

Council Assembly Council Tax Setting

Wednesday 29 February 2012
7.00 pm
Town Hall, 31 Peckham Road, SE5 8UB

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

Eleanor Kelly
Acting Chief Executive

INFORMATION FOR MEMBERS OF THE PUBLIC

Access to information

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Date: 17 February 2012



Council Assembly

Wednesday February 29 2012
7.00 pm
Town Hall, 31 Peckham Road, SE5 8UB

Order of Business

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PART A - OPEN BUSINESS

1. PRELIMINARY BUSINESS

1.1. ANNOUNCEMENTS FROM THE MAYOR, MEMBERS OF THE CABINET OR ACTING CHIEF EXECUTIVE

To receive any announcements from the Mayor, members of the cabinet or acting chief executive.

1.2. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE MAYOR DEEMS URGENT

In special circumstances an item of business may be added to an agenda within seven working days of the meeting.

1.3. DISCLOSURE OF INTERESTS AND DISPENSATIONS

Members to declare any personal interests and dispensations in respect of any item of business to be considered at this meeting.

1.4. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

1.5. MINUTES

To approve as a correct record the open minutes of the council assembly meeting held on 25 January 2012 (circulated separately).

2. REPORT FROM THE CABINET

REPORT FOR DECISION FROM THE CABINET

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4. AMENDMENTS

Any member of the council may submit an amendment to a report on the agenda. The amendments will be circulated to all members in a supplemental agenda.

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: 17 February 2012

Agenda Item 2.1

Item No. 2.1	Classification: Open	Date: 29 February 2012	Meeting Name: Council Assembly
Report title:		Policy and Resources Strategy 2012/13-2014/15 – revenue budget	
Wards or groups affected:		All	
From:		Finance Director	

RECOMMENDATION

That Council Assembly:

1. Agree the recommendations of the Cabinet held on 7 February 2012 for a general fund budget for 2012/13 of £308.2m and a nil council tax increase for 2012/13, attached as Appendix 1.

BACKGROUND INFORMATION

Revenue budget

2. On 7 February 2012 the Cabinet considered a report on the Council's revenue budget proposals for 2012/13 to 2014/15. A copy of the report is attached as Appendix 1.
3. The report at Appendix 1 proposes a nil council tax increase for Southwark's element of the council tax and a general fund revenue budget of £308.2m in 2012/13.

KEY ISSUES FOR CONSIDERATION

Recommendation for council assembly

Revenue budget 2012-2013

4. At its meeting on 7 February 2012, the cabinet agreed its final recommendation to council assembly on the revenue budget 2012/13. Table 1 below shows a high level summary of the recommended budget from cabinet as set out in the budget report considered by the cabinet. The table specifically sets out the council tax requirement which local authorities are required to calculate, under section 42A (4) of the Local Government Finance Act 1992, as amended by the 2011 Localism Act.

Table 1

	2012/13 Budget £m
Revised previous year's budget	326.4
Inflation	3.6
Commitments and growth (Details in Appendix 1 - Table 6)	10.8
Less Savings (Details in Appendix 1 - Table 6)	(28.3)
Budget adjustments (Details in Appendix 1 – Table 6)	0.1
Contribution (from) and to balances	(4.4)
Total budget requirement	308.2
Income from formula grant and NNDR	(217.1)
Projected collection fund deficit 2010/11	0.1
Council tax requirement	91.2
Tax base agreed by council assembly on 25 January 2012	100,031.34
Southwark 2012/13 Band D council tax	£912.14

Council tax

5. All local authorities are required to set their council tax by 11 March 2012. Given this timescale, it is difficult at this stage to provide comparative information for 2012/13. This Council will set its own tax on 29 February 2012 (the date to which this report refers). As in previous years, any delay to this date will mean the Council would have to move its instalment date beyond 1 April 2012. This would result in a loss of income to the Council from cash flow and could also put at risk the ability of the Council to meet its collection targets.
6. Cabinet have recommended a nil increase in council tax for 2012/13. A nil increase in council tax in 2012/13 will mean Southwark's council tax will have increased by a total of 8% since 2005/06. The general trend in comparative data on council tax between 2005/06 and 2011/12 is given in Appendix 2. Southwark's council tax for 2011/12 is 15.1% below the national average (including GLA), 8.7% below the London average (excluding GLA), and 6.6% below the London average (including GLA).

Greater London Assembly (GLA) precept

7. The Mayor of London's consolidated budget for 2010/11 was presented and approved by the London Assembly on 9 February 2012. The Assembly agreed a reduction of 1% on the GLA precept.

	2011/12	2012/13	Increase
GLA precept	£309.82	£306.72	(1.00%)
Southwark council tax.	£912.14	£912.14	(0.00)%
Total band D council tax	£1,221.96	£1,218.86	(0.25%)

Community impact statement

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

Consultation

9. Following on from the extensive consultations during 2011/12 budget setting, reports on the budget proposals were considered by cabinet on 24 January and 7 February, at which the cabinet received deputations from the voluntary sector. The details of the deputations to the 24 January are set out in the report at Appendix 1. On 7 February the cabinet received a deputation from the Southwark Refugees Communities Forum (SRCF).
10. The spokesperson addressed the meeting to ask that their request for funding from the community support programme be given careful consideration. He explained that the Forum is an umbrella organisation with a membership of 34 refugee community organisations and service providers and highlighted the likely impact upon Southwark Refugee Communities Forum and its members in 2012/13, should the funding that has been requested not be secured. In 2011/12 SRCF received £25k from the voluntary sector transition fund and have applied for further funding in 2012/13. The budget proposals contain provision for a further £500k for the voluntary sector transition fund, in addition to any underspent resources from 2011/12.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities Law & Governance

11. The report requires Council Assembly to agree the recommendations of the 7 February 2012 Cabinet for a general fund budget for 2012/13 of £308.2m and zero council tax increase for 2012/13. In accordance with Part 3A of the Constitution Council Assembly are required to agree the budget.

Legislative framework

12. Section 31A of the Local Government and Finance Act 1992 (the Act) provides that the Council has an obligation to calculate and agree an annual budget. The Act also requires the authority to set an amount of council tax for each financial year preceding that for which it is set. Pursuant to section 30 (7) of the Act no amount may be set before the earlier of the following: (a) 1st March in the financial year preceding that for which the amount is set; (b) the date of the issue to the authority of the last precept capable of being issued to it (otherwise than by way of substitute) by a major precepting authority for the financial year for which the amount is set. Section 30 (9) of the Act states that a purported setting of an amount, if done in contravention of subsection 30 (7) shall be treated as not having occurred.
13. Under section 39 of the Act, the Greater London Authority ('GLA') is defined as a 'major precepting authority'. The GLA set its precept on 9 February 2012.

Restrictions on voting under Section 106 of the Local Government Finance Act 1992

14. 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.
15. 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.
16. 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.
17. 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.

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

consideration at the meeting. Prosecutions shall not be instituted except by or on behalf of the Director of Public Prosecutions.

BACKGROUND INFORMATION

Background Papers	Held At	Contact
See Appendices		

APPENDICES

No.	Title
Appendix 1	Cabinet Report (7 February 2012) Policy and Resources 2012/13 to 2014/15 – Revenue Budget
Appendix 2	Council tax comparisons 2005/06 – 2011/12

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Finance Director	
Report Author	Duncan Whitfield, Finance Director	
Version	Final	
Date	17 February 2012	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		17 February 2012

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

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

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

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

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

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

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

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

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

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

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

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

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

RECOMMENDATIONS

That cabinet:

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

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

BACKGROUND INFORMATION

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

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

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

KEY ISSUES FOR CONSIDERATION

Formula grant – national position – based on the final settlement

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

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

28. Southwark is a Band 1 authority in that it is one of those councils most dependent on formula grant, with 72% of the council's net budget funded through formula grant. Nationally, there are 38 single-tier councils in this band, 17 of which are in London. The floors are self-financing. This means that those councils within a particular band that are above the floor will have the resources from their formula grant scaled back. The resources made available are then used to bring the councils which are below the floor up to their 'band' levels.

Revenue spending power and transition grant

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

Council tax

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

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

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

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

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

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

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

Council tax freeze grant

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

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

Final grant settlement 2012/13

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

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

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

Core grants

45. The 2011/12 local government settlement heralded a major change in grant funding. From a position of some £103.5m in specific grants in 2010/11, this fell to £38.5m in 2011/12. Some grants transferred into formula grant and DSG, some formed the new core grants and others ceased to exist. Based on current published information the council will receive some £39.7m in core grants in 2012/13, which is an increase of £1.2m (3.1%) on 2011/12 grant levels. 2011/12 and 2012/13 core grants are shown below. Core grants will also be confirmed as part of the final local government settlement.

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

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

New Homes Bonus

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

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

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

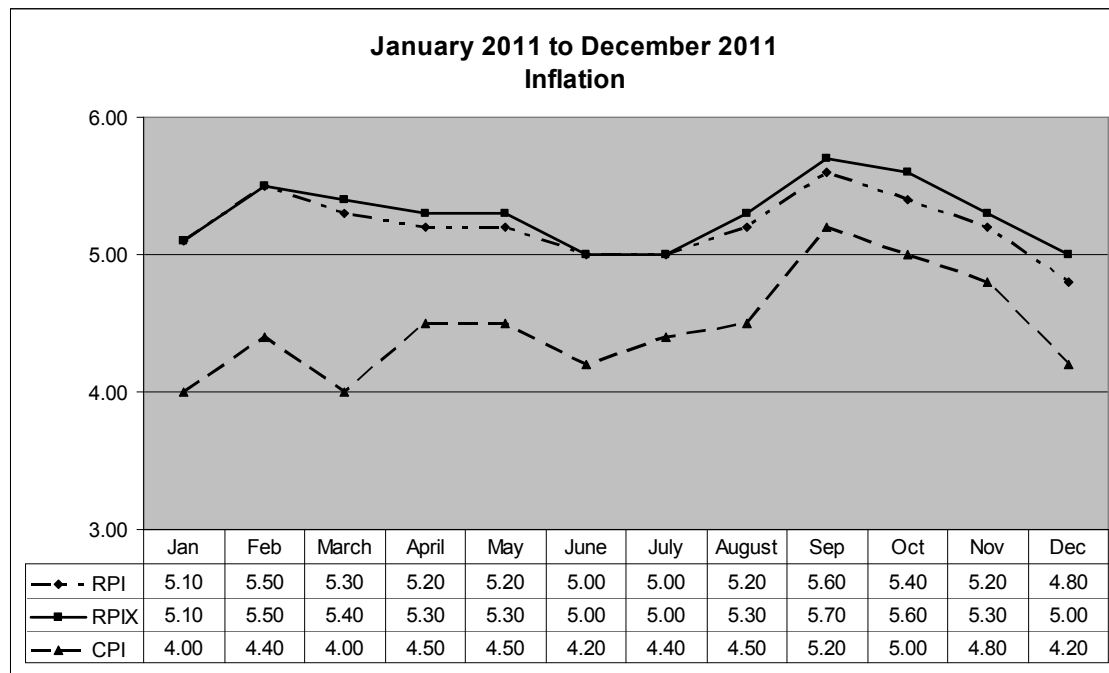
48. On 21 June 2011, the cabinet agreed that all estimated surplus NHB resources over and above that committed to the revenue budget should be earmarked to the corporate resource pool to support the ten-year capital programme. Table 5 below shows the estimated level of expected NHB in future years.

NHS Grant

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

Inflation

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



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

2011/12 revenue monitoring position

56. The council is experiencing a number of new and emerging service pressures. Major pressures identified include families with “no recourse to public funds” and unaccompanied asylum seeking children. Other pressures exist within public realm as a result of a reduced income from parking control notices as a result of improved compliance. The detailed revenue monitoring as at quarter 3 is set out in a report on this agenda. It is important to consider these pressures as part of the budget setting process moving forward.

Overview and scrutiny committee recommendations

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

This report

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

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

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

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

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

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

Service area budgets

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

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

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

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

Children's services

68. Children's Services currently represents around 28% of the council's net revenue expenditure. The department provides universal services as well as those targeted at more vulnerable families and children. There continues to be a high level of demand for services for children in need. Recent DfE data identifies Southwark as having the 5th highest rate of children in need nationally (compared to 7th in 2009/10). These services are delivered through three divisions.
- The Specialist Services Division supports delivery of statutory social care functions, including protecting vulnerable children and those at risk of harm, providing services for looked after children, foster care, adoption, youth offending and children with disabilities.
 - The Education Division supports the delivery of universal services, including early years, school improvement, admissions, after school play and youth services, alongside more specialist services for children and

young people with additional needs such as SEN or those excluded from school.

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

69. To deliver the challenging budget savings for 2011-14, Children's Services remains focussed on the key priorities set out within the Children and Young People Plan:

- Thinking family – families at the centre of all we do
- Narrowing the gap – better and more equal life chances for all
- Raising the bar – high-quality provision that meets local needs
- Succeeding into adulthood – at-risk young people achieve wellbeing
- Working together – children are safeguarded from harm and neglect.

70. During 2011/12 £5.763m of savings are planned to be achieved. When the significant reductions in government grants for children's services are taken into account around £12m has been taken out of the budget.

71. For 2012/13 the Children's Services budget is proposed to be £86.4m. The total savings and commitments for the department remain unchanged from those agreed at council assembly in February 2011. However additional growth of £250k has arisen from the new legal requirement to ensure that rates paid to Family and Friends carers are comparable to those paid to the local authority approved carers. The council's continuing commitment to free healthy school meals as set out in the budget for 2011/12 will continue. In September 2012 these will be rolled out to primary pupils in years 2, 3 and 4.

72. Further, the following amendments are proposed as substitutions, in part, for staffing savings agreed in February 2011:

- Transfer of the responsibility for universal Careers Services to schools from Local Authorities as set out in the in 2011 Education Act saving £700k in 2012/13
- Reducing back office and central management costs of Children's Centres saving £125k in 2012/13.

73. The savings by division are as follows:

- £1.6m Specialist Services (Children's Social Care)
- £3.844m Education Division
- £730k Strategy, Commissioning and Business Improvement Division.

74. In delivering these savings we have sought to minimise the impact on statutory social care functions for the most vulnerable children and young people and so maintain the Council's responsibility to keep children safe.

75. The key drivers to achieving the reductions are to:

- Maximise service effectiveness, drive down costs and ensure high quality provision within the available remaining resources
- Protect front line services by reducing back office costs and increasing productivity
- Reshape our retained services around the Council's core statutory duties for education and social care
- Reduce subsidies to non-statutory, discretionary services
- Further improve commissioning and procurement to increase value for money
- Further cut waste and duplication in supplies and services.

Children's services – summary equalities impact

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

Communities, law and governance

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

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

Communities, law & governance – summary equalities impact

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

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

90. The DCE department is made up of human resources, communications, corporate strategy, organisational development, planning and transport services (including building control and development management and policy), economic development, housing strategy and regeneration, property and the major regeneration schemes.
91. The DCE department will deliver on the fairer future vision by having a relentless focus on rationalising support services so more money is protected at the frontline and working alongside others to provide the organisation with the tools to innovate and transform service delivery. It will also be focused on delivering functions that help achieve local policy priorities. This will mean working to ensure the benefits of regeneration can spread across the borough including in strategic areas such as Elephant and Castle and the Aylesbury but also within Peckham, Nunhead and Camberwell.
92. There will be opportunities within the department to streamline structures through rationalisation of internal organisational arrangements. There will be an imperative to maximise opportunities from very limited external funding streams. Resources will be focused on the most vulnerable through partnership arrangements with developers to help create jobs and through optimising council land and property to achieve policy objectives. Seeking alternative ways to deliver services will also be a priority.
93. The proposed indicative budget for the department in 2012/13 is £17.2m.

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

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

96. The services within DCE are largely back office, with a small amount of front line customer contact, while the regeneration schemes have the greatest direct impact externally. Savings are proposed to be realised through service reconfiguration and reducing support costs. Therefore any impacts would fall primarily on staff rather than service users. As specific proposals are put forward, and at each stage of implementation thereafter, the different impacts on different categories of staff will be assessed. Service heads are committed to deliver savings as far as possible to maintain the level of service.
97. As part of the communication savings, there is a proposed move to greater use of electronic communications and social media so there may be potential impacts on those with limited or no access to a computer. This will be assessed in the ongoing evaluation of all communications activities and further mitigated through supporting access through other publications or formats for example face to face communications.
98. Residents across all housing tenures, visitors and businesses in the borough are all beneficiaries of regeneration schemes. Regeneration activity is targeted towards the more deprived areas and disadvantaged groups in the borough. There is a risk that proposals could disproportionately impact on the most disadvantaged and vulnerable groups and geographical areas in the borough and mitigating action has been identified. Where external funding has been reduced, the mitigating action is to retarget available budgets to schemes that support people with the highest level of need as far as possible. The department also proposes to maximise income on commercial properties and through restructuring planning application fees. As with all proposals equalities impacts will continue to be assessed through out.

Environment and leisure

99. The services provided by Environment and Leisure currently make up around a fifth of the council's total service budgets and they can be broadly grouped into:
 - Environment covering: the public realm such as parks and open spaces, parking, highways, cleaner greener safer initiatives, cemeteries and crematorium; sustainable services, such as waste management and refuse collection, street cleaning and recycling, carbon reduction and energy projects
 - Community safety covering: Safer Southwark Partnership, drug and alcohol teams, emergency planning, environmental health, the community wardens, anti-social behaviour unit, environmental enforcement, noise teams and CCTV

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

107. It is proposed to restructure and re-organise management and support services within culture, libraries, leisure and learning. It is also proposed to make contract savings from the new leisure management agreement and restructure the Community Sports unit with the ending of the Southwark Community Games from 2013/14. The library services review identified £397k savings over two years, without closing any libraries. These proposals will deliver some £1.7m of savings over two years from 2012/13.
108. There are plans to generate additional income of some £715k over the two years from 2012/13 through increasing charges across a range of services. This is in line with local policy to increase discretionary fees and charges to a level, at a minimum, that is equal to the most appropriate London average (e.g. inner London, family, groupings etc) as set out in the Medium Term Resources Strategy. The proposals also include reorganisation of road network management team to include new London wide permitting scheme and other highway licensing functions.

Environment & leisure – summary equalities impact

109. Our approach to achieving savings across the Environment, Culture and Community Safety portfolios is in line with the Cabinet's budget principles, and we have sought to do all we can to protect front line services and offer continuity of services to our most vulnerable residents.
110. However the majority of our services in this area are front line and directly delivered to all residents and changes and reductions to delivery are inevitable in order to meet the scale of savings required.
111. In order to minimise front line reductions and impact on the wider community and equalities groups we have sought to make savings through efficiency, back office reductions and processes, leaner staffing structures and negotiating better value from our contractors.
112. Wherever possible we have sought to share resources and work with partner organisations to identify new ways of working that may deliver efficiencies and improved value for money, as well as maximising opportunities for increasing income.
113. The following proposals have been assessed as having the highest community and equalities impact:
- The proposed changes to reactive street maintenance and focusing resources on urgent repairs
 - The proposal to rationalise the school crossing patrol service
 - The proposed re-targeting environment grants programme
 - The proposed introduction of cashless parking across the borough
 - The proposal to increase the parking fees to Inner London average
 - The proposed reorganisation of the Community Wardens Service to focus on three key town centre locations, supported by a response team service, parks team and separately funding Borough and Bankside Team, linked directly to the retained but smaller environmental enforcement team
 - The proposed restructure of community sports unit and cessation of the Southwark Community Games in 2013/14

- The review of the Libraries Service.

Finance and resources

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

Finance and resources – summary equalities impact

118. The finance and resources department is committed to achieving the required level of savings as per the Cabinet report of January 2012 (Policy and Resources Strategy 2012/13 - 2014/15 - Revenue Budget). The departmental proposals are grouped into three areas: rationalisation, innovation and redesign, and transformation. The impact of implementing these will fall on staff as numbers are reduced. The management team is committed to assessing the impact on staff to ensure fairness and equality. As budget reductions are implemented the impact on staff will be considered in detail throughout the implementation of each proposal.

Housing

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

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

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

Housing – summary equalities impact

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

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

Health and community services (adult social care)

128. Health and community services provides support for the most vulnerable people in our community. These are frail older people, including those with dementia, disabled people of all ages, people with a learning disability and people with mental health problems. This includes residential and nursing home placements, services to allow people to maintain independence and support them living in their own homes, home care, day care, intermediate care, advocacy and support, equipment to aid daily life, transport and meals on wheels. People who are eligible for social care increasingly have personal budgets, including direct payments, where they self-direct the support they need to meet agreed outcomes.
129. The overall aim for health and community services in relation to adult social care is to deliver a fairer future for older and disabled people by creating a sustainable system that continues to support the most vulnerable and deliver value for money. This requires a change in the way the council works across the whole system of adult social care. It will mean different relationships between the council and the community, where families and older and disabled people will be expected to do more for themselves, with less reliance on the council. It means moving to a model where older and disabled people can contribute and exercise greater control over their own lives, improving their health and well being. This will also mean containing growth in demand, focussing council support to the most vulnerable, providing services differently but always with an aim to maintain and improve quality.
130. The proposed budget for health and community services in 2012/13 is £107.7m after savings of £10.3m. Key savings areas for 2012/13 are detailed below.
131. Reducing supporting people budgets for housing related support in the community for all clients. This will be done through a combination of efficiency and service reductions. In 2012/13 funding will be withdrawn from some services, including lower support community based services for offenders (£250k) and people with substance misuse problems (£60k). Lower level support to former homeless groups, including people with learning and physical disabilities, mental health issues and older people will be reduced by £260k. In addition there will be a reduction in hostel capacity by decommissioning two hostels for homeless people (£1.18m).
132. The redesigning of mental health services, including a two year programme reducing day care services by £400k, will allow the move to personal budgets. An innovation fund of £150k will be made available to encourage a wider variety of service provision.
133. For services to older people the merger of management arrangements in two council run day centres for older people will save £100k. This will mean a shared management arrangement between the Fred Francis and Southwark Park day centres.

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

Health & social care – summary equalities impact

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

140. The key impact is around services not continuing to exist or being offered in a different way. As part of our overall vision for adult social care, it is likely that, in future, there will be fewer people receiving ongoing, long-term social care support. Instead, we are looking to focus resources on time-limited interventions that help people get back on their feet, such as re-ablement services, and supporting them to understand how they can best help themselves and make key contributions to the wider community.
141. We propose a range of mitigating actions to try and minimise any potential negative impact. These include:
- Progress on our personal budget model (including direct payments in cash) so people understand how much is to be spent on their care and support, and can then make decisions about the ways they wish to use their money.
 - Focus on supporting a diverse market to develop in Southwark, so that there are services available for people to spend their personal budgets
 - Develop and improve partnerships involving individuals, communities, voluntary and private sectors, the NHS and the Council's wider services
 - Improve procurement and commissioning processes, and streamlining back office functions thereby focusing resources on frontline services
 - Promoting innovation in service provision and opportunities for small, limited cash injections that could enable organisations to become financially self-sustaining
 - Develop proposals for effective, targeted interventions that can provide help and support for carers, recognising the key role that they play, both in delivering care and in preventing people's care needs from increasing.
142. Work on contributions for community-based services will continue to be in line with government guidance and will need to include consultation with users. Around 50% of people receiving services in Southwark are not required to make a contribution.
143. The overall approach for adult social care services in Southwark may also have a positive impact on equality strands:
- Personal budgets offer an opportunity for people to access personalised support services that take account of cultural preferences, e.g. being able to choose a carer of your own gender – evidence suggests this is particularly true for BME communities, lesbian, gay & bisexual communities and for transgender people
 - Moving away from residential provision and to supported living in the community is designed to support people to live independently and well at home for as long as possible, recognising they may need some particular initial support to do so
 - A single point of informed contact supports better use of resources and targeted information and advice for people at an early stage, regardless of whether they receive state support for care.
144. We recognise that we will need to work closely with partner across the council, particularly in areas like housing and employment, to understand the cross-cutting impacts of the need to reduce spend in these areas and our desired outcome of helping more people to live independently and well at home and in the community

Community restoration fund

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

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

Community restoration fund – purpose and outcomes

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

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

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

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

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

Community restoration fund – governance and decision-making

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

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

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

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

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

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

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

Cleaner, greener safer revenue budget

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

Voluntary sector transition fund

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

Concessionary fares (i.e. "Freedom Passes")

175. Concessionary fares is the name given to the London Freedom Pass which is issued to all older and disabled Londoners to give free travel on almost all public transport in London. The Freedom Pass scheme is administered by the organisation London Councils and costs are recharged to individual London boroughs on the basis of journeys travelled.
176. In recent years there have been significant changes impacting on the cost of concessionary fares, changes in grant funding to London Councils and a phased transfer in cost calculation from 'passes issued' to 'passes used' have now resulted in a fairly stable base.
177. However the year on year change in the cost of the freedom pass is subject to inflationary increases and changes in usage. Transport for London (TfL) are the largest operator charging London Councils, and were planning to increase their charges by July 2011 RPI + 2% (7.0%).
178. The Chancellor's Autumn Statement stated that fares should only increase by RPI + 1%, and the Mayor of London has announced a reduction in the average cost of fares for 2012 on this basis. The concessionary fares charge to London Boroughs for 2012/13 was discussed at London Councils' Transport and Environment Committee on 15 December 2011, and the final increase for Southwark has been confirmed as £792k.

Superannuation fund contributions

179. The actuarial review published in March 2011 identified the funding required over the period 2011/12 to 2013/14 to cover the pension fund deficit.
180. To enable the deficit to be funded, additional resources are required for 2012/13 of £1m. This requirement will continue into 2013/14 and 2014/15 at £1.5m and £1m respectively.
181. The position will be revised when the next actuarial review signed off, this is likely to be in March 2014, although interim figures will become available during summer 2013.

Agency workers directive

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

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

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

London living wage

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

Human resources

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

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

Use of balances

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

2013/14 and beyond

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

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

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

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

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

Dedicated schools grant (DSG)

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

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

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

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

Capital programme

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

Greater London Authority

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

220. The final budget proposals are scheduled to be considered at the Assembly plenary meeting planned for 9 February 2012. The London Assembly has the power to amend the Mayor's budget if they secure a two thirds majority for an alternative so the final budget will not be confirmed until after the 9 February meeting. The confirmed precept will then be presented to Council Assembly on 29 February 2012.

A strong and stable resource base

221. In setting out the draft budget proposals for 2012/13 the Finance Director as the statutory section 151 officer is assured that the range of spending commitments and proposed savings are being set within the resources available that meet local priorities. The budget proposed for 2012/13 is therefore robust.
222. In addition to ensuring that sufficient funds are available to finance the ongoing management of the council services, the Finance Director needs to be assured that there is an appropriate level of reserves and balances available. The Local Government Act 2003 requires the chief finance officer to report on the adequacy of reserves held, and requires members to have regard to that report in setting the budget. The Act also gives powers to the Secretary of State to specify a minimum of reserves to be held, but those powers have not yet been applied.
223. Reserves are funds set aside from underspends or proposed budget contributions, to meet contractual commitments or future expenditure plans, including meeting risks or liabilities that may arise at a later date. For example, the council has a number of pressures which fluctuate over time and are unpredictable in nature. These could include winter maintenance (such as road gritting for highways) or meeting the upkeep of older buildings that the council operate from. Another example is one-off redundancy costs arising from restructuring. It may be that these costs cannot be met from existing revenue budget provision. Reserves are the most effective way in which to mitigate these pressures, subject to appropriate criteria. Therefore and, subject to an appropriate business case, reserves may be used to support these costs.
224. The council has a number of reserves. The most significant of which are:
- Modernisation, service and operational improvement reserve. This is for one-off expenditure and multi-year projects that are designed to modernise and improve service levels and operational efficiency of Southwark's activities. Schemes will include accommodation pressures, shared services, customer service improvements and information services. The use of the reserve is subject to protocols in accordance with the council's MTRS.
 - Regeneration and development reserve. This reserve is to fund one-off expenditure and multi-year projects to facilitate the significant regeneration and development taking place in the borough. Projects include the Elephant & Castle, Canada Water, Southwark Schools for the Future, and land acquisitions associated with these projects.
 - Financial risk reserve. This reserve is set aside against future financial risks that may arise. For example, taxation risk, legislative changes including actions involving the Greater London Authority, major projects, and risks as a result of unavoidable changes in accounting practice.

225. Due to the size, scale and complexity of projects and services across the borough the council is required to maintain a general level of balances to meet future unpredictable expenditure demands. Securing outcomes around key priorities of regeneration, recognising key operational risks attached to the unique size of our housing stock and more generally the levels of deprivation across the borough and associated factors, means that it is essential the council maintains a robust approach to both reserves and balances. Maintaining an adequate level of reserves and balances are therefore key factors in the Finance Director's assessment of the robustness of the budget.
226. The council's general fund reserves and balances at the end of 2010/11 totalled £91.2m, made up of £73.0m earmarked reserves and £18.2m general fund balance. In total this represents some 9.35% of the general fund spend in 2010/11.
227. The earmarked reserves, by their nature, are reserves set aside and earmarked for spending plans. Many of those spending plans were already in progress as at the end of 2010/11, especially around the council's modernisation agenda and major capital projects. The reserves also include balances that the council cannot freely reallocate, for example Dedicated Schools Grant unspent or PFI credits received in advance to meet future years' costs on the waste PFI scheme; or are balances that the council would not wish to redirect, for example the council's self insurance reserve.
228. General fund balances are intended to act as a contingency in the event of any extraordinary unbudgeted expenditure having to be incurred. The target level of working balances has been set at £20m over the medium term, as per the 2012/13 MTRS, in line with similar organisations in London. Although the council has made progress to achieving this level of balances, there have been insufficient surplus resources over the years to be able to achieve this target. Current general fund balances stand at £18.2m. This is 1.87% of 2010/11 general fund spend, which is below the cross London average of balances held (2.06%) and lower than the inner London average of 2.43%. Outer London boroughs tend to have smaller contingency balances, with an average of 1.80%, but that includes seven boroughs that proportionately hold balances greater than Southwark. The finance director will continue to review the level of balances and reserves and report to the cabinet through the normal monitoring process.
229. In setting the budget the council needs to be mindful of the continued uncertainty with regards future funding particularly beyond 2012/13. This strengthens the importance of maintaining a robust MTRS within which to plan council business and sustain delivery of essential frontline services.

Consultation

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

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

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

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

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

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

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

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

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

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

237. Other key issues identified by the deputation included:

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

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

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

Next steps

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

Equalities

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

241. In September 2010, cabinet agreed seven budget principles. One of the council's budget principles is to "limit the impact of its budget on the most vulnerable and to being transparent with any specific group or groups of users who may be affected by any cut or reduction in service provision, and to conduct an equalities impact assessment of budget proposals." The budget principles are consistent with the council's new Approach to Equality, which was approved by cabinet in December 2011 and provides a strategic framework for the council to meet its duties under the Equality Act 2010.

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

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

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

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

Community impact statement

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

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

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

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

Legislative Framework

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

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

Equalities Legislation

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

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

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

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

Consultation on the budget proposals

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

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

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

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

Community Restoration Fund

265. Section 2(1) of the Local Government Act 2000 ('the 2000 Act') gives the Council a discretionary power to promote wellbeing where it considers this will achieve any one or more of the following three objectives:
- 1) the promotion or improvement of the economic well-being of its area.
 - 2) the promotion or improvement of the social well-being of its area.
 - 3) the promotion or improvement of the environmental well-being of its area.
266. The council can use the well-being power in relation to or for the benefit of the whole of its area, part of its area, all persons resident or present in its area or any person resident in its area. The power can be used to incur expenditure, give financial assistance to any person, enter into arrangements or agreements with any person, co-operate with or facilitate or co-ordinate the activities of any person, exercise on behalf of any person any functions of that person and provide staff, goods, services or accommodation to any person. The establishment of the Community Restoration Fund falls within the scope of the kind of activities the council can undertake under the power of well-being. The fund will achieve the promotion of the economic and social well-being of the council's area.
267. The decision to allocate funds under the community Restoration Scheme will be made by Individual Members in accordance with part 3D of the Constitution.
268. In accordance with paragraph 2 of The Budget and Policy Framework Rules of the constitution, Cabinet are required to recommend the budget to Council Assembly for approval.

REASONS FOR URGENCY

269. The council has an obligation to set a lawful budget by the statutory deadlines and ensure all the necessary preparatory administrative and financial arrangements are in place prior to the next financial year. The council also required sufficient time to consider the implications of the government settlement on the budget proposals.
270. Cabinet are also required to recommend a budget to Council Assembly for approval on 29 February 2012. All local authorities are required to set their council tax by 11 March 2012. Any delay to this date would mean the Council

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

REASONS FOR LATENESS

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

BACKGROUND DOCUMENTS

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

APPENDICES

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

AUDIT TRAIL

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

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

COMMITMENTS

APPENDIX A

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

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

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

Department	Description of Savings	2012/13 £'000
Environment and Leisure		
Sustainable Services	Restructure Divisional Management and Support including revising terms and conditions	(230)
Sustainable Services	Recalculation of waste PFI cost profiling. £1.8m reduction arising from contract efficiencies.	(1,775)
Sustainable Services	Efficiency savings from the refuse collection service contract arising from roll out of weekly food waste collections where feasible and staged introduction of fortnightly collection of dry recyclables.	(140)
Sustainable Services	Utilising spare capacity from the waste and recycling centre at the Old Kent Road Site	(150)
Sustainable Services	Further savings negotiated with Veolia (Bulky waste changes)	(55)
Sustainable Services	Further savings negotiated with Veolia (Container delivery changes)	(88)
Community Safety	Reorganisation of Community Safety and Enforcement division by further reducing management posts	(60)
Community Safety	Restructure the principal enforcement officer functions to focus our resources in the areas, at the times, on the businesses and the communities that need them most. We will also be focusing resources from across our regulatory services in those areas so that we can deal with a range of issues through tougher enforcement.	(52)
CLLL	Restructure divisional support services	(97)
CLLL	Contract savings delivered by the new Leisure Management Agreement	(200)
Business Support	Review admin overheads	(8)
Total Environment and Leisure		(2,855)
Housing Services		
Housing Strategy and Options - Housing Options Services	Restructure of Housing Options team.	(38)
Housing Strategy and Options - Business Support Services	Rationalise business support services through restructuring of service.	(7)
Total Housing Services		(45)
Deputy Chief Executive		
Director and Business Support	On-going review of service to deliver efficiencies including departmental restructure, modernisation programme and shared services across functions	(19)
Planning & Transport - Development Management	Savings from review of the technical support area.	(65)
Economic Development & Strategic Partnership	Reduction in administrative costs	(13)
Major Projects	Savings to be achieved from review and rationalisation of project team budgets and strategic management costs across the regeneration function	(117)
Human Resources	Reduction in transactional staff through extension of self-service/efficient process. Reduction in direct staffing support. These reductions are the second and third stages of the HR shared services review which was first implemented in April 2009 as a result of the move to Tooley Street. The shared services review will lead to the consolidation of HR services from across the council and improved processes, including the use of IT, to improve efficiency.	(210)
Corporate Strategy	Review of structure, staffing levels and support costs across the division. This would include significantly reducing the training budget, reviewing subscriptions to external policy services and minimising all stationery, software and printing requirements.	(80)
Communications	Shared service with Westminster	(50)

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

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

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

Department	Description of Savings	2012/13 £'000
Environment and Leisure		
Public Realm	Savings from revision of reactive street maintenance. This proposal will involve reducing what is spent on road repairs, lighting and street furniture. Safety issues will continue to be prioritised and addressed but planned maintenance programmes will be reduced. Resources will be focused on urgent repairs to be done.	(200)
Public Realm	Savings resulting from rationalisation of school crossing patrol service at crossings which are already signal controlled.	(50)
Sustainable Services	Reduction in accommodation costs following move from Manor Place Depot	(60)
Sustainable Services	Savings from the rescheduling and reprioritising of the mechanical sweeping service	(100)
Community Safety	Savings resulting from the re-organisation of the community safety service	(45)
Community Safety	Reorganise Southwark Anti Social Behaviour Unit (SASBU) team to solely manage high risk cases of anti social behaviour	(90)
Community Safety	Phase 2 of reorganisation of the Community Wardens Service to focus on three key town centre locations and supported by a response team service linked directly to the retained environmental enforcement team. The 3 town centre teams will be based in Elephant and Castle, Camberwell and Peckham Town Centres. The reactive response team will be targeted to the areas, times and issues that concern our community the most. The additional accredited powers given to wardens means that the service will be able to deal with a wider range of anti social behaviour issues. Close working relationships with the Police and shared tasking arrangements means that we will use a variety of interventions to tackle anti-social behaviour.	(531)
CLLL	Reduce the funding to the South London Gallery	(10)
CLLL	Savings derived from the re-configuration of support staff within the culture service	(40)
CLLL	Consultants services budget for Playing Fields not required any longer	(28)
CLLL	Review of Library services. The future size and shape of the service was considered through a complete review and consultation that took place in 2011/12. No library buildings will close as a result of the review..	(274)
CLLL	Further divisional efficiencies	(42)
Total Environment and Leisure		(1,470)
Housing Services		
Housing Strategy and Options - TA model	Reduction in placements in temporary accommodation. Reduce overall costs of placements by reducing dependency on expensive bed and breakfast accommodation through the use of other social housing, private sector provision and bringing council void properties back into use.	(38)
Housing Strategy and Options - Strategy & Regeneration	Restructure and rationalisation of Housing Renewal Team.	(110)
Housing Strategy and Options - Temporary Accommodation	Reduction in funds used to provide emergency furniture for resettlement clients, through better procurement and reduced specifications.	(14)
Housing Strategy and Options - Temporary Accommodation	Restructure of supported hostels service.	(11)
Housing Strategy and Options - Temporary Accommodation	Rationalise service provision including reduced information support and placement support and procurement posts.	(14)
Housing Strategy and Options - SMART Service - Older Persons Service	Restructure monitoring and support function.	(28)
Housing Strategy and Options - Policy & Performance and procurement	Rationalise back office support e.g. communications.	(24)
Total Housing Services		(239)

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

APPENDIX F

OVERVIEW AND SCRUTINY RECOMMENDATIONS ON THE BUDGET

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

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

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

Voluntary Sector Transition Fund

Awards to date

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

Evaluation process

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

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

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

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

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

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

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

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

The ongoing monitoring arrangements

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

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

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

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

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

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

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

Equalities Analysis

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

- Equality Act protected characteristics
- Departmental funding streams

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

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

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

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

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

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

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

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

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

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

TOTAL SERVICE BUDGETS

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

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

Children's services

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

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

Communities law and governance

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

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

Deputy chief executive (inc Regeneration and neighbourhoods)

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

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

Environment and leisure

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

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

Finance and resources

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

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

Health and community services

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

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

Housing services

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

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

Council Tax Comparisons – 2005/06 to 2011/12

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 %
2011/12				
England	N/A	N/A	1,439.22	0.0
Greater London	999.23	0.0	1,308.62	0.0
Southwark	912.14	0.0	1,221.96	0.0
2010/11				
England	N/A	N/A	1,439.22	1.8
Greater London	999.23	0.0	1,308.62	0.0
Southwark	912.14	0.0	1,221.96	0.0
2009/10				
England	N/A	N/A	1,413.84	3.0
Greater London	998.86	1.7	1,308.23	1.3
Southwark	912.14	0.0	1,221.96	0.0
2008/09				
England	N/A	N/A	1,373.08	3.9
Greater London	982.29	2.9	1,291.66	2.7
Southwark	912.14	4.0	1,221.96	3.5
2007/08				
England	N/A	N/A	1,321.32	4.2
Greater London	954.76	3.1	1,258.19	3.6
Southwark	877.06	3.9	1,180.94	4.3
2006/7				
England	N/A	N/A	1,267.91	4.5
Greater London	925.91	2.0	1,214.11	4.5
Southwark	844.14	0.0	1,132.75	3.1
2005/06				
England	N/A	N/A	1,213.81	4.1
Greater London	907.68	3.4	1,161.94	3.8
Southwark	844.14	1.8	1,098.76	2.6

Item No: 3.1	Classification: Open	Date: 29 February 2012	Meeting Name: Council Assembly
Report title:		Setting The Council Tax 2012/13	
Wards or Groups affected:		All	
From:		Finance Director	

RECOMMENDATIONS

1. That council assembly note the Greater London Authority on 9 February 2012 announced a precept level of £306.72 at Band D.
2. That the council tax for band D properties in Southwark be set at: £1,218.86.
3. That a discount of £2.24 will be applied to properties in the former parish of St Mary Newington, funded from the trust fund available for this purpose.
4. That no discount be applied to properties in the former parish of St Saviours.
5. That the council tax for band D properties in Southwark be set for:

	Band D council tax £	Discount £	Net band D for the area £
the former parish of St Mary Newington	1,218.86	(2.24)	1,216.62
the former parish of St. Saviours	1,218.86	0	1,218.86
the remainder of the Borough	1,218.86	0	1,218.86

6. That the formal resolution for council taxes in 2012/13 (shown in Appendix A) be approved.
7. That the existing local war widows schemes for housing benefits and council tax benefits be continued in 2012/13.

BACKGROUND INFORMATION

8. Under the Local Government Finance Act 1992, the council is required to determine the level of council taxes in the borough for 2012/13. This must be completed before the 11 March 2012.
9. The 2011 Localism Act has made changes to the way that the budget is presented, instead of calculating a budget requirement, a council tax requirement is now required to be reported.
10. The formal resolution included as Appendix A has been amended from previous years to reflect these changes in legislation.

11. The change is purely presentational, the budget requirement is still needed as part of the budget setting process, and the council tax requirement has always been calculated.
12. The Greater London Authority announced its precept on 9 February 2012. The estimated amount required from Southwark is £30.682 million - a demand on the band D council tax of £306.72, this is a 1% reduction on the 2011/12 precept.

KEY ISSUES FOR CONSIDERATION

The council tax for Southwark services

13. The budget requirement for Southwark is £308,197,327, included the Policy and Resources Strategy 2012/13-2014/15 – revenue budget report
14. Southwark's council tax requirement for 2012/13 is calculated as follows:

	£
Budget requirement	308,197,327
Less formula grant	(217,078,372)
Add estimated 2011/12 collection fund deficit	123,631
Council tax requirement	<u>91,242,586</u>

15. The council tax requirement of £91,242,586 when divided by the 2012/13 taxbase for Southwark of 100,031.34, agreed by Council Assembly on 25 January 2012, gives a band D council tax requirement for Southwark services only of £912.14 for 2012/13. This is a nil increase to the 2011/12 council tax.
16. 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

17. The Greater London Authority announced its precept on 9 February 2012. The estimated amount required from Southwark is £30.682 million - a demand on the band D council tax of £306.72, this is a 1% reduction on the 2011/12 precept.
18. The Mayor of London has committed to raise up to £625m from London Council Taxpayers as a contribution to the 2012 Olympic Games and Paralympic Games, the total precept contains £20 towards this contribution. The present forecast is that based on a continuing marginal increase in the Council Tax base, £625m would be raised by a Band D amount of £20 for 10 years to 2015/16, and approximately £8 in year 11 in 2016/17. Council tax for Southwark in 2012/13

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

Authority	Band D Tax 2011/2012 £	Band D Tax 2012/2013 £	Change %
Southwark	912.14	912.14	0.00%
Greater London Authority	309.82	306.72	(1.00%)
TOTAL BAND D TAX	1,221.96	1,218.86	(0.25%)

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

Differential council taxes

20. 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 (subject to approval)

21. The available balance on this account on 31 March 2013 is estimated at a surplus of £30,000 and the cost of council tax relief of £1 is estimated at £13,420. The maximum relief that can be granted for 2012/13 is therefore £2.24 for a band D property, giving a net council tax of £1,216.62 for a band D property in this area.

The Former Parish of St. Saviours - Borough Market

22. There has been no surplus declared by Borough Market, consequently there will be no balance available on this account at 31 March 2013 to reduce the level of council tax for this area. Therefore for 2012/13 council tax will be the standard £1,218.86 for a band D property in this area.

Housing and council tax benefits - local schemes

23. 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).
24. 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 25 people receiving the disregard at an estimated cost of £49,736. Benefit expenditure under the local scheme for 2012/13 attracts subsidy at 75% capped at 0.2% of the total benefit cost to the authority. Therefore an amount of £12,434 has been allowed for in the 2012/13 budgets.
25. 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 2012/13 will be £120.95 for standard war widows' pensions and £168.38 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.

Community impact statement

26. 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 2012/13 Revenue Budget (The Budget and Policy Framework) - elsewhere on this agenda.

Consultation

27. 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.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

28. Council assembly is being asked to agree the formal resolution setting the council tax for 2012/13, and approve the local scheme for housing benefit and council tax benefit in 2012/13 that must be approved annually. Local Government Finance Act 1992 s.30 (the LGFA 1992) requires that the Council Assembly sets an amount of council tax for each financial year and for each category of dwellings in its area. The amount is calculated by taking the aggregate of the calculations made by the authority under Sections 31A, 31B and 34 to 36 of the LGFA 1992 together with the precept issued to the authority by the Greater London Authority. Preceptors must issue their precepts before March 1 preceding the financial year to which they relate.
29. Once the authority has set the amount of council tax relating to the different geographical areas of the borough (under Section 30 LGFA 1992), the amounts for each valuation band are then calculated according to the ratios set out in Section 5 of the LGFA 1992. That council tax requirement (required by Sections 31A, 31B and 34 to 36 of the LGFA 1992) is also to be agreed by Council Assembly.
30. Section 25 of the Local Government Act 2003 requires the chief finance officer (Finance Director) to report to the authority when it is making the calculations required by sections 31A, 31B and 34 to 36 of the LGFA 1992 on (a) the robustness of the estimates made for the purposes of the calculations, and (b) the adequacy of the proposed financial reserves. That information is set out in the Policy and Resources Strategy – 2012/13 Revenue Budget included elsewhere on this agenda.. The authority is required to have regard to the chief finance officer's report when making the calculations.

Restrictions on voting under Section 106 of the Local Government Finance Act 1992

31. 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.
32. 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.
33. 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.
34. 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.

35. 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 and council tax benefits - local schemes

36. Council assembly is also being asked to agree the continuation of the disregard of war disablement pensions and war widows' pensions for benefit purposes.
37. 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 polygamously 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.
38. The council is required to make this decision annually.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Council Tax Base for 2012/13 report	160 Tooley Street London SE1P 5LX	Norman Lockie 020 7525 0928 John Braggins 020 7525 7489
Policy and Resources Strategy 2012/13-2014/15 – revenue budget	160 Tooley Street London SE1P 5LX	Jennifer Seeley 020 7525 0695

APPENDICES

No.	Title
Appendix A	2012/13 Formal Resolution
Appendix B	2012/13 Council Tax - Changes From 2011/12

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Finance Director	
Report Author	Duncan Whitfield, Finance Director	
Version	Final	
Dated	17 February 2012	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	17 February 2012	

Council Tax Resolution 2012/13

The Council is recommended to formally resolve as follows

1 That it be noted that at its meeting on 25th January 2012 the Council calculated the following amounts for the year (2012/2013) in accordance with Section 31B of the Local Government Finance Act 1992. (the Act)

(a) 100,031.34 being the amount calculated by the Council in accordance with regulation 31B of the Local Government Finance Act 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)	13,420.12
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Former Parish of St.Saviours (special expense area)	1,184.39
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Being the amounts calculated by the Council, in accordance with section 34(3) of the Act and Regulation 6 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 , as the amount of its Council Tax Base for the year for dwellings in that parts of the area to which one or more special items relate.

2 To calculate that the Council Tax requirement for the Council's own purposes for 2012/13 is £91,242,586

3 That, the following amounts now be calculated by the Council for the year (2012/2013) in accordance with Sections now 31A, 31B and 34-36 of the Act

(a) £979,380,459
being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act;

(b) -£888,137,873
being the aggregate of the amounts, which the Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act;

(c) £91,242,586
being the amount by which the aggregate of 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A (4) of the Act, as its council tax requirement for the year;

(d) £30,000 credit- Parish of St Mary Newington
£0 credit - Parish of St. Saviours

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

- (e) £91,212,586
being the amount by which the budget requirement at 3(c) above is now replaced (after adding the items 3(d) above);
- (f) £911.84
being the amount at 3(e) divided by the amount at 1(a) above, calculated by the Council, in accordance with Section 31B of the Act as the basic amount of its Council Tax for the year;
- (g) -£30,000
being the aggregate amount of all special items referred to in Section 34(1) of the Act;
- (h) £912.14
being the amount at 3(f) above less the result given by dividing the amount at 3(g) above by the amount at 1(a) above, calculated in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for the dwellings in those parts of its area to which no special item relates
- (i) Part of the Council's area
- | | |
|-------------------------|---------|
| St. Mary Newington | £909.90 |
| St. Saviours | £912.14 |
| (Special Expense Areas) | |

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

(j) Parts of the Council's Area

Band	Parish of St. Mary Newington	Parish of St Saviours	All Other Parts of the Council's Area
	£	£	£
A	606.60	608.09	608.09
B	707.70	709.44	709.44
C	808.80	810.79	810.79
D	909.90	912.14	912.14
E	1,112.10	1,114.84	1,114.84
F	1,314.30	1,317.54	1,317.54
G	1,516.50	1,520.23	1,520.23
H	1,819.80	1,824.28	1,824.28

being the amounts given by multiplying the amounts at 3(h) and 3(i) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D, calculated by the Council in accordance with section 36(1) of the Act as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

- 4 That it be noted for the year (2012/2013) 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	204.48
B	238.56
C	272.64
D	306.72
E	374.88
F	443.04
G	511.20
H	613.44

- 5 That having calculated the aggregate in each case of the amounts at 3(j) and 4 above, the Council, in accordance with Act 1992, hereby sets the following as the amounts of Council Tax for the year (2012/2013) 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	811.08	812.57	812.57
B	946.26	948.00	948.00
C	1,081.44	1,083.43	1,083.43
D	1,216.62	1,218.86	1,218.86
E	1,486.98	1,489.72	1,489.72
F	1,757.34	1,760.58	1,760.58
G	2,027.70	2,031.43	2,031.43
H	2,433.24	2,437.72	2,437.72

- 6 That the Council determines for the purposes of section 52ZB and 52ZC of the Act, that the Council's basic amount of Council Tax for 2012-13, which reflects a nil increase, is not excessive in accordance with the principles approved under section 52ZC of the Act

2012/2013 COUNCIL TAX - CHANGES FROM 2011/2012

APPENDIX B

INCLUDING PRECEPTORS

BAND	VALUATION £	DWELLINGS IN BAND NO.	DWELLINGS IN BAND %	ONE ADULT HOUSEHOLD				TWO OR MORE ADULT HOUSEHOLD			
				COUNCIL TAX 2011/12 £	COUNCIL TAX 2012/2013 £	CHANGE £	CHANGE %	COUNCIL TAX 2011/2012 £	COUNCIL TAX 2012/2013 £	CHANGE £	CHANGE %
A	Under 40,000	12,460	9.8	610.98	609.43	-1.55	-0.3	814.64	812.57	-2.07	-0.3
B	40,001 to 52,000	37,271	29.2	712.81	711.00	-1.81	-0.3	950.41	948.00	-2.41	-0.3
C	52,001 to 68,000	33,259	26.1	814.64	812.57	-2.07	-0.3	1,086.19	1,083.43	-2.76	-0.3
D	68,001 to 88,000	20,753	16.3	916.47	914.15	-2.32	-0.3	1,221.96	1,218.86	-3.10	-0.3
E	88,001 to 120,000	13,661	10.7	1,120.13	1,117.29	-2.84	-0.3	1,493.51	1,489.72	-3.79	-0.3
F	120,001 to 160,000	5,691	4.5	1,323.80	1,320.44	-3.36	-0.3	1,765.06	1,760.58	-4.48	-0.3
G	160,001 to 320,000	3,942	3.1	1,527.45	1,523.57	-3.88	-0.3	2,036.60	2,031.43	-5.17	-0.3
H	Over 320,000	556	0.4	1,832.94	1,828.29	-4.65	-0.3	2,443.92	2,437.72	-6.20	-0.3
TOTAL		127,593	100.0								

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2012/13 COUNCIL TAX - CHANGES FROM 2011/2012

EXCLUDING PRECEPTORS

BAND	VALUATION £	DWELLINGS IN BAND NO.	DWELLINGS IN BAND %	ONE ADULT HOUSEHOLD				TWO OR MORE ADULT HOUSEHOLD			
				COUNCIL TAX 2011/12 £	COUNCIL TAX 2012/2013 £	CHANGE £	CHANGE %	COUNCIL TAX 2011/2012 £	COUNCIL TAX 2012/2013 £	CHANGE £	CHANGE %
A	Under 40,000	12,460	9.8	456.07	456.07	0.00	0.0	608.09	608.09	0.00	0.0
B	40,001 to 52,000	37,271	29.2	532.08	532.08	0.00	0.0	709.44	709.44	0.00	0.0
C	52,001 to 68,000	33,259	26.1	608.09	608.09	0.00	0.0	810.79	810.79	0.00	0.0
D	68,001 to 88,000	20,753	16.3	684.11	684.11	0.00	0.0	912.14	912.14	0.00	0.0
E	88,001 to 120,000	13,661	10.7	836.13	836.13	0.00	0.0	1,114.84	1,114.84	0.00	0.0
F	120,001 to 160,000	5,691	4.5	988.16	988.16	0.00	0.0	1,317.54	1,317.54	0.00	0.0
G	160,001 to 320,000	3,942	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	556	0.4	1,368.21	1,368.21	0.00	0.0	1,824.28	1,824.28	0.00	0.0
TOTAL		127,593	100.0								

Item No: 3.2	Classification: Open	Date: 29 February 2012	Meeting Name: Council Assembly
Report title:		Treasury Management Strategy 2012/13 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 treasury management strategy 2012/13 to be managed by the finance director under financial delegation.
 - (ii) agree the annual investment strategy 2012/13 set out in Appendix A, with capital preservation a key objective, in line with Government guidance on investments.
 - (iii) agree prudential indicators covering capital finance, borrowing and cash management for the years 2012/13 to 2014/15 set out in Appendix B.
 - (iv) agree the annual minimum revenue provision statement 2012/13, which sets aside prudent sums from revenue to reduce debt, set out in Appendix C.
 - (v) agree a capital allowance of £192m, described in paragraphs 28 - 30, enabling the council to continue retaining capital receipts for affordable housing and regeneration.

BACKGROUND INFORMATION

2. Each year the council assembly agrees a treasury management strategy to manage investments and debt. The investments represent balances, provisions and working capital to support the council's financial management and the debt funds the capital spending carried out in the past or due to be carried out in the near future. Investment and borrowing activity must be carried out in accordance with the Local Government Act 2003 and have regard to government guidance on investments and sums set-aside as minimum revenue payment to repay debt as well as the Treasury Management in the Public Services Code of Practice plus Guidance and the Prudential Code for Capital Finance in Local Authorities, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The codes were updated in November 2011 and include developments in Housing Revenue Account self-financing brought in by the Localism Act 2011.
3. Whilst the finance director is responsible for all executive and operational decisions on borrowings and investments under financial delegation, 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 before the start of each year. 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 agreeing each year.

4. The report recommends a capital allowance of £192m, which enables the council to carry on retaining capital 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.
5. As well as this annual strategy report, the council assembly also receives a mid-year report and an annual outturn report after the end of the year. Quarterly updates are presented to cabinet and the audit and governance committee is asked to review and scrutinise treasury policies and strategy.

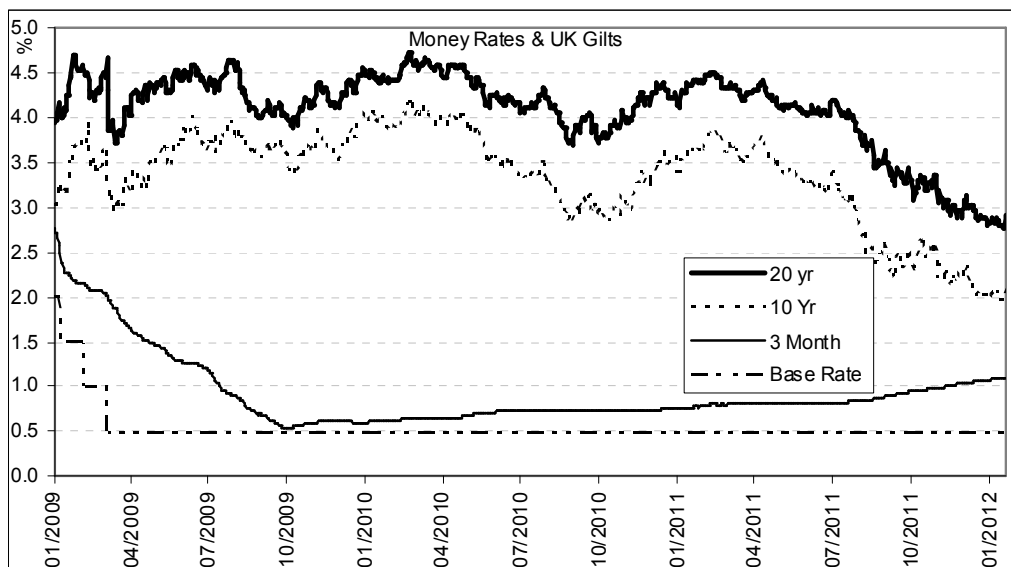
KEY ISSUES FOR CONSIDERATION

Treasury management strategy: Borrowing and investments

6. The investment and borrowing strategy is set out below and is unchanged from the previous year apart from changes in rating (referred to in paragraphs 13 to 16) and the use of cash from 2012 onwards to manage debt costs ahead of refinance with loans (paragraph 23).

Background - Developments in financial markets

7. Since last summer's developments in the Euro area, sovereigns have dominated investor attention. Amid declining expectations of economic growth, and in spite of international financial support, uncertainty over the fiscal path of countries such as Greece, Ireland and Portugal, extended to larger euro-area sovereigns, notably Italy and Spain, where the spread (the additional interest rate) investors demanded over German rates rose above 4%. Other countries considered part of Euro core, e.g. France and the Netherlands also experienced pressure as markets considered the sovereigns would have to step in to support their financial system and weaker countries. In the meantime safe-haven flows kept US treasury and UK long-term gilt rates low (see UK rates on chart 1 below).



8. Fears about the consequences on banks of sovereign risk also increased. Bank shares underperformed equity markets generally, funding costs rose, inter-bank lending remained strained and Dexia, a French-Belgium bank, had to be rescued. Perceptions of UK banks were also affected through their exposure to private sector lending in vulnerable sovereigns and to banking systems that have exposure to those countries.
9. Monetary authorities responded to signs of weaker growth with extra stimulus. The US, UK and Japan all announced additional asset purchase plans. The ECB cut lending rates and purchased sovereign bonds in the market. In December 2011, the European Head of States agreed to put in place tighter fiscal rules on top of earlier measures to improve funding to sovereigns by strengthening the European Financial Stability Facility and requiring banks to strengthen their capital.
10. To ease funding strains, banks received significant support, from domestic central banks and credit lines coordinated between authorities in the US, Europe, Canada, Japan and Switzerland. The European Central Bank (ECB) has been particularly active. It relaxed collateral requirements and in December provided low-cost financing (523 banks accessed 489bn Euros in cheap three year loans). Further support is pledged in February 2012. All together this has helped ease funding pressures on banks and Spanish and Italian sovereign yields have come down.

Investment strategy

11. Throughout the market turmoil, the council has maintained a cautious approach to lending. Exposure to banks is biased in favour of large banks in stronger sovereigns where the likelihood of support, in the event it were needed, is high and the provider of that support has a very high propensity to provide the support. Credit exposure is further reduced by use of money market funds which diversify exposure to any one bank. There is also exposure to UK gilts and supranational bonds (i.e. those issued by the European Investment Bank (EIB) and the International Bank for Reconstruction and Development (IBRD, the 'World Bank'). All exposure beyond one year is in gilts or EIB + IBRD bonds.

12. Although the ECB action has eased financing concerns, the inter-bank markets remains dis-functional and the financial sector remains exposed to unfavourable sovereign developments and slower growth. Close attention to sovereign and funding markets will continue to be required and a flexible, but prudent, approach taken when placing funds. To ensure the council can continue to do this, two changes are needed to the minimum credit ratings referred to in the annual investment strategy. The first is to the long term rating and the second is to sovereign ratings.
13. Ratings agencies have responded to developments in financial markets by lowering the rating of many previously high rated sovereigns and systemically important banks in Europe. The minimum rating referred to in the strategy is A+/A1/A+ (Fitch, Moody's & S&P respectively). One or more rating agencies now assign large UK institutions a long term ratings that is one-notch below that. RBS (including its subsidiary National Westminster plc), falls short of the minimum by one-notch on all three rating agencies, Lloyds TSB on two, and Barclays and Nationwide Building Society on one.
14. It is prudent that the council continues to have flexibility to lend to major high rated banks, including UK banks, where the likelihood of support is very high. To ensure the council can continue to do that, a one-notch reduction in the minimum long term rating is recommended within the annual investment strategy. This would still represent high credit quality, with a strong capacity for timely repayments. It would also be methodologically consistent with the highest short term rating specified in the strategy, i.e. F1/P-1/A-1 (Fitch, Moody's and S&P respectively) as well as Fitch's support rating of 1 (1=extremely high likelihood of support, 2=high likelihood of support). According to S&P's Annual European Global Corporate Default Study 2010, annual default rates of 'A' rated corporates (i.e. banks, financial institutions, and commercial and industrial entities) was between 0% and 0.90% in any one year since 1981 (the average was 0.05%). Default rates across business groupings are likely to vary, particularly given commercial banks' unique access to central bank funding. In the unlikely event that under current central bank support arrangements a major bank proceeded to default, shareholder and subordinated bond holders would typically bear losses before depositors are affected.
15. The second area of rating flexibility concerns sovereigns. At the moment the strategy makes reference to sovereign ratings issued by Fitch. In future reference will also be required to those issued by other rating firms. The minimum sought from any one agency would become AA-/Aa3/AA- (Fitch, Moody's and S&P respectively), indicating very high credit quality and very strong capacity for timely repayment. The reference to short-term sovereign rating is withdrawn as it is not always provided by all three agencies. The table below shows current long term sovereign ratings.

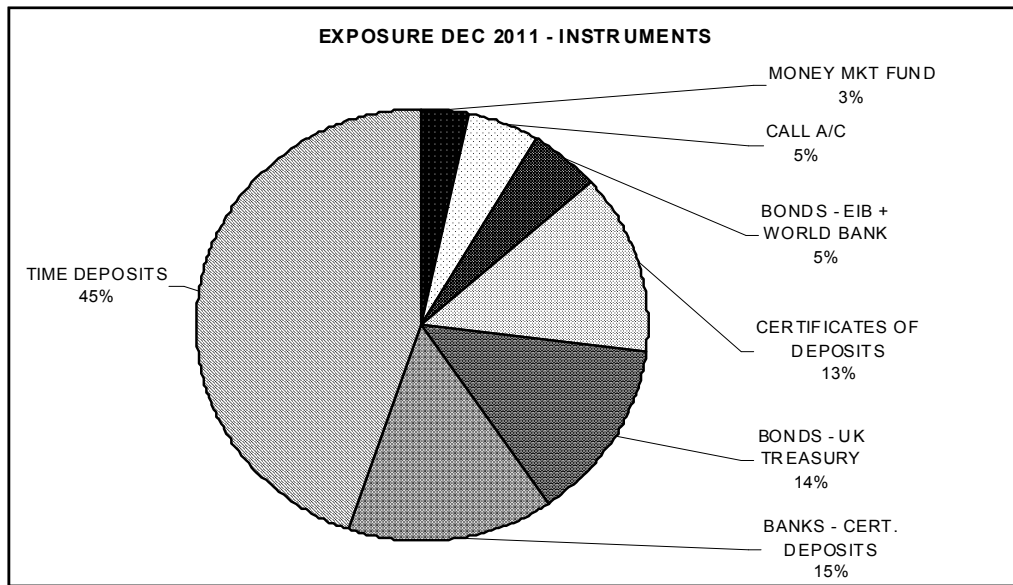
LONG TERM SOVEREIGN RATINGS - Feb 2012			
COUNTRY	FITCH	MOODY'S	S&P
AUSTRALIA	AAA	Aaa	AAA
CANADA	AAA	Aaa	AAA
FINLAND	AAA	Aaa	AAA
GERMANY	AAA	Aaa	AAA
NETHERLANDS	AAA	Aaa	AAA
NORWAY	AAA	Aaa	AAA
SUPRANATIONAL	AAA	Aaa	AAA
SWEDEN	AAA	Aaa	AAA
SWITZERLAND	AAA	Aaa	AAA
UK	AAA	Aaa	AAA
USA	AAA	Aaa	AA+
FRANCE	AAA	Aaa	AA+
BELGIUM	AA	Aa3	AA
SPAIN	A	A1	A
ITALY	A-	A2	BBB+
PORTUGAL	BB+	Ba2	BB
IRELAND	BBB+	Ba1	BBB+
Minimum Proposed from any one agency	AA-	Aa3	AA-

16. It is possible that banks could be downgraded further in the future and should that happen the finance director will, as now, continue to have discretion to vary minimum rating and limits in response to market developments and operational requirements where prudent to protect the council's interests.
17. The annual investment strategy for 2012/13 encompassing this approach is set out in Appendix A. Except for the rating changes referred to above it is similar to the one currently in force and is set out according to government guidance on local authority investments. Investments are classified into specified and non-specified investments. Specified investments are those in sterling not more than one year in high rated institutions, the UK Government or local authorities. Non-specified ones are all other investments, which in Southwark's case are those that are over a year and in money market bank deposits, certificates of deposit, or UK and supranational bonds. The council assembly is asked to approve the 2012/13 annual investment strategy set out at Appendix A. It is, under government guidance, to be published on the council's website.

Investment position

18. The sum held in investments at the end of December 2011 was £313m 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.
19. 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 2011 is set out below.



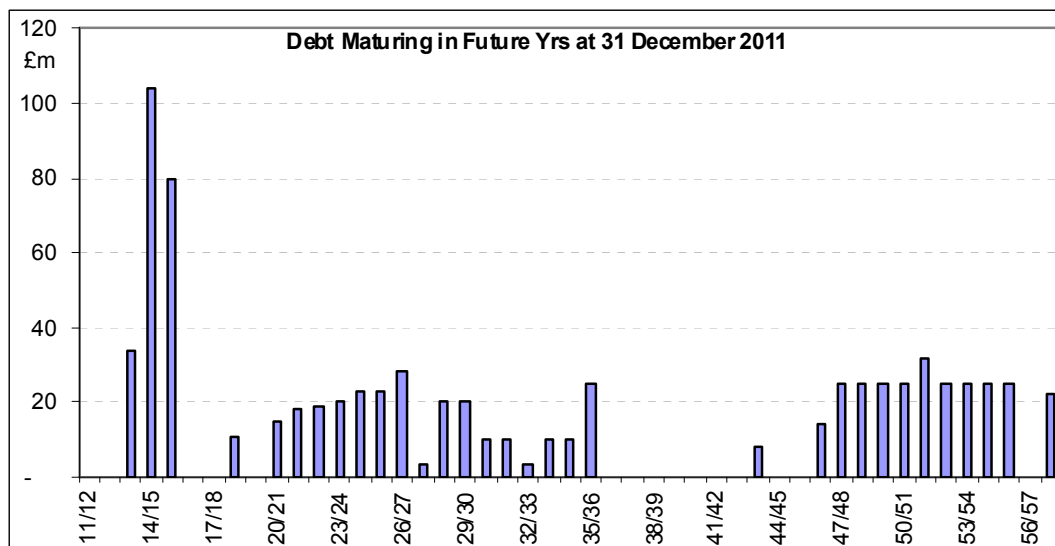
EXPOSURE - DEC 2011 COUNTERPARTY AND RATINGS																
COUNTERPARTY	Exposure £m					FUND						Fitch Ratings				
	Aberdeen	Alliance Bernstein	Invesco	In-House	£m	Long	Short	Support	Sovereign	Sovereign Rating						
NORDEA BK FINLAND		0.5	6.5	5.0	12.0	AA-	F1+	1	FINLAND	AAA						
BANQUE NATIONAL DE PARIS			3.6		3.6	A+	F1+	1	FRANCE	AA+						
CREDIT INDUST ET COMRCL	5.5				5.5	A+	F1+	1	FRANCE	AA+						
SOCGEN		0.5	6.5		7.0	A+	F1+	1	FRANCE	AA+						
DEUTSCHE BK			6.2	15.0	21.2	A+	F1+	1	GERMANY	AAA						
GLOBAL TREAS FUNDS-MMF				10.7	10.7		AAA		GLOBAL							
ABN AMRO BK	5.0				5.0	A+	F1+	1	NETHERLANDS	AAA						
ING BK	5.1		6.5		11.6	A+	F1+	1	NETHERLANDS	AAA						
RABOBANK	4.5	0.5			5.0	AA	F1+	1	NETHERLANDS	AAA						
EUROPEAN INV BK	6.2	5.8			12.0	AAA	F1+		SUPRANATIONAL	AAA						
INT BK RECONST DEVT		4.3			4.3	AAA	F1+		SUPRANATIONAL	AAA						
SVENSKA	2.7	0.5		15.0	18.2	AA-	F1+	1	SWEDEN	AAA						
CREDIT SUISSE		0.6			0.6	A	F1	1	SWITZERLAND	AAA						
UBS	3.1			15.0	18.1	A	F1	1	SWITZERLAND	AAA						
BARCLAYS BK	2.5	0.5	6.5	15.0	24.6	A	F1	1	UK	AAA						
HSBC	0.2	0.1	0.1		0.4	AA	F1+	1	UK	AAA						
LLOYDS TSB/BK SCOTLAND				15.0	15.0	A	F1	1	UK	AAA						
NATIONWIDE BSCC	3.9	0.5		15.0	19.5	A+	F1	1	UK	AAA						
SANTANDER UK	6.5			15.0	21.5	A+	F1	1	UK	AAA						
UK TREASURY	2.2	36.5	3.9		42.6	AAA	F1+	0	UK	AAA						
BK OF NOVA SCOTIA	3.5		4.1	10.0	17.6	AA-	F1+	1	CANADA	AAA						
COMMONW BK AUSTRALIA				15.0	15.0	AA	F1+	1	AUSTRALIA	AAA						
NATIONAL AUSTRALIA		0.5	6.5	15.0	22.0	AA	F1+	1	AUSTRALIA	AAA						
Total £m	51.0	50.8	50.6	160.9	313.2											

20. The average return for the 9 months to December 2011 was 0.83% against part year average base rates of 0.38%. With base rates remaining low for some time and central banks providing ample liquidity, returns under a prudent capital preservation strategy are expected to remain low.

Debt management position and strategy

21. The debt outstanding at the end of December 2011 was £762m and no new loans were taken in 2011. The debt 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). The

average rate of interest across all loans is 6.94% and reflects a long period between the 1970's and early 1990's, when high capital spending and debt funding coincided with years of high inflation and high interest rates. The chart below sets out the amounts currently maturing in each year and the earliest that loans fall for repayment is 2013/14. The sums maturing will fall when some £199m is paid-off towards the end of March 2012 and Housing Revenue Account (HRA) self-financing begins (referred to further in paragraphs below).



22. Until recently local authorities were able to borrow at rates close to the cost of the government's own borrowing. However following the comprehensive spending review in October 2010, the government decided that councils will have to pay one-percent more for any new borrowing taken from the PWLB. Interest rate risk is further increased under HRA self-financing. Currently around 80% of the debt is attributable to the HRA and reflected in subsidy, which compensates for changes in the actual average rate. Under self-financing, interest rate volatility, together with other costs of running council houses, will have to be met entirely from rental income. The government advised in the final determination issued in February 2012 that it will reduce debt by some £199m to help the council manage under the new regime.
23. The increased sensitivity to interest rates from 2012 will need careful management and the finance director will keep under review options for hedging and mitigating risk, including using cash to manage debt costs ahead of refinancing with lower coupon long term loans. Account will be taken of interest rate expectations when any new debt is taken on to pay for current or future capital spend or when any prudent debt refinancing to manage interest rate exposure is carried out. Any sum borrowed ahead of requirement will be invested prudently until needed and any refinancing that may be carried out, under existing arrangements for financial delegation, will be within a risk controlled framework as well as prudential indicators and limits discussed below.
24. There was some interest amongst local authorities for sourcing funding through a public bond issue or a private-placement after the government raised the margin it charged for borrowing from the PWLB. Interest in such funding has however fallen since the government decided that it will supply cheap loans to those councils (unlike Southwark) that will have to take on debt as part of HRA

reforms. Demand has also softened as investors seek a higher premium for holding debt in the face of continued turmoil in credit markets.

Prudential indicators

25. Prudential indicators consist of a series of estimates and limits to give a general picture of the affordability, prudence and sustainability of capital finance and treasury management. The indicators are drawn from the Prudential Code for Capital Finance for Local Authorities and the Treasury Management in the Public Services Code of Practice and Guidance, which were updated for HRA self-financing, brought in under the Localism Act 2011. Additional debt indicators were added and guidance included about allocating debt financing costs between the HRA and the General Fund.
26. The prudential indicators are set out in detail in Appendix B and the ones needing council assembly approval are those for 2012/13 to 2014/15. The indicators do not affect existing budgets and approval will enable the finance director to carry out his financial responsibilities. The indicators will be updated over the course of 2012/13 to reflect activity and latest developments in HRA reforms. One of the indicators is the authorised limit on debt and includes the cost of long term liabilities like private finance initiatives (e.g. the new build St Thomas the Apostle school and the Old Kent Road waste management facility) and equipment and vehicle leases. The authorised limit is a self-imposed ceiling which the council is required to determine and stay below under the Local Government Act 2003. The council's debt and long term liabilities at 31/3/2012 is projected to be around £863m, within the operational and authorised limits for the year. The council is asked to agree the prudential indicators set out in Appendix B ensuring compliance with the 2003 Act and CIPFA's codes.

Annual minimum revenue provision statement

27. 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 each year, but since 2008 the statutory regulations requiring these payments have been replaced by guidance requiring councils to agree a policy on MRP each year.
28. The MRP policy for 2012/13 recommended for approval is set out at Appendix C and is the same as the one for the current year 2011/12. 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

29. 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.
30. 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.

31. The capital allowance agreed by council assembly in February 2011 was £168m and now requires updating to reflect receipts of £34m that have been drawn against it and additional planned expenditure on affordable housing and regeneration of £58m bringing the total allowance up to £192m. The council assembly is therefore asked to agree a capital allowance of £192m, 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

32. The constitution determines that agreeing the treasury management strategy is a function of the council assembly and that review and scrutiny of strategies and policies is the responsibility of the audit and governance committee.
33. Financial standing orders require the finance director to set out the treasury management strategy for consideration and decision by council assembly, and report on activity on a quarterly basis to cabinet and at mid and year-end to council assembly. Furthermore all executive and operational decisions are delegated to the finance director.
34. The Local Government Act 2003 and supporting regulations require local authorities to determine annual borrowing limits and have regard to the Prudential Code for Capital Finance, and the Treasury Management in the Public Services Code of Practice and Guidance, published by the Chartered Institute of Public Finance and Accountancy, when considering borrowing and investment strategies, determining or changing borrowing limits or prudential indicators.
35. Section 15(1) of the 2003 Act requires a local authority “to have regard (a) to such guidance as the Secretary of State may issue”. This guidance is found in the Department of Communities and Local Government Guidance on Local Authority Investments updated March 2010 and there is statutory guidance on the Minimum Revenue Provision (MRP) produced under amendments made to section 21(1A) of the 2003 Act by section 238(2) of the Local Government and the Public Involvement in Health Act 2007.
36. 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.
37. 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 and Guidance - CIPFA DCLG Guidance on Local Authority Investments. Guidance on Minimum Revenue Provision - Issued by the Secretary of State – SI No. 2008/414	Finance and Resources Department, 160 Tooley Street London SE1 2TZ	Dennis Callaghan, Chief Accountant (020 7525 4375)

APPENDICES

No.	Title
Appendix A	Annual Investment Strategy 2012/13
Appendix B	Prudential Indicators - Recommended for Approval
Appendix C	Annual Minimum Revenue Provision Statement 2012/13

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Finance Director	
Report Author	Jennifer Seeley, Deputy Finance Director	
Version	Final	
Version Date	14 February 2012	
Key Decision	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	16 February 2012	

ANNUAL INVESTMENT STRATEGY 2012/13

BACKGROUND

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

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

The annual investment strategy for 2012/13 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 2012/13

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, and 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 that is treated as capital expenditure 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 2012 the council has three fund managers: AllianceBernstein Ltd, Aberdeen Fund Management Ltd and Invesco Asset Management Ltd.

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

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

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

ii) Support Rating

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

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

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

iv) Money Market Fund Rating

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

*The minimum size for funds 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 UK local authority or a supranational body shall be £40m. (Local authorities are not usually rated, but the Local Government Act 2003 provides sanctions in the event that an authority fails to meet its liabilities to lenders and exposure to local authorities helps diversify investments in a safe way when necessary). The limit for any one nationalised entity shall be £40m, but may be increased where the entity is a major bank to protect the council's interests.
- 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**

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.

- 3.1 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 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 or 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 out 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.

- 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	<p>Bonds issued by or guaranteed by the UK Government or by supranational bodies</p> <p><i>i) Typical usage</i></p> <ul style="list-style-type: none"> - To capture additional yields that may be available from investing longer from time to time, - To benefit from short and long run rate expectations. <p><i>ii) Characteristics</i></p> <ul style="list-style-type: none"> - 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. <p><i>iii) Limits</i></p> <ul style="list-style-type: none"> - 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.

Non-specified Investments- Usage, Characteristics and Limits	
B	<p>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.</p> <p><i>i) Typical usage</i></p> <ul style="list-style-type: none"> - 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. <p><i>ii) Characteristics</i></p> <ul style="list-style-type: none"> - Investments in this category are issued by the high rated banks and building societies, but as credit certainty tends to be lower for longer periods, careful analysis is necessary to ensure no undue risks are taken. - Prices are sensitive to expectations about the future course of interest rates, inflation and financial conditions generally. As well as moving favourably, prices can move adversely, risking income – the longer the bond the more sensitive its price to these factors. - Investments in this category are negotiable, apart from fixed term deposits which are only repaid on maturity. <p><i>iii) Limits</i></p> <ul style="list-style-type: none"> - 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.

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.

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.

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.

PRUDENTIAL INDICATORS – RECOMMENDED FOR APPROVAL**PRUDENTIAL INDICATORS**

1. Capital finance, borrowing and investment arrangements are brought together in a series of prudential indicators (estimates and limits) to give a general picture of the affordability, prudence and sustainability of financing activities. The indicators and limits are grouped into three broad areas: affordability, prudence, capital expenditure 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 plus Guidance, published by CIPFA and updated in November 2011. The Local Government Act 2003 requires that councils have regard to these codes.
3. The 2010/11 indicators are shown as actuals, the latest projections are in the 2011/12 column and future estimates or limits are under the 2012/13 to 2014/15 columns. The indicators needing approval are the ones for 2012/13 to 2014/15. They do not affect existing budgets and approval will enable the finance director to carry out his responsibilities in this area. Estimates will be updated over the course of 2012/13 to reflect latest activity and developments in housing revenue account (HRA) self-financing.

CRITERIA ONE: AFFORDABILITY AND PRUDENTIAL INDICATORS ON AFFORDABILITY
INDICATOR ONE: ESTIMATES OF RATIO OF FINANCING COSTS TO NET REVENUE STREAM

The financing ratio is the cost of financing capital expenditure (including PFI and leases) net of cash income as a proportion of the net revenue stream. The 2011 update to the Prudential Code gave new guidance on calculating the HRA financing ratio. It is now based on HRA rental income rather than a collection of items from HRA regulations. The 2010/11 actuals and subsequent years projections and estimates are shown using the new basis. The drop in the HRA ratio between 2011/12 and 2012/13 reflects a fall in debt costs following HRA self-financing and the rise in GF ratio over the same period arises from PFI funding. The indicators do not affect budgets. The latest projections and estimates for both the GF and HRA requiring approval are set out below.

Financing Ratios	2010/11 Actual	2011/12 Latest Projection	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
HRA	29.0%	27.0%	17.0%	17.0%	16.0%
GF	4.0%	5.0%	8.0%	7.0%	7.0%

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

Currently no increase in budgetary requirement is proposed as a result of the capital programme and no increase in council tax or rents is being sought either. The incremental increase in council tax or HRA rents recommended for approval are set out below.

Notional Rent or Council Tax Increases	2011/12	2012/13	2013/14	2014/15
Weekly housing rent increase as a result of capital programme	Nil	Nil	Nil	Nil
Council tax band D increase as a result of capital programme	Nil	Nil	Nil	Nil

CRITERIA TWO: PRUDENCE AND PRUDENTIAL INDICATORS FOR PRUDENCE

INDICATOR THREE: DEBT AND CAPITAL FINANCING REQUIREMENT

This indicator compares debt to the capital financing requirement (CFR), which is borrowing for capital plus long term liabilities like PFI and leases. Debt should not exceed the CFR over the medium term, but may do so over the short-term in the interest of prudent financing of capital expenditure and management of debt.

This indicator is met as actual debt currently stands at £762m, which is below the projected closing CFR for 2011/12 of £878m.

CRITERIA THREE: PRUDENTIAL INDICATORS FOR CAPITAL EXPENDITURE AND TREASURY

INDICATOR FOUR: ESTIMATES OF CAPITAL EXPENDITURE

The actual capital expenditure for 2010/11 was £189m and includes leases, PFI funding for St Michaels school and funding for residential care homes built between 2002 and 2004 but which accounting rules now require be put on balance sheet. The latest projections for 2011/12 include programme approvals and are subject to re-profiling and slippage. Future PFI include funding for St Thomas the Apostle and Sacred Heart schools becoming operational in 2011/12 and 2014/15 respectively and the waste management facility at the Old Kent Road site which becomes operational in 2011/12. Estimates of future capital expenditure are set out below for approval.

Capital Expenditure	2010/11 Actual £m	2011/12 Latest Proj. £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m
HRA	71	59	111	85	75
GF	118	186	140	59	43
Total	189	245	251	144	118

INDICATOR FIVE: ACTUAL AND ESTIMATES OF CAPITAL FINANCING REQUIREMENTS.

The CFR reflects borrowing and long term liabilities (e.g. PFI and leases) to pay for past capital expenditure or spend in the near future. Estimates of the CFR are set out below, for approval.

CFR	2010/11 Actual £m	2011/12 Latest Proj. £m	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m
HRA	650	650	451	451	451
General Fund	157	228	216	206	215
Total	807	878	667	657	666

INDICATOR SIX: HRA LIMIT ON INDEBTEDNESS

This is a new indicator and is the limit imposed by the Government on HRA debt under self-financing from 2012/13. The indebtedness limit indicated in the self-financing consultation issued in February 2012 is £577m.

INDICATOR SEVEN: ACTUAL DEBT- THE AUTHORISED AND OPERATIONAL LIMITS

The authorised and operational 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. It is not intended for long periods. The total authorised limit is the limit councils have to determine under the Local Government Act 2003.

The average level of borrowing in any one year is usually close to the capital financing requirement, before PFI and leases, but may be higher or lower 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 prudentially over a short period to restructure debt. The increased sensitivity to interest rates from 2012 will need careful management and the finance director will keep under review options for hedging and mitigating risk, including using cash to manage debt costs ahead of refinancing with lower coupon long term loans.

The operational and authorised limits set out below for approval accommodate existing debts (including HRA debt), new debts for capital spending, PFI schemes and any temporary increases for prudent debt refinancing that may be carried out.

Operational Boundary and Authorised Limits for External debt -	2010/11 Actual Max	2011/12 Latest Proj.	2011/12 Limit £m	2012/13 Limit £m	2013/14 Limit £m	2014/15 Limit £m
Operational Boundary for Debt						
Borrowing	762	762	860	630	620	615
Other long term liabilities	25	101	101(*)	110	100	120
Total Operational (*)	787	863	961	740	720	735
Authorised Limit for Debt -						
Borrowing	762	762	890	655	650	645
Other long term liabilities	25	101	101(*)	115	105	125
Total Authorised (*)	787	863	991	770	755	770

Note * - The council assembly agreed last February that the limits from 2011/12 be treated as increased for increase in long term liabilities arising from accounting changes in leasing and PFI. These liabilities are estimated at £101m in 2011/12 and the limits for that year have been updated to reflect that. (The liabilities limit before the adjustment was £20m). As before, the finance director 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. In the event of an unexpected delay in HRA self-financing settlement, the authorised limit is treated as increased by £199m, the amount of the settlement.

INDICATOR EIGHT: GROSS AND NET DEBT

This is a new indicator and is about the upper limit on net debt (i.e. gross debt less investments) as a percentage of gross debt. The net debt is currently lower than the gross as the council's revenue balances, provisions and working capital are held in investments pending their application. To ensure the funds remain in tact and available when they are need, reliance on them to settle long term capital funding demands will be limited and the upper limit on net debt as a percentage of gross debt is 100%.

	2012/13 Limit £m	2013/14 Estimate £m	2014/15 Estimate £m
Upper Limit on Net Debt as a % of Gross Debt	100%	100%	100%

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

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

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

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

LIMITS ON FIXED AND VARIABLE RATES	2010/11 Maximum Actual £m	2011/12 Latest Projection £m	2011/12 Limit £m	2012/13 Limit £m	2013/14 Limit £m	2014/15 Limit £m
Upper limit for fixed interest rate exposure	762	762	890	655	650	645
Upper limit for variable rate exposure	0	0	225	165	165	160

Maturity structure of fixed rate borrowing	2010/11 Actual	2011/12 Lower Limit	2011/12 Upper Limit	2011/12 Lower Limit	2011/12 Latest Projection	2012/13 Upper Limit	2012/13 Lower Limit
Under 12 months	0%	0%	30%	0%	0%	30%	0%
12 months and within 24 months	0%	0%	30%	0%	0%	30%	0%
24 months and within 5 years	18%	0%	60%	0%	29%	60%	0%
5 years and within 10 years	12%	0%	80%	0%	3%	80%	0%
10 years and above in each 10 year period	70%	0%	100%	0%	68%	100%	0%

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

The council's cash balances are invested across a number of counterparties which can include the Government, local authorities, and large high rated banks and building societies. Exposure to investments beyond one year raises investment options and helps raise returns. However, as returns can be vulnerable to unexpected market volatility, limits are placed on such exposure. The 2012/13 upper limit on exposure beyond one year recommended for approval is shown below. Exposure will be subject to the annual investment strategy and the actual exposure will depend on market conditions and be within duration limits. Capital preservation will, as required under the strategy, remain a priority.

Upper limit on investments greater than 364 days	2010/11 Actual	2011/12 Latest Position	2011/12 Limit	2012/13
Upper limit / Actual	Actual max exposure 16% of investments greater than 364 days Overall maximum average maturity 7 months Longest investment 5 years	14% of investments greater than 364 days Overall maximum average maturity 7 months Longest investment 5 yrs	Up to 50% of investments greater than 364 days Overall average maturity 3 years, but any one investment may be longer as referred to in the Annual Investment Strategy	Up to 50% of investments greater than 364 days Overall average maturity 3 years, but any one investment may be longer as referred to in the Annual Investment Strategy

ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2012/13

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 2012/13, drawing on that guidance and recommended for approval by the council assembly is set out below.

ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2012/13

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 issued by the Secretary of State. In accordance with that guidance, no MRP is required in respect of the housing revenue account (HRA). However, the cabinet 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.

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 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 cabinet, 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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MUNICIPAL YEAR 2011/12**

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Lesley John Tel: 020 7525 7228

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		Mr. Mark Roelofsen	1
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