addressed, then the council would have to consider service reductions and / or increased charges, with adverse impacts on service users and carers, and it is also likely to impact on the health service and other public services. There is also uncertainty over the relationship between the proposals set out in the consultation and the potential implementation of the report of the Commission on Funding of Care and Support.
200. On 2 August 2011 the government commenced a consultation on the localising support for council tax through benefit from 2013/14. The government's proposals are to transfer the responsibility for developing local schemes for council tax benefit to local authorities, who should protect pensioners and the vulnerable, while, at the same time, reducing the amount paid to local authorities by 10%. Instead of receiving council tax benefit subsidy to match payments, local authorities will receive a fixed amount, probably as a specific grant to fund the new local system. This consultation concluded on 14 October 2011.
201. On 31 October 2011, the government began a consultation on technical reforms of council tax. The reforms being proposed are largely around discounts and exemptions on second homes and empty dwellings, giving authorities full control on the level of discount they grant with a minimum of 0%. Other proposed changes include moving from 10 to 12 monthly instalments and on-line publication of some elements of information supplied with the council tax bill. This consultation concluded on 29 December 2011.
202. If implemented, the proposals described above will require a large amount of new legislation beginning in the near future, all with a proposed implementation date of 1 April 2013, and all relating to council tax and business rates. The government hopes to introduce these proposals as part of the Local Government Finance Bill, with primary legislation by spring 2012 and secondary legislation by the summer.
203. The changes proposed by the three consultations will necessitate major changes to software and processes to enable the proposals to be implemented on 1 April 2013. Delays in the legislative process will delay these changes being planned and implemented, putting pressure on local authorities' ability to issue council tax bills by 1 April 2013. London Councils have estimated that even a minor delay could result in bills not being issued until July, with clear cash flow implications for both the council and council tax payers.
204. In addition the introduction of localised council tax benefits is dependent on the deletion of the current council tax benefit scheme. It is planned that the Welfare Reform Act gains Royal Assent during the current parliamentary session, although there it is possible that this could slip into the 2012/13 session.
205. Overall, the proposed changes set out above pass significant risk to local authorities. On business rates localisation, the risk of non collection which was previously borne by central government now transfers to local government. On council tax benefit, the 10% reduction in the total allocated to local government, coupled with the government's requirement on councils to protect pensioners and the vulnerable, means that the remaining benefit recipients will have to have

their benefits cut, or council tax benefits will have to be subsidised from already reducing resources.

206. There are also concerns with the timetabling of the local government resource review in that authorities may not receive their provisional individual settlements until very late in the 2012 calendar year and as such this will put pressure on the council's ability to plan effectively for the 2013/14 financial year. The council has attempted to mitigate this through setting out an indicative budget position for 2013/14, however, this is subject to many assumptions which are difficult to predict, not least because the funding system will be overhauled to a significant extent from 2013/14.
207. No indicative figure has been provided by DCLG regarding what individual authorities' 2013/14 formula grant would have been using the current model. Government have stated that funding under the new regulations will be the same as they would have been under the current system for 2013/14, and that no council will be worse off than they would have been under the current model.
208. The timeline for local government reform, at the time of writing, is shown below:

Before Summer 2012	Discussions with local government about the allocation of the baseline, ahead of further consultation.
November 2012	Ministers expected to announce each council's individual settlement for 2013/14.
December 2012 / January 2013	Consultation on provisional 2013/14 settlement and confirmation of final 2013/14 settlement.
April 2013	First year of the new funding methodology and local government control of council tax benefit.
January 2014	Councils informed of the final settlement for the current spending review period i.e. year 2014/15
April 2015	The results of a business rates revaluation, to be carried out over 2014, are fed into the system from 2015/16.

Dedicated schools grant (DSG)

209. In 2011/12, Southwark also received £196.67m of Dedicated Schools Grant (DSG), of which £168.478m is allocated to schools formula budgets and supplementary grants. The remainder is held centrally to provide pupil related services and for school related contingencies such as in year SEN statements adjustments. DSG is adjusted throughout the year for schools that transfer to academy status. During 2011/12, the Pupil Premium unit rate increased from £430 to £488 per pupil. In total £3.982m of Pupil Premium was allocated to Southwark Schools and Looked After Children.
210. The provisional 2012/13 local authority allocations for Department for Education (DfE) grants were announced on 13 December 2011. DSG is kept at flat cash per pupil for 2012/13 and the same pupil number methodology will be used as for 2011/12. The minimum funding guarantee for schools remains the same as 2011/12 thus protecting individual schools from more than a 1.5% reduction in per pupil funding.

211. Final DSG pupil numbers and allocations will not be provided to local authorities until June 2012. Funding in the interim is to be based on 2011/12 pupil numbers.

2011/12 guaranteed per pupil unit of funding	£7,244.45
2012/13 guaranteed per pupil unit of funding	£7,244.45
2011/12 cash baseline (2011/12 DSG allocation before any recoupment deductions)	£219.23m
Minimum 2012/13 DSG allocation with -2% cash floor	£214.85m

212. The Pupil Premium has increased nationally for 2012/13 to £1.25 billion. The level has increased from £488 to a flat rate per deprived pupil of £600 and its coverage has been extended to all pupils who have been eligible for Free School Meals at any point in the last six years. The DfE have published indicative allocations setting out what schools could expect based on their existing pupil numbers at the increased rate. These figures indicate an increase in the region of £2.5m for Southwark maintained schools (£3.6m to £6.1m).
213. Up to £50m of the national funding available for the pupil premium will be used to support a Summer School programme to help the most disadvantaged pupils with the transition from primary to secondary school.
214. There is an indicative Early Intervention Grant funding allocation of £20.467m. This will be confirmed in the final settlement.

Capital programme

215. In July 2011, Council Assembly agreed the recommendations of the cabinet for a 10-year general fund capital programme 2011-21 of £351m. This will be refreshed in 2012/13 to add an additional year to the programme, to keep it as a full 10 year programme covering 2012-22.
216. The capital programme will be refreshed on the basis that projects in 2011/12 which have not completed in this financial year will be carried forward, with funding, to 2012/13. The refresh will be completed as part of the capital outturn 2011/12 report.
217. The Housing Investment Programme was agreed by cabinet in October 2011 at a value of £326m. This programme will be key in delivering the council's priority of ensuring all council homes are warm, dry and safe.

Greater London Authority

218. Following consultation the Mayor's draft consolidated budget was submitted to the London Assembly for discussion at its meeting on 25 January 2012. The draft budget confirmed the Mayor's intention to freeze the GLA council tax precept for residents of the 32 London boroughs in 2012/13 at the same level as in 2011/12 (i.e. £309.82 per Band D property).
219. On 1 February 2012 the mayor announced a proposed 1% reduction in the precept, reducing a band D property from £309.82 to £306.72.

220. The final budget proposals are scheduled to be considered at the Assembly plenary meeting planned for 9 February 2012. 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 9 February meeting. The confirmed precept will then be presented to Council Assembly on 29 February 2012.

A strong and stable resource base

221. In setting out the draft budget proposals for 2012/13 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 2012/13 is therefore robust.
222. In addition to ensuring that sufficient funds are available to finance the ongoing management of the council services, the Finance Director 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.
223. 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 road gritting for highways) or meeting the upkeep of older buildings that the council operate from. Another example is one-off redundancy costs arising from restructuring. It may be that these costs cannot be met from existing revenue budget provision. Reserves are the most effective way in which to mitigate these pressures, subject to appropriate criteria. Therefore and, subject to an appropriate business case, reserves may be used to support these costs.
224. 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, and risks as a result of unavoidable changes in accounting practice.

225. 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 Finance Director's assessment of the robustness of the budget.
226. The council's general fund reserves and balances at the end of 2010/11 totalled £91.2m, made up of £73.0m earmarked reserves and £18.2m general fund balance. In total this represents some 9.35% of the general fund spend in 2010/11.
227. 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 2010/11, 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.
228. General fund balances are intended to act as a contingency in the event of any extraordinary unbudgeted expenditure having to be incurred. The target level of working balances has been set at £20m over the medium term, as per the 2012/13 MTRS, in line with similar organisations in London. Although the council has made progress to achieving this level of balances, there have been insufficient surplus resources over the years to be able to achieve this target. Current general fund balances stand at £18.2m. This is 1.87% of 2010/11 general fund spend, which is below the cross London average of balances held (2.06%) and lower than the inner London average of 2.43%. Outer London boroughs tend to have smaller contingency balances, with an average of 1.80%, but that includes seven boroughs that proportionately hold balances greater than Southwark. The finance director will continue to review the level of balances and reserves and report to the cabinet through the normal monitoring process.
229. In setting the budget the council needs to be mindful of the continued uncertainty with regards future funding particularly beyond 2012/13. This strengthens the importance of maintaining a robust MTRS within which to plan council business and sustain delivery of essential frontline services.

Consultation

230. This report follows the Policy and Resources scene setting report of October 2011, and the Provisional Local Government Settlement report of December 2011. This report provides information on the resources which are anticipated to be available for 2012/13, which is the second year of a three year budget framework, agreed in February 2011. The budget agreed in February 2011 was supported by an extensive consultation undertaken in autumn 2010.
231. A report on the proposals for the budget was considered by cabinet on 24 January 2012 and cabinet received deputations at their meeting on that date on

the draft budget report. Deputation requests on the general fund budget were received from:

- Camberwell After School Project
- Community Action Southwark
- Southwark Refugee Communities Forum

232. Camberwell After School Project and Community Action Southwark deputations addressed the cabinet and made a formal presentation. There was no presentation from Southwark Refugee Communities Forum.

233. **Camberwell After School Project:** The spokesperson addressed the meeting and expressed concern about the cuts being proposed to support 'out of school' activities and Saturday Schools for local children, when they considered that such services were vital to the education of children and supports their achievements in main stream schooling.

234. The deputation advised that after 26 years of delivering what was viewed to be essential services to thousands of local children and their hard pressed families, the Camberwell After School Project was now 'at risk.' The project called on the council to:

- Undertake a full equality impact analysis of these cuts before implementing this policy
- Provide more, not less, support to such services at this time of financial stress
- Investigate ways that schools could be providing more such support
- Review the impact charges being made by the council for extra rent are having on delivery of these vital services to children and parents, and release appropriate premises to become community managed assets.

235. **Community Action Southwark:** The spokesperson addressed the meeting to make representation on behalf of the voluntary and community sector regarding the impact of the budget and to draw attention to the work and contribution that the sector makes in the borough.

236. The spokesperson outlined three key areas of particular pressure:

- Income - competition for non-state funding has increased along with demand
- Workforce – as a result of cuts the voluntary sector workforce has fallen by 8.7%
- Needs - reference to a recent Shelter report that outlined there will be 70,000 children without a home in 2012, identification by Age UK of 2 million people with care needs and the impact on legal advice providers in Southwark if proposal to restrict legal aid goes ahead.

237. Other key issues identified by the deputation included:

- Recommendations and comments relating to the transition fund to mitigate the impact of budget cuts on the sector
- Requesting that the council consider sustainability as a key consideration
- Implementation of a consistent approach to commissioning, tendering and procurement across all council departments

- Moving towards 3 year funding
- Requesting that the council engage the voluntary and community sector as it develops the community infrastructure levy.

238. Both deputations were thanked and their comments received by the cabinet. Where appropriate, cabinet members raised further questions on the issues set out within the presentation. This was to gain clearer understanding of these issues. At the end of the deputations the cabinet agreed that it was appropriate for more time to be given to consider the issues that had been raised in advance of making a formal decision on the budget to be recommended to Council Assembly. Officers were asked to update and represent the report, to provide appropriate time for cabinet to give further consideration on the deputations that had been made alongside any other final feedback received on draft budget report and to take as appropriate further advice from officers.

Next steps

239. Following consideration and agreement at this meeting, the budget will be recommended to Council Assembly on 29 February 2012.

Equalities

240. This section details the process that has been undertaken to consider the equality impacts of the council's budget proposals. The scale of the budget cuts have been particularly challenging, as Southwark is an area which has a high level of deprivation. It is therefore inevitable that our communities will be affected but analysis has been undertaken to understand these impacts and ensure that appropriate mitigation is put in place.

241. In September 2010, cabinet agreed seven budget principles. One of the council's budget 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." The budget principles are consistent with the council's new Approach to Equality, which was approved by cabinet in December 2011 and provides a strategic framework for the council to meet its duties under the Equality Act 2010.

242. The Equalities and Human Rights Commission (EHRC) recommended in 2010 that public bodies assess the impacts that their financial decisions might have on equality groups where relevant and proportionate. EHRC guidance on using equality duties to make fair financial decisions, has informed our approach and the guidance we have issued to departments.

243. Each department has considered equality impacts throughout the development of budget proposals, and processes for identifying and mitigating cross-cutting or multiple impacts have been put in place. Summaries of the analyses are included in the departmental sections of this report.

244. Where proposals are likely to have an impact we have ensured that we have identified how those impacts can be mitigated. The process for identifying and mitigating cross-cutting or multiple impacts has identified potential impacts on older people, young people and women. The equality analysis sets out specific mitigations to mitigate these impacts and we will continue to assess the impacts and identify what we can do to mitigate them as the budget is implemented.

245. Equality analysis needs to contain sufficient information, including the demonstration that they are evidence based, to enable the council to show that it has paid 'due regard' to equality groups in its decision making and identify methods for mitigating or avoiding any adverse impacts. The council has demonstrated this through ensuring that the consideration of equality issues has been embedded in the budget setting process. In preparing budget proposals, the council has paid due regard to equality implications, including where the proposals relate to service changes or reconfigurations.
246. Some of the specific activities undertaken to demonstrate this include:
- Explicit cabinet commitment to equality made through its vision statement, "Fairer Future for All" and its "budget principles"
 - Consultation in-year with residents and staff via a range of forums, with findings from these consultations feeding into decision-making processes
 - Training and guidance for officers and members on the requirements of legislation and the council's policies around equality
 - Embedding a framework for assessing equality impacts within the budget process, which was set out in guidance to Chief Officers and communicated through a cross-departmental equality leads officer group
 - Process put in place for identifying potential cross-cutting and multiple impacts on the same equality groups/protected characteristics across departmental budget proposals, ensuring that these issues are fed into the departmental equality analysis process to assess the impact and identify what can be done to mitigate any impacts
 - Equality analysis of departmental budget proposals prepared and developed
 - Summary of departmental equality analysis included in the department sections of this report, with full departmental equality analysis available on the council's website.
247. Equality analysis will continue to be undertaken as part of the on-going considerations around the implementation of the council's budget. These will be prepared by departments in compliance with the council's policies and procedures around undertaking equality analysis. Work to identify and mitigate cross cutting impacts will continue as proposals are developed further and implemented.

Community impact statement

248. This report sets out draft budget proposals for 2012/13. The impact on the wider community as a result of the proposals set out in this report has been captured through the assessment on equalities. As set out in the report, each department has considered equalities impacts throughout the process of developing budget proposals and where proposals are likely to have an impact we have ensured that we have identified how those impacts can be mitigated. Therefore as budget proposals are further developed and implemented through 2012/13 the impact

on local people and communities will be subject to more detailed assessment and consideration.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

249. The report seeks Cabinet approval of the Council's budget for 2012/13 based on a nil increase in council tax and to note the changes likely to impact for 2013/14 and beyond, but which at this stage cannot be quantified. Cabinet approval is sought to agree the establishment of the Community Restoration fund for 2012/13 only. Cabinet are also required to recommend the budget to Council Assembly for approval on 29 February 2012.

Legislative Framework

250. The Constitution provides that the Cabinet consider aspects of the control and regulation of the Council's finances. Section 31A of the Local Government and Finance Act 1992 ('the LGFA') provides that the Council has an obligation to calculate and agree an annual budget. The LGFA 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 LGFA 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 LGFA states that a purported setting of an amount, if done in contravention of section 30 (7) shall be treated as not having occurred.

251. Under section 39 of the LGFA, the Greater London Authority ('GLA') is defined as a 'major precepting authority'. The GLA is intending to set its precept on 9 February 2012. Council Assembly will be setting the council tax on 22 February 2012 which complies with the requirements set out in section 30 (7) of the LGFA.

Equalities Legislation

252. The Equality Act 2010 introduced a single public sector equality duty. This duty requires us to have due regard in our decision making processes to the need to:

- (a) Eliminate discrimination, harassment, victimisation or other prohibited conduct;
- (b) Advance of equality of opportunity between persons who share a relevant protected characteristic and those who do not share it
- (c) Foster good relations between those who share a relevant characteristic and those that do not share it.

253. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. The duty also applies to marriage and civil partnership, but only in relation to (a) above.

254. The Council is required to act in accordance with the equality duty and have due regard to the duty when carrying out its functions, which includes making decisions in the current context.
255. The report author refers to the fact that equalities have be considered as part of the budget setting process and that equalities impact assessments/analysis has been and will be undertaken. Equality impact assessments/analysis is an essential tool to assist councils to comply with our equalities duties and to make decisions fairly
256. The Human Resources section notes that some of the proposals require a reduction in posts and therefore present employment law implications. It is proposed that the focus is on redeployment and other strategies to mitigate redundancies. It is important that decisions are taken in accordance with the council's Reorganisation, Redeployment and Redundancy Procedure and other relevant human resources procedures so that we act in accordance with employment legislation.
257. One of the underlying principles is that equalities impact assessments/analysis is carried out at critical stages so that we have due regard to the equalities implications of the proposed staffing changes and comply with our equalities duties.
258. The Cabinet must consider the implications of the summaries of equalities impact in this report when making their decision in accordance with best practice and our approach to equality: delivering a fairer future for all.

Consultation on the budget proposals

259. In accordance with paragraph 2(a) of the Budget and Policy Framework Procedure Rules Cabinet consulted Overview and Scrutiny on the budget proposals on 9 January 2012.
260. Where the proposals involve reducing, reconfiguration or withdrawing of services to reduce the risk of legal challenge the Council has a legal duty to consult with service users and other groups or interested parties who may be affected by the changes in service provision.
261. Whether the individual savings detailed in the report will be subject to further consultation prior to implementation will depend upon a number of factors, these include whether there is a statutory duty to consult, whether fair and effective consultation has already taken place and whether the Council's internal processes and procedures require further consultation.
262. The courts have provided guidance on what constitutes effective consultation and where consultation is undertaken the courts will want to ensure that this has been done fairly. The extent and method of consultation will depend upon the circumstances.
263. For effective consultation to take place there are four requirements:
- 1) consultation must be conducted when proposals are at a formulative stage.
 - 2) the decision make must give sufficient reasons for it's proposals to permit intelligent consideration and response

- 3) adequate time must be given for consideration and response; and
- 4) the product of consultation must be conscientiously taken into account before making the relevant decision.

Each of these elements must be considered separately, evidenced and documented

264. There is no legal definition of what constitutes 'adequate time' to consult; each case will need to be determined on its own facts. Government guidance and good practice recommends a 12 week consultation period. However if there is good reason to deviate from this, the courts are unlikely to conclude that the consultation period was inadequate. But the reasons for reducing the time for consultation must be clearly explained and reasonable.

Community Restoration Fund

265. Section 2(1) of the Local Government Act 2000 ('the 2000 Act') gives the Council a discretionary power to promote wellbeing where it considers this will achieve any one or more of the following three objectives:

- 1) the promotion or improvement of the economic well-being of its area.
- 2) the promotion or improvement of the social well-being of its area.
- 3) the promotion or improvement of the environmental well-being of its area.

266. The council can use the well-being power in relation to or for the benefit of the whole of its area, part of its area, all persons resident or present in its area or any person resident in its area. The power can be used to incur expenditure, give financial assistance to any person, enter into arrangements or agreements with any person, co-operate with or facilitate or co-ordinate the activities of any person, exercise on behalf of any person any functions of that person and provide staff, goods, services or accommodation to any person. The establishment of the Community Restoration Fund falls within the scope of the kind of activities the council can undertake under the power of well-being. The fund will achieve the promotion of the economic and social well-being of the council's area.

267. The decision to allocate funds under the community Restoration Scheme will be made by Individual Members in accordance with part 3D of the Constitution.

268. In accordance with paragraph 2 of The Budget and Policy Framework Rules of the constitution, Cabinet are required to recommend the budget to Council Assembly for approval.

REASONS FOR URGENCY

269. The council has an obligation to set a lawful budget by the statutory deadlines and ensure all the necessary preparatory administrative and financial arrangements are in place prior to the next financial year. The council also required sufficient time to consider the implications of the government settlement on the budget proposals.

270. Cabinet are also required to recommend a budget to Council Assembly for approval on 29 February 2012. All local authorities are required to set their council tax by 11 March 2012. Any delay to this date would mean the Council

would have to move its instalment date beyond 1 April 2012 resulting in loss of income to the Council.

REASONS FOR LATENESS

271. It was not possible to prepare this report until details of the final grant settlement had been received on 31 January 2012.
272. The cabinet wished to give due consideration of the issues raised in responses to the draft budget, including deputations received at its meeting on 24 January 2012.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Local Government Settlement 2012/13	Department of Communities and Local Government	http://www.local.communities.gov.uk/finance/1213/grant.htm
Policy and Resources Strategy 2012/13 - 2014/15: Scene Setting Report	160 Tooley Street PO Box 63529 SE1P 5LX	Stephen Gaskell 020 7525 7293 http://moderngov.southwarksites.com/mgConvert2PDF.aspx?ID=22932
Policy and Resources 2012/13 to 2014/15 – provisional local government settlement	160 Tooley Street PO Box 63529 SE1P 5LX	Stephen Gaskell 020 7525 7293
Greater London Authority Precept proposals	GLA	http://www.london.gov.uk/sites/default/files/Mayor_consultationbudget201213.pdf
Schools Funding Announcement	Department for Education	http://www.education.gov.uk/schools/adminandfinance/financialmanagement/schoolsrevenuefunding/settlement2013pupilpremium/a00200465/dedicated-schools-grant-and-pupil-premium-arrangements-for-2012-13

APPENDICES

No.	Title
Appendix A	High level descriptions of budget proposals on commitments
Appendix B	High level descriptions of budget proposals on growth
Appendix C	High level descriptions of budget proposals on efficiencies and improved use of resources
Appendix D	High level descriptions of budget proposals on income, fees and charges
Appendix E	High level descriptions of budget proposals on savings impacting on service delivery
Appendix F	Overview and Scrutiny recommendations to cabinet and officer comment
Appendix G	Total Service Budgets

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Finance, Resources and Community Safety	
Lead officer	Duncan Whitfield, Finance Director	
Report author	Duncan Whitfield, Finance Director	
Version	Final	
Dated	3 February 2012	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		3 February 2012

Department	Description of Commitments	2012/13 £'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.	1,414
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.	135
Total Children's Services		1,549
Health and Community Services		
Older People	Impact of a phased reduction in welfare meal charges to 50% of the 2010/11 charge, harmonising the charge for hot and frozen meals in the process. The first reduction was made in 2011/12 and the full reduction will be completed by 2014/15.	42
All services	Increased budget to reflect NHS contribution for greater integration between Health and Social Care. Department of Health have confirmed that funding will continue for a minimum of further two years (2013/14 & 2014/15).	4,110
Total Health and Community Services		4,152
Environment and Leisure		
Public Realm - Parking & Road Network	Shortfall in the parking income arising from better compliance and lower traffic volumes due to economic downturn. The estimated pressure for 2012/13 may be as high as £1m, but the department will make efforts to contain any additional net costs of the service. Failure to contain net costs of the service would lead to calls on corporate contingency.	500
Public Realm - Parking & Road Network	Stead Street car park off the Walworth Road is closing in autumn 2012, for housing development. Currently Stead Street car park is a pay and display car park which generates income from the Pay and Display meters.	80
Public Realm - Asset Management	Increased costs payable to TfL for maintaining traffic signals mainly due to increase in number of systems being deployed in the borough and inflation increase of 4.6%.	46
CLLL - Culture	Additional unavoidable costs to E&L services during the 5 weeks of the Olympics (£30k required for 2011/12). This is one off for 2012/13 only.	444
Total Environment and Leisure		1,070
Communities Law and Governance		
Community Engagement	To support the continuing activities of Community Action Southwark and their work to ensure effective working with the voluntary sector in Southwark.	50
Total Communities Law and Governance		50
Corporate Budgets		
Corporate	Impact of 2010/11 triennial pension fund review. In order to maintain a planned recovery of the pension fund deficit in line with the funding strategy, there will need to be increases in employers' contributions of circa 3% over the three year period to 2013/14. These increases were included in the three year indicative budget presented to Council Assembly in February 2011.	1,000
Corporate	Setting up of a community restoration fund subject to criteria to be agreed as part of the budget setting process. Criteria for the scheme will be presented as part of the budget report to Council Assembly in February 2012.	1,000
Corporate	Creation of Cleaner Greener Safer Revenue Fund, to be co-ordinated through each community council (£10,000 per annum for each ward). The scheme will be administered by officers within the Communities, Law and Governance department who will create operating arrangements to include interfaces with those departments delivering outcomes. Any administration costs in 2012/13 will be assessed and if appropriate contingency provision released to ensure the effective management of the scheme. Any such release is not expected to exceed more than 20% of the total cost of the scheme.	210
Corporate	A voluntary sector relief fund of £1m was set up in 2011/12 to support partners wishing to innovate their service delivery. This fund was scheduled to reduce to £500k in 2012/13 and to end in 2013/14. Any resources not needed in year will be earmarked and carried forward to support the scheme in the following year.	(500)
Corporate	Reduction of London Councils grant scheme, resources to be redistributed to support other Council funding schemes.	(523)

COMMITMENTS

APPENDIX A

Department	Description of Commitments	2012/13 £'000
Corporate	Additional resources to support low paid staff arising from commitment made by council assembly in setting three year budget in February 2011 (£375k), a new commitment to support agency worker directive requiring parity pay rates with council staff and the requirement for external contractors to pay london living wage in contracts to be let or relet by the council in the future (£1m). The commitment to seek london living wage in contracts where services/works are to be provided on council premises or in the London area, and where best value can be demonstrated on a case by case basis, will require annual increases in budget provision over the period to 2015/16. The total cost of the initiative will be subject to contract as contracts are renewed over a four to five year period. Notionally, a further £1m will need to be set aside each year until 2015/16 and released to those departments letting contracts as necessary. Releases will be subject to contract, taking all other factors into account. For 2012/13, up to £890k is being set aside specifically for costs of agency staff arising from the European Directive.	1,375
Corporate	Increase in charge from London Councils for concessionary fares based on current information, usage and fare increases.	792
Total Corporate Budgets		3,354
Total Commitments		10,175

Department	Description of Commitments	2012/13 £'000
Children's Services Specialist Services Total Children's Services	Local authorities are newly required by law to ensure that rates paid to "Family and Friends" carers are comparable to those paid to local authority approved carers.	250 250
Health and Community Services Older People Total Health and Community Services	During 2012/13 there will be a need to review care home fee rates paid which is expected to result in some increases.	333 333
Environment and Leisure CLLL - Culture Total Environment and Leisure	Kingswood House feasibility study. Total project cost £50k with £5k contribution from Property Section. This is one off for 2012/13 only.	45 45
Communities Law and Governance Legal Services Total Communities Law and Governance Total Growth	To deal with the increased volume of enquiries and pressures of the FOI and DPA regimes, providing stronger central support to departments	62 62 690

Department	Description of Savings	2012/13 £'000
Children's Services		
Education - Early Prevention and Intervention	Consolidate the daycare offer for children in need taking a more targeted approach to work with the most vulnerable children and families and commissioning high quality provision to meet identified needs.	(300)
Education - Youth Services	Continuing the restructure of youth services and grant funding to voluntary organisations ensuring posts are focussed on delivering front line services and improving opportunities for young people.	(250)
Education - After School and Play	Phase Two of the transfer the operation of the after school service to schools and discontinuation of the subsidy.	(582)
Education - Pupil Access	Reduced costs and improved efficiency through better procurement arrangement arising from the new transport policy.	(300)
Strategy, Commissioning, Business Improvement	Improve efficiency of back office processes particularly by streamlining IT systems and business processes.	(75)
Strategy, Commissioning, Business Improvement	Continue to reduce supplies and services costs including printing, stationery, venue, mobiles, staff transport and professional services.	(20)
Children's Social Care	Reduce spend by effective procurement and strategies for placements and care packages.	(600)
Children's Social Care	More efficient use of Orient Street (providing respite) by increasing occupancy and reducing unit costs.	(200)
Education - Early Prevention and Intervention	Reducing back office and central management costs of Children's Centres.	(125)
Total Children's Services		(2,452)
Health and Community Services		
All Client Groups	Reduce Supporting People budgets by a total of 50% over 3 years, through a combination of efficiency and services reductions. This will generally reduce lower support services with investment focussed on those with the highest levels of need and disabilities. However, all service areas will be affected in some way.	(1,250)
All Client Groups	Reducing unit costs of care for all service users through better spot purchasing and procurement arrangements which will be administered through a central brokerage team.	(350)
Mental Health	Service redesign of arrangements with South London & Maudsley Trust (SLaM), reviewing the adult social care role within mental health services in partnership with other Boroughs and considering options as to how this should be managed.	(500)
Mental Health	Reduction to No Recourse to Public Funds expenditure (NRPF).	(180)
Physical Disabilities	Develop new Southwark Resource Centre to provide e.g. job, skills and training for disabled groups, access to IT etc.	(200)
Learning Disabilities	Realign staff from children's and adults teams into a single structure to provide assessment and care management for 14 to 25 year olds. Budget and support allocated by children's services (14 -16 years) will be tapered to meet the indicative budget available from adult services at 18 years.	(150)
Older People, Physical Disabilities and Learning Disabilities	Phased transfer over three years from high dependency on residential care into more support to enable clients to continue to live at home and therefore encourage greater independence.	(660)
All Client Groups	Reduction in management costs.	(200)
All Client Groups	Integrated care systems with health partners. Ensuring prompt discharge from hospital and making maximum use of reablement services.	(2,254)
Total Health and Community Services		(5,744)

Department	Description of Savings	2012/13 £'000
Environment and Leisure		
Sustainable Services	Restructure Divisional Management and Support including revising terms and conditions	(230)
Sustainable Services	Recalculation of waste PFI cost profiling. £1.8m reduction arising from contract efficiencies.	(1,775)
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.	(140)
Sustainable Services	Utilising spare capacity from the waste and recycling centre at the Old Kent Road Site	(150)
Sustainable Services	Further savings negotiated with Veolia (Bulky waste changes)	(55)
Sustainable Services	Further savings negotiated with Veolia (Container delivery changes)	(88)
Community Safety	Reorganisation of Community Safety and Enforcement division by further reducing management posts	(60)
Community Safety	Restructure the principal enforcement officer functions to focus our resources in the areas, at the times, on the businesses and the communities that need them most. We will also be focusing resources from across our regulatory services in those areas so that we can deal with a range of issues through tougher enforcement.	(52)
CLLL	Restructure divisional support services	(97)
CLLL	Contract savings delivered by the new Leisure Management Agreement	(200)
Business Support	Review admin overheads	(8)
Total Environment and Leisure		(2,855)
Housing Services		
Housing Strategy and Options - Housing Options Services	Restructure of Housing Options team.	(38)
Housing Strategy and Options - Business Support Services	Rationalise business support services through restructuring of service.	(7)
Total Housing Services		(45)
Deputy Chief Executive		
Director and Business Support	On-going review of service to deliver efficiencies including departmental restructure, modernisation programme and shared services across functions	(19)
Planning & Transport - Development Management	Savings from review of the technical support area.	(65)
Economic Development & Strategic Partnership	Reduction in administrative costs	(13)
Major Projects	Savings to be achieved from review and rationalisation of project team budgets and strategic management costs across the regeneration function	(117)
Human Resources	Reduction in transactional staff through extension of self-service/efficient process. Reduction in direct staffing support. These reductions are 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.	(80)
Communications	Shared service with Westminster	(50)

Department	Description of Savings	2012/13 £'000
Organisational Development	Building on 25% savings in 2011/12 (year 1) further efficiencies in service delivery by the development of "mylearningsource" web based learning management system are now projected, which has developed into a learning tool for the wider Southwark community (the council and its social partners) and as by-product enabled greater economic purchasing and development of interventions requiring reduced professional and back office resources.	(58)
Total Deputy Chief Executive		(612)
Communities Law and Governance		
Electoral Services	Adjustment to the canvass process by increasing the use of data matching and subsequently reducing door to door canvassing.	(30)
Scrutiny	Review structure of scrutiny committees to reduce administrative and other costs while retaining essential nature of function in overseeing council activities.	(65)
Community Councils	Savings from community councils delivered as part of the Democracy Commission process. The review concluded in December 2011 and recommended reducing the number of community councils to 5, reducing the number of meetings to 5 per year, establishing 2 planning sub-committees for minor applications with revised thresholds for decisions going to the main planning committee and the two sub-committees, removing school governor appointments and making changes to marketing publicity and engagement at meetings. Some of the changes will require alterations to the constitution, which will be referred to the constitutional steering panel to recommend to council assembly in due course. These changes will deliver the required saving of £344k.	(344)
Legal Services	Fundamental review of team structures within Legal Services to further promote and make use of modern ways of working and remain consistent with best professional practices.	(400)
Total Communities Law and Governance		(839)
Finance and Resources		
Information and Data Services	Reductions in IDSD related costs arising from streamlined contractual arrangements and from restructuring of the core element of the IDS Division. Further review of contractual arrangements will coincide with the end of the council's contract with Serco in July 2012 and the review of the management of the council's major IT applications that will follow on from the current review.	(525)
Corporate Facilities Management	Review of existing contracts and service levels and review and restructuring of CFM function, including new contract arrangements to support Tooley Street management. Reductions in levels of building repair and maintenance in response to future office and administrative buildings and asset management strategies.	(555)
Deputy Finance Director	Further review of the finance function (commenced 2011/12). This follows the initial review that brought together all professional finance functions under single management as part of a shared service. Reductions in finance support service costs also reflect the reduced services, activities and net costs of those front line services costs being supported.	(395)
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. A review of the overall audit, anti-fraud and risk service to focus priorities, including internal audit planned days, structure, staffing and contracted days, and a reduction in running costs.	(500)
Revenues and Benefits	Reduction in the use of the capacity contract following successful recruitment will lead to a £557k saving in 2012/13 plus negotiated ICT saving with the Northgate contract of £70k in 2012/13	(627)
Management and CIPFA trainees	Reduction in the number of professional accounting trainee posts, achieved in part through consolidation of trainee activities within existing establishment.	(75)
Total Finance and Resources		(2,677)
Corporate		
Corporate	Review of departmental and corporate management structures by Deputy Chief Executive	(500)
Client Services	Savings already built into Vangent Contract and the renegotiation of the contract to include more services without additional cost.	(1,500)
Total Corporate		(2,000)
Total efficiencies and improved use of resources		(17,224)

Department	Description of Savings	2012/13 £'000
Health and Community Services		
All Client Groups	Updating charging policies in line with London averages and current government policy and guidance	(260)
Total Health and Community Services		(260.0)
Environment and Leisure		
Public Realm	Increase Cemetery and Crematorium fees and charges to Inner London Average.	(75)
Public Realm	Reorganisation of road network management team to include new London wide permitting scheme and other highway licensing functions	(150)
Public Realm	Income from raising parking fees to average for similar facilities	(150)
Public Realm	Increase South Dock Marina fees and charges based on appropriate average	(50)
Sustainable Services	Croydon Pest Control income	(54)
Sustainable Services	Cessation of external contract use by the Council for Pest Control services	(30)
Sustainable Services	Increase non-commercial waste container hire and collection charges to inner London average	(106)
CLLL	Rental income received from Bacon's College for Mellish Fields Sports Grounds (new contract)	(20)
Total Environment and Leisure		(635)
Deputy Chief Executive		
Property Services - Managed Commercial Property Holding Account and Industrial Properties	Increased income due to rent reviews and lease renewals	(50)
Major Projects	Additional advertising income arising from the Elephant & Castle project. This extra income is factored in as a one off addition, with a further review being undertaken in 2013/14	(100)
Planning & Transport -Development Management	Restructuring of pre-application and other fees to encourage greater take-up for smaller applications and a higher charge for a more detailed service for larger applications	(25)
Total Deputy Chief Executive		(175)
Total Income Generation		(1,070)

Department	Description of Savings	2012/13 £'000
Children's Services		
Strategy, Commissioning, Business Improvement	Review of management structures, business support and staffing across Education and Strategy and Commissioning Teams.	(653)
Education - Early Prevention and Intervention	Reduce community nursery subsidies.	(75)
Education - Early Prevention and Intervention	Maximise usage of the Playrooms/One O'Clock Clubs by transferring management responsibility to Children's Centres for these running services.	(110)
Education - Early Prevention and Intervention	Use Early Intervention Grant to support core services.	(384)
Education - Standards 0-19	Restructure the School Improvement Team to deliver the Local Authority statutory responsibilities.	(250)
Education - After school and play	Reduction in funding for non statutory play services: maintaining a core offer at all adventure play facilities.	(250)
Education - Specialist Education Services	Remove financial subsidies to the non-statutory supplementary schools programme.	(200)
Children's Social Care / Strategy, Commissioning, Business Improvement	Improved targeting of commissioning of voluntary sector providers and reduced requirement for contract management.	(75)
Children's Social Care	In line with Munro review, reduce bureaucracy and develop early help services to reduce demand for social care.	(800)
Education - Early Prevention and Intervention	Redesign Integrated Child Support Service to provide more targeted early help in line with the Munro review and changes in specialist children's services.	(225)
Education - Specialist Education Services	Transfer of the universal Careers Service to schools as set out in the recent Education Act.	(700)
Total Children's Services		(3,722)
Health and Community Services		
All services	Reshape remaining open access services not affected by 2011/12 savings. These are voluntary sector services that provide practical and social support, which will be encouraged to operate in ways that build future sustainability and enable members of the community to contribute their time and skills.	(300)
All Client Groups	Reduce Supporting People budgets for housing related support by a total of 50% over 3 years, through a combination of efficiency and services reductions. Investment of remaining budgets will be focused on the most vulnerable groups in line with identified need. In 2012/13 funding will be withdrawn from the following services: - Lower support community based services for offenders £250k - Lower support community based services for former homeless groups, across all client groups £260k - Lower support community based services for people with substance misuse problems £60k - A reduction in hostel capacity by decommissioning two hostels for homeless people £1.18m	(1,750)
Mental Health	Reduction in Drugs & Alcohol services.	(60)
Mental Health	Redesign of Mental Health Day Services - this is an additional saving to the £200k reported for 2011/12.	(200)
Older People	Merge management and redesign two council run day centres for Older People.	(100)
Learning Disabilities	Redesign and where appropriate decommission day centre provision to develop clients' independent living skills and to facilitate their access to local services.	(1,000)
All Client Groups	Review and redesign functions to deliver new customer approach for personalised services. Adult Social Care service delivery will be reconfigured to align with the personalisation agenda and new customer journey, including a single point of contact. The redesign will drive value through the department through redefinition of operating models, structures and roles and responsibilities. This is expected to result in a reduction of approximately 15% in the number of posts across assessment and care management and commissioning.	(881)
Total Health and Community Services		(4,291)

Department	Description of Savings	2012/13 £'000
Environment and Leisure		
Public Realm	Savings from revision of reactive street maintenance. This proposal will involve reducing what is spent on road repairs, lighting and street furniture. Safety issues will continue to be prioritised and addressed but planned maintenance programmes will be reduced. Resources will be focused on urgent repairs to be done.	(200)
Public Realm	Savings resulting from rationalisation of school crossing patrol service at crossings which are already signal controlled.	(50)
Sustainable Services	Reduction in accommodation costs following move from Manor Place Depot	(60)
Sustainable Services	Savings from the rescheduling and reprioritising of the mechanical sweeping service	(100)
Community Safety	Savings resulting from the re-organisation of the community safety service	(45)
Community Safety	Reorganise Southwark Anti Social Behaviour Unit (SASBU) team to solely manage high risk cases of anti social behaviour	(90)
Community Safety	Phase 2 of reorganisation of the Community Wardens Service to focus on three key town centre locations and supported by a response team service linked directly to the retained environmental enforcement team. The 3 town centre teams will be based in Elephant and Castle, Camberwell and Peckham Town Centres. The reactive response team will be targeted to the areas, times and issues that concern our community the most. The additional accredited powers given to wardens means that the service will be able to deal with a wider range of anti social behaviour issues. Close working relationships with the Police and shared tasking arrangements means that we will use a variety of interventions to tackle anti-social behaviour.	(531)
CLLL	Reduce the funding to the South London Gallery	(10)
CLLL	Savings derived from the re-configuration of support staff within the culture service	(40)
CLLL	Consultants services budget for Playing Fields not required any longer	(28)
CLLL	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..	(274)
CLLL	Further divisional efficiencies	(42)
Total Environment and Leisure		(1,470)
Housing Services		
Housing Strategy and Options - TA model	Reduction in placements in temporary accommodation. Reduce overall costs of placements by reducing dependency on expensive bed and breakfast accommodation through the use of other social housing, private sector provision and bringing council void properties back into use.	(38)
Housing Strategy and Options - Strategy & Regeneration	Restructure and rationalisation of Housing Renewal Team.	(110)
Housing Strategy and Options - Temporary Accommodation	Reduction in funds used to provide emergency furniture for resettlement clients, through better procurement and reduced specifications.	(14)
Housing Strategy and Options - Temporary Accommodation	Restructure of supported hostels service.	(11)
Housing Strategy and Options - Temporary Accommodation	Rationalise service provision including reduced information support and placement support and procurement posts.	(14)
Housing Strategy and Options - SMART Service - Older Persons Service	Restructure monitoring and support function.	(28)
Housing Strategy and Options - Policy & Performance and procurement	Rationalise back office support e.g. communications.	(24)
Total Housing Services		(239)

SAVINGS IMPACTING ON SERVICE DELIVERY

APPENDIX E

Department	Description of Savings	2012/13 £'000
Deputy Chief Executive		
Property Services	Savings achieved through reprioritisation of repairs and maintenance on commercial estate and rationalisation of GIS support services	(15)
Planning & Transport - Development Management	Following a review of procedures, to deliver a more effective public consultation process for planning applications. This will include using modern technology and smarter ways of working.	(35)
Planning & Transport - Development Management	Savings from review and restructure of the Development Management unit	(90)
Economic Development & Strategic Partnership	Reducing commissioning budget and re-targeting cash to schemes with the highest level of need and that represent greater value for money.	(130)
Total Deputy Chief Executive		(270)
Communities Law and Governance		
Community Engagement	Review of voluntary sector grants programme in the context of reductions in government funding, including the consequential loss of a commissioning post.	(122)
Total Communities Law and Governance		(122)
Total savings impacting on service delivery		(10,114)

APPENDIX F

OVERVIEW AND SCRUTINY RECOMMENDATIONS ON THE BUDGET

OSC recommendation	Officer Comment as at 30/01/2012
1. That the cabinet review the report and the descriptions of commitments in the appendices to ensure the use of simple and understandable language	Appendices have been reviewed again for this report
2. That the cabinet consider and respond to the recommendations below prior to any decision being taken by council assembly	Comments on the recommendations are shown below
3. That the report to cabinet include detailed proposals on the setting up of the Community Restoration Fund, including criteria and process for assessment and award	Further details on the Community Restoration Fund are included within this report, covering purpose, outcomes, governance and decision making.
4. That the cabinet review the £444k for additional unavoidable costs during the five weeks of the Olympic games and whether or not to take up the funding available from the government	£444k is the best estimate currently available of the costs likely to be incurred during five week period. The provision is a reserve and will not be spent if not needed. Discussions are ongoing on the terms of taking up the GLA funding.
5. That the cabinet seek assurance that the NHS will be matching the council's funding towards reablement	In 2011/12 the Council received £900k from the NHS to fund reablement services. In 2012/13 this increases to £1.8m. The conditions of this grant do not require the Council to provide match funding.
6. That the cabinet provide more detail on the Voluntary Sector Transition Fund in terms of awards to date, spend by individual organisations and evaluation processes	Further details are shown below.
7. That the cabinet clarify the formula by which changes in the fees at the South Dock Marina are to be increased	Mooring fees are proposed to increase by 2.34%. The Inner London average is not appropriate and instead the fees have been derived from benchmarking exercise undertaken by an independent industry expert on comparable marinas

OSC recommendation	Officer Comment as at 30/01/2012
<p>8. That the cabinet reconsider the balance between reactive street repairs and planned maintenance with a view to achieving the most sustainable position for the funding available</p>	<p>We have to maintain reactive street repairs to comply with our statutory duty to maintain a safe network. Any increase in planned maintenance will require further resources which are not currently available.</p>
<p>9. That the cabinet clarify the proposed reorganisation of the Southwark Anti Social Behaviour Unit and how the cut of £90k will be achieved</p>	<p>The Southwark Anti Social Behaviour Unit (SASBU) team will solely manage high risk cases of anti social behaviour.</p> <p>The cut has partly been implemented as part of the reorganisation of the community safety and enforcement division. This reorganisation was fully implemented in the summer of 2011 and, accordingly, the full amounts of savings were adjusted across the financial years of 2011/12 and 2012/13. There will be a reduction of one further post in 2012/13. The reorganisation relates to the type of work that the team, with an emphasis on serious anti social behaviour issues or violent crime such as knife and gang crime. The team will refer lower level nuisance issues to other services such as housing services or voluntary organisations who can provide support.</p>
<p>10. That the cabinet to set out the implementation plan for the London Living Wage and in particular how it will effect contracts in the upcoming procurement</p>	<p>The total cost of the commitment will be subject to legal considerations and agreement as contracts are awarded and renewed. This is likely to be over a four to five year period. Notionally, a further £1m will need to be set aside each year until 2015/16 and released to those departments letting contracts as necessary.</p> <p>It is recognised that the application of minimum wage requirement through contracts is a significantly complex issue, related not only to earnings alone. The council will need to address each contract on its own merits in the context of the commitment it is making to those on lower wages.</p> <p>For future new contracts the presumption will be that LLW will be included in contracts where services/works are to be provided on council premises or in the London area, and where best value can be demonstrated on a case by case basis.</p>

OSC recommendation	Officer Comment as at 30/01/2012
<p>11. That the cabinet clarify how projects agreed within the cleaner greener safer revenue budget will be supported by officers and how this support will be funded</p>	<p>Administration of the scheme itself and the decision making process through Community Councils. The annual awards process and any monitoring that is required will be supported by officers in Communities, Law & Governance. There will be no reduction in the £210,000 available to cover these administrative costs.</p> <p>Ongoing management of the schemes awarded funding: because the new scheme is a revenue scheme not a capital scheme the costs will all be included in the awards made.</p>
<p>12. That the cabinet clarify the reduction of £14k in funds used to provide emergency furniture for resettlement clients</p>	<p>The saving arises from the reduction in the provision of household goods, such as beds and white goods for clients leaving supported accommodation. Customer needs are now assessed on an individual basis and assistance will continue to be given in exceptional cases.</p>

Voluntary Sector Transition Fund

Awards to date

In the first three rounds of the Transition Fund 43 awards have been made to 53 organisations. The total awarded to date is £742,584. A list of the awards made is attached below. The first payments of transition fund awards were made in April 2011.

Evaluation process

The Transition Fund is at an early stage with the first payments made towards end of April 2011. As the Transition Fund is about longer term sustainability it will be some time before full evaluation of its success can be completed.

There are a number of elements to the ongoing evaluation of the programme and of awards made.

Consultation was undertaken with Community Action Southwark and across council departments prior to the implementation of the transition fund and this informed the criteria agreed by cabinet and Council Assembly.

The initial assessment process, involved the Transition Fund officers applying a robust process of scoring against the criteria. This consisted of 3 stages designed to inform the final recommendations of the Advisory Panel which consisted of council officers from relevant council departments together with CAS as the designated voluntary sector partner.

Decisions not to progress groups through to the final stage recommendations were based on the following:

- Any organisation scoring a zero against one or more of the criteria
- Organisations requesting sums which exceeded the current overall level of council funding awarded to the organisation
- Organisations whose funding is not likely to reduce in the main or where reductions will have a lower impact on both users and the organisation
- Those organisations where council's decision-making process has yet to be formally signed off and therefore cannot provide evidence or give reason to believe that there will be a reduction in funding

The advisory panel were provided with information on all applications. None were excluded and a robust process of challenge of the scoring process was carried out at every stage. Community Action Southwark was involved in the process from the outset.

The advisory panel assessment was followed by recommendations to the decision maker (Cabinet Member for Equalities & Community Engagement). Applicants were informed of the recommendations and advised of their ability to make representations to the decision maker before the final decision was taken. A number of organisations chose to exercise this right.

The ongoing monitoring arrangements

During the initial application process applicants were asked to specify outcomes relating to the transition fund criteria which form a key part of the monitoring arrangements.

Because organisations in receipt of transition fund cross the council's departmental commissioning programmes a monitoring officer was agreed for each organisation from the appropriate department .

Key to the monitoring process is that it must be proportionate and not impose unnecessary burdens on the sector given the current financial climate while at the same time ensuring that the expenditure represents value for money and is effective in meeting the aims of the Transition Fund.

With the exception of service agreements and contracts, all revenue support to voluntary organisations is governed by the council's standard Conditions Of Grant Aid (COGA). A set of requirements, which all council funded groups are required to sign acceptance of and to adhere to. All such financial support is therefore governed by a set of monitoring guidelines that all commissioning officers are familiar with.

During the initial application process applicants were asked to specify specific outcomes relating to the transition fund criteria which form a key part of the ongoing monitoring arrangements.

Assessment of who has and has not applied to feed into targeting and promotion of the programme and the support being provided to organisations in submitting bids.

Officers are now reviewing which organisations that were affected by cuts in the councils funding have not applied for the Transition Fund. This analysis is not complete but will inform future rounds.

Equalities Analysis

Prior to each round of assessment of applications, an Equality Impact Assessment (EQIA) has been carried out analysing applications and awards made in previous rounds. The analysis considers applications and awards in relation to:

- Equality Act protected characteristics
- Departmental funding streams

The purpose of the EQIA is to assess whether there are differential equality impacts affecting different communities. The information obtained highlights instances where it appears that there have been a lower number of awards relative to the number of applications received for specific departmental funding streams. There are a number of different explanations for this. These include lower funding reductions compared to other funding streams (Supplementary Schools), reductions not taking affect until a later date (Community Support Programme, Supplementary Schools) and overlap with other transition funding (Health and Social Care Innovation Fund). The council also launched the innovation fund in October 2011 which awarded £200,000 to 11 groups. These are predominantly Health & Social Care Open Access Day Care providers, a number of whom have also applied to the Transition fund.

The EQIA findings from Rounds 1 and 2 have been taken into account by the assessment panel for Round 3 and used to inform the decision making process. The analysis shows that many of the organisations applying to the Transition Fund serve all sections of the community as well as individuals who come within one or more of the Equality Act protected characteristics. For a number of organisations no specific distinction is made. There are also organisations that target services at particular community groups. The EQIA has captured this information and where this applies analysis has shown that the protected characteristics most represented in both applications and awards relate to age, race, disability and religion/belief. Further EQIA analysis will be carried out at each stage of the Transition Fund so that the cumulative impacts are considered. A breakdown of the applications received in Round 3 will also be incorporated into the EQIA in order to inform Round 4

Higher level discussions with the sector through the council/vcs liaison group and regular reviews of criteria with experience of previous rounds of scheme .

The Transition Fund has been a standing item on the agenda for discussion at the regular quarterly council/vcs liaison meetings and this is providing feedback from the sector on the implementation of the Scheme. Officers have also reviewed the criteria for the fund in the light of the following factors:

- the experience of running earlier rounds
- any representations made in the first two rounds
- the availability of and criteria for national funding

This led to an amendment to the criteria in Round 3 to respond to changes in the national picture and the severe pressures that the sector is under. It was therefore proposed and agreed by IDM to add flexibility into the Southwark criteria in relation to national funding to give the discretion to allow awards to organisations where national funding has been awarded on condition that there was no direct duplication and the award of Southwark funding did not jeopardise any national funding.

Organisation Name	total	No. of organisations
Art in the Park	2,500	1
Black Business Initiative	10,000	1
Blue Elephant Theatre	19,800	1
Camberwell After School Project	10,000	1
Camberwell Arts	6,500	1
Cambridge House	15,000	1
Carl Campbell Dance	7,000	1
Carnaval del Pueblo	25,000	1
Contact A Family	25,000	1
Coral Dance Company	2,500	1
COVO Connecting Voices	21,000	1
Downside Fisher Youth Club	10,000	1
Dulwich Helpline	6,500	1
Eclectic Productions UK Ltd	16,800	1
Elephant Jobs	25,000	1
Faces in Focus	16,778	1
Family Action Southwark	25,000	1
Golden Oldies Community Care Project	10,000	1
Homestart Southwark	25,000	1
Kaleidoscope	10,000	1
London Bubble Theatre	15,000	1
Pecan	25,000	1
Peckham Settlement	3,000	1
PVSF	15,500	1
Red Kite Learning	25,000	1
Southwark Arts Forum	12,000	1
South Asian Elderly Organisation (joint award with Southwark Vietnamese-Chinese Community)	25,000	1
Southwark Consortium of Supplementary Schools. (note 1)	40,000	9
Southwark Cypriot Day Centre	8,900	1
Southwark Irish Culture & Arts Dev Centre	5,000	1
Southwark Legal Advice Network (note 2)	40,000	4
Southwark Mediation Centre	17,140	1
Southwark Playhouse Theatre	25,000	1
Southwark Refugee Communities Forum	25,000	1
Southwark Theatres Education Partnership	15,000	1
Southwark Vietnamese-Chinese Community	0	1
Southwark Young Carers	25,000	1
The Place2 Be	18,102	1
Theatre Peckham	15,000	1
Time and Talents	23,826	1
Toucan Employment	24,738	1

Organisation Name	total	No. of organisations
Volunteer Centre Southwark	25,000	1
Walworth Garden Farm	25,000	1
Total organisations		54
Total funding awarded		742,584

Note 1: Consortia of nine Out of School study support providers Southwark Consortia of Supp Schools. Ardhmeria. Aylesbury Academic Grassroots. Eritrean Community Centre. Latimer Educational Services. Lighthouse Supplementary School. St Michael Associates. Sierra Leone Refugee Welfare Association. Southwark Turkish Education Group. Youth Learning Network, Ltd; classes at The Goose Green Centre, St John's The Evangelist.

Note 2: Consortium of four organisations - Afro-Asian Advisory, Southwark Refugee Project, Southwark Citizens Advice Bureau & Southwark Law Centre.

TOTAL SERVICE BUDGETS

Department	2011/12 Budget	Inflation	Commitments	Savings	Growth	2012/13 Total Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Children's Services	90,135	696	1,549	(6,174)	250	86,456
Communities law and governance	11,549	0	(473)	(961)	62	10,177
Deputy chief executive (inc regeneration)	18,206	11		(1,056)		17,161
Environment and leisure	72,574	1,234	1,070	(4,960)	45	69,963
Finance and resources	49,398	408	0	(2,677)	0	47,129
Health and community services	112,369	1,159	4,152	(10,295)	333	107,718
Housing services	36,743	144	792	(284)	0	37,395
Total net service expenditure	390,974	3,652	7,090	(26,407)	690	375,999

Subjective analysis	2011/12 Budget	Inflation	Commitments	Savings	Growth	2012/13 Total Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Employees	180,660	0	191	(9,248)	62	171,665
Premises	26,741	309	9	(267)	0	26,792
Transport	6,821	59	0	(118)	0	6,762
Supplies and services	76,301	657	93	(4,756)	45	72,340
Third party payments	360,313	2,572	5,365	(10,609)	583	358,224
Transfer payments	236,984	55	792	(150)	0	237,681
Support services	48,803	0	0	(331)	0	48,472
Capital charges	18,397	0	0	0	0	18,397
Total Expenditure	955,020	3,652	6,450	(25,479)	690	940,333
Government grants	(456,723)	0	0	(384)	0	(457,107)
Other grants	(9,555)	0	0	0	0	(9,555)
Fees and charges	(50,545)	0	640	(579)	0	(50,484)
Miscellaneous income	(2,852)	0	0	29	0	(2,823)
Total Income	(519,675)	0	640	-934	0	(519,969)
Net Expenditure before recharges	435,345	3,652	7,090	(26,413)	690	420,364
Recharges to the general fund	(26,939)	0	0	6	0	(26,939)
Recharge to the HRA	(17,432)	0	0	0	0	(17,432)
Total net service expenditure	390,974	3,652	7,090	(26,407)	690	375,999

Children's services

Divisions / Services	2011/12 Budget	Inflation	Commitments	Savings	Growth	2012/13 Total Budget
Education services	16,292	6	0	(3,460)	0	12,838
Strategy commissioning & business Improvement	10,107	0	1,414	(730)	0	10,791
Specialist services	50,913	511	135	(1,600)	250	50,209
Central costs	12,057	179	0	(384)	0	11,852
Core Funding	89,369	696	1,549	(6,174)	250	85,690
Education Services - DSG	23,066	0	0	0	0	23,066
Strategy commissioning & business improvement - DSG	88	0	0	0	0	88
Specialist services - DSG	828	0	0	0	0	828
Retained and central costs - DSG	2,229	0	0	0	0	2,229
Schools and external funding - DSG	(25,445)	0	0	0	0	(25,445)
DSG Funding	766	0	0	0	0	766
Total	90,135	696	1,549	(6,174)	250	86,456

Subjective analysis	2011/12 Budget	Inflation	Commitments	Savings	Growth	2012/13 Total Budget
Employees	53,374	0	0	(4,358)	0	49,016
Premises	1,484	0	0	(44)	0	1,440
Transport	3,752	6	0	(8)	0	3,750
Supplies and services	14,723	0	0	(500)	0	14,223
Third party payments	222,499	690	1,549	(1,178)	250	223,810
Transfer payments	1,690	0	0	0	0	1,690
Support services	12,419	0	0	(217)	0	12,202
Capital charges	4,673	0	0	0	0	4,673
Total Expenditure	314,614	696	1,549	(6,305)	250	310,804
Government grants	(217,115)	0	0	(384)	0	(217,499)
Other grants	(3,302)	0	0	0	0	(3,302)
Fees and charges	(1,638)	0	0	490	0	(1,148)
Miscellaneous income	(1,580)	0	0	25	0	(1,555)
Total Income	(223,635)	0	0	131	0	(223,504)
Net Expenditure before recharges	90,979	696	1,549	(6,174)	250	87,300
Recharges to the general fund	(844)	0	0	0	0	(844)
Recharge to the HRA	0	0	0	0	0	0
Total net expenditure	90,135	696	1,549	(6,174)	250	86,456

Communities law and governance

Divisions / Services	2011/12 Budget £'000	Inflation £'000	Commitments £'000	Savings £'000	Growth £'000	2012/13 Total Budget £'000
Business Management	196	0	0	0	0	196
Electoral Services	668	0	0	(30)	0	638
Scrutiny	321	0	0	(65)	0	256
Legal Services	1,153	0	0	(400)	62	815
Community Engagement	9,211	0	(473)	(466)	0	8,272
Total net expenditure	11,549	0	(473)	(961)	62	10,177

Subjective analysis	2011/12 Budget £'000	Inflation £'000	Commitments £'000	Savings £'000	Growth £'000	2012/13 Total Budget £'000
Employees	10,054	0	0	(523)	62	9,593
Premises	303	0	0	0	0	303
Transport	163	0	0	(2)	0	161
Supplies and services	5,545	0	50	(348)	0	5,247
Third party payments	2,294	0	(523)	(88)	0	1,683
Support services	3,322	0	0	0	0	3,322
Capital charges	34	0	0	0	0	34
Total Expenditure	21,715	0	(473)-	(961)	62	20,343
Government grants	(179)	0	0	0	0	(179)
Other grants	(965)	0	0	0	0	(965)
Fees and charges	(1,230)	0	0	0	0	(1,230)
Miscellaneous income	(72)	0	0	0	0	(72)
Total Income	(2,446)	0	0	0	0	(2,446)
Net Expenditure before recharges	19,269	0	(473)	(961)	62	17,897
Recharges to the general fund	(7,720)	0	0	0	0	(7,720)
Recharge to the HRA	0	0	0	0	0	0
Total net expenditure	11,549		(473)-	(961)	62	10,177

Deputy chief executive (inc Regeneration and neighbourhoods)

Cost elements	2011/12 Budget £'000	Inflation £'000	Commitments £'000	Savings £'000	Growth £'000	2012/13 Total Budget £'000
Human resources	4,426	11	0	(210)	0	4,227
Deputy chief executive	209	0	0	0	0	209
Corporate strategy	1,679	0	0	(80)	0	1,599
Organisational development	721	0	0	(58))	0	663
Communications	1,181	0	0	(50)	0	1,131
Regeneration business support	3,956	0	0	(19)	0	3,937
Property services	(984)	0	0	(65)	0	(1,049)
Major property projects	464	0	0	(23)	0	441
Aylesbury	486	0	0	(69)	0	417
Planning and transport	2,885	0	0	(215)	0	2,670
Economic & strategic partnerships	2,014	0	0	(142)	0	1,872
Elephant and castle	686	0	0	(100)	0	586
SSF secondary programme	483	0	0	(25)	0	458
Total net expenditure	18,206	11	0	(1,056)	0	17,161

Cost elements	2011/12 Budget £'000	Inflation £'000	Commitments £'000	Savings £'000	Growth £'000	2012/13 Total Budget £'000
Employees	20,453	0	0	(446)	0	20,007
Premises	1,312	0	0	0	0	1,312
Transport	161	0	0	(3)	0	158
Supplies and services	5,758	11	0	(412)	0	5,357
Third party payments	261	0	0	0	0	261
Support services	3,058	0	0	6	0	3,064
Capital charges	641	0	0	0	0	641
Total Expenditure	31,644	11	0	(855)	0	30,800
Other grants	(258)	0	0	0	0	(258)
Fees and charges	(6,833)	0	0	(204)	0	(7,037)
Miscellaneous income	(195)	0	0	4	0	(191)
Total Income	(7,286)	0	0	(200)	0	(7,486)
Net Expenditure before recharges	(24,358)	11	0	(1,055)	0	(23,314)
Recharges to the general fund	(5,800)	0	0	(1)	0	(5,801)
Recharge to the HRA	(352)	0	0	0	0	(352)
Total net expenditure	18,206	11	0	(1,056)	0	17,161

Environment and leisure

Divisions / Services	2011/12 Budget	Inflation	Commitments	Savings	Growth	2012/13 Total Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Public realm	17,083	630	725	(675)	0	17,763
Community safety	10,716	0	197	(778)	0	10,135
Service development & business support	510	0	0	(8)	0	502
Sustainable services	30,293	513	95	(2,788)	0	28,113
Culture, libraries, learning and leisure	13,972	91	53	(711)	45	13,450
Total net expenditure	72,574	1,234	1,070	(4,960)	45	69,963

Subjective analysis	2011/12 Budget	Inflation	Commitments	Savings	Growth	2012/13 Total Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Employees	40,845	0	191	(1,238)	0	39,798
Premises	5,916	109	9		0	6,034
Transport	2,106	53	0	(105)	0	2,054
Supplies and services	28,143	438	43	(2,462)	45	26,207
Third party payments	18,666	634	187	(460)	0	19,027
Support services	12,689	0	0	(60)	0	12,629
Capital charges	7,569	0	0	0	0	7,569
Total Expenditure	115,934	1,234	430	(4,325)	45	113,318
Government grants	(4,560)	0	0	0	0	(4,560)
Other grants	(215)	0	0	0	0	(215)
Fees and charges	(18,517)	0	640	(605)	0	(18,482)
Miscellaneous income	(902)	0	0	0	0	(902)
Total Income	(24,194)-	0	640	(605)	0	(24,159)
Net Expenditure before recharges	91,740	1,234	1,070	(4,930)	45	89,159
Recharges to the general fund	(2,236)	0	0	(30)	0	(2,266)
Recharge to the HRA	(16,930)	0	0	0	0	(16,930)
Total net expenditure	72,574	1,234	1,070	(4,960)	45	69,963

Finance and resources

Divisions / Services	2011/12 Budget £'000	Inflation £'000	Commitments £'000	Savings £'000	Growth £'000	2012/13 Total Budget £'000
Management team	166	0	0	(75)	0	91
Financial governance	966	0	0	0	0	966
Finance professional shared services	4,057	0	0	(371)	0	3,686
Departmental finance	3,925	0	0	(300)	0	3,625
Financial transaction shared Services	1,846	0	0	(224)	0	1,622
Information services	13,322	208	0	(525)	0	13,005
Corporate facilities management	14,091	200	0	(555)	0	13,736
Corporate programmes (CPU)	175	0	0	0	0	175
Revenues and benefits	10,850	0	0	(627)	0	10,223
Total net expenditure	49,398	408	0	(2,677)	0	47,129

Subjective analysis	2011/12 Budget £'000	Inflation £'000	Commitments £'000	Savings £'000	Growth £'000	2012/13 Total Budget £'000
Employees	24,692	0	0	(973)	0	23,719
Premises	15,780	200	0	(223)	0	15,757
Transport	82	0	0	0	0	82
Supplies and services	11,697	208	0	(961)	0	10,944
Third party payments	3,365	0	0	(557)	0	2,808
Transfer payments	219,837	0	0	0	0	219,837
Support services	6,557	0	0	0	0	6,557
Capital charges	5,047	0	0	0	0	5,047
Total Expenditure	287,057	408	0	(2,714)	0	284,751
Government grants	(222,390)	0	0	0	0	(222,390)
Other grants	(12)	0	0	0	0	(12)
Fees and charges	(8,386)	0	0	0	0	(8,386)
Miscellaneous income	(103)	0	0	0	0	(103)
Total Income	(230,891)	0	0	0	0	(230,891)
Net Expenditure before recharges	56,166	408	0	(2,714)	0	53,860
Recharges to the general fund	(6,768)	0	0	37	0	(6,731)
Recharge to the HRA	0	0	0	0	0	0
Total net expenditure	49,398	408	0	(2,677)	0	47,129

Health and community services

Divisions / Services	2011/12 Budget £'000	Inflation £'000	Commitments £'000	Savings £'000	Growth £'000	2012/13 Total Budget £'000
Older People & Phys Disab commissioning	10,807	346	42	(621)		10,574
Physical Disab.& Occupational Therapy Svc	11,744	153		(407)		11,490
Learning Disabilities	29,206	152		(1,584)		27,774
Supporting People	14,035			(3,000)		11,035
Provider Services Non-Pool	2,936			(433)		2,503
National Assistance Act (NRPF)	2,031			(180)		1,851
Older People Service	24,407	471		(729)	333	24,482
Mental Health	11,293	17		(627)		10,683
Care management and support	2,566	20		(310)		2,276
Business & Performance Management	3,344		4,110	(2,404)		5,050
Total net expenditure	112,369	1,159	4,152	(10,295)	333	107,718

Subjective analysis	2011/12 Budget £'000	Inflation £'000	Commitments £'000	Savings £'000	Growth £'000	2012/13 Total Budget £'000
Employees	21,252	0	0	(1,514)	0	19,738
Premises	677	0	0	0	0	677
Transport	469	0	0	0	0	469
Supplies and services	2,925	0	0	0	0	2,925
Third party payments	100,056	1,104	4,152	(8,311)	333	97,334
Transfer payments	4,803	55	0	(150)	0	4,708
Support services	8,390	0	0	(60)	0	8,330
Capital charges	368	0	0	0	0	368
Total Expenditure	138,940	1,159	4,152	(10,035)	333	134,549
Government Grants	(12,479)	0	0	0	0	(12,479)
Other Grants & Contributions	(4,803)	0	0	0	0	(4,803)
Fees and Charges	(8,727)	0	0	(260)	0	(8,987)
Miscellaneous income	0	0	0	0	0	0
Total income	(26,009)	0	0	(260)	0	(26,269)
Net Expenditure before recharges	112,931	1,159	4,152	(10,295)	333	108,280
Recharges to the General Fund	(562)	0	0	0	0	(562)
Recharges to the HRA	0	0	0	0	0	0
Total net expenditure	112,369	1,159	4,152	(10,295)	333	107,718

Housing services

Divisions / Services	2011/12 Budget £'000	Inflation £'000	Commitments £'000	Savings £'000	Growth £'000	2012/13 Total Budget £'000
General fund support costs	682	0	0	0	0	682
Community housing services	8,798	0	0	(284)	0	8,514
Customer service centre	27,140	144	792	0	0	28,076
Travellers sites	123	0	0	0	0	123
Total net expenditure	36,743	144	792	(284)	0	37,395

Subjective analysis	2011/12 Budget £'000	Inflation £'000	Commitments £'000	Savings £'000	Growth £'000	2012/13 Total Budget £'000
Employees	9,990	0	0	(196)	0	9,794
Premises	1,269	0	0	0	0	1,269
Transport	88	0	0	0	0	88
Supplies and services	7,510	0	0	(73)	0	7,437
Third party payments	13,172	144	0	(15)	0	13,301
Transfer payments	10,654	0	792	0	0	11,446
Support services	2,368	0	0	0	0	2,368
Capital charges	65	0	0	0	0	65
Total Expenditure	45,116	144	792	(284)	0	45,768
Fees and Charges	(5,214)	0	0	0	0	(5,214)
Total income	(5,214)	0	0	0	0	(5,214)
Net Expenditure before recharges	39,902	144	792	(284)	0	40,554
Recharges to the General Fund	(2,453)	0	0	0	0	(2,453)
Recharges to the HRA	(706)	0	0	0	0	(706)
Total net expenditure	36,743	144	792	(284)	0	37,395

Item No. 19.	Classification: Open	Date: 7 February 2012	Meeting Name: Cabinet
Report title:		Combined Gateway 1 Procurement Strategy Approval and Gateway 2: Contract award for Integrated Highways Term Contract	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Barrie Hargrove, Cabinet Member for Transport, Environment & Recycling	

FOREWORD – COUNCILLOR BARRIE HARGROVE, CABINET MEMBER FOR TRANSPORT, ENVIRONMENT AND RECYCLING

This report asks the Cabinet to approve the procurement strategy and appointment, via a single supplier award of the incumbent term contractor for the highway maintenance contract to continue providing services from 1 July 2012 until 31 March 2013. In effect it secures the continuity of services whilst allowing the Council sufficient time to procure a longer term contract dealt with earlier at this meeting. I am satisfied that in agreeing this report cabinet will be making provision for the Council to secure a contract which will both reduce costs and improve its current services in the long term.

RECOMMENDATIONS

1. That the Cabinet approves the procurement strategy outlined in this report for the Integrated Highways Term Maintenance Contract of entering into a single supplier negotiation with the current contractor in line with Contract Standing Orders (CSO 4.4.3).
2. That the Cabinet approves the award of a contract to FM Conway Ltd (“FM Conway”) for a period of nine months at an estimated cost as reported in the separate closed version of this gateway report. The award will be effected by way of a variation to the existing contract. The new contract period will therefore run from 1 July 2012 to 31 March 2013.

BACKGROUND INFORMATION

3. Currently the Council procures repairs and alterations to the Borough road network through its highways maintenance contract with FM Conway as the contractor. The contract provides the following services:
 - a) Integrated Highways maintenance:
 - Programmed highway inspections and fault reporting
 - Reactive and planned maintenance
 - Highway capital schemes (projects)
 - Programmed gulley inspections, fault reporting and gulley cleansing
 - Reactive and planned drainage works
 - Programmed inspections of structures and fault reporting
 - Reactive and planned maintenance of structures
 - Winter service

4. In May 2005 the Executive approved the award of the Integrated Highway Maintenance Term Contract to FM Conway, for a period of five years from 1 July 2005 with an option to extend the contract term for up to two further years subject to reaching performance criteria.
5. In June 2010 the Finance Director approved the contract extension of the Integrated Highways Maintenance Term Contract for a period of two years from 1 July 2010 to 30 June 2012.

Summary of business case/ justifications for the procurement

6. Southwark's current contractual arrangements for Highways Maintenance will expire in June 2012. Elsewhere on this meeting's agenda cabinet are being asked to approve the procurement strategy for both its highway's term maintenance and highway design and professional services and project construction and delivery which provides for a potential consolidation of the current contract areas. In order to achieve this it is necessary to realign the end dates of the existing contacts to 31 March 2013
7. The value of the single supplier negotiation and extension which is reported in the separate closed version of this gateway report is based on the current contract pricing, the current contract price variation mechanism and the expected volume of work based on the average of the last 5 years including in the case of highways maintenance a previously agreed budget reduction.
8. The proposed interim arrangement (9 month award) will allow officers to undertake a full procurement process for a new contract commencing April 2013 which has been detailed elsewhere on this agenda and is the subject of a separate Gateway 1 report elsewhere on this meeting's agenda.
9. In the current contract FM Conway have an existing interface with the Council's Confirm Asset Management Data base systems including networks and hardware supplied by the Council at no cost as a contract obligation. This arrangement would continue in the proposed extension.
10. Due to the specialist nature of the services which are contained within the current integrated highways contract it is not possible for another service provider to provide these services at a lower price for such a short contract period whilst maintaining service standards.

Options for procurement including procurement approach

11. In deciding how best to achieve effective service delivery and to satisfy the Council's obligations under the Highways Act during for the required 9 month extension period, the following options were considered:
 - Tender short term contract. Discounted since this would still be subject to OJEU process for the works component; significant officer costs; unlikely to interest a 'proven ' contractor due to the short period; high unit rates since contractor will attempt to recover costs within (9 month) construction period.
 - Use an existing framework arrangement. Discounted since from market research there are no viable frameworks operated by local authorities.

- Undertake the service in-house. Discounted since to undertake the work would require short term plant hire, skilled labour and professionals.
12. The option to begin a new procurement during 2011 was considered but it was necessary and appropriate to consider alternative ways of providing this service. The Council will use its appropriate powers under Contract Standing Orders (CSO 4.4.3) to extend the current contracts to 31 March 2013.
 13. The longer term contract procurement process will take place and be completed before the end of the requested 9 month extension. Extending our existing contracts for that period would therefore be most economically advantageous.

Timetable of procurement process

Activity	Complete by:
DCRB/CCRB Review Gateway1: Procurement Strategy report	01/12/2011
Completion of tender documentation	N/A (Single Provider)
Completion of evaluation of FM Conway's proposals	Dec 2011
DCRB/CCRB Review Gateway 2: Contract award report	01/12/2011
Approval of Gateway 1 and 2: Contract Award Report	24/01/2012
Contract award	Feb 2012
Add to Contract Register	Feb 2012
Contract start	01/07/2012
Contract completion date	31/03/2013

Description of procurement outcomes

14. FM Conway have been the Council's service provider since May 2005. Discussions have highlighted their willingness to continue to provide services through an extension period and officers have concluded discussions regarding cost savings following the conclusion of the current contract which expires on 30 June 2012.

KEY ISSUES FOR CONSIDERATION

15. The contract delivery is split over two work divisions, project delivery and minor repairs & maintenance. Project delivery is funded through Council capital receipts, TfL Local implementation plan allocations and S106 agreements. Minor repairs and maintenance are funded through revenue accounts.
16. The current contract uses pre-determined performance indicators which replaced the previous rectification default system. This has ensured a higher scrutiny of the contractor's standard and quality of performance.
17. The contractor has to provide accurate records of its operations on a monthly basis and submits these to the Council for quality checks against pre-defined criteria and calculation of performance indicators.

Partnership

18. Both the contractor and the client work closely together to provide a shared vision, mutual trust, commitment, effective communications and flexibility.
19. In addition FM Conway has provided a free full time resource of a Service Development Manager to enable day to day working and relationships. This includes providing works programmes in conjunction with engineers, carrying consultation with Members of the public, dealing with enquiries, measuring performance and satisfying Construction Design and Management regulations.

Tender process

20. Prior to negotiations with the incumbent contractor a range of alternative procurement options were examined aimed at delivering services, as set out in paragraph 14, to satisfy highway authority obligations under the Highways Act. These alternative options were found to be impractical leaving the continuation of services by the incumbent contractor as the most suitable option.
21. Single supplier negotiations have been entered into with the incumbent provider and as reported in the separate closed version of this gateway report has resulted in a proposed reduction for all schedules of rates items for the remainder of the contract. The resulting savings will be employed to undertake increased work under the contract.
22. It is therefore recommended that the incumbent contractor be appointed to undertake the 9 month contract period using the discounted rates.

Tender evaluation

23. Not applicable.

TUPE implications

24. Not applicable as extension of the current service provider

Plans for transition from the old to the new contract

25. Not applicable as the current service operation will continue through the proposed new contract.

Plans for monitoring and management of the contract

26. The Council monitors FM Conway's performance against the pre-defined performance indicators which have increased year by year for the period of the Contract. The performance payments attached to those indicators which may be added or subtracted from monthly payments provide an incentive for continuous improvement.
27. In this financial year the current contractor has only failed (marginally) on two out of the seven main KPI's and is above target on four out of the seven and thus their performance is considered to be acceptable. The KPI's are :
 - KP1 1 hour emergency response
 - KP2 Inspections according to programme

- KP3 Accuracy and completeness of inspection reports
 - KP4 24 hour emergency response
 - KP5 Correct identifications and prioritisation of defects
 - KP6 Safety and workmanship
 - KP7 Accrue ment measurement of works
28. Concurrently the Council undertakes its own assessment and monitoring to verify the accuracy of information given by the contractor in respect of performance. Severe financial penalties may be applied if the Contractor is found to have falsified any of his submissions. There have been no instances of false accounting.
29. The contract and operations are reviewed during a series of meetings including; operational meetings (Weekly) between technicians and local contract management, strategic meetings (Monthly) between senior client and contractor management at an annual contract review meeting. This review board is formed of the Head of Service, BU Managers and FMC Company Directors and managers. This range of meetings ensures the successful and efficient operation of the contract and allows for the review of contract performance and provision of service.

Community impact statement

30. The highways term maintenance contract is a borough wide contract and service. It is designed to deliver both timely and responsive repairs and scheme and project implementation.
31. The impact of the service affects all communities, groups, residents and visitors
32. Direct benefits of a well maintained and improved highway infrastructure are the contribution to the quality of life and safety of all users.
33. FM Conway were the partner contractor for the installation of the award winning Walworth Road and Salisbury Road Projects. These projects won awards for Walking and Public Realm, Living Streets and Road Safety.

Environmental and sustainability considerations

34. FM Conway has pioneered recycling of both highway arisings (concrete, asphalt, sub-base, kerbs, paving etc.) and drain gully waste, and provides Southwark a service which recycles all of the arisings from projects through their recycling plant at Dartford.
35. FM Conway have through their own static crushing, washing and grading plants recovered and recycled over 22,000 tonnes of materials from Southwark, and used over 32,000 tonnes of recycled materials on works in Southwark since July 2010.

Economic considerations

36. Approval of this report will allow for the procurement of longer term highway and design contracts to be done by Southwark in parallel with the London Alliance Procurement process and for the results to be evaluated and compared for the greatest economic benefit.

Market considerations

37. FM Conway have capacity for and are delivering 13 term contracts in London Boroughs, Additionally they deliver ad-hoc contracts across London and the South East. FM Conway's last accounts declared a turnover of in excess of £124m.

Staffing/procurement implications

38. As a supply contract there are no additional staffing implications above and beyond the current working arrangements.

Financial implications

39. The approval of the proposed extension will provide estimated savings which will be used to undertake additional work under the contract.
40. The anticipated annual basic cost for the Contract shown below equates to the provision available for these works and fees within the Asset Management revenue and capital budgets. This budget will support the identified core services of Inspections, highways and structures maintenance, gulley cleaning and winter services (gritting). The proposed contract will not commit the council to any minimum level of expenditure during the year.

Legal implications

41. It is necessary that Southwark Council as a Highway Authority meets the statutory requirement that the highway network is 'kept safe' – Highways Act 1980 Section 41.
42. In practice there is a responsibility placed on the Local Authority to maintain and improve the highway to the benefit of all users at public expense. The accepted mechanism to achieve this is through the appointment of term contractors.

Consultations

43. No consultation has been carried out.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

44. The Strategic Director of Communities, Law & Governance ("SDCLG", acting through the Contracts Section) has advised officers in connection with the procurement of the proposed contract and notes the content of this report. The existing contract was procured as a contract for services in line with EU Procurement Regulations, and in view of the expected value of the services to be delivered across the duration of the new contract the procurement falls within the definition of a Strategic Procurement as prescribed by the council's Contract Standing Orders ("CSOs"), which means that the decisions on the approval of the procurement strategy and proposed contract award must be taken by the cabinet, after taking advice from the Corporate Contract Review Board. The Procurement Project Plan contained within paragraph 13 confirms the timing of the CCRB's appraisal of this report.

45. The EU Procurement Regulations permit the negotiation of a contract without the prior publication of a contract notice in limited circumstances, and the grounds on which this can be done are subject to narrow interpretation. One of the prescribed grounds is where the contracting authority requires additional services which were not included in the original contract but which, through unforeseen circumstances have become necessary and such services cannot, for technical or economic reasons be provided separately from those under the original contract without major inconvenience to the contracting authority. The report explains that approval of a new contract is necessary in order to enable the procurement of a new long-term integrated contract to be completed and a separate Gateway 1 report has been produced and submitted to cabinet for that purpose.
46. The proposed procurement is consistent with relevant corporate policy and will assist the council to fulfil its statutory duties as local highway authority.
47. As a key decision, the implementation of a decision to approve the award of the proposed contract will be subject to call-in in line with the requirements of the Council Constitution. The report confirms that this matter has been noted on the Forward Plan. Paragraph 2 confirms that the award of the proposed interim contract will be given legal effect by way of a formal variation of the existing contract with FM Conway Ltd.

Finance Director

48. This combined gateway one and two report recommends that the Cabinet approves the procurement strategy for the Integrated Highways Term Contract, gives approval to allow negotiation with a single supplier in line with Contract Standing Orders (CSO 4.4.3) and approves the award of a contract to FM Conway for a period of nine months at an estimated cost as reported in the separate closed version of this gateway report. The Finance Director notes that capital and revenue budgetary provision exists to support this contract variation and that savings made during negotiations are available for additional work under the contract. The Finance Director also notes that the contract variation does not commit the council to a minimum level of expenditure. Officer time to effect the recommendations will be contained within existing budgeted resources.

Head of Procurement

49. This combined Gateway 1 and 2 report seeks the Cabinet's approval of the procurement strategy to allow single supplier negotiations and award of the Integrated Highways - Maintenance, Project delivery and Professional Services.
50. The report details the background to the services contained within the contract and the options that were considered. However, the report confirms that alternative options were considered impractical leaving the continuation of services with FM Conway as the most suitable way forward. Due to the specialist nature of the services and the start-up costs associated with their delivery, it is not considered that a new service provider could be brought in at short notice at a lower cost whilst maintaining standards.

51. The Council's relationship with the FM Conway is described as being good and although there have been a couple of areas of marginal under-performance most KPIs are above target.
52. The Council's procurement of a new contract to replace this one and the Professional Services contract will be running whilst a similar LoHAC tender for a pan-London integrated highways contract also takes place. The tight timescales mean that sufficient resources will need to be focussed on the procurement and that the LoHAC procurement itself is not delayed if the process is to be completed by 31 March 2013.
53. The client section will be responsible for monitoring this contract through regular meetings and monitoring arrangements as detailed in the report. These will include operational and strategic meetings as well as an agreed schedule of KPIs.
54. This matter has been reviewed by both the Environment and Leisure Departmental and Corporate Contract Review Boards and recommended changes have been incorporated into this final report.
55. This concurrent has been provided by the Head of Environment and Leisure Procurement.

REASONS FOR URGENCY

56. The approval of this gateway report by the Cabinet on 7 February 2012 would permit the posting of the OJEU Notice on 14 March 2012. Unfortunately there is no flexibility within the procurement programme to accommodate any slippage. A delay in the posting of the OJEU Notice will result in delays in achieving the remaining procurement milestones and inability to have the new contract ready to commence 1 April 2013. The services delivered by the new contract include reactive maintenance activities in response to emergencies. There is currently no alternative provision for these services.

REASONS FOR LATENESS

57. The closed version of this report was published on the closed agenda for this meeting on 30 January 2012. However due to an oversight this open version of the report was not submitted at the same time.

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Highway Maintenance Contract	Copeland Road Depot	Mick Lucas 020 7525 1140

AUDIT TRAIL

Cabinet Member	Councillor Barrie Hargrove, Cabinet Member for Transport, Environment & Recycling		
Lead Officer	Des Waters, Head of Public Realm		
Report Author	Mick Lucas, Public Realm Asset Manager		
Version	Final		
Dated	2 February 2012		
Key Decision?	Yes	If yes, date appeared on forward plan	November 2011
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments included
Strategic Director of Communities, Law & Governance		Yes	Yes
Finance Director		Yes	Yes
Head of Procurement (Head of Environment and Leisure Procurement)		Yes	Yes
Contract Review Boards			
Departmental Contract Review Board		Yes	Yes
Corporate Contract Review Board		Yes	Yes
Cabinet Member		Yes	Yes
Date final report sent to Constitutional Team			2 February 2012

