Open Agenda

Council Assembly
Council Tax Setting

Tuesday 23 February 2010
7.00 pm
Town Hall, Peckham Road, London SE5 8UB

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

Annie Shepperd

Annie Sheppard
Chief Executive

INFORMATION FOR MEMBERS OF THE PUBLIC

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PRINTED ON RECYCLED PAPER

Date: 11 February 2010

Council Assembly

Tuesday 23 February 2010
7.00 pm
Town Hall, Peckham Road, London SE5 8UB

Order of Business

Item No.	Title	Page No.
3.1.	TREASURY MANAGEMENT STRATEGY, INCLUDING - ANNUAL INVESTMENT STRATEGY, PRUDENTIAL INDICATORS, AND ANNUAL MINIMUM REVENUE PROVISION STATEMENT	70 - 97

4. AMENDMENTS REPORT

Amendments to reports will be circulated prior to the meeting.

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

EXCLUSION MOTION (IF NECESSARY)

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

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

PART B - CLOSED BUSINESS

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

Date: 11 February 2010

Agenda Item 2.1

Item No.	Classification:	Date:	Meeting Name:
2.1	Open	23 February 2010	Council Assembly
Report title:		Policy and Resources Strategy - The 2010/11 Revenue Budget (The Budget and Policy Framework)	
Wards or groups affected:		All	
From:		Finance Director	

RECOMMENDATION

That Council Assembly:

1. Agree the recommendations of the Executive for a general fund budget and zero council tax increase for 2010/11 (see attached report).

BACKGROUND INFORMATION

2. On the 9 February 2010 the Executive considered a report on the Council's revenue budget proposals for 2010/11. A copy of this report is appended for information (appendix A). The Executive, at this meeting, determined the general fund revenue budget and council tax recommendation for council assembly. This recommendation will be circulated to all members following the meeting.

3. The report proposes a zero council tax increase for Southwark's element of the council tax and a general fund revenue budget of £319. 9m in 2010/11.

KEY ISSUES FOR CONSIDERATION

Resources 2010/11

4. Assuming a zero % increase in council tax for 2010/11 as per the recommendation in the Executive report 9 February 2010, the resources available to the Council are shown below in table 1:

Table 1

	£'000
Income from formula grant and NNDR	230,729
Projected collection fund surplus 2009/10	1,232
Income from council tax – assuming 0% increase	87,948
Total Revenue Resources Available	**319,909**

Revenue Budget 2010/11

5. The following table sets out the proposed budget for 2010/11: (Appendix B shows the proposed budget by department)

Table 2

	£'000
2009/10 budget	**315,152**
Prior year adjustment (adjustment to salary budget 2009/10)	(956)
Inflation	4,858
Commitments	14,286
Efficiencies and improved use of resources	(10,986)
Income fees and charges	(730)
Other Savings	(1,715)
Proposed Budget 2010/11	**319,909**

Council Tax

6. All local authorities are required to set their council tax by 11 March 2010. Given this timescale, it is difficult at this stage to provide comparative information for 2010/11. This Council will set its own tax on 23 February 2010 (the date to which this report refers). As in previous years, any delay to this date will mean the Council would have to move its instalment date beyond the 1 April 2009. This would result in a loss of income to the Council from cash flow and could also put at risk the ability of the Council's contractor to meet its collection targets with the resulting cost to the Council.

7. In proposing a zero increase in council tax for 2010/11, Southwark's council tax will have increased by 8% in the last five years. The general trend in comparative data on council tax for the last few years up to 2009/10 is given in appendix C. Southwark's council tax for 2009/10 (including GLA) is 13.6% below the national average, 6.6% below the London average (including GLA) and 8.7% below the London average (excluding GLA).

GLA Precept

8. The Mayor of London's consolidated budget for 2010/11 was presented and approved by the London Assembly on the 10 February 2010. The proposal recommended an increase of 0% on the GLA precept.

	2009/10	2010/11	Increase
GLA precept	£309.82	£309.82	0.0%
Southwark precept	£912.14	£912.14	0.0%
Total band D Council Tax	**£1,221.96**	**£1,221.96**	**0.0%**

Community Impact Statement

9. It is recognised that in drawing up detailed proposals following on from budget approval, future executive reports will need to consider the impact on the community of any potential change in service design, outcomes or access

Consultation

10. The Council consults with relevant stakeholders with regards the wider policy and resources strategy process.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

14. Section 67 of the Local Government Finance Act 1992 (“the 1992 Act”) provides that the council assembly must make final decisions on the budget and council tax level for 2010/11. The functions cannot be delegated to the Executive or to a committee. This provision is reflected in the Council’s constitution article 3 and Part 3A which state that agreeing the budget is a matter reserved for council assembly.

15. The statutory requirement to calculate and agree the Council’s annual budget of the Local Authority is derived from section 32 of the 1992 Act. Section 65 of the 1992 Act imposes a duty on the Council to consult with representatives of the business ratepayers in the borough before making the calculation required under section 32 of the 1992 Act.

BACKGROUND INFORMATION

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

APPENDICES

No.	Title
Appendix 1	Executive Report (9 February 2010) Policy and Resources Strategy 2010/11 – 2012/13 - The Council's 2010/11 Revenue Budget (The Budget and Policy Framework) and Medium Term Resources Strategy
Appendix 2	Summary departmental budget control totals
Appendix 3	Council tax comparisons 2003/04 – 2009/10

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Finance Director	
Report Author	Cathy Doran, Finance & Resources Stephen Gaskell, Corporate Planning and Performance	
Version	Final	
Dated	10 February 2010	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
List other Officers here		
Executive Member(s)	Yes	Yes
Date final report sent to Constitutional Support Services		10 February 2010

APPENDIX 1

EXECUTIVE REPORT - 9 FEBRUARY 2010

POLICY AND RESOURCES STRATEGY 2010/11 – 2012/13 - THE COUNCIL'S 2010/11 REVENUE BUDGET (THE BUDGET AND POLICY FRAMEWORK) AND MEDIUM TERM RESOURCES STRATEGY

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

RECOMMENDATIONS

1. The Executive:

   i. Agrees a balanced budget for 2010/11 for recommendation to Council Assembly on 23 February 2010 as set out in paragraph 18 and Appendices A to D, based on a council tax increase of 0%, which is in line with local policy priorities.

   ii. Agrees the updated Medium Term Resources Strategy (MTRS) as set out in Appendix E.

   iii. In view of the current economic climate and uncertainty with regards future grant settlements, instructs the Finance Director and other Chief Officers to closely monitor and review business and budget plans and processes.

BACKGROUND

2. On 20th October 2009, a report was presented to Executive which set the context for the business and budget planning round. It noted the continued uncertainty of local government financing arrangements for 2011/12 and beyond not least with regard to the recession at that time and economic climate looking forward. The report also agreed initial changes to a refreshed MTRS which is in line with local priorities as expressed through the corporate plan.

3. On 9th December 2009 the Chancellor of the Exchequer announced the pre-budget report (PBR). This sets out the government's broad financial policies for 2010/11 and future years. The PBR confirms that the government will stick to planned levels of overall departmental spending in 2010/11, with increases in public sector current expenditure of 0.8% per annum in real terms for 2011/12 to 2014/15.

4. Other PBR proposals include the freeze on public sector salaries (i.e. fixed at 1%) for 2011/12 and 2012/13. National insurance will increase by a further 0.5% from April 2011. This is in addition to the 0.5% increase announced in the 2009/10 budget. Spending on frontline schools will increase by 0.7% per annum in real terms. The emphasis in the PBR of any increase in resources to police, schools and health will have significant implications for all other spending areas across local government. £11billion will be saved through a programme of 'smarter government', together with a further £5billion from targeting and prioritising spending and reforms across public sector pay and pensions. However, specific details are yet to be announced.

5. On 15th December 2009, a report was presented to Executive which set out confirmation of the provisional local government settlement for 2010/11. This confirmed that Southwark would receive the minimum 1.5% increase in grant. There were no changes to that set out in the 2009/10 settlement and 2010/11 indicative settlement. There was no indication of grant settlement beyond 2010/11. This creates uncertainty and increases the challenge in planning resources over the medium term. However, the Executive is asked to approve an updated MTRS which provides a framework for planning for 2010/11 and beyond.

KEY ISSUES FOR CONSIDERATION

Revenue monitoring

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

Final settlement 2010/11 and recent issues arising

7. 2010/11 represents the third year of a three year budget programme agreed by council assembly in February 2008. It was appropriate and relevant for the council to agree a three year budget at that time. The council has continued to deliver against overall objectives to date over that three year period. This is against a backdrop of unprecedented changes in the global financial environment as a result of the economic downturn. The recession that has followed the crisis had a significant impact on the UK economy. London, as a global financial centre, was and remains particularly vulnerable, even in the light of the very small growth experienced most recently in the economy. It is within this context that there is a need for the council to comprehensively review its plans at this time, including agreement of the 2010/11 budget.

8. On 15th December 2009, the Executive noted the provisional 2010/11 local government settlement. First announced in November 2007, the settlement covers the remaining period of the Comprehensive Spending Review (CSR) 2007.

9. The final settlement for 2010/11 was announced on 21 January 2010 and contains no changes to the formula grant announced in November 2007. Southwark will therefore not receive any additional grant to that originally announced.

10. The council will be receiving some £238m in specific and 'unringfenced' revenue grant (£176.1m relates to DSG an increase of 4.8%) from the government in 2010/11, an increase of £14m (6.1%). This is based on the announcements received to date, confirmation is still awaited on some £2m of specific grants (based on 2009/10 allocations). However after 2010/11 (the third year of the current Comprehensive Spending Review) there is no certainty as to the level of these grants or whether some will continue in the future.

11. In 2010/11 the expected allocation for area based grant (ABG) is £43.956m. The overall the level of grant has fallen by £0.828m (1.85%) from 2009/10 to 2010/11. Like other grants, it remains unclear as to what will be the level and status of area based grant from 2011/12. A potential risk relates to the possibility for area based grant to be subsumed within general grant allocation and the consequential impact on overall resources to Southwark. For 2010/11 budget it is proposed to passport all Area Based Grant and Working Neighbourhoods Fund (WNF). In 'passporting' WNF grant the council will continue to closely monitor the delivery of performance against worklessness targets, in particular seeking to ensure that resources support activity that achieves value for money outcomes.

12. Supporting people grant will be included within area based grant for 2010/11. Nationally supporting people grant is £1.636bn. Southwark's allocation is £18.766m. This is the same as the 2009/10 allocation.

13. The government has given no indication of grant for local government for 2011/12 and beyond and has not provided any assurance that a grant floor would continue to be in place for future years. The failure to set out future grant allocation makes it extremely challenging to plan with any certainty for future years. This is made more significant due to continued impact of economic uncertainty on council services. Officers, through relevant representative bodies, are continuing to lobby for changes to be made to the government's grant formula and to seek assurance on the determination of the "grant floor" in future years.

14. Up until most recently inflation had fallen to record low level but officers had reported concern as to the potential for future instability and volatility moving forward. In November 2009 the inflation rate (i.e. the Retail Price Index) moved into positive territory for the first time since January 2009. This was followed by an unprecedented monthly increase of 2.1% to reach on overall RPI of 2.4% in December 2009. This rate of increase is the highest recorded for thirty years. The impact of such volatility on council's expenditure is significant in that higher inflation leads to increases in running costs associated with service delivery; at the same time as rising demand pressures across most council services.

15. Separately, the unprecedented recent low interest rates have had a significant impact on the value of return to the council from short term investments. The forecast for the average return rate on our investments in 2009/10 is projected to be 1.4%, which compares to 5.5% for 2008/09. The latest estimates suggest that the rate of return on investments will decrease further from the 2009/10 position. Combined with continued demand pressures, including the impact of economic uncertainty, this increases the complexity in how the council effectively manages resources to support local priorities and key services.

16. A further consequence of low interest rates is the council's ability to meet its future commitments in relation to the costs of pensions. This will need to be quantified from the next actuarial review.

17. Taken as a whole, this uncertainty strengthens the importance of maintaining a robust MTRS within which to plan council business and sustain delivery of essential frontline services.

<u>2010/11 Budget</u>

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

<u>Table 1. 2010/11 proposed budget</u>

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

19. The budget proposed for 2010/11 includes some £14.3million commitments arising from increased demand pressures. The council is experiencing a number of new and emerging pressures not least the impact of continued economic uncertainty, and additional demand pressures across the council, particularly with regards social care. These pressures relate to external factors that are beyond the control of the council and include changes to regulation, legislation alongside recommendations from government. The council will continue to mitigate the overall impact of these pressures on service delivery.

20. The council is delivering on an ambitious programme of savings to achieve value for money outcomes across services. As part of this ambitious programme of savings the budget proposed for 2010/11 includes savings of some £13.4million. The delivery of modernisation is a central part of meeting saving targets, with the office accommodation move to Tooley Street facilitating further improvement in medium to longer-term savings. This includes the rationalisaton of management structures, shared service delivery, better use of information technology and reduced costs resulting from co-location (e.g. reduced staff travel across the borough). A key challenge will be to deliver more with fewer resources overall, especially where the service costs relate largely to salaries. In taking forward the savings programme the council will therefore need to continue to build on a robust MTRS including raising organisational capacity through skills development of staff.

21. Savings are also proposed as a result of service re-configuration and design which are focused on securing improved service delivery at the frontline whilst achieving value for money. Further savings are proposed resulting from better contract management and procurement.

22. £0.7m (of the overall £13.4m savings) relates to resources generated from income. Through the budget process it has been necessary to review income from fees and charges to ensure that they are sensitive to the impact on residents during the current recession whilst at the same time providing resources to support local priorities and meet demand costs. This includes raising levels where best appropriate to bring them in line with other London authorities

23. In proposing savings the council continues to recognise the importance of the contribution of voluntary and community sector providers in delivering local priorities. It is important that providers are able to effectively forward plan and the council, in as far as it is able, needs to take this into consideration when planning and preparing future budgets. In order to give providers the time to effectively respond to any reconfiguration in resources, where possible a minimum of three months notice will be given on any intended changes.

24. The following paragraphs summarise the budget proposals across each of the council's departments.

Childrens Services

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

26. As a result of an ongoing review of costs across all services (including utilising benchmarking data on costs compared to similar authorities) the council is seeking to identify those areas where higher costs cannot be easily justified in terms of client demand or other local factors. Opportunities for modernisation in these service areas are being rigorously explored and savings proposals for 2010/11. Some £2.2m savings have been targeted at these areas; including improved commissioning and procurement (£350k), more effective combining of funding streams (£400k) and service reconfiguration and redesign (£1.35m). Some £100k will be generated through income generation.

27. The schools forum members continue constructively with the authority to protect funding allocations to priority activities. Strong support, for example, has been received from both Headteachers Executive and the Schools Forum for the development of a subscription scheme for schools to buy back valued support services provided by the council. This will ease the pressure on core funded budgets in 2010/11. It will prepare schools for the more fundamental changes in funding that are likely from 2011/12 onwards.

Health and Community Services

28. The budget proposals for health and community services in 2010/11 includes a commitment of £1.5m which is supporting approximately 30 children with learning disability care needs in transition to adult social care. For 2011/12 and 2012/13 this pressure is expected to increase and therefore close monitoring and stringent financial control on costs will be required. Furthermore, subject to legislation being in place, it is intended that councils provide free personal care to those who meet the specified criteria. This could be introduced as early as 1 October 2010 therefore the council will need to monitor the impact on overall resources moving forward.

29. A major transformation, improvement and modernisation programme is underway centred in health and community services around personalisation. This includes service redesign. Through this change process a number of savings proposals have been set out as part of a total package of £3.3m for 2010/11. The proposals will assist in future delivery of efficiencies. Savings plans proposed for 2010/11 include: redesign of support provided to people with learning disabilities with complex health and social care needs (£600k); re-tender and review of contracts (£700k); re-modelling, redesign and reconfiguration of service areas particularly those relating to supporting people (£2m).

Environment and Housing

30. The budget proposals for environment and housing for 2010/11 include commitments of some £1m, of which £634k will support running costs of the new library. £309k is to overcome the income shortfall within the libraries and cemeteries business units. Budget pressures include falling income levels across many services, for example parking, due to the current economic downturn and events management which have increasing security costs.

31. Savings totalling £1.5m are proposed across the environment and housing department. Of these, £455k relates to general efficiencies through service redesign and rationalisation along with improvements to contract processes. During the 2009/10, the department embarked on a series of structural reviews and rationalisation of services with minimum impact on front line provision. As a result savings of nearly £0.9m are proposed, with the majority (£633k) coming from the community safety and enforcement division. Other structural reviews that are proposed to generate savings include the healthy living programme (£140k). The ongoing exploration of opportunities to maximise resources through change of working methods and reconfiguration of services as part of planned modernisation will deliver £150k savings.

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

Regeneration and Neighbourhoods (incorporating Major Projects)

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

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

Corporate services

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

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

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

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

Collection fund monitor 2009/10

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

Table 2. Collection fund monitor 2009/10

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

Schools Budget and Dedicated Schools Grant (DSG)

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

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

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

41. The increase of 4% per pupil provides for an increase in delegated school budgets of a minimum of 2.1% under the terms of the minimum funding guarantee (MFG). In coming to this guarantee, the Department for Children, Schools and Families (DCSF) has provided funding for an increase in schools' costs in 2010-11 of 3.1%, abated by 1% as schools' contribution to the delivery of the department's overall efficiency savings target. DCSF will provide a further increase in the funding per pupil of 0.8% as headroom to enable authorities to implement the MFG. The remainder of the increase in DSG funding receivable (i.e. equivalent to a further 1.1% increase in resources per pupil) is provided to assist authorities and their schools to support the universal roll out of a personalised offer to all pupils – including those with special educational needs.

42. The advice from DCSF is that in taking decisions on the allocation of these resources, local authorities and their schools forums should consider the Government's priorities. These are: ensuring all children are making good progress; early intervention to prevent children from falling behind; targeted support for specific groups – certain ethnic minorities, white working class children, children in care and those with special educational needs; and ensuring that the school workforce has the skills and confidence to address the needs of children within these groups.

43. On the 31st January 2008 the government launched the review of the formula for distributing dedicated schools grant (DSG). The aim is to develop a single, transparent formula that will be available for use in distributing the DSG to local authorities from 2011 to 2012. It is expected that broad decisions from the review will be announced in summer 2010.

44. In previous years schools budget funding for 16-18 year olds has been allocated through the Learning and Skills Council (LSC). However proposals within the Apprenticeships, Skills, Children & Learning Bill currently moving through parliament mean that from 2010/11 the LSC will cease to exist and local authorities will take on responsibility for securing education and training for all 16 to 19 year olds. The change will give the authority the responsibility and duty to deliver for all children and young people from 0 to 19

45. At present four LSC staff members are seconded to Southwark to assist with the transfer to the new arrangements. These staff will transfer formally to Southwark on the 1st April 2010. The Council will receive a Special Purpose Grant (SPG) from the DCSF to enable us to carry out the new functions and, in particular, to cover the employment costs of the necessary staff. The grant will be paid for a minimum of 3 years and will be received as a component of ABG (Area Based Grant).

46. Schools balances remain a concern for the government at this time with balances nationally continuing to rise. While the government decided to put on hold new legislation that would have forced local authorities to recover and redistribute excessive balances, there is a risk that the government may take action to reduce balances under the next spending review particularly if it appears that local authorities continue to indicate that they are not taking action themselves to manage balances effectively. Ministers have reiterated their concern in this area recently and have now issued a final warning to schools and authorities that they will take action if there is no significant reduction in the amount of surplus balance held during 2010/11.

47. A report recommending a tightening of the existing balance control mechanism was presented to the Schools Forum on 28th January . This will strengthen the authority's powers to challenge those schools holding 'excess' balances as at 31st March 2009. Excess balances are defined by DCSF as balances of over 5% of budget share for secondary schools and of over 8% for primary schools. The forum fully supported the authority's proposals for scrutiny of the balances held by these schools and indicated its support for any proposal that the authority might make for the reallocation of excess balances where these cannot be justified.

48. Officers provided a full briefing on the financial position facing the authority to Schools Forum members in November. An initial report on the position with regard to the likely position on the Schools Budget was considered at the Forum's meeting on December 10th. The authority's detailed proposals were considered by the Forum on 28th January.

49. The authority's proposals for delegated school budgets take on board the additional costs facing schools including a national pay award of 2.3% for teachers, an increase in the employer's contribution to the Southwark superannuation scheme of 0.5% and increased NNDR charges. Further additional resources will be allocated to provide additional funding for pupils with Special Educational Needs both in mainstream schools and Southwark Special Schools. Resources have also been identified to direct additional funding to non-maintained early years providers to reflect the costs of educating children with additional educational needs. The Forum also accepted the local authority's proposal to provide all schools with automatic meter reading devices in order to assist in meeting the Council's carbon reduction commitment.

Housing Revenue Account (HRA)

50. The HRA reflects the statutory requirement under Section 74 of the Local Government and Housing Act 1989 to account separately for local authority housing provision. It is a ring-fenced account, containing solely the costs arising from the provision and management of the Council's housing stock, offset by tenants' rents and service charges, housing subsidy, leaseholder service charges and other income.

51. For 2010/11, the Government's draft Subsidy Determination was not issued until 9th December 2009, and consultation ended on 25th January, therefore rent levels and resources are predicated on the guidance contained in the draft, pending receipt of the final Determination sometime in February. Normally there is little or no change between the draft and the final Determination, however, in the event of a change requiring amendment to rent levels or a significant shift in resources, then these matters would be subject to further consultation and most likely impact on the implementation date, given the 28 day statutory notification requirement

52. Management and Maintenance (M&M) spend targets have overtaken current allowances, which together with changes in stock weightings result in an uplift of 3.8% on management and 4.7% on maintenance allowances. Major Repairs Allowance (MRA) is up 3%. Conversely, rent claw back increases by 3.1% in line with the national guideline rent increase. Government effectively operates control over rent policy through the rent restructuring regime and claws back rent resources by more than is generated by the annual increase applied to tenant's rents. Together with movements in debt charges and debt charge subsidy, the net position in budget terms is £0.4m better than the current year.

53. Despite the settlement and low inflationary pressures, the HRA continues to be under severe financial pressure to meet the continuing needs of maintaining and improving the housing stock and cope with the demands arising from the events at Lakanal and Sumner Road. Commitments and budget pressures total £5.7m. This has been balanced by a range of measures, including a proposed average rent increase of 1.35% with effect from 5th April 2010. Garages and other non-residential property are subject to a strategic review which is due to report in spring 2010 and will consider the introduction of a differential charging policy. In the interim, options for either a freeze or an increase of circa 33% are proposed. Tenant service charges and district heating charges are recommended to be frozen. Efficiency savings are assumed in line with corporate guidance on the General Fund and will be delivered through revised and more efficient working across housing services, together with contract and supply chain improvements. Re-profiling and re-direction of resources allow priorities, such as repairs and maintenance to be protected and where possible receive targeted increases for 2010/11.

54. Consultation on the HRA Rent Setting Report commenced at Tenant Council on 4th January 2010, followed by individual Area Housing Forums during January and a further Tenant Council meeting on 25th January, culminating in consolidated recommendations being reported to Executive on the 26th January.

Capital

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

Greater London Authority (GLA) precept

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

A strong and stable resource base

57. In setting out the budget options for 2010/11 the Finance Director as the statutory section 151 Officer is assured that the range of spending commitments and proposed savings are being set within the resources available that meet local priorities. The budget proposed for 2010/11 is therefore robust.

58. In addition to ensuring that sufficient funds are available to finance the ongoing management of Council services, the Finance Director needs to be assured that there is an appropriate level of reserves and balances available. Reserves and balances are needed in any event but especially to protect against risks due to the size, scale and complexity of projects and services. Maintaining an adequate level of reserves, balances and risk are key factors in the Finance Director's assessment of the robustness of the budget. Target level of working balances have been set at £20m over the medium term, in line with similar organisations in London. The Council has made progress to achieving this level of balances, currently standing at £18.3m as included in the audited statement of accounts for 2008/09. The Finance Director will continue to review the level of balances and reserves and report to the Executive through the normal monitoring process.

59. In setting the budget the council needs to be mindful of the continued uncertainty with regards future funding particularly from 2011/12 onwards. Allied with continued economic uncertainty this strengthens the importance of maintaining a robust MTRS within which to plan council business and sustain delivery of essential frontline services.

Learning Disabilities Funding Changes

60. The consultation document 'Valuing People Now: From Progress to Transformation' (2007) proposed the transfer of learning disability social care commissioning and funding from Primary Care Trusts to local government from April 2009 based upon spend by PCTs in 2007/8. The proposal was part of a wider transformation of adult social care set out in 'Putting People First' (2007). It is anticipated that this will bring clear benefits to people with a learning disability.

61. In August 2008 the Department of Health (DH) issued guidance to primary care trusts (PCTs) and Councils asking them to begin local discussions to collect and analyse local data to establish PCT spend on social care for adults with a learning disability. This was to include both revenue expenditure and capital interests used to deliver social care to people with learning disabilities. The transfer does not include funding for either mainstream/general healthcare nor forensic/offender services.

62. The process was to be used locally to agree the value of transfers for 2009/10 and 2010/11. The DoH has indicated that from April 2011 the allocation of these social care resources will be made directly from central government to local authorities. The DH has not given any indication about how these allocations will be calculated or how this funding will be made available to local authorities. However the DH has indicated that it will consult local authorities on these matters.

63. The funding changes are designed to provide greater clarity about resources available for adults with learning disabilities. Local authorities will be responsible for specialist social care and the NHS will be allowed to focus fully on its primary learning disability responsibility of providing equal access to high quality healthcare

64. In Southwark the task of agreeing the value of the transfers for 2009/10 and 2010/11 has been relatively straightforward as Southwark Health & Social Care has been using powers contained in Section 31 of the Health Act 1999 and Section 75 of the National Health Service Act 2006 to lead commission learning disabilities social care services through a pooled budget with Southwark PCT since 2002.

65. This requires Southwark PCT to contribute 34% to the total expenditure of the pooled budget. The values of transfers agreed with Southwark PCT are:

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

66. In addition there are capital interests owned by the PCT that are eligible to transfer to the Council. These take the form of 6 properties in Southwark that are being used to provide registered residential care and supported living services to people with learning disabilities. Officers from both organisations are currently working on the necessary due diligence and conveyance arrangements to enable the buildings to transfer to the Council.

67. There are considerable financial risks to the Council after the responsibility for funding passes from the PCT to central government on 1 April 2011. The main ones are: no annual increase in funding to reflect increases in unit costs due to higher needs and increases in client numbers especially relating to clients in transition from children's services - in 2011/12 additional transition clients are expected to cost £2.5m and under the current Section 75 pooled budget arrangements 34% of this additional cost would be funded by health. The DH are unable to provide information about how the national budget available for distribution to local authorities in 2011/12 onwards is to be allocated.

MTRS

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

Community Impact Statement

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

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

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

BACKGROUND INFORMATION

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

APPENDICES

No	Title
A - D	Budget schedules
E	MTRS

Audit Trail

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

Commitments

Department	Description of Commitments	2010/11 £'000
Children's Services		
	Post Laming Proposals	
	This proposal will strengthen the referral and assessment service and increase our capacity to allocate cases. A proposal to redesign the service has already been approved which builds social work capacity into the localities, and creates an additional family support team to reduce caseloads. A further redesign is going to be developed which will build on our pre-birth work and ensure we have a more robust response to referrals. A specialist team will be developed to focus on pre-birth work.	120
	This proposal will build capacity and stability in staff resource. Increased turnover of social workers in the frontline services (post laming) has led to an exceptionally high level of vacancies. To seek to alleviate this situation and in recognition of the increased pressure, workload demands, and challenging circumstances for workers, it has been agreed that honorarium payments be made to all social workers, senior practitioners, practice managers and team managers in referral and assessment and family support teams. The honorarium payments will be paid at a rate of £2000 and will be subject to the performance of the staff member will and will be reviewed on a 6 monthly basis to take into account any changes in circumstances.	240
	This proposal will support the creation of an Independent Chair of the Safeguarding Children Board and Independent Chair of Serious Case Reviews in anticipation of requirements from the DCSF. Provision also included to support potential increase in number of serious case reviews commissioned by the Safeguarding Board.	65
	This proposal will improve training and development of social workers. There has been a reduction of somewhere in the region of £500k from the Training Support Grant for children's social care. We plan to develop a number of initiatives which include: work with Royal Holloway on reflective social work practice £25k; a trainee social work scheme £85k to bring in new recruits; post qualifying training / and qualification in safeguarding children £30k to support retention of existing staff. Supervision training for managers £12k.	150
	This proposal will refocus Family Aides / Family Support worker service to improve the practical child care support and supervision for vulnerable children who have a child protection plan.	120

Commitments

Department	Description of Commitments	2010/11 £'000
	Southwark Judgement	
	This proposal refers to the recent Lord's judgement that has effectively classified Homeless children aged 16-17 as Children Looked After (CLA). Early estimates indicate that an additional £150k may be required year on year on top of existing budgets.	150
	Placement Pressures	
	These proposals respond to pressure with regards children's social care placements. Specialist services are experiencing underlying placement pressures for looked after children and placement/care packages for children with special needs/ disabilities.	
	Pressure in Disabilities are because: (a) more children with complex physical disabilities are surviving, and they and their families need both health and social care support; and b) there is increased diagnosis of children on the autistic spectrum, who have got challenging behaviours and need our support. In year (2009/10) pressures have been identified in the Disabilities services which is being mitigated/contained through a rigorous review of all care packages and placements in this area.	
	The CLA service is indicating significant pressures. An analysis of underlying trends indicates a significant increase in the volume of CLA. With 80 new children in care in the first quarter of 2009/10 compared to an average of 54 per quarter in 2008/09. Most of the new cases are the high end residential with further detail below .	
	a) Residential Homes: The current budget for 2009/10 is based on 28 children in Residential home for the year. The council is currently expecting to support 37 next year at an average cost of £2500 per week. The will therefore require an increase in budget of £1.175m to fund this pressure.	1,175
	b) Semi Independent living: The current budget for 2009/10 is based on an average of 29 children supported in this setting. The council is now expecting to support 36 children this year at an average cost of £905 per week. The will therefore require an increase in budget of £330k to fund this pressure.	330
	c) Special Guardianship Orders (SGOs): SGOs are relatively recent placement being used to support children usually when they are young but will remain supported until they reach 18. This is expected to carry on rising as there is no one as yet reaching 18 when support should cease.	150

Commitments

Department	Description of Commitments	2010/11 £'000
	This proposal will transfer LEP Client responsibilities for the Building Schools for the Future programme from the major projects area to Children's Services. Resources are required to fund overall project management for a period up to 2 years to progress Phase 2 and 3 contracts. Opportunities will be explored for the transfer of funding from existing Major Projects budgets.	150
	This proposal will address the affordability gap and financing costs arising from necessity to use supported borrowing to fund purchase of £2.3m of ICT equipment as part of the Building Schools for the Future programme which is within the major projects area of activity.	39
	Total Children's	**2,689**
Health & Community Services		
Learning Disabilities (LD) Pool	This proposal relates to the cost associated with new clients in Transition from Children's Services. The figures are based on known numbers of children who will transfer to Adult Social Care in the next few years. Every year there is a cohort of children mainly with learning disabilities who reach the age of 18 and therefore are in transition between children's services and adults social care. This generates a budget pressure for the Council because at the same time as this cohort leaves children's services there are young children entering the system. In addition, because of recent advancements in care practice for people with learning disabilities longevity has improved and there is no significant reduction in client numbers therefore putting pressure into the social care system. In 2010/11 adults social care is expected to receive 32 clients from Children's services. Average cost of providing support to those clients with learning disabilities is £1,450 per week.	1,446
	Total Health & Community Services	**1,446**
Environment & Housing		
Culture, Libraries, Learning and Leisure	This proposal will establish a budget for running costs of the Canada Water library. Any funding surplus from allocated budget will be used to support the current capital outlay for the library as proposed in the report to Executive in October 2008.	634

Commitments

Department	Description of Commitments	2010/11 £'000
Culture, Libraries, Learning & Leisure	This proposals arises from the income shortfall within the Libraries Business Unit. The amount requested is the projected shortfall between actual income and budgeted income in 2010/11.	103
Culture, Libraries, Learning & Leisure	This proposal funds the increase in rental costs at Camberwell Library.	12
Public Realm	This proposal addresses the significant challenges in meeting the income target in this area due to volume reductions and capacity issues. A commitment is required to address the shortfall at this time. Management action will continue to mitigate the overall impact on budget, including reviewing activity where best appropriate.	206
Sustainable Services	This proposal follows on from invest to save commitment from 2009/10 for SALIX	(100)
Community Safety & Enforcement	This proposal follows on from invest to save commitment from 2009/10 for Pedal cycle Warden Patrols	(50)
Sustainable Services	This proposal will support the installation/utilisation of Automatic Meter Reading (AMR) technology systems for the council's metering devices (water, gas, electric) for the purposes of billing and analysis.	250
	Total Environment & Housing	**1,055**

Commitments

Department	Description of Commitments	2010/11 £'000
Regeneration & Neighbourhoods		
Community Housing	This proposal is to address the funding gap created by reductions to Housing Benefit subsidy for temporary accommodation for homeless households from 2010/11 which have been announced by the government. These changes will have an immediate impact on the Council's expenditure within the General Fund regarding Private Sector Leasing (PSL) and Bed and Breakfast (B&B) accommodation. The authority has a statutory duty to provide temporary accommodation and is in medium-term contractual arrangements with PSL providers. These arrangements along with B&B procurement is currently approximately cost-neutral to the council, but from April 2010 are estimated to represent an additional cost. Officers will identify opportunities to secure alternative temporary accommodation through HRA assets as the changes do not affect HRA provision. Due to very limited HRA supply, there will still be a requirement to procure PSL accommodation and to provide emergency accommodation through bed and breakfast. A supply profile of requirements has been drawn up and TA Services will make every attempt to renegotiate contracts and mitigate the effects of the subsidy changes.	1,200
	Total Regeneration and Neighbourhoods	**1,200**
Deputy Chief Executive's (DCE)		
Concessionary Fares	This proposal is the reallocation of concessionary fares following London Councils arbitration, based on current usage.	451
Concessionary Fares	This proposal is the estimated increase in the cost of concessionary fares in 2010/11 if there is full take up of the Concessionary Bus Travel Act 2007, which increased the minimum concession to free national travel on local buses in England.	1,632

Appendix A

Commitments

Department	Description of Commitments	2010/11 £'000
Client services - Revenues & Benefits	This proposal addresses the shortfall in the budget for 2009/10 which is linked to the termination of the Revenues and Benefits contract with Liberata from April 2011. The shortfall will continue to have an effect in future years which will need to be addressed by a commitment on the base budget in 2010/11. The factors causing the shortfall are: The loyalty bonus which Liberata pays to Southwark for continuing with the contract will not be received (£250k). The 2% year on year reduction in the contract fee will not be realised (£181k). There will be additional inflation on the contract (£114k).	545
	Total DCE	**2,628**
Communities, Law and Governance (CLG)		
Democratic Services - Constitutional Support	This proposal will improve the authority's decision making processes through technology and training	20
Democratic Services - Governance	This proposal is to resource Southwark's Freedom of Information and Data Protection Act demands. Additional resources are required to meet performance standards.	90
Democratic Services - Member Support	This proposal is to support member induction following the 2010 elections.	20
Legal Services - General Litigation	This proposal is to fund the requirement to manage increasing attention on regulatory and health and safety legal responsibilities placed on the authority	66
	Total CLG	**196**

Appendix A

Commitments

Department	Description of Commitments	2010/11 £'000
Corporate		
	This proposal is the London Pension Fund Authority (LPFA) additional levy for pensions deficit. This is subject to final decision following consultation. London councils view is that the recovery plan is deferred until responsibilities for the deficit are established and full legal clarification is sought by government.	387
	This proposal is the estimated impact of Supplementary Business Rate (SBR) payable to GLA to fund Crossrail. 2% levy on Southwark owned property with rateable value in excess of £55k.	120
	This proposal relates to pensions costs. Following the last actuaries triennial valuation it was recommended that Southwark's total contribution to the fund should increase by 0.5% per annum to a revised contribution rate in 2010/11 of 18%. This represents tha final 0.5% increase of the current review period.	565
	This proposal will support contingency provision for service pressures that cannot at present be fully quantified. This estimate is based on previous trends and will need continual review as part of future budget planning and in the context of the medium term resources strategy.	4,000
	Total Corporate	**5,072**
	Total Commitments	**14,286**

Efficiency and Improved Use of Resources

Department	Description of Savings	2010/11 £'000
Children's Services		
	Procurement	
	This proposal arises from a cross-departmental review on commissioning parenting projects which will include more efficient use of external funding.	(50)
	This proposal will lead to increased efficiency in specification and procurement of services for additional and special needs of children (part ABG funded - £70k)	(300)
	Process	
	This proposal will complete the restructuring of level 2 support services, eliminating overlaps and duplication in locality delivery	(400)
	This proposal relates to the fundamental review of all out of schools hours activity (ABG funded) within the after school service/extended schools/play service	(250)
	This proposal results from the identification of additional funding options and exploration of options for transfer of certain costs to Schools Budget. This will be subject to DCSF regulations and the agreement of Schools Forum. This would be dependent on identifying compensating savings from activities currently charged to the Schools Budget.	(400)
	This proposal arises from improved productivity and reductions in budgets for travelling costs and general efficiencies arising from co-location of services.	(100)
	This proposal relates to reduced accommodation costs as the CLA service no longer occupies Waterloo Road.	(70)
	People	

Efficiency and Improved Use of Resources

Department	Description of Savings	2010/11 £'000
	This proposal is the reduction in staffing costs through development of an Integrated Youth Service.	(200)
	This proposal relates to the review and reconfiguration of Children's Services staffing structures. It is targeted at high cost services identified during review of Children's services statutory provision.	(330)
	Total Children's Services	**(2,100)**
Health & Community Services		
Learning Disabilities (LD)	This proposal is a result of the redesign of the way support is provided to people with learning disabilities with complex health and social care needs. Currently there 300 people with learning disabilities accommodated by Southwark in residential care homes - both within and outside the borough. Southwark spends a higher percentage of its LD budget on residential costs (75%) than the national average (51%). The plan is to move from this residential model to supported living arrangements which will be part funded by housing benefits, Supporting People, Independent Living Fund and the Disabled Living Fund.	(600)
Older People (OP) and Physical Disabilities (PD) Commissioning	This proposal results from the release of efficiency savings associated with the re-tendering of ICES service via a multi-borough consortium. There will be more bulk purchase and a more standardized range of equipment. A local base of the supplier should also enable better client access.	(100)

Efficiency and Improved Use of Resources

Department	Description of Savings	2010/11 £'000
OP & PD Commissioning	This proposal relates to the review of Anchor block contract to ensure services continue to meet our strategic service aims and provide value for money. This contract was agreed in 1999. is subject to a five year review clause to be effective from 1 April 2010. The contract is for the provision of 224 residential placements for older people. The provider was involved originally in taking over and rebuilding residential care homes previously run by the Council. The weekly client fee includes an uplift which reflects the capital cost of construction. The current unit cost is £530 - £625 per week compared to the average of about £480 for this type of high dependency accommodation. It is planned to reduce the block contract by 20% (the maximum allowable in the block contract). This is in line with the strategic direction of more use of community support, rather than institutional care, and more use of personal budgets, rather than large contracts.	(600)
Provider Services	This proposal is as a result of the management restructure within Provider Services. The senior manager's role will be covered by the assistant manager. These reductions are possible because of the changing size of the service provided by Provider Services.	(100)
Welfare Rights Service	This proposal relates to the reconfiguration of Welfare Rights Service to ensure alignment with the provision of Council wide benefits advice.	(100)
Supporting People	This proposal relates to the implementation of the framework agreement to simplify the Supporting People commissioning process and reduce costs for the Council and providers. Implementation will take effect from April 2010. A significant part of the saving will be made from the efficiency of better purchasing, not directly affecting the service.	(850)

Efficiency and Improved Use of Resources

Department	Description of Savings	2010/11 £'000
Learning Disabilities	This proposal relates to the reduction in repairs and maintenance costs as a result of the council using fewer buildings to provide day services. When the Council outsourced its day services for people with learning disabilities it retained ownership of the properties housing the services. During 2010/11 the number of buildings used to provide day services to people with learning disabilities will reduce. Services currently located at Evelyn Coyle Day Centre and The Grange Project will close and move to a new Resource Centre in Cherry Gardens Street. In addition the buildings retained will require less maintenance due to them being of a better quality.	(70)
Client group commissioning	This proposal relates the re-structuring of commissioning teams in order to deliver the savings target identified. It will include the merger of Supporting People and other client group commissioning teams.	(300)
	Total Health & Community Services	**(2,720)**
Environment & Housing		
Public Realm	This proposal is as a result of early implementation of Pay by Phone borough wide, following the Bankside pilot. The savings arise from the deletion of posts relating to the collection of cash and machine maintenance.	(50)
Public Realm	This proposal is parking contract efficiencies. The procurement of new IT system with lower operating costs will assist in negotiating reductions in contract cost.	(50)

Efficiency and Improved Use of Resources

Department	Description of Savings	2010/11 £'000
Public Realm	This proposal relates to efficiencies from change of working methods in parks repair and maintenance	(40)
Public Realm	This proposal relates to the reduced energy costs due to revised and improved electricity contracts with utility companies.	(50)
Public Realm	This proposal relates to reduced client and contractor costs arising from efficiency review of highways term contract.	(95)
Culture, Libraries, Learning & leisure	This proposal relates to efficiencies gained from a mini Leisure reorganisation.	(90)
HQ (Tooley St)	This proposal relates to efficiencies created from a rationalisation of departmental support costs as part of the planned modernisation and accommodation strategy. Efficiencies include IT costs, travel costs and general administration costs.	(50)
	Invest to save proposal	
Community Safety & Enforcement	This proposal is the recurring saving of £30k from reduced vans and fuels costs as a result of the 2009/10 Pedal cysle warden patrol invest to save bid.	(30)
	Total Environment & Housing	**(455)**

Efficiency and Improved Use of Resources

Department	Description of Savings	2010/11 £'000
Regeneration & Neighbourhood		
Strategy and Information: Organisational Restructure	This proposal is the restructure of the Strategy & Information team where efficiencies in administration staffing budgets have been identified	(13)
Head of Service	This proposal is a reduced consultancy budget	(40)
Strategy and Regen	This proposal relates to savings in the repairs and maintenance budget for Stopford Rd	(6)
Economic Development and Strategic Partnerships	This proposal relates to savings made acheivable through sharing services, income and organisational review	(33)
Director and Business Support	This proposal relates to the review and rationalisation of central support functions and deletion of agency/administration support budget.	(14)
Development management	This proposal relates to the identification of alternative funding for the Section 106 monitoring officer post	(20)
Development management	This proposal relates to the deletion of agency staff budget	(11)
Community Housing Services	This proposal relates to the review and rationalisation of staffing structure	(124)
Community Housing Services	This proposal relates to the review and rationalisation of non-staffing operational budgets	(9)
Property Services - Business Team	This proposal relates to general efficiencies including reduced use of taxis and travel costs, reduced cost of refreshments for meetings, reduced stationery and other related costs.	(20)

Efficiency and Improved Use of Resources

Department	Description of Savings	2010/11 £'000
Property Services - Development Team	This proposal relates to the rationalisation of team structures as a result of Tooley street move. The move has resulted in better and more efficient distribution of adminstration work across the function.	(30)
Property Services - Corporate Property Services	This proposal relates to staffing efficiencies that have been identified within the admin and surveyor functions as a result of the review and rationalisation within the team.	(84)
Property Services - Portfolio Team	This proposal is efficiency as a result of team restructure in the Voluntary and Comminity Sector Properties surveyor team.	(25)
Economic Development and Strategic Partnerships (EDSP)	This proposal relates to the review and rationalisation of non-staffing operational budgets across EDSP and Community Engagement divisions.	(6)
	Total Regeneration and Neighbourhoods	**(435)**
Major Projects		
Project and strategic support	This proposal relates to savings to be achieved by integrating project areas and management arrangements	(220)
	Total Major Projects	**(220)**

Efficiency and Improved Use of Resources

Department	Description of Savings	2010/11 £'000
Deputy Chief Executive's (DCE)		
Client Services	This proposal relates to savings from the Customer Service Centre (CSC) contract. The model for the ten year duration of the Customer Services contract with Vangent begins to deliver savings against the available budget from year 5 (2010/2011). It allows for £500k savings to be made in both 2010/2011 and 2011/2012.	(500)
Learning and Development	This proposal relates to the reconfiguration of training provision across the department will result in savings through realigning provision to better priorities and ensure continued fitness for purpose.	(170)
	Total DCE	**(670)**
Communities, Law and Governance (CLG)		
Democratic Services - Member Support	This proposal is a grouping of efficiency measures within the member support function	(54)
Democratic Services - Community Councils	This proposal relates to operational efficiencies including application of saving to departmental funding streams and formalising legal representation at meetings	(32)
Democratic Services - Constitutional Support	This proposal relates to the streamlining of the discretionary decision making framework and non-statutory meeting structure	(45)

Efficiency and Improved Use of Resources

Department	Description of Savings	2010/11 £'000
Democratic Services - Cross Service	This proposal relates to efficiencies in running costs. It is intended to reduce budgets related to equipment purchase associated with the move to Tooley Street.	(5)
Scrutiny	This proposal relates to efficiencies in running costs. It is intended to reduce budgets related to printing, hospitality and professional fees	(12)
Legal Services	This proposal relates to reduced counsels fees. 3 advocates will be employed to reduce departmental external legal spend	(55)
Legal Services	This proposal relates to barristers contract. It is intended to renegotiate rates and widen panel membership	(55)
Legal Services	This proposal relates to the reshaping of the general litigation team.	(25)
Legal Services	This proposal relates to 'switching off' the legal trading account reducing administrative overhead	(50)
Legal Services	This proposal relates to the reconfiguration of senior management team with efficiencies as a result of management restructuring	(25)
Social Inclusion	This proposal relates to the application of performance criteria to review voluntary and community (VCS) sector commissioning using performance data and value for money principles	(67)
Social Inclusion	This proposal relates to the retendering of legal advice contract. The retendering opportunity will be used to review scope of services relative to past performance. It provides the opportunity to build in future savings	(64)

Efficiency and Improved Use of Resources

Department	Description of Savings	2010/11 £'000
Social Inclusion	This proposal relates to efficiencies by aligning legal publications budget with historic expenditure levels	(4)
Area Management/Social Inclusion	This proposal relates to efficiencies accrued from the creation of the community engagement division. Area management and social inclusion are merged with efficiencies delivered through identified synergies.	(90)
	Total CLG	**(583)**
Finance and Resources		
Finance	This proposal relates to efficiencies from the retendering of the internal audit contract in 2009.	(30)
Finance	This proposal relates to the operation of efficiencies achieved through improved ways of working across the finance function	(185)
Information Service Division (ISD)	This proposal relates to operational savings achieved across the range of ISD contracts and internal costs. The IT contract is realising savings of 6% over 5 years but due to the profiling there are no additional budget savings for the main ISD contract in 2010/11. In the first instance it is likely that any savings would therefore need to be achieved from a further review of the ISD core functions and subsequent revision in resourcing levels.	(528)

Efficiency and Improved Use of Resources

Department	Description of Savings	2010/11 £'000
Property Services - Corporate Facilities Management (FM)	This proposal relates to the rationalisation of FM structure as a result of Tooley street move. The move has led to a better and more efficient distribution of work across the function.	(60)
	Total Finance and Resources	**(803)**
Corporate		
Shared support services	This proposal relates to efficiencies gained through the implementation of shared support services with the modernisation and accommodation programme acting as a key catalyst to drive forward delivery. Total savings proposed are £3m per year up to 2011/12. (savings shown are reduced by savings identified by departments)	(3,000)
	Total Corporate	**(3,000)**
	Total Efficiency and Improved Use of Resources	**(10,986)**

Appendix C

Other Savings

Department	Description of Savings	2010/11 £'000
Health & Community Services		
Supporting People	This proposal relates to savings that will be delivered within Supporting People by a combination of service redesign and reconfiguration of the framework, with capacity reductions where needed.	(500)
Learning Disabilities	This proposal is the review of provision of Southwark Outreach Service through improved integration with other providers.	(60)
	Total Health & Community Services	**(560)**
Environment & Housing		
Community Safety & Enforcement	This proposal relates to the scheduled ending of the current contract term with the Metropolitan Police Service who previously provided joint funding.	(280)
Community Safety & Enforcement	This proposal relates to service restructuring resulting in termination of the Special Projects Team.	(33)
Community Safety & Enforcement	This proposal is the rationalisation of town centre wardens and environmental enforcement. Structural review and reorganisation of the division will be achieved by realigning management structures. There will be a reduction in senior management posts within the division from 18 posts to 11.	(320)
Sustainable Services (Waste Management & Transport).	This proposal relates to the rationalisation of the Street Inspection regime.	(30)
Sustainable Services (Waste Management & Transport).	This proposal is as a result of reconfiguration of the Environmental Education programme	(80)

Other Savings

Department	Description of Savings	2010/11 £'000
Culture, Libraries, Learning & leisure	This proposal relates to the rationalisation of the SLA with South London Gallery	(40)
Culture, Libraries, Learning & leisure	This proposal relates to the structural review of the Healthy Living Programme.	(140)
	Total Environment & Housing	**(923)**
Regeneration & Neighbourhoods		
Transport	This proposal is the deletion of the minor works budget	(40)
Community Housing Services	This proposal relates to review and rationalisation of staffing structure	(85)
Community Housing Services	This proposal relates to review and rationalisation of non-staffing operational budgets	(13)
Strategy and Regeneration	This proposal is the deletion of a Hay7 vacant post in the Home Maintenance Service which was a hard to recruit post due to the low grade for the role required to fill.	(29)
Economic Development and Strategic Partnerships	This proposal relates to £45K savings to be achieved through reduction in contracted delivery (subject to annual tendering round in February 2010). A further £20k savings (part of membership fee for Cross River Partnership (CRP) will be funded from income for specific tasks.	(65)
	Total Regeneration and Neighbourhoods	**(232)**
	Total Other Savings	**(1,715)**

Income generation

Department	Description of Savings	2010/11 £'000
Children's Services		
	Income generated through the implementation of further increases in fees and charges to the Inner London average (as already agreed during 2009-10 budget setting process).	(100)
	Total Children's	**(100)**
Environment & Housing		
Public Realm	Income generated by net income recovery of reasonable costs (contribution to overheads) from issuing permits and licences to statutory undertakers under the Traffic Management Act which becomes operational from 01/03/09	(50)
Public Realm	Income generated by letting a contract for on street advertising small sheet formats. The first phase of the project would be to identify potential sites using criteria based upon safety, visual impact and commercial viability. Change to current policy. Some original set up costs (£50k) and programme would be subject to planning control.	(50)
Community Safety & Enforcement	Income generated by increasing volume of licensing fees for high risk Houses in Multiple Occupation (HMO's)	(50)
	Total Environment & Housing	**(150)**

Appendix D

Income generation

Department	Description of Savings	2010/11 £'000
Regeneration & Neighbourhood		
Property Services - Portfolio Team	£100,000 income is generated from Advertising Boards. £16,000 additional income will come from Voluntary and Community Sector properties.	(116)
Development management	Income generated from providing pre application advice on planning applications.	(41)
Property Services - CPHA Surplus	Income generated from recharging property disposal costs to capital receipts.	(83)
	Total Regeneration & Neighborhood	**(240)**
Deputy Chief Executive (DCE)		
Revenues and Benefits	Income generated from charges for council tax/NNDR benefit overpayments. It is proposed to increase court charges for Council Tax and NNDR benefit overpayments recovered, as these are currently below the average for London.	(150)
	Total DCE	**(150)**

Appendix D

Income generation

Department	Description of Savings	2010/11 £'000
Finance and Resources		
Corporate Facilities Management	£90,000 income is generated from Tooley St 160 Flats.	(90)
	Total Finance and Resources	**(90)**
	Total Income generation	**(730)**

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Southwark Council

MEDIUM TERM RESOURCES STRATEGY

2010/11 TO 2012/13

APPENDIX E

MEDIUM TERM RESOURCES STRATEGY (MTRS): 2010/11 -2012/13

Contents

Section 1

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The aim of the MTRS

The aim of the **medium term resources strategy** (MTRS) is to:

- ***ensure best use of limited resources for maximum gain both in performance and in achieving value for money to deliver local priority outcomes.***

Context

Southwark 2016, the sustainable community strategy sets out the long term vision with partners for improving outcomes for people, places and delivering quality services. Effective partnership arrangements underpin the delivery of the vision for the borough. Southwark's Local Area Agreement acts as the key action plan for delivery of Southwark 2016. The corporate plan highlights the council's key objectives over the medium term for supporting delivery of Southwark 2016 and achieving value for money outcomes.

The council has set clear priorities for the future in supporting Southwark 2016, to make the borough one of the best in the country, a place that people are proud to live in. The effective and efficient management of resources through the MTRS is central to delivering that ambition.

The MTRS sits alongside the corporate plan and sets out the key council objectives for delivery.

The MTRS aligns financial priorities of the council with key strategies for asset management, human resources and information technology to deliver local priorities. The MTRS facilitates the maximisation of resource opportunities in order to achieve long-term policy outcomes. The MTRS will therefore further embed the achievement and improvement of value for money outcomes.

Key priorities

The key priorities of the medium term resources strategy are:

- To achieve excellent and robust resource management across the council
- To sustain a value for money culture and secure continued delivery of outcomes through effective business and budget planning, monitoring and challenge
- To ensure equalities and sustainable outcomes are achieved through effective resource and performance management
- To deliver, through excellent financial management, the effective and efficient use of resources and maximisation of resource opportunities in order to achieve long-term policy outcomes
- To align the capital programme with the council's asset management plans
- To target investment in information technology to achieve medium term efficiency through modernisation and modern ways of working
- To deliver sound governance and accountability in respect of all council resources and assets
- To make investment and disposal decisions that are based on option appraisal and whole life costing
- To manage resources to effectively recruit, retain and develop the right staff to deliver efficient and high quality services to our community

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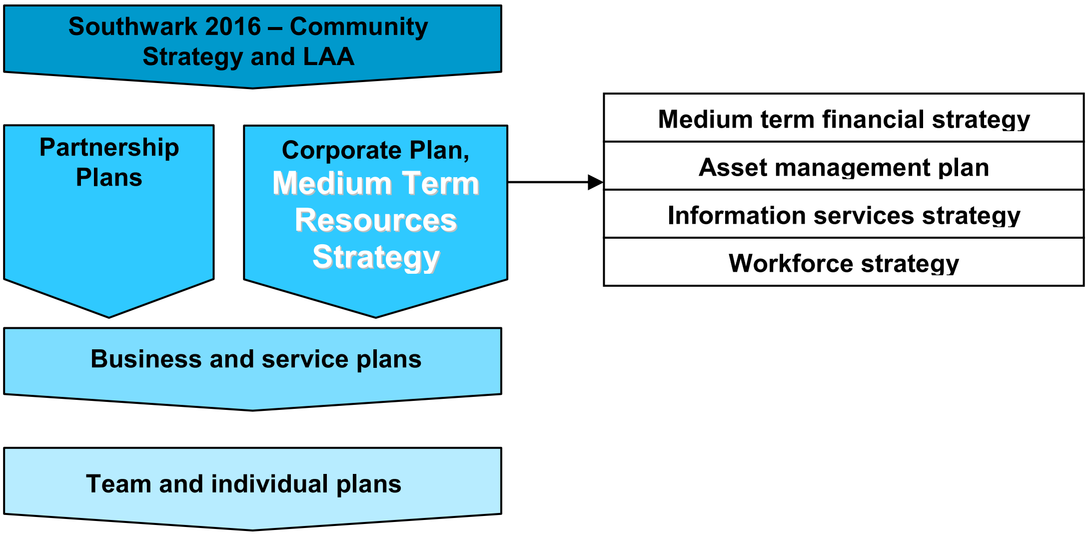

How the medium term resources strategy is brought together

The MTRS comprises of:

- The medium term financial strategy or MTFS.

  The MTFS sets out the financial priorities of the council. The MTFS sets out the financial remit within which the council business plans are developed and agreed.

- Asset management plan or AMP.

  The AMP sets out the strategic priorities for the delivery of effective asset management planning across the borough.

- Information services strategy.

  The information services strategy sets out the strategic approach to the development of information and communications technology within the council, based on delivery of value for money outcomes against three core priorities of successful delivery of operational services, achievement of organisational modernisation and underpinning future success. It has been updated to reflect the rapid changes taking place across the council, as well as the possibilities being offered by changes in information and communication technology. While many of the KSO activities are underpinning and not immediately visible, Southwark became one of the first council in London to achieve accreditation for Government Connects, allowing secure electronic data exchange with central government. The council is committed to a major programme of modernisation and improvement, known as Modernise, much of which is enabled by the application of information technology in the workplace. Significant elements of Modernise have been completed successfully with the move of 2,200 staff into purpose-built offices in Tooley Street, supported by IT that enables hot-desking, near-paperless-working, mobile working, and occasional home working. As the four-year IT Strategy rolls out, further, IT-enabled improvements in council operations will be seen.

- Workforce strategy.

  The workforce strategy sets out how the council will recruit, retain and develop the right staff to deliver efficient and high quality services to our community. It is based on five key themes of: recruitment & retention, pay & reward, skills development, leadership and organisational development. The workforce strategy supports the delivery of the modernisation and improvement programme to ensure the council continues to have a fit

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for purpose workforce with the right balance of skills to achieve continuous service improvement and value for money outcomes in delivery. In the current economic climate this will focus on the need to manage reorganisations and restructure effectively ensuring the right numbers of staff (workforce planning) and the identification of key skills and competencies (organisational development).

Use of Resources

On 1 April 2009 the Audit Commission introduced the new Comprehensive Area Assessment (CAA), which replaces the Comprehensive Performance Assessment. The assessment process for use of resources has changed substantially with the introduction of the CAA. The use of resources is made up of judgements on managing finances (including cost efficiencies and value for money), managing the business (including governance, commissioning and procurement, information management and quality and internal control) and managing resources (including sustainability, assets and for introduction in 2009/10, workforce planning).

In the first assessment of this kind Southwark was judged to be performing adequately, or a score of 2 out of 4, overall. Southwark scored 2 out of 4 for each of the three component judgements – managing finances, managing the business and managing resources. Key themes emerging from the assessment as reported by the District Auditor include the need to strengthen capital reporting, (including greater clarity on slippage), implementing the council's IT improvement plan, continuing to deliver sustainability strategies and updating the asset management plan in line with the changing economic circumstances.

In moving forward beyond the assessment the council will need to demonstrate and evidence continued improvement in the use of resources. Improvement action planning will be progressed and monitored through 2010/11. The use of resources assessment will be refreshed on an annual basis, subject to any changes proposed by the Audit Commission and/or government. Progressing action plans will particularly include strengthening the MTRS to demonstrate how priorities are being delivered through the effective management of total resources. This process has begun with this refresh of the MTRS and will continue through the business and budget planning process.

Keeping the MTRS under review

The MTRS will be kept under annual review to ensure continued fitness for purpose in meeting the overall aim of ensuring ***best use of limited resources for maximum gain both in performance and in achieving value for money to deliver local priority outcomes.***

Monitoring of the priorities within the strategy will be achieved through the regular business, and revenue and capital reports that are presented through the Executive process.

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Section 2 – supporting plans and strategies

MEDIUM TERM FINANCIAL STRATEGY (MTFS)

Context

The overall aim of the MTFS is to achieve the effective and efficient use of resources and maximisation of resource opportunities in order to achieve long-term policy outcomes. It sets out a clear financial remit within which the council's business plans are developed and agreed and supports the borough's broader partnership ambition.

Key priorities

Financial Management

- To achieve excellent financial management across the council
- To spend only within budgeted limits whilst sustaining and achieving performance improvement in line with strategic policies and priorities
- To rigorously review all proposed unavoidable commitments and ensure that all possible avenues for delivery, including alternative funding, have been explored; and that the costs have been kept to the minimum required to meet statutory and contractual requirements
- To only fund new service growth from additional departmental savings
- To carry forward into the new financial year 100% of departmental outturn overspends and 50% of underspends, subject to the discretion of the Finance Director
- To underpin all council resource allocation decisions with financial reality and health checks
- To undertake sensitivity analysis to forward manage key projects over a minimum three year period

Value for money and the management of performance

- To monitor the consequences of the economic slowdown across all council services to ensure that value for money is sustained and impact on service performance and quality is mitigated
- To monitor and benchmark service performance relative to costs against other councils, nationally and locally
- To continually improve council tax and NNDR collection rates as measured by inner London quartiles
- To act to reduce arrears overall, with particular emphasis on council tax, rent and NNDR, and seek prompt payment or payment in advance so as to improve the council's overall cashflow position
- To maximise returns on cash investments while maintaining capital preservation and liquidity within the context of the economic slowdown
- To target sustained upper quartile performance for pension fund investments

Reserves, balances and central contingency

- To present balanced budgets year on year without recourse to reserves and balances except for specific earmarked projects
- To maintain a central contingency at a sufficient level to cover demand pressures that are volatile, difficult to predict or unforeseen at the time the budget is set
- To maintain reserves and balances at a level sufficient to manage the potential risks and opportunities of the organisation.
- To target an increase in general fund balances to £20m over the course of medium term, in line with similar organisations in London
- To maintain appropriate earmarked reserves to mitigate risk and smooth cost pressures arising from major council projects and priorities, not least regeneration and development and

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modernisation and service improvement. To facilitate this any money received from relevant short-term funding streams (e.g. Local Authority Business Growth Incentive) be allocated to reserves to meet the implementation costs of major projects

Savings and efficiencies

- To produce a prioritised range of efficiency and other savings options for each year totalling up to 5% of the council's net budget requirement for approval
- To deliver an annual programme of efficiency savings of at least 3% of net service budgets, in line with Government targets and within the overall 5% target
- To invest to save on the basis of sound and robust business cases
- To return all windfall benefits not planned within base budgets to central resources for corporate allocation in line with strategic priorities
- To continually review the extent and costs of discretionary services being provided in the context of service priorities and resources available; to set out options for the cessation or reduction of expenditure on these services which are not of a high priority

Income and investments

- To maintain council tax increases within inflation levels over a medium term planning horizon
- To protect and enhance the level of formula grant and specific grant entitlements from year-to year
- To maximise external funding opportunities whilst ensuring the continuance of and further investment in key priorities
- To achieve an effective and prioritised forward strategy when specific external funding streams cease
- To maximise the council's income generation by seeking income streams in line with council policies and priorities
- To increase discretionary fees and charges to a level, at a minimum, that is equal to the most appropriate London average (e.g. inner London, family, groupings etc) except where this conflicts with council policy, would lead to adverse revenue implications or would impact adversely on vulnerable clients
- To increase all fees and charges capped by statute to the maximum level the cap allows
- To increase housing rents by the government guideline and progress towards the formula rent target by 2011/12
- To secure increased funding levels of the pensions fund over time to achieve 100% funding within period recommended by actuaries

Capital Programming and strategic projects

- To align the major strategic projects into mainstream capital programme
- To exploit opportunities afforded through the regeneration programme, including setting a target for capital receipts from regeneration projects to support the council's future capital programme
- To build and sustain appropriate capacity and expertise to plan and implement major capital projects
- To profile capital schemes realistically over their lifetime and apply full whole life costing principles to all major capital projects including investment and disposal decisions
- To establish over the medium term sufficient lifecycle maintenance provision for the council's fixed assets where the assets are essential for service delivery and it is cost effective to maintain them in line with the council's asset management plans
- To review uncommitted budgets within existing approved programme annually and reprioritise as necessary
- To identify, review and select the procurement strategies and partnerships arrangements (where appropriate) for all major capital projects

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- To maximise and accelerate programme of capital receipts ensuring best consideration and due regard to service provision, in line with the asset management strategy and to obtain best value from the disposal
- To maximise potential from planning gains and associated benefits in accordance with agreements and strategic priorities while at the same time evaluating the opportunity costs of taking these gains and benefits
- To use capital receipts as the preferred source of funding for the capital programme
- To pool corporately all capital receipts without any specific earmarking unless so directed by the Executive
- To use prudential borrowing where the business case is agreed
- To use the Cleaner, Greener, Safer budgets through the Community Councils to fund service investment needs where appropriate
- To maintain a capital contingency reserve (£5m) to fund urgent and unavoidable works, including health and safety and DDA works – release of these funds to be subject to the prior approval of the Finance Director in consultation with the Executive Member for Resources
- To maintain a base capital provision for annual recurring expenditure on highways and street lighting infrastructure of £5m and Cleaner Greener Safer schemes of £3.25m – schemes of works to be submitted to the Finance Director for prior approval on an annual basis

Governance and partnerships

- To regularly review the financial regulations and contract standing orders to ensure their robustness and continued suitability in order to safeguard the council's assets, maximise its resources and ensure value for money
- To achieve a resources strategy that will in partnership with key stakeholders maximise the benefit to the wider community
- To ensure effective governance arrangements for all partnership agreements relating to the shared use of resources are in place
- To maintain a risk register for joint risks of these partnerships
- To optimise the opportunities for efficiencies afforded by improved partnership working and shared services
- To ensure, in consultation with our partners, that the decisions on the allocation of area based grant continue to meet the policy objectives of the council over the medium term

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ASSET MANAGEMENT PLAN

Context

In May 2008 Southwark's Executive approved the adoption of a comprehensive new suite of high-level asset management policies and practices for the effective stewardship of the Council's property assets. These are encapsulated in the Corporate Asset Management Plan 2008.

Whilst planning and delivery programmes for property assets tend to look to the medium-to -longer term, and for this reason the fundamental principles of AMP 2008 continue to hold good, much change has taken place over the last 18 months. It was therefore appropriate to produce a Refresh document to review progress, examine change in the economic and legislative environment in which our property strategy operates, to challenge the relevancy of existing asset management arrangements and to look ahead to the approach that will be required going forward.

What does the refreshed AMP aim to achieve?

Strategic Alignment

- Provides an overview of the Council's refreshed Corporate Priorities for 2010-12 and Southwark 2016 Community Strategy priorities and objectives and highlights where these impact on the Council's property assets;

Analysis & Forward Planning

- Considers the present and future issues and challenges facing the Council in realising the objectives of the Corporate Plan together with the internal and external drivers and influences impacting on the Council's ability to effectively deliver its services; this particularly includes the squeeze on public spending resources, the global economic downturn, and the consequential increasing demand for the Council's services;

Implementation & Review

- Highlights the areas where progress has been made. This includes bringing into full operation a new administration centre, responding to the challenge of exploiting this building to achieve maximum savings, the consequential rationalisation of the operational office estate, major change in how facilities management is handled across the retained estate, a comprehensive review of operational property requirements in Localities, a detailed compliance audit and the commissioning of detailed space and condition surveys for the entire operational estate;

Measuring Outcomes & Improving

- Seeks to further develop benchmarks and key performance indicators which will enable the Council to measure progress against its corporate objectives and consequently, more readily identify areas which are performing well and areas where further investment or a change in strategy is required.

Southwark's approach to asset management planning

The Council's property holding is a key strategic resource. In view of the size and diversity of the estate and the wide ranging corporate objectives it is essential that a robust asset management planning process is in place to ensure that resources are aligned and prioritised to optimise the use of its property estate in terms of service benefit, financial return and value for money. Underlying this overarching objective is a requirement to ensure that the property estate:

- Is treated as a corporate resource and is managed corporately;
- Supports the delivery of the Corporate Plan and Community Strategy;

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- Is well maintained and fit for purpose (i.e delivering services);
- Is fully utilised;
- Is suitably located and accessible;
- Is cost effective and represents a value for money return on the Council's investment.

The Council's fundamental approach to asset management planning and its asset base is set out in a set of high level objectives that were formulated in AMP 2008, accompanied by corresponding Critical Success Factors. Together they describe Southwark's overall approach to managing its assets and how this process reconciles the portfolio's vast potential with the organisations needs

Key Priorities

- Strategic planning of the estate fully integrated into the Council's business planning processes
- Acting proactively to mitigate the affects of the market downturn whilst reconciling this with the strategic objectives of the Council
- Contributing to key regeneration projects through acquisition and disposal activity and use of CPO powers where appropriate
- Achieve a corporate portfolio that is appropriate, fit for purpose, affordable and which contributes to improving operational and service delivery outcomes (sustainable; efficient; fit for purpose; value for money)
- Managing our estate in accordance with our obligations as a landlord and with regard to all relevant health and safety / statutory compliance requirements
- Constantly review and monitor the operational estate to achieve portfolio objectives , including the maximisation of opportunities and efficiencies from the Council's occupation of 160 Tooley Street
- Successfully managing operational demand for corporate accommodation arising from extensive restructuring across the organisation and the ongoing drive to modernisation
- Provide flexible solutions to operational requirements to allow for changing future demands in the operational estate (including exit strategy)
- Responding to changing demand for property services from all parts of the organisation; balancing those demands against resources available
- Include consideration of external factors in all strategic decision making
- Promote collaborative/partnership working to provide efficiencies, either through occupational, operational or procurement arrangements
- Promote high environmental sustainability in both existing buildings and in procurement of new assets in order to minimise costs in use and emissions
- Delivering challenging capital receipt targets whilst maintaining best consideration principles and balancing revenue requirements
- Improve stock condition and minimise back log maintenance
- Ensure statutory compliance and minimise risk exposure
- Consolidated property management arrangements at strategic and operational levels
- Rationalisation and repackaging of FM contracts to achieve management efficiencies, economies of scale and mitigation of corporate landlord compliance risk
- Maintaining a sustainable corporate estate and preserving its inherent investment and utility value through comprehensive facilities management arrangements and a planned preventative maintenance programme.
- Put in place a full condition survey programme for the operational estate in place

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- Align and rationalise FM contracted services to provide informed procurement opportunity, efficiencies and minimise management overheads
- Consolidate FM budgets providing total cost of occupancy to support strategic asset management
- Undertake informed outsourcing based on fixed price repairs and maintenance bringing significant cost certainty and increasing transfer of risk to the supply side
- Continue the delivery of the corporate compliance programme working toward best practice allowing effective and transparent management of risk
- Raising the profile of asset management planning corporately and operationally across the authority and reinforcing the role of the Corporate Property Officer
- Renewing and reinforcing structures for asset management planning at corporate level
- Ensuring property strategies in support of corporate objectives are properly resourced and programmed
- Reviewing and refining systems, data, and performance management arrangements in order to fulfil the growing expectations of them
- Safeguarding the Council's legal position with regard to its land holdings by completing a comprehensive review and registration of title programme
- Implementing a comprehensive and sustainable approach to the management of voluntary and community premises, underwritten by sound asset management practices and following from agreement of the overall strategy for the estate by Executive in May 2009
- Managing rent reviews and lease renewals to maximise revenue income
- Taking appropriate action to minimise the arrears of rent
- Proactively managing the investment portfolio to ensure compliance with lease terms and protect/enhance value
- Challenge reasons for holding investment property and monitor investment returns and performance
- Provision of effective, professional property advice in support of departmental strategic objectives

For further information and the detailed action planning refer to **Southwark's asset management plan.**

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INFORMATION SERVICES STRATEGY

Context

A strategic approach to the development of information and communications technology, now more often referred to simply as 'information services', is essential if the council is to deliver its corporate aims as set out in the corporate plan and Southwark 2016. At the same time, the council needs to achieve the best possible value for money from its information services expenditure. The council needs to ensure information services support the improvement of the management of information in line with the key principles underpinning better data quality.

The council has committed itself to a major programme of modernisation, much of which is enabled by the application of information technology in the workplace. The future success of our organisation as a whole will be underpinned by the effective exploitation of information and communication technology, wherever it will enable us to provide excellent services that achieve value for money to the residents of the borough.

The council's prior ICT strategy was created in 2006 to cover the period up to the end 2009, but it was a mark of both the pace of change of technology and of the organisation's rapidly evolving business requirements that this strategy had to be updated ahead of time. The new strategy, approved by members in Jan 2009, covers the period of the MTRS. It focuses on maximising efficiency in the delivery of essential services, and on supporting the council's modernisation and improvement programme, including the move to Tooley Street, adoption of modern ways of working, and the wider adoption of technology-enabled flexible working practices. Judicious investments in ICT are seen as vital in enabling the council to meet the financial challenges it is facing, by unlocking efficiencies, value for money and quality in service delivery. The strategy will be kept under regular review, to ensure that it keeps pace with evolving organisational needs and improvements in technology.

Key priorities

There are three key priorities underpinning the development of the information services strategy are:

- **The Successful Delivery of Operational Services**

  The all-pervasive use of computer and communications technology in the organisation means that a reliable, effective information service is essential to both front-line service delivery and the supporting administrative functions. This capability has to be maintained and updated if it is to function properly, and requires both expert support and continuing investment.

- **The Achievement of Organisational Modernisation**

  The council's modernisation strategy is essential to achieving efficiency improvements, and has many facets which depend on the successful introduction of new technology. For instance, the introduction of 'modern ways of working' from 2009 will bring together currently dispersed back-office staff onto a single site, and will involve:
  - hot-desking - so that staff can be accommodated using less office space than in the past
  - near-paperless working, based on information being captured, stored and shared over the network, and managed throughout its life in electronic form
  - occasional home-working - which cuts down on unnecessary travel, enhances productivity, and contributes positively to work-life balance

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- mobile working - which lets staff complete operational tasks without returning to the office

Throughout the modernisation agenda, the effective use of technology – along with change management, process redesign and training - is fundamental to achieving improvement.

- **The Underpinning of Future Success**

  Technology continues to develop rapidly, and will make an increasing contribution to organisational efficiency and effectiveness in the future. Southwark is committed to exploiting technology to the advantage of its citizens, wherever the resulting business benefits are justified by the investments required, and wherever the organisation's needs to deliver service excellence dictate. The potential that technology offers to achieve efficiency savings (while always being matched with the 'people' and 'process' elements) is considerable, and is of the highest importance to the organisation's future. The technological developments that will enable future success are outlined within this strategy.

A comprehensive programme of work will be undertaken over the period of the MTRS to achieve the above. Specific areas to be addressed will include:

- Improvements in data and information security. These will be necessary to address some known limitations in the current infrastructure, improvements required to meet the newly-enhanced standards of GCSx ('Government Gateway'), and enhancements to operating procedures.
- The move of the John Smith House (JSH) data centre to Tooley Street. This will enable the sale and capital receipt for JSH, and also bring this secondary data centre up to the latest energy-efficiency and security standards.
- The creation of 'roadmaps' for all of the major line-of-business applications in use in the council. This will ensure that necessary upgrades are implemented, and applications remain fit for purpose. This will include periodic reviews to see if better solutions are available, and if so whether specific applications should be replaced. The approach to application support will also be periodically reviewed, to see whether better value could be obtained through, for instance, shared services with other councils, increased levels of outsourcing (or insourcing), greater centralisation (or decentralisation), and so forth.
- Objective measures will be taken of customer satisfaction with both general and department-specific aspects of the service. This will allow greater focus of resources and management effort onto those areas that cause problems for users.
- A re-negotiation of some aspects of the principal IT outsource contract (currently with Serco). This will allow better focus on aspects of the service that have been problematical, and more appropriate measures of KPIs that are important to the business. A key aspect of this will be ensuring that end-users and managers get better feedback on the service, so that they understand that issues (where they occur) are being recognised, and addressed.
- A focus will be placed on achieving greater efficiencies in service delivery and in the use of IT resources, right across the board. End users will play their part in this too – for instance new email and data storage quotas will be introduced progressively, to ensure that best use is made of electronic storage space.
- A 'service catalogue' will be introduced. This will allow users to order a range of services on-line, via the intranet, rather than having to contact the Service Desk. Experience in other organisations is that this self-service approach is both preferred by users and saves costs. Similarly self-service password reset will save costs, and enhance the user experience.
- As the Modernisation programme continues, IT will enable Modern Ways of Working at more council sites. This will achieve efficiencies in office usage (through hot-desking, occasional home working, more mobile working, etc), plus the ability for staff to occasionally work from council sites other than their own. In due course it may also be possible to move to a desk:staff ratio beyond the current 8:10, thereby achieving further efficiencies in the use of office space.

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For further information and the detailed action planning refer to **Southwark's information Services Strategy.**

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WORKFORCE STRATEGY

Context

Southwark's workforce plan was comprehensively reviewed in 2008 leading to the production of Southwark's workforce strategy**.** This explains how we will recruit, retain and develop the right staff to deliver efficient and high quality services to our community. Linked to the corporate plan and aware of external drivers, the strategy looks at 5 key themes; recruitment & retention, pay & reward, skills development, leadership and organisational development. The strategy will be reviewed annually. Whilst ambitious in our aims, Southwark has firm foundations in people management. The council invests heavily in learning and development and has achieved re-accreditation of our IiP status across its workforce in 2009, achieving bronze status. The current performance management scheme has been in place since 1999/2000. The council has comprehensive and robust HR policies and procedures.

The organisation has recognised the importance placed on changing the shape and make up of its workforce. Using initiatives such as "modernise" and efficiency reviews has created significant challenge, in the medium term, to both the type and numbers of staff employed and the structures and processes they operate under. The drive for efficiency will have a major impact on Southwark council employment. All business activities will be reviewed, including the need for agency staff, and management structures streamlined. We will look at what is done, how and where this will be achieved, who is employed and the skills and knowledge required to deliver the council's business. The council's accommodation strategy supports this programme, with the major relocation to modern accommodation at 160 Tooley Street in summer 2009 being a key driver.

Engaging managers and staff in this process will be vital and the council will make use of existing consultation processes, (e.g. the trade unions and special staff groups for disabled employees, BME employees etc), and new communication routes; on line surveys, IT developments for collaborative working and engagement. Specific resources have been put in place within the modernisation programme for a broad and comprehensive internal communications strategy and for a special training programme to assist in the successful delivery of this complex change. Staff survey results indicate this process is proving successful in reaching staff and obtaining employee engagement.

To achieve the council's objectives, as set out in the corporate plan, recognising the national context and local influences, Southwark must ensure that there are sufficient numbers of staff delivering services. These employees must have the right skills, knowledge and commitment to meet the changing needs and expectations of the community. The workforce will be efficient, well supported and led, reflect the population they serve, enjoying appropriate conditions of employment in a modern working environment.

Key priorities

Our workforce strategy is grouped under five key priority themes:

- **Recruitment & Retention**

  Ensure the organisation attracts, develops, motivates and retains staff of sufficient numbers and talent to deliver ambitious aims

- **Pay & Rewards**

  Deliver a total reward package which is fair, modern, affordable and what people want

- **Skills and competency identification and development**

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In a multi-agency environment, develop people's skills and knowledge so that they enjoy productive careers and deliver innovative, high performing services

- **Identifying & Developing Leadership Capacity**

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

- **Workforce Planning and Organisational Development**

  Manage change to establish the right organisational structure with the right numbers of staff to deliver key services. Creation of a modern learning organisation that welcomes innovation and embraces new ways of working

The workforce strategy will be supported by a HR infrastructure that encourages modernisation and supports ambitious people management objectives, delivered through action planning.

For further information and the detailed action planning refer to **Southwark's workforce strategy.**

Appendix 2

Summary Departmental Budgets - 2009/10 and Proposed 2010/11

Departments	2009/10 Budget	Proposed 2010/11 Budget
	£'000	£'000
Children Services	98,408	99,675
Health & Community Services	100,007	118,809
Environment & Housing	75,206	76,074
Regeneration & Neighbourhood	26,443	26,848
Major Projects	3,337	3,328
Deputy Chief Executive's (DCE)	44,345	46,271
Communities, Law and Governance (CLG)	13,927	13,191
Finance & Resources	35,244	34,727
Corporate Budgets	(56,486)	(55,058)
Area Based Grant	(25,279)	(43,956)
Total Budget	**315,152**	**319,909**

Appendix 3

Council Tax Comparisons - 2003/04 to 2009/10

Local authority	Band D Council Tax for the authority £	Increase in Council Tax for the Authority %	Band D Council Tax For the authority including GLA precept £	Increase in Council Tax for the Authority including GLA precept %
2010/11				
Southwark	**912**	**0**	**1,222**	**0**
2009/10				
England	N/A	N/A	1,414	3.0
Greater London	999	1.7	1,308	1.3
Southwark	**912**	**0.0**	**1,222**	**0.0**
2008/09				
England	N/A	N/A	1,373	3.9
Greater London	982	2.9	1,292	2.7
Southwark	**912**	**4.0**	**1,222**	**3.5**
2007/08				
England	N/A	N/A	1,321	4.2
Greater London	955	3.1	1,258	3.6
Southwark	**877**	**3.9**	**1,181**	**4.3**
2006/7				
England	N/A	N/A	1,268	4.5
Greater London	926	2.0	1,214	4.5
Southwark	**844**	**0.0**	**1,133**	**3.1**
2005/06				
England	N/A	N/A	1,214	4.1
Greater London	908	3.4	1,162	3.8
Southwark	**844**	**1.8**	**1,099**	**2.6**
2004/05				
England	N/A	N/A	1,167	5.9
Greater London	878	6.4	1,119	5.8
Southwark	**829**	**2.4**	**1,071**	**3.5**
2003/04				
England	N/A	N/A	1,102	12.9
Greater London	825	14.3	1,058	18.2
Southwark	**810**	**4.3**	**1,034**	**8.9**

Agenda Item 2.2

Item No: 2.2	Classification: Open	Date: 23 February 2010	Meeting Name: Council Assembly
Report title:		Setting The Council Tax 2010-11	
Wards or Groups affected:		All	
From:		Finance Director	

RECOMMENDATIONS

1. That council assembly note the Greater London Authority precept level of £309.82 at Band D.

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

(i)	the former parish of St Mary Newington	£1,221.96
(ii)	the former parish of St. Saviours	£1,221.96
(iii)	the remainder of the Borough	£1,221.96

3. That the formal resolution for council taxes in 2010-11 (shown in appendix B) be approved.

4. That the existing local war widows schemes for housing benefits and council tax benefits be continued in 2010-11.

BACKGROUND INFORMATION

5. Under the Local Government Finance Act 1992, the council is required to determine the level of council taxes in the borough for 2010-11. This must be completed before the 11 March 2010.

6. The Greater London Authority has set a precept of £309.82 at Band D on 10 February 2010, an increase of 0.0%.

KEY ISSUES FOR CONSIDERATION

The council tax for Southwark services

7. Based upon a net budget requirement in 2010-11 of £319.909 million, the council tax required for Southwark services only is £912.14 at Band D. This means an increase of 0.0% over 2009-10.

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

Preceptors requirements

9. The Greater London Authority announced its precept on 10 February 2010. The estimated amount required from Southwark is £29.873 million - a demand on the band D council tax of £309.82. Of the total precept, £20 is the contribution to the 2012 Olympic and Paralympic games. This contribution will apply annually until 2012.

Council tax for Southwark in 2010-11

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

Authority	Band D Tax 2009/2010 £	Band D Tax 2010/2011 £	Change %
Southwark	912.14	912.14	0.0%
Greater London Authority	309.82	309.82	0.0%
TOTAL BAND D TAX	**1,221.96**	**1,221.96**	**0.0%**

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

Differential council taxes

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

The Former Parish of St. Mary Newington - Walworth Common Estate

12. Due to the continuing economic downturn, and the bank rate remaining at 0.5%, there will be no balance available on this account at 31 March 2010 to reduce the level of council tax for this area. Therefore for 2010-11 council tax will be the standard £1,221.96 for a band D property in this area.

The Former Parish of St. Saviours - Borough Market

13. There has been no surplus declared by Borough Market, consequently there will be no balance available on this account at 31 March 2010 to reduce the level of council tax for this area. Therefore for 2010-11 council tax will be the standard £1,221.96 for a band D property in this area.

14. It should be noted that this is does not represent an increase in band D council tax, this remains at 2009-10 levels for both former parishes, but a change to council tax relief.

Housing and council bax benefits - Local schemes

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

16. The council's local schemes, like most schemes in London, currently disregards the whole of these pensions for the calculation of benefits. Benefit expenditure under the local schemes does not qualify for subsidy. There are currently some 32 people receiving the disregard at an estimated cost of £57,475. Benefit expenditure under the local scheme for 2010-11 attracts subsidy at 75% capped at 0.2% of the total benefit cost to the authority. Therefore an amount of £14,369 has been allowed for in the 2010-11 budgets.

17. It is considered that the withdrawal of the local scheme focused on this small number of people would cause undue hardship. It is however for council assembly to decide the level of pension that should be disregarded. This could range from the statutory relief of £10.00 to the total level of pensions. The level of pensions for 2010-11 will be £118.44 for standard war widows' pensions and £156.21 for war disablement pensions. Each year the council has to decide formally whether to continue with the existing scheme or to make changes to it. Council assembly is recommended to agree the continuation of the local scheme.

Efficiency declaration

17. In December, 2008, following consultation, the government announced that in order to give council tax payers details of efficiencies achieved by local authorities, and to put that information into context, details of efficiency should be included on both the council tax bill and the council tax leaflet for 2010-11. Southwark is therefore required to publish its cumulative efficiency savings for 2008/09 and 2009-10 which are expected to total £25.894m, equating to a cumulative band D saving of £274.

Community impact statement

18. The community impact implications of both the budget requirement and the increase in council tax levels are addressed in the policy and resources report - The 2010-11 Revenue Budget (The Budget and Policy Framework) - elsewhere on this agenda.

Consultation

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

SUPPLEMENTAL ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

20. Council assembly is being asked to agree the formal resolution setting the council tax for 2010-11, and approve the local scheme for housing benefit and council tax benefit in 2010-11 that must be approved annually. Local Government Finance Act 1992 s 30 (the LGFA 1992) requires that the Council Assembly sets an amount of council tax for each financial year and for each category of dwellings in its area. The amount is calculated by taking the aggregate of the calculations made by the authority under Sections 32 to 36, together with the precept issued to the authority by the Greater London Authority. Preceptors must issue their precepts before March 1 preceding the financial year to which they relate.

21. Once the authority has set the amount of council tax relating to the different geographical areas of the borough (under Section 30 LGFA 1992), the amounts for each valuation band are then calculated according to the ratios set out in Section 5 of the LGFA 1992. That budget calculation (required by Sections 32 to 37) is also to be agreed by Council Assembly.

22. Section 25 of the Local Government Act 2003 requires the chief finance officer (Finance Director) to report to the authority when it is making the calculations required by section 32 of the LGFA 1992 on (a) the robustness of the estimates made for the purposes of the calculations, and (b) the adequacy of the proposed financial reserves. That information is set out in the Policy and Resources Strategy – 2010-11 Revenue Budget included elsewhere on this agenda.. The authority is required to have regard to the chief finance officer's report when making the calculations

<u>Restrictions on Voting Under Section 106 of the Local Government Finance Act 1992</u>

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

24. The payments to which the section applies are any type of either sole or joint and several liability for council tax, and any failure to pay any agreed sum of council tax. Therefore members are advised that this section is likely to apply to them if they are

currently two months in arrears of any amounts of council tax, even if they have made any special contractual arrangement with the council to pay off the arrears.

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

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

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

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

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

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

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

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

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

Housing & Council Tax Benefits - Local Schemes

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

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

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

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

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

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Council Tax Base for 2010-11 report Policy and Resources Strategy – The 2010-11 Revenue Budget (The Budget and Policy Framework**)**	160 Tooley Street, London SE1 2TZ	John Braggins 020 7525 (5)7489 Cathy Doran 020 7525 (5)4396

APPENDICES

No.	Title
Appendix A	2010-11 Council Tax - Changes From 2009-10
Appendix B	2010-11 Formal Resolution

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Finance Director	
Report Author	John Braggins, Strategy Accountant	
Version	Final	
Dated	10 February 2010	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	**Comments Sought**	**Comments included**
Strategic Director of Communities, Law and Governance	Yes	Yes
Finance Director	Yes	Yes
Executive Member	Yes	No
Date final report sent to Constitutional Support Services		10 February 2010

2010/2011 COUNCIL TAX - CHANGES FROM 2009/2010

INCLUDING PRECEPTORS

				ONE ADULT HOUSEHOLD				TWO OR MORE ADULT HOUSEHOLD			
BAND	VALUATION £	DWELLINGS IN BAND NO.	DWELLINGS IN BAND %	COUNCIL TAX 2009/2010 £	**COUNCIL TAX 2010/2011 £**	CHANGE £	CHANGE %	COUNCIL TAX 2009/2010 £	**COUNCIL TAX 2010/2011 £**	CHANGE £	CHANGE %
A	Under 40,000	12,413	10.0	610.98	**610.98**	0.00	0.0	814.64	**814.64**	0.00	0.0
B	40,001 to 52,000	37,299	29.9	712.81	**712.81**	0.00	0.0	950.41	**950.41**	0.00	0.0
C	52,001 to 68,000	32,865	26.4	814.64	**814.64**	0.00	0.0	1,086.19	**1,086.19**	0.00	0.0
D	68,001 to 88,000	19,573	15.7	916.47	**916.47**	0.00	0.0	1,221.96	**1,221.96**	0.00	0.0
E	88,001 to 120,000	12,683	10.2	1,120.13	**1,120.13**	0.00	0.0	1,493.51	**1,493.51**	0.00	0.0
F	120,001 to 160,000	5,492	4.4	1,323.80	**1,323.80**	0.00	0.0	1,765.06	**1,765.06**	0.00	0.0
G	160,001 to 320,000	3,821	3.1	1,527.45	**1,527.45**	0.00	0.0	2,036.60	**2,036.60**	0.00	0.0
H	Over 320,000	504	0.4	1,832.94	**1,832.94**	0.00	0.0	2,443.92	**2,443.92**	0.00	0.0
TOTAL		124,650	100.0								

2010/11 COUNCIL TAX - CHANGES FROM 2009/2010

EXCLUDING PRECEPTORS

				ONE ADULT HOUSEHOLD				TWO OR MORE ADULT HOUSEHOLD			
BAND	VALUATION £	DWELLINGS IN BAND NO.	DWELLINGS IN BAND %	COUNCIL TAX 2009/10 £	**COUNCIL TAX 2010/2011 £**	CHANGE £	CHANGE %	COUNCIL TAX 2009/2010 £	**COUNCIL TAX 2010/2011 £**	CHANGE £	CHANGE %
A	Under 40,000	12,413	10.0	456.07	**456.07**	0.00	0.0	608.09	**608.09**	0.00	0.0
B	40,001 to 52,000	37,299	29.9	532.08	**532.08**	0.00	0.0	709.44	**709.44**	0.00	0.0
C	52,001 to 68,000	32,865	26.4	608.09	**608.09**	0.00	0.0	810.79	**810.79**	0.00	0.0
D	68,001 to 88,000	19,573	15.7	684.11	**684.11**	0.00	0.0	912.14	**912.14**	0.00	0.0
E	88,001 to 120,000	12,683	10.2	836.13	**836.13**	0.00	0.0	1,114.84	**1,114.84**	0.00	0.0
F	120,001 to 160,000	5,492	4.4	988.16	**988.16**	0.00	0.0	1,317.54	**1,317.54**	0.00	0.0
G	160,001 to 320,000	3,821	3.1	1,140.17	**1,140.17**	0.00	0.0	1,520.23	**1,520.23**	0.00	0.0
H	Over 320,000	504	0.4	1,368.21	**1,368.21**	0.00	0.0	1,824.28	**1,824.28**	0.00	0.0
TOTAL		124,650	100.0								

APPENDIX B

FORMAL RESOLUTIONS

1 That it be noted that at its meeting on 27th January 2010 the Council calculated the following amounts for the year (2010/2011) in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992.

(a) 96,418.95 being the amount calculated by the Council in accordance with regulation 3 of the Local Authorities (Calculation of the Council Tax Base) Regulations 1992, as its Council Tax Base for the year.

(b) Part of the Council's Area

Former Parish of St. Mary Newington (special expense area)	13,348.53
Former Parish of St.Saviours (special expense area)	1,150.92

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

2 That, the following amounts now be calculated by the Council for the year (2010/2011) in accordance with Sections 32 to 36 of the Local Government Finance Act 1992.

(a) £1,011,252,553

being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act;

(b) £691,343,553

being the aggregate of the amounts, which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act;

(c) £319,909,000

being the amount by which the aggregate of 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council in accordance with Section 32(4) of the Act, as its budget requirement for the year;

(d)

£0	credit- Parish of St Mary Newington
£0	credit - Parish of St. Saviours

being the amount of net income which the Council estimates for these special expense areas (item (h) below)

(e) £319,909,000

being the amount by which the budget requirement at 2(c) above is now replaced (after adding the items 2(d) above);

(f) £231,961,044
being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of redistributed Non- Domestic Rates, Revenue Support Grant and additional grant increased by the amount of the sums which the Council estimates will be transferred in the year from its Collection Fund to its General Fund in accordance with Section 97(3) of the Local Government Finance Act 1988;

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

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

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

(j) Part of the Council's area

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

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

(k) Parts of the Council's Area

Band	Parish of St. Mary Newington	Parish of St Saviours	All Other Parts of the Council's Area
	£	£	£
A	608.09	608.09	608.09
B	709.44	709.44	709.44
C	810.79	810.79	810.79
D	912.14	912.14	912.14
E	1,114.84	1,114.84	1,114.84
F	1,317.54	1,317.54	1,317.54
G	1,520.23	1,520.23	1,520.23
H	1,824.28	1,824.28	1,824.28

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

3 That it be noted for the year (2010/2011) the Greater London Authority stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

BAND	GLA
	£
A	206.55
B	240.97
C	275.40
D	309.82
E	378.67
F	447.52
G	516.37
H	619.64

APPENDIX B

4 That having calculated the aggregate in each case of the amounts at 2(k) and 3 above, the Council, in accordance with section 30(2) of the Local Government finance Act 1992, hereby sets the following as the amounts of Council Tax for the year (2010/2011) for each of the categories of dwellings shown below:

Band	Former Parish of St. Mary Newington	Former Parish of St Saviours	All Other Parts of the Council's Area
	£	£	£
A	814.64	814.64	814.64
B	950.41	950.41	950.41
C	1,086.19	1,086.19	1,086.19
D	1,221.96	1,221.96	1,221.96
E	1,493.51	1,493.51	1,493.51
F	1,765.06	1,765.06	1,765.06
G	2,036.60	2,036.60	2,036.60
H	2,443.92	2,443.92	2,443.92

Agenda Item 3.1

Item No: 3.1	Classification: Open	Date: 23 February 2010	Meeting Name: Council Assembly
Report title:		Treasury Management Strategy Including - Annual Investment Strategy, Prudential Indicators, and Annual Minimum Revenue Provision Statement	
Wards or Groups affected:		All	
From:		Finance Director	

RECOMMENDATIONS

1. That the council assembly:

   (i) note the updated Treasury Management in the Public Services Code of Practice and formally affirm its adoption by agreeing resolutions set out in Appendix A, which include inviting the Constitutional Steering Panel to consider future arrangements for additional review and scrutiny.

   (ii) note the treasury management strategy to be managed by the finance director under financial delegation.

   (iii) agree the Annual Investment Strategy 2010-11 set out in Appendix B, keeping capital preservation as a key objective, in line with updated Government guidance on investments.

   (iv) agree prudential indicators covering capital finance, borrowing and cash management for the years 2010-11 to 2012-13 set out in Appendix C.

   (v) agree the Annual Minimum Revenue Provision Statement 2010-11, for setting aside prudent sums from revenue to reduce debt, as set out in Appendix D.

   (vi) agree a capital allowance of £170m, described in paragraphs 25 - 27 of this report, enabling the council to continue retaining capital receipts for affordable housing and regeneration.

BACKGROUND INFORMATION

2. The council holds some £258m in cash and £762m in debts. The cash earns interest until it is needed in spending and the debt funds current and past capital spend met through borrowing. In managing these activities local authorities should, under the Local Government Act 2003, have regard to guidance on investments and sums set-aside to repay debt issued by the Government and the Treasury Management in the Public Services Code of Practice and the Prudential Code for Capital Finance in Local Authorities, issued by the Chartered Institute of Public Finance and Accountancy, CIPFA.

3. Whilst the finance director is responsible for all executive and operational decisions on borrowings and investments under financial delegation previously agreed, the council assembly remains responsible for approving a debt and investment management strategy and prudential indicators on capital finance, which includes limits on investments and borrowing. The indicators help assess the affordability, prudence and sustainability of financing activities and are part of a self-regulating regime brought in by the 2003 Act. An Annual Minimum Revenue Provision

Statement on sums to be set aside from revenue to reduce debt also needs to be agreed.

4. CIPFA's Code of Practice on Treasury Management was updated in November 2009 following problems with Icelandic banks (exposure to which Southwark has never had). It recommends additional reporting to the council assembly, supplemented with further reviews by another committee. Investments carried out by the Pension Fund are outside the scope of this code as they fall under a separate regulatory regime.

5. The report further asks for a formal decision concerning capital allowances, which enable the council to carry on retaining receipts for affordable housing and regeneration that would otherwise pass to the Government under pooling arrangements. The council relies on securing these exemptions from pooling to invest in affordable housing and regeneration.

KEY ISSUES FOR CONSIDERATION

Updated Government Guidance

6. The Department for Communities and Local Government has also reviewed its investment guidance (first published 2004). Whilst the basis of the guidance remains unchanged, it makes it even clearer that investment priority should be security and liquidity, rather than yield – all principles reflected in Southwark's own investment strategy, discussed further below.

Updated CIPFA's Treasury Management in the Public Services Code of Practice

7. CIPFA's update to its Treasury Management Code restates the importance of risk management and raises the number of reports going to council assembly from two, as now, to three in future. In addition, it recommends further reports on treasury to be presented to another committee, where it may be reviewed and scrutinised further. Which committee is best able to carry out that function can be considered by the Constitutional Steering Panel. But, as of now, the finance director remains responsible for all executive and operational decisions on borrowings and investments.

8. To give effect to the Code's recommendations, the council assembly is asked to adopt a number of formal resolutions. These are set out as Appendix A, and, except for additional reporting and scrutiny, are similar to resolutions adopted in February 2002 when the code was last updated.

9. The Prudential Code for Capital Finance in Local Authorities (first issued in 2003) has also been revised. Some indictors on debt have been moved to the Treasury Code, but otherwise the prudential indicators remain as before. Council assembly remains responsible for determining the prudential indicators and the finance director for monitoring them.

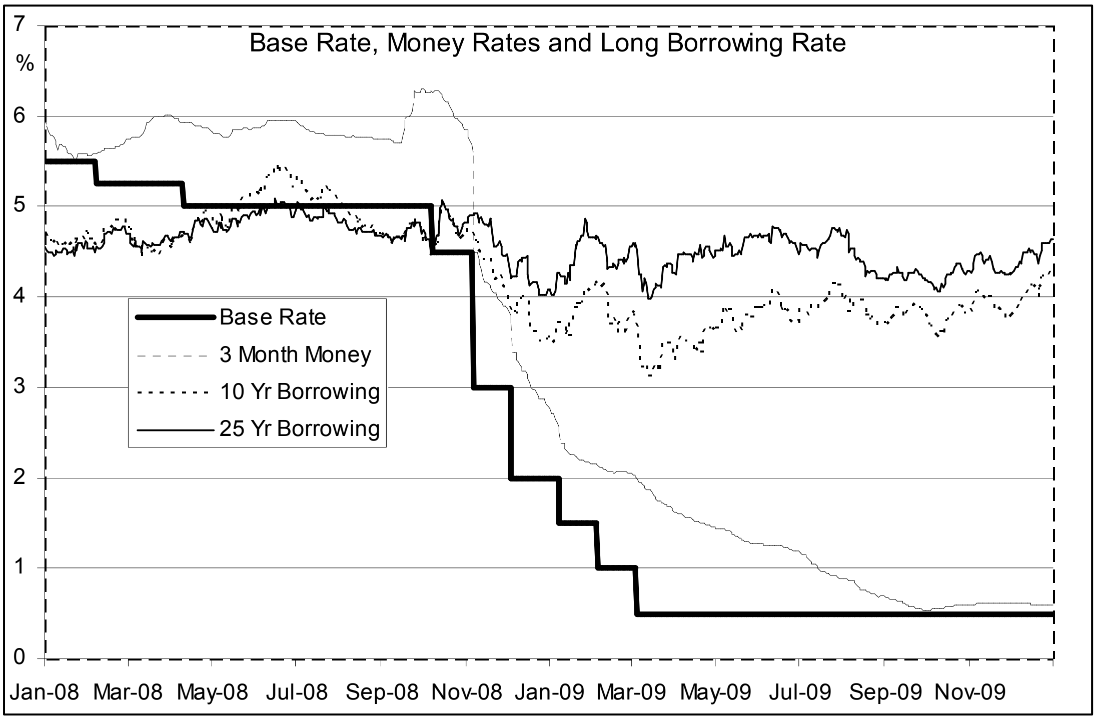
Treasury Management Strategy: Borrowing and Investments

Background - Developments in Financial Markets

10. Financial conditions today are considerably better than a year ago when the markets were dealing with extreme risk aversion following the filing of bankruptcy, in September 2008, by Lehman Brothers, the US investment bank. This was followed by significant pressure on money markets, with the failure or near failure of some major financial institutions. Policymakers across major economies deployed a number of extraordinary tools to contain the panic. Central banks stepped in to provide

commercial banks with unlimited liquidity, cut interest rates aggressively and purchased financial assets. Governments injected capital into banks and provided fiscal stimulus.

11. Money market rates and long term borrowing rates fell, reflecting lower central bank rates and declining economic prospects. In the UK, base rates were lowered to almost nil (just 0.50%) by March 2009, where they have remained since. Rates on new long term borrowing from the Public Works Loans Board (PWLB, a local authority lending arm of HM Treasury) also reflected weakening prospects, see below.



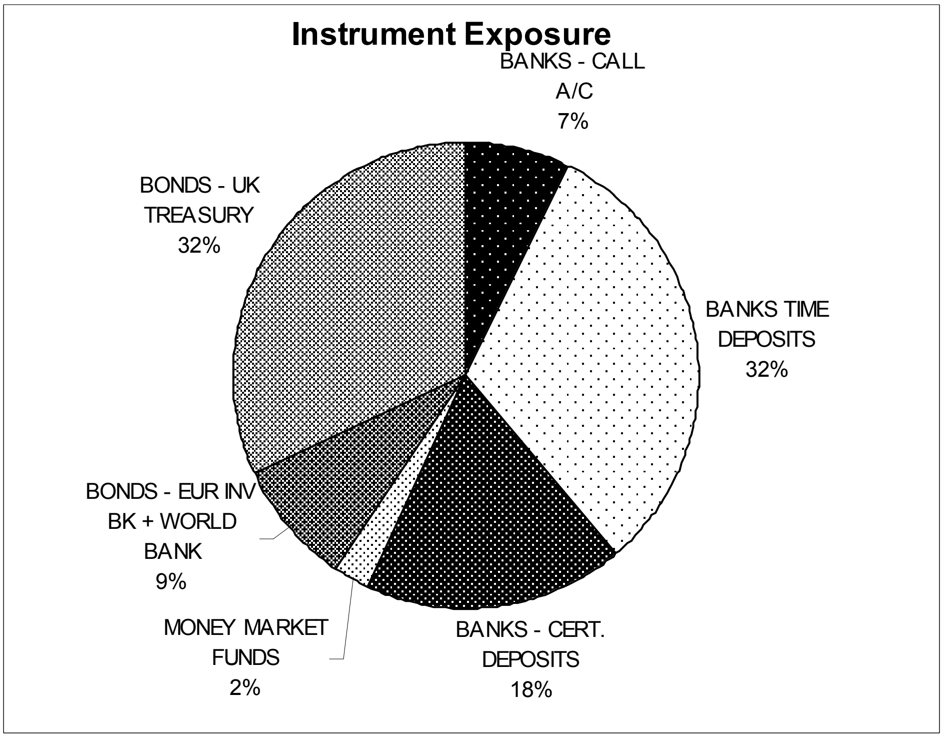
12. Today, whilst money markets are functioning again and the spread of money market rates to base rates has narrowed, access to credit amongst households and businesses that depend on banks remains a problem as banks continue to improve their resilience by strengthening their liquidity and capital base. The outlook for the economy therefore remains uncertain and is balanced between continued weakness as fiscal and monetary support becomes less supportive and improvements arising from continued stabilisation of financial conditions and stronger growth abroad. The outlook for inflation is also uncertain, but over time could be tested by improved global growth and rising commodity prices. Central banks would then come under pressure to raise rates and long term rates would also rise should investors become concerned about public finances and demand higher premiums for holding Government debt.

Investment Management Position and Annual Investment Strategy

13. The sum held in investments at the end of December 2009 was £258m and is managed by an in-house operation and three external investment management firms: Invesco Asset Management Ltd, AllianceBernstein Ltd and Aberdeen Fund Management Ltd. Aberdeen took over the investment business of Credit Suisse Asset Management in July 2009.

14. External managers provide access to liquid instruments and maturities beyond one year and expertise to help the council enhance long term returns, with capital

preservation, liquidity, low market risk and prudence as priorities all within an agreed investment strategy. The exposure to long investments takes the form of liquid bank deposits and bonds issued or guaranteed by the UK Government or issued by multilateral banks. In-house funds focus on meeting day to day cash volatility using a number of call accounts and short term deposits. The investment holdings and instrument analysis at the end of December 2009 is set out below.



COUNTERPARTY EXPOSURE AND RATINGS										
Exposure £m	Fund					Fitch Rating				
Counterparty	ABERDEEN	ALLIANCE BERNSTEIN	INVESCO	IN-HOUSE	Grand Total	Long	Short	Sup-port	Sovereign	Sovereign Rating
ABBEY NAT	7.0			15.0	22.0	AA-	F1+	1	U.K	AAA
BARCLAYS	2.5	0.5	5.5	10.0	18.5	AA-	F1+	1	U.K	AAA
BNP			5.6		5.6	AA	F1+	1	France	AAA
DEXIA			3.9		3.9	A+	F1+	1	Belgium	AA+
DNB NOR BK		0.5			0.5	A+	F1	1	Norway	AAA
FORTIS	5.0				5.0	AA-	F1+	1	Belgium	AA+
GLOBAL TR FUND				6.1	6.1		AAA			
HSBC	0.6	0.2			0.8	AA	F1+	1	U.K	AAA
ING			5.5	15.0	20.5	A+	F1+	1	Netherlands	AAA
LLOYDS	4.5			15.0	19.5	AA-	F1+	1	U.K	AAA
NATIONWIDE	7.2	0.4		10.1	17.7	AA-	F1+	1	U.K	AAA
NATWEST				17.6	17.6	AA-	F1+	1	U.K	AAA
NORDEA	4.5		5.5		10.0	AA-	F1+	1	Norway	AAA
SOCIETE GEN			5.5		5.5	A+	F1+	1	France	AAA
IBRD	1.2	5.5			6.7	AAA	F1+		Surpranational	
EIB	7.7	7.6			15.3	AAA	F1+		Surpranational	
GEFCO-UK GUARANTEED	0.3	4.6			4.9				U.K	AAA
LCR-UK GUARANTEED	6.7	4.1			10.8	AAA			U.K	AAA
UK TREAS	9.5	33.4	24.0		66.9	AAA	F1+		U.K	AAA
Grand Total £m	**56.7**	**56.8**	**55.5**	**88.8**	**257.8**					

(In the table, UK guaranteed issues are shown as having the same rating as the UK Treasury. The Global TR Fund is a money market fund.)

15. The average return for the 9 months to December 2009 was 1.2% against part year average base rates of 0.4%. The return reflects past activity and, as investments mature and are reinvested, future returns are expected to be lower - reflecting the

steep fall in base rates and future weaknesses in bonds from uncertain economic prospects.

16. A cautious approach to council lending has been maintained throughout the market turbulence and no investment has experienced credit loss. The focus will remain on preserving capital and liquidity, and the strategy will continue to concentrate bank lending to large high rated institutions in major economies where the likelihood of support, in the event it were needed, is also high. Bank exposure will take the form of time deposits, call accounts and negotiable deposits (known as certificate of deposits). Typically term deposits will be under one year, and any longer exposure will take the form of certificates of deposits or bonds issued or guaranteed by the UK Government and be managed by the three external investment managers, having regard to interest rate expectations.

17. An Annual Investment Strategy for 2010-11 encompassing this approach is set out in Appendix B. It is set out according to the updated Government guidance on local authority investments referred to in paragraph 6 above. The strategy classifies investments into specified and non-specified investments. Specified investments are investments in sterling not more than one year in high rated institutions, the UK Government or local authorities. Non-specified investments are all other investments. As for 2009-10, the 2010-11 minimum rating criteria is enhanced with the addition of sovereign risk and support rating indicators and for 2010-11 the minimum rating has also been raised. Credit quality is further strengthened by the use of flexible instruments (e.g. call accounts, money market funds, short term deposits, liquid instruments and government securities). This approach is better than waiting for a rating development before responding. The Annual Investment Strategy 2010-11 ensuring the finance director can continue to respond flexibility to market developments and adopt a prudent approach, supplementing rating with information about capital strength and taking note of credit developments is set out at Appendix B for approval. Under Government guidance the strategy is to be published on the council's website.

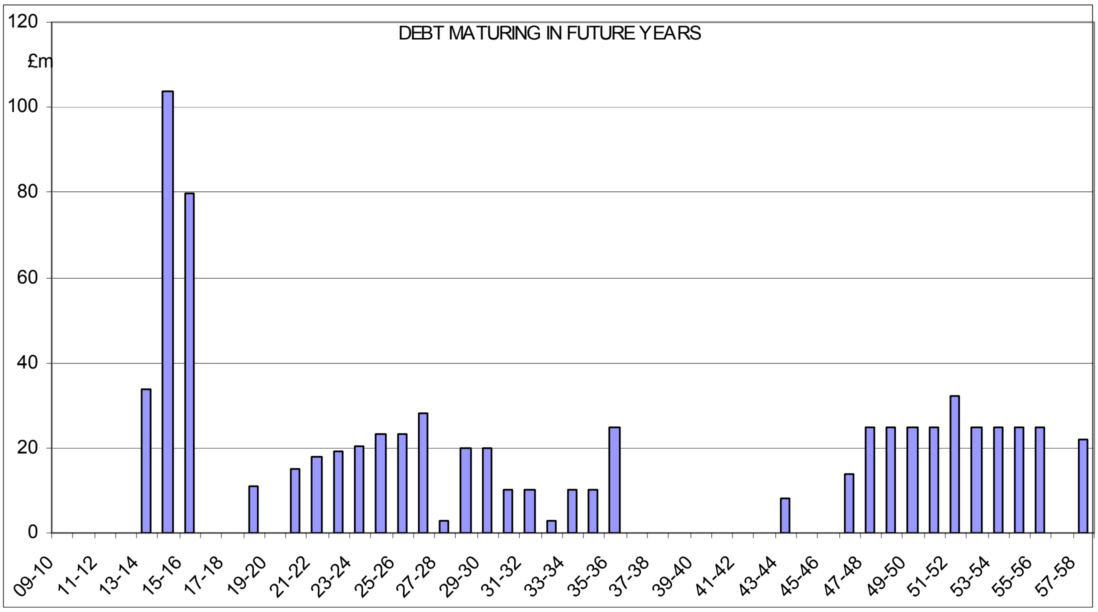
Debt Management Position and Strategy

18. The debt outstanding at the end of December 2009 was £762m and represents sums borrowed to pay for current and past capital expenditure. All debt is at fixed rates from the Public Works Loans Board (PWLB, HM Treasury's local authority lending arm and typically a competitive source of long term borrowing). The average rate of interest across all loans is 6.95% and reflects a long period between the 1970's and early 1990's, unlike now, when high capital spending and debt funding coincided with years of high inflation and high interest rates. However, around 80% of the debt is attributable to the HRA and reimbursed in subsidy pound-for-pound. An allowance for the remainder is included in Formulae Grant.

19. The most recent new debt drawn was December 2008, and met capital spend up to 2009-10. New loans will soon be needed to pay for future years' capital spend and, with borrowing rates still low by historical standard, the loans are expected to take the form of long maturities at fixed rates from the PWLB. The finance director will however keep under consideration shorter period loans or variable rates from the PWLB and commercial sector loans.

20. The council's debt portfolio is shown in the chart below. No loans fall for repayment until 2014 and, when they do, they are expected to be replaced with new loans. The loans can however be refinanced earlier with new loans from the PWLB or commercial sector, but attract early repayment penalties. These penalties reduce as loan life shortens or loan rates rise, making earlier refinancing more viable. Regulatory and market developments can also influence refinancing. Any borrowing

activity carried out by the finance director to meet new capital spend, refinance debt, or meet temporary cash flow and financing needs will be within existing delegation arrangements under financial standing orders and prudential indicators and limits set out in Appendix C.



21. The council is considering options on funding a new build scheme under the Housing & Communities Agency Challenge Fund. The finance director is currently in discussion with the Agency and the Department of Communities and Local Government on funding the council's contribution. Prudential or self-financed borrowing may be required, though the use of other resources available to the council (reserves, balances, capital receipts) may be a more economic option.

Prudential Indicators

22. The prudential indicators draw out elements of borrowing and investment activities and combine them with capital finance. The indicators set out in Appendix C for council assembly approval, include the authorised borrowing limit, which is a self imposed cap on borrowing outstanding on any one day. This limit will be affected by new accounting standards which require that funding through Private Finance Initiatives and leases be reviewed. These arrangements are currently being assessed and have yet to be reflected in the limit and for the purposes of determination the council assembly is asked to agree that the limit from 2010-11 onwards be treated as increased for any increase in long term liabilities that arises from accounting changes. Approval by council assembly will enable the finance director to carry out his responsibilities in this area.

Annual Minimum Revenue Provision Statement

23. When the council funds its capital programme through borrowing (rather than from asset sales, grants or revenue contributions), a minimum revenue provision (MRP) is made each year to pay-off some of the borrowing. The council has been making these provisions as required by the Local Authorities (Capital Finance and Accounting) regulations issued under the Local Government Act 2003. However from April 2008 these regulations were replaced by statutory guidance.

24. The policy for 2010-11 recommended for approval is set out as Appendix D and is similar to 2009/10. The main idea is for the provision to be over a period bearing some relation to that over which the asset continues to provide a service, particularly

in relation to assets funded out of prudential or self-financed borrowing, as opposed to borrowing supported by the Government.

Capital Allowances

25. Under the Local Government Act 2003, a proportion of the proceeds from HRA asset sales are paid over to a Government ‘pool’. The percentage paid differs according to the type of receipt: 50% for land and 75% for buildings.

26. Receipts from social homebuy, non right to buy dwellings, land, shops and other assets can be exempt from pooling provided the money is used in affordable housing or regeneration programmes. This exemption does not apply to right to buy sales. The amount which may be exempt from pooling is known as the capital allowance. Council spending relies on securing these exemptions from pooling.

27. The capital allowance agreed by council assembly in February 2009 was £177m and now requires updating to reflect receipts of £7m that have been drawn against it, bringing the total allowance down to £170m. The council assembly is therefore recommended to agree a capital allowance of £170m, ensuring that capital receipts that would otherwise pass to the Government under pooling continue to be retained for affordable housing and regeneration.

SUPPLEMENTAL ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

28. The constitution determines that agreeing the treasury management strategy is a function of council assembly [Part 3A].

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

30. Reference should also be made to the Department of Communities and Local Government Guidance on Local Authority Investments updated November 2009. The council assembly should determine borrowing limits annually before the start of the year the limits relate to and approve the prudential indicators and borrowing and investment management strategies.

31. Regulations under the 2003 Act specify that the council may retain certain capital receipts provided they are used in affordable housing or regeneration. Council assembly is being asked to agree the capital allowance to enable receipts to be retained by the council.

32. Statutory guidance on the MRP (Minimum Revenue Provision) was produced under amendments made to section 21(1A) of the Local Government Act 2003 by section 238(2) of the Local Government and Public Involvement in Health Act to 2007. The MRP guidance requires the council assembly to determine an annual strategy to prudently set aside sums to repay debt liabilities arising from capital expenditure.

33. Members are advised to give approval to the recommendations contained in paragraph one of this report ensuring compliance with Government guidance and CIPFA’s codes.

BACKGROUND DOCUMENTS

Background Papers	Held at	Contact
Prudential Code for Capital Finance in Local Authorities - CIPFA. Treasury Management in the Public Services Code of Practice - CIPFA DCLG Guidance on Local Authority Investments. Guidance on Minimum Revenue Provision - Issued by the Secretary of State – SI No. 2008/414	Financial Management Services, Strategic Services Department	Dennis Callaghan, Chief Accountant (020 7525 4375)

APPENDICES

No.	Title
Appendix A	Formal Resolutions adopting the updated Treasury Management Code – Recommended for Approval
Appendix B	Annual Investment Strategy 2010-11 – Recommended for Approval
Appendix C	Prudential Indicators 2010-11 to 2012/13 Recommended for Approval
Appendix D	Annual Minimum Revenue Provision Statement 2010-11 – Recommended for Approval

AUDIT TRAIL

Lead Officer	Duncan Whitfield, finance director	
Report Author	Duncan Whitfield, finance director	
Version	Final	
Version Date	10 Feb 2010	
Key Decision	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	**Comments Sought**	**Comments Included**
Strategic Director of Communities, Law & Governance	Yes	Yes
Final Report Sent to Constitutional Support Services		10 Feb 2010

APPENDIX A

FORMAL RESOLUTIONS ADOPTING THE UPDATED TREASURY MANAGEMENT CODE – RECOMMENDED FOR APPROVAL

1. As set out in paragraphs 7 – 9 of the main report, CIPFA's updated Treasury Management in the Public Services Code of Practice invites local authorities to formally recognise the code by adopting a number of resolutions. Except for additional monitoring and scrutiny, the resolutions are similar to those adopted in February 2002 when the code was last updated.

2. *Southwark Council adopts CIPFA's updated Treasury Management in the Public Services Code of Practice published November 2009 and further agrees:*

   a. *The council assembly shall receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.*

   b. *The council assembly invites the Constitutional Steering Panel to consider which committee or Panel is best placed to monitor and scrutinise treasury management further.*

   c. *The council assembly delegates all strategic, executive, execution, administrative and operational decisions, including the creation and maintenance of treasury management practices to the finance director, who shall act in accordance with the treasury policy statement, referred to below, and if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.*

   d. *The council shall create and maintain:*

      - *a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.*

      - *suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.*

continued on next page ...

APPENDIX A

FORMAL RESOLUTIONS ADOPTING THE UPDATED TREASURY MANAGEMENT CODE – RECOMMENDED FOR APPROVAL

...continued from previous page

e. Southwark Council's adopts the treasury management policy statement and treasury management practices as set out below:

i) TREASURY MANAGEMENT POLICY STATEMENT

- treasury management is the management of the council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

- the council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities shall be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and recognise that effective treasury management shall provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

ii) TREASURY MANAGEMENT PRACTICES

- The council's treasury management practices (TMP) shall include:

TMP1 Risk management
TMP2 Performance measurement
TMP3 Decision-making and analysis
TMP4 Approved instruments, methods and techniques
TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP6 Reporting requirements and management information arrangements
TMP7 Budgeting, accounting and audit arrangements
TMP8 Cash and cash flow management
TMP9 Money laundering
TMP10 Training and qualifications
TMP11 Use of external service providers
TMP12 Corporate governance

APPENDIX B

ANNUAL INVESTMENT MANAGEMENT STRATEGY 2010/11 – RECOMMENDED FOR APPROVAL

BACKGROUND

The Guidance on Local Government Investments updated in November 2009 by the Secretary of State under section 15 of the Local Government Act 2003, requires local authorities to produce an Annual Investment Strategy each year. The guidance promotes prudent management of cash with security and liquidity being priorities, while not ignoring yield.

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

The Annual Investment Strategy for 2010/11 drawing on the guidance and requiring council assembly approval is set out below. Investment exposure has always been biased in favour of major banks, where the expectation of support, in the event it were needed, is high. This is underlined in the credit criteria, which is supplemented with sovereign rating and support rating.

The council has the benefit of external expertise in the form of fund managers to help manage its exposure to longer investments actively and ensuring that capital preservation and liquidity remain high priorities. The strategy is to be published on the council's website.

ANNUAL INVESTMENT STRATEGY 2010/11

INVESTMENT OBJECTIVES

1.1 The council's investment objectives are to preserve principal, provide liquidity and secure a reasonable return. Cash investments may only be placed with specified and non-specified investments, which shall at all times be managed prudently.

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

1.3 The finance director is responsible for this strategy and its management. Fund managers shall assist in advising or executing elements of the strategy. As at February 2010 the council has three fund managers: AllianceBernstein Ltd, Aberdeen Fund Management Ltd and Invesco Asset Management Ltd.

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ANNUAL INVESTMENT MANAGEMENT STRATEGY 2010/11 – RECOMMENDED FOR APPROVAL

2 CREDIT REQUIREMENTS

2.1 Credit risk is the risk that the institution with whom investments are held fails to meet its obligations to investors. To contain exposure to this risk, these ratings shall be consulted:

a) Sovereign rating,
b) Support rating, and
c) Short and long term rating

The minimum ratings are set out in the tables below and rating definitions are attached at Annexe 1 to this strategy. While these ratings are high and above the minimum regarded as investment grade by ratings agencies and indicate a low risk of default, it should be remembered that ratings may not always keep up with developments in turbulent markets (and do not in any case represent investment recommendations). Therefore, in managing exposure, attention should also be paid to capital strength and developments in the financial and credit markets. Exposure to risks should always be managed prudently and with due care and attention.

i) Sovereign Rating

Sovereign Rating		
Rating Agency	**Minimum Long Term Sovereign**	**Minimum Short Term Sovereign**
Fitch Ratings	AA-	Issuer: F1+

ii) Support Rating

Support Rating	
Rating Agency	**Minimum Support Rating**
Fitch Ratings	2

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

Issuer or Issue Rating Minimum from one of three Rating Agencies				
Rating Agency	**Minimum Short Term Rating**	**Minimum Long Term Rating**	**Maximum exposure up to 1 year £m**	**Maximum exposure 1 year to 3 years £m**
Fitch Ratings	F1+	AA-	40	20
Moody's Investor Services	P1	Aa3	40	20
Standard & Poor's	A-1+	AA-	40	20
Fitch Ratings	F1	A+	40	0
Moody's Investor Services	P-1	A1	40	0
Standard & Poor's	A-1	A+	40	0

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ANNUAL INVESTMENT MANAGEMENT STRATEGY 2010/11 – RECOMMENDED FOR APPROVAL

iv) Money Market Fund Rating

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

* - The minimum size for funds backed by UK Government issued or guaranteed debt shall be £200m.

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

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

2.4 Credit requirements shall not apply to investments issued or guaranteed by UK Government entities, nationalised entities, Supranational entities or to local authorities where credit risk is very low. There shall be no upper limit on exposure to the UK Government for credit risk purposes and the upper limit on exposure to any one local authority or a Supranational body shall be £40m. The limit for any one nationalised entity shall be £40m, but may be increased where the entity is a major bank to protect the council's interests.

2.5 Together with other large UK banks, the Royal Bank of Scotland, RBS, (of which National Westminster Bank is a subsidiary) and HSBC Bank are major banks of systemic importance to the UK financial system. RBS is now majority owned by the UK Government and in common with other major UK banks both RBS and HSBC have access to central bank liquidity arrangements if needed. RBS is critical to the day to day financial operations of the council and HSBC provides custodial services for investments managed by the council's external fund managers. Against this support likelihood and in the interest of effective management of financial operations of the scale that the council has, a £75m limit is in place for RBS and HSBC.

2.6 The finance director shall have discretion to vary minimum rating and limits in response to market developments and operational requirements where prudent to protect the council's interests

3 OVERALL LIQUIDITY AND MATURITY CONSTRAINTS

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

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

4 SPECIFIED INVESTMENTS

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

Specified Investments - in Sterling, meeting credit requirements and not beyond 1 year	
A	Bonds, bills, term deposits and accounts with the UK Government (or guaranteed by it) or UK local authorities.
B	Fixed term deposits, accounts, certificates of deposits, commercial paper and senior unsubordinated notes and bonds issued by banks and UK building societies
C	Money Market Funds AAA/Aaa rated with stable asset values

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

4.3 However market conditions may also justify prudent exposure to longer term investments or other non-specified investments.

5 NON-SPECIFIED INVESTMENTS

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

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

5.2 Details concerning the use, characteristics and limits applying to non-specified investments are set our below. The upper limit on exposure to non-specified investments as a whole shall be 50% of all investments. Overall liquidity, market and 3 year average constraints shall also be observed. In managing exposure to non-specified investments expertise and advice will be drawn on as necessary.

APPENDIX B

ANNUAL INVESTMENT MANAGEMENT STRATEGY 2010/11 – RECOMMENDED FOR APPROVAL

5.3 The non-specified investments are managed with help from external fund managers. Limits are placed to contain overall credit exposure. And any exposure to non-specified investments will in practice be subject to market and credit conditions and to being satisfied about the long run credit quality of the institution as well as the merits of the investment.

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

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

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ANNUAL INVESTMENT MANAGEMENT STRATEGY 2010/11 – RECOMMENDED FOR APPROVAL

Annexe 1

Rating Definitions

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

Fitch Long Term Rating (including Long Term Sovereign Rating)

AAA: Highest credit quality. AAA ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA: Very high credit quality. AA ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A: High credit quality. A ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

Fitch Short Term Rating (Including Short Term Sovereign Rating)

A short-term issuer or obligation rating is based in all cases on the short-term vulnerability to default of the rated entity or security stream, and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation.

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

F2: Good short-term credit quality. Good intrinsic capacity for timely payment of financial commitments.

F3: Fair.

The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the 'AAA' obligation rating category.

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ANNUAL INVESTMENT MANAGEMENT STRATEGY 2010/11 – RECOMMENDED FOR APPROVAL

Annexe 1

FITCH SUPPORT RATINGS

Support Ratings do not assess the intrinsic credit quality of a bank. Rather they communicate the agency's judgment on whether the bank would receive support should this become necessary. These ratings are exclusively the expression of Fitch Ratings' opinion even though the principles underlying them may have been discussed with the relevant supervisory authorities and/or owners.

1: A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question.

2: A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question.

3: A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so.

Moody’s Long Term Rating

Aaa: Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.

Aa: Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A: Obligations rated A are considered upper-medium grade and are subject to low credit risk.

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

Moody’s Short Term Rating

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

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

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

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ANNUAL INVESTMENT MANAGEMENT STRATEGY 2010/11 – RECOMMENDED FOR APPROVAL

Annexe 1

Standard and Poor's (S&P) Long Term Rating

AAA: An obligation rated AAA has the highest rating assigned by S&P. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA: An obligation rated AA differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A: An obligation rated A is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

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

Standard and Poor's (S&P) Short Term Rating

A-1: A short-term obligation rated A-1 is rated in the highest category by S&P. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

A-2: A short-term obligation rated A-2 is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

APPENDIX C

PRUDENTIAL INDICATORS 2010/11-2012/13
– RECOMMENDED FOR APPROVAL

PRUDENTIAL INDICATORS

1. Capital finance, borrowing and investment arrangements are brought together in a series of prudential indicators and limits to give a general picture of the affordability, prudence and sustainability of financing activities. The indicators and limits are grouped into three broad areas: affordability, prudence and treasury management.

2. The indicators are drawn from the Prudential Code on Capital Finance for Local Authorities and the Treasury Management in the Public Services Code of Practice both published by CIPFA and updated in November 2009. The Local Government Act 2003 requires that the council have regard to these codes.

3. This Appendix includes an extract from CIPFA's code and sets out indicators for 2010/11 to 2012/13 needing council assembly approval. (The 2008/09 indicators are shown as actuals and latest projections are given for 2009/10).

CRITERIA ONE: AFFORDABILIY AND PRUDENTIAL INDICATORS ON AFFORDABILITY

Extract from Prudential Code:

In considering the affordability of its capital plans, the authority is required to consider all of the resources currently available to it and estimated for the future, together with the totality of its capital plans, revenue income and expenditure forecasts for the forthcoming year and the following two years. The authority is required to consider known significant variations beyond this timeframe.

Affordability is ultimately determined by a judgement on Council Tax levels and, in the case of the Housing Revenue Account, acceptable Rent levels.

The local authority shall set and monitor against the following prudential indicators as key indicators of affordability.

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

Extract from Prudential Code:

The authority will estimate for the forthcoming financial year and the following two years the ratio of financing costs to net revenue stream. At the year end, the ratio of financing costs to net revenue stream will be calculated directly from the local authority's consolidated revenue account.

APPENDIX C

PRUDENTIAL INDICATORS 2010/11-2012/13 – RECOMMENDED FOR APPROVAL

Comment and Recommended Indicator

The financing ratio reflects financing costs arising from capital expenditure funded from borrowing and income from cash balances. The ratio rises as interest income falls and capital spend raises and the different level of the HRA and GF ratios reflects the different way the two services are organised under law.

Financing Ratios	2008/09 Actual	2009/10 Previous Estimate	2009/10 Latest Projection	**2010/11 Estimate**	**2011/12 Estimate**	**2012/13 Estimate**
HRA	32.0%	33.0%	33.0%	**33.0%**	**32.0%**	**32.0%**
GF	-0.7%	3.0%	3.0%	**3.6%**	**3.2%**	**2.6%**

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

Extract from Prudential Code:

> *A fundamental objective in the consideration of the affordability of the authority's capital plans is to ensure that the level of investment in capital asset proposed means that the total capital investment of the authority remains within sustainable limits, and in particular to consider its impact on the authority's bottom line, Council Tax and HRA rents*

Comment and Recommended Indicator

Budgetary requirements for the capital programme form part of decisions taken by Members when determining Council Tax and HRA rents each year. No increase in tax or rent is currently proposed as a result of capital programming, which is currently going through a major refresh, updates on which will be reported to the Executive. Decisions on future taxation and rents can only be considered as part of overall future resources. Currently the incremental increase in Council Tax and HRA rents recommended for approval are set out below. The finance director is also considering options on funding a new build scheme under the Housing & Communities Challenge Fund, which may involve some prudential or self-financed borrowing. The council assembly will be kept appraised of these developments.

Notional Rent or Council Tax Increases	**2009/10**	**2010/11**	**2011/12**	**2012/13**
Weekly Housing Rent increase as a result of capital programme	**Nil**	**Nil**	**Nil**	**Nil**
Council Tax Band D increase as a result of capital programme	**Nil**	**Nil**	**Nil**	**Nil**

APPENDIX C

PRUDENTIAL INDICATORS 2010/11-2012/13
– RECOMMENDED FOR APPROVAL

CRITERIA TWO: PRUDENCE AND PRUDENTIAL INDICATORS FOR PRUDENCE

Extract from the Code

In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. Ensuring that treasury management is carried out in accordance with good professional practice is an essential feature of prudence.

INDICATOR THREE: ESTIMATES OF CAPITAL EXPENDITURE

Extract from Prudential Code

The local authority will make reasonable estimates of the total capital expenditure that it plans to incur during the forthcoming financial year and at least the following two financial years. After the year end the actual expenditure incurred during the financial year will be recorded.

Comment and Recommended Indicator

The actual capital expenditure for 2008/09 was £191m. The latest projections for 2009/10 include programmed approvals and any slippage arising will fall as spend in future years. The latest capital expenditure estimates for 2010/11 to 2012/13 are set out below and will be updated following completion of a programme refresh, which, as reported to the Executive on 9 February 2010, is under way.

Capital Expenditure	2008/09 Actual £m	2009/10 Prev. Proj. £m	**2009/10 Latest Proj. £m**	**2010/11 Estimate £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**
HRA	116	100	**94**	**109**	**117**	**76**
GF	75	130	**139**	**157**	**175**	**26**
Total	191	230	**233**	**266**	**292**	**102**

INDICATOR FOUR: ACTUAL AND ESTIMATES OF CAPITAL FINANCING REQUIREMENTS.

Extract from Prudential Code

The local authority will make reasonable estimates of the total capital financing requirement at the end of the forthcoming financial year and the following two years. After the year end, the actual capital financing requirement will be calculated directly from the local authority's balance sheet.

APPENDIX C

PRUDENTIAL INDICATORS 2010/11-2012/13 – RECOMMENDED FOR APPROVAL

Comment and Recommended Indicator

Both the HRA and the GF capital financing requirements (CFR) reflect the use of borrowing to pay for past capital expenditure. Projections for 2009/10 and subsequent years reflecting estimated government borrowing approvals for capital spend are set out below for approval. These may be supplemented with prudential or self-financed borrowing and temporary borrowing may be needed to pre-fund spending ahead of receipt of grants, proceeds from asset sales or revenue contributions. The council is considering options on funding a new build scheme under the Housing & Communities Agency Challenge Fund. The finance director is currently in discussion with the Agency and the Department of Communities and Local Government on funding the council's contribution. Prudential or self-financed borrowing may be required, though the use of other resources available to the council (reserves, balances, capital receipts) may be a more economic option.

CFR	2008/09 Actual £m	2009/10 Previous Estimate £m	**2009/10 Latest Estimate £m**	**2010/11 Estimate £m**	**2011/12 Estimate £m**	**2012/13 Estimate £m**
HRA	626	639	**639**	**651**	**664**	**676**
General Fund	131	132	**132**	**130**	**128**	**126**
Total	757	771	**771**	**781**	**792**	**802**

The estimates will be affected by new accounting standards which require that funding through Private Finance Initiatives and leases be reviewed and reflected in the CFR if required. These arrangements are currently being assessed and will be reflected in future estimates and actual CFR will be reported once capital financing is completed and the statement of accounts produced.

INDICATOR FIVE: ACTUAL DEBT- THE AUTHORISED AND OPERATIONAL LIMITS

Extract from Prudential Code

> *The local authority will set for the forthcoming financial year and the following two financial years an authorised limit and an operational boundary for its total external debt, gross of investments, separately identifying borrowing from other long-term liabilities.*

Comment and Recommended Indicator

These two limits are the limit on debt and long term liabilities outstanding on any one day. The lower limit is the operational boundary and takes account of ordinary activity. The authorised limit is the higher limit to accommodate unexpected borrowing that may be needed for very short periods. The total authorised limit is the limit councils have to determine under the Local Government Act 2003.

APPENDIX C

PRUDENTIAL INDICATORS 2010/11-2012/13
– RECOMMENDED FOR APPROVAL

The average level of borrowing in any one year is usually close to the capital average financing requirement. However, the borrowing may be higher or lower than the financing requirement depending on cash flow needs and timing of borrowing decisions. When rates are expected to rise it may be attractive to borrow ahead of future spending or maturing debt and there may also, in the future, be a benefit from borrowing additional funds over a short period to restructure debt by replacing high rate loans with lower rate ones. Reliance on cash balances, which currently stand at £258m, to support long term capital funding is likely to be limited given variability of these balances in the short to medium term and the attraction of stable long term borrowing.

The limits are related to the capital financing requirement, but new accounting standards introduced in 2009/10 will mean all Private Finance Initiatives and leases will have to be reviewed and added to long term liabilities if they are like borrowing. The operational and authorised limits set out below for approval purely accommodates existing debts, new debts for capital spending and any temporary increases for prudent refinancing that may be carried out. They do not include any increase in long term liabilities arising from accounting changes. Therefore in addition to approving the operational and authorised limit set out below, the council assembly is asked to agree that the limits from 2010/11 onwards be treated as increased for any increase in long term liabilities that arises from accounting changes in leasing and PFI.

Operational Boundary and Authorised Limits for External debt -	2008/09 Actual Max	2009/10 Latest Estimate	**2009/10 Limit £m**	**2010/11 Limit £m**	**2011/12 Limit £m**	**2012/13 Limit £m**
Operational Boundary for Debt						
Borrowing	762	762	845	860	880	880
Other long term liabilities	0	0	20	20	20	20
Total Operational (*)	762	762	**865**	**880**	**900**	**900**
Authorised Limit for Debt -						
Borrowing	762	762	885	890	920	920
Other long term liabilities	0	0	20	20	20	20
Total Authorised (*)	762	762	**905**	**910**	**940**	**940**

Note * - The limits from 2010/11 are treated as increased for any increase in long term liabilities arising from accounting changes in leasing and PFI.
Under existing arrangements, the finance director is responsible for all executive, strategic and operational borrowing decisions and has discretion to allow activity to go outside the operational boundary, should it be prudent and justified, but nevertheless remain within the overall authorised limit. The finance director may also vary the mix between long term liabilities and debt should it to be prudent to do so.

APPENDIX C

PRUDENTIAL INDICATORS 2010/11-2012/13
– RECOMMENDED FOR APPROVAL

CRITERIA THREE: TREASURY MANAGEMENT

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

Extract from Prudential Code

That the local authority has adopted the Treasury Management Code.

Comment and Recommended Indicator

Southwark has adopted all previous versions of Treasury Management Code of Practice in the Public Services issued by CIPFA and the latest version published November 2009 is recommended for approval by council assembly at its meeting in February 2010.

INDICATOR SEVEN: INTEREST RATE EXPOSURES – FIXED
INDICATOR EIGHT: INTEREST RATE EXPOSURES - VARIABLE
INDICATOR NINE: MATURITIES

Extract from the Treasury Management Code

The local authority will set for the forthcoming year and the following two financial year's upper limits to its exposures to the effects of changes in interest rates. These prudential indicators will relate to both fixed and variable interest rates. The local authority will set for the forthcoming year both upper and lower limits with respect to the maturity of its borrowing.

Comment and Recommended Indicator

Council debt currently consists entirely of fixed rate loans, with very little falling for repayment over the next few years. However the proportion in fixed rates could change should financing conditions become favourable in the future. The fixed and variable rate limits reflect growth in capital financing requirement and draw on the authorised debt limit. The maturity limit reflects existing debt structure, with leeway to accommodate prudent refinancing.

LIMITS ON FIXED AND VARIABLE RATES	2008/09 Maximum Actual £m	2009/10 Latest Projection £m	2009/10 Limit £m	**2010/11 Limit £m**	**2011/12 Limit £m**	**2012/13 Limit £m**
Upper limit for fixed interest rate exposure	762	762	885	**890**	**920**	**920**
Upper limit for variable rate exposure	0	0	220	**225**	**230**	**230**

APPENDIX C

PRUDENTIAL INDICATORS 2010/11-2012/13 – RECOMMENDED FOR APPROVAL

Maturity structure of fixed rate borrowing	2008/09 Actual	2009/10 Upper Limit	2009/10 Lower Limit	2009/10 Latest Projection	**2010/11 Upper Limit**	**2010/11 Lower Limit**
Under 12 months	0%	30%	0%	0%	**30%**	**0%**
12 months and within 24 months	0%	30%	0%	0%	**30%**	**0%**
24 months and within 5 years	0%	60%	0%	4%	**60%**	**0%**
5 years and within 10 years	29%	80%	0%	26%	**80%**	**0%**
10 years and above in each 10 year period	71%	100%	0%	70%	**100%**	**0%**

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

Extract from the Treasury Management Code

Where a local authority invests, for periods longer than 364 days, the local authority will set an upper limit for each forward financial year period for the maturing of such investments.

Comment and Recommended Indicator

The council's cash balances are invested across a number of counterparties which include the Government, local authorities, and large high rated banks and building societies. Exposure to investments beyond one year raises investment options and helps raise returns. However, as returns can be vulnerable to unexpected market volatility, limits are placed on such exposure. The 2010/11 upper limit on exposure beyond one year recommended for approvals are shown below.

Upper limit on investments greater than 1 yr	2008/09	2009/10 Latest Position	2009/10 Limit	**2010/11**
Upper limit / Actual	Actual max exposure 25% of investments greater than 1 year Overall maximum average maturity 1.1 years Longest Investment 10 years	20% of investments greater than 1 year Overall maximum average maturity 8 months Longest investment 10 yrs	Up to 50% of investments. Greater than 1 year Overall average maturity 3 years, but any one investment may be longer as referred to in the Annual Investment Strategy	**Up to 50% of investments. Greater than 1 year** **Overall average maturity 3 years, but any one investment may be longer as referred to in the Annual Investment Strategy**

APPENDIX D

ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2010/11 – RECOMMENDED FOR APPROVAL

ANNUAL MINIMUM REVENUE PROVISION STATEMENT

Under the Guidance on Minimum Revenue Provision SI No. 2008/414 - Issued by the Secretary of State under section 21(1(A)) of the Local Government Act, the council is required to set aside sums as minimum revenue provision (MRP) and to prepare an annual statement on it before the start of the year the provision relates to. The guidance also makes recommendations on prudent levels of MRP.

The council's Annual Minimum Revenue Provision Statement for 2010/11, drawing on that guidance and recommended for approval by the council assembly, is set out below.

ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2010/11

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

2. In calculating the MRP, the council shall draw on advice and options cited in the Guidance on Minimum Revenue Provision - Issued by the Secretary of State. In accordance with the guidance, no MRP is required in respect of the Housing Revenue Account. However, the Executive may apply additional revenue contributions or capital receipts to reduce debt liabilities over and above the minimum where prudent in respect of the HRA or the General Fund.

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

Supported Capital Expenditure or Capital Expenditure incurred before 1 April 2008.

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

Self- Financed Capital Expenditure from 1 April 2008.

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

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

APPENDIX D

ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2010/11 – RECOMMENDED FOR APPROVAL

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

8. Asset life will be determined in accordance with advice contained in the guidance and when borrowing to construct an asset, the asset life may be treated as commencing in the year the asset first becomes operational and postpone MRP until that year, subject to the approval of the finance director.

9. In the case of finance leases, on balance sheet Private Finance Initiative contracts or other credit arrangements, the MRP shall, in accordance with the guidance, be the sum that goes to write down the balance sheet liability.

10. Estimated life for MRP purposes shall be determined by the finance director.

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

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

13. Asset life for MRP purposes shall be determined by the finance director.

14. Subject to the approval of the Executive, the finance director may request that additional revenue provision, over and above those set out above, or capital receipts be set aside to reduce debt liabilities should it be in the interest of the council.

15. The finance director is responsible for implementing the Annual Minimum Revenue Provision Statement and has managerial, operational and financial discretion necessary to ensure that MRP is calculated in accordance with regulatory and financial requirements and resolve any practical interpretation issues.

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