

## Cabinet

Tuesday 12 February 2013

4.00 pm

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

### Membership

Councillor Peter John  
Councillor Ian Wingfield  
Councillor Fiona Colley  
Councillor Dora Dixon-Fyle  
Councillor Barrie Hargrove  
Councillor Claire Hickson  
Councillor Richard Livingstone  
Councillor Catherine McDonald  
Councillor Veronica Ward

### Portfolio

Leader of the Council  
Deputy Leader and Housing Management  
Regeneration and Corporate Strategy  
Children's Services  
Transport, Environment and Recycling  
Communities and Economic Wellbeing  
Finance, Resources and Community Safety  
Health and Adult Social Care  
Culture, Leisure, Sport and Olympic Legacy

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Webpage: <http://www.southwark.gov.uk>

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Members of the committee are summoned to attend this meeting

**Councillor Peter John**

Leader of the Council

Date: 4 February 2013



# Cabinet

Tuesday 12 February 2013

4.00 pm

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

## Order of Business

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### **PART A - OPEN BUSINESS**

#### **MOBILE PHONES**

Mobile phones should be turned off or put on silent during the course of the meeting.

#### **1. APOLOGIES**

To receive any apologies for absence.

#### **2. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT**

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

#### **3. NOTICE OF INTENTION TO CONDUCT BUSINESS IN A CLOSED MEETING, AND ANY REPRESENTATIONS RECEIVED**

No closed items are scheduled for consideration at this meeting.

#### **4. DISCLOSURE OF INTERESTS AND DISPENSATIONS**

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

#### **5. PUBLIC QUESTION TIME (15 MINUTES)**

To receive any questions from members of the public which have been submitted in advance of the meeting in accordance with the cabinet procedure rules.

Item No.	Title	Page No.
6.	<b>MINUTES</b>	1 - 13
	To approve as a correct record the minutes of the open section of the meetings held on 29 January 2013.	
7.	<b>DEPUTATION REQUESTS</b>	
	To consider any deputation requests.	
8.	<b>POLICY AND RESOURCES 2013/14 TO 2015/16</b>	14 - 71
	To recommend a balanced budget for 2013/14 to council assembly in February 2013.	
9.	<b>REPORT FROM THE OVERVIEW AND SCRUTINY COMMITTEE: POLICY AND RESOURCES 2013/14 TO 2015/16</b>	To follow
	To consider the report from the overview and scrutiny committee on the policy and resources strategy 2013/14 to 2015/16.	
10.	<b>REVENUE MONITORING REPORT QUARTER 3, 2012/13 INCLUDING TREASURY MANAGEMENT</b>	72 - 92
	To note the general fund outturn forecast for 2012/13m, the forecast council tax and business rates collection fund balance as at 31 March 2013 and to approve the general fund budget movements during quarter 3 that exceed £250,000.	
11.	<b>QUARTERLY CAPITAL MONITORING REPORT QUARTER 3</b>	93 - 121
	To note the general fund capital programme 2012/13–2021/22 and the housing investment programme 2012/13–2021/22 at quarter 3 and to agree the virements and funded variations for this quarter as detailed in the report.	
12.	<b>AUTHORISATION OF DEBT WRITE-OFFS OVER £50,000 FOR NATIONAL NON DOMESTIC RATES - REVENUES AND BENEFITS SERVICE</b>	122 - 134
	To seek approval for the write-off of the debt of £98,031.81 for one debt which is irrecoverable.	

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|-----|---|-----------|
| 13. | <b>LEATHERMARKET JOINT MANAGEMENT BOARD - SELF FINANCING OF HOUSING REVENUE ACCOUNT</b> | 135 - 152 |
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To note the progress made towards the proposal of 'self financing' of the Leathermarket Joint Management Board (JMB) and agree to enter into a new modular management agreement.

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| 14. | <b>PROGRESS REPORT ON ABBEYFIELD ESTATE REGENERATION SCHEME AND UPDATE ON DELIVERY OF FOUR SQUARES AND HAWKSTONE ESTATE</b> | 153 - 160 |
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To note the progress made on the Abbeyfield Estate regeneration scheme and progress of the Hawkstone and Four Squares Estates.

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| 15. | <b>COMMUNITY INFRASTRUCTURE LEVY (CIL) DRAFT CHARGING SCHEDULE</b> | 161 - 184 |
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To agree to publish and invite representations on the community infrastructure levy (CIL) draft charging schedule and the draft "Regulation 123 List".

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| 16. | <b>ESTABLISHMENT OF PUBLIC HEALTH LEADERSHIP AND COMMISSIONING IN SOUTHWARK COUNCIL</b> | 185 - 203 |
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To agree arrangements for the local authority to take on public health accountabilities and responsibilities from April 2013.

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| 17. | <b>ESTABLISHING SOUTHWARK'S HEALTH AND WELLBEING BOARD AS A COMMITTEE OF THE COUNCIL</b> | 204 - 213 |
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To agree to recommend that council assembly establish Southwark's Health and Wellbeing Board as a committee of the council from 1 April 2013.

**DISCUSSION OF ANY OTHER OPEN ITEMS AS NOTIFIED AT THE START OF THE MEETING**

**EXCLUSION OF PRESS AND PUBLIC**

The following items are included on the closed section of the agenda. The Proper Officer has decided that the papers should not be circulated to the press and public since they reveal confidential or exempt information as specified in paragraphs 1-7, Access to Information Procedure Rules of the Constitution. The specific paragraph is indicated in the case of exempt information.

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

**Item No.**

**Title**

**Page No.**

“That 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 paragraphs 1-7, Access to Information Procedure Rules of the Constitution.”

**PART B - CLOSED BUSINESS**

**18. MINUTES**

To approve as a correct record the closed minutes of the meeting held on 29 January 2013.

**DISCUSSION OF ANY OTHER CLOSED ITEMS AS NOTIFIED AT THE START OF THE MEETING AND ACCEPTED BY THE CHAIR AS URGENT**

Date: 4 February 2013



## Cabinet

MINUTES of the OPEN section of the Cabinet held on Tuesday 29 January 2013 at 4.00 pm at the Council Offices, 160 Tooley Street, London SE1 2QH

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**PRESENT:** Councillor Peter John (Chair)  
Councillor Ian Wingfield  
Councillor Fiona Colley  
Councillor Dora Dixon-Fyle  
Councillor Barrie Hargrove  
Councillor Claire Hickson  
Councillor Richard Livingstone  
Councillor Catherine McDonald  
Councillor Veronica Ward

### 1. APOLOGIES

All members were present. The Leader reported that Eleanor Kelly, Chief Executive had given her apologies.

### 2. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT

The chair gave notice that the following late item would be considered for the reasons of urgency, to be specified in the relevant minute:

Item 22 – Policy and Resources Strategy 2013/14 – 2015/16: Revenue Budget

### 3. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were no disclosures of interests or dispensations.

### 4. PUBLIC QUESTION TIME (15 MINUTES)

There were no public questions.

## 5. MINUTES

### RESOLVED:

That the open minutes of the meeting held on 11 December 2012 be approved as a correct record and signed by the chair.

## 6. DEPUTATION REQUESTS

There were no deputation requests.

## 7. NOTICE OF INTENTION TO CONDUCT BUSINESS IN A CLOSED MEETING, AND ANY REPRESENTATIONS RECEIVED

No representations were received in respect of the items listed as closed business for the meeting.

## 8. FAIRER FUTURE INTERIM PERFORMANCE REPORT

### RESOLVED:

That the progress in the first half of 2012/13 against the ten fairer future promises and portfolio performance objectives in the council plan be noted.

## 9. HOUSING REVENUE ACCOUNT - FINAL RENT-SETTING AND BUDGET REPORT 2013/14

Feedback from consultation meetings including Tenants Council was circulated at the cabinet meeting.

### RESOLVED:

1. That an average rent increase of 4.85% in accordance with the government's required formula rent guidance be applied to all housing revenue account (HRA) dwellings as set out in paragraphs 25 to 28 of the report. This is equivalent to an increase of £4.46 per week on average for tenanted properties, with effect from 1 April 2013. This percentage increase is also to be applied to estate void and hostel properties from 1 April 2013. The average budgeted dwelling rent for 2013/14 will be £96.40 per week.
2. That the ongoing consultation regarding the council's letting policy, and the options put forward regarding setting rents for new-build and new-let tenancies at formula rent levels, and the budget implications of this (paragraphs 31 to 33) be noted.
3. That tenant service charges be set at the same level as 2012/13 as laid out in paragraph 34 of the report with effect from 1 April 2013.

4. That the standard charge for non-residential property (garages etc.) be set at the same level as 2012/13, as laid out in paragraphs 35 and 36 of the report with effect from 1 April 2013.
5. That approval be given to a further standstill in heating and hot water charges for 2013/14 such that each charge remains at the rate determined for 2009/10 onward (as set out in paragraph 37 of the report).
6. That the revised HRA budget for 2013/14 be noted (paragraph 17 refers, with details set out in Appendices G and H of the report).

**10. RESPONSE TO RECOMMENDATIONS FROM THE HOUSING AND COMMUNITY SAFETY SCRUTINY SUB-COMMITTEE ON THE REVIEW OF SERVICES RELATING TO DOMESTIC VIOLENCE AND ABUSE IN SOUTHWARK**

The cabinet received comments from Councillor Gavin Edwards, chair of the housing, environment, transport and community safety scrutiny sub-committee in relation to the response to the scrutiny recommendations.

**RESOLVED:**

1. That the measures the council has in place to respond to the scrutiny recommendations be noted and agreed.
2. That the information contained in the report about the impact of alcohol in respect of domestic violence and abuse be noted.

**11. THE SOUTHWARK LOCAL BIODIVERSITY ACTION PLAN**

**RESOLVED:**

That the Local Biodiversity Action Plan (BAP) for the planning and management of biodiversity in the borough be approved.

**12. BOROUGH WIDE TREE MANAGEMENT STRATEGY**

**RESOLVED:**

1. That the consultation process and subsequent revisions to the Tree Management Strategy be noted.
2. That the revised Tree Management Strategy and the approach for adoption of the strategy be approved.
3. That officers explore options for communication of the strategy to the public, including placing an article in 'Southwark Life'.



### 13. SOUTHWARK OPEN SPACE STRATEGY

#### RESOLVED:

1. That the revised open space strategy (Appendix A of the report) be adopted with the inclusion of the following amendment:

“Elephant & Castle sub-area strategy, map on page 29, OS76

Amend label to read

Recommended boundary change to the area of protected open space and potential site for biodiversity improvements at Nursery Row Park

Amend the map to show the extension to the north of the open space (which is consistent with the adopted Elephant & Castle SPD 2012)”.

**Note:** (Visual representation of this amendment is available on the council website alongside Appendix A of the report).

2. That the consultation report (Appendix B), equalities analysis (Appendix C) and the sustainability appraisal (Appendix D) be noted.

### 14. CONSULTATION RESPONSES (KEY THEMES) ON A DRAFT VISION FOR SOUTHWARK DAY OPPORTUNITIES FOR ADULTS WITH LEARNING DISABILITIES

#### RESOLVED:

##### Decisions of the cabinet

1. That the key themes, issues and concerns raised by users and carers in the consultation on the draft vision for adult learning disability day opportunities be noted.
2. That council officers develop the final vision on the basis of the consultation feedback and work with users and carers, providers and community services to transform the way day opportunities for adults with learning disabilities are provided.
3. That officers work across all departments to ensure the final vision is reflected in departmental priorities and corporate strategies.

##### Decision of the leader of the council

4. That approval of the final vision be delegated to the cabinet member for health and adult social care.

**15. REQUEST FOR DOOR ENTRY AT KINGLAKE ESTATE****RESOLVED:**

1. That it be noted that the installation of door entry systems on the Kinglake Estate will be considered along with other priorities within the potential housing revenue account (HRA) funding increase.
2. That the officers' recommendation for Option C (installation of full specification door entry systems to blocks with particular anti-social behaviour problems) as set out in paragraph 14 of the report be noted.
3. That it be noted that officers will engage all residents in an estate-wide pre-emptive consultation process relating to Option C, and will carefully consider all comments and suggestions put forward.

**16. VOLUNTARY AND COMMUNITY SECTOR: PROPOSAL FOR SETTING UP AN APPROVED LIST****RESOLVED:**

That agreement be given for the setting up of a Southwark Approved List for the Voluntary and Community Sector (VCS).

**17. NEW CONDITIONS OF GRANT FUNDING (FORMERLY THE CONDITIONS OF GRANT AID)****RESOLVED:**

1. That the new conditions of grant funding (COGF), formerly conditions of grant aid (COGA) attached as Appendix 1 to the report be approved.
2. That periodic reviews of the conditions of grant funding (COGF), delegated to the chief officer, be undertaken to take account of changes in legislation and to reflect corporate changes.

**18. RELOCATION OF CROSSWAY CHURCH: NEW KENT ROAD TO HAMPTON STREET****RESOLVED:**

That cabinet agrees:

1. To meet the cost in full for constructing a replacement church at the former Castle Day Centre, Hampton Street and transferring the completed property to the United Reformed Church as compensation for the council's acquisition of the Crossway Church at New Kent Road in accordance with the statutory provisions of the Land Compensation Act 1961.

2. To fund the construction of four affordable council house units from the Affordable Housing Fund.
3. To delegate to the director of regeneration authority to enter into appropriate contracts to implement the recommendations.

#### **19. DISPOSAL OF CAR POUND AT MANDELA WAY, LONDON SE1**

This item was withdrawn.

#### **20. DISPOSAL OF 161 DENMARK HILL, LONDON SE5 8EF**

##### **RESOLVED:**

1. That the disposal of the council's freehold interest in 161 Denmark Hill, London SE5 8EF ("the Property"), as shown on the plan attached to the report, to the bidder identified and on terms set out in the accompanying closed agenda report, subject to any further negotiations considered necessary by the head of property be approved.
2. That should the sale not proceed to completion within a reasonable time as determined by the head of property, the Property be offered to the under-bidder or re-offered for sale on the open market and then sold on terms to be approved by the head of property for a consideration not less than market value.

#### **21. MOTIONS REFERRED FROM COUNCIL ASSEMBLY**

##### **RESOLVED:**

##### **Supporting cycling in Southwark**

That the motion referred from council assembly as a recommendation to cabinet, set out below be noted and agreed.

1. That council assembly believes a lot more should be done to encourage cycling throughout Southwark, including making bicycles more accessible to residents, encouraging the take up of cycling and improving road safety for cyclists.
2. That council assembly therefore welcomes the fact that:
  - The current administration has spent or allocated £2.677 million on cycling in the last two years and plans to spend nearly another £4 million on cycling infrastructure. One third of the money allocated from TfL to Southwark gets spent on cycling.
  - Southwark has installed 174 cycle lockers on housing estates and created over 1500 new spaces for on street cycle parking.
  - Southwark is the first London borough to install life-saving Trixi mirrors at dangerous junctions throughout the borough and welcomes the news that a further eight mirrors will be installed by March 2013.

- Proposals for 25 cut-throughs, shared use footways and contra-flow schemes across the borough are currently under consideration and that this will help to improve cycle permeability by improving access and reducing travel times.
- The council's transport plan also proposes: 20mph streets to help make Southwark roads safer for everyone by reducing speeds, developing 'green links' to encourage local cycle trips for less confident cyclists and families, school travel plan initiatives and cycle parking on and off street.
- Southwark Council's bike loan scheme allows employees to take out an interest free loan of up to £1,000 to buy a bike to use to cycle to work.
- Despite the fact that Transport for London has reduced the overall budget for cycle training from £163,000 to £156,000, the council continues to offer free cyclist training to anyone that lives, works or is educated in the borough. Around 900 children and 600 adults receiving training each year.

3. That council assembly therefore calls on cabinet to:

- Continue to work with organisations such as Southwark Cyclists to explore how Southwark can realise its ambition of becoming the most cycle friendly London borough.
- Continue to lobby Transport for London to extend the London cycle hire scheme throughout the borough.
- Take a serious and sensible approach to increasing the number of people who cycle in the borough and make good on its commitment to review the target for people cycling in Southwark which is in line with the London target and based on key developments such as the introduction of cycle hire, and the existing and planned cycle superhighways. The current target translates into a 33% increase (from 3-4%) in current cycling levels or 4,700 new trips by bike every day.

### **Road Safety**

That the motion referred from council assembly as a recommendation to cabinet, set out below be noted and agreed, and the comments of the strategic director of environment and leisure, contained in the report be noted.

1. That council assembly expresses condolences for the tragic deaths of Hichame Bouadimi, Ellie Carey and many other cyclists and pedestrians who have been killed in road accidents in recent years in Southwark.
2. That council assembly notes that the number of people killed on Britain's roads increased by 3% in 2011 to 1,901 – the first increase since 2003. It also notes that the number of pedestrians killed jumped by 12% to 453.
3. That council assembly regrets the then Conservative Transport Secretary, Phillip Hammond's pledge to "end the war on the motorist" in 2010 which has led to the removal of speed cameras, the abolition of national casualty-reduction targets, the proposal of 80mph speed limits and the reduction in the number of charges for death by dangerous driving.

4. That council assembly also regrets the decision by Transport for London (TfL) to change the phasing of London's traffic lights, ostensibly to improve traffic flow, which has made roads less safe for cyclists and pedestrians.
5. That council assembly welcomes measures introduced by the council to promote cycling and to improve road safety including:
  - Becoming the first London council to install Trixi mirrors at four junctions in Southwark, with eight more junctions earmarked
  - Carrying out spot checks on cyclists and drivers breaching traffic enforcement laws in order to crackdown on dangerous driving
  - A comprehensive road safety education, training and publicity programme – including for lorry drivers - and a safer routes to school programme (SRTS), which aims to encourage and enable children to walk or cycle to and from school through the introduction of targeted traffic calming and the creation of safer walking and cycling routes.
6. That council assembly believes that the biggest cause in road deaths is speeding and therefore calls on the cabinet:
  - For Southwark to become a 20mph borough
  - To call on the Association of Chief Police Officers (ACPO) to ensure police enforce 20mph speed limits
  - To call on TfL to give greater flexibility and support for the use of average speed cameras.

And also for:

More to be done to make TfL operated roads safer and calls for greater transparency for TfL's review of dangerous junctions in Southwark.

### **Bus services in the south of the borough**

That the motion referred from council assembly as a recommendation to cabinet, set out below be noted and agreed.

That council assembly believes that improvements are needed by TfL to bus services in the south of the borough, and in particular requests the cabinet to report on:

1. Further work lobbying the Mayor of London and Transport for London (TfL) to secure an extension of bus route 42 to Sainsbury's Dog Kennel Hill via North Dulwich station.
2. Continuing complaints about the reliability and frequency of the 37 and 3 bus services, as well as the frequency of the 12 during the rush hour.

3. The feasibility of TfL extending the 201 bus service eastwards from Herne Hill to provide better east/west services through Dulwich.
4. Support and working with TfL on extending the 63 bus service onto Honor Oak Park station to provide connection with London Overground services following the excellent campaign by Peckham Rye's Labour councillors and Val Shawcross, Assembly Member, to extend the number 63 route. Council assembly notes that the extension of the 63 route was a key pledge from Ken Livingstone at the last election but was opposed by Boris Johnson and is concerned whether there is the political will from the current Mayor of London to deliver this extension.
5. Options for new buses on the 12 route that represent an effective use of public money.
6. TfL improving bus links to the Kingswood estate, one of the most geographically isolated parts of Southwark, where many residents can not afford to use the nearby Sydenham Hill train station.
7. TfL providing a direct bus service from the south of the borough to Kings College Hospital.

#### **Social housing in mixed communities**

That the motion referred from council assembly as a recommendation to cabinet, set out below be noted and agreed.

1. That council notes that not only is the current administration investing £326 million to ensure every council home in Southwark is warm, dry and safe by 2016, it is also building 1000 new council homes in Southwark over the next eight years - more than have been built in all of London in the last 10 years. It regrets that the previous administration failed to build enough council housing, had an unworkable and unfunded decent homes programme which left many Southwark residents without decent homes and by the end of their time in office left Southwark with 7,800 fewer council homes.
2. That council notes the publication of the 'Ending Expensive Tenancies' report by Policy Exchange in August 2012, which called on councils to sell off higher valued social homes and replace them with others in cheaper areas.
3. That council also notes the reaction of the leader to the report on his blog: "the blanket policy proposed by the paper of selling-off all council properties above a certain value is flawed and would undoubtedly lead to the removal of genuinely affordable social housing from certain areas."
4. That council recognises that there is a need for affordable housing in all parts of the borough, and that many key workers and other residents in lower pay brackets live in social homes in those parts of the borough where land values are highest. That is why this council opposes the government's housing benefit cap, opposes the introduction of affordable rent at 80% of market rent, opposes the ending of secure tenancies, opposes the slashing of the social housing budget by £3.9 billion and is building 1000 new council homes in Southwark over the next 8 years.

5. That council is concerned that the government's housing benefit cap will further social segregation in the borough and agrees with the comments of Simon Hughes MP when he told the BBC in January "As it currently stands, the benefits cap will break up families...there are bottom lines in politics and that one is making sure that those with least finances and the most mouths to feed, and the most needy are protected." However it regrets that only five months later Simon Hughes ignored his own warning and voted to cap housing benefit for families in Southwark.
6. That council welcomes Southwark Council's plans to build more council homes, which has been made possible by the council's decision to accept "in lieu" payments from developers rather than requiring them to deliver on-site "affordable housing" where that "affordable housing" is anything but affordable. It is perplexed that the Liberal Democrats claim to support Labour's plan to deliver 1000 new council homes but do not support the proposed means of delivering them and would encourage Southwark Liberal Democrats to explain how they would pay for new council homes.
7. That council notes and regrets that Simon Hughes MP recently voted to allow developers to deliver 0% affordable housing on new developments. Council therefore calls on cabinet to write to the government and call on them to drop the proposal in the Growth and Infrastructure Bill that lets developers wriggle out of their affordable housing requirements.

## **22. POLICY AND RESOURCES STRATEGY 2013/14 - 2015/16: REVENUE BUDGET**

This item had not been circulated five clear days in advance of the meeting. The chair agreed to accept the item as urgent as the council is committed to publishing budget proposals at the earliest possible opportunity to ensure they are available to the public for comments and questions. Under the council's constitution there is a requirement for the overview and scrutiny committee to review and challenge budget proposals. Presenting the report to this cabinet meeting gives the opportunity for debate prior to presentation of final budget figures at council assembly on 27 February 2013.

### **RESOLVED:**

1. That it be noted that the Autumn Statement was published on 5 December 2012 with details of the provisional settlement for local government for 2013/14 and 2014/15 received on 20 December 2012.
2. That the initial analysis of the implications for the council of the Autumn Statement and the provisional settlement be noted.
3. That the new funding arrangements for local government be noted, particularly the arrangements for the localisation of business rates and the risks and opportunities that this creates.
4. That the response to the provisional statement made to the Department for Communities & Local Government (DCLG) by the cabinet member for finance, resources and community safety, including specific references to the timing of the settlement and related information be noted.

5. That the loss of Early Intervention Grant (EIG) of £6.1m in 2013/14 and a further provisional loss of £918k in 2014/15 be noted.
6. That the 2013/14 budget proposals contained within the report to achieve a balanced budget for consideration by cabinet with particular reference to the notional 2013/14 budget approved by council assembly in February 2011 be noted.
7. That the strategic director of finance and corporate services prepare a further report setting out a balanced budget for 2013/14 for approval by cabinet on 12 February 2013 for recommendation to council assembly on 27 February 2013, including:
  - the intention to freeze Council Tax at current levels and to accept the government's freeze grant arising from this decision.
  - the commitment to new growth and commitments of £11.8m per annum, including new commitments to support welfare provision of approximately £3.5m, in addition to the creation of a welfare hardship fund (as in paragraph 8).
  - the target to save approximately £24.9m per annum arising from efficiencies, income generation and other savings.
  - the provision of contributions from council balances of £6.7m in consideration of the need to make best use of these balances during a period of significant reductions in government funding.
  - the inclusion of ring fenced Public Health funding consistent with the announcement by DCLG for the council and note that this function will be included within the council budget statements moving forward.
  - the transfer from the Department of Works and Pensions of Social Grant funding for small grants, crisis loans and administration and the intention to allocate this grant in full to support a council scheme that will be developed to support the most vulnerable residents in Southwark.
8. That the setting aside from balances and reserves the specific sum of £800k in 2013/14 created by the proceeds generated as a consequence of Council Tax reforms approved by council assembly for the purposes of a Welfare Hardship Fund be noted.
9. That the strategic director of finance and corporate services and strategic director of housing and community services make recommendations on how the Welfare Hardship Fund may be managed and administered to target the most vulnerable residents and groups in Southwark.
10. That it be noted that performance reports are being prepared for both the Youth and Community Restoration Funds and the commitment that will be made to the Youth Fund for a further three years to 2016/17 also be noted.



11. That the provisional settlement for 2014/15 be noted and the strategic director of finance and corporate services prepare detailed budget options for consideration by cabinet in the spring of 2013 for wider consultation with residents and other stakeholders.

#### **EXCLUSION OF PRESS AND PUBLIC**

It was moved, seconded and

#### **RESOLVED:**

That the press and 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 category 3 of paragraph 10.4 of the Access to Information Procedure Rules of the Southwark Constitution.

The following is a summary of the closed part of the meeting.

#### **23. MINUTES**

The closed minutes of the meeting held on 11 December 2012 were approved as a correct record and signed by the chair.

#### **24. RELOCATION OF CROSSWAY CHURCH: NEW KENT ROAD TO HAMPTON STREET**

The cabinet considered the closed information relating to this item. See item 18 for decision.

#### **25. DISPOSAL OF CAR POUND AT MANDELA WAY, LONDON SE1**

This item was withdrawn.

#### **26. DISPOSAL OF 161 DENMARK HILL, LONDON SE5 8EF**

The cabinet considered the closed information relating to this item. See item 20 for decision.

The meeting ended at 6.13pm.

**CHAIR:**

**DATED:**

**DEADLINE FOR NOTIFICATION OF CALL-IN UNDER SECTION 21 OF THE OVERVIEW AND SCRUTINY PROCEDURE RULES IS MIDNIGHT, WEDNESDAY 6 FEBRUARY 2013.**

**THE ABOVE DECISIONS WILL NOT BE IMPLEMENTABLE UNTIL AFTER THAT DATE. SHOULD A DECISION OF THE CABINET BE CALLED-IN FOR SCRUTINY, THEN THE RELEVANT DECISION WILL BE HELD IN ABEYANCE PENDING THE OUTCOME OF SCRUTINY CONSIDERATION.**

<b>Item No.</b> 8.	<b>Classification:</b> Open	<b>Date:</b> 12 February 2013	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Policy and Resources 2013/14 to 2015/16	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Richard Livingstone, Finance Resources and Community Safety	

### **FOREWORD – COUNCILLOR RICHARD LIVINGSTONE, FINANCE, RESOURCES AND COMMUNITY SAFETY**

This is the third budget in a row where government has cut significantly the support it gives to Southwark Council: an unprecedented pressure on this borough's finances. In particular, the Early Intervention Grant, that supports some of our most vulnerable children, has been cut by 30% this year. More concerning still is the £24.5m cut overall in our spending power indicated by government for 2014/15.

There are also new funding pressures to address this year. We have had a significant increase during the year on how much we have needed to spend on Special Guardianship Orders for children. We are having to replace funding cut by government for community safety programmes to protect our residents from violent crime. We need to address a shortfall in our pension fund. We will need to pick up the Youth Justice Board's tab for young people placed in secure accommodation. The government's welfare reforms will add a £1.2m bill to our temporary accommodation costs.

We are also putting aside money for a 1% increase in pay for our staff.

Despite this, the budget put forward is delivering on this council's promises. If agreed, it will ensure that we are able to pay those who work for Southwark, including people that work for our contractors, the London Living Wage. Every child at a Southwark primary school will be eligible for a free, healthy school meal from September. We will continue to support young people in going to college, sixth form, university or training through our Youth Fund. We will spend more on the maintenance of highways and fund an improved CCTV service to keep our residents safe. We will be doubling the money each ward receives for the Cleaner Greener Safer revenue fund we introduced last year.

The 2013/14 budget process has been made more complicated by government's late notification of its funding settlement with us for the year: we would normally expect to receive this in early November but had to wait until 20 December. Significant changes to local authority funding arrangements have also made the job of setting a budget more complex this year.

## RECOMMENDATIONS

That cabinet:

1. Note that the Autumn Statement was published on 5 December 2012 with details of the provisional settlement for local government for 2013/14 and 2014/15 received by the council on 20 December 2012.
2. Note the analysis of the implications for the council of the Autumn Statement and the provisional settlement and that the final settlement is not now due until 13 February 2013.
3. Note the new funding arrangements for local government and particularly the arrangements for the localisation of business rates and the risks and opportunities that this creates for the council.
4. Note the response to the provisional statement made to the Department for Communities & Local Government (DCLG) by the Cabinet Member for Finance, Resources and Community Safety, including specific references to the timing of the release of the settlement and related information.
5. Note that the government has announced a spending review for spring 2013 and the potential for further changes to the 2014/15 provisional settlement.
6. Note the loss to the council of Early Intervention Grant (EIG) of £6.1m in 2013/14 and a further provisional loss of £918k in 2014/15.
7. Note the 2013/14 budget proposals contained within this report to achieve a balanced budget for consideration by cabinet with particular reference to the notional 2013/14 budget approved by Council Assembly in February 2011.
8. Note that the balanced for 2013/14 for recommendation to Council Assembly on 27 February 2013, includes:
  - the intention to freeze Council Tax at current levels and to accept the government's freeze grant arising from this decision.
  - the commitment to new growth and commitments of £11.8m per annum, including new commitments to support welfare provision of approximately £3.5m, in addition to the creation of a welfare hardship fund (as in paragraph 9).
  - the target to save approximately £24.9m per annum arising from efficiencies, income generation and other savings.
  - the provision of contributions from council balances of £6.7m in consideration of the need to make best use of these balances during a period of significant reductions in government funding.
  - the inclusion of ring fenced Public Health funding consistent with the

announcement by DCLG for the council and note that this function will be included within the council budget statements moving forward.

- the transfer from the Department of Works and Pensions of Social Grant funding for small grants, crisis loans and administration and the intention to allocate this grant in full to support a council scheme that will be developed to support the most vulnerable residents in Southwark.
9. Note the setting aside from balances and reserves the specific sum of £800k in 2013/14 created by the proceeds generated as a consequence of Council Tax reforms approved by Council Assembly for the purposes of a Welfare Hardship Fund.
  10. Request that the Strategic Director of Finance and Corporate Services and Strategic Director of Housing and Community Services make recommendations on how the Welfare Hardship Fund may be managed and administered to target the most vulnerable residents and groups in Southwark.
  11. Note the progress report for both the Youth and Community Restoration Funds and confirm the commitment to provide resources for the Youth Fund for a further three years to 2016/17.
  12. Request that the Strategic Director of Finance and Corporate Services set aside provision from earmarked reserves of up to £1m for the Business Support Fund to be allocated over a period of up to three years and the Director of Corporate Strategy be asked to draw up appropriate criteria for the fund
  13. Note the provisional settlement for 2014/15 and request that the Strategic Director of Finance and Corporate Services prepare detailed budget options for consideration by cabinet in the spring of 2013 for wider consultation with residents and other stakeholders.
  14. Note that the recommendations from the Overview and Scrutiny Committee of 28 January 2013 will be circulated separately.
  15. Agree the proposals in this report for a balanced budget based on a nil council tax increase for 2013/14 for recommendation to Council Assembly on 27 February 2013. Budget schedules are set out in Appendices A-E.

## **BACKGROUND INFORMATION**

16. During 2010 and in response especially to the global and national economic climate, the Chancellor of the Exchequer announced significant reductions in public sector spending over the next three years. In line with this spending review, a two year grant settlement for local government was announced in December 2010. This gave details of the extent of reductions in funding for 2011/12 and 2012/13.
17. The government has announced a spending review 2013 before summer recess with potential further changes for 2014/15. This review is likely to have a similar direction of travel to CSR10, and will probably not extend beyond 2015/16.

18. It was also confirmed that the settlement for 2013/14 would be based upon a new funding regime including the localisation of business rates, to be finalised in 2012 following full consultation.
19. At that time, government also confirmed the end of a number of streams of specific grant funding (e.g. Working Neighbourhoods Fund) and the absorption of a number of other specific funding streams within general grant (e.g. supporting people grant).
20. In the light of these announcements and following a period of consultation and agreement by cabinet, the council prepared a notional three year budget, ending in 2013/14, three years being the duration of the spending review. This notional three year budget was approved by Council Assembly in February 2011 and included indicative budgets for 2012/13 and 2013/14. In February 2012, Council Assembly approved an updated budget for 2012/13, based upon the notional targets set the previous year.
21. In the context of both reductions in government funding and a range of demand pressures on council services, both 2011/12 and 2012/13 budgets represented a substantial delivery challenge to the council. Savings of approximately £34m per annum were agreed by Council Assembly in February 2011 for 2011/12 and a further £28m in February 2012 for 2012/13.. These savings were achieved in 2011/12 and are generally on target for 2012/13. Council tax has been frozen over the same period and the council has received Council Tax freeze grant as a consequence.
22. The achievement of these budget plans places the council in a sound position to address further budget pressures in 2013/14 and beyond. The budget process for 2013/14 will build on that platform and use the indicative budget set in February 2011 as a base point, but with additional understanding of future funding now provided within the government's provisional settlement for 2013/14.
23. The council received details of the provisional settlement on 20 December 2012. The settlement also included details of funding for 2014/15.
24. Given the timing of the settlement, this report concentrates on a number of proposals for budget options to achieve a balanced budget in 2013/14. Further time will be necessary to assess alternative budget options for 2014/15 in the context of reduced spending power of £21.4m over 2013/14 as reported by DCLG and in consideration of the actual impact of the localisation of business rates on the council's finances.
25. However, the report does outline a process to be followed to prepare budget options for 2014/15 for consultation with residents and stakeholders through this year and in advance of Council Assembly in February 2014.
26. On 29 January 2013 the cabinet considered the Policy and resources Strategy 2013/14-2015/16: revenue budget 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 20 December 2012 regarding the provisional local government settlement and its effect on Southwark's general fund budget.

27. The Policy and Resources Strategy 2013/14-2015/16 has been prepared in line with the delivery of the council plan and the fairer future vision.
28. The purpose of this report is to set out the headline content of the budget for 2013/14, which represents the final year of a three year budget programme as per the reports to Council Assembly on 22 February 2011, and to seek formal approval of the recommendations in respect of the budget as set out in paragraphs 1 to 15.

### **LOCAL GOVERNMENT FUNDING**

29. On 20 November 2012 cabinet received the Policy and Resources Strategy 2013/14 - 2015/16 scene setting report. This provided in particular an indication of the changes and risks to council funding in 2013/14.
30. This report included an outline of some fundamental changes and issues which would affect the resources available to the council within the provisional settlement for 2013/14 and beyond, including :
  - Changes to the local government financing system, including localisation of business rates
  - Changes to formula funding that affects the calculation of the council's baseline spending
  - Changes to the treatment of specific grants, such as the Early Intervention Grant (EIG)
  - Welfare reform including localisation of Council Tax benefit and the introduction of Universal Credit
  - Council Tax reform including changes to exemptions and discounts such as that for second homes
  - Council Tax freeze grant for 2013/14
  - The impact of the census and mid year population estimates.
31. On 5 December 2012, the Chancellor made his Autumn Statement setting out additional savings for local government of around 2% in 2014/15, over and above those funding reductions announced since December 2010.
32. On 19 December 2012, the government announced the provisional settlement for 2013/14 and 2014/15. These figures were published by DCLG on 20 December 2012, although some information was not available until after this time.
33. On 15 January 2013, both London Councils and the Cabinet Member for Finance, Resources and Community Safety responded to DCLG on issues relating to the provisional statement. Both responses referred specifically to the late timing of the settlement not least given the complexity of the changes and the limited amount of data and analysis to support the settlement including the detail underlying changes in spending power.

## Revenue spending power

34. As part of the 2013/14 finance settlement the government announced for all councils reductions in their spending power when compared to the previous year. According to DCLG analysis, Southwark have incurred a £4.7m reduction (1.3%). This compares with a reduction for Inner London of £42.9m (1.2%) and £99.9m (1.2%) for all London authorities. At a national level the reduction is £923.4m (1.7%).
35. The table below shows the spending power for Southwark, London and England since 2011/12, it can be seen that over the four year period Southwark and London have borne a disproportionate share of the reductions.

	2011/12		2012/13		2013/14		2014/15	
	£m	%	£m	%	£m	%	£m	%
Southwark	33.7	8.4	16.9	4.6	4.7	1.3	21.4	5.9
Inner London	303.3	7.8	175.1	4.9	42.9	1.2	206.4	5.9
London	514.8	5.9	325.3	4.0	99.9	1.2	398.7	4.9
England	2,578.5	4.7	1,742.9	3.3	923.4	1.7	1,966.8	3.8

36. The analysis of movements from 2012/13 to 2013/14 is extremely complex as new funding arrangements are introduced. In total, reductions for 2013/14 are as predicted in February 2011 and in many respects as expected from the 2010 spending review which was only for two years. The major variation relates to the significant loss of EIG funding in 2013/14. Furthermore, although the Department of Health reablement funding is included as an element which increases spending power it is ring-fenced and needs approval from the health sector.
37. These reductions for Southwark follow on from the loss of £33.7m (8.4%) in 2011/12 and £16.7m (4.6%) in 2012/13. For all years, the assessment is in cash terms and takes no account of inflation, albeit that pay awards have been frozen through the period. The real terms analysis of these reductions in spending power would clearly worsen the overall loss.
38. The government have also published initial spending power reductions for 2014/15. For Southwark this reduction was shown as £21.4m (5.9%). The detailed analysis behind these figures has not yet been made available by DCLG.
39. However, it is clear that Council Tax Benefit funding will be included within general grant in 2014/15 and beyond in line with the general move to incorporate previously specific grants within general grant (e.g. previous Council Tax Freeze Grant). While initial guidance from government has indicated that Council Tax Funding Grant is protected at 2013/14 levels, the de-ring fencing of the general grant indicates that protection of any element will result in proportionately greater pressures on other Council services.

## Start-up funding assessments and damping

40. The government had previously announced that for 2013/14, no local authority would be better or worse off than they would have been under the current formula grant system. To ensure that local authorities have a stable starting point at the



outset of the new funding business rates retention scheme the government has calculated a start up allocation based on 2012/13 formula and current data.

41. For 2013/14 and 2014/15, each council has been assigned a Start-Up Funding Assessment. This combines formula funding (what formula grant would have been had it continued) and rolled-in grants (previously specific grants now deringfenced and included in the single assessment).
42. The formula funding element has been calculated on a similar basis to formula grant in 2012/13. This calculation has been adjusted for technical changes that were part of the July 2012 consultation on the data components.
43. Among other issues, adjustments arising from technical changes may have implications from census and revised mid year estimates of population that may impact on future needs assessments and damping. Southwark incurred a net reduction in mid year estimates following on from the census and imputation of population numbers. The council remains in discussion with the Office for national Statistics (ONS) on this matter.
44. As with previous settlements, funding will be subject to damping, applied in bands.
45. Grant dependency is defined as the proportion of each council's budget requirement that was funded through the 2010/11 formula grant. The floor level for the bands in the damping group with education and social services responsibilities is shown below:

<b>Floor band</b>	<b>Social Services authorities</b>	<b>Shire district councils</b>	<b>Fire &amp; rescue authorities</b>	<b>No. of London boroughs</b>
Band 1 (most dependent)	(2.70%)	(5.40%)	(8.70%)	17
Band 2	(4.70%)	(7.40%)	(9.20%)	3
Band 3	(6.70%)	(9.40%)	(11.70%)	9
Band 4 (least dependent)	(8.70%)	(11.40%)		4

46. Southwark is a Band 1 authority in that it is one of those councils most dependent on start up funding, with 82% of the council's net budget funded through the start up funding. Nationally, there are 38 single-tier councils in this band, 17 of which are in London. In London, the figures suggest there will be 16 floor authorities. The floors are self-financing. This means that those councils within a particular band 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.
47. To enable the government to begin the new funding regime with local authorities starting with the same settlement than they would have received through current funding mechanism, each authorities allocation for 2013/14 was calculated.

48. For Southwark, the government's calculation of start up funding comprises of the following:

	2013/14 Start up Funding £m	2014/15 Indicative Funding £m
Grants Rolled In Using Tailored Distributions	18.43	
Relative Needs Amount	164.13	
Relative Resource Amount	(32.74)	
Central Allocation	41.83	
Floor Damping	19.16	
Central Education Functions within LACSEG	(5.24)	
<b>Formula Funding</b>	<b>205.57</b>	<b>200.38</b>
Add Grants rolled in		
2011/12 Council Tax Freeze Compensation	2.26	2.26
Council Tax Support Funding	18.57	-
Early Intervention Funding	14.42	13.50
Homelessness Prevention Funding	1.54	1.54
Lead Local Flood Authority Funding	0.18	0.18
Learning Disability and Health Reform Funding	10.83	11.10
<b>Total Grants rolled in</b>	<b>47.80</b>	<b>28.58</b>
<b>Total Start Up Funding</b>	<b>253.37</b>	<b>228.96</b>

49. For the transition to the business rates retention system, the government have calculated for each local authority a baseline funding level. For Southwark this is £101.222m.
50. Each local authority a business rates base line is also calculated, for Southwark this is 96.572b representing 0.0089% (rounded) of a national retained shared total of £10.899bn. 40% of Southwark's baseline amount is passed on to the GLA, leaving £57.945m, see below.

	2013/14 £m	2014/15 £
Net forecast rate yield	193.14	199.06
Less: amount to be paid to central government (50%)	(96.57)	(99.53)
<b>Business rate baseline</b>	<b>96.57</b>	<b>99.53</b>
Less amount to be passed on to the GLA (40% of business rates baseline, 20% of net rate yield)	(38.63)	(39.81)
<b>RBR income for Southwark Council (30%)</b>	<b>57.94</b>	<b>59.72</b>

51. This figure is deducted from the baseline funding to determine the top-up or tariff, Southwark will receive a top-up of £43.279m
52. The baseline funding of £101.222m is then deducted from the start up funding £253.373m to determine the amount of revenue support grant, for Southwark this will be £152.152m. the total of each of the above element of the retained business

rates system matches the start up funding as can be seen below. For 2014/15 the government have assumed a 3.0% inflation rate for the uplift of the baseline funding amount.

		2013/14 £m	2014/15 £m	Change %
Retained Business Rates (RBR)	Variable	57.94	59.72	3.0%
RBR top up from government	Fixed	43.28	44.61	3.0%
<b>Baseline funding level</b>		<b>101.22</b>	<b>104.33</b>	<b>3.0%</b>
Revenue Support Grant (RSG)	Fixed	152.15	124.63	(18.1%)
<b>Total Funding</b>		<b>253.37</b>	<b>228.96</b>	<b>(9.6%)</b>

53. Actual retained business rates income for 2013/14 will be dependent on the assessed rateable values, effect of appeals and collection rates. An NNDR1 return to estimate this was submitted by the council to DCLG. The net rate yield from the NNDR1 report is then adjusted to take account of the central government (50%) and Greater London Authority (GLA) share (20%):
54. As for any new scheme of this material significance, there is much uncertainty over the operation of the business rate retention scheme. This presents significant risk to the council but also some opportunity in the event of an increase in business rate yield that surpasses government targets. Any uncollected business rates, or unfavourable variation from government estimates of rateable values, will impact directly on council resource available and therefore on resources available to fund and to provide services.
55. Although the business rates retention scheme will include a safety net at 7.5% to protect local authorities from significant reductions in business rates, this means that shortfalls from 0-7.5% will not be protected and will have to be borne by the local authority. It would be possible for a local authority to lose just below 7.5% for a number of years and never receive any safety net payment. In addition, the council has to estimate for the impact of appeals, of which there are 1,400 outstanding at present. The government based business rates estimates on a two year average, rather than five years as initially proposed, and this presents a more buoyant figure for Southwark than would otherwise have been the case. Business rates are clearly very significantly influenced by the overall economic climate.
56. The Strategic Director of Finance and Corporate Services and acting as S151 Officer will be earmarking part of the Financial Risk Reserve to help protect the council from the risks and variations inherent in the new funding system and especially risks underlying business rate retention.

### **2012/13 revenue monitoring position**

57. 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

58. On 28 January 2013 the Overview and Scrutiny committee of the council met to consider the draft revenue budget as set out in the report to cabinet on 29 January 2013. The committee held discussions with each cabinet member on the draft budget proposals. The committee was to meet on 4 February 2013 to make a number of recommendations for the cabinet to consider as part of budget setting and implementation. These will be circulated at the cabinet meeting.

## 2013/14 PROPOSED BUDGET

59. When setting the revenue budget the S151 officer is required under section 43(4) of the Local Government Finance Act 1992 on behalf of their local authorities, to assess the "revenue budget requirement" for the forthcoming financial year. The revenue budget requirement is a statutory definition of expenditure to be met from all sources including government grant, council tax income and other sources. The current estimates are for a revenue budget requirement of £334.0m in 2013/14.

## 2012/13 budget and proposed budget for 2013/14

	2012/13	2013/14
	£m	£m
<b>Revised previous year budget</b>	<b>323.0</b>	<b>308.2</b>
<b>Inflation</b>		
Pay award: 0% in 2012/13, now 1% for 2013/14 assumed in line with 2011 Autumn statement.	0	1.6
Inflation based on contractual commitments (linked to industry specific rates)	3.6	2.4
<b>Commitments, Savings &amp; Growth <sup>1</sup></b>		
Commitments and Growth	10.8	11.7
Efficiencies and improved use of resources	-17.2	-18.6
Income generation	-1.0	-0.2
Savings impacting on service delivery	-10.1	-6.1
<b>Other adjustments</b>		
Reversal of one-off items from 2012/13		-2.0
Net movement of council tax freeze grant	-0.1	1.4
Reduced NHS funding to support social care and benefit health	0.2	
Social fund		-1.7
Fall out of contribution from balances	3.4	4.4
<b>Total Budget (before rolled in grants)</b>	<b>312.6</b>	<b>301.1</b>
Rolled in specific grants		32.9
<b>Total Budget</b>	<b>312.6</b>	<b>334.0</b>

	<b>2012/13</b>	<b>2013/14</b>
	£m	£m
	<b>2012/13</b>	<b>2013/14</b>
	£m	£m
<b>Funded by</b>		
<u>Government Grants</u> <sup>2</sup>		
Formula grant	-217.1	-234.1
Council tax support grant	0.0	-18.6
Net Public Health Funding (Ringfenced)	0.0	0.0
<b>Council Tax</b>		
Council tax <sup>3</sup>	-91.1	-74.3
Collection fund surplus	0.0	-0.9
<b>Funding available</b>	<b>-308.2</b>	<b>-327.9</b>
<b>Funding shortfall</b>	<b>4.4</b>	<b>6.1</b>
<b>Contributions from balances</b>	<b>-4.4</b>	<b>-6.1</b>
<b>Balance</b>	<b>0</b>	<b>0</b>

Note 1 - As detailed in the Budget Setting report appendices (Council Assembly 22 February 2011)

Note 2 - 2013/14 specific grants are reduced by £6.1m to reflect the loss of Early Intervention Grant

Note 3 - Revised 2013/14 takes account of reduced tax base due to discounts for council tax support, funded through council tax relief grant. This does not include the any potential increase in collection from changes to local discounts.

### **Inflation and pay award**

60. Current estimates include 1% for the 2013/14 pay award at £1.6m, as outlined in the November 2012 scene setting report, subject to national agreements.
61. No provision has been made for general inflation in 2013/14 and budgets are considered to be cash limited in line with reduced government funding and the proposal to freeze council tax. The current estimates do include alternative inflation in respect primarily of contractual commitments at £2.4m for 2013/14, again as set out in the November report.

### **Use of balances and contingency**

62. Current in order to fully fund the proposed budget a contribution of £6.1m will be required from balances. This compares with £4.4m in 2012/13. The Strategic Director of Finance and Corporate Services recognises and accepts that it is necessary to make some prudent use of balances through the period of introduction of new funding arrangements for local government and the general cutbacks in public expenditure. He recognises also that this expedient can only be short term and that year on year the council target must be to remove any dependency on reserves and balances order to reconcile resources with spending needs.

63. The council has been fortunate, like many other local authorities, that reserves and balances have been maintained throughout what has been a very challenging two years. This makes prudent access to these resources more appropriate, especially when considering the retention of a reasonable, albeit lower, level of contingency within the base budget.
64. For 2013/14, contingency will reduce by £500k to £5m. This is less than half of the indicative estimate (£12.5m) from February 2011 and reflects the reduction in risk following the achievement of 2011/12 and 2012/13 budget targets and the allocation of contingency to offset some of the impacts in government funding.

### **Commitments and growth**

65. The proposed budget for 2013/14 will fund new commitments and growth of £11.6m. These are detailed in Appendix A and include £1.2m for Housing as a result of welfare reforms and £1.65m for the transfer of Social Fund responsibilities from the Department of Work & Pensions to the council. The proposals also include a further £1m to support the council's commitment to London Living Wages in contracts as they are awarded or extended.
66. The budget also includes provision for £2.3m, including £800k following the cessation of Youth Justice Board funding to meet the costs of placing children remanded to local authority secure accommodation where this has been ordered by the court. Childrens Services also require an additional £600k to meet the increasing costs of the council's obligations under the Childrens Act, as a result of welfare reforms.

### **Savings, efficiencies and income generation**

67. Proposed efficiencies £18.6m and savings of £6.1m are detailed in Appendices B and D and include the initial benefits arising from the purchase of the council's head offices at Tooley Street, which is expected to deliver additional savings as reported in December 2012 cabinet reports.
68. There are significant savings proposed in Children's Services as a result of the £6.1m loss of Early Intervention Grant, which are detailed later in this report.

### **Early intervention grant**

69. Early Intervention Grant (EIG) was paid to councils in 2011/12 and 2012/13 as a separate un-ringfenced grant. The EIG was paid at 32% less than the combination of previous grants it replaced (Area Based Grants and Surestart Grants).
70. In 2012/13 Southwark's EIG is £20.5m and funds core, high priority Children's Services including Children's Centres, provision of support to get young people in education, employment and training, early intervention services, statutory specialist services and voluntary sector commissioning. The EIG also includes funding for the Two Year Old pilot offer which facilitates vulnerable families accessing free part-time early education places. This grant is un-ringfenced and the DfE guidance states that this grant can be used flexibly to meet local priorities.

71. For the 2013/14 settlement, EIG has merged into the council's formula grant. As it falls into formula grant, government has advised that the allocation to the council reduces by £6.1m or 29.6%, arising from top slicing of the national provision and the transfer of funding for two year olds into the ring-fenced Dedicated Schools Grant in excess of the current spend on two year placements.

#### **Council tax freeze grant for 2013/14**

72. As part of the 2011/12 local government grant settlement the government announced the council tax freeze grant, which was given to all authorities which set a zero percent increase in council tax, for the equivalent of a 2.5% increase in council tax. Southwark received £2.2m. This grant will be paid throughout the four years of the spending review, although it has now been subsumed into formula grant, for which itemised detail is not easily available.
73. In February 2011, council assembly agreed an indicative budget for 2012/13 and 2013/14 with provisional council tax increases of 2.5% in each year.
74. 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 is equivalent to a 2.5% increase in council tax (some £2.3m). This grant was for one year only and will cease in 2013/14. In any event Council Tax in 2012/13 remained frozen.
75. On 8 October 2012 the government announced that it would be making £228m available to English councils to fund a council tax freeze in 2013/14, equivalent to a 1% increase in council tax. For Southwark this grant will be £929k. The amount of council tax freeze grant takes account of the reduced yield caused by the introduction of a discount to administer council tax support. Local authorities taking this grant will also receive the same amount in 2014/15 to avoid a 'cliff edge'.
76. This report assumes that there will be a further Council Tax freeze in 2013/14 and that the freeze grant will be accepted by the council. While the freezing of Council Tax remains positive for those paying, when set against the loss of equivalent grants it creates a financial shortfall in resources once those grants cease or become absorbed as part of a generally declining general grant.

#### **Public health grant**

77. The Health and Social Care Bill proposed that responsibility for public health will transfer from the NHS to local government on 1 April 2013. This obtained royal assent on 27 March 2012.
78. Local authorities will receive a ring fenced grant for public health to meet the cost of these new responsibilities, however it is unclear whether the resources allocated to fund these new responsibilities will be sufficient to meet the costs. London Councils have been lobbying on this issue, and a report was presented to London Councils Leaders Committee on 16 October 2012.
79. The proposed budget includes provision of £21.8m as a result of the transfer of responsibility for Public Health to the council. It is assumed and expected that all

costs of the new service will be met from within the ring fenced public health grant recently confirmed by government.

80. A major risk remains that the public health targets have yet to be announced in full. Any unfunded pressures arising from this will become apparent during 2013/14 revenue monitoring.

### Other core grants

81. 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.
82. In 2012/13 the council received £37.5m of core grant funding. Government proposals for 2013/14 will move a further £27.5m into formula funding. 2012/13 and provisional 2013/14 core grants are shown below.

### 2012/13 and Provisional 2013/14 Core Grants

	2012/13	2012/13 value of grants rolling in (Note 1)	Grants included in 2013/14 start up funding (Note 2)	2013/14 Specific Grants	Total 2013/14 Funding	Change in funding	
	£m	£m	£m	£m	£m	£m	%
Early Intervention Grant	20.48	20.48	14.42	0.00	14.42	(6.06)	(29.6%)
Learning Disabilities and Health Reform Grant	10.57	10.57	10.83	0.00	10.83	0.26	2.5%
Homelessness Grant (Note 3)	1.72	1.72	1.54	0.00	1.54	(0.18)	(10.5%)
Lead Local Flood Authority Grant (Note 3)	0.44	0.18	0.18	0.26	0.44	0.00	(0.0%)
Housing and Council Tax Benefit Subsidy Administration grant	4.24	0.00	0.00	3.75	3.75	(0.49)	(11.6%)
<b>Total</b>	<b>37.45</b>	<b>32.95</b>	<b>26.97</b>	<b>4.01</b>	<b>30.98</b>	<b>(6.47)</b>	<b>(17.3%)</b>

Note 1 This is the 2012/13 value of current specific grants that will cease to exist in 2013/14, and will be transferred in to overall funding

Note 2 This is the value of these grants as part of 2013/14 start up funding.

Note 3: These grants currently form part of the Local Services Support Grant (LSSG)

### Social fund



83. As part of its welfare reforms the government are transferring some of the elements included in the social fund, currently administered by the Department of Work and Pensions (DWP) to local government.
84. The current scheme contains Crisis Loans (for items, living expenses and alignments), Budgeting Loans and Community Care Grants. The new scheme has Crisis Loans (for items and alignments only) and Community Care Grants.
85. Southwark will receive £1.65m (£1.36m programme funding and £288k for administration) in 2013/14. The administration element will reduce the following year to £264k, giving an overall 2014/15 allocation of £1.63m.
86. Although the government does not want or expect local authorities to replicate the current scheme, it is their intention that funding should be concentrated on those facing greatest difficulty in managing their income. The council is undertaking an options appraisal around the social fund, to be considered by cabinet.

#### **Welfare hardship fund**

87. A welfare hardship fund of £800k is proposed to mitigate some of the impact of the benefits changes to protect the most vulnerable in the community. This fund will sit separately from the Social Fund. Subject to approval of the creation of this fund, the Strategic Directors of Finance and Corporate Services and Housing and Community Services will present options for its use to cabinet in the coming months.

#### **Concessionary fares**

88. Concessionary fares is the name given to scheme for 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.
89. 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 from passes issued to passes used has now resulted in a fairly stable base.
90. The main element of this increase is inflation. The largest operator charging London Councils is Transport for London (TfL), is currently increasing their charges by July 2012 RPI + 1% (4.2%). Provision for this increase is included in the budget options.
91. The concessionary fares charge to London Boroughs for 2013/14 was discussed at London Councils' Transport and Environment Committee on 13 December 2012, and the increase to Southwark in 2013/14 will be some £500k. This has been included in the budget figures.

#### **Superannuation fund contributions**

92. 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.

93. To enable the deficit to be funded, additional contributions of £1m were made for 2012/13. This requirement will continue into 2013/14 and 2014/15 at £1.5m. The position will be revised when the next actuarial review is published in 2014.

#### **Youth fund and community restoration fund**

94. The Youth Fund was announced as part of the February 2011 budget setting process. It was established as a three year (2011/12-2013/14) programme established in response to rising numbers of young people claiming out of work benefits, increased university tuition fees and the withdrawal of the national Education Maintenance Allowance scheme. It aims to help young people in Southwark improve their long term employment prospects.
95. The Community Restoration Fund (CRF) was announced, as part of the February 2012 budget setting process, in response to the civil unrest experienced in areas of Southwark in August 2011. It is a one off annual fund (2012/13) and aimed to restore community pride and deliver longer term solutions to support business growth and young people across the borough.
96. Attached as Appendix F is a progress report on the delivery of the two funding streams to date. In noting progress and particularly given the need to offer assurance for those schemes within the Youth Fund that run beyond 2013/14, cabinet are asked to note the extension of the Fund for a further three year period.

#### **Business support fund**

97. In November 2012 the council agreed a new economic well-being strategy with four simple goals: to get more people into work; to attract new businesses and offer smarter support to those already here; to encourage thriving town centres; and to help residents to be able to look after their own finances (particularly as the welfare reform agenda is implemented). Having agreed the strategy, the council is now developing sustainable implementation plans for delivery.
98. The council's priority is to make Southwark a place where business wants to invest and to enable those businesses already here to thrive and prosper. By doing so, this creates local employment opportunities for local residents. Much work is already in place, for example through the 2012/13 CRF. There is much still to be learned from these projects and activities. Appendix F sets out progress on delivery of the CRF.
99. The council understands that local businesses continue to experience difficult times. Economic conditions across the country remain uncertain and Southwark business is not immune from these conditions. The council is therefore proposing to put in place a Business Support Fund to assist business through challenging times. The purpose of the fund is to create assistance to local business (both existing and new) and business networks to develop activities that help sustain and to stimulate local economic growth.
100. The intended outcomes of the business support fund would be:
- more innovative business growth opportunities across the borough;

- a clear, well defined and common understanding of local business needs, including the barriers to business development and opportunities that exist or may be created;
- business to business support to encourage a stronger business voice and role within the community; and
- successful town centres and high streets, supported through better engagement between the council and local business networks.

101. The council will be open to fresh thinking for the business support fund. The size and scale of activities will of course vary over time. The council will therefore be flexible on fund distribution, use and timing. Examples projects could include: encouraging new business networks to support local business innovation; investment to help encourage new or niche markets and services; making flexible use of land and property to grow and develop existing small and medium size businesses; and initiatives for giving local young people better access to opportunities from new and expanding businesses in the borough. At the same time the council will continue to review its decision-making processes so that they take full account of business needs, interests and opportunities.

102. Following approval of the council's 2013/14 budget, the cabinet members for communities and economic well-being and finance, resources and community safety will begin the process of seeking ideas and views of local business. The Strategic Director of Finance and Corporate Services will be requested to set aside provision from earmarked reserves of up to £1m for this fund, to be allocated over a period of up to three years. The experience of and learning from projects currently being supported through the CRF will be used to help determine the distribution of funds to achieve best value for money and fund objectives. The Director of Corporate Strategy will be asked to draw up appropriate criteria for the fund.

## SERVICE BUDGETS

103. Budget proposals are in line with local policy priorities as set out in the fairer future for all vision and Council Plan. The table below summarises the budgets for council service areas for 2012/13 and 2013/14. These are known as “control totals”.

104. To enable like for like comparisons to be made between 2012/13 and 2013/14, 2012/13 budgets have been restated for specific grants rolling into start up funding.

**Table 5: Service area budgets for 2012/13 and 2013/14**

Service area	2012/13 Budget  £m	2012/13 Budget adjusted to allow comparison with 2013/14 £m	2013/14 Budget  £m
Children’s Services	85.0	105.5	102.3
Adult Services (was Health & Community Services)	107.6	118.1	112.0
Chief Executive	18.8	18.8	18.5

<b>Service area</b>	2012/13 Budget  £m	2012/13 Budget adjusted to allow comparison with 2013/14 £m	2013/14 Budget  £m
Environment & Leisure	70.1	70.1	69.4
Finance & Corporate Services	46.2	46.2	44.5
Housing and Community Services	40.3	40.3	41.6
<b>Total Service Budgets</b>	<b>368.0</b>	<b>399.0</b>	<b>388.3</b>
Corporate Budgets	(55.4)	(53.4)	(54.3)
<b>Total Budgets</b>	<b>312.6</b>	<b>345.6</b>	<b>334.0</b>

105. High level schedules of draft budget proposals for 2013/14 are attached as Appendices A – E

### **CHILDREN'S & ADULTS SERVICES**

106. The Children's and Adults department budget represents two thirds of the council's total net revenue expenditure. In 2013/14 the department is proposing savings of £15.39m against the previous year's base budget, growth requests of £1.35m and further commitments of £3.10m. The department provides universal services as well as those targeted at more vulnerable families, children and adults delivered through four divisions; children's social care, education, strategy and commissioning, and adult social care.
107. The Children's Social Care 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.
108. The Education Division supports the delivery of universal services, including early years (0-5 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. It is also responsible for the Post 16 phase of learning to ensure Southwark young people are engaged in employment or training, in school or with other providers.
109. The Strategy and Commissioning 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 and adults. In addition the division leads on specialist parenting services, compliance and departmental governance and project support for the free healthy school meal programme.
110. The Adult Social Care Division provides support for the vulnerable adults 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.

111. In delivering these savings we have sought to minimise the impact on statutory social care functions for the most vulnerable children, young people and adults and so maintain the council's responsibility to keep vulnerable children and adults safe.
112. The key drivers to achieving the reductions are to:
- Maximise service effectiveness, drive down costs and ensure high quality, sustainable provision within the available remaining resources;
  - Protect front line services by reducing back office costs, flattening the management structure 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 reduce duplication in supplies and services and ensures we focus on priorities services to vulnerable groups.
113. Further, the overall aim 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.

### **Children's Social Care**

114. There are £1.25m of efficiency savings are planned to be made through
- increasing use of direct payments for short breaks for families with Children with disabilities;
  - framework agreements in place to reduce costs of procurement of placements;
  - reducing agency fostering spend and increasing use of in house provision.
115. In addition, £350k of savings are planned through the ongoing transformation of the Children's Social Care teams in line Munro recommendations and the need to improve the service user experience by reducing the number of moves between teams, and social workers. This is a highly regulated and inspected area of council activity, therefore, it is planned to minimise the impact on front line staff to ensure the council meets its statutory obligation to keep children safe.

116. In 2013/14, two new growth bids have arisen: £750k of growth is required to meet the costs of placement of young people on remand, resulting from the cessation of the Youth Justice Board contribution of two thirds of the costs.
117. In addition, the council is obliged to support destitute people from abroad who are subject to immigration control and have no entitlement to welfare benefits, Home Office support for asylum seekers or public housing. The number of families seeking this assistance of last resort has increased by more than half during 2012/13, resulting in a cost pressure of £600k. These are in addition to the ongoing commitment of £125k for increased number of Special Guardianship Orders arising from our high volume of care proceedings.

### **Education**

118. The significant decrease in the council's funding from the previous ring-fenced Early Intervention Grant has meant that the services funded from this grant have been rigorously reviewed to identify efficiencies and possible savings. This has included Children's Centres budgets and BookStart, as well as the staffing structures including re-engineering Connexions Services and the Early Years Advisers Team and Workforce Training. Further staffing restructures within Education include Early Years Centres, and the restructure of the Early Help offer and the Specialist Services Teams. Wherever possible the aim is to maintain front line services and ensure services are targeted at the most vulnerable.
119. Both the Youth and Play Services have been subject to review over the last three years, and 2013/14 is the final stage of this process. The Dedicated Schools Grant (DSG) is now funded for eligible two year old education and therefore these costs will, in future, be met by the DSG.
120. These savings in the council's budget also need to be seen in the context to national reforms to the Dedicated Schools Grant (DSG) which funds schools and some of the centrally retained education services. Key changes during 2013/14 include a reduction over the next two years of £2.9m resulting in the ending of full-time nursery provision from September 2013, increased scrutiny of all centrally retained budgets, and significant changes to the funding of all nursery, mainstream and special school budgets.

### **Strategy and Commissioning**

121. The key savings include back-office staffing restructure of the newly joined children's and adults staff under this service area and wider business support teams, continued efficiency savings in commissioned services and utilisation of external grant.
122. Commitments of £1.976m is planned for the roll out of the Free Healthy School Meal for Southwark Primary aged children, which from September 2013, will be available to all year groups. Increasing pupil numbers and take up means that this growth bid is higher than the original estimate.

### **Adult Social Care**

123. Key savings areas for 2013/14 are detailed below.
124. A reduction in supporting people grant through efficiencies, service redesign and supporting services for the most vulnerable adults to deliver savings of £1.8m, including efficiencies through shared procurement with other boroughs and reconfiguration of support services.
125. Savings of £1m will be delivered by redesigning mental health services including arrangements with South London & Maudsley Trust (SLaM), reviewing the adult social care role within mental health services in partnership with other Boroughs and working more closely together. This includes
- Efficiency savings by renegotiating consistent prices for placements across the four boroughs.
  - Developing an accommodation strategy to set out a revised pathway for people with mental health needs that will seek to reduce our reliance on high cost residential placements and provide more community based housing options for people. Our benchmarking suggests we are the second highest in London on the proportion of our money that goes on residential provision hence we see opportunity to achieve better outcomes for people at lower cost.
  - Changing management arrangements so that the Head of Mental Health Services has stronger accountability within the council and council staff are managed directly by the council as well as continuing to operate in teams integrated with SLaM.
126. Redesigning day opportunities for people with learning disabilities which will deliver savings of £1.7m. This includes;
- Continuing to roll out personal budgets enabling people to choose the right social care to meet their needs.
  - Working with providers to make the changes required by the personalisation agenda to reduce block contracting arrangements and put the money into personal budgets.
  - Savings will come from across the system of community based support as the programme of individual reviews moving people on to personal budgets is undertaken:
    - Looking at opportunities for people with less complex needs to access mainstream opportunities to engage in leisure, education, training and support for employment;
    - Reduction in block funding in 2013/14 of £800k.

**Children's Services (incorporating both Education and Children's Social Care) - summary equalities impact**

127. 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 is one of ten local authorities nationally with the highest percentage of children in need, and yet has suffered one of the highest reductions in central government core funding. In addition, the reduction of or loss of a considerable number of targeted grants focused on the most vulnerable groups will significantly add to the potential negative impact. Children's

services will need to manage these reductions in light of its continuing statutory duties.

128. Safeguarding children and young people is our highest priority and any service reductions here or in related areas will need to be 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 downturn in the economy and welfare reform changes, we are starting to see in specialist children's services an increased demand for services to families in difficulty. Effective support for schools to meet a wider range of lower-level needs and so prevent problems escalating will be required, particularly with the high level of need that our young people have in Southwark and the vulnerability of some schools. The potential growth of academies is a challenge to central services due to the potentially destabilising effect on income to maintain these services.
129. Actions to mitigate the impact of budget reductions will be considered very carefully following the council's decision. This will include looking at efficiency savings including streamlining back-office processes and reducing the number of support staff, reviewing management structures to reduce the number of managers and protect front-line service delivery, smarter procurement to drive down the costs of purchased services and stripping out any funding duplication. Contracts with external providers will be scrutinised for potential savings without impacting on key groups. In addition, other mitigating actions will be put in place, including exploring alternative delivery models, such as working in partnership with schools and other partners 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 has already started and has been a critical aspect of developing the initial budget proposals.
130. A further more detailed report will be produced on the potential impact of the proposed budget reductions for specific groups so these can be fully considered before any decisions are taken. This will include detailed equality analysis for each service affected by the Council's decision, which will underpin individual service development and reconfiguration.

#### **Adult Social Care - summary equalities impact**

131. Budget proposals for adult social care are in the context of work to develop a system that supports people to live independently and well for as long as possible, accessing care and support services that are personalised and based on their choices and moves away from a model of dependency. The system needs to consider redesign and reconfiguration across all client groups to be sustainable, continue to support the most vulnerable and deliver value for money.
132. The two equality strands that will experience major impact from proposals are older people and disabled adults with eligible care needs as outlined through Fair Access to Care Services (FACS) criteria. Older and disabled adults without eligible needs may also experience an impact from proposals to re-shape open access services in the borough.
133. The key impact is around services not continuing to exist or being offered in a different way. We are going to focus resources on time-limited interventions that help



people, such as re-ablement services, and supporting them to understand how they can best help themselves and make key contributions to the wider community. In addition, changes to services will potentially have an impact on carers, the majority of whom are women.

134. We propose a range of mitigating actions to try and minimise any potential negative impact. These include:

- Continue progress with development of personal budgets (including direct payments in cash) so that 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 how we can support the development of a diverse provider market in Southwark so there are appropriate services available on which people can spend their personal budgets;
- Develop and improve partnerships involving individuals, communities, voluntary and private sectors, the NHS and the council's wider services to best implement proposals;
- Improve procurement and commissioning processes, and streamlining back office functions thereby focusing resources on frontline services;
- For open access services, explore models where a small injection of cash to 'pump-prime' services could support organisations to become financially self-sustaining, and promote community cohesion, in line with the wider corporate approach to the voluntary sector;
- 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.

135. The overall approach for adult social care services in Southwark will 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 and 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 at home and connected with their communities for as long as possible
- 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.

136. However, this also needs to consider:

- Developments in the local provider market so culturally specific services are available
- Particular support that some groups, such as older people or those with mental health needs, may require to access the benefits of personal budgets
- Particular support for people who may have spent a considerable time in residential care
- Appropriate support for those who continue to need respite services
- People who need to access information in different ways (e.g. website, email,

telephone) and those who may not have English as a first language.

137. 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.

#### **CHIEF EXECUTIVE'S OFFICE**

138. The Chief Executive (CE) department is made up of human resources, corporate strategy, regeneration and planning.
139. The department will continue to 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 modernise service delivery. It will also be focused on delivering functions that help achieve local strategic 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.
140. The proposed indicative budget for the department in 2013/14 is £19m. It is proposed to deliver savings of £500k through service re-configuration, review and management restructuring. Savings were front loaded into 2011/12 and 2012/13 meaning an overall saving of 27% over a three year period.
141. Significant savings are also being achieved across the council through the reorganisation of top tier management (£1m) and the acquisition of Tooley Street offices (£1.5m).

#### **Chief Executive – summary equalities impact**

142. Although the services provided by the CE department are largely back office, these enable a consistent approach to equality across the whole Council, ensuring equality is taken into account in all decision making processes where relevant. The CE department also ensures that effective policy and robust performance measures are in place to evidence the Council's compliance with the public sector equality duty in both its role as employer and service provider. In terms of direct customer contact, Southwark's significant regeneration schemes and planning services provide a platform for addressing strategic equality priorities, with regard to community development, improvements in the built environment and in maximising economic growth opportunities.
143. 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.

144. 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.
145. 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 equality impacts will continue to be assessed through out.

## **ENVIRONMENT AND LEISURE**

146. Environment & Leisure department delivers services that make a real difference to the everyday lives of all residents and visitors. The majority of our operations are frontline service: they physically improve the environment, they provide opportunities for health and enjoyment or they help improve safety and confidence. The Director is the Electoral Registration Officer and Returning Officer, so the department includes the electoral services team. The other services can be broadly grouped into:
- Public Realm, covering parks and open spaces, parking, highways, transport planning, 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, antisocial behaviour unit, environmental enforcement, private sector housing renewals, noise teams and CCTV
  - Culture, Libraries, Leisure and Learning covering: arts, heritage, leisure centres, sports outreach, libraries and adult learning.
147. 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.
148. The budget for environment and leisure services in 2012/13 is £70m. The department has already achieved £7.3m savings during 2011/12 and is on target to achieve £5.5m savings for 2012/13. For 2013/14 savings of £2.5m are proposed. When the significant reductions in government grants are taken into account, around £19m will be taken out of the budget over the three year period.

149. The budget proposals include commitments of £430k for:
- estimated increase in rents and service charges for Sandgate Industrial Estate for the relocated services from Manor Place Depot; and
  - Statutory provision of stray dogs service.
150. In addition, growth bids of £950k have been submitted. This is made up of £380k for maintenance costs of Housing CCTV cameras that are being replaced during 2013/14, £215k for retaining some of the critical community safety programmes that would otherwise be threatened due to loss of government grants, £80k for maintaining and improving the environment for the users of cemeteries and crematoria, £200k to invest in proactive maintenance of highways and a £75k reduction in the income target set for Canada Water Library, which proved to be too ambitious.
151. It is proposed to make some £1.3m efficiency savings in public realm. This includes £500k return of budget no longer required for risk on parking income. Savings will be made through two major contracts that will start in 2013 for parking (£600k) and highways (£200k). There will also be savings from the grounds maintenance contracts from better contract management.
152. In sustainable services, £115k efficiency savings have been negotiated with the waste contractor including some specification changes and a further saving of £35k can be achieved by rationalising divisional management structures.
153. Community safety budget is proposed to reduce by £300k through more efficient commissioning of drugs and alcohol services. In addition, £60k of efficiency savings is proposed to be achieved by re-organising some of the services within the division.
154. Total efficiency savings of £640k are proposed within culture, libraries, leisure and learning. These will be achieved by restructuring and re-organising management and support services as well as making contract savings from the new leisure management agreement. It is proposed to take the opportunity of bringing public health functions into the council to support health and wellbeing aspects of community sports through the public health programme. In addition, the proposals for the division also include a further £105k for second phase of savings arising from the review of the library, which will continue to be achieved without closing any libraries.
155. There are plans to generate additional income of some £100k for 2013/14 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 MTRS.
156. In delivering these savings and income generation, the department has sought to minimise the impact on service delivery. The budget proposals have been developed in line with the cabinet's budget principles. They will deliver the best value for money possible and maximise the use of existing assets, as well as exploring alternative methods of provision with our partners, neighbouring boroughs and the voluntary sector. The department's proposals are based on service need

and demand with the aim of protecting front-line services and supporting the needs of our residents.

### **Environment and Leisure – summary equalities impact**

157. 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.
158. 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.
159. 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.
160. 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.
161. The following proposals have been assessed as having the highest community and equalities impact:
- The review of the Libraries Service.
  - The proposed increases in fees and charges.
162. The proposals have been designed to minimise any adverse equality impact. In particular, the change to library opening hours under the review is being closely monitored and shows no overall adverse impact. The individual fees and charges proposals will be subject to specific equality analysis

### **FINANCE AND CORPORATE SERVICES**

163. Finance and Corporate Services provides the support service functions of finance (in direct support of the council's section 151 statutory function), facilities management, information and data services, corporate procurement, legal and the revenues and benefits service.
164. The indicative budget for Finance and Corporate Services in 2013/14 is £44.5m after the proposed savings of £3.8m. In total and since April 2011, this represents a reduction of 27% and has been achieved primarily through new and enhanced contract arrangements and reduced staff numbers. This is consistent with the plan proposed in February 2011.
165. Savings in 2013/14 will be delivered through further management restructuring, rationalised back office support and new contractual arrangements for facilities management, information and data services. This will also include a review of audit, anti-fraud and risk services to refocus priorities and reduce running costs.

### **Finance and Corporate Services – summary equalities impact**

166. The department is committed to achieving the required level of savings. The impact of implementing these will fall largely 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 & COMMUNITY SERVICES**

167. The housing and community services department (H&CS) delivers a range of council services funded from both the general fund and more specifically through the ring-fenced housing revenue account (HRA) for those services of a landlord nature. Since the department's inception in January 2011, functions such as community engagement, registrars and coroners have transferred to housing and community services. Following recent internal departmental restructuring, the functions formerly provided within the community housing services division have been reconfigured and subsumed within the customer experience and special housing services divisions, and the environment and leisure department.
168. The HRA is part of a separate budget consultation process and cabinet received an initial scene-setting report on 11 December 2012. Following consultation with tenants and council homeowners during January, decisions on rent and service charge levels were made at cabinet on 29 January 2013.
169. The departmental vision for H&CS 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 performance in all of the core service areas by working with residents to deliver consistently high quality services, better value for money and continuing to support the most vulnerable residents. Savings derived from further efficiencies total £275k at this point, whereas there are a number of savings proposals relating to temporary accommodation and the voluntary sector that cannot be delivered without some service detriment (£270k).
170. The decision to bring the customer service contract in-house from June 2013 provides the opportunity to reconfigure and improve customer access and service delivery and drive out substantial savings over the medium term by moving towards more cost effective transaction routes and operational efficiencies. Savings arising from this are shown corporately given the strategic and cross-cutting nature of the service.
171. One of the biggest financial risks for the council is the cost of temporary accommodation provision, particularly bed & breakfast. Whilst Southwark ranks highly in terms of homelessness prevention, the demand-led nature of responding to homelessness places a disproportionate financial burden on the budget, requiring stringent control and diversion into more financially neutral forms of accommodation, e.g. estate voids and hostels in the HRA. The impending welfare reforms and housing benefit changes is likely to exacerbate the situation and have a detrimental impact on the council's ability to prevent homelessness as use of the private rented sector becomes less affordable and the cost of Private Sector Leasing (PSL)

provision will no longer be cost neutral. The financial impact is difficult to predict at this stage, but best estimates show an increased base budget commitment of £1.230m for 2013/14.

### **Housing & community services– summary equalities impact**

172. In developing budget proposals, we are committed to delivering savings which as far as possible protect and maintain front line provision. In the main this is achieved through revised and more efficient working within housing services and across departments through streamlining back-office processes and management structures. Other mitigating actions such as exploring alternative delivery models, partnership working and smarter procurement and rigorous contract management provide opportunities to maximise value and deliver the same or equivalent service benefits at reduced cost. This is already embedded in the development of budget options and specific equality impact assessments are undertaken as part of on-going considerations around the implementation of the budget decisions.

### **A strong and stable resource base**

173. In setting out the draft budget proposals for 2013/14 the Strategic Director of Finance and Corporate Services, 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 draft budget proposed for 2013/14 is therefore robust.

174. In addition to ensuring that sufficient funds are available to finance the ongoing management of the council services, the Strategic Director of Finance and Corporate Services 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.

175. 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 pot holes and road gritting for highways) or meeting the upkeep of older buildings that the council operate from. Reserves are the most effective way in which to mitigate these pressures, subject to appropriate criteria. Another example is one-off redundancy costs arising from restructuring, where it may be that these costs cannot be met from existing revenue budget provision. Therefore and, subject to an appropriate business case, reserves may be used to support these costs.

176. 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, risks as a result of unavoidable changes in accounting practice, risks arising from retention of business rates arrangements.

177. 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 Strategic Director of Finance and Corporate Services' assessment of the robustness of the budget.
178. The council's General Fund reserves and balances at the end of 2011/12 totalled £102.6m, made up of £84.5m earmarked reserves and £18.1m General Fund balance. In total this represents some 10.5% of the General Fund spend in 2011/12.
179. 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 2012/13, 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.
180. In setting the budget the council needs to be mindful of the continued uncertainty with regards future funding particularly beyond 2013/14. The use of the Financial Risk Reserve in respect of Business Rates risks identified in paragraph 56 forms part of the mitigation strategy. The risks identified strengthen the importance of maintaining a robust MTRS within which to plan council business and sustain delivery of essential frontline services.

### **Community impact statement**

181. Transparency and fairness form part of the seven budget principles and are an underlying principle in the Council Plan. As with last year's budget, each department will undertake equality analysis on its budget proposals.



182. Undertaking equality analysis will help the council to understand the potential effects that the budget proposals may have on different groups. The analysis will also consider if there may be any unintended consequences and about how these issues can be mitigated. Analysis will also be undertaken to consider any cross-cutting and organisation-wide impacts.
183. The equality analysis undertaken will build on previous analysis including the equality impact assessments carried out as part of 2012/13 budget setting and the equality analysis undertaken on decisions to implement the budget this year. The development of equality analysis will continue to ensure that it informs decision making at each stage of the budget process.

### **Equalities**

184. The council is subject to the Equality Act 2010 and the public sector Equality Duty. This means the council must have due regard to the need to: eliminate unlawful discrimination, harassment and victimisation; advance equality of opportunity between different groups; and foster good relations between different groups. Guidance on the implications of the Equality Act 2010 and the duties it imposes on the council is available to officers and members.
185. In September 2010, the cabinet agreed seven principles that will guide its decision making on the budget. One of these 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. These budget principles are consistent with the Approach to Equality, the council's overarching policy on equality and human rights. The equality analysis prepared as part of the 2012/13 budget setting process will be refreshed during the current budget cycle

### **Consultation**

186. This report is the second report to inform cabinet on the planning for the third year of a three year budget framework, agreed in February 2011. The budget agreed in February 2011 was supported by an exhaustive consultation undertaken in the autumn of 2010.

### **Greater London Authority**

187. The Mayor published his 2013/14 draft consolidated budget on 31 January 2013. This will be considered by the London Assembly at its meeting on Friday 8 February. The draft budget confirmed the Mayor's intention to lower the GLA council tax precept for residents of the 32 London boroughs in 2013/14 by a proposed 1% reduction in the precept, reducing a band D property from £306.72 to £303.00
188. The final budget proposals are scheduled to be considered at the Assembly plenary meeting planned for 25 February 2013. 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 12 February meeting. The

confirmed precept will be presented to Southwark's Council Assembly on 27 February 2013.

### Next steps

189. Following consideration and agreement at this meeting, the budget will be recommended to council assembly on 27 February 2013.

## SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

### Director of Legal Services

190. The constitution determines that cabinet consider decisions regarding the strategic aspects of the regulation and control of the council's finances. The council has an obligation under Section 32 of the Local Government and Finance Act 1992 to calculate and agree an annual budget. The issues contained in this report will assist in the future discharge of that obligation.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Provisional Local Government Settlement 2013/14	Department of Communities and Local Government	<a href="http://www.local.communities.gov.uk/finance/1314/settle.htm">http://www.local.communities.gov.uk/finance/1314/settle.htm</a>
Mayor's budget proposals	Greater London Authority	<a href="http://www.london.gov.uk/mayor-assembly/gla/budget-expenditure-charges/budget-2013-14">http://www.london.gov.uk/mayor-assembly/gla/budget-expenditure-charges/budget-2013-14</a>

## APPENDICES

No.	Title
Appendices A-F	Draft high level descriptions of budget proposals: A: Commitments and Growth B: Efficiencies and Improved Use of Resources C: Income Generation D: Savings impacting on service delivery E: Reversal of one-off items from 2012/13 F: Progress report on the Community Restoration Fund and Youth Fund

**AUDIT TRAIL**

<b>Cabinet member</b>	Councillor Richard Livingstone, Finance, Resources and Community Safety	
<b>Lead officer</b>	Duncan Whitfield, Strategic Director of Finance and Corporate Services	
<b>Report author</b>	Jennifer Seeley, Deputy Finance Director	
<b>Version</b>	Final	
<b>Dated</b>	1 February 2013	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Cabinet Member	Yes	Yes
<b>Date final report sent to constitutional team</b>	1 February 2013	

Department	Description of Commitments	2013/14 £'000
<p><b>Children's Services</b> Strategy, Commissioning, Business Improvement</p>	<p>The provision of free healthy school meals for primary aged pupils in schools in Southwark; phased implementation over academic years 2011-14; includes impact of increased pupil numbers and higher take up than anticipated.</p>	<p>1,980</p>
<p>Children's Social Care</p>	<p>Council spending following the cessation of Youth Justice Board funding to meet the costs of placing children remanded to local authority secure accommodation where this has been ordered by the court.</p>	<p>750</p>
<p>Children's Social Care</p>	<p>Welfare Reform Impact - meeting the increasing costs of the council's obligations under the Childrens Act.</p>	<p>600</p>
<p>Children's Social Care</p>	<p>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.</p>	<p>125</p>
<p><b>Total Children's Services</b></p>		<p><b>3,455</b></p>
<p><b>Adult Social Care</b></p>		<p>1,000</p>
<p>Learning Disabilities</p>	<p>Learning disability transition from children to adults.</p>	<p>1,000</p>
<p><b>Total Adult Social Care</b></p>		<p><b>1,000</b></p>

Department	Description of Commitments	2013/14 £'000
<b>Environment and Leisure</b>		
Sustainable Services - Hygiene Services/Fleet	Estimated increase in rent/service charges for Sandgate Industrial Estate following relocation of services from Manor Place Depot to Sandgate.	150
Public Realm - Parks	To meet the cemeteries and crematoria's need for greater investment to maintain and improve the environment for their users.	80
Public Realm - Asset Management	Invest in proactive maintenance of highways to reduce emergency repairs which are often more expensive	200
CLLL - Libraries	There is pressure on income achievement at Canada Water Library. Whilst the income target for the library is £160k, the forecast after 9 months of the year is for actual annual income achievement to be only about £85k.	75
Community Safety & Enforcement	Retain critical community safety programmes due to reduction in government grant funding: Southwark's Young Persons Substance Misuse Service £95k and Southwark Anti-Violence Unit & Southwark Emergency Re-housing Scheme £120k.	215
Community Safety & Enforcement	Housing CCTV cameras are being replaced in 2013/14, and there will be an ongoing maintenance cost in order to provide greater security on our estates.	380
Sustainable Services - Pest Control	Statutory provision of Stray Dogs service under S68 of the Clean Neighbourhoods and Environment Act 2005.	80
<b>Total Environment and Leisure</b>		<b>1,180</b>

**Commitments and Growth**

**Appendix A**

Department	Description of Commitments	2013/14 £'000
<b>Housing and Community Services</b>		
Specialist Housing Services - Temporary Accommodation	Welfare reform - Bed & Breakfast Landlords	330
SHS - Temporary Accommodation	Welfare reform - third party provider costs (underoccupation)	140
SHS - Temporary Accommodation	Welfare reform - third party provider costs (private sector landlords)	100
SHS - Temporary Accommodation	Welfare reform - third party provider costs (benefit caps)	355
SHS - Temporary Accommodation	Welfare reform - third party provider costs (self-contained)	75
SHS - Temporary Accommodation	Welfare reform - additional Employment Advice staff	55
SHS - Temporary Accommodation	Welfare reform - credit union administration fee	30
SHS - Temporary Accommodation	Welfare reform - casework, housing officer and placement staff	145
<b>Total Housing and Community Services</b>		<b>1,230</b>
<b>Finance and Corporate Services</b>		
	Social Fund programme - Grant transferred to Southwark Council from the Department of Work & Pensions for issuing crisis loans and community care grants. This includes £288k for administration of the grant.	1,651
<b>Total Finance and Corporate Services</b>		<b>1,651</b>

Department	Description of Commitments	2013/14 £'000
<b>Corporate Budgets</b>		
Corporate	Impact of 2010/11 triennial review of pensions. In order to maintain a planned recovery of the fund deficit in line with the funding strategy there will need to be increases in employers' contributions of circa 3% over the period to 2013/14.	1,500
Corporate	Additional resources to support London Living Wage in council contracts as they are re-let.	1,000
Corporate	Increase in charge from London Councils for concessionary fares based on current information, usage and fare increases.	500
Corporate	Auto enrolment into pension fund	300
Corporate	Increase of 2.2% in the London Pensions Fund Authority's Levy	32
Corporate	To increase the annual Cleaner, Greener, Safer revenue allocation to each ward by £10k per annum over and above £10k already included in the base budget.	210
Corporate	Reduction in level of general contingency, to reflect achievement of budget targets for 2011/12 & 2012/13	(500)
<b>Total Corporate Budgets</b>		<b>3,042</b>
<b>Total Commitments and Growth</b>		<b>11,558</b>

Department	Description of Savings	2013/14 £'000
<b>Children's Services</b>		
Education	Grant utilisation: funding responsibility for eligible two year olds entitlement to free education transferred to the DSG. (EIG)	(1,210)
Strategy and Commissioning	Ongoing rationalisation of IT systems.	(75)
Children's Social Care	Procurement/placement savings generated via improved framework agreements.	(500)
Across Children's Services	Ongoing review and rationalisation of administrative support provided.	(340)
Education	Restructure of Early Help Offer; improving targeting of support.	(375)
Education	Reduction in EIG contributions to Education Other than At School and Pupil Referral Unit (SILS) and Speech and Language Therapy; to be funded in part through Dedicated Schools Grant.	(190)
Education	Realigning the Specialist Education Services team. Allocating statutory functions within existing structure.	(395)
Strategy and Commissioning	Reduction in Strategy and Commissioning team staffing budgets incorporating the impact of Childrens and Adult's Services teams merging within this Division.	(350)
Strategy and Commissioning	Utilisation of grant to support existing eligible expenditure.	(160)
<b>Total Children's Services</b>		<b>(3,595)</b>



Department	Description of Savings	2013/14 £'000
<b>Adult Social Care</b>		
All Client Groups	Reduction in Supporting People Grant through efficiencies, service redesign and supporting the most vulnerable	(1,800)
All Client Groups	Smarter procurement	(350)
Mental Health	Redesigning mental health services to achieve better value	(1,000)
Older People	NHS investment in day services for older people	(300)
Physical Disabilities	Independent Living Team at Southwark Resource Centre to build independence skills	(200)
Learning Disabilities	Re-design transitions service to work more effectively with young disabled people moving into adulthood	(150)
Older People, Physical Disabilities and Learning Disabilities	Provide community based support to reduce the need for high cost care home placements	(965)
All Client Groups	Workforce redesign resulting from the realignment of adult social care teams to meet personalisation requirements	(300)
All Client Groups	Improving finance services	(50)
All Client Groups	Reduction in weekly revenue costs resulting from proposed capital buy-out of care home properties	(930)
<b>Total Adult Social Care</b>		<b>(6,045)</b>

Department	Description of Savings	2013/14 £'000
<b>Environment and Leisure</b>		
Public Realm	Return of budget required in 2012/13 for risk on parking income collection which is no longer required. This risk budget is returned to balances in 2012/13 and reported as part of revenue monitoring.	(500)
Public Realm	Reduced costs through procurement of new parking enforcement contract and productivity improvements	(600)
Public Realm	Reduced costs through procurement of new Highways Term Contract	(200)
Public Realm	Reductions in Grounds maintenance contractor management	(20)
Sustainable Services	Restructure Divisional Management and Support	(35)
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.	(115)
Community Safety	More efficient commissioning of drugs and alcohol services.	(300)
Community Safety	Combine administrative services across the division and remove 1 post	(40)
Community Safety	Reorganisation of Environmental Health & Trading Services work	(20)
CLLL	Take the opportunity of bringing public health functions into the council to support health and wellbeing aspects of community sports through the public health programme	(100)
CLLL	Implement final stages of 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.	(105)

Department	Description of Savings	2013/14 £'000
CLLL	Restructure divisional support services	(50)
CLLL	Contract savings delivered by the Leisure Management Agreement	(490)
<b>Total Environment and Leisure</b>		<b>(2,575)</b>
<b>Housing and Community Services</b>		
Community Engagement	Reduction in the Council's contribution to the London Councils Grant scheme	(105)
Community Engagement	Rationalisation of community support grants	(60)
Specialist Housing Services - Supported Housing	Full resettlement team in general fund - redirect part of work to homeless prevention	(50)
Specialist Housing Services - Temporary Accommodation	Rationalise service provision including reduced information support and placement support	(10)
Specialist Housing Services - Temporary Accommodation	Office expenses - furniture & stationery	(5)
Customer Experience - Older Persons	SMART (incorporating telecare) procurement efficiencies	(30)
Maintenance and Compliance - Housing Renewal	Adaptations repairs budget for private sector users volume efficiencies	(15)
<b>Total Housing and Community Services</b>		<b>(275)</b>

Department	Description of Savings	2013/14 £'000
<p><b>Chief Executive</b> Director and Business Support Planning &amp; Transport - Transport Planning</p>	<p>On-going review of service to deliver efficiencies including departmental restructure, modernisation programme and shared services across function. Savings are to be achieved through a restructuring of the Planning Division. While details have not been finalised and are still subject to consultation with staff and trade unions, they are expected to involve the deletion of a further three management posts together with a rationalisation in the way in which admin and support services are organised.</p>	<p>(40)</p> <p>(70)</p>
<p>Human Resources</p>	<p>Reduction in transactional staff through extension of self-service/efficient process. Reduction in direct staffing support. These reductions exemplify 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.</p>	<p>(210)</p>
<p>Corporate Strategy</p>	<p>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.</p>	<p>(60)</p>
<p>Communications</p>	<p>Savings arising from the continued shared service.</p>	<p>(50)</p>
<p><b>Total Chief Executive</b></p>		<p><b>(430)</b></p>

Department	Description of Savings	2013/14 £'000
<p><b>Finance and Corporate Services</b> Information &amp; Data Services Division</p>	<p>The new IT Managed service contract is due to commence on 1st February 2013 and the anticipated savings will therefore be reduced within the current year. This will be off set by an increase in savings arising from bringing forward infrastructure changes and rationalisation.</p>	<p>(1,590)</p>
<p>Financial Governance</p>	<p>Grant Thornton appointed as external auditor from 1 September 2012 for at least 5 years. Audit fees expected to be £314k p.a. (compared with £523k p.a. in 2011/12) and £48k p.a. for grant fees (compared with £100k p.a. in 2011/12). However, work arising from objections to the accounts will result in additional costs - difficult to predict with accuracy (in 2011/12 they totalled £39k). A review of governance structures may result in further savings, but these are not yet known or certain.</p>	<p>(110)</p>
<p>Corp. Facilities Management</p>	<p>Cost of new Tooley Street FM contract is set to be approx £300k less than current arrangement and there are some variable elements of the contract that could deliver additional savings. There is also the full year effect of staffing savings. 75% of FM budgets are fixed and non negotiable e.g. Tooley Street rent and NNDR, core operational building and other ring fenced budgets. There remain some limited options to achieve savings from the repairs and planned preventative maintenance budget but there are significant compliance and H&amp;S risks attached.</p>	<p>(780)</p>
<p>Deputy Finance Director</p>	<p>Savings of £377k represents the loss of around 10 posts (depending on grade). Further action on a restructured and reduced finance function, taking account of corporate structures, with a commensurate reduction in support to service departments is needed. A review of non-staffing budgets across the service will also be performed.</p>	<p>(377)</p>

Department	Description of Savings	2013/14 £'000
Deputy Finance Director - Audit & Anti Fraud	Original savings estimates were based on the DWP's proposal for the single fraud investigation service, which is not happening at this time. Savings of £170k have been identified from the Fraud Contract (£10k), Internal Audit contract and performance incentive programme (£35k) and additional income of £125k from Proceeds of Crime work and Admin Penalties	(200)
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. Delete half a post in FTSS (£17k).	(40)
Revenues and Benefits	Savings achieved through staffing reductions (less CT/NDR inspectors). Risk for future years due to the implementation of the Council Tax scheme in April 2013 and the impact of customer contact/workload.	(395)
Management and CIPFA trainees	Reduction from 9 to 3 professional accounting trainee posts, achieved in part through consolidation of trainee activities within existing establishment where appropriate.	(75)
Legal Services	Legal services implemented a new structure in May 2012 delivering a saving of £620k. Savings targets to end 2014 have been achieved.	(200)
<b>Finance and Corporate Services</b>		<b>(3,767)</b>
Corporate	Review of departmental and corporate management structures by Deputy Chief Executive	(500)
Corporate	Savings arising from the acquisition of Tooley Street - to be reviewed annually	(1,500)
<b>Total Corporate</b>		<b>(2,000)</b>
<b>Total efficiencies and improved use of resources</b>		<b>(18,687)</b>

Department	Description of Savings	2013/14 £'000
<b>Environment and Leisure</b> Public Realm	Increase Cemetery and Crematorium fees and charges to Inner London Average.	(80)
Public Realm	Increased income from sports bookings in parks	(20)
<b>Total Environment and Leisure</b>		<b>(100)</b>
<b>Chief Executive</b>		
Property Services - Managed Commercial Property Holding Account and Industrial Properties	Increased income due to rent reviews and lease renewals	(50)
<b>Total Chief Executive</b>		<b>(50)</b>
<b>Total Income Generation</b>		<b>(150)</b>

Department	Description of Savings	2013/14 £'000
<b>Children's Services</b>		
Education	A 12% reduction in the EIG funded Childrens Centres budgets and commissioning.	(400)
Education	Second phase in restructuring the EIG funded Connexions Service to reflect LA's revised responsibilities.	(800)
Education	Reduction to the EIG funded Early Years advisers team; and PVI workforce training budget; a core service will still operate in a more targeted way focussed on accredited qualifications.	(500)
Strategy and Commissioning	Reviewing the effectiveness of SLAM "additional" contracts funded from EIG.	(100)
Education	Final stages of planned Youth Transformation programme; ongoing improvement in commissioning of services. (EIG)	(250)
Education	EIG funded Bookstart programme reduction; service to continue with reduced activity; targeted for most vulnerable children.	(220)
Children's Social Care	Increased use of personalised budgets to provide short breaks for families with children with disabilities; currently funded from EIG.	(200)
Children's Social Care	Continuing transformation of Children's Social Care Teams. (Part EIG)	(350)



Department	Description of Savings	2013/14 £'000
Strategy and Commissioning	Parenting courses funded by EIG, to be funded directly by Children's Centres and schools.	(50)
Strategy and Commissioning	Reduction in Children's Services EIG contribution to the corporate advocacy service.	(30)
Education	Reconfiguration of the early years centres operating model	(500)
Education	Final stages of reducing back office functions with the transfer of the After Schools Service to Schools and review of play services.	(100)
Children's Social Care	Reduction in Agency Spend in Social Services.	(300)
Children's Social Care	Reducing the use of Independent Foster Agencies through increasing the number of foster carers within the borough.	(250)
<b>Total Children's Services</b>		<b>(4,050)</b>
<b>Adult Social Care</b> Learning Disabilities	Redesigning services for people with learning disabilities to support the delivery of personal budgets	<b>(1,700)</b>
<b>Total Adult Social Care</b>		<b>(1,700)</b>

Savings impacting on service delivery

Appendix D

Department	Description of Savings	2013/14 £'000
<b>Housing and Community Services</b>		
Community Engagement	Reduction in advice services commissioning on re-procurement of contract	(55)
Customer Experience - Housing Assessment & Support	Legal budget for section 204 & judicial reviews - demand-driven SLA	(15)
Customer Experience - Homelessness	External providers - cessation of GLA-funded project on homelessness prevention	(100)
Customer Experience - Homelessness	Review and rationalisation of the Private Tenancy Team - add to homeless referrals	(70)
Specialist Housing Services - Temporary Accommodation	Reduction in bed & breakfast costs by use of other temporary accommodation provision	(30)
<b>Total Housing and Community Services</b>		<b>(270)</b>
<b>Chief Executive</b>		
Economic Development & Strategic Partnership	Savings resulting from re-organisation of staffing	(40)
<b>Total Chief Executive</b>		<b>(40)</b>
<b>Total savings impacting on service delivery</b>		<b>(6,060)</b>

**Reversal of one- off items from 2012/13**

**Appendix E**

Department	Description of Commitments	2013/14 £'000
<b>Environment and Leisure</b>		
CLLL - Culture	Reversal of one off budgets provided in 2012/13 for Kingswood House feasibility study which is now complete. Total project cost £50k with £5k contribution from Property Section	(45)
CLLL - Culture	Reversal of one off budgets provided in 2012/13 for additional unavoidable costs to E&L services during the 5 weeks of the Olympics (£30k required for 2011/12).	(444)
CLLL - Leisure	Reversal of 2012/13 saving (rental of Mellish Fields) due to revised agreement with Bacon's College.	20
<b>Total Environment and Leisure</b>		<b>(469)</b>
<b>Corporate Budgets</b>		
Corporate	Adjustment for community restoration fund which completed in 2012/13	(1,000)
Corporate	Final adjustment of £1.5m voluntary sector transition fund set up originally for 2 years in 2011/12. (note: of the £1.5m total, £900k has been committed to date, leaving £600k which will be available for distribution in 2013/14)	(500)
<b>Total Corporate</b>		<b>(1,500)</b>
<b>Total One - off reversals</b>		<b>(1,969)</b>

## Progress report on the Community Restoration Fund and Youth Fund

### Background

1. The Community Restoration Fund (CRF) was announced, as part of the February 2012 budget setting process, in response to the civil unrest experienced in areas of Southwark in August 2011. It is a one off annual fund (2012-2013) and aims to restore community pride and deliver longer term solutions to support business growth and young people across the borough.
2. The Youth Fund was announced as part of the February 2011 budget setting process. It is a 3 year (2011/2012-2013/2014) programme established in response to rising numbers of young people claiming out of work benefits, increased university tuition fees and the withdrawal of the national Education Maintenance Allowance scheme. It aims to help young people in Southwark improve their long term employment prospects.
3. A joint Advisory Board currently manages the delivery of these funding streams, chaired by the Strategic Director of Finance and Corporate Services.
4. This report is intended to provide an update on progress on the delivery of the CRF and Youth Fund.

### Progress to date - Community Restoration Fund (CRF)

5. There are two elements to the CRF: supporting young people and supporting businesses.
6. The objectives of the youth element of the CRF 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 the small number 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.
7. The objectives of the business element of the CRF are:
  - To place 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;
  - To ensure businesses are more able to adapt and innovate in response to regeneration and changing local economic circumstances;
  - To get businesses to work together collaboratively to share ideas and resources and achieve increased economic growth in their area.
8. Overall, the CRF has been successful in developing and maintaining 6 area specific business networks across the borough. It has supported young people to start their own business and has engaged young people in positive activities, diverting them from criminal activities. It has provided access to information advice and guidance through the Youth Buses service and

summer activities through 'pop-up' programmes.

9. Key activities and outcomes delivered through the CRF to date include:

- A pop-up shop project, delivered by Creation Trust, delivering business start-up support to those interested in becoming self-employed
- Sustaining low numbers of people not in education, employment and training (NEET) in the borough
- More young people engaged in enterprise development through the "App project" and the "Mind your own Business" programme.
- More provision available for young people through Community Council Youth Grants
- Greater interaction between businesses in local areas such as Camberwell, Tower Bridge and Peckham
- Business surveys conducted to gain better insight into business needs in different localities
- Improved communication channels through the development of new business network websites in Camberwell, Bermondsey, Walworth and Peckham
- Greater community engagement in the delivery of projects and events such as local young people running Rerezent's Talking Shop Radio show and local communities engaged in a range of festive and other themed markets
- Development of a business improvement district in Bermondsey
- Improved perception of the council by local business.

10. The CRF performance summary to date is:

	<b>Spend to date</b>	<b>Outcomes achieved</b>	<b>Performance summary</b>
<b>Supporting Young People</b>	£450,000	<p>More YP engaged in positive activities.</p> <p>Greater sense of community engagement in project development and implementation.</p> <p>Young people supported to start their own businesses</p> <p>Increased access to further education, training and employment</p>	<p><b>Community Council Grants:</b> 100k funding made available between Community Councils for small projects to deliver improved outcomes for young people. Approximately 100 applications for funding have been received; projects will start in April 2013.</p> <p><b>Youth Buses</b> – Buses in various locations throughout the borough focusing on hot spot areas as identified by Southwark Anti-Social Behaviour Unit and the Police.</p> <p>Mobile delivery has also been extended with the purchase of Mobile Recording/Film studio called 'The Mix Bus' ensuring the service offer can be extended.</p> <p>Buses have also been used at various events promoting youth service activity and are working directly after school closure time in identified areas.</p> <p><b>Pop up youth clubs</b> - 148 individual young people attended the two pop up projects with in excess of 800 visits to the projects during the summer period.</p>

			<p>Various activities were in place including film clubs, CV writing and life skills projects. The pop up clubs helped young people gain access to College and access to employment opportunities.</p> <p><b>'Mind your own Business' Business Bursaries scheme</b> - 40 applications received in first funding round. 13 business ideas selected by the panel to go forward to next round. These 13 will work with London Youth Support Trust to produce a business plan. First grants will be allocated in February 2013 and second round of funding will take place in March 2013.</p>
<b>Supporting Business Growth</b>	£199,330	<p>Identifiable business networks established across the borough.</p> <p>Increased interaction between business network and the Council.</p> <p>Improvements made to key town centres and high streets</p>	<p>32 people to date have completed their retail training programme and delivered 2 Pop-UP Shops in Walworth; 2 people have gone on to start their own business.</p> <p>6 business networks have been established and developed across the borough</p> <p>More businesses are actively engaged and have signed up to the newly developed business networks</p> <p>More interaction between local businesses and young people</p> <p>Approximately 10 community events and markets have taken place to date</p>

### Progress to date - Youth Fund

11. The Youth Fund was put in place in 2011/12 for three years with the key objective of providing support and assistance to improve the life chances of some of the most vulnerable young people in the borough. In particular the fund intended to support activities that helped to improve the educational outcomes of young people and help support them access local job opportunities.
12. On 27<sup>th</sup> July 2011 the youth fund was formally agreed through an IDM allocating £3,175,000 over a three year period.
13. The fund is currently delivered through 3 strands:
  - the Southwark Scholarship Scheme delivers financial support to fund university study for some of the most vulnerable young people in the borough;
  - the Southwark Educational Maintenance Supplement (SEMS) delivers financial assistance for young people aged 16-18 in learning;
  - the Southwark Employment Training Scheme (SETS) delivers employment support for young people aged 16-24 leaving education.

### **Southwark Scholarship Scheme**

14. To date 13 scholarship beneficiaries have received financial support to fund their university study fees.
15. The subjects of study that the 13 scholarship beneficiaries are attending is as follows:
  - Accounting and Finance,
  - Economics,
  - Mathematics,
  - Sociology,
  - Law,
  - Sports Science,
  - Computer Systems and Networking,
  - Civil Engineering,
  - Criminology and Psychosocial Studies,
  - Sociology,
  - Business and Marketing and
  - Biomedical Science.
16. The scholarship scheme has a total budget allocation of £400k over the current lifetime of the programme.
17. The budget report proposes that resources be provided to extend the youth fund for a further three years until 2016/17. This will provide assurance for the future delivery of the scholarship scheme.

### **Southwark Educational Maintenance Supplement (SEMS)**

18. The government abolished the Education Maintenance Allowance (EMA) on the grounds that it did not provide value for money. This meant that from January 2011 no new learners were eligible for EMA, although those already in receipt continued to receive reduced support until the end of that academic year. The scheme cost £560m per annum in England. Qualitative research for the government found that EMAs had limited effect on keeping learners in education. When recipients of EMA were asked what they would do in the absence of EMA only 12% said they would not be in education. The government therefore interpreted that 88% of students receiving EMAs would be in education even without it.
19. In Southwark in 2010/11 there were over 10,000 16-18 residents in Southwark the majority of who attended schools and colleges outside Southwark. There were 3,729 Southwark residents receiving EMAs at schools and colleges in and out of Southwark (i.e. approaching 40% of Southwark's 16-18 year olds residents). By contrast the Youth Fund Southwark Educational Maintenance Supplement (SEMS) in 2012/13 only reached about 900 students. This reflects the much more restrictive criteria used for eligibility in SEMS. EMA was available to students from households earning up to £30,810 pa whereas SEMS sets an income limit of £16,190 (in line with Free Schools Meals eligibility criteria). Also in 2012/13 EMAs were still available to some students and they were therefore not supported by SEMS

20. SEMS was not conceived as a replacement for EMAs. The cost of EMAs to Southwark students in 2010/11 was between £3m-£4m but the budget for SEMS was just £600,000. It was obvious therefore that SEMS could not match the scale and reach of EMAs in Southwark but was intended as part of a package to promote opportunities for young people through the Youth Fund. The average amount paid out by EMA to learners in Southwark was about £1000 whereas SEMS was only able to pay £262 per learner. EMA was also paid directly into the learner's bank account while SEMS is paid to providers based on data they provide about the number of eligible learners.
21. Many providers also provide additional support to students in need using money left over from the national 16-18 bursary fund after they have met the needs of those entitled to £1200 from this fund (care leavers, disabled students and 16-18 year olds receiving income support). Providers also add money from their own budgets to compensate for the end of EMA. This can amount to hundreds of pounds and so is more significant than SEMS. Nevertheless SEMS has been a vital addition for many students and a survey done by email and phone found that students regarded it as having enabled them to stay on in education.

### **Southwark Employment Training Scheme (SETS)**

22. There are several factors that contribute to continuing youth unemployment. These include: young people are less likely to have work experience; young people lack specific skills; young people don't have access to adequate support networks and employers; young people aren't yet familiar with the 'world of work' and often struggle to navigate the local employment support system.
23. Although London remains a supplier of jobs, competition to secure these jobs continues to increase. An increase in demand for high skilled jobs at one end and more low level service sector jobs at the other means the labour market may be 'hollowing out' with more competition for lower level jobs. This acts as a further barrier to employment for young people, who then less prepared to compete for jobs in an open market.
24. Recognising some of these issues, SETS aims to help young people gain access to available local employment opportunities and training.
25. To date, SETS has supported 431 young people. 126 have gained work experience and 62 have secured employment. Key observations from the delivery of the SETs include:
- the spectrum of need of the young people on the programme is wide;
  - there is a large variation in the skills levels of the young people on the programme;
  - recent university graduates are struggling to secure employment;
  - there is lack of sector specific information about what jobs are available;
  - young people want help to navigate the local employment support system and work out what they want to do;
  - young people lack confidence and understanding of how to 'sell their skills' to employers;
  - young people benefit from having a mentor/advisor who can help them to realise their talents and ambitions.



26. SETS has been able to help young people make the transition from education to employment by giving them access to opportunities in the labour market, building their employability skills and raising their confidence. It has proved challenging to secure evidence of sustainable job outcomes over 13-26 weeks. This may be because of a number of factors including: the entry level jobs available are short term; young people do not wish to continue to engage with providers following job entry; young people move into training/further education following a period of employment; providers need to improve their monitoring techniques.
27. The majority of referrals for the SETS have been from Jobcentre Plus which suggests that this support has been successful in filling a gap that mainstream provision is not easily able to provide.
28. It should be noted that during 2012/13 Red Kite Learning, one of the providers contracted to deliver the largest proportion of outputs through SETS, ceased operation.
29. Overall, the youth fund performance summary to date is:

	<b>Total Budget allocation (2011-2014)</b>	<b>Spend (or committed) to date</b>	<b>Outcomes achieved</b>	<b>Performance against key indicators to date</b>
<b>SSS</b>	£ 400 000	£287,000	Talented YP given the opportunity to reach their learning potential	<p>13 students have been awarded a scholarship since the start of the programme.</p> <p>SSS aims to support 21 students in total.</p> <p>Students from the following wards have gained scholarships:</p> <p>Cathedral (3 people) Faraday (2 people) Newington Peckham Rotherhithe College East Dulwich Grange Livesey</p>
<b>SEMS</b>	£1,800,000	<p>The total £300,000 budget for 2011-12 was allocated.</p> <p>For 2012-13 the budget is £600,000 - to date</p>	<p>Successful in ensuring young people in the borough remain in education.</p> <p>Helped to sustain Southwark's NEET numbers at a low level – 495 NEET</p>	<p>In 2011/12 the scheme supported 922 learners at 33 providers inside and outside Southwark.</p> <p>In 2012/13 to date, the scheme is supporting 1280 learners at 30 providers.</p> <p>A questionnaire has been</p>

		£382,500 has been allocated.	16-18 year olds.	sent to pupils who have benefited from the scheme 103 (11% of the number of students funded) from 22 providers have responded to date. Survey findings show:  - Travel, books and food were the most common uses of the funding; - All respondents said SEMS helped them stay in education; - Some students say it was "vital"; - Others students felt the amount wasn't enough.
<b>SETS</b>	£ 975,000	2011/12 spend of £298,158.  2012/13 allocated spend to date is £165,133.	Young people supported to increase their employability and compete in the labour market.	Key outputs since October 2011:  Numbers supported: 475 Work Placements: 146 Entry to jobs: 65 Jobs sustained for 13 weeks: 22 Jobs sustained for 26 weeks: 8*  *recorded for 3 projects delivering in 12/13

## Consultation

30. The Youth Fund was established in response to high rates of youth unemployment in the borough and the impact of the removal of education maintenance allowances as part of the 2011/2012 budget which followed an extensive consultation. This included the Southwark Spending Challenge. This challenge involved seeking views from each Community Council and through meetings with key community groups. The consultation process began in September 2010 with Cabinet Members agreeing a set of budget principles and then visiting community councils, and other groups.
31. The decision to establish the CRF followed the disturbances of August 2011. In the immediate aftermath of the disturbances the council held a series of 'community conversations' where individuals and groups provided insight into the impact of the disturbances and what could be done to learn for the future. These highlighted that young people need and value opportunities to be part of their community and in the decisions that affect them.
32. During January 2012, the Cabinet Member for Regeneration and Corporate Strategy held a series of meetings with key stakeholders, including local business leaders and business organisations, to discuss the development of the CRF. This helped to establish the scope of the fund and the process by which it would be distributed.

33. The Southwark Youth Council were involved in developing the proposals for the supporting young people element of the CRF and supported the implementation of the projects supported through this fund.
34. CRF projects have been presented to Community Council's for discussion and the youth community councils are helping to determine funding allocations in their respective areas through the Community Council Youth Grant.

### Summary of funding

35. The following funding allocations are in place for the youth element of the CRF:

<b>Project</b>	<b>Amount awarded</b>
Community Council Youth Grants	£100,000
App centre	£85,000
Business start-up bursaries (Mind your own Business)	£70,000
Pop-up youth projects	£62,200
Youth Buses	£180,000
<b>Total</b>	<b>£497,200</b>

36. The following funding allocations are in place for the business element of the CRF:

<b>Organisation</b>	<b>Project</b>	<b>Funding allocation</b>
Bermondsey Business Association	Bermondsey BID	£30,000
Business Extra	Walworth Town Team	£100,000
Camberwell Business Network	Camberwell is Cool campaign	£50,000
Creation Trust	Pop-Up Retail project	£84,000
Deli Felice (on behalf of Albion Street businesses)	Albion Street Traders	£4,800
Eclectic Productions	Reprezent Radio's Talking: Shop	£31,430
The Means	Peckham Town Team	£100,000
Tower Tandoori (on behalf of Tower Bridge Road businesses)	Tower Bridge Road Alliance	£40,000
<b>Total</b>		<b>£440,340</b>

37. The following funding allocations are in place for the youth fund:

	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>2014-2015</b>	<b>Total</b>
<b>Southwark Educational Maintenance Supplement</b>	£ 300,000	£ 600,000	£ 600,000	£ 300,000	<b>£1,800,000</b>
<b>Southwark Scholarship Scheme</b>	£ 50,000	£ 100,000	£ 150,000	£ 100,000	<b>£ 400,000</b>
<b>Southwark Employment Training Scheme</b>	£ 350,000	£ 325,000	£ 300,000		<b>£ 975,000</b>
<b>Total</b>	<b>£ 700,000</b>	<b>£ 1,025,000</b>	<b>£ 1 050 000</b>	<b>£ 400 000</b>	<b>£ 3 175 000</b>

<b>Item No.</b> 10.	<b>Classification:</b> Open	<b>Date:</b> 12 February 2013	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Revenue Monitoring Report for Quarter 3, 2012/13, including Treasury Management	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Richard Livingstone, Finance, Resources and Community Safety	

### **FOREWORD – COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY**

This report sets out the Council's financial position against its budgets for 2012/13 as at the end of December 2012, and asks Cabinet to agree the budget movements set out in Appendix A.

On the general fund, overall departments are making the savings required for the year. There have been particular pressures on the Housing and Community Services department, Children's Services and the Chief Executive's Department but these have been balanced by significant further savings achieved by Adult Social Care and the Environment and Leisure Department.

As in previous quarters, the planned savings from the Customer Services Centre have yet to be realised and appear unlikely to be until the service moves in-house next year. The Council's contingency budget will afford us the scope to deal with this issue and it is currently projected that £2.8m from this fund will be required.

For the Housing Revenue Account, there is a favourable variance, mainly as a result of systematic improvements in contract management and cost control which continues to deliver greater value overall. This is in stark contrast to the deficit run on the HRA a few years ago. The report also sets out future pressures on this budget that are likely to arise through government's welfare reform and the Council's re-housing programme.

The report also identifies movements in the Council's reserves.

The Collection Fund is projected to deliver a surplus this year, and improvement on the break-even position predicted in quarter 2. This appears to be at least partly as a result of the work carried out to target single person discount fraud for council tax in the autumn. This is welcome news given the particular challenges facing council tax collection in 2013/14 arising from government's abolition of Council Tax Benefit.

On the Council's Treasury Management activity, the most significant transaction has been the purchase of 160 Tooley Street. The impact of this purchase is set out in the report and it is noted that savings are already being reported as a result of the acquisition.

## RECOMMENDATIONS

1. That the cabinet notes:
  - the general fund outturn forecast for 2012/13 and the resultant forecast net movement in reserves;
  - the housing revenue account's (HRA) forecast outturn for 2012/13 and resulting forecast movement in reserves;
  - the treasury management activity for the third quarter of 2012/13;
2. That the cabinet notes the initial revenue savings arising from the Council's purchase of 160 Tooley Street.
3. That the cabinet notes the forecast Council Tax and Business Rates collection fund balance as at 31 March 2013.
4. That the cabinet approves the general fund budget movements during quarter three that exceed £250k, as shown in Appendix A.

## BACKGROUND INFORMATION

### General fund

5. The purpose of this report is to provide a forecast for the end of the financial year 2012/13. This is based on predictions made by service managers based on financial activity to date and anticipated commitments and income for their service. Work continues throughout the Council to ensure that a balanced position is achieved by the end of the year.
6. The Council agreed a balanced general fund budget of £308.2m on 29 February 2012 based on a nil council tax increase. This budget was set in the context of further significant overall cuts in government funding and the identification of some 25% savings proposals over the three years from 2011/12 to 2013/14, to mitigate against the reduction in resources and to continue to fund the Council's commitments in terms of services provided.
7. In setting the budget the Council continues to strive for a Fairer Future for All in Southwark despite the challenges of the national financial climate. Key elements of the 2012/13 budget included:
  - A further year's freeze in Council Tax
  - The introduction of clear plans to ensure that the London Living Wage benefits not only directly employed staff but also those who work for the Council 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 2011 disorder events
  - The use of £4.4m from the Council's reserves to help with the pressures on the budget
  - Further rollout of the Free Healthy School Meals programme for primary schools to include years 2, 3 and 4 from September 2012, in addition to the

- coverage of Reception and Year 1 classes
  - Further reduction in Meals on Wheels prices
  - Continuing the Voluntary Sector Transition Fund scheme established in 2011.
8. The Council also approved budget decisions including agreed budget reductions of some £28m and approved commitments of £10.2m within general fund for 2012/13. Performance on achieving these savings is closely monitored and details are provided in paragraphs 48 to 52 below.
  9. The Council Plan placed local needs and accountability as the drivers of performance improvement, and in an environment of significantly reduced funding, the Council has to change in fundamental ways. There are a number of transformation projects underway, and work continues to identify further ways of transforming the delivery of services. These transformation or invest to save projects may be funded from on-going positive variances or previously created earmarked reserves which were established to pump prime initiatives.

### **Housing revenue account**

10. Cabinet set tenants' rents and service charges on 24 January 2012 in line with the formula used in previous years. The budget included a £6.4m savings target for 2012/13. The starting point of this process was to listen to residents' concerns about the services they wish to protect, and identify the potential for better value for money and more efficient ways of working.

### **KEY ISSUES FOR CONSIDERATION**

#### **Current forecast position: General fund budget monitor for quarter three**

11. Table 1 below shows the current forecast outturn position for quarter three by department. These estimates are based on nine months' experience and reflect the impact of stringent management action implemented by all strategic directors to ensure that they deliver their services within budget and to meet other targets as agreed through the policy and resources strategy in February 2012 by council assembly. Progress for each department is shown in paragraphs 16 to 36 below.
12. At the start of this quarter, following top level management restructuring, children's services and adult social care have been merged under one strategic director. However for consistency with earlier monitoring reports, the two services continue to be shown separately in the table below. This position will be amended for 2013/14.

**Table 1: General fund forecast outturn position for 2012/13 as at 31 December 2012**

General fund	2012/13 Original budget £'000	Budget movements £'000	2012/13 revised budget £'000	2012/13 forecast outturn £'000	Variance - over / (under) £'000	Variance at Q2 2012/13 - over / (under) £'000
Children's services	85,766	80	85,846	86,146	300	0
Adult social care	107,718	(990)	106,728	105,942	(786)	(775)
Environment and leisure	70,412	2,049	72,461	72,156	(305)	(74)
Housing and community services	44,065	(1,938)	42,127	42,612	485	704
Chief executive's department	19,007	2,034	21,041	21,152	111	(68)
Finance and corporate services	41,483	(1,318)	40,165	40,170	5	4
Customer services centre	(3,000)	0	(3,000)	0	3,000	3,000
Support cost recharges	(59,308)	1,069	(58,239)	(58,239)	0	0
<b>Total general fund services</b>	<b>306,143</b>	<b>986</b>	<b>307,129</b>	<b>309,939</b>	<b>2,810</b>	<b>2,791</b>
<b>Contingency</b>	<b>5,500</b>	<b>0</b>	<b>5,500</b>	<b>0</b>	<b>(5,500)</b>	<b>(5,500)</b>
<b>Appropriations to/(from) reserves (see Table 4)</b>	<b>(3,446)</b>	<b>(986)</b>	<b>(4,432)</b>	<b>(4,432)</b>	<b>0</b>	<b>0</b>
<b>General fund total</b>	<b>308,197</b>	<b>0</b>	<b>308,197</b>	<b>305,507</b>	<b>(2,690)</b>	<b>(2,709)</b>

Note: Explanations of budget movements for quarter 3 which exceed £250k are provided in Appendix A.

13. As previously reported at quarters one and two, the general fund forecast includes estimates of one off re-organisation and redundancy costs that the Council expects to incur as it continues to put into action plans necessary to deliver the ongoing savings identified within the budget. At the close of 2011/12 the Council was able to contribute £5.4m from contingency to reserves. This will be used as the first call for supporting the 2012/13 revenue budget which includes a planned £4.4m contribution from reserves. The balance will be used to replenish reserves, some of which are held to support the ongoing redesign of services and invest to save projects to make the Council fit for the future and to sustain regeneration and development projects where costs may be of a one off nature and less easy to predict.
14. As shown in Table 1, within services there is a forecast adverse variance of £2.8m based on the information available by the end of December. However with the planned contribution from reserves and availability of the contingency budget of £5.5m, there is an overall favourable variance of £2.7m projected for the general fund by the end of 2012/13.
15. Table 1 includes net budget movements by department. Detail for quarters one and two were provided in the July and November 2012 monitoring reports to cabinet. The quarter three movements are detailed in Appendix A.

### Children's services

16. Children's services budgets are predicting a £300k adverse variance on a total budget of £85.8m, (compared with a zero variance at quarter two).
17. Transformation and restructuring are still ongoing from the previous year. There are underlying cost pressures in specialist services being mitigated by favourable variances as described below:



- Cost pressures within specialist services have risen to £1.4m in total, attributable to increasing numbers of children placed in independent fostering agencies (IFA) and financial aid to an increasing number of families that have “no recourse to public funds”. Management action being taken to address the IFA increase includes: recruiting more foster carers in Southwark to reduce dependence on IFAs and establishing a placements approval panel to ensure that all other possible alternatives are considered first. In addition, work is underway to establish a single service across children's and adults services and housing to efficiently manage "no recourse" families and ensure the families with a legitimate claim for support receive the support they need as quickly as possible. Further, officers are working with the UK Borders Agency to identify high cost "no resource" families to ensure they process their applications as quickly as possible.
- This variance is mainly offset by favourable variances within Education, attributable to vacant posts and management action taken to accelerate the 2013/14 savings and to hold budgets to support the specialist services pressures.

18. The 2012/13 savings targets of £6.174m are on track to be met.

#### **Schools budget**

19. The dedicated schools grant (DSG) - local authority budget is predicting a favourable variance of £300k compared to a favourable variance of £500k at quarter two. Cost pressures are rising with an increased number of students with complex special educational needs being placed in out of borough special schools; this budget pressure has been offset by staffing vacancies, and under utilisation of school contingencies within the totality of the DSG budget.

#### **Adult social care**

20. Adult social care is forecasting a favourable variance of £786k at the end of quarter three, little changed from quarter two. This includes a prudent provision to meet costs associated with the transformation of adult care accommodation which will be funded through a combination of corporate resources and revenue. In addition an unbudgeted receipt from the NHS for winter pressure will be placed in reserves to ensure the resources are used effectively.

21. As previously reported, the division is in the second year of a three year savings plan of £27m with the 2011/12 target of £7.7m having been largely delivered. The 2012/13 target is £10.3m with the latest projections indicating pressures of £0.5m in Mental Health detailed later in this report. To mitigate against these pressures, management are implementing compensating savings in a number of areas including continuing the momentum of re-ablement benefits and improving the procurement process.

22. As well as managing savings pressures, demand in high cost and high needs care arrangements within the physical disability services is evident, for example in spot placements and also difficult to budget for costs in no recourse to public funds which are all being addressed by management.

### **Environment and leisure**

23. The department is forecasting a favourable variance of £305k for the year compared to a £74k favourable variance position reported at end of the second quarter.
24. The variance now reported is after returning £500k budget allocated to fund pressures in the parking income, identified in 2012/13, subject to six months review and setting up £900k as capital reserve for parking related infrastructure investments. At the review it was clear that changes to legal regime and the contractors performance, combined with a mild winter has led to a rebound in parking income.
25. The latest estimates shows that £144k funding allocated for additional costs during Olympics period was not required. This variance is included in the projection. Although there are a number of pressures in the department, these are being closely monitored and the department is expecting to contain them within the existing budgets.
26. It is assumed that one off early retirement and redundancy costs of £774k (previous estimate was £400k at end of quarter two) incurred this year will be funded from the modernisation reserve. At the moment this funding means that the department is able to forecast a favourable variance at year end. However in the event that this variance remains unchanged, it is likely that the call on reserves will be reduced by £305k and the department report a neutral/breakeven final outturn position.

### **Housing and community services (H&CS)**

27. The position at quarter three remains slightly over budget, albeit this shows improvement over previous reports. Projected spending within the customer experience division has reduced as cost profiles/ trends and commitments become clearer. The forecast currently assumes a release of earmarked reserves of £232k comprising £174k redundancy and £58k community engagement (referred to below).
28. As previously reported, following the breakup of the communities, law & governance department (CLG), community engagement transferred to housing mid-year and merged with resident involvement to form a separate division within the newly named housing & community services department. The application of savings targets following the reconfiguration of community councils during 2011/12 has created some residual budget pressure that cannot be contained within budget but will be covered by corporate reserves specifically earmarked for this purpose. In addition, registrars and coroners have also recently transferred into the H&CS department under the customer experience division. Despite some initial budget pressure, this activity is forecast to be neutral by year-end.
29. The move to bring the customer service centre in-house from June 2013 represents a very challenging target given the scale of the operation, but provides the opportunity to reconfigure and improve customer access and service delivery and drive out substantial savings over the medium term by moving towards more cost effective transaction routes and operational efficiencies. In the short-term however, costs are forecast to exceed budget in

2012/13 as we transition to the new arrangements, albeit the forecast is lower than at quarter two. The forecast includes all scheduled contract payments to Vangent agreed as part of the termination agreement, subject to them hitting a series of performance milestones. Transition costs relating to the development and implementation of the new customer relationship management (CRM) system and infrastructure upgrades will be held separately from the routine contract operating account and met from corporate resources earmarked for this purpose.

30. Following further restructuring, the community housing services division has been disbanded and the functions formerly undertaken have been subsumed within the specialist housing services and customer experience divisions (with the exception of functions that currently remain within the housing general fund pending transfer to corporate strategy during quarter four). Budgets have been realigned and consolidated and are reflected for the first time in the quarter three monitor, which renders direct comparison with previous monitors at a divisional level difficult. By far the greatest financial risk for the Council is the cost of temporary accommodation provision, particularly bed & breakfast. Whilst Southwark ranks highly in terms of homeless prevention, the demand-led nature places a disproportionate financial burden on the budget, requiring stringent monitoring and control and diversion into more financially neutral forms of accommodation, i.e. estate voids and hostels in the HRA.
31. The forecast shows some budget pressure across the activity as a whole at quarter three, including around £60k of redundancies, which will be a call on corporate reserves. Looking forward, the impending welfare reforms and housing benefit changes will have a detrimental impact on the Council's ability to prevent homelessness as use of the private rented sector becomes less affordable and the cost of private sector leasing (PSL) provision will no longer be cost neutral. The extent of this is difficult to predict at this stage, but will be built into base budgets for 2013/14 as required.

#### **Chief executive's department**

32. The Chief Executive's department is forecasting an overall adverse variance of £111k after the release of earmarked reserves for regeneration projects. The revenue monitor also takes into account the 2012/13 base budget savings of £1.3m which are being projected as fully achievable. Management action will continue with a view to delivering the budget on target by the end of the financial year.

#### **Finance and corporate services**

33. Finance and corporate services continues to forecast a small adverse variance this quarter as it did at quarter two although management action continues to ensure that the services are delivered within budget.
34. The department is undergoing a fundamental restructure including, further reviews of the provision of IT services, further re-organisations of staffing structures across the finance and legal services divisions, and a review of major corporate facilities management contracts.
35. Savings of £3m were allocated this year and are expected to be met. Where this is not possible, substitution options will be found to ensure the overall target will be achieved.

36. The purchase of the Council's head offices at 160 Tooley Street is expected to deliver additional savings this financial year of £750k. These initial savings will be set aside to fund future invest to save opportunities or other initiatives approved by Cabinet. The 2013/14 budget report will include full year budget savings moving forward subject to necessary accounting treatment and regulation.

#### **Customer services centre savings**

37. As stated in paragraph 29 and previously reported, the contract with the external provider of customer services will cease in June 2013. This means that the profile for the achievement of savings will not be delivered as planned. However, as was the case in 2011/12 and previously reported, this year's savings target will be managed corporately.

#### **Contingency**

38. The 2012/13 budget includes £5.5m for contingency. This budget is held to meet unforeseen costs that may arise during the year within departments that strategic directors are unable to contain. It also provides a buffer in the event of any of the significant savings targets not being achieved (e.g. CSC savings that cannot be delivered before June 2013). As at quarter one and two, the overall projection assumes that the contingency budget of £5.5m will be used to address cost pressures identified. Where contingency is not required, it will be returned to balances to mitigate future budget risks or earmarked to support future corporate priorities.

#### **Housing revenue account (HRA)**

39. Spending on landlord responsibilities for the management, maintenance and improvement of the housing stock continues apace. There is constant spending pressure in the system, but systematic improvements in contract management and cost control over high volume, high value budgets such as repairs, engineering and heating continues to deliver greater value overall and has contributed significantly to the efficiency savings programme delivered over the last two years. There are also a number of potential and known variances against the base budget and planned reserve movements occurring during 2012/13, which are reported here for the first time as cost profiles/ trends and commitments become clearer.

**Table 2: HRA forecast outturn position for 2012/13 as at quarter 3 (31 December 2012)**

	Net Expenditure			
	Full Year Budget	Forecast Outturn	Forecast Variance	Revised t Variances reported at Q2 *
	£'000	£'000	£'000	£'000
Operations	(167,577)	(167,532)	45	(300)
Maintenance & Compliance	44,039	45,359	1,320	700
Major Works	849	855	6	0
Specialist Housing Services	(32,972)	(33,163)	(191)	(900)
Strategic Services (SDoF&CS)	121,922	118,335	(3,587)	(170)
Customer Experience	1,924	1,864	(60)	100
Community Engagement	1,864	1,726	(138)	(100)
Regeneration Initiatives (CE)	1,551	1,366	(185)	(200)
Heating Account	12,198	10,698	(1,500)	0
Direct Revenue Funding of Capital	12,727	12,727	0	0
<b>Total</b>	<b>(3,475)</b>	<b>(7,765)</b>	<b>(4,290)</b>	<b>(870)</b>
Appropriations to /(from) Reserves	3,475	7,765	4,290	870
<b>Total HRA</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Note: Quarter two variances have been revised due to restructuring.

40. With the introduction of self-financing from April 2012, the income stream has assumed paramount importance in terms of the HRA business plan. Income collection performance (for rent and tenant service charges) continues to show gradual improvement month on month, despite the generally weak economic conditions, but remains below the management target for mainstream tenanted stock, including former tenant arrears. Conversely, the rental stream (gross rent debit minus voids) has shown better than expected performance as stock/ void losses are lower than estimated, which mitigates the position to some extent. The HRA holds specific revenue provisions to meet any shortfall arising from non-collection and stock loss and this can be contained within budget in 2012/13. As we move into 2013/14, the risk for collection performance increases as the impact of welfare reforms (benefit caps and universal credit) come into play. The extent of this is difficult to predict at this stage as it depends on a number of factors, but has been recognised and forms an integral part of budget planning for next year.
41. The garage portfolio has for some time been neglected and under-utilised with a high volume of unlettable voids. However, it is a valuable income generating asset managed properly and since transferring to special housing services during 2011, investment in the garage stock has delivered nearly 400 units back into use and is expected to exceed 500 by year-end. This is an 'invest to save' opportunity as there remains significant scope to maximise the income potential even further through greater investment.
42. Estimated billing for revenue service charges is £15.5m to date against the £15.8m budget, including freeholders and 2011/12 account actualisations processed during the third quarter. Key work streams of the Leasehold Action Plan have been finalised which will provide greater transparency and contribute

to full cost recovery over time. Combined collection performance for capital and revenue service charges at quarter three is above target at £12.2m (including Major Works loans), against the full-year cash target of £24m. Capital service charge billing to leaseholders is inextricably linked to the housing investment programme (HIP) and delivery of the works programme each year. Any departure from the anticipated spend profile impacts on the revenue income assumptions built into the base budget and consequently the revenue contribution to the HIP. Expectations at this point are that this will exceed the budgeted target of £6.5m, based on the programmed works on, or starting on site during 2012/13.

43. The strategic services activity comprises all departmental overheads and non-operational functions within the HRA, specifically debt financing, revenue contributions to the HIP and corporate and shared service functions provided to the HRA. There are a number of known and expected variances across major budget heads comprising debt refinancing/ major project costs and general non-earmarked provisions, reserves and carry forward resources. Spend on the latter is estimated at £3.7m comprising specific projects and revenue cost pressures of a one-off or time limited nature during 2012/13, of which £2.3m is for a programme of electrical safety works, emergency lighting and ventilation & ductwork. Large-scale housing regeneration commitments continue to place an increasing financial and operational requirement on the HRA. Base budget provision is maintained to meet such expenditure, albeit the scale of activity and cost vary year on year. Commitments arising in the current year in this area are below expectations with the under-spending contributing to the overall HRA outturn position and positive movement in reserves.
44. Following further restructuring, the community housing services division has been disbanded and the functions formerly undertaken have been subsumed within the specialist housing services and customer experience divisions. Budgets have been realigned and consolidated and are reflected for the first time in the quarter three monitor, which renders direct comparison with previous monitors at a divisional level difficult. The primary area of risk for the Council remains in relation to temporary accommodation; whilst the statutory requirement falls to the general fund (bed & breakfast and private sector leasing), and HRA provision through the use of estate voids and hostels, which is designed to be cost neutral and is used to mitigate some of the cost pressure on the homelessness budget in the general fund. The availability of estate void properties (primarily on the Aylesbury) is key to achieving this in line with the planned regeneration programme.
45. Notwithstanding the huge investment needs of the housing stock and the Council's ambitious investment plans for regeneration over the coming years, there are a number of other external factors affecting the HRA and the Council's wider general fund, such as welfare reforms and universal credit. The introduction of housing benefit under-occupation criteria (commonly referred to as the bedroom tax) and direct payment of benefits contribute to a position of great uncertainty over the Council's resources moving into 2013/14. Whilst the effects of these have been assessed, in so far as that is possible given the vagaries of central government direction, it is essential that the Council takes appropriate measures to mitigate the heightened risk through the base budget and prudent application of reserves.

46. The Council's medium term resource strategy (MTRS) stipulates the requirement to maintain reserves and balances at a level sufficient to manage potential risks and opportunities. Previous reports have indicated the level of HRA reserves were considered to be below the optimum level commensurate with the size of Southwark's combined HRA and HIP, and required corrective action. As part of 2011/12 budget setting, a base budget contribution to reserves was established in addition to any one-off operating surplus generated in year. It is currently anticipated that reserves will increase by £7.8m in total, £4.3m higher than budgeted for the reasons set out. This arises on the ring-fenced district heating account, major projects and other central budget contingencies held against financial risks.
47. At 31 March 2012 reserves stood at £27.5m, of which £10.7m (around 39%) is deemed to be uncommitted. Whilst this represents good progress towards restoring balances to a more prudent and sustainable level, from a base budget perspective there is still a way to go and it is one of the strategic aims underpinning the HRA Business Plan and remains within the HRA budget plan going forward into 2013/14.

#### **Implementation of the 2012/13 budget decisions including agreed budget reductions, savings and efficiencies**

48. The Council identified £35m of budget reductions, including savings and efficiencies for the general fund and housing revenue accounts as part of the 2012/13 budgets. At quarter three, there is a projected savings shortfall of £750k overall after taking into account compensating and windfall savings as shown in Table 3.

**Table 3: Forecast projection of savings agreed for 2012/13 as at Quarter 3**

	<b>Budgeted 2012/13 savings</b>	<b>Forecast full year 2012/13 savings at Q1</b>	<b>Compensati ng / other savings forecast full year 2012/13 at Q3</b>	<b>Variance</b>
	£'000	£'000	£'000	£'000
Children's Services	(6,174)	(6,174)	0	0
Adult social care	(10,295)	(9,743)	(552)	0
Environment and Leisure Housing and Community Services	(4,990)	(4,990)	0	0
Finance and corporate services	(594)	(594)	0	0
Chief executive	(3,077)	(3,077)	(750)	(750)
Corporate	(1,277)	(1,277)	0	0
	(2,000)	(500)	0	1,500
<b>Total General Fund</b>	<b>(28,407)</b>	<b>(26,355)</b>	<b>(1,302)</b>	<b>750</b>
HRA	(6,397)	(6,397)	0	0
<b>Total Savings</b>	<b>(34,804)</b>	<b>(32,752)</b>	<b>(1,302)</b>	<b>750</b>

Note: details of the Council's savings plans can be found in the budget papers agreed by Council on 29 February 2012

49. As shown in the table above, the majority of the savings agreed by the Council in setting the 2012/13 budget are forecast to be achieved.
50. The key difference from earlier monitoring reports is the additional saving of

£750k forecast to be achieved this year as a result of the Council being able to purchase its main head office at 160 Tooley Street.

51. There is a £552k variance in adult social care. This relates to pressures around unachieved Mental Health re-design savings brought forward from the prior year. Work is ongoing to re design mental health services in association with South London & Maudsley Trust (SLaM) to mitigate against these pressures.
52. The £1.5m corporate savings relates to the customer services savings built into the Vangent contract, that will not now be achieved as planned following the mutual agreement to terminate the contract in June 2013.

### **General fund reserves**

53. The Council retains a level of earmarked reserves and these are reported each year within the annual statement of accounts. These reserves are maintained to finance calls for expenditure for items that are difficult to predict and that are not included in revenue budgets or within the capital programme. They relate especially to invest to save opportunities that form part of the modernisation agenda and expected to deliver future ongoing revenue savings. They are also held for investment in regeneration and development where spend may be subject to unpredictable market and other influences.
54. Where a department identifies a need for additional funding, there is a robust process for seeking support from reserves. The department must demonstrate that they are unable to contain the identified additional pressure within their existing budget. Cabinet will be asked to approve this funding support where the amount is £250k or above.
55. As the year progresses, departments will naturally be in a better position to more accurately forecast their outturn position. This will allow for any unfavourable variances to be offset by favourable ones at departmental level, before the need to call on reserves.
56. The budget approved by council for 2012/13 included a planned release of reserve of £4.4m. This call on reserve provided some flexibility in terms of budget setting and the profile of savings that the Council identified in the Policy and Resources Strategy 2011-14. It is assumed in this quarter three report that this call on reserves will have to be made in full. However in the event that the contingency budget is not fully utilised, any unused contingency will be used first to bridge any remaining funding gap.
57. The 2012/13 budget also includes a planned contribution to reserves of £1m to support the ongoing regeneration and development agenda within the borough.
58. The tables in Appendix B summarise the projected movements in reserves. This shows that at quarter three, the forecast is for a net call on general fund reserves of £4.6m, the detail of which is contained in Table 4 below.



**Table 4: Detail of reserve movements**

<b>Detail of reserves movements forecast</b>	<b>£'000</b>	<b>£'000</b>
General fund services outturn variance	2,810	
Contingency	(5,500)	
<b>General Fund Total (as per Table 1)</b>		<b>(2,690)</b>
Forecast appropriation (to)/ from reserves		
Related to services	1,217	
Planned contribution to reserves to support the Aylesbury project	(1,000)	
Planned use of reserves to underwrite base budget	4,446	
Dedicated schools grant	(300)	
Technical accounting purposes	69	
<b>Total forecast appropriation (to)/ from reserves (as per Table 1)</b>		<b>4,432</b>
Expected appropriation (to)/ from reserves for capital purposes		<b>2,888</b>
<b>Total forecast movement in reserves</b>		<b>4,630</b>

59. The technical movement in reserves relate to a significant contribution to reserves for 160 Tooley Street of £2.3m previously reported, plus a further £709k following the purchase of the building in December 2012. Both these movements are for accounting reasons related to the original re-profiling of the rental charge to an average rent over five years taking into account an initial rent free period. For similar accounting reasons there is also a release from reserves for Queens Road of £337k.
60. There is also a significant contribution from reserves of £2.8m in respect of the smoothing of the waste PFI unitary charge. This contribution from reserves relates to the longer term (25 year) life cycle cost of the project.

#### **Housing revenue account (HRA) reserves**

61. The ring-fenced nature of the HRA requires that deficits/surpluses are carried forward between years, thereby giving rise to fluctuations in the level of reserves. Previous reports have indicated that the level of reserves were considered to be below the optimum level commensurate with the size of Southwark's combined revenue and capital programmes and represented a financial risk. As part of the HRA medium term resource strategy, there is a commitment to make planned contributions from revenue, in addition to any one-off operating surplus generated in year. At 31 March 2012 reserves increased by £6.9m to £27.5m (from £20.6m), of which around 61% are committed. This represents good progress towards restoring balances to a more prudent and sustainable level.

#### **Collection fund / Council tax and business rates collection**

62. Based on Month 9 data, the collection fund balance at 31 March 2013 is forecast to be a surplus of £1.203m (£900k Southwark, £303k GLA). At quarter two, the collection fund was forecast to break-even at year-end. However it was noted that unusually, in September there was a reduction in the value of both exemptions and discounts awarded. It was not known at that stage whether this was going to be a one-off event, or part of an ongoing trend, and because of this, it was not reflected in the forecast at that time.
63. There continue to be a number of factors that make it extremely difficult to provide an accurate forecast, but the sensitivity analysis applied suggests that a

surplus is now most likely.

64. The main areas of uncertainty are as follows:

- a large increase of £1.7m in the billing amount during 2012/13. It is not known whether the rate of increase will continue through to the year end. For the purposes of this monitor, no further increase in the billing amount has been assumed. Any actual increase that may arise will, therefore, lead to an increase in the surplus on the collection fund.
- a reduction in exemptions awarded, particularly to students as a result of detailed case reviews. Student exemptions are the most volatile and so it is difficult to assess what impact this might have on the usual increase in exemptions that occurs during the final months of the financial year. In recent years, exemptions have typically been approximately 5.6% of the council tax income due, but will almost certainly be lower this year and our best estimate is 5.45%.
- the impact of a reduction of £1.2m in single person discounts on the collection rate. The reduction in single person discounts will mean more money needs to be collected, but it is not certain how much the additional £1.2m will actually be collected and how much will need to be provided for as bad debt and ultimately written off. In preparing this estimate, it has been assumed that 50% will be collected.

65. The other area of uncertainty is the bad debt provision, and this is largely because the arrears at year-end are difficult to forecast. Based on Month 9 data and trend analysis, and assuming no further write-off of debt, the arrears at year end are expected to be in the region of £27.2m. Ordinarily, this would give rise to a bad debt provision of around £21.6m, or 79% of arrears. However, the reduction in single person discounts is expected to have an adverse impact on the collection of arrears and for the purposes of this monitor it has been assumed that only 50% of this income will be collected. This will increase the bad debt provision to £22.2m, which is 81% of expected arrears.

### **Treasury management**

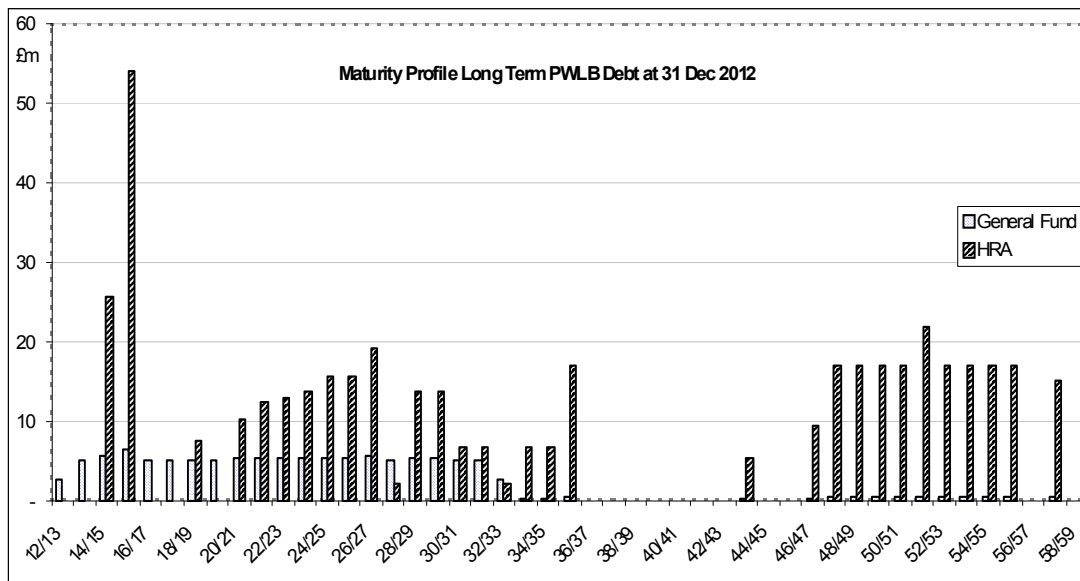
66. Treasury management relates to cash and debt management activities. The cash invested at 31 December 2012 stands at £188.6m and is managed by and an in-house operation and two investment firms Aberdeen Asset Managers and AllianceBernstein. In the interest of capital preservation and prudence the cash is held in short term deposits or certificates of deposits with major high rated banks or building societies, large money market funds, treasury bills and bonds issued by the UK Treasury or supranational bodies (e.g. the European Investment Bank (EIB), and the International Bank for Reconstruction & Development (the World Bank)).

67. The counterparties across which the cash is held is set out in the table below.

EXPOSURE - Dec 2012 COUNTERPARTY AND RATINGS										
COUNTERPARTY	Exposure £m	FUND				Fitch Ratings				
		Aberdeen	Alliance Bernstein	In-House	£m	Long	Short	Support	Sovereign	Sovereign Rating
Credit Industriel et Commercial	3.5	-	-	-	3.5	A+	F1+	1	FRANCE	AAA
Société Générale	-	1.0	-	-	1.0	A+	F1+	1	FRANCE	AAA
BNP (Banque Nationale de Paris) PARIBAS	3.5	1.0	-	-	4.5	A+	F1+	1	FRANCE	AAA
DEUTSCHE BK	3.5	1.0	-	-	4.5	A+	F1+	1	GERMANY	AAA
LANDESBK BADEN WERTMBG	-	1.0	-	-	1.0	A+	F1+	1	GERMANY	AAA
DZ BANK	3.5	-	-	-	3.5	A+	F1+	1	GERMANY	AAA
GLOBAL TREASURY FUNDS-MMF	-	-	-	2.1	2.1		AAA		GLOBAL	Money Fund
ABN AMRO BANK	3.5	1.0	-	-	4.5	A+	F1+	1	NETHERLANDS	AAA
ING BK	3.4	1.0	-	-	4.4	A+	F1+	1	NETHERLANDS	AAA
RABOBANK	-	0.5	-	-	0.5	AA	F1+	1	NETHERLANDS	AAA
EUROPEAN INVESTMENT BANK	10.4	7.1	-	-	17.5	AAA	F1+		SUPRANATIONAL	AAA
International Bank for Reconstruction and Development (IBRD)	3.5	6.9	-	-	10.4	AAA	F1+		SUPRANATIONAL	AAA
UBS	3.5	-	-	-	3.5	A	F1	1	SWITZERLAND	AAA
BARCLAYS BANK	5.0	1.0	15.0	21.0	21.0	A	F1	1	UK	AAA
LLOYDS TSB / BANK of SCOTLAND	3.5	-	15.1	18.6	18.6	A	F1	1	UK	AAA
NATIONWIDE BUILDING SOCIETY	3.0	1.0	15.0	19.0	19.0	A+	F1	1	UK	AAA
RBS/NATWEST	-	-	41.0	41.0	41.0	A	F1	1	UK	AAA
SANTANDER UK	-	-	-	-	-	A	F1	1	UK	AAA
UK TREASURY	-	27.6	-	-	27.6	AAA	F1+		UK	AAA
Bank of New York Mellon - CASH	0.4	0.1	-	-	0.5	AA-	F1+	1	US	AAA
<b>Total £m</b>	<b>50.2</b>	<b>50.2</b>	<b>88.2</b>	<b>188.6</b>						

68. In December 2012 the Council replaced its leasehold interest in its headquarters at 160 Tooley Street with freehold. The acquisition was paid for by reducing sums held in investments (including sums managed externally) and it was more efficient to do that than borrow at current rates. (Investments yield around 0.80%, reflecting monetary easing by major central banks, whilst long term 40 year funding ranges between 3.80% and 4.20%). The cash remaining after the purchase is paid for is sufficient to meet working capital and spending plans and should further sums be needed in the future it may be accessed through wholesale markets at rates which are close to prevailing investment rates.

69. Council debt outstanding to fund past capital expenditure is all from the Public Works Loans Board (PWLB). No new loans were taken over the quarter and the sum outstanding at the end of December 2012 was £562.5m. From April 2012 the loans are disaggregated between the HRA and the General Fund. £451m of the debt is attributable to the HRA, reflecting past investment in housing, and the remainder falls as General Fund debt. The years in which the loans fall for repayment is set out below and on maturity may be refinanced with new loans from the PWLB or the market.



### Community impact statement

70. This report monitors expenditure on council services, compared to the planned budget agreed in February 2012. Although this report has been judged to have no or a very small impact on local people and communities, the projected expenditure it is reporting reflects plans designed to have an impact on local people and communities, which will have been considered at the time the services and programmes were agreed. It is important that resources are efficiently and effectively utilised to support the Council's policies and objectives.

### BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
2011/12 Revenue monitoring outturn report. The document is available on this web page: <a href="http://moderngov.southwark.gov.uk/documents/s30289/Report%20Revenue%20Outturn%20Report%20201112%20including%20Treasury%20Management.pdf">http://moderngov.southwark.gov.uk/documents/s30289/Report%20Revenue%20Outturn%20Report%20201112%20including%20Treasury%20Management.pdf</a>	Council Offices, 160 Tooley Street, London SE1 2QH	Vernon Smith 020 7525 7355
2012/13 Revenue monitoring quarter two report. The document is available on this web page: <a href="http://moderngov.southwark.gov.uk/documents/s33181/Report%20Revenue%20Monitoring%20Report%20for%20Quarter%202%20201213%20including%20Treasury%20Management.pdf">http://moderngov.southwark.gov.uk/documents/s33181/Report%20Revenue%20Monitoring%20Report%20for%20Quarter%202%20201213%20including%20Treasury%20Management.pdf</a>	Council Offices, 160 Tooley Street London SE1 2QH	Vernon Smith 020 7525 7355

**APPENDICES**

<b>No.</b>	<b>Title</b>
Appendix A	Budget movements to be approved, £250k and above and movements to be noted
Appendix B	Summary of projected movements in reserves in 2012/13

**AUDIT TRAIL**

<b>Cabinet member</b>	Councillor Richard Livingstone. Finance, Resources and Community Safety	
<b>Lead officer</b>	Duncan Whitfield, Strategic Director of Finance and Corporate Services	
<b>Report author</b>	Jennifer Seeley, Deputy Finance Director	
<b>Version</b>	Final	
<b>Dated</b>	31 January 2013	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Legal Services	No	No
Strategic Director of Finance and Corporate Services	Yes	Yes
Cabinet Member	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		31 January 2013

## APPENDIX A

**BUDGET MOVEMENTS TO BE APPROVED, £250K AND ABOVE AND MOVEMENTS TO BE NOTED**

**Budget movements to be approved**

<b>Department from</b>	<b>Amount £000</b>	<b>Department to</b>	<b>Amount £000</b>	<b>Reason</b>
Housing and community services	(3,204)	Finance and corporate services	3,204	Customer service budget transfer to revenue and benefits - Full Year
Appropriations	(1,539)	Finance and corporate services	1,539	Release of reserves to meet shortfall in insurance costs
Finance and corporate resources	(1,335)	Housing and community services	1,335	Customer service budget transfer from revenue and benefits - Part Year
Adult social care	(1,091)	Appropriations	1,091	NHS winter pressure monies received taken to reserves
Finance and corporate services	(822)	Environment and leisure	822	Allocation of low pay supplement
Appropriations	(774)	Environment and leisure	774	Re-organisation costs
Finance and corporate services	(750)	Appropriations	750	Tooley Street savings
Finance and corporate services	(709)	Appropriations - technical	709	Technical adjustment in relation to the Tooley Street rental smoothing
Environment and leisure	(600)	SCR income	600	Allocation of low pay supplement
Environment and leisure	(587)	Finance and corporate services	587	Centralisation of the former unfunded liabilities budget - pensions
Appropriations	(470)	Children's	470	Release of reserve to fund a condition survey
Appropriations	(440)	Chief Executives	440	Camberwell library - design fees
Chief Executives	(410)	Finance and corporate services	410	Top management savings
Environment and leisure	(400)	Appropriations	400	Increase in the contribution to reserves to fund future capital projects
Chief Executives	(331)	Appropriations	331	Release of reserve to meet shortfall in campaigns budget no longer required.

**Budget movements to be noted**

Department from	Amount £000	Department to	Amount £000	Reason
Adult social care	(247)	Finance and corporate services	247	Centralisation of the former unfunded liabilities budget - pensions
Housing and community services	(245)	Environment and leisure	245	Transfer of private sector renewal budgets
Chief Executives	(236)	Appropriations	236	To reverse the planned contribution from reserves to meet the cost of the corporate programming unit
Appropriations	(233)	Finance and corporate services	233	Release of reserve to meet ICT project costs
Finance and corporate services	(174)	Chief Executives	174	Transfer of corporate programming unit
Housing and community services	(130)	Chief Executives	130	Transfer of members support budget
Finance and corporate resources	(130)	Chief Executives	130	Remove an income budget following the disposal of Coburg House
Housing and community services	(127)	Finance and corporate services	127	Centralisation of the former unfunded liabilities budget - pensions
Appropriations	(120)	Children's	120	Release of reserve to fund social care projects
Appropriations	(114)	Housing and community services	114	Increase in reorganisation costs within housing services
Housing and community services	(91)	Appropriations	91	Reduction in the release of reserve for community engagement
Appropriations	(85)	Chief Executives	85	Harmsworth Quays
Appropriations	(82)	Environment and leisure	82	Release of revenue grants taken to reserves
Appropriations	(77)	Chief Executives	77	Release of reserve to meet re-organisation and redundancy costs
Appropriations	(72)	Chief Executives	72	Increase in release of reserve for Canada Water and Bermondsey Spa
Finance and corporate services	(69)	Children's	69	Allocation of low pay supplement
Chief Executives	(42)	Children's	42	Transfer of a project assistant post from corporate programming unit to children's services IT
Appropriations	(40)	Environment and leisure	40	Release of reserve to meet the cost of landscaping around Henry Moore sculpture
Appropriations	(40)	Chief Executives	40	Release of reserve in respect of Inner London Retail Environment

Department from	Amount £000	Department to	Amount £000	Reason
Appropriations	(13)	Finance and corporate services	13	Increase in release of reserves to meet re-organisation costs
Finance and corporate services	(12)	Adult social care	12	Allocation of low pay supplement
Finance and corporate services	(10)	Chief Executives	10	Allocation of low pay supplement
Chief Executives	(9)	Appropriations	9	Reduction in the release of reserves to correct the legal services budget
Finance and corporate services	(6)	Housing and community services	6	Allocation of low pay supplement
Chief Executives	(2)	Finance and corporate services	2	Centralisation of the former unfunded liabilities budget - pensions



## APPENDIX B

## SUMMARY OF PROJECTED MOVEMENTS IN RESERVES IN 2012/13

	2012/13 opening balance	Change in reserves	Release of reserve for capital	Total movement in reserves	2012/13 closing balance
	£'000	£'000	£'000	£'000	£'000
<b>General Fund reserves</b>					
General fund earmarked - revenue	(50,922)	7,204		7,204	(43,718)
General fund earmarked - capital	(26,167)	(5,162)	1,592	(3,570)	(29,737)
DSG reserve	(7,363)	(300)	1,296	996	(6,367)
<b>Total general fund reserves</b>	<b>(84,452)</b>	<b>1,742</b>	<b>2,888</b>	<b>4,630</b>	<b>(79,822)</b>

	2012/13 opening balance	Projected change in reserves	2012/13 closing balance
	£'000	£'000	£'000
<b>HRA reserves</b>			
HRA earmarked	(27,487)	(7,765)	(35,252)
<b>Total housing revenue account</b>	<b>(27,487)</b>	<b>(7,765)</b>	<b>(35,252)</b>

<b>Item No.</b> 11.	<b>Classification:</b> Open	<b>Date:</b> 12 February 2013	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Quarterly Capital Monitoring Report Quarter 3	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Richard Livingstone, Finance, Resources and Community Safety	

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

This report sets out the projected expenditure of the council on its capital programme for the current year and asks the Cabinet to agree the funded variations set out in Appendix C.

Whilst the general fund capital budget for the current year was established on the basis that programme slippage was probable, further work is needed to ensure that delivery is timely. The figures suggest a significant improvement since quarter 2, but this is in part because of the new inclusion of the purchase of 160 Tooley Street within the totals.

As the report shows, most of the slippage to date is within children's services and the Southwark Schools for the Future programme, principally as a consequence of delays in work on primary schools. Another cause has been that anticipated expenditure on a number of projects will be less than the budgets set for them, demonstrating that the council is working hard to deliver value for money.

On the anticipated expenditure on the Housing Improvement Programme, the gap with the budget is smaller as a result of Housing Department proactively ensuring that programme delays are offset by bringing other future programmes forward. The slippage of £10.9m will be picked up in 2013/14 to ensure that the Warm, Dry and Safe commitment is delivered in a timely fashion.

## RECOMMENDATIONS

That cabinet:

1. Note the general fund capital programme 2012/13–2021/22 as at Quarter 3 2012/13, as detailed in Appendix A and D.
2. Note the housing investment programme 2012/13–2021/22 at Quarter 3 2012/13 as detailed in Appendix B.
3. Agree the virements and funded variations for Quarter 3 2012/13 as detailed in Appendix C.

## BACKGROUND INFORMATION

4. On 25 September 2012 the cabinet approved a refresh of the 10 year capital programme for the period 2012/13 – 2021/22, approving a total general fund programme of £387.2m, including £59.8m of new departmental bids and noting the Housing Investment Programme forecast of £398m.
5. In addition to the other recommendations at Quarter 2, the capital monitor report at Quarter 2 also instructed strategic directors to work with project managers and finance colleagues to ensure that forecasts for project activity are as robust as possible for each department moving toward the year end financial position for 2012/13.
6. On 11 December 2012, the cabinet approved the acquisition of the freehold interest of the council building at 160 Tooley Street and this is reflected in the budget variation in Appendix C.

## KEY ISSUES FOR CONSIDERATION

### General fund capital spend

7. The Quarter 2 2012/13 capital monitoring report indicated that expenditure of £36.4m had been incurred on the general fund capital programme against a budget of £138.7m for the year. This represents spend of 26.2% to budget and just over a quarter of the overall budget for the year at that point. The Quarter 2 report also projected an underspend of £32.5m, at that point, against the budget of £138.7m for the year.
8. The Q3 monitoring report indicates expenditure of £237.4m incurred at the end of Q3 against a budget of £318.5m showing a 74.5% spend against budget at that point. However, the Q3 position includes the budget for the acquisition of the freehold interest of 160 Tooley Street approved by cabinet on 11th December 2012. The full expenditure relating to this budget was incurred by the council in December 2012, following cabinet approval of 11 December 2012. Therefore, in order to avoid distortions in the analysis, this needs to be taken into account when reviewing the spend profile of capital schemes against budgets for the year. The revised analysis excluding the budget and spend figure for 160 Tooley Street indicates spend of 42.1% against budgets at Q3.

9. A forecast outturn of £277.4m, with positive variance of £41m has been predicted to the end of the financial year. This represents a forecast spend of 87% against budgets or 70.6% when excluding the budgets and spend figures for 160 Tooley Street.
10. The significant increase of £179.8m in budgets since Q2 relates primarily to the acquisition of the Council building at 160 Tooley St. Other budget increases include increases in 2012/13 DfE grant of £1.1m and £500k grant allocation on environmental works.

### **Housing Investment Programme spend**

11. Although reporting quarterly and annually at the same time as the General Fund, the Housing Investment Programme was presented to cabinet in October 2011. It showed the principal aims of delivering warm, dry and safe homes across the borough and investing in the regeneration of estates, as well as the required landlord obligations.
12. The monitoring position for Q2 2012/13 on the programme indicated spend to date of £25.3m against a budget of £89.3m for the year, reflecting spend of 28.3% against budget.
13. At Q3 2012/13, the monitoring position indicates spend to date of £45.9m representing spend of 49.6% against the total budget for the year.
14. The monitor is also projecting a forecast spend of £81.6m with a positive variance of £10.8m for the year, representing spend of 88.2% against the total budget of £92.5m for the year.

### **Capital resources**

15. The council is able to access a number of resources to fund capital expenditure which have been set out below:
  - capital receipts from disposal of property
  - grants
  - external contributions
  - section 106 funding
  - housing major repairs allowance
  - contributions from revenue
  - contributions from reserves
  - internal borrowing
  - external borrowing
16. The decision to acquire the freehold interest in 160 Tooley Street in December 2012 has been financed through "internal borrowing". Internal borrowing uses cash currently in hand to defer or avoid taking on new external debt. Cash in hand arises from the funds set aside as the council's reserves and balances, and ordinarily these funds are invested until such time as the reserves and balances are required to be used. The projected cash balances at the year end of 31 March 2013 were sufficient to acquire 160 Tooley St, meet all spending plans and also maintain operational cashflow liquidity without the need for external

borrowing. The council's cash balances will be monitored very closely against the need for any external borrowing into the future. Full details of the business case and the financial implications are included in the cabinet report of 11 December 2012.

17. The capital programme is influenced by resource timing and availability. Over the life of the programme all commitments must be met from anticipated resources. The final funding requirement will be based on the final actual expenditure, and will seek to maximise the use of grants and other funding sources, prior to the use of capital receipts. Based on the experience of brought forward and receipts to date, and with best estimates of further receipts, there is a possibility of a shortfall in receipts in the general fund capital programme. However this is more than matched by receipts which are surplus to this year's anticipated requirements in the housing investment programme. If this is still the position at the end of the year, there is scope to fund any gap by reallocating receipts on a short term basis. Therefore, this report does not show any variance on the financing for 2012/13. Regular monitoring and formal reporting regulates the programme and mitigates cash flow and funding risks and officers undertake regular reviews as part of the process for preparing monthly and quarterly monitors to assess income to date, forecasts and changes.
18. Each department forecasts its programme as accurately as possible to minimise the need for re-profiling. Where this does occur, the requirement is flagged as early as possible. Given the general complexity of capital projects, it is common to see some variation in the profile of the actual programme against the forecast. The impact of this is mitigated through regular formal monitoring, departmental reviews and access to a resource base wide enough to cope with change.
19. In developing and managing its capital programme the council has to maintain clear control on the selection and use of resources to finance capital expenditure. Strategies for investments, borrowing and treasury management facilitate this control and assist the council to have clear strategic direction on its use of resources, to identify new resources or to make changes to the use of resources at an organisational level as projects complete or new projects appear.

### **Section 106 and Community Infrastructure Levy (CIL)**

20. The council can enter into a Section 106 (S106) agreement, otherwise known as a planning obligation, with a developer where it is necessary to provide contributions to offset the deemed negative impacts caused by construction and development. Contribution requirements can take several forms and range from provision of affordable homes and new open space to funding of school places or community facilities. Depending on the agreement, developers may deliver works directly or choose to make payments to the council to undertake work.
21. Use of S106 funding has been forecast in the programme, which is provided through existing balances and new funds anticipated from future agreements. Some changes to the use of S106 planning obligations are anticipated resulting from the adoption of the Community Infrastructure Levy (CIL) regime and the council is proposing to update its S106 planning obligations statutory planning document to the same timescale as development and adoption of the CIL.

22. The CIL is a levy which local authorities can choose to charge on new developments occurring in their area, with the funds raised being used to deliver infrastructure required by the council, local community and neighbourhoods. Use of the levy as a potential funding source for capital schemes was outlined in a report considered by cabinet on 17 July 2012.
23. A preliminary draft charging schedule was developed for this report and the council is undertaking consultation on this as the year progresses. The capital programme will be subject to future refresh and pending finalisation of the charging schedule for CIL this may be used to support appropriate schemes.

### **New Homes Bonus**

24. The New Homes Bonus (NHB) is intended to reward local authorities and communities where growth in housing stock occurs. The allocation formula matches the level of council tax paid on each new home for six years, with an additional £350 per affordable unit. The grant is not ring-fenced so no restrictions apply to its use.
25. Payments for NHB amounted to £2.5m in 2011/12, of which £1.5m was allocated to fund revenue expenditure, with the balance earmarked to fund capital expenditure. This was in accordance with a cabinet decision of 21 June 2011 that all NHB resources not committed to the revenue budget should be allocated to corporate resources to fund future capital expenditure.
26. The same level of revenue commitment was at that time assumed in forecasts for future years to 2016/17 and the balance allocated to capital. This resulted in totals of £9.0m, £41.7m and £3.6m being forecast to fund revenue, capital general fund and capital housing expenditure respectively.
27. There are changes expected in the financing arrangement for the New Bonus Scheme in 2013/14 and this will be reviewed as part of the 2013/14 and future revenue budget setting process.

### **Contributions from earmarked reserves**

28. Reserves are funds set aside from under spends or planned budget contributions, to meet contractual commitments or future expenditure plans which may include risks or liabilities that arising at a later date. Three reserves which have relevance for funding the capital programme are outlined below.
29. The modernisation reserve supports one-off expenditure or multi-year projects designed to modernise and further improve the operational efficiency of Southwark's service provision. The use of the reserve is subject to a protocol listing admissible items in accordance with the council's Medium Term Resources Strategy.
30. The regeneration and development reserve funds one-off expenditure and multi-year projects delivering regeneration and development across the borough. Relevant projects include the Aylesbury Estate Regeneration, Canada Water, and Elephant & Castle Regeneration.
31. In 2011/12 the council established a compliance and planned preventative

maintenance reserve which may be used to support activities upgrading the wider council estate in line with legislative and/or preventative maintenance requirements. The reserve could for example be used to support the implementation of a maintenance programme in specific parts of the council's operational estate. Use of the reserve would need to be requested through appropriate approval channels, such as via cabinet, and it is likely that works would be programmed over more than one year, or relate to more than one site.

### **Capital receipts**

32. The council operates a ten-year disposals programme. Planned disposals generate capital receipts which the council can use as a funding source to finance capital expenditure.
33. Capital receipts are categorised as Housing or General Fund depending on the nature of the asset giving rise to the receipt. Certain receipts arising from right to buy sales are also generated within the housing disposals programme and are subject to pooling arrangements with government, so that the council can repay housing debt.
34. The annual receipts forecast to 2021/22 is between £30 - £40m per annum generated by disposals from both general fund and housing. The new capital bids in the refreshed programme presented an anticipated additional call of around £45m on capital receipts, to be funded over the life of the programme.
35. In the event that in-year funding generated by disposals is insufficient to meet the level of expenditure alternative short term sources of funding may need to be accessed or projects deferred or re-profiled. Short term sources of funding include use of earmarked reserves and/or accelerating the disposals programme.

### **Capital grants**

36. The council uses a range of capital grants to fund capital expenditure. These grants tend to be programme or project specific since each has grant requirements of some form and the largest areas of grant use often correspond to the largest and most complex projects. The Southwark Schools for the Future (SSF) programme has the highest grant use on a single scheme with around £82m of grant funding over the remainder of the capital programme.
37. Grants may be provided as a sole funding source, or as one of several funding sources depending on project requirements. In each case grant funding conditions of some form should be met to demonstrate that grants have been applied for the purposes given and audit trails are maintained.

### **Resourcing to Quarter 3 2012/13**

38. As at the end of Quarter 3 2012/13 £27.5m had been received from Housing receipts and 2.7m on General Fund receipts
39. At the end of Quarter 3 2012/13, £38.4m grant had been received including £27.6m of education use grants and £9.8m secured through S106 agreements.

40. Much of the council's capital programme is supported by its disposals of property which form a significant part of corporate resources over the life of the programme. At Q3 2012/13 the budgeted positions on the general fund and housing investment programmes were £16.9m and £45m respectively. The disposals programme is subject to ongoing review by officers to mitigate the risk of funding unavailability due to timings or amounts received in year. Where pressure arises alternative short term sources of funding will be sought using the range outlined above.
41. The above resources will be monitored and applied as appropriate to schemes in 2012/13.

### **Programme position at Quarter 3 2012/13**

42. Attached at Appendix A is a summary of the general fund programme position as at Quarter 3 of 2012/13. This shows a total expenditure budget of £578m budgeted over the programme.
43. Attached at Appendix B is a summary of the housing investment programme position as at Quarter 3 of 2012/13. This shows a total expenditure budget of £402.7m over the programme.
44. Appendix C shows the budget virements and variations arising in quarter 3 of 2012/13.
45. Appendix D shows a more detailed view of the general fund programme to enable spend and forecast on individual projects or groups of projects to be seen.
46. This programme position will continue to be monitored and reviewed over the remainder of the financial year and the final outturn position will be reported to cabinet.

### **Departmental updates**

#### **Children's services**

47. The revised capital programme at Quarter 3 2012/13 is increased from £80m at Quarter 2 to £81.2m. The increase is for 2012/13 DfE grant for early education for two-year-olds announced in November 2012. The forecast outturn at Quarter 3 is £9.7m which is reduced by £1.2m from Quarter 2.
48. The two main changes from the quarter two forecast are for £600k each being reprofiled from 2012/13 to 2013/14 for Southwark Park Primary School and Lyndhurst Primary school.
49. For Southwark Park Primary school the contract award was originally programmed for autumn 2012. However, the earliest this will occur is now in February 2013. Should contract award not be achieved by the end of March 2013 then a further £1.5m expenditure will be reprofiled for future years. The contract award for Lyndhurst Primary School has similarly been put back to the summer of 2013.



50. There continues to be pressure for primary school places in Southwark. Following the provision of 300 temporary places in September 2012, a further programme of over 200 temporary places for September 2013 has been agreed. This totals £2.5m and includes £2m of existing resources delegated from cabinet on 20 November 2012 and the remainder from existing delegated resources for temporary expansion. The permanent expansions at Haymerle and St Anthony's for new places in 2013 are progressing.
51. Following an announcement by the DfE the 2013/14 allocation of funding for basic needs grant (for expansion) and maintenance grant (for planned renewal works) was deferred to the end of January 2013. Once the available external resources becomes known then a programme of additional permanent places which has been informed by capacity surveys of all primary schools can be progressed with more certainty.

### **Southwark Schools for the Future**

52. The SSF Quarter 2 forecast for 2012/13 was £39.8m. This has been reduced £39.3m for Quarter 3.
53. The main reason for the reduced forecast is that £600k ICT expenditure for Sacred Heart and New School Aylesbury has been put back to 2014 from the current year. This is so that both schools will benefit from refreshed ICT when Sacred Heart vacate the New School Aylesbury site for their new PFI premises. A further £100k potential VAT liability on ICT equipment for voluntary aided schools has been reprofiled to 2013/14.
54. This has been offset by agreed settlements for council retained risks for asbestos at St Michaels and St Thomas the Apostle College of £200k.
55. The final phase two for the PFI school at St Thomas the Apostle College completed in November 2012.
56. In December 2012 the phase 3c for SILS KS3/4 contract was awarded for construction start in the Spring 2014.

### **Adult social care**

57. The main focus of the Adult Social Care (formerly Health and Community Services) capital programme is investment in the infrastructure necessary to support the delivery of services to improve the health and well being of local people. A summary of the activity in 2012/13 thus far is given in the following paragraphs.
58. In 2012/13, Southwark Resource Centre has an agreed budget of £358k and is forecast to cover a 5% contract retention fee, some post completion works and equipment costs. The project is currently forecast to show a final under spend of £73k.
59. The agreed budget for Department of Health Capital Grant ("adult personal social services capital allocation") for 2012/13 is £1.620m. This includes a carried forward balance of £780k from prior years. The grant is earmarked for various day services projects including major refurbishment works. The

programme is currently forecast to under spend by £980k, which will be reprofiled into the 2013/14 financial year due to delays in commissioning planned capital works on various projects e.g. day centres .

60. There is a rolled forward residue from 2011/12 single capital pot mental health grant of £19k. This is being forecast to be fully utilised in 2012/13.
61. All other projects in the current programme have successfully been completed.
62. A capital budget of £7m was agreed in the autumn capital refresh to meet costs associated with the transformation of adult care accommodation which will be funded through a combination of corporate resources and revenue.
63. A capital budget of £1.2m addressing capital maintenance issues on care homes currently operated by Odyssey Care was also approved and it is anticipated that this will be funded using £800k of corporate resources and the remaining £400k from external grant sourced by the department.
64. A capital budget of £2m for a centre of excellence in the borough aiming to provide specialist care and support for older residents with dementia was approved by cabinet and it is expected that this will be funded from reserves and revenue.
65. The total capital budgets for the department, including the above budgets approved as part of the capital refresh process in the autumn of 2012, now stands at £12.1m to 2021/22, with an allocation of £1.9m for 2012/13, and the balances re-profiled to subsequent financial years. It is anticipated that the 2012/13 budget will under spend by £1m reflecting the final position expected on the Southwark Resource Centre project and the re-profiled or rolled forward major modernisation works on various adult day centres.

### **Environment and leisure**

66. Environment and leisure department's latest approved capital budget for 2012/13 is £23.6m against the projected spends of £19.8m, giving an overall favourable variance of £3.8m to be carried forward into 2013/14.
67. Total approved E&L capital programme and projected spend for 10 years from 2012/13-2021/22 is £104m.

### **Sustainable services**

68. The Integrated Waste Management facility and its associated works (site remediation, access road etc) are now complete. Issues remaining to be resolved and for which the council has responsibility are planning related costs which may be payable to planning and highway authorities (LBS and TfL). Most of these items are conditional on the results of a number of road traffic surveys.
69. In respect of the Southwark Heat Network from South East London Combined Heat and Power (SELCHP) project, there has been a substantial amount of progress and the contract should be signed in February 2013 and plans continue to be for the heat network to be fully operational in late 2013.

## Public realm

70. The Non Principal Road (NPR) Programme is forecast to achieve a full spend.
71. There is a need for urgent bridge strengthening and retaining wall works to be undertaken in 2012/13. The Division has bid for and received a grant allocation of £509k from London Bridges Engineering Group (LoBEG) for the year 2013/14. It is proposed to fund the urgent works from the 2012/13 NPR allocation with a balancing payment of £509k back into the 2013/14 allocation.
72. Cleaner Greener Safer (CGS) forecast end of year spend is reduced to £2.6m compared to previous projection of £3m. This is due to: a number of projects being delivered under budget; delays in the receipt of some external grants and; delays in delivery of grant funded projects.
73. The Southbank Accessibility project was successfully brought in significantly under budget generating savings of £303k. This project was funded by external grant from GLA and the budget will now be reduced to reflect project completion. Officers are in discussion with the GLA to agree any additional works outside original project scope which may be funded from the underspend.
74. The Connect 2 project will conclude in the last quarter of 2012/13. This is the successful culmination of a project that has been planned for many years and the council has worked successfully with Sustrans, BIG lottery and local community groups to deliver this significant transport and regeneration project, the centrepiece of which is a new pedestrian and cycle bridge across Rotherhithe New Road improving access to South Bermondsey station, which replaces a redundant railway bridge that had been derelict for many years.
75. The street lighting capital works for 20122013/13 will be fully achieved resulting in the replacement of 210 columns which had failed the structural testing programme. This year's programme is the first year where an independent connection provider has been used leading to much reduced programming time and highway occupancy coupled with savings of over 20% in connection costs
76. Phase 1 of the long awaited Burgess Park Revitalisation project was completed in July 2012. With an initial budget of £6m secured through the Mayor of London's Priority Parks Programme (£2m) and the Aylesbury NDC (£4m) the project aimed to achieve a number of key objectives: landscaping; new entrances and pathways; increased biodiversity; a new play area for over 5s; and new trees. The project has been a resounding success with positive feedback from stakeholders, the wider community and increased usage. The remaining funds in this phase are reprofiled to spend in 2013/14 and represent the retention payments on the project due next year and the £200k allocated for the borehole. Options for the borehole are being considered in discussion with the Environment Agency.
77. The work does not stop here with future phases of the project being planned and reviewed. The new BMX track in Burgess Park received planning permission in March 2012 with most of the expenditure funded from external sources. The project is due for completion in the summer of 2013.
78. On Honor Oak Remediation project, only £25k of the total budget of £745k will

be used before 31 March 2013. The remaining funds in this project are allocated to an access road between the Cemetery and Crematorium (£100k) and the remediation of area Z in Camberwell Old Cemetery. This site requires faculty permission to enable further investigation work which will lead to remediation work taking place in 2013/14.

### **Culture, libraries, learning & leisure**

79. Dulwich Leisure Centre and Camberwell Leisure Centre phase 2 works are now completed. There was an additional cost of £232k on the Dulwich Leisure Centre, however, this will be offset with a projected favourable variance on the Camberwell Leisure Centre phase 3 works which were completed in December 2012 and are now open to the public.
80. Work at Pynners Sports Ground involves rebuilding the pavilion that was destroyed by a fire a number of years ago. The project has slipped but is expected to be completed by the end of the current financial year 2012/13.
81. The Thomas Calton Centre forecast of £153k for refurbishment is still expected to be spent in 12/13.
82. Olympic Legacy Fund - The capital programme was a provision of £2m over 2 years for the Southwark 2012 Olympic capital legacy fund with an objective to invest in capital projects that support a lasting Olympic and Paralympic legacy in Southwark from the 2012 games, improving access to and increasing participation in physical activity and encouraging the development of the Olympic values in the borough's communities. Due to a re-profiling of the Olympic Legacy Fund for 2012/13, some of the project spend will now occur in 2013/14 (£335k) as a result of the size of some of the projects being larger than previously anticipated and also due to some of the projects attracting external funding as a result of the Olympic Legacy funding being in place. To date the projects have collectively attracted a further £847k worth of funding with the potential to attract further funding in the pipeline.
83. Implementation of RFID equipment (Radio Frequency Identification) at Dulwich will be completed by March 2013 and other two libraries (Newington and Camberwell) are planned to be installed in 2013/14 onwards. Implementation of RFID at Peckham was completed and became available to residents on 1 October 2012.

### **Community safety & enforcement**

84. CCTV Digital Upgrade – The first contract let through the framework agreement for the digital upgrade at the CCTV monitoring suite at Southwark police station is now completed. The contractor, QSG met each milestone and delivered a project to an excellent standard and on budget. The housing refresh programme and parking enforcement upgrades are a continuation of key elements contained within the framework agreement.
85. This phase of the project is designed to link the housing estate cameras and parking camera networks to the control suite. The project is ready to commence and expected to be completed by 31 March 2014.

86. Work has already commenced on the Aylesbury Estate which includes the installation of 4 re-deployable CCTV cameras in the Thurlow/Kinglake Street area. These cameras will be fully operational by the end of January with connection to the new digital CCTV control room. The infrastructure will form part of the wider CCTV service for the area.

### **Finance and corporate services**

87. The capital programme of this department focuses on two key areas: information technology infrastructure projects and premises improvements to council buildings.
88. The total value of the capital budget for the department over the 2012/13-2021/22 period is £201.3m and includes funding confirmed since Q2 report was presented to Cabinet, of an additional budget of £178.1m.
89. The budget for 2012/13 is £180.4m with expenditure of £180.1m recorded at the end of quarter 3. This expenditure is largely due to costs associated with the acquisition of the office building at 160 Tooley Street.
90. This recent acquisition now gives the council increased scope as freeholder to consider targeted investment in works to the building that will increase the utilisation of the building both to improve service delivery and offer increased community use of facilities where possible.
91. The procurement of a new Facilities Management (FM) services supplier has been approved by cabinet with the 5 year contract commencing on 1 February 2013.
92. To address the future FM capital requirements of the council's operational estate, a bid of £10.25m was approved by cabinet in the capital programme refresh. This reflects the anticipated cost of undertaking a co-ordinated PPM and compliance programme on council property fabric and services from 2013/14. The work follows an earlier phase where the council undertook DDA work to its front-line premises. It is anticipated that this work will be funded through a combination of corporate resources and reserves.
93. The council is engaging a new Information Technology Managed Service supplier early in 2013 which will be delivering a series of core enabling projects to modernise provision of IT services in the council. £5m was included in the refreshed programme, with spend anticipated to start in 2013/14 and funded by corporate resources

### **Chief executive's department**

94. The total value of the capital budget for the department over the 2012/13-2021/22 period is £70.1m. Over the same 10-year period, the department is currently forecasting an expenditure of £69.7m against a budget of £70.1m. The positive variance of approximately £400k is largely due to projected underspend on Canada Water development projects.
95. In 2012/13, the forecast expenditure of £22.4m against a budget of £28.7m creates a projected underspend of £6.3m. This positive variance is a result of

rigorous and robust review of planned expenditure and the subsequent re-profiling of some projects into future years. This review is on-going to ensure the forecasts are as accurate, robust and close to outturn position as possible in line with Q2 capital report recommendation to Strategic Directors.

96. As reported to Cabinet in Q2, following the appointment of the Chief Executive and re-organisation of the council structure, there are now four main project areas, namely planning, framework & implementation, regeneration and other regeneration projects.
97. The planning division has a total budget of £8.2m with forecast expenditure of £3.4m in 2012/13 and £4.8m in 2013/14. The budget is largely funded by TfL to deliver transport improvement programme which is the three year plan contained within the borough's transport plan. Key projects include delivery of improvement works in various locations across the borough including Peckham, East Walworth, Forest Hill, and Paxton Green amongst others. This will deliver improvements to bus journey time, road safety, improved access to town centres and aid the promotion of sustainable and active modes of transport.
98. In addition to transport improvement programme, two major schemes are also funded, public realm and access improvements to Queens Road Peckham station (totalling £335k) to provide a new forecourt and support the creation of a new entrance and the introduction of lifts. Following community consultation and preparation of transport models, scheme development has commenced on the Camberwell town centre as part of the Revitalise Camberwell programme (totalling £585k). Scheme consultation is scheduled for early 2013.
99. A further £471k is available for principal road renewal in Eveline Road and Hawkstone Road and there is £100k of discretionary funding for improvements including installation of Trixi mirrors, local transport initiatives and road safety review at Townley Road.
100. Framework & Implementation, now part of planning, has a budget of £6.4m and forecasting expenditure of £4m in 2012/13 and £2.4m in 2013/14. A number of schemes are currently on site including the public realm improvements at Great Suffolk Street, the construction of a green roofed extension to the Flat Iron Square cafe (both funded by a £300,000 grant from the GLA) and the Dog and Pot public art project on the corner of Blackfriars Road and Union Street to commemorate Dickens bi-centennial.
101. With regard to Improving Local Retail Environments programme (ILRE), the remaining seven sites have also been delivered and are close to completion. These are the 3 parades in Jamaica Road, the 2 parades in Southampton Way (designed to complement the public realm improvements completed in 2011/12) Rotherhithe New Road and Lordship Lane. Additional works have also been programmed for Herne Hill, The Blue and Peckham Park Road.
102. The regeneration division is responsible for the delivery of some key/high profile projects such as Office Accommodation Programme, the construction of a new £20m leisure centre at Elephant & Castle, and Gateway to Peckham project amongst others. The Gateway to Peckham project was recently awarded a grant of £5.25m by GLA with the grant agreement signed off by both parties in December 2012.

103. The combined budget for regeneration division/other regeneration projects is £55.4m with forecast expenditure of £15m for 2012/13 and £40.1m for 2013/14 to 2015/16.
104. Works have commenced at Queens Road Block C (QR3) with completion programmed for April 2013. The 11 Market Place development has completed.
105. Buildings at 17 and 19 Spa Road have both been fully decommissioned and the disposals have been completed
106. The department is on course to deliver various projects aimed at improving road safety, encourage greener and sustainable modes of transportation in the borough as well as supporting commercial viability of local shopping areas. This is additional to major regeneration projects at Aylesbury, Elephant & Castle and Canada Water.

### **Housing general fund**

107. The housing general fund capital programme represents investment in housing in the borough which is not directly focused on council properties. It comprises four main areas of activity.
108. The housing renewal programme allows assistance to a wider section of the community, subject to financial status, than existing council aid provision solely for the over 65s and individuals with medical needs. It is mainly funded from corporate resources but also attracts government grant for disabled facilities, for which an additional £100k has been made available by DCLG for the current year since last reported. Other external funding comes from the GLA, including in connection with Southwark's low carbon zone project, one of only 10 within the London area.
109. Following recent changes in responsibility for the delivery of projects in the East Peckham and Nunhead renewal area programme, expenditure profiles have been reviewed with approximately £500k deferred to 2013/14. The group repairs scheme is now spending well, requiring approximately £200k to be brought forward from next year for these works replacing energy inefficient components, providing insulation and working to retrofit "green" energy products, and so contributing to CO2 emission targets.
110. The Burnhill Close travellers' site scheme shows increased costs which will require a small budget virement within the overall travellers sites programme, subject to approval of a gateway 3 report. The Springtide travellers' site project, the final site in this programme, has now received gateway 1 approval and the profile of expenditure has been updated accordingly, moving approximately £300k into future years.
111. The affordable housing fund programme, supporting new build social housing by registered providers and funded through S106 developer contributions, has no planned expenditure this year. The existing scheme started last year at Ivydale Road and the balance of the approved funding is due on completion in 2013/14.
112. The full HGF programme budget agreed for 2012/13 onward was £27.6m,

including the agreed growth bid for renewal grants including disabled facilities grants (DFG). Against the revised budget of £5.3m for 2012/13 (including the additional grant referred to above) expenditure to the third quarter was £2.2m, with a revised outturn forecast of £4.8m. The majority of expenditure to date is in respect of DFG grants, for which demand remains consistently high and which formed a substantial part of the bid, and group repairs.

### **Housing investment programme**

113. The Housing Investment Programme report to cabinet on 18 October 2011 confirmed detail of the housing investment programme (HIP), the resources available and how these would be used to provide warm, dry and safe homes across the borough. It also reported the approach to be taken for additional works on high investment needs estates, which has since been reported to cabinet in more detail. The format of the HIP summary for this year has been revised to better reflect the programme in its agreed form.
114. The programme budget contained in the 2011/12 outturn report was £432.9m over the life of the five-year programme. The addition of £15.2m reflecting the budgeted cost of demolishing the Heygate Estate and £300k additional resources received for the adaptations programme produced a revised total budget of £448.4m, which when adjusted to allow for the roll forward of budgets at the end of 2011/12 gave a budget of £396.2m for the remaining four years of the approved programme. The Housing Investment Board has agreed to increases in this four-year budget by bringing forward HIP resources from future years for fire safety works (£4.5m) and Aylesbury planned preventative maintenance (ppm) works (£1.7m), and an increase of £300k in the allocation to meet the final costs of the digital switchover programme, giving an overall budget of £402.8m.
115. Capital expenditure to the third quarter of 2012/13 was £46m with a revised outturn forecast of £81.7m. The most significant proportion of this expenditure was within the Warm, Dry and Safe (WDS) programme, which in respect of decent homes performance has contributed to an increase in decency level of 2.3% (858 properties) since the start of the year. Following difficulties with one of the partnering contracts, revised notices of proposals have now been issued, and with agreed maximum prices now being obtained for further works packages the rate of expenditure has increased in delivering the WDS programme. With heating works brought forward to offset the reprofiling of major works, forecasts for the WDS programme have reduced by approximately £1.6m for 2012/13.
116. Outside of the WDS programme the reduction in spend forecast is most noticeable in the reprofiling of regeneration schemes at the Heygate and Aylesbury estates, where the deferral of leasehold acquisitions ensures residents are able to remain in their homes for as long as possible.
117. Forecast expenditure for the 4 year period totals £402.4m, against the agreed budget of £402.8m, maintaining a fully funded programme. The financing of this expenditure has been adjusted to reflect confirmation of government backlog grant funding at £15m for 2013/14 and £50m for 2014/15. This funding will be required to meet the costs of works packages under the partnering contracts, which exceed the original estimates which were based on stock condition information. These increased costs to date are covered by the use of



contingency provisions within the programme, but as the programme moves forward will require significant additional funding. This requirement will be included in a separate report to cabinet on the ongoing HIP.

### **Community impact statement**

118. This report describes the current and forecast position of the capital programme for the next ten years. The projected expenditure reflects plans designed to have a beneficial impact on local people and communities, which will be considered at the time the services and programmes are agreed. It is important that resources are used efficiently and effectively to support the council's policies and objectives.
119. Each project within the capital programme will be considered with regard to its impact on age, disability, faith/religion, gender, race and ethnicity and sexual orientation.
120. The council's capital programme is designed to deliver projects of value to local people.

### **Resource implications**

121. This report forms part of the council's budget framework. It outlines the current position on the capital programme and identifies potential new projects to be included in it.
122. The resources supporting programme delivery are identified on a project by project basis. Staffing resources are generally contained within the council's current establishments and where additional or specialist resources are needed these will be the subject of separate reports.

### **Legal implications**

123. The legal implications of this report are identified in the concurrent report of the Director of Legal Services.

### **Financial implications**

124. This report fully explores the financial implications of the capital programme at Q3 of 2012/13. The report presents a capital programme over 10 years where predicted resources are sufficient to meet anticipated spend.

### **Consultation**

125. Consultation on the overall programme has not taken place. However, each of the individual projects is subject to such consultation as may be required or desirable when developed. Some projects may require more extensive consultation than others, for example projects with an impact on the public realm. Projects funded by grant or s106 may require consultation as a condition of funding.

## SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

### Director of Legal Services

126. The council has a duty to maintain a balanced budget throughout the year and, accordingly, members are required to regularly monitor the council's financial position. Section 28 of the Local Government Act 2003 imposes a duty on the council to monitor its budgets throughout the financial year, using the same figures for reserves as were used in the original budget calculations. The council must take necessary appropriate action to deal with any deterioration in the financial position revealed by the review.
127. The Capital Programme satisfies the council's duty under the Local Government Act 1999 which requires it to make arrangement to secure the continuous improvement in the way its functions are exercised, by having regards to the combination of economy, efficiency and effectiveness.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

## APPENDICES

No.	Title
Appendix A	General Fund Capital Programme Summary – 2012/13 at Quarter 3
Appendix B	Housing Investment Programme Summary – 2012/13 at Quarter 3
Appendix C	Funded Virements and Variations for Approval 2012/13 at Quarter 3
Appendix D	General Fund Capital Programme Detail

**AUDIT TRAIL**

<b>Cabinet Member</b>	Councillor Richard Livingstone, Finance, Resources and Community Safety	
<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Corporate Services	
<b>Report Author</b>	Jay Nair, Departmental Finance Manager	
<b>Version</b>	Final	
<b>Dated</b>	31 January 2013	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	N/a	N/a
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	31 January 2013	

General Fund Capital Programme Summary - 2012/13 at Quarter 3

APPENDIX A

Department	2012/13				2013/14			2014/15+			Total Programme 2012/13-21/22		
	Budget	Spend to date	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance	Total Budget @ 01/04/2012	Total Forecast	Total Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Children's Services	31,275	5,743	9,768	(21,507)	19,946	40,449	20,503	29,979	30,983	1,004	81,200	81,200	0
Southwark Schools for the Future	47,166	28,318	39,316	(7,850)	8,508	7,276	(1,232)	25,981	35,063	9,082	81,655	81,655	0
Finance and Corporate Services	180,455	180,118	180,455	0	3,713	4,713	1,000	17,160	16,160	(1,000)	201,328	201,328	0
Environment	23,581	10,182	19,712	(3,869)	14,640	19,239	4,599	65,780	65,050	(730)	104,001	104,001	0
Adult Social Care	1,998	90	945	(1,053)	10,200	10,200	0	0	0	0	12,198	11,145	(1,053)
Housing General Fund	5,309	2,159	4,817	(492)	5,628	5,463	(165)	16,729	17,386	657	27,666	27,666	0
Chief Executive	28,787	10,786	22,408	(6,379)	30,351	33,441	3,090	10,994	13,922	2,928	70,132	69,771	(361)
<b>TOTAL</b>	<b>318,571</b>	<b>237,396</b>	<b>277,421</b>	<b>(41,150)</b>	<b>92,986</b>	<b>120,781</b>	<b>27,795</b>	<b>166,623</b>	<b>178,564</b>	<b>11,941</b>	<b>578,180</b>	<b>576,766</b>	<b>(1,414)</b>
<b>FINANCED BY:</b>													
Corporate Resource Pool	16,900	21,156	24,442	7,542	29,507	29,507	0	136,808	126,314	(10,494)	183,215	180,263	(2,952)
Major Repairs Allowance	0	0	0	0	0	0	0	0	0	0	0	0	0
Supported Borrowing	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserves & Revenue	3,454	444	3,039	(415)	10,634	12,280	1,646	3,982	2,751	(1,231)	18,070	18,070	0
Capital Grants	91,676	36,930	61,235	(30,441)	24,178	45,621	21,443	58,780	66,842	8,062	174,634	173,698	(936)
Section 106 Funds	11,298	671	8,917	(2,381)	4,426	6,807	2,381	6,087	6,087	0	21,811	21,811	0
External Contributions	1,628	35	1,628	0	500	0	(500)	0	500	500	2,128	2,128	0
Internal Borrowing	178,160	178,160	178,160	0	0	0	0	0	0	0	178,160	178,160	0
<b>TOTAL RESOURCES</b>	<b>303,116</b>	<b>237,396</b>	<b>277,421</b>	<b>(25,695)</b>	<b>69,245</b>	<b>94,215</b>	<b>24,970</b>	<b>205,657</b>	<b>202,494</b>	<b>(3,163)</b>	<b>578,018</b>	<b>574,130</b>	<b>(3,888)</b>
<b>Forecast variation (under)/over</b>	<b>15,455</b>	<b>0</b>	<b>0</b>	<b>(15,455)</b>	<b>23,741</b>	<b>26,566</b>	<b>2,825</b>	<b>(39,034)</b>	<b>(23,930)</b>	<b>15,104</b>	<b>162</b>	<b>2,636</b>	<b>2,474</b>

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Programme	2012/13				2013/14		
	Budget	Spend to date	Forecast	Variance	Budget	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Warm dry and safe</b>							
WDS carry-over schemes	2,210	2,173	2,572	362	115	222	107
WDS 2-year programme	15,310	8,968	16,461	1,151	19,354	21,251	1,897
WDS 2012 major works	9,628	317	4,228	(5,400)	8,943	19,734	10,791
WDS 2013 major works	4	32	69	65	33,261	30,008	(3,253)
WDS 2014 major works	0	0	0	0	0	0	0
WDS 2015 major works	0	0	0	0	0	0	0
WDS future major works	0	0	0	0	0	0	0
FRA works	19,487	9,739	17,343	(2,144)	1,582	2,764	1,182
M&E electrical	1,305	228	795	(510)	1,104	1,604	500
M&E heating	6,058	4,227	9,846	3,788	10,962	12,189	1,227
M&E lifts	1,975	1,911	2,718	743	1,373	1,800	427
WDS voids works	4,159	2,964	4,159	0	4,000	4,000	0
WDS Leathermarket JMB	1,441	897	1,437	(4)	1,100	1,081	(19)
<b>HINE schemes</b>							
HINE WDS works	664	228	1,000	336	11,341	11,732	391
HINE additional works	0	0	0	0	2,420	2,420	0
<b>Regeneration</b>							
Aylesbury Estate PPM works	5,855	2,725	4,863	(992)	3,390	3,976	586
Aylesbury Estate regeneration	7,697	1,279	4,697	(3,000)	14,650	12,668	(1,982)
Bermondsey Spa refurbishment	252	129	285	33	0	0	0
East Dulwich Estate	744	245	425	(319)	1,387	1,398	11
Elmington Estate	1,280	491	1,300	20	1,508	1,300	(208)
Heygate Estate	5,866	584	1,874	(3,992)	10,665	14,815	4,150
Hidden Homes	399	(16)	378	(21)	294	586	292
Hostels new build	200	219	250	50	2,800	2,750	(50)
Local authority new build	2,279	1,317	2,279	0	64	64	0
Misc regen, acquisitions and home loss	842	224	655	(187)	600	357	(243)
<b>Other programmes</b>							
Adaptations	1,843	1,214	1,843	0	2,000	2,000	0
Affordable housing through commuted sums	0	0	0	0	0	0	0
Cash incentive scheme	207	92	207	0	207	207	0
Digital switchover	1,534	1,223	1,534	0	0	0	0
Disposals costs	574	176	498	(76)	500	450	(50)
Energy	400	0	200	(200)	200	200	0
Environmental / play areas	0	0	0	0	0	0	0
Fire damage reinstatement	2,898	2,599	3,178	280	604	645	41
Group repairs	354	152	228	(126)	0	0	0
Hostels accommodation	1,054	80	778	(276)	1,114	1,161	47
Leasehold / freehold acquisitions	375	305	375	0	525	525	0
Major voids	988	66	527	(461)	1,000	1,000	0
Office accommodation	305	0	250	(55)	250	250	0
Scheme management costs	1,000	1,708	1,000	0	1,000	1,000	0
Security	302	24	304	2	3	0	(3)
Sheltered accommodation	3	3	47	44	0	0	0
T&RA halls	487	71	483	(4)	500	500	0
Adjustment - expenditure in revenue	(7,395)	(641)	(7,395)	0	(7,395)	(7,395)	0
<b>TOTAL</b>	<b>92,584</b>	<b>45,953</b>	<b>81,691</b>	<b>(10,893)</b>	<b>131,421</b>	<b>147,262</b>	<b>15,841</b>
<b>FINANCED BY:</b>							
Corporate Resource Pool	0	0	0	0	5,857	5,857	0
Housing receipts	45,641	1,167	45,641	0	22,383	22,383	0
Major Repairs Allowance	44,873	42,084	44,873	0	45,488	45,488	0
Supported Borrowing	0	0	0	0	0	0	0
Reserves & Revenue	(12,776)	0	(23,737)	(10,961)	42,219	58,062	15,843
Capital Grants	12,196	600	12,233	37	15,471	15,472	1
Section 106 Funds	50	50	50	0	0	0	0
External Contributions	2,600	2,052	2,631	31	3	0	(3)
<b>TOTAL RESOURCES</b>	<b>92,584</b>	<b>45,953</b>	<b>81,691</b>	<b>(10,893)</b>	<b>131,421</b>	<b>147,262</b>	<b>15,841</b>
<b>Forecast variation (under)/over</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## HRA Capital Programme Summary – 2012/13 at Quarter 3

Programme	2014/15+			Total Programme 2012/13-21/22		
	Budget	Forecast	Variance	Total Budget @ 01/04/2012	Total Forecast	Total Variance
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Warm dry and safe</b>						
WDS carry-over schemes	0	0	0	2,325	2,794	469
WDS 2-year programme	2,921	1,869	(1,052)	37,585	39,581	1,996
WDS 2012 major works	113	208	95	18,684	24,170	5,486
WDS 2013 major works	281	251	(30)	33,546	30,328	(3,218)
WDS 2014 major works	41,643	37,643	(4,000)	41,643	37,643	(4,000)
WDS 2015 major works	49,408	46,495	(2,913)	49,408	46,495	(2,913)
WDS future major works	0	0	0	0	0	0
FRA works	45	165	120	21,114	20,272	(842)
M&E electrical	5,400	5,400	0	7,809	7,799	(10)
M&E heating	14,425	13,707	(718)	31,445	35,742	4,297
M&E lifts	4,000	3,439	(561)	7,348	7,957	609
WDS voids works	8,000	8,000	0	16,159	16,159	0
WDS Leathermarket JMB	2,200	2,222	22	4,741	4,740	(1)
					0	
<b>HINE schemes</b>						
HINE WDS works	13,642	11,040	(2,602)	25,647	23,772	(1,875)
HINE additional works	16,004	16,004	0	18,424	18,424	0
<b>Regeneration</b>						
Aylesbury Estate PPM works	2,138	2,934	796	11,383	11,773	390
Aylesbury Estate regeneration	8,301	13,284	4,983	30,648	30,649	1
Bermondsey Spa refurbishment	0	0	0	252	285	33
East Dulwich Estate	50	50	0	2,181	1,873	(308)
Elmington Estate	3,520	3,708	188	6,308	6,308	0
Heygate Estate	3,317	4,028	711	19,848	20,717	869
Hidden Homes	592	300	(292)	1,285	1,264	(21)
Hostels new build	1,500	1,500	0	4,500	4,500	0
Local authority new build	0	0	0	2,343	2,343	0
Misc regen, acquisitions and home loss	400	400	0	1,842	1,412	(430)
					0	
<b>Other programmes</b>						
Adaptations	4,000	4,000	0	7,843	7,843	0
Affordable housing through commuted sums	0	0	0	0	0	0
Cash incentive scheme	312	312	0	726	726	0
Digital switchover	0	0	0	1,534	1,534	0
Disposals costs	1,000	1,000	0	2,074	1,948	(126)
Energy	400	400	0	1,000	800	(200)
Environmental / play areas	0	0	0	0	0	0
Fire damage reinstatement	1,200	1,200	0	4,702	5,023	321
Group repairs	272	0	(272)	626	228	(398)
Hostels accommodation	1,800	2,029	229	3,968	3,968	0
Leasehold / freehold acquisitions	600	600	0	1,500	1,500	0
Major voids	2,000	2,000	0	3,988	3,527	(461)
Office accommodation	500	500	0	1,055	1,000	(55)
Scheme management costs	2,000	2,000	0	4,000	4,000	0
Security	300	300	0	605	604	(1)
Sheltered accommodation	306	268	(38)	309	315	6
T&RA halls	1,000	1,000	0	1,987	1,983	(4)
Adjustment - expenditure in revenue	(14,828)	(14,828)	0	(29,618)	(29,618)	0
<b>TOTAL</b>	<b>178,762</b>	<b>173,428</b>	<b>(5,334)</b>	<b>402,767</b>	<b>402,381</b>	<b>(386)</b>
<b>FINANCED BY:</b>						
Corporate Resource Pool	5,000	5,000	0	10,857	10,857	0
Housing receipts	60,583	60,583	0	128,607	128,607	0
Major Repairs Allowance	92,356	92,356	0	182,717	182,717	0
Supported Borrowing	0	0	0	0	0	0
Reserves & Revenue	(31,512)	(37,038)	(5,526)	(2,069)	(2,713)	(644)
Capital Grants	52,335	52,527	192	80,002	80,232	230
Section 106 Funds	0	0	0	50	50	0
External Contributions	0	0	0	2,603	2,631	28
<b>TOTAL RESOURCES</b>	<b>178,762</b>	<b>173,428</b>	<b>(5,334)</b>	<b>402,767</b>	<b>402,381</b>	<b>(386)</b>
<b>Forecast variation (under)/over</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

	Children's Services	Southwark Schools for the Future	Finance and Corporate Services	Environment	Adult Social Care	Housing General Fund	Chief Executive	General Fund Programme Total	Housing Investment Programme	Total Programmed Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>BUDGET AS AT 2011/12 OUTTURN REPORT</b>	54,125	81,655	7,919	90,610	1,995	27,568	62,958	326,830	396,193	723,023
<b>New Bids approved at Q1/Refresh report</b>										
Children's Services	16,400							16,400		16,400
Finance and Corporate Services		15,249						15,249		15,249
Environment			12,256					12,256		12,256
Adult Social Care				10,200				10,200		10,200
Chief Executive							5,750	5,750		5,750
<b>BUDGET AS AT 2012/13 Q1/REFRESH REPORT</b>	70,525	81,655	23,168	102,866	12,195	27,568	68,708	386,685	396,193	782,878
<b>CHANGES IN DEPARTMENTAL RESPONSIBILITY</b>										
<b>RESTRUCTURED BUDGETS</b>	70,525	81,655	23,168	102,866	12,195	27,568	68,708	386,685	396,193	782,878
<b>Q1 - Virements already approved</b>										
Integrated Waste Solutions Programme				(200)				(200)		(200)
Burgess Park Revitalisation Project				200				200		200
<b>Total virements approved at Qtr 1</b>	0	0	0	0	0	0	0	0	0	0
<b>Q2 - Virements already approved</b>										
Integrated Waste Solutions Programme				(400)				(400)		(400)
Burgess Park Revitalisation Project				400				400		400
Peckham Rye one o'clock club				(270)				(270)		(270)
Peckham Rye one o'clock club	270									270
Gamberwell LC				(19)				(19)		(19)
Camberwell LC - phase 2				(213)				(213)		(213)
Dulwich Leisure Centre				232				232		232
Thomas Carlton Centr				(73)				(73)		(73)
Thomas Calton Centre refurbishment				73				73		73
<b>Total virements to be approved at Qtr 2</b>	270	0	0	(270)	0	0	0	0	0	0
<b>Q3 - VIREMENTS REQUESTED TO BE APPROVED</b>										
<b>Total virements requested to be approved Qtr 3</b>	0	0	0	0	0	0	0	0	0	0
<b>TOTAL VIREMENTS</b>	270	0	0	(270)	0	0	0	0	0	0

Funded virements and variations for approval

	Children's Services	Southwark Schools for the Future	Finance and Corporate Services	Environment	Adult Social Care	Housing General Fund	Chief Executive	General Fund Programme Total	Housing Investment Programme	Total Programmed Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>PROGRAMME FUNDED VARIATIONS</b>										
<b>Q1 - Variations already approved</b>										
Southbank Accessibility Improvements										
Bermondsey CGS				1				1		
Rotherhithe CGS				5				5		
Camberwell CGS and Parks				7				7		
Pleabody Square Estate Improvements				(6)				(6)		(5)
Great Suffolk Street BUP Project							5			
Nunhead Outer London Funding Programme							20			
Cathedral Square Improvements							360			360
Camberwell Town Centre-S106							50			50
Corridors, Neighbourhoods & Supporting Measures							89			89
Aylesbury Estate PPM works							44			44
								1,360		1,360
<b>Total approved at Qtr 1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>568</b>	<b>576</b>	<b>1,360</b>	<b>1,936</b>
<b>Q2 - Variations approved</b>										
Camberwell LC - phase 2				15				15		
Camberwell LC - phase 2				98				98		
OLF Trinity College sports area				5				5		
Burgess Park Revitalisation Project				732				732		732
DIE Basic Needs 2012/13	4,919							4,919		4,919
DIE Maintenance grant 2012/13	2,719							2,719		2,719
DIE Additional Basic Needs 2012/13	1,592							1,592		1,592
Corridors, Neighbourhoods & Supporting Measures(E&C Travel Awareness)							(50)	(50)		(50)
Corridors, Neighbourhoods & Supporting Measures(Olympic Smarter Travel)							(25)	(25)		(25)
Corridors, Neighbourhoods & Supporting Measures(Surveys)							(30)	(30)		(30)
Corridors, Neighbourhoods & Supporting Measures(Cycle Training)							(156)	(156)		(156)
Corridors, Neighbourhoods & Supporting Measures(Travel Awareness, Campaigns & Events)							(40)	(40)		(40)
Corridors, Neighbourhoods & Supporting Measures(Sustainable modes of Travel Strategy)							(118)	(118)		(118)
Corridors, Neighbourhoods & Supporting Measures(Road Safety & Implementation )							(77)	(77)		(77)
Corridors, Neighbourhoods & Supporting Measures(Travel Plan Support & Implementation )							(40)	(40)		(40)
Queens Road Peckham							87			87
Office Accommodation Strategy							1,200			1,200
Adult PSS Capital Allocations					3					3
								1,200		1,200
<b>Total approved at Qtr 2</b>	<b>9,230</b>	<b>0</b>	<b>0</b>	<b>850</b>	<b>3</b>	<b>0</b>	<b>751</b>	<b>10,834</b>	<b>0</b>	<b>10,834</b>



## Funded virements and variations for approval

	Children's Services	Southwark Schools for the Future	Finance and Corporate Services	Environment	Adult Social Care	Housing General Fund	Chief Executive	General Fund Programme Total	Housing Investment Programme	Total Programmed Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>PROGRAMME FUNDED VARIATIONS</b>										
<b>Q3 - Variations to be approved</b>										
George Mathers Road Improvements							29	29		29
Major Schemes							266	266		266
Camberwell LC - phase 2				37				37		37
NPR Programme				509				509		509
HIA - DFG mand. (60% dtg)			178,160			98		178,160		178,160
Acquisition of 1601 Tooley St								1,175		1,175
DIE Two-year-old grant 2012/13	1,175							1,175		4,545
FRA works										369
Avlesbury Estate PPM works										300
Digital switchover										4,545
Corridors, Neighbourhoods & Supporting Measures										369
Major Schemes										300
Local Transport Funding										(129)
Dulwich CGS				1						(24)
										(37)
										1
<b>Total to be approved Qtr 3</b>	1,175	0	178,160	547	0	98	105	180,085	5,214	185,299
<b>Total Budget Variations</b>	10,405	0	178,160	1,405	3	98	1,424	191,495	6,574	198,069
<b>REVISED BUDGETS</b>	81,200	81,655	201,328	104,001	12,198	27,666	70,132	578,180	402,767	980,947
<b>VARIATIONS REQUESTED TO BE APPROVED</b>										
<b>FINANCED BY:</b>										
Capital Grant										
Section 106 Funds	10,405			666	3	98	(323)	10,849		10,849
External Contribution				(6)			547	542		542
Capital Receipt				12				12		12
Reserves & Revenue				732			1,200	1,932		1,932
Internal Borrowing			178,160					178,160	6,574	178,160
										0
<b>TOTAL RESOURCES</b>	10,405	0	178,160	1,405	3	98	1,424	191,495	6,574	198,069

## General Fund Capital Programme Details

## APPENDIX D

Capital Programme 2012/13 - 2021/22	Environment			Total
	2012/13	2013/14	2014/15+	
Description of Programme / Project	£'000	£'000	£'000	£'000
Kingswood House Refurbishment	0	0	250	250
Thomas Calton Centre refurbishment	153	480	0	633
Camberwell Leisure Centre	74	0	0	74
Camberwell Leisure Centre Phase 2	916	27	0	943
Dulwich Leisure Centre	324	0	0	324
Pynners Sports Ground reinstatement works	198	0	0	198
Leisure Centre health and safety essential works	79	0	0	79
Implementation of RFID at Peckham Library	152	0	0	152
Seven Islands Leisure Centre Refurbishment	0	0	8,000	8,000
Southwark Park Sports Complex OLF allocation	20	350	0	370
Other OLF Projects	1,146	0	0	1,146
RFIDs	148	101	124	373
Grove Vale Library	0	0	360	360
Canada Water Public Art	10	62	0	72
Peckham Pulse Option 1 & 2	50	916	1,400	2,366
Leisure centres Lifecycle maintenance	0	120	295	415
Community Safety	344	679	731	1,754
South Dock Marina new showers & lavatories	100	0	0	100
Parking contract upfront capital costs	0	1,100	0	1,100
Walworth Road	338	0	0	338
Street care - Non Principal Roads Programme	6,104	5,000	33,050	44,154
Street metal works - Lamp column replacement	629	500	4,000	5,129
Cemetery Short Term burial space	570	0	4,410	4,980
Burgess Park Revitalisation Project	2,152	0	0	2,152
	0	380	0	380
Crematoria Lodges refurbishment				
Other parks projects	1,390	75	0	1,465
Parking -CPZ Reviews	73	81	0	154
Southbank accessibility improvements	2,303	0	0	2,303
Connect 2	600	0	0	600
Rye Lane improvements	189	0	0	189
Other public realm projects funded by S106	405	100	0	505
	4,283	1,880	13,160	19,323
Cleaner Greener Safer programme				
Integrated Waste Solutions Programme	400	2,789	0	3,189
Southwark Heat Network	311	0	0	311
<b>Environment Total</b>	<b>23,581</b>	<b>14,640</b>	<b>65,780</b>	<b>104,001</b>

## General Fund Capital Programme Details

Capital Programme 2012/13 - 2021/22	Finance and Corporate Services			
Description of Programme / Project	2012/13	2013/14	2014/15+	Total
	£'000	£'000	£'000	£'000
Information Services	995	136	1,548	2,679
Upgrade of IT infrastructure	0	1,000	4,000	5,000
Property Works Programme	372	0	450	822
Works to Council Buildings - DDA	283	422	912	1,617
Essential upgrade of Carefirst system	645	2,155	0	2,800
PPM & Compliance Programme	0	0	10,250	10,250
Acquisition of 160 Tooley st	178,160	0	0	178,160
<b>Finance and Resources Total</b>	<b>180,455</b>	<b>3,713</b>	<b>17,160</b>	<b>201,328</b>
Capital Programme 2012/13 - 2021/22	Chief Executive			
Description of Programme / Project	2012/13	2013/14	2014/15+	Total
	£'000	£'000	£'000	£'000
Borough & Bankside Streetscape Improvement	433	0	0	433
	744	24	0	768
Bermondsey Streetscape Improvements				
Framework & implementation	2,469	699	12	3,180
Improvements to Local Retail Environments	2,054	0	0	2,054
Planning and Transport	3,438	4,795	0	8,233
Canada Water Library	37	0	0	37
Canada Water Development	1,168	0	0	1,168
Bermondsey Spa Public Realm Improvements	1,054	0	0	1,054
Voluntary Sector Strategy	0	0	1,035	1,035
New Nunhead Community Centre	516	60	0	576
Other Regeneration Schemes	5,819	18,683	2,300	26,802
Peckham Rye Station	702	1,846	7,452	10,000
Office Accommodation Strategy	10,353	4,244	195	14,792
<b>Chief Executive Total</b>	<b>28,787</b>	<b>30,351</b>	<b>10,994</b>	<b>70,132</b>

## General Fund Capital Programme Details

Capital Programme 2012/13 - 2021/22	Children's Services			
Description of Programme / Project	2012/13	2013/14	2014/15+	Total
	£'000	£'000	£'000	£'000
Children's Centres - All Phases	568	0	0	568
Planned maintenance schemes	1	0	0	1
Quick win schemes	480	0	0	480
Eveline Lowe Primary School	255	0	0	255
Southwark Park Primary	3,000	5,000	382	8,382
Michael Faraday	971	0	0	971
St Anthony's expansion and refurbishment	4,075	0	0	4,075
Haymerle	816	0	0	816
Cherry Garden Special School	0	5,327	7,100	12,427
Lynhurst expansion and refurbishment	731	3,469	1,300	5,500
Crampton additional places	813	0	0	813
Other primary projects	602	0	97	699
Youth Services Projects	585	0	0	585
Playbuilder schemes	14	0	0	14
Cator Street	148	0	0	148
Capital Works for Free Healthy School Meals	421	0	0	421
Camelot PF&M	200	0	0	200
Other grants projects	542	0	0	542
Goose Green primary school	450	0	0	450
Carbon Reduction Fund	325	0	0	325
Primary school expansions	407	0	0	407
Access fund	150	0	0	150
Plant fabric and modernisation	137	0	0	137
Snowsfield early years accommodation	76	0	0	76
Additional school places	0	5,000	10,000	15,000
Peckham One O'clock Club	270	500	0	770
Carbon Reduction in schools	250	250	0	500
Troubled Families	0	400	0	400
DfE Basic Needs and Maintenance Grants 2012/13	10,404	0	0	10,404
Other allocations	4,584	0	11,100	15,684
<b>Children's Services Total</b>	<b>31,275</b>	<b>19,946</b>	<b>29,979</b>	<b>81,200</b>

## General Fund Capital Programme Details

Capital Programme 2012/13 - 2021/22	Adult Social Care			
Description of Programme / Project	2012/13	2013/14	2014/15+	Total
	£'000	£'000	£'000	£'000
Southwark Resource Centre	358	0	0	358
Smaller projects	20	0	0	20
Adult PSS Capital Allocations	1,620	0	0	1,620
Transformation of Adult Care Accommodation	0	7,000	0	7,000
Transformation of Learning Disability Care	0	1,200	0	1,200
Centre of Excellence	0	2,000	0	2,000
<b>Health and Community Services Total</b>	<b>1,998</b>	<b>10,200</b>	<b>0</b>	<b>12,198</b>
Capital Programme 2012/13 - 2021/22	Southwark Schools for the Future			
Description of Programme / Project	2012/13	2013/14	2014/15+	Total
	£'000	£'000	£'000	£'000
Walworth Academy	843	0	0	843
Tuke Special School	240	0	0	240
St Michael's PFI	6	0	0	6
St Michaels and All Angels (SMAA)	18,763	1,279	5,600	25,642
Highshore (SMAA special school)	0	0	0	0
Spa school	0	0	0	0
St Thomas the Apostle college	80	0	0	80
New School Aylesbury	4,301	0	0	4,301
Rotherhithe (CW new school)	0	2,943	16,679	19,622
Notre Dame (VA)	2,653	884	0	3,537
Sacred Heart PFI	0	0	0	0
	8,102	1,065	0	9,167
KS4 SILS				
St Saviours and St Olaves	3,454	423	0	3,877
Bredinghurst / KS3 SILS	2,250	0	0	2,250
ICT	4,376	0	0	4,376
Contingency yet to be formally allocated	2,098	1,914	3,702	7,714
<b>Southwark Schools for the Future Total</b>	<b>47,166</b>	<b>8,508</b>	<b>25,981</b>	<b>81,655</b>

## General Fund Capital Programme Details

Capital Programme 2012/13 - 2021/22	Housing General Fund			Total
	2012/13	2013/14	2014/15+	
Description of Programme / Project	£'000	£'000	£'000	£'000
East Peckham and Nunhead Housing Renewal	1,003	1,552	1,077	3,632
Empty Homes Grant	521	0	0	521
Homes Improvement Grant	278	411	1,516	2,205
Homes Improvement Agency	1,457	1,302	10,244	13,003
Small works grants	78	71	527	676
Home repair loan	360	371	1,831	2,562
Home repair grant	223	178	1,047	1,448
Landlord grants	135	95	266	496
Southwark moving on grant	20	0	0	20
Renewal area solar heating	210	210	0	420
Bellenden	84	50	40	174
LCZ group repairs - private	610	200	181	991
Ilderton travellers site wall	0	300	0	300
Springtide travellers site	330	433	0	763
Burnhill Close travellers site refurbishment	0	0	0	0
Affordable Housing Fund 122-148 Ivydale	0	455	0	455
<b>Housing General Fund Total</b>	<b>5,309</b>	<b>5,628</b>	<b>16,729</b>	<b>27,666</b>
Capital Programme 2012/13 - 2021/22	Total General Fund Programme			Total
	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000
<b>Total Expenditure</b>	<b>318,571</b>	<b>92,986</b>	<b>166,623</b>	<b>578,180</b>
<b>Total Resources</b>	<b>303,116</b>	<b>69,245</b>	<b>205,657</b>	<b>578,018</b>
<b>Forecast variation (under)/over</b>	<b>15,455</b>	<b>23,741</b>	<b>(39,034)</b>	<b>162</b>
<b>Cumulative position</b>	<b>15,455</b>	<b>39,196</b>	<b>162</b>	

<b>Item No.</b> 12.	<b>Classification:</b> Open	<b>Date:</b> 12 February 2013	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Authorisation of Debt Write-offs over £50,000 for National Non Domestic Rates – Revenues & Benefits Service	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Richard Livingstone, Finance, Resources and Community Safety	

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

National Non Domestic Rates, known locally as Business Rates are collected from businesses in the borough by the council and paid into a central government pool and then redistributed to the council as part of the annual grant settlement.

The council is responsible for collecting approximately £200m of national non domestic rates on behalf of the government and take appropriate enforcement action where needed to ensure that collection performance is high.

Historically, collection rates have been high with an improved performance in 2011-12 of 97.8%. This demonstrates that the council is acting diligently and effectively in collecting the business rates for the government.

However, there will be cases where businesses cease to trade due to becoming insolvent or dissolved where it has been decided it is not financially viable to continue to operate. In a small number of cases the amount of rates will be considerable as they are calculated on the rateable value of the property occupied.

The council will only consider writing off debt where it is deemed to be irrecoverable to collect. The cost of business rates write offs is borne by the government and not the council or the taxpayers.

### **RECOMMENDATIONS**

1. That Cabinet approval is given for write off of the debt of £98,031.81 for one debt (which includes seven accounts billed to the same ratepayer) which is irrecoverable.
2. That Cabinet considers any further action they require on the write-off not agreed within this report.

### **BACKGROUND INFORMATION**

3. Under the council's constitution write-off of debts above £5,000 but below £50,000 has been delegated to individual members within their own service area. Debt write-off under £5,000 can be authorised by chief officers. Write off of any debt over £50,000 must be referred to cabinet for authorisation.

4. There are a number of key reasons why the council may wish to write-off a debt. These are:
- i. The debt cannot be substantiated i.e. there is no documentary evidence that the debtor accepted the goods or services with the knowledge that a charge would be made.
  - ii. The debt is uneconomic to collect i.e. the cost of collection, including substantiation, is greater than the value of the debt.
  - iii. The debt is time barred, where the statute of limitation applies. Generally this means that if a period of six years has elapsed since the debt was last demanded, the debt cannot be enforced by legal action.
  - iv. The debtor cannot be found or communicated with despite all reasonable attempts to trace the debtor.
  - v. The debtor is deceased and there is no likely settlement from the estate or next of kin.
  - vi. Hardship, where permitted, (not hardship relief) on the grounds that recovery of the debt is likely to cause the debtor serious financial difficulty.
  - vii. Insolvency where the organisation or person has gone into bankruptcy and there are no assets to claim against.

## **KEY ISSUES FOR CONSIDERATION**

### **Policy implications**

5. The proposed write off set out in this report is recommended in accordance with the council's agreed write off policies and procedures. The reasons for the recommended write off are stated in the appendix attached.
6. Appendix 1 includes a write-off for National Non-Domestic Rates (NNDR). The NNDR write-off has been recommended by the council's NNDR business unit. In each case and where appropriate the business unit has attempted to trace account holders via a standard procedure as follows: -
  - Interrogation of the NNDR database.
  - Interrogation of the Document Imaging System
  - Tracing letters issued to other local authorities and solicitors.
  - Inspection of the domestic or business premises.
  - Land Registry searches.
  - Companies House searches
  - Tracing letter to landlords or letting/managing agents & directors
  - Letter sent to the Official Receiver for confirmation of any dividends to be paid
  - Checks made with other Council Departments
7. The NNDR business unit use a minimum of three tracing methods and conducts a 10 percent audit review of cases under £5,000 and a 50 percent audit review



of cases £5,000 to £50,000 and 100 percent audit review on cases over £50,000 to ensure that the correct procedures have been adhered to.

### **Community impact statement**

8. This decision has been judged to have no or very small impact on local people and communities.

### **Resource implications**

9. The total Non Domestic Rates debt recommended for write off is £98,031.81 for £98,031.81 for one debt (which includes seven accounts billed to the same ratepayer) which is irrecoverable. This relates to a single company which is in liquidation.
10. In the current economic climate, it is envisaged that a greater number of small and medium sized businesses will experience difficult trading conditions. Whilst every effort will be made to provide support within the scope of the existing legislation, it is inevitable that there will be an increase in the number of businesses dissolved, put into administration or receivership or liquidated. This, in turn, will lead to more cases being written off due to the business rates debts being irrecoverable.
11. The above debt will be contained within the NNDR bad debt provisions.
12. As per paragraph 3 the schedule of write-offs has been compiled in accordance with the council's agreed policy and procedures.
13. The debt is recommended for write-off, as it is considered irrecoverable or uneconomic to collect.
14. The recommended write-off of £98,031.81 for National Non Domestic Rates will be contained within the council's relevant bad debt provisions.

### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

#### **Director of Legal Services**

15. The report recommends that the debt set out in Appendix 1 to this report is written off in accordance with the council's procedures on debt write-off.
16. The approval of debt write-offs for sums over £50,000 is reserved to the cabinet for collective decision making. This particular debt has arisen as a result of non payment of non domestic rates.
17. The report sets out the circumstances whereby debts can lawfully be written off by the council and this includes cases where a company has been dissolved and there are no assets to claim against. The company in appendix 1 is a company recently dissolved. In such circumstances there are no means available to successfully pursue the debt.
18. The Director of Legal Services agrees with the recommendation that this debt should be written off in accordance with procedure and is lawful.

**Strategic Director of Finance and Corporate Services (FIN0347)**

19. As per paragraph 3 the schedule of write-offs has been compiled in accordance with the council's agreed policy and procedures.
20. This report recommends the write off of one debt, falling within the range reserved for member decision. This debt meets one or more of the criteria for write-off and the strategic director of finance and corporate services considers that it would be uneconomic to make any further attempt at recovery.
21. The recommended write-off of £98,031.81 will be contained within the council's bad debt provisions. The amount will be met from the NNDR Rating Pool and the cost is not borne by the council or council taxpayers.
22. As per paragraph 3 the schedule of write-offs has been compiled in accordance with the council's agreed policy and procedures.

**BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
Notice of insolvency. This document is available on this web page: <a href="http://moderngov.southwark.gov.uk/ie/ListDocuments.aspx?CId=302&amp;MId=4251&amp;Ver=4">http://moderngov.southwark.gov.uk/ie/ListDocuments.aspx?CId=302&amp;MId=4251&amp;Ver=4</a>	Revenues & Benefits 1st Floor, Hub 3, 160 Tooley Street, London SE1 2QH	Norman Lockie 020 7525 0928

**APPENDICES**

<b>No.</b>	<b>Title</b>
Appendix 1	Case details

**AUDIT TRAIL**

<b>Cabinet Member</b>	Councillor Richard Livingstone, Finance, Resources and Community Safety	
<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Corporate Services	
<b>Report Author</b>	Norman Lockie, Operations Manager (Revenues)	
<b>Version</b>	Final	
<b>Dated</b>	30 January 2013	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Communities, Law and Governance	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	30 January 2013	

## APPENDIX 1

## Case Details

Name & address of ratepayer	Amount	Period of occupation	Reason for write off
Nice Business Park Ltd Unit 5 First Floor Sylvan Industrial Estate 19-35 Sylvan Grove London SE15 1PD	£1475.11	01/08/09- 17/05/10	Liquidation – no dividend payable

## Statement of account

Period	Amount due £	Payments received £	Balance o/s £
01/08/09-31/03/10	1226.98	0.00	1226.98
01/04/10-17/05/10	248.13	0.00	248.13
<b>Total balance outstanding</b>			<b>£1475.11</b>

## Notices issued:

Date	Details
19/12/08	Bill for period 01/05/07-31/03/09
19/01/09	Reminder notice
06/03/09	Summons
10/03/09	Bill for period 01/04/09-31/03/10
16/04/09	Reminder
25/06/09	Summons
17/07/09	Liability order granted
31/12/09	Revised bill following notification that property was the responsibility of Nice Group Ltd from 01/05/07-08/03/09 and was unoccupied between 09/03/09-31/07/09
08/03/10	Bill for period 01/04/10-31/03/11
18/05/10	Reminder
28/10/10	Closing bill issued
16/12/10	Reminder
25/01/11	Summons
17/02/11	Liability order granted

<b>Name &amp; address of ratepayer</b>	<b>Amount</b>	<b>Period of occupation</b>	<b>Reason for write off</b>
Nice Business Park Ltd Unit 4 First Floor Sylvan Industrial Estate 19-35 Sylvan Grove London SE15 1PD	£7984.00	01/08/09- 17/05/10	Liquidation – no dividend payable

**Statement of account**

<b>Period</b>	<b>Amount due £</b>	<b>Payments received £</b>	<b>Balance o/s £</b>
01/08/09-31/03/10	6538.53	0.00	6538.53
01/04/10-17/05/10	1445.47	0.00	1445.47
<b>Total balance outstanding</b>			<b>£7984.00</b>

**Notices issued:**

<b>Date</b>	<b>Details</b>
19/12/08	Bill for period 01/05/07-31/03/09
19/01/09	Reminder notice
10/03/09	Bill for period 01/04/09-31/03/10
16/04/09	Reminder
02/06/09	Summons
19/06/09	Liability order granted
31/12/09	Revised bill following notification that property was the responsibility of Nice Group Ltd from 01/05/07-08/03/09 and was unoccupied between 09/03/09-31/07/09
08/03/10	Bill for period 01/04/10-31/03/11
16/04/10	Reminder
28/05/10	Closing bill following vacation of property
16/03/11	Reminder
20/05/11	Summons
15/06/11	Liability order granted

<b>Name &amp; address of ratepayer</b>	<b>Amount</b>	<b>Period of occupation</b>	<b>Reason for write off</b>
Nice Business Park Ltd Unit 3 Sylvan Industrial Estate 19-35 Sylvan Grove London SE15 1PD	£18,639.03	01/04/10-04/04/12	Liquidation – no dividend payable

**Statement of account**

<b>Period</b>	<b>Amount due</b>	<b>Payments received</b>	<b>Balance o/s</b>
	<b>£</b>	<b>£</b>	<b>£</b>
01/08/09-31/03/10	4278.30	0.00	4278.30
01/04/10-31/03/11	6722.48	0.00	6722.48
01/04/11-31/03/12	7550.72	0.00	7550.72
01/04/12-04/04/12	87.53	0.00	87.53

**Total balance outstanding****£18,639.03****Notices issued:**

<b>Date</b>	<b>Details</b>
13/08/10	Bill for period 01/08/09-31/03/11
15/10/10	Reminder
25/01/11	Summons
16/02/11	Liability order granted
08/03/11	Bill for period 01/04/11-31/03/12
27/04/11	Reminder
20/05/11	Summons
15/06/11	Liability order granted
08/03/12	Bill for period 01/04/12-31/03/13
26/04/12	Reminder
08/05/12	Closing bill following vacation of property

<b>Name &amp; address of ratepayer</b>	<b>Amount</b>	<b>Period of occupation</b>	<b>Reason for write off</b>
Nice Business Park Ltd Units 1 & 2 Sylvan Industrial Estate 19-35 Sylvan Grove London SE15 1PD	£39,852.67	01/08/09- 17/05/10	Liquidation – no dividend payable

### Statement of account

<b>Period</b>	<b>Amount due £</b>	<b>Payments received £</b>	<b>Balance o/s £</b>
01/08/09-31/03/10	9605.99	0.00	9605.99
01/04/10-31/03/11	14,697.00	0.00	14,697.00
01/04/11-31/03/12	15,371.50	0.00	15,371.50
01/04/12-04/04/12	178.18	0.00	178.18

**Total balance outstanding**

**£39,852.67**

### Notices issued:

<b>Date</b>	<b>Details</b>
08/06/09	Bill for period 09/03/09-31/03/10
19/08/09	Revised bill following notification that property was unoccupied between 09/03/09-31/07/09
23/09/09	Reminder notice
19/11/09	Summons
11/12/09	Liability order granted
08/03/10	Bill for period 01/04/10-31/03/11
16/09/10	Reminder
25/01/11	Summons
17/02/11	Liability order granted
08/03/11	Bill for period 01/04/11-31/03/12
27/04/11	Reminder
20/05/11	Summons
15/06/11	Liability order granted
12/03/12	Bill for period 01/04/12-31/03/13
26/04/12	Reminder
08/05/12	Closing bill following vacation of property

<b>Name &amp; address of ratepayer</b>	<b>Amount</b>	<b>Period of occupation</b>	<b>Reason for write off</b>
Nice Business Park Ltd Unit 5 Ground Floor Sylvan Industrial Estate 19-35 Sylvan Grove London SE15 1PD	£7199.67	01/08/09- 04/04/12	Liquidation – no dividend payable

**Statement of account**

<b>Period</b>	<b>Amount due</b>	<b>Payments received</b>	<b>Balance o/s</b>
	<b>£</b>	<b>£</b>	<b>£</b>
01/08/09-31/03/10	2313.51	0.00	2313.51
01/04/10-31/03/11	2286.41	0.00	2286.41
01/04/11-31/03/12	2567.70	0.00	2567.70
01/04/12-04/04/12	32.05	0.00	32.05

**Total balance outstanding****£7199.67****Notices issued:**

<b>Date</b>	<b>Details</b>
31/12/09	Bill for period 09/03/09-31/03/10
20/01/10	Reminder notice
08/03/10	Bill for period 01/04/10-31/03/11
16/09/10	Reminder
25/01/11	Summons
17/02/11	Liability order granted
08/03/11	Bill for period 01/04/11-31/03/12
27/04/11	Reminder
20/05/11	Summons
15/06/11	Liability order granted
12/03/12	Bill for period 01/04/12-31/03/13
26/04/12	Reminder
08/05/12	Closing bill following vacation of property



<b>Name &amp; address of ratepayer</b>	<b>Amount</b>	<b>Period of occupation</b>	<b>Reason for write off</b>
Nice Business Park Ltd Unit 4 Sylvan Industrial Estate 19-35 Sylvan Grove London SE15 1PD	£19,034.73	01/08/10-04/04/12	Liquidation – no dividend payable

**Statement of account**

<b>Period</b>	<b>Amount due £</b>	<b>Payments received £</b>	<b>Balance o/s £</b>
01/08/10-31/03/11	7317.72	0.00	7317.72
01/04/11-31/03/12	11582.75	0.00	11582.75
01/04/12-04/04/12	134.26	0.00	134.26
<b>Total balance outstanding</b>			<b>£19,034.73</b>

**Notices issued:**

<b>Date</b>	<b>Details</b>
30/11/11	Bill for period 01/08/10-31/03/11
15/12/11	Reminder notice
20/01/12	Summons
17/02/12	Liability order granted
12/03/12	Bill for period 01/04/12-31/03/13
26/04/12	Reminder
08/05/12	Closing bill following vacation of property
18/07/12	Reminder

<b>Name &amp; address of ratepayer</b>	<b>Amount</b>	<b>Period of occupation</b>	<b>Reason for write off</b>
Nice Business Park Ltd Unit 5 First Floor Sylvan Industrial Estate 19-35 Sylvan Grove London SE15 1PD	£3846.60	18/05/10- 04/04/12	Liquidation – no dividend payable

**Statement of account**

<b>Period</b>	<b>Amount due</b>	<b>Payments received</b>	<b>Balance o/s</b>
	<b>£</b>	<b>£</b>	<b>£</b>
17/05/10-31/03/11	1678.84	0.00	1678.84
01/04/11-31/03/12	2143.35	0.00	2143.35
01/04/12-04/04/12	24.41	0.00	24.41

**Total balance outstanding****£3846.60****Notices issued:**

<b>Date</b>	<b>Details</b>
09/08/12	Bill issued for period 18/05/10-04/04/12 (bill had previously been issued in directors name)

## Case history

Nice Business Park Ltd purchased the lease of the property at 19-35 Sylvan Grove for occupation by Nice Group Ltd. Nice Group Ltd occupied the property until 9 March 2009, when they went in Administration.

The property was then re-let as serviced office units by Nice Business Group Ltd, who due to the nature of the occupation were responsible for payment of the business rate liability. Rate demands were issued accordingly and when payment was not forthcoming, recovery action was taken and liability orders granted by the Magistrates Court.

The case was passed to the Council's bailiffs, but despite repeated visits to the property they were unable to obtain payment. The case was returned to the Council for further action to be taken, but before this could be taken the Company was placed into liquidation on 5 April 2012.

The liquidators have provided a report detailing the history of the Company which states that the Company owe their bankers £2.97 million under a fixed charge on the property. The property has been valued at £1.75m, resulting in a deficit of £1.22 million. There will therefore be no dividend payable to unsecured creditors. The liquidators have confirmed that ownership of the property at 19-35 Sylvan Grove was transferred to a new company, Daisycharm Ltd, on 5 April 2012.

<b>Item No.</b> 13.	<b>Classification:</b> Open	<b>Date:</b> 12 February 2013	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Leathermarket JMB – Partial Self-financing of the Housing Revenue Account	
<b>Ward(s) or groups affected:</b>		Grange	
<b>Cabinet Member:</b>		Councillor Ian Wingfield, Deputy Leader of the Council and Cabinet Member for Housing Management	

## **FOREWORD – COUNCILLOR IAN WINGFIELD, DEPUTY LEADER AND CABINET MEMBER FOR HOUSING MANAGEMENT**

The funding regime for local authority social housing changed fundamentally in April 2012 with the commencement of self-financing, we now have greater security and freedom for planning longer-term and determining our financial priorities, which will be informed through consultation on the housing commission proposals. This involves engaging with residents; listening to their concerns and reflecting their aspirations and the council's desire to provide a level of service that we can jointly take pride in.

It is with this in mind that this paper is placed before this meeting. As the Council enjoys a greater ability to determine its financial priorities so it is important to ensure that local communities can, where appropriate, enjoy the same level of control as to how funds are invested.

Self-financing at a local level means that residents can contribute towards the future of their homes and communities. What is being proposed is an exciting initiative which puts Southwark firmly at the forefront of devolving control to local communities, enabling them to make real decisions on the matter that most concerns them, their homes.

## **RECOMMENDATIONS**

1. To note the progress made towards the innovative and ground breaking proposal to establish the first 'self financing' Tenant Management Organisation (TMO) in the country thereby increasing significantly the levels of empowerment of Council residents in this area.
2. To agree to the implementation of this proposal from April 2013.
3. To agree to the Council entering into a new Modular Management Agreement (MMA) with Leathermarket JMB that includes additional terms to enable the payment of an allowance to the JMB to equate to the sums levied by way of rent, service charge and garage rent and to agree robust monitoring mechanisms to ensure that public funds are protected.

## BACKGROUND INFORMATION

4. TMOs were first established under statute with the 1994 Right to Manage Regulations, introduced as part of the Leasehold Reform, Housing and Urban Development Act 1993, although Southwark has a history of supporting residents to form companies to provide housing services to their homes much older than this with the first group becoming established in 1982. However, traditional tenant management provides for the group to be paid an allowance, equivalent to the sum the Council would incur, to provide an agreed range of services. The essence of this proposal is to become the first local authority in the country to empower residents to take full control of the housing services to residents.
5. The Leathermarket Joint Management Board (JMB) is a tenant managed organisation which currently provides a housing management service to 1476 tenanted, leasehold and freehold properties on behalf of the Council. They do so under the Right to manage regulations 1994 and a management agreement dated 9<sup>th</sup> October 1996 (varied in May 2008 to allow direct employment of staff). The JMB is a company limited by guarantee controlled through a Board of Directors. The Directors are nominated by the five Tenant & Residents' Associations within the area covered by the management agreement, and are endorsed at the Company's Annual General Meeting. The JMB is a highly efficient and effective organisation which has high levels of governance and a long track record of providing both responsive services and stock investment programmes.
6. In September 2010 the JMB approached the Council with a proposal to 'ring-fence' the rental income generated from the area managed by the JMB in order that they may better manage and maintain the stock designated to them under the terms of the management agreement and to allow the full implementation of a 30 year asset management strategy. This will devolve control to residents of the JMB to a far higher level than any other TMO in the country whilst allowing the Council to retain ownership of the stock. Such a development will enhance the co-operative principles under which the JMB were founded, by allowing residents to take greater control over their future.
7. An interim report was made in February 2011 and the following recommendation was agreed – *“That a detailed financial appraisal be undertaken of the implications (both to the council and the JMB) of ring fencing Leather market's income stream to the TMO. This appraisal to be completed within the next six months so that, if agreed, the ring fencing would be implemented in 2011/12.”*
8. The JMB undertook a continuation ballot in October 2011, as required under the terms of their management agreement, whereby all residents are given the opportunity to state whether or not they wish for the JMB to continue managing their homes. The results of the ballot were extremely positive with the JMB achieving an overall vote in favour from 90.9% of residents on a 67.8% turnout. All recommendations within this report were subject to a successful vote in favour of the JMBs continued management. The level of support shown for the JMB gives them a very strong mandate to continue delivering housing services.
9. A further report was made to Cabinet in May 2012 providing details of the proposal and recommending a period of shadowing during the financial year 2012-13 to assess the impact on the HRA, development of a new form of

management agreement based on the format provided for TMOs under the Right to Manage regulations and the future work required to develop this proposal towards implementation.

### **Current environment**

10. There has been little change in the current environment from that reported to Cabinet in May 2012. At that time it was stated that this proposal should be viewed as part of the current political context both within Southwark and nationally. The range of new rights for communities and groups of residents introduced by the current coalition government in its legislative programme, included:

- the Localism Act 2011 which includes
  - The Community Right to Challenge
  - The Community Right to Bid for assets with community value
  - Neighbourhood forums
- Health and Social Care Bill 2011, and
- Academies Act 2010.

The overall aim being to reduce the role of the public sector as a direct service provider and to increase the diversity of provision through the increased use of private, voluntary and community sectors.

11. In addition the Open Public Services White Paper in July 2011 outlined the governments aim to "make a dramatic difference by treating citizens as grown-ups – by giving them greater choice and control; genuine information on outcomes; and a stronger role for their communities." One of the main tenets of the proposed reform is to decentralise services to the lowest appropriate level which this proposal meets emphatically.

12. Specifically within the social housing sector proposals for new regulations on 'community led' stock transfer were published for consultation on 15 March 2012 with the aim of reducing the ability of local authorities to prevent transfer of its housing stock to community owned companies. The way forward on this route forward however remains unclear.

13. In August 2012 revised Right to Manage regulations were published by Government with the intention of reducing the time taken to development TMOs and to encourage the formation of more TMOs nationally. Southwark is an acknowledged leader in the field of tenant management with officers regularly meeting with officers at the Department of Communities and Local Government to advise on developments in this area. Southwark has recently developed guidance for local authority landlords on the implementation of the Right to Manage and provides support and assistance to other local authorities in this field of work.

14. It is against this background that the current unique and ground breaking proposal for the Leathermarket JMB has been developed. As previously stated, Southwark has long been recognised as being at the forefront of the development of tenant management nationally and this proposal reinforces this standing. Officers of the Tenant Management Initiative team (TMI) within the Specialist Housing Services Division have worked closely with the Directors of the Leathermarket JMB over the past 2 years to develop this proposal to the

current position.

15. The JMB have specifically rejected the option of a community led stock transfer as there is no demand for a stock transfer from residents within the JMB area. However, there is no doubt that they have sufficient resources and are of sufficient size to undertake such a transfer should this view change. A ballot of three TMO managed estates<sup>1</sup> within the neighbouring borough of Lambeth resulted in a positive result last year and the resulting community owned organisation, LATMOS, assumed ownership of the estates in April 2012. The ability to undertake 'self-financing' therefore meets the aims of the JMB and ensures that the estates under their management remain under Council ownership. In taking this step a new 'Southwark' model is developed to meet the needs and aspirations of local residents.
16. Officers met with representatives from the Department of Communities and Local Government (DCLG) and the Homes and Communities Agency (HCA) on 19 November 2012 and both organisations expressed their support for this model as it is proposed. DCLG are keen for a template to be established to allow other TMOs to use this vehicle as a means to deliver greater local control for TMOs who have 'grown up' and for whom the parameters allowed under the Right to Manage have become restrictive. Southwark have been requested to develop a new template management agreement for other groups considering this proposal and will provide a detailed guide for other groups to follow.
17. At a local level a the report submitted by the Housing Commission makes favourable reference to the development of self-financing TMOs on a number of occasions, citing "*...a more devolved housing management structure based in part on the new self-financing tenant management organisations (TMOs) model*" as a means of improving both performance and customer care for residents in the borough. This is certainly justified given the results of both the STATUS surveys in 2010 and equivalent in 2012 and the Continuation ballot of JMB residents in 2011.
18. To support this a Standardised Tenant satisfaction Survey (STATUS) conducted for TMO residents in 2010 showed that TMOs deliver satisfaction levels far in excess of those being achieved by Southwark managed stock. This survey showed that satisfaction with the TMOs as a manager satisfaction levels were 23% (14 percentage points) higher than the comparable Southwark performance in 2008 (76% compared to 62%). This has been achieved at no additional expense to the council as a review of TMO allowances completed in late 2011 showed that TMO allowances were approximately 2% less than that being spent by area teams in providing a similar range of services. These results were reinforced in November 2012 when the results of the satisfaction survey conducted by the Housing and Community Services Department showed a similar result. Satisfaction with the Council as a landlord was 63% whilst TMOs achieved a satisfaction level of 76%.
19. Achievement of this level of satisfaction ranks TMOs in Southwark amongst the best performing Councils in London.
20. The re-financing of the Housing Revenue Account (HRA) has provided the council with additional freedoms to explore the possibilities of achieving the delivery of a housing service in a different way. The removal of a national HRA

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<sup>1</sup> Lambeth Alliance of Tenant Management Organisations (LATMOS)

enables Southwark to further empower local residents to shape and deliver local housing services. The report from the independent Housing Commission underlines the role that self-financing for TMOs in Southwark can play in achieving the Fairer Future objectives.

## KEY ISSUES FOR CONSIDERATION

21. The current proposal is to increase the allowances paid to the JMB to equate to the income generated through rent and service charge within its area less the cost of retained services and the debt apportioned to these properties. This will have the effect of making the JMB financially self-contained and not wholly reliant on allowances paid to it under the terms of the current management agreement which has led to dispute and disagreement in the past. As the council will need to fund its management, major repair costs and debt repayment from the income generated from rents under the HRA reforms, so will the JMB under the self-financing initiative.
22. There are significant advantages to the Council in agreeing to this proposal:
  - It will give a major boost to the cause of resident control and enable the JMB to implement its Asset Management Strategy, the objective of which is to maintain and improve the stock in the JMB area over a 30-year period. The strands of the strategy are:
    - i. Deliver the warm, dry and safe programme
    - ii. Address health and safety issues, especially with regard to the risk of fire
    - iii. Progress from reactive to planned replacement of building components
    - iv. Address residents' aspirations for a modern and secure home and environment.
  - Responsibility for the achievement of the Decent Homes Standard (and the maintenance thereof for 30 years) will be passed to the JMB
  - Current debts on the property will be paid by the JMB. These are estimated to be £15.71m from April 2013.
  - Retention of the housing stock by the Council. There are no proposals for any transfer of assets to the JMB at present.
  - Continued access to JMB managed stock for the allocation of tenancies.
23. The JMB originally estimated that approximately £16m needs to be invested in the housing stock under its control in order bring it up to an acceptable standard to residents. The level of decency achieved in the JMB managed stock is expected to reach 79% by the end of the current financial year. This compares to a decency level of approximately 60% in the rest of the housing stock, which is expected to reach the warm, safe and dry standard at the end of the five year investment programme in 2015/16. The figures do not include any future investment needs arising as components require replacement over the life of the business plan and the JMB have prepared a full 30 year business plan which has been externally validated. The Business Plan estimates that the investment needed to reach and maintain the decent homes standard for 30 years is approximately £69m. The JMB estimate that self-financing will enable them to undertake this level of investment and repay the outstanding debt on the stock.
24. The JMB has worked effectively with the Council over a number of years to strengthen its management of finances, and the delivery of major and responsive



repairs. Officers are satisfied that the JMB now has the directors, management and staff capability to take on greater financial responsibility. The proposed JMB self financing will have the added bonus of simplifying the financial interface between the Council and JMB, which has proved contentious in the past. As part of the agreement the JMB and Council a rigorous audit process will be specified and enhanced levels of monitoring will be established over and above that in place for other TMOs in Southwark.

25. This is an innovative model which gives residents greater control and has attracted interest on a national level in its potential to deliver a far greater level of tenant empowerment without the contentious issue of stock transfer. It should be noted that:
- Tenants remain secure tenants of the Council.
  - Tenancy conditions and rent levels will be the same as other Council tenants.
  - No money has to be diverted from asset management to pay for tenant advisors, financiers, lawyers and consultants.
  - As tenants are not losing their security of tenure or legal relationship with the Council there is no requirement for a ballot.
  - The Council retains its nomination rights to all new tenancies.
26. Officers of the JMB, Tenant Management Initiative team and the Finance & Resources Department have worked closely with officers of the JMB since April 2011 to ascertain the potential impact on the Housing Revenue Account (HRA) should the proposals proceed. This work has incorporated the following elements:
- Detailed calculations into the separation of the JMB account from the Council's HRA.
  - The JMB to put additional financial structures and contractual arrangements in place to manage this level of financial independence.
  - A planned change to the HRA to take place.
  - Parallel work with the Council regarding the HRA review proposed by government.
  - A period of shadowing in 2012/13 to assess the impact of self-financing on the council's ability to manage and maintain the rest of the housing stock in Southwark.

### **JMB income under self-financing**

27. The report in May 2012 outlined the various affects that self-financing would have on both the JMB income and expenditure and these are addressed again in the following paragraphs.

#### Rent income

28. In terms of the annual income to the JMB this assumes a rent collection rate of 98% of rent due in the current year and allowing a loss due to voids/bad debts of only 2%. This may be an ambitious target given the forthcoming welfare reforms in 2012/13. Similarly, the 100% collection targets for garage rents and store sheds may also not be achieved. This represents a risk for the JMB to consider in their financial planning. In the current financial year the JMB have achieved a rent collection rate of 100.92% for the first six months.

Service charge income

29. The leasehold service charge collection element is included as this currently contributes towards the services provided in the JMB area for both JMB and retained service provision. The JMB have asked the Council to continue to calculate invoice and collect the service charges for the JMB area and a Service Level Agreement (SLA) is being developed to enable this.

Additional revenue income

30. The Council receives revenue income from various advertising and communications sites across the borough and has previously operated an agreement whereby such income is targeted at the estates which generate the income for the benefit of local residents. The JMB currently benefits from this agreement due to various communication installations situated across the housing stock under its management. It is proposed that the JMB continue to receive the income from these installations. However, under the proposed new financing regime it is appropriate that an agreement is reached over the ability of the council to access any revenue generated by council officers.
31. In predicting the future income of the JMB over 30 years and inflation rate of 2.6% has been used for 2013/14 and 2.5% p.a. thereafter. A methodology of the current rent plus inflation (Retail Price Index) at 2.5%, plus half of one percent plus two pounds per week has been assumed throughout the life of the business plan.
32. Consideration has been given in the Business Plan to decline in tenanted stock numbers due to the Right to Buy (RTB) and a figure of approximately 2.6 units per annum has been used.
33. Leasehold service charge income has been factored into the income received by the JMB and is estimated at approximately £0.5m per annum for the early years of the Business Plan. It is estimated that leaseholder contribution to the overall investment over 30 years will be in the region of £11m in total.

**Expenditure**Office rental

34. No charge is currently levied against the JMB for the rental cost of their offices. Under the formula used to calculate the allowances paid to TMOs such costs are met in full and therefore the net benefit to the Council is nil. Under the proposed change office costs would form part of the re-chargeable services to be met from the JMB income and the office has therefore been assessed as to the likely sum the Council could expect to receive if it were let commercially. Discussions are continuing with the JMB in this area as the JMB feel that a commercial rent should not be used given the nature of community activities undertaken by the organisation. Consideration is currently being given to a lease arrangement whereby full repairing liability is devolved to the JMB for the structure in return for a lower rental charge.

Retained Council services

35. Since Cabinet considered the paper presented to the May meeting further work has been undertaken to identify and apportion correctly the services to be retained by the Council. These services have been broken down into three groups:
- Compulsory (e.g. rent setting, housing options etc)

- Discretionary (e.g. tenants fund, etc.)
- Overheads (e.g. SLAs, complaints service etc).

The net effect of these charges are nil in the short term but the JMB may decide to assume greater responsibility for some aspects of the identified functions resulting in a lower payment to the council. This is true for all TMOs who have the right to take on additional functions as the organisations develop greater experience and capacity.

#### Debt repayment

36. The impact of reforms of the HRA with regard to housing debt levels from April 2012 will see the debt per tenanted property in Southwark fall to an estimated £14,809. This will result in a total debt for the JMB managed area of approximately £15.77m. An annual repayment figure has been calculated using a consolidated interest rate of 6.9% per annum and assuming a 30 year capital repayment period. No provision has been made within the figures for the JMB to access future council borrowing for investment purposes.

#### Minimisation of Risk

37. It is not intended that this change will result in ring-fencing of the rental income to its greatest extent which would result in the Council losing ownership of rent and service charge proceeds to the JMB thereby reducing headline income. In the medium term the Council has a need to refinance expiring loans as well as it being possible that additional borrowing could be undertaken for capital expenditure. The need to re-finance to reduce current repayment costs was highlighted by the Housing Commission report. Loans can be provided by the Public Works Loan Board or from the bonds market. For the latter the Council would need a credit rating and the security of the HRA's rent income stream will be an important influence in that.
38. In order to avoid the Council seeming to lose some of its rent proceeds, it is proposed that the JMB in future receive an allowance according to a calculation starting with a rent element. The JMB would also be responsible for financing capital expenditure at the level of the depreciation charge to revenue – a notification arrangement would be required to record expenditure as authority capital in order to access the depreciation financing from its interim resting place in Major Repairs Reserve.
39. Any agreement would probably need to be for a time-limited period, e.g. five years, with either side also able to give notice each year. The format of the new management agreement will utilise the modular format, as approved for TMOs, but with additional clauses taken from the approved format for ALMO agreements, which again have already received consent from government. It was previously thought that there may need to be a separate section of the agreement to cover other sources of capital funding, e.g. access to Decent Homes backlog grant and responsibility to raise capital receipts but this is no longer the case given the progress made by the JMB towards achieving the decent home standard.
40. The timing of the request coincided with the start of whole HRA self-financing in April 2012. Authorities will no longer receive subsidy and will be settled with a debt level considered to be affordable over 30 years, taking into account the annual surplus of income over expenditure for the dwelling stock. The debt level for Southwark has been calculated at £14,809 per property. However, debt charges on this may be difficult to afford in early years as rents are well below

target and hence below the level they will be towards the middle and end of the 30 year calculation period. The Business Plan prepared by the JMB, and independently validated, makes provision for repayment of both interest and capital over a 30 year period. This may provide additional income for the Council in the short term as there are no plans to make any capital repayment in the initial years of the Council's own self-financing arrangements.

41. The overall HRA position settled on the authority at the start of self-financing is a loss before savings measures, turning round to a gain in subsequent years due to increasing rent income. As the proposal ring-fences part of the HRA, the situation for the JMB would be similar to that of Southwark's HRA overall, i.e. effectively part of the HRA's initial loss and eventual gain transfers to the JMB, who would find difficulty in breaking even without cost reductions in early years. This might limit initially the amount of investment funding able to provide via depreciation charges to revenue. Subsequently, as the position improves the wider HRA would not benefit from future rent surpluses on the Leathermarket stock.
42. In May 2012 Cabinet were advised that before deciding on the changes proposed, the following effects needed consideration;
  - a) transfer of control over rent proceeds and likely long-term annual surpluses relating to the Leathermarket stock to the JMB and effect on control over these as investment resources;
    - the council needs to be satisfied that it is extending financial arrangements and responsibilities to a viable body that will act responsibly.
    - the Council needs to be satisfied that JMB control of their part of the HRA and any future surpluses does not disadvantage the remaining HRA. The JMB have stated that they are prepared to enter into appropriate agreements with the council as to the future use of any surpluses recognising the potential need of the wider HRA if excessive levels of surpluses are accrued. They have also stated their intention to seek to develop vacant land within their estates to provide new social housing units for the benefit of Southwark residents
  - b) Transfer of long –term investment responsibilities
    - the Council needs to be satisfied that the JMB is able to plan and manage large-scale contracts. To address this, the JMB have engaged appropriate consultants to work with them to develop known investment needs and to prepare a 30 year investment programme which will ensure that the needs of the estate are met over this period. This has been independently verified.
  - c) Complex arrangements involved in a new management agreement, including loan repayment and capital financing conditions and the need for the Council to continue to account for Leathermarket rent and capital expenditure.
    - the Council needs to be satisfied that any complexities arising from the new arrangements are able to be managed and are justified by other benefits. This will be addressed through the treatment of rental income in the same manner as is currently the case and adjusting the allowances paid to the JMB to reflect the rental income.

43. In terms of viability, the JMB has few assets and is largely dependent on allowance income. However, the proposed allowance arrangements should provide adequate cash flow and enable it to keep costs within its income.
44. In terms of acting responsibly, the JMB operates with full-time staff overseen by a Board dependent on local voluntary input. There is a risk of the Board becoming indurate and of misappropriation, mitigated by the Council's Tenant Management Initiatives Team undertaking monitoring and the JMB being subject to external annual accounts audit and the Council's internal audit. Although there is a reduced level of financial sanction that could be applied by the Council in the short-term if the JMB delayed settling billing transactions, the proposal for the Home Ownership team within Specialist Housing Services to continue to undertake the collection of service charges will mean that the option of set-off under the terms of the management agreement will remain.
45. The partial self-financing proposal is expected to result in increasing surpluses being generated for the JMB as rents rise and in initial years there should be enough investment need in the JMB stock to take up the surpluses. Subsequently surpluses which would otherwise be available to the HRA for borough-wide use would be under the control of the JMB. The JMB might have a number of options for using surpluses, e.g. replacing or improving stock, new build or additional debt repayment. However, options for the JMB might be narrower than if the Council had control, e.g. it has far fewer housing powers and local land for new build might be limited or expensive, and may follow different priorities. The JMB might wish to further add to surpluses by reducing payments to the Council for central services, creating difficulties for the Council as it may have fixed costs or staffing responsibilities.
46. The Business Plan prepared by the JMB indicates that surpluses would begin to accrue until year 12 (2024/15) of the programme and would eventually reach approximately £30m by the end of the 30 year period. It is proposed that during the early years of this project officer's work with the JMB to establish a partnership for the use of surpluses to generate additional social housing within the JMB area.

## **Resources**

47. The aim of the self-financing initiative is that there should be a nil cost to the Council in all areas. The JMB will continue to contribute to services funded through the HRA e.g. street wardens. In terms of the resources required to monitor and manage the requirements of the management agreement, this will be met through the existing resources of the TMI team in Specialist Housing Services. It is not anticipated that the devolvement of additional responsibilities to the JMB will result in additional cost to the Council.
48. The HRA budget for 2013/14 was agreed by Cabinet on 29 January 2013 but it has not yet been possible to complete the apportionment to the JMB of central HRA service costs for that year, nor a final depreciation charge under new arrangements. Work is continuing to finalise these figures, which will affect the council services recharge to the JMB in 2013/14 and its average expected capital programme. For 2012/13, the shadow operating period, a broad comparison with the allowance is shown in the provisional figures below. Thus the shadow operation is broadly neutral. Future variances in allowance would relate to the JMB properties and not affect the wider HRA.

2012/13 allowance	2.3m
<u>Shadow allowance</u>	
Rent and service charges element	6.5m
Council services deduction	(1.4m)
Debt charge contribution	(1.2m)
Depreciation/ Capital Expenditure	(1.6m)
Net shadow allowance	2.3m

## Consultation

49. The JMB is a resident led organisation and these proposals have emanated from within their governance structure of five TRAs nominating directors for the main JMB board. Door step conversations were held about the self financing proposals during the continuation ballot in late 2011. In this formal ballot of all residents they achieved a 68% turnout (1195 votes cast) with 92% of eligible votes in favour of the continuation of the JMB in managing their homes and 88% of eligible votes stating that they provided a satisfactory housing service to residents.
50. Since this time most work has been conducted through the JMB board as a result of the shadowing arrangement approved by Cabinet in May 2012. A well attended AGM in October 2012, with over 50 residents present, saw overwhelming support for the proposal and the following consultations have been undertaken by the JMB: 2011/12 performance report to JMB members; 2012 leaseholder meeting; Verbal update reports to the JMBs 5 TRA's at their monthly meetings and AGM; Coverage in May 2012 in Southwark News/ South London Press and SE1 free sheet/ web site.
51. In addition the Council and the JMB jointly commissioned PPCR to undertake a doorstep survey of residents in January 2013 to gauge both awareness and support for the proposals. The Homes and Communities Agency and DCLG have confirmed that they do not require a formal ballot on the proposal but wish to ensure that residents are supportive of the proposal. The results of this survey are attached at Appendix 1 to this report. It is very encouraging to note that there is widespread support with little active opposition to the proposal. Understandably a number of residents are non-committal at this stage.
52. PPCR are a consultancy specialising in the involvement of communities to help give local people more control over their homes, neighbourhoods and services they receive. Their focus was twofold:
- The increase the membership of the TRAs within the area of the JMB; and
  - To gauge awareness levels of the current proposals and the support within the communities concerned.
53. All residents have received written information on the proposals and were invited to a drop-in session at the JMB offices on 10 January 2013. Both council officers and JMB resident directors were present to answer enquiries from residents. The findings from the drop-in session are appended to this report at Appendix 2.
54. A paper on this proposal was presented to meetings of the Home Owners Council and Tenants Council in January 2013 where it was received and noted.

No substantive issues were raised

### **Community impact statement**

55. The introduction of this initiative will impact on all residents within the area of benefit of the Leathermarket JMB. Through the reversal of the way in which the financing of the JMB is undertaken much greater control and accountability will be devolved to a local level. There will be an associated increase in the levels of financial control in order to enable the JMB to deliver the investment programme and debt repayment.
56. The JMB is a not for profit company which was established explicitly to promote the involvement of local people in the delivery of services. Through their governance structure they actively involve local people in the decision making process. They engage widely within the local community and bring together residents of Southwark's housing stock on housing and other issues of shared or mutual interest.
57. Consideration has been given to the public sector equality duty and the increased level of responsibility being devolved to the JMB will not negatively impact on this duty. All JMB managed homes will remain council tenancies and all allocations to JMB homes remain the responsibility of the Council and therefore will be unaffected by this change. The JMB have a published equality policy and procedure which is monitored on an annual basis by the council.
58. This proposal is expected to have a neutral impact on Council tenants in Southwark.
59. The increased level of financial control devolved to the JMB will not impact on other council residents in the borough as the proposal will also see a commensurate increase in the devolved level of financial commitments to the JMB from the council. In the early years of the proposal this will effectively mirror the increased levels of income to the JMB. Over the course of the 30 year business plan it is expected that there will be increased levels of finance, over and above that required for investment purposes, available to the JMB. Although the Council has not undertaken a business planning process to this level of detail, the expectation of achieving warm, safe and dry standards by 2015 would enable a reasonable expectation that it too would achieve income levels in excess of the investment demands made upon its resources.
60. The impact of the Council response to the independent Housing Commission report on the future use of rental income is not yet known and has therefore not been considered as part of this proposal. The JMB have, however, already drawn up outline proposals to invest surpluses over and above the investment needs in the provision of additional social housing units within their area of benefit. Any such properties so developed would be made available to the Council to meet local housing demand.

### **Next Steps**

61. In order to progress this proposals, and to ensure that there are adequate safeguards in place for the Council, it is proposed that the following steps be taken;

- Development of a 'hybrid' management agreement, based on the Modular Management Agreement for the Right to Manage and the standard agreement for ALMOs
- Implementation of the new financing of the JMB from April 2013.

62. A draft management agreement has been prepared by officers within the TMI team and Legal Services as outlined above together with the required Schedules and Annexes containing the supporting documentation as required by government for this type of agreement.

### **Conclusion**

63. This is an exciting and innovative proposal to devolve greater control and empowerment to residents of Southwark which will act as a national template and allow a TMO to have an income equating to the rent and service charges generated from the stock. In return, to agree an undertaking to make debt repayments as well as providing all stock maintenance and investment within their area of benefit. Central government have expressed their support for this model and see it as benefitting other resident led organisations across the country.

64. The development of this proposal is in accordance with the Housing Department Business Plan (objective 7 - Involve tenants and leaseholders in the improvement of service delivery) and the Six Corporate Strategic Principles (Transforming public services through the sharing of service delivery with local organisations).

### **SUPPLEMENTARY COMMENTS FROM OTHER OFFICERS**

#### **Director of Legal Services**

65. Section 27 of the Housing Act 1985 enables a local housing authority to delegate its housing management responsibilities to another, with the approval of the Secretary of State. Regulations require local housing authorities to cooperate and enter into management agreements with tenant management organisations (TMOs). Where a management agreement is entered into, the council remains the landlord of the tenants of the dwellings concerned and the council's legal obligations as a local housing authority and landlord are generally unaffected.

66. As indicated in the report, the council's housing management responsibilities in respect of 1476 tenanted, leasehold and freehold properties were delegated to the Leathermarket Joint Management Board (JMB) under a management agreement in 1996. The management agreement that is currently in place follows the standard Modular Management Agreement for Tenant Management Organisations that received general approval from the Secretary of State.

67. The report seeks cabinet agreement to the council entering into a new management agreement that includes additional terms that will enable Leathermarket JMB to become 'self financing'. As these additional terms depart from the standard Modular Management Agreement options covered by the general approval, the new management agreement will require the specific approval of the Secretary of State prior to it being agreed.

68. The report indicates that officers do not consider the recommendations will have



an impact on residents outside of those within the JMB area. Cabinet members are referred to paragraphs 49 - 54 of the report that set out the consultation that has taken place with affected tenants. Cabinet members must conscientiously take into account the outcome of consultation when taking a decision on the recommendations in this report.

69. Cabinet members attention is also drawn to the Public Sector Equality Duty in section 149 of the Equality Act 2010. The PSED requires the council to consider all individuals when carrying out any of their functions. It requires the council to have due regard to the need to eliminate discrimination, harassment, victimisation or other prohibited conduct; advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not share it. The relevant characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The duty also applies to marriage and civil partnership but only in relation to the elimination of discrimination strand. The report sets out consideration that has been given to the PSED in the community impact statement from paragraph 55.
70. Advice is being sought from Legal Services as to the terms of the new management agreement and in relation to the approval of the same by the Secretary of State.
71. The decision to agree to the council entering into a new Modular Management Agreement (MMA) with Leathermarket JMB may be taken by the cabinet pursuant to its powers under Part 3C of the constitution.

#### **Strategic Director of Finance and Corporate Services**

72. The strategic director notes the proposal to base the JMB's allowance on the proceeds of rental income less the cost of council's services less contribution to self-financing debt charges. This should broadly equate to the resources needed to meet the JMB's costs, as provided up to now in its revenue and capital allowances. Future variations in allowance would relate to the JMB properties and not affect the wider HRA.
73. The strategic director also notes the risk management arrangements discussed in paragraphs 37 - 46 and in particular the proposals for the council to retain ownership of rent proceeds, although forming a main element of the allowance, and to time-limit the agreement, with notice able to be given within the agreement period.

**BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
Report to Cabinet 15 May 2012. The document is available on this web page: <a href="http://moderngov.southwark.gov.uk/eListDocuments.aspx?CId=302&amp;MId=3823&amp;Ver=4">http://moderngov.southwark.gov.uk/eListDocuments.aspx?CId=302&amp;MId=3823&amp;Ver=4</a>	Home Ownership Team 160 Tooley Street London SE1 2QH	Martin Green 020 7525 1418

**APPENDICES**

<b>No:</b>	<b>Title</b>
Appendix 1	Results of PPCR Doorstep Survey
Appendix 2	Resident Drop-In Event

**AUDIT TRAIL**

<b>Cabinet Member</b>	Councillor Ian Wingfield, Deputy Leader and Cabinet Member for Housing Management	
<b>Lead Officer</b>	Martin Green, Head of Home Ownership	
<b>Report Authors</b>	Lee Page, Manager, Tenant Management Initiatives	
<b>Version</b>	Final	
<b>Dated</b>	12 February 2013	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
	<b>Officer Title</b>	<b>Comments Sought</b>
	Director of Legal Services	Yes
	Strategic Director of Finance and Corporate Services	Yes
	<b>Cabinet Member</b>	Yes
	<b>Date report sent to Constitutional Team</b>	31 January 2013

## APPENDIX 1

### Results of PPCR Doorstep Survey

In January 2013 PPCR issued a questionnaire to all residents of the JMB area. The questionnaire was jointly prepared by the Council and the JMB and sought residents' views on the proposed self-financing initiative.

A letter from the Council explaining the issue of self-financing was delivered to each JMB home and followed a fact sheet distributed by the JMB in December 2012.

Specifically residents were provided with a brief reminder of what self-financing is and were asked whether or not they thought it was a good idea.

Residents were further provided with the JMBs top 5 priorities, as agreed by their Board of Directors and asked if they agreed with these and, if not, what they wished to see made a priority.

A total of 440 questionnaires have been completed to date giving a response rate of 31.42%. this is sufficient to ensure a confidence level of 95% with a confidence interval of +/-3.87%.

Overall results from the questionnaire were very encouraging. In response to the question '*Do you think self-financing is a good idea?*', 55% of residents were in favour 9% actively against it.

#### Q15. Do you think Self-Financing is a good idea?

Base: 440

<b>Yes</b>	55%	240
<b>No</b>	9%	39
<b>Don't know</b>	37%	161

The remaining 36% replied 'Don't Know'. Of those who responded 'Don't Know' (161 in total) 74 provided reasons for their view. The most common reason given for holding this opinion was that they lacked knowledge/information (58%) with a further 15% stating that the JMB 'Have no track record' of delivering the additional services.

#### Don't know Base: 74 responses

Q-Code	Breakdown	Number	%
1	Lack of Knowledge/Information	43	58%
2	Lack of skills/governance	6	8%
3	Economic Climate/Risky	4	5%
4	Not sure	6	8%
5	No track record	11	15%
6	Does not like change	1	1%

**Don't know** Base: 74 responses

Q-Code	Breakdown	Number	%
7	N/A	3	4%
		74	100%

Of those who were against the proposal (39 in total), 30 residents expressed the reasons for holding this view with 12 (40% of those expressing a reason) stating that they were concerned about governance/transparency and a further 11 (37%) stating that they were concerned about the delivery of services.

**No** Base: 30 responses

Q-Code	Breakdown	Number	%
1	Concerned about Governance/Tranparency	12	40%
2	Concerned about Service Delivery	11	37%
3	Does not like change	5	17%
4	Not Applicable	2	7%
		30	100%

Finally, of those expressing a reason for supporting the proposal (183 in total) the greatest response was the wish for greater autonomy (49%) with anticipated service improvements being given as a reason by a further 21% of those expressing support for the proposal.

**Yes** Base: 183 Responses

Q-Code	Breakdown	Number	%
1	Greater autonomy	89	49%
2	Greater autonomy/transparency	3	2%
3	Yes, but concerned about distribution of funds	1	1%
4	Yes, but concerned about risk/self-financing	1	1%
5	Good for community	22	12%
6	Service improvement	38	21%
7	Residents have their say	8	4%
8	Good idea	15	8%
9	Want to see change	5	3%
10	N/A	1	1%
		183	100%

## APPENDIX 2

### Resident Drop-In Event

On 10<sup>th</sup> January 2013 residents managed by the Leathermarket JMB were invited to a drop-in session at the offices of the JMB in Leathermarket Street. The event was held to provide residents with an opportunity to meet the Directors of the JMB, JMB staff and officers of Southwark Council in order to learn more about the proposed 'self-financing' initiative of the JMB.

The event was conducted in an informal environment although the TMI Manager and the JMB Manager did speak to a number of small groups to explain in some detail what was being proposed.

The event was hosted between 15.30 and 20.00 in order to allow as wide a range of residents as possible to call in.

**In all a total of 56 residents took the opportunity to attend.**

In a simultaneous event residents of Simla House and Burwash House were invited to a drop-in event to consider options available to them as part of a block investment programme. The JMB used this opportunity to also speak to them about the self-financing proposal.

**A total of 18 residents attended this event.**

A number of residents contacted the JMB to express their interest in learning more about the self-financing proposal but were unable to attend the drop-in session.

**A total of 59 residents received email briefings on the proposal.**

During the course of the drop-in there was overall support for the proposal with an acknowledgment of the associated risk to the JMB. Support for the work of the JMB was unanimous although residents were not requested to make any formal returns at this time they were asked to pilot the draft questionnaire that would be completed by residents over the next three weeks.

All residents were provided with contact details of JMB and Council officers in order to make their views known.

<b>Item No.</b> 14.	<b>Classification:</b> Open	<b>Date:</b> 12 February 2013	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Progress Report on Abbeyfield Estate Regeneration Scheme and Update on Delivery of Four Squares Estate and Hawkstone Estate works	
<b>Ward(s) or groups affected:</b>		Rotherhithe Ward	
<b>Cabinet Member:</b>		Councillor Ian Wingfield, Deputy Leader and Cabinet Member for Housing Management and Councillor Fiona Colley, Regeneration and Corporate Strategy	

**FOREWORD - COUNCILLOR IAN WINGFIELD, DEPUTY LEADER AND CABINET MEMBER FOR HOUSING MANAGEMENT AND COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR REGENERATION AND CORPORATE STRATEGY**

We would like to thank the residents who have joined the newly established Resident Project Group for their interest, and the council looks forward to working with them in progressing this ambitious project. The Cabinet will continue to oversee the ongoing processes and progress of the project to ensure commitments are honoured and that a robust communication strategy is in place to keep residents and stakeholders involved. For Maydew House, the sooner we have an empty block to begin the works; the sooner tenants who wish to return to the block can do so. We are confident that this project will deliver the agreed outcomes and look forward to the regeneration of the estate.

**RECOMMENDATIONS**

That for Abbeyfield Estate the cabinet:

1. Notes the progress made on achieving vacant possession of Maydew House residents.
2. Notes the outcome of the option-to-return expression of interest.
3. Notes the procurement plan and milestones outlined in paragraph 19.
4. Notes the proposed programme for the identification of voids for sale outlined in paragraph 20.
5. Notes the preparations and progress towards the refurbishment of Maydew House, Damory House and Thaxted Court.
6. Notes the issuing of Ground 10 notices as part of the Notice of Seeking Possession process as outlined in paragraph 15.
7. Notes the council is taking active steps to secure the making of a Compulsory Purchase Order.

And in addition, the cabinet:

8. Notes the update on the progress of the Hawkstone and Four Squares estates.

### **BACKGROUND INFORMATION**

9. The cabinet considered an update report on the regeneration of the Abbeyfield Estate: Maydew House, Damory House and Thaxted Court on 17 July 2012 and the following decisions were agreed:
  - That it be noted that Maydew House tenants who have been rehoused since 9 August 2010 and who qualify for the option to return can choose which flat they return to from the flats available for letting following refurbishment.
  - That a separate report seeking to make a compulsory purchase order for the acquisition of all interests not within the council's ownership be brought to cabinet at a later date.
  - That the proposed development process including identification of void properties for sale, with a concentration in the top eight floors be noted.
  - That a later procurement for the consultants and contractor to deliver the enhanced refurbishment works as outlined in paragraph 44 of the report (dated 17 July 2012) be noted.
  - That arrangements for a concierge service on completion of the works programme be worked up separately from the other schemes in the borough in the light of the specific requirements pertaining at Abbeyfield Estate.
  - That the position for rent charges at Maydew House after refurbishment works are complete be agreed.
  - That the implications of the implementation of the Southwark Heat Network proposals on the estate be noted.
  - That the impact of the capital works service charges to leaseholders and the annual service charges to all residents be noted.
  - That the arrangements for ongoing consultation with residents and the Bede Centre be noted.
  - That an update report be received in six months on all high investment need estates within Southwark, including Abbeyfield.
10. The same cabinet received update reports on the Four Squares and Hawkstone estates. Update information on both estates is included within this report, any future updates will be made via the routine Major Works programmes report to cabinet.

### **KEY ISSUES FOR CONSIDERATION**

#### **Progress since last report**

#### **Vacant possession**

11. The rehousing of Maydew secure tenants began in September 2010 and is continuing. Initially, there were 94 tenants, and 5 leaseholders, residing in the block which by March 2012 had been reduced to 34 tenants and 2 leaseholders. The council has since rehoused a further 17 tenants, resulting in 17 tenants and 2 leaseholders still in situ.

12. Of the 75 tenants that have been rehoused, 1% have relocated to SE5, 2% have relocated to SE24, 5% have relocated to SE17, 17% have relocated to SE15, 24% have relocated to SE1 and 49% have relocated to SE16.
13. All Maydew House current and previous tenants were written to with the decision of the July cabinet and were reminded to complete an expression of interest form if they wished to return to the block. In total, tenants have been given three opportunities to express their interest in returning to the block. The results of the consultation are as follows:

**Table 1**

No of forms sent out	<b>71</b>
No of forms returned	<b>33</b>
No of tenants who do not wish to return to the block	<b>9</b>
No of tenants who wish to return to the block	<b>24</b>
No of tenants who wish to return to their original flat	<b>18</b>
No of tenants who do not wish to return to their original flat	<b>6</b>

14. Analysis shows that overall there was a 46% response rate from the residents. Of the 33 forms returned, 27% of residents do not wish to return to the block, 73% of residents expressed an interest in returning to the block. 75% of residents returning to the block would like to return to their original flat. Returning to an original flat has not been offered as a right, although interest has been sought. The implication of the home loss payment has been explained; home loss can only be paid to a tenant who does not return to their original flat.
15. In order to achieve vacant possession by March 2014, as identified in the September 2012 cabinet report, it may be necessary to use the appropriate legal process to secure possession of those properties still occupied. In the case of secure tenants this would be possession proceedings under Ground 10 of Schedule 2 to the Housing Act 1985 which requires service on tenants of a Notice of Seeking Possession. It is planned to serve the remaining tenants with a Notice of Seeking Possession during February 2013 to allow sufficient time for legal and associated processes to be taken forward should they be necessary to meet the vacant possession timetable. This is standard procedure in regeneration rehousing schemes and enables the council to make direct offers to tenants and hold suitable properties for those who it has not been possible to rehouse.
16. Cabinet approved an application for a Compulsory Purchase Order (CPO) on 25 September 2012. Efforts to acquire the remaining 2 leasehold interests by negotiation will continue, although agreement has not yet been reached with either party.
17. Legal advice from Counsel has been sought, along with internal legal advice, on which CPO powers should be applied. Once position is clarified, the council will undertake the steps detailed in the September 2012 report, from referencing the properties included and resolving the planning and finance for the scheme through to making and confirming the order.



### **Resident consultation**

18. The Abbeyfield Resident Steering Group (RSG) was dissolved in June 2012 following the decision on the preferred option on the future of the estate. A Resident Project Group (RPG) was established to oversee the works programme. The group comprises of tenants and leaseholders from Damory House and Thaxted Court, along with tenants who have expressed an interest in returning to Maydew House on completion of the works. The group will meet regularly during the works and representatives of the group will be invited to get involved in the procurement of the contractor/consultants where applicable. Representatives of the group will also be invited to attend site meetings on an ad hoc basis. The first meeting of the Resident Project Group took place on 24 January 2013.

### **Works programme**

19. A Gateway 1 for the design and technical advisors was approved by the strategic director of housing and community services on 9 October 2012. The advisors will work on the outline design and planning. Another EU tender will be necessary for the design and build contract. It is anticipated that the design and technical advisors will be in place by July 2013 for approximately 12 months prior to the appointment of the contractor in the summer of 2014.
20. Criteria for the identification of the voids to be refurbished for sale will be developed by 2013/14 in consultation with the Resident Project Group. A final schedule of voids for sale will be in place prior to the procurement for the construction works. Their refurbishment specification will be agreed by 2013/14 for inclusion in the tender brief for the building contractor. A marketing strategy will be in place by 2014/15.

### **Concierge service**

21. Currently, the concierge service in Maydew House serves Damory House, Thaxted Court and Bradley House. While the concierge is based at Maydew House, they carry out other duties such as CCTV monitoring which also covers Bradley House. Their role also includes providing security cover for Damory House, Thaxted Court and Bradley House through patrol and conducting health and safety checks, etc. As part of the borough wide consultation exercise, residents of Damory House, Thaxted Court and Bradley House (leaseholders only) were consulted.
22. The analysis provided by BNP Paribas and referred to in the July cabinet report showed that a concierge service was an essential factor in the valuation and marketing of the voids for sale. It is assumed that a concierge type service will be incorporated in the refurbishment scheme. As such, clear specifications for the service need to be developed. Council officers have approached housing associations and local authorities who operate a similar scheme as a starting point in developing the best service for Maydew House and the rest of the estate.
23. The Abbeyfield Estate has additional considerations due to the regeneration scheme and following agreement of the specification of works, further consultation will take place in February/March on the concierge service with residents of the low rise blocks and those who have expressed an interest in returning to Maydew House.

### **Four Squares Estate**

24. Internal refurbishment works to council tenanted dwellings commenced on 7 January 2013 and is programmed to complete by 3 February 2014.
25. There are four programmed open day meetings on the estate in January 2013 to aid the design work and decisions on window configurations and stair tower works. Planning approval is programmed to be sought in February 2013, with works commencing summer 2013.
26. Formal leasehold consultation has commenced on Marden security works, the anticipated commencement for these works (subject to conclusion of the notice of intent process) is March 2013.
27. Formal approval of award of the Layard lift project will take place by the end of January 2013 and works are programmed to commence April 2013.

### **Hawkstone Estate**

28. Works commenced on John Kennedy House refurbishment on 7 January 2013 and are due for completion by 20 December 2013.
29. Design work for the low-rise has been completed following the open day in late 2012 and will formally be presented to the project team for final sign off on 21 January 2013 with planning approval being sought in February 2013 and all parties working towards commencing works in early summer 2013. The complexity of the asbestos removal on this project requires an extended contract period and completion is estimated by October 2014.

### **Policy implications**

30. The combination of refurbishment, environmental works and mixed tenure accommodation will enable regeneration to be delivered to the Abbeyfield Estate area. Rehousing policy is being adhered to, along with contract and procurement policies in relation to the works programmes.

### **Community impact statement**

31. Maydew House tenants of a 1 and 2 bed need, regardless of age, disability, faith/religion, gender, race and ethnicity and sexual orientation were offered the option to return to the block on completion of works. There is a strong sense of community on the estate that returning residents are keen to continue and uphold upon their return.
32. There will be a need to reinstate a concierge service once works are complete and tenants of the low rise blocks will be consulted on whether this service will be extended to them and the likely impact on their service charges.
33. The Bede Centre will be consulted as an interested stakeholder via the Resident Project Group forum.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Legal Services**

34. This report asks cabinet to note progress on the Abbeyfield Estate Regeneration report since the update report presented to cabinet on 17 July. There are no particular legal issues arising from the report at this stage.

### **Strategic Director of Finance and Corporate Services (FC/13/001)**

35. The strategic director of finance and corporate services notes the progress made to date. Although there are no new financial implications identified in this report there will need to be continued close monitoring of progress to ensure costs are contained within available resources. Approvals for work outlined in paragraphs 19, 20, 26, 27 and 29 will be brought forward according to the council's usual protocols.

### **Head of Specialist Housing Services**

36. Much of the work proposed is service chargeable, so the council will be required to carry out statutory consultation with leaseholders on the Abbeyfield estate under section 20 of the landlord and tenant act 1985 (as amended). As it is proposed to tender for this work separately there will need to be a two stage consultation process, each including a 30 day observation period. The first stage, the notice of intention, will need to be carried out prior to placing the OJEU notice, and the second stage, the notice of proposal, will need to be carried out post tender but prior to making the decision to enter into the contract.
37. The council recognises that some leaseholders may have difficulty in paying large major works service charge bills. A number of payment options are available to leaseholders, dependant on their particular circumstances and staff within Home Ownership Services are available to discuss these with leaseholders on an individual basis.
38. Leaseholders are charged the actual cost of providing the concierge system, as part of their annual service charges. Any changes to the service must be clearly recorded and costs identified so that accurate service charges can be constructed.
39. The management of garages now falls within the remit of the Specialist Housing Services Division (SHS). The garages under Maydew are in dire need of security and refurbishment work as they are currently not in a lettable condition. There will be a requirement for available parking on the estate and the refurbished garages will be easily let. The garages under Maydew are vulnerable to vandalism, fly-tipping and other security hazards. This means that not only is there a loss of income on the garages but there are on-going costs of security and clearance and potential health and safety risks to current residents of the block.
40. As per paragraph 16, SHS notes that neither of the last two leasehold interests have been re-purchased and that the council has in the interim obtained cabinet approval to seek a CPO if necessary. Neither of the leaseholders has made an application to the council for assistance to find a new home, although that option remains available to them.

41. Home Ownership Services has carried out the relevant statutory consultation under the Act with the leaseholders of Marden and Layard Squares, and with the leaseholders of John Kennedy House. The consultation period for the Layard lift project has been closed, with all observations having been given due regard. The consultation period on the Marden security package is still open, and observations received are being duly considered and given a full response. The estimated service charges for the two Four Squares packages will be billed in March 2014. The statutory consultation with the leaseholders of John Kennedy House was successfully completed with all observations being given due regard. The estimated service charges to the leaseholders for this package of works are due to be billed in March 2013.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Abbeyfield Estate: Maydew House, Thaxted Court and Damory House Options Appraisal 20 March 2012 Cabinet Report. The document is available on this web page: <a href="http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=3821&amp;Ver=4">http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=3821&amp;Ver=4</a>	Housing Regeneration Initiatives/ Estate Regeneration Team 160 Tooley Street London SE1 2QH	Diana Hall 020 7525 7724
Abbeyfield Estate: Regeneration Project Update 17 July 2012 Cabinet Report. The document is available on this web page: <a href="http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=4245&amp;Ver=4">http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=4245&amp;Ver=4</a>	Housing Regeneration Initiatives/ Estate Regeneration Team 160 Tooley Street London SE1 2QH	Diana Hall 020 7525 7724

## APPENDICES

No.	Title
None	

**AUDIT TRAIL**

<b>Cabinet Member</b>	Councillor Ian Wingfield, Deputy Leader and Cabinet Member for Housing Management and Councillor Fiona Colley, Regeneration and Corporate Strategy	
<b>Lead Officer</b>	Eleanor Kelly, Chief Executive	
<b>Report Author</b>	Diana Hall, Project Co-ordinator	
<b>Version</b>	Final	
<b>Dated</b>	31 January 2013	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Head of Specialist Housing Services	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	31 January 2013	

<b>Item No.</b> 15.	<b>Classification:</b> Open	<b>Date:</b> 12 February 2013	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Community Infrastructure Levy (CIL) Draft Charging Schedule	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Fiona Colley, Regeneration and Corporate Strategy	

## **FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR REGENERATION AND CORPORATE STRATEGY**

The Community Infrastructure Levy (CIL) is a new levy that local authorities can choose to charge on new developments in their area. The money can be used to support development by funding infrastructure that the council, local community and neighbourhoods want. The benefits are increased certainty for the funding and delivery of infrastructure, increased certainty for developers and increased transparency for local people.

Southwark's proposed Draft CIL Charging Schedule provides potential developers with a clear schedule of contributions that are required for each type of development across the various parts of the borough. The rates have been viability tested to ensure that the aspirations of Southwark's development plan are not affected by the rates. CIL income will provide the council with money to invest in local and strategic infrastructure across the borough to support growth.

## **RECOMMENDATIONS**

That cabinet

1. Agree to publish and invite representations on the community infrastructure levy (CIL) draft charging schedule (Appendix A) and the draft "Regulation 123 List" (Appendix B).
2. Note the draft infrastructure delivery plan (Appendix C), the equalities analysis (Appendix D), the consultation plan (Appendix E) and consultation report (Appendix F).
3. Approve the submission of the community infrastructure levy (CIL) draft charging schedule to the Planning Inspectorate for an examination-in-public, provided no substantive changes are necessary following consultation.
4. Delegate the approval of any minor amendments resulting from consultation on the community infrastructure levy (CIL) draft charging schedule and the draft "Regulation 123 List" to the Director of Planning in consultation with the cabinet Member for Regeneration and Corporate Strategy.

## BACKGROUND INFORMATION

5. The Community Infrastructure Levy (CIL) is a new levy that local authorities can choose to charge on new developments in their area. The money can be used to support development by funding infrastructure that the council, local community and neighbourhoods want. The benefits are increased certainty for the funding and delivery of infrastructure, increased certainty for developers and increased transparency for local people.
6. The Planning Act 2008 provides that London borough councils are charging authorities for the purposes of the Community Infrastructure Regulations 2010. If intending to apply the levy, charging authorities must produce a document called a charging schedule which sets out the rate for their levy. These rates must be supported by an evidence base including:
  - An up-to-date development plan
  - The area's infrastructure needs
  - An overall assessment of the economic viability of new development
7. Once adopted, the levy is a mandatory charge levied on most new developments that involve an increase of 100sqm or more of additional floorspace or that involve the creation of a new residential unit. The charging authority can set one standard rate or it can set specific rates for different areas and types of development. In setting rates, a charging authority is required to strike a reasonable balance between the need to finance infrastructure from CIL against the impact of CIL on the economic viability of development across its area. The charging rates and zones which Southwark is proposing are set out in Appendix A.
8. Some developments are exempt from paying the levy. These are developments of affordable housing and developments by charities of buildings used for charitable purposes.
9. It should be noted that in London's case, the Mayor is also a charging authority. The Mayor has introduced a CIL to fund Crossrail. The Mayor's levy is £35 per square metre, with a limited number of exceptions. Southwark collects this levy on behalf of the Mayor.
10. S106 planning obligations will continue to play a part in delivering local site specific improvements such as public realm or transport, which are needed to make the particular development acceptable in planning terms. From time to time there will be site specific considerations or particular planning policy requirements which dictate provision or re-provision as a direct result of a specific development. In these cases, mitigation will not amount to strategic infrastructure of the sort specified on the Regulation 123 list. For example, if there is a loss of a sports field or a health facility because of a particular scheme, this will require site specific mitigation and may be dealt with by 106 obligations. Affordable housing will also continue to be delivered through s106 planning obligations.
11. However, from April 2014 or the adoption of a CIL Charging Schedule, planning obligations will no longer be used as the basis for a tariff to fund infrastructure. Local authorities will not be able to pool more than 5 obligations to fund a single item of infrastructure. Currently, the council uses standard charges set out in its

s106 Planning Obligations SPD to pool contributions for infrastructure such as new schools places, strategic transport infrastructure, open space, leisure facilities and health facilities. From April 2014, the fact that the council will not be able to pool more than 5 obligations will place restrictions on this approach. The council must bring a CIL into effect before this date if development is to continue to contribute to strategic infrastructure which is needed to promote growth and development in its area.

12. The council is proposing to update its s106 Planning Obligations SPD in 2013. The revised s106 Planning Obligations SPD would supersede the existing SPD and provide detailed guidance on the use of planning obligations alongside CIL.
13. The purpose of CIL is to help fund infrastructure which supports growth in the borough. Infrastructure is defined in the Regulations to include: roads and other transport facilities, flood defences, schools and other educational facilities, medical facilities, sporting and recreational facilities and open spaces.
14. In conjunction with preparing a CIL charging schedule, charging authorities should also prepare an infrastructure plan setting out strategic infrastructure required to support growth over the period of the council's local plan (in Southwark's case the core strategy period of 2011-2026). Southwark's draft infrastructure plan (IP) is set out in Appendix C. The infrastructure plan is part of the evidence base needed to help justify levying a CIL. The infrastructure set out in the IP is not an exhaustive list. It is intended to be a living document which can be updated regularly. Omission of infrastructure items from the list would not preclude such items being funded in the future through CIL. Nor does the IP commit the council to spending the amounts set out in the plan.
15. At the point that the council adopts its CIL, it must publish a "Regulation 123 List". This list (which refers to Regulation 123 of the CIL Regulations 2010) sets out what the council intends to fund using CIL. If an infrastructure item is included on the Regulation 123 list, the council would not be able to seek s106 planning obligations for that item, once CIL has been adopted. After CIL has been adopted, the Regulation 123 List can be amended, subject to appropriate local consultation.
16. Because the purpose of CIL is to support growth rather than mitigate impacts of specific developments, it can be used more strategically than s106 contributions. A protocol for governing expenditure will be prepared in due course.
17. Under the Localism Act, the council must identify a 'meaningful proportion' of Southwark CIL that will be spent in the local area to ensure that those people affected by development see some of the benefit. This allocation would be made using the community infrastructure project list (CIPL) which may be based on a recently revised project bank list. This would be updated every year with consultation with the community councils and planning committee to ensure it reflects local needs. The definition of a local area would also be subject to consultation. The government has recently confirmed that the "meaningful proportion" will comprise 25% of CIL funding in areas where there is an adopted neighbourhood plan in place and 15% elsewhere.
18. This is the second stage of preparation of the CIL charging schedule. The first stage comprised consultation on the preliminary draft charging schedule which took place between 10 July and 17 October 2012. All comments received on the preliminary draft charging schedule have been considered and taken into



account in preparing the draft charging schedule.

19. Following consultation on the draft charging schedule, it is anticipated that the document will be submitted to the Planning Inspectorate for an examination in public in summer 2013. Subject to receiving a favorable report from the planning inspector, the council expects to adopt the CIL charging schedule by the end of 2013.

## **CONSULTATION**

20. The Community Infrastructure Levy Regulations 2010 and our Statement of Community Involvement (SCI) 2007 set out consultation requirements for planning documents.
21. In compliance with the SCI, the council consulted on the preliminary draft charging schedule for a period of 14 weeks, which included 6 weeks of formal consultation between 5 September and 17 October 2012. As well as making the document available on the web and in local libraries, the council notified around 3000 consultees in the Planning Policy database. The document was publicised at all the community councils between June and October 2012 and an event was held on 19 September 2012 with developers to raise awareness about CIL.
22. In preparing the preliminary draft CIL it should be noted that Southwark cooperated with a range of organisations, including the GLA and TfL, particularly in preparing the Infrastructure Plan. Infrastructure items such as the improvements to the Northern line ticket hall and Elephant and Castle northern roundabout reflect this joint working. Further details of engagement which has taken place are set out in the Consultation Report (appendix F).
23. In all 273 representations were made by 39 objectors. The main areas of concern are summarised below:
  - The proposed charges may make development unviable, particularly for the strategic sites within the opportunity areas and growth areas in the borough. These areas should be assessed separately.
  - Zones 1, 2 and 3 should be amalgamated and the proposed charge for those areas dropped to £250 sqm. The CIL in these areas should be phased in over time.
  - Canada Water should be included in zone 2 and the proposed residential charge increased to £400.
  - The proposed charges may compromise the provision of affordable housing.
  - The assumptions used to prepare the site viability appraisals, such as the figures used for the existing use land values, the premiums, profit margins, professional fees, sales values were questioned.
  - It is unclear whether non-residential s106 planning obligations have been taken into account in undertaking the viability appraisals.
  - The Regulations do not allow authorities to distinguish between uses on the basis of size. Therefore the proposed charges for retail uses are not compliant with the Regulations.
  - Affordable retail space is not a distinguishable type of retail space. The proposed retail charges may breach state aid guidelines.
  - In terms of use, there is no distinction between a private health facility and a public health facility, or a private school and a state school. The

Regulations do not allow authorities to vary levies on the basis of a funding mechanism.

- It is unclear whether the proposed charge for student accommodation takes into account the lower rents charged by universities. Student accommodation provided by universities should qualify for relief as development by charitable institutions.
- The proposed rate for offices and for “other uses” is not justified by evidence. Facilities provided by the police and fire brigade should be nil rated.
- It is not clear how the proposed charging zones were derived. They should be more aligned to planning policy area designations, such as the Elephant and Castle Opportunity Area and Canada Water Action Area.
- The council should set out a policy on installments and include more detail on the process for reviewing CIL.
- With regard to the supporting Infrastructure Delivery Plan (IDP) document, some respondents suggested there needed to be additional reference to specific items of infrastructure or the removal of some items, taking care that CIL is spent on genuine infrastructure projects that support the planned growth. TfL requested the inclusion of public realm improvements on Blackfriars Road.

24. A table of all comments received and the council’s responses is provided in the consultation report in Appendix F. The council is now proposing to consult on the draft charging schedule over 4 weeks (19 February – 19 March 2012). This complies with the statutory timeframe set out in the CIL Regulations. Including consultation at preliminary draft stage, the council will have consulted for 18 weeks in all, which complies with the SCI. The council will make the document available on the web and in local libraries, place an advertisement in the press and notify consultees in the Planning Policy mailing list. A detailed consultation plan is provided in Appendix E.

#### **KEY ISSUES FOR CONSIDERATION**

25. The CIL regulations specify that in setting their levies charging authorities must strike a balance between the desirability of securing funding for infrastructure and the potential effects, taken as a whole, of the imposition of CIL on the economic viability of development across their areas. Levies must also take into account the requirement to pay the Mayoral CIL and should also consider impacts on planning policies, including the requirement to provide affordable housing.
26. The CIL levy rates and charging zones proposed by the council have been informed by an economic viability appraisal encompassing a series of viability appraisals of sites around the borough. The number of proposed zones and their locations reflect broad value ranges. Since the preliminary draft CIL was consulted on, the council have retested the viability of a number of sites to ensure that future likely s106 requirements, including the Mayor’s Crossrail s106 requirement are taken into account appropriately and to ensure that impacts on hotel uses, retail uses and leisure uses have been adequately tested.
27. Officers are recommending to make no changes to the charges for residential floorspace which were previously proposed in the preliminary draft charging schedule. The three residential charges which are proposed are: £400 per square metre (p/sqm) in the north of the borough (north of Union Street,

Snowsfields and Jamaica Road), £250 p/sqm in areas around Elephant and Castle, Bermondsey Spa, Canada Water, Camberwell, Nunhead, East Dulwich and Dulwich and £50 p/sqm around the Aylesbury estate, Burgess Park, Peckham and Old Kent Road. The boundaries of the residential zones have been informed by post code data on house prices which show average value bands and broad geographical breaks between areas.

28. The charge for zone 3, which includes Elephant and Castle is both viable and consistent with the s106 tariff level agreed in the Elephant and Castle supplementary planning document 2012 (the CIL, when brought into effect, will replace the Elephant and Castle SPD tariffs).
29. These CIL rates for residential development are comparable with those boroughs which have published rates. Wandsworth is proposing a rate of £250 p/sqm across the borough, with a £575 p/sqm charge in Vauxhall and Nine Elms (which has a lower affordable housing requirement), Hammersmith and Fulham is proposing charges ranging between £100 p/sqm and £400 p/sqm, Islington is proposing a charge of £300 p/sqm, Lambeth is proposing charges between £50 p/sqm and £369 p/sqm and Camden is proposing charges of between £150 p/sqm and £500 p/sqm.
30. In response to consultation, several objectors stated that zones 1 and 2 should be amalgamated into zone 3 and the proposed charge for those areas dropped to £250 p/sqm. Others stated that a charge of £250 p/sqm would render development unviable or place affordable housing provision at risk and that consequently CIL should be phased in over a number of years. One representation requested that Canada Water be included in the £400 p/sqm zone. Officers consider that the zonal charges are justified. The average maximum viable CIL that could be charged in zones 1 and 2 was about 50% higher than could be charged at Canada Water and 80% higher than could be charged at Elephant and Castle. There is a noticeable change of values in areas around Bankside, London Bridge, Shad Thames, Riverside ward north of Jamaica Road and Rotherhithe village which are close to the River Thames and which benefit from good public transport access.
31. The CIL Regulations do not allow authorities to phase in a CIL levy. Local authorities can review their CILs, although each review would be subject to two stages of consultation and an examination in public, which in all would take about 18-24 months. The majority of the residential developments tested were viable developments and would support the proposed CIL charges. Moreover, the proposed CIL charges are comfortably below the maximum viable charges. Those developments tested which were found to be currently unviable, would remain unviable irrespective of CIL. Inevitably in the first year or two of operation, there may be some sites where levels of affordable housing are impacted, while the market absorbs the new charge. Generally however, the outcome of the appraisals provides confidence that the proposed residential charges will not jeopardise development or impede the council's regeneration efforts.
32. The council is not proposing to change the charges for either student housing or for hotels. Student housing would be charged at the same rate as residential development. Student accommodation provided directly by universities and which is used for charitable purposes may qualify for relief from CIL. The charge for hotels is varied between the north of the borough (north of Union Street) and the remainder of the borough. This reflects differences in viability which in turn is

borne out by the geographic concentration of hotel development in recent years.

33. The council is proposing to amend the charge for office space in CIL zone 1 by reducing the levy from £100 p/sqm to £70 p/sqm. This change is proposed following retesting of office sites to incorporate the tariff for the Mayor's Crossrail s106 and a reassessment of costs and capital yields. Outside CIL zone 1, the council is not proposing to amend the nil charge which was consulted on at the preliminary draft stage. The appraisals suggested that office developments outside the CIL zone 1 are largely unviable at current values. Similarly, the appraisals suggested that industrial and warehousing developments are largely unviable and therefore a CIL levy of £0 p/sqm for these uses is justifiable.
34. Most boroughs have differentiated rates for office space. The charge proposed in zone 1 in Southwark is similar to the rates proposed by most other boroughs in their main office areas. These include: Islington (£150 p/sqm); Barnet (£135 p/sqm); Tower Hamlets (£125 p/sqm); Lambeth (£125 p/sqm); Croydon; (£125 p/sqm); Wandsworth (£100 p/sqm); Hammersmith and Fulham (£80 p/sqm); Camden (£45 p/sqm); Brent (£40 p/sqm); Hillingdon (£35 p/sqm); Richmond (£25 p/sqm); and Newham, Sutton, Lewisham, Harrow, Merton and Haringey (£0).
35. The preliminary draft schedule sought to apply three charges for retail space: £0 p/sqm for space below 280sqm, £125 p/sqm for space between 280sqm and 2,500sqm and £250 p/sqm for space larger than 2,500sqm. Several objectors noted that the CIL Regulations do not allow authorities to distinguish solely by floorspace size. The council is therefore proposing to make the schedule more robust by providing a more detailed description of those uses which would attract the higher charge of £250 p/sqm, namely supermarkets and shopping centres which have on-site parking facilities. The higher charge is justified on the basis of increased viability of these types of development. All other retail space would have a charge of £125 p/sqm. Of the sites tested, all of the 17 viable developments should be able to pay this charge and on that basis, the proposed charged should not put development at risk.
36. It is proposed that the nil charge for affordable retail space proposed in the preliminary draft schedule is deleted on the basis while the affordability of the space affects viability, it is not in itself a distinct type of retail provision. Affordable retail space is only a requirement in large retail developments at Elephant and Castle. The testing indicated that any costs associated with affordable space should be absorbed within the overall retail element of the development and therefore this change should not put such development at risk.
37. No changes are proposed to the nil charge proposed for public libraries. The preliminary draft schedule sought to make distinct charges for health and education floorspace which is predominantly publically funded. Several objectors however raised an objection that the CIL Regulations 2010 only allow authorities to distinguish between uses and not on the basis of funding sources. Having considered the issue, the council is proposing to apply a nil charge to all education and health floorspace.
38. The preliminary draft charging schedule also sought to exempt public sports facilities. As in the case of health and education space, on reflection officers do not consider that the CIL Regulations would allow this. Most other facilities, cinemas, bingo halls, sports facilities etc, replace existing space and provided the existing space had been in use, would not be CIL liable. Where some

additional floorspace is provided, the appraisals suggest that a modest levy would not impact significantly on viability. To reflect this situation, the council is proposing to reduce the CIL charge for “all other uses” from £50 p/sqm to £30 p/sqm

39. Using the council's development capacity assessment, it is estimated that CIL could generate around £7m-£8m per year (at today's prices). The council has made an assessment of infrastructure required to support growth over this period. Sources of committed funding to support infrastructure have also been identified. Inevitably, there is more certainty over funding sources for projects to be delivered in the short term and much less certainty over mid and longer term projects. Following consultation, several adjustments have been made to the infrastructure plan to update it. The infrastructure plan is a living document and can be updated regularly. CIL would play an important role in contributing to the infrastructure requirement, although would not be sufficient to cover the cost entirely and the council will continue to need to explore other sources of funding to deliver all the infrastructure set out in the infrastructure plan. The CIL regulations allow up to 5% of CIL generated to be used to monitor and administer the charge. As with s106 planning obligations, once the CIL is brought into effect the council will monitor funding generated and publish regular monitoring reports on the website.
40. Statutory guidance issued by the government on 14 December 2012 indicates that charging authorities should also make a draft Regulation 123 List available for the examination in public. Soutwark's draft list (Appendix B) contains those projects from the Infrastructure Plan which could be funded only by CIL and not, once CIL is adopted, by s106 planning obligations. Projects not referred to on list could be funded by either CIL or planning obligations. However, it is anticipated that s106 planning obligations would only be used to pay for site specific infrastructure, such as an access road, improvements to the public realm around the site or instances where a developer were not able to meet planning policy requirements for on-site infrastructure, such as children's play space or amenity space. The government's December 2012 CIL guidance advises that charging authorities should be as clear as possible about what will be funded by CIL to avoid a scenario where a developer is charged twice for the same piece of infrastructure, once through CIL and again through s106 obligations.
41. Overall it is considered that the proposed levy represent an appropriate balance between generating funding to secure provision of infrastructure and ensuring that CIL does not put development and regeneration in the borough at risk.

### **Community impact statement**

42. An equalities analysis was undertaken as part of the preparation of the CIL preliminary draft charging schedule. This has been updated to reflect the changes proposed in the draft schedule. The equalities analysis considered the potential impacts arising as a result of the boundaries of the charging zones and the different levels of charge that would be applicable to different types of development within these zones. In accordance with the Equality Act 2010, the analysis considers the potential impacts of the charging schedule on those groups identified within the Act as having protected characteristics. The main issues are summarised below.
43. The range of CIL charges proposed and the boundaries of the charging zones are considered to give rise to limited impacts on the individual groups that are

identified in the Equality Act. The imposition of a CIL charge could have potential impacts on small businesses in some parts of the borough, which could impact on a range of groups including BME communities. We propose to adopt a nil charge for office floorspace in all areas except for the commercial areas adjoining the river. As well as benefitting new businesses directly, this approach will ensure that CIL does not act as a barrier to job creation or as a disincentive to provide local services, which are important to those with reduced mobility, such as older people, disabled people and those who are pregnant or have young children.

44. While the nil charge for small shops is deleted, the testing of sites showed that a modest charge, which is comparable to charges in the s106 Planning Obligations SPD, would not impede such development.
45. There is a small risk that CIL will drive up values which will make it harder to access housing which is affordable. However, the proposed charging schedule has been informed by viability appraisals and the level of CIL reflects existing values and is not reliant on any increase in values. Moreover, we have also set the level of CIL significantly below the maximum level which could be charged which will help mitigate impacts on land values.
46. The proposed lower tariff in the centre of the borough acknowledges the need for new and improved infrastructure, but also aims to ensure that CIL does not hinder regeneration attempts, for instance in Peckham and at the Aylesbury Estate. Ultimately, CIL is a mechanism intended to raise money to fund infrastructure that will contribute to sustainable development in the borough. In this sense, the adoption of CIL should have an overall positive impact on the various equalities groups. More specific impacts may arise depending on the types of infrastructure that are ultimately funded through CIL, but such issues are not broached as part of the charging schedule and will be considered in due course in the context of decisions concerning expenditure.

### **Sustainability appraisal**

47. The Core Strategy 2011 was subject to a sustainability appraisal incorporating a strategic environmental assessment to ensure that principles of sustainable development were thoroughly considered. The Southwark CIL is an extension of the spatial vision and policies set out in the Core Strategy and should not raise additional implications for sustainable development objectives which have not been previously considered. CLG guidance on Charge setting and charging schedule procedures, 2010, states that because CILs are short financial documents, separate sustainability appraisal for CILs is not required.

### **Financial implications**

48. In the first year of operation a Southwark CIL it is expected to secure about £7-8m which is broadly comparable to the non-affordable housing S106 income for 2011. There is a time delay in securing either S106 or CIL actual income, but CIL will replace the majority but not all S106 income over time. We expect the CIL income to increase overtime as house prices and viability improves. The expenditure of CIL income is far less restrictive than S106 funding and allows the council to apply it for infrastructure that supports growth in the borough.

49. The proposed Southwark CIL is a direct response to previous changes in legalisation prevent using S106 tariffs (such as the current S106 toolkit and E&C tariff) from April 2014.
50. Costs associated with both managing, monitoring and establishing Southwark CIL can be recouped from up to 5% of any CIL income.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Legal Services**

51. The Planning Act 2008 (PA 2008) introduced a discretionary planning charge known as the Community Infrastructure Levy (CIL). The statutory framework for CIL is set out in sections 205-225 and further detail is provided under a number of regulations, most notably, the CIL Regulations 2010 (as amended). In December 2012, the Secretary of State also issued statutory guidance under Section 221 of the PA 2008 entitled "Community Infrastructure Levy: Guidance". The Guidance is relevant to those draft charging schedules which at the date of publication were not submitted for examination.
52. CIL is a charge paid by owners and developers on new buildings over a certain size. The charge is designed to help fund local infrastructure as identified in a local planning authority's development plan and can only be spent on 'infrastructure'. Infrastructure is defined in the PA 2008 (s216) as including a wide range of facilities such as roads/transport facilities, open space and schools. It does not currently include affordable housing, although the government is yet to announce its decision after consulting on the possibility of funding affordable housing from CIL.
53. CIL is payable to a 'charging authority' which in London means London Boroughs. If the Council intends to apply the levy, it must prepare a charging schedule that sets out the CIL rates in their area (*section 211(1), PA 2008*). The charging schedule becomes part of the Local Development Framework (i.e. the planning documents taken into account in making planning decisions). The Charging Schedule sets out the rates for CIL in the Council's area and the rate must be expressed as pounds per square metre of development (*regulation 12(2)(b), CIL Regulations 2010*). The charge is levied on the net internal area of development (*regulation 40(5), CIL Regulations 2010*). By virtue of *regulation 13, CIL Regulations 2010*, charging authorities are able to charge different rates either on a geographical basis or by reference to the intended use of the development but subject to justification with reference to the overall viability of development within their areas. The Guidance clarifies that charging authorities 'differential rates' with reference to intended uses and that use for the purposes of the CIL Regulations is not tied to classes within the Use Classes Order 1987 (albeit that may be a useful reference). There is currently no power to charge rates based on the uplift in land values caused by the grant of planning permission.
54. Section 211 of the PA 2008 deals with the crucial matter of what should inform preparation of charging schedules. The Charging Schedule must take into account all of the following considerations: -
  - a) The total cost of infrastructure requiring funding from CIL;
  - b) Other sources of funding available; and
  - c) The potential effect of CIL on the viability of development of the area.

To that end, the schedule must be informed by ‘appropriate available evidence’ regarding viability (section 211(7A) PA 2008). The legislation thus seeks to ensure that charging schedules are not merely a list of infrastructure items needed to support development, but are the result of balancing the desirability of funding such infrastructure from CIL against the potential effects of the charge on the economic viability of development in the authority’s area (Reg 14, CIL 2010). The regulations set out other costs to be factored in, such as administrative expenses and Mayoral CIL. Indeed, the council’s viability study methodology factors in Mayoral CIL, the provision of affordable housing and other relevant financial requirements.

55. Government guidance stresses the desirability of evidence on infrastructure needs being drawn directly from the infrastructure planning that underpins their development plans. If the development plan infrastructure planning is weak or needs updating, the guidance suggests that the charging authority ‘undertake some additional bespoke infrastructure planning to identify its infrastructure funding gap. This work may be limited to those projects requiring funding from CIL, rather than covering all the potential infrastructure projects for the area’. In order to demonstrate the soundness of the infrastructure planning that underpins their charging schedules, several charging authorities have published ‘infrastructure plans’ or similar documents. Although not specified in the legislation, such evidence is necessary to discharge the statutory requirement of weighing viability with infrastructure need and to be accepted by the independent examiner who eventually approves the charging schedule for adoption.
56. Overall, the Infrastructure Plan is based on the infrastructure needs identified by the council and with reference to a professional viability appraisal as to the impact of CIL on development in the council’s area. The viability study supports the terms and rates on which the levy has been prepared. Moreover, the council has up to date local development plan (comprising its Core Strategy Southwark Plan and relevant Area Action Plans or Supplementary Planning Documents) that underpins and informs the Infrastructure Plan.
57. There is no legislation on how long a charging schedule should apply once adopted. Nor is there any duty in the PA 2008 or the CIL Regulations 2010 (as amended) for the schedule to be reviewed. However, government guidance strongly encourages charging authorities to keep their charging schedule and Regulation 123 lists under review. Should the Charging Schedule be reviewed, the charging authority must follow the same process of consultation, examination and approval as for the initial schedule.
58. In view of the need to keep development viability and indeed infrastructure provision up to date over the Charging schedule’s lifetime until 2023, it is advisable for the council to monitor and review the Charging Schedule at appropriate intervals, probably as part of the Authority’s Monitoring Report.

#### **Relationship with section 106 Agreements**

59. Regulation 122 and 123 impose limitations on the use of planning obligations, such that “a planning obligation may not constitute a reason for granting planning permission for the development to the extent that the obligation provides for the funding or provision of relevant infrastructure”. Effectively, where a charging authority has published a list of infrastructure projects that it intends to fund through CIL, such projects cannot be funded by way of planning obligations. The



language of the regulation implies the production of a Regulation 123 infrastructure list is a matter for the charging authority's discretion. However, the Guidance (paragraphs 86-91) strongly suggests that a charging authority should submit a Regulation 123 list along with its draft charging schedule. Accordingly, it is noted that as well as preparing an up to date Infrastructure Plan that identifies a non-exhaustive list of infrastructure intended to be funded by CIL, the council has also prepared a Regulation 123 list for submission with its draft charging schedule. Notwithstanding this list, it is noted that where site specific considerations or particular policy planning requirements provision or re-provision of items of mitigation as a direct impact of a proposed development, such items will not constitute strategic infrastructure. The report at paragraph 10 gives the example of a sports field or facility lost as a result of development which may necessitate obligations compliant with Reg 122 and 123, although, at strategic level health related infrastructure may be covered by CIL.

60. CIL does not completely replace section 106 Agreements. Where an authority introduces CIL, they could not use a section 106 Agreement to deal with the same matters and Section 106 would be scaled back to site specific matters directly related to the development. On the other hand, CIL does not cover affordable housing, so this in particular will continue to be secured via s.106. Authorities who do not introduce CIL can still use s.106 to fund site-specific infrastructure needs arising from particular developments. However, an authority's ability to use more than five separate planning obligations to pool contributions towards a common piece of infrastructure will be phased out effective from April 2014 (Reg 123).

#### **Consultation on Preliminary Charging Schedule**

61. The council has consulted on its proposed CIL rates, i.e. the preliminary draft charging schedule, before finalising its current draft charging schedule (pursuant to section 211(7), PA 2008 and regulation 15, CIL Regulations 2010). In preparing the draft charging schedule, the council has had regard to and evaluated consultation responses in formulating its draft charging schedule.
62. In addition, the council has had regard to the general duty - introduced by Section 110 of the Localism Act 2011 (by way of amendment to Planning and Compulsory Purchase Act 2004) - to cooperate with other prescribed bodies in respect of strategic planning matters which may impact sustainable development. Although it may be arguable that this duty (which is directed at local planning authorities), does not strictly apply to the process of preparing charging schedules, taking a purposive approach the council has opted to cooperate with a range of organisations including the GLA and TfL among others.
63. Following consultation on the preliminary charging schedule, the council is now intending to publish and submit for examination its draft charging schedule pursuant to Regulations 16 / 17 and Section 212 of the PA 2008. The independent examiner will hear representations, and decide to approve the charging schedule, approve it with modifications or reject it. (section 212A(2), PA 2008).
64. The Regulations require a period of 4 weeks for representations, however, the Guidance emphasises that 6 weeks is good practice. The council ordinarily allows for 6 weeks of formal consultation on planning related documents under its Statement of Community Involvement. Whilst the SCI does not deal

specifically with CIL, given that the charging schedule will also form part of the Local Development Framework, similar standards are advisable. Accordingly, the draft Schedule will be published for 6 weeks during which representations can be made.

### **Equality impact assessment**

65. The Equality Act 2010 introduced a single public sector equality duty (PSED). This duty requires the council to have due regard in our decision making processes to the need to:
- (a) Eliminate discrimination, harassment, victimisation or other prohibited conduct;
  - (b) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not
  - (c) Foster good relations between those who share a relevant characteristic and those that do not share it.

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

66. The council has discretion as to whom it wishes to consult regarding the preliminary draft charging schedule. The council proposes consulting a broad range of groups and has made every effort to be inclusive. Therefore, the statutory equalities duties are satisfied.
67. CIL has the potential to impact unequally on persons having one or more protected characteristic. The council will need to monitor the impact of CIL. Although there will not be any effective method of analysing the characteristics of persons paying CIL, the overall effect will be evident.
68. There has been compliance with the council's Approach to Equalities as well as the public sector equality duty as contained within section 149 of the Equality Act 2010. All six equality strands have been duly considered and assessed, this is evidenced in the Equalities Assessment (EA).

### **Human rights considerations**

69. CIL potentially engages certain human rights under the Human Rights Act 2008 (the HRA). The HRA prohibits unlawful interference by public bodies with conventions rights. The term 'engage' simply means that human rights may be affected or relevant. In the case of CIL, a number of rights are potentially engaged: -
- **The right to a fair trial (Article 6)** – giving rise to the need to ensure proper consultation and effective engagement of the public in the process;
  - **The right to respect for private and family life (Article 8)** – for instance the setting of CIL tariffs could impact on viability of housing provision or re-provision. Other considerations may include impacts on amenities or the quality of life of individuals based on CIL being too prohibitive;
  - **Article 1, Protocol 1 (Protection of Property)** – this right prohibits interference with individuals' right to peaceful enjoyment of existing and

future property / homes. It could be engaged, for instance, if CIL makes future development unviable;

- **Part II Protocol 1 Article 2 Right to Education** – this is an absolute right enshrining the rights of parents’ to ensure that their children are not denied suitable education. This will be a relevant consideration in terms of ensuring sufficient educational infrastructure is funded by CIL.

70. It is important to note that few rights are absolute in the sense that they cannot be interfered with under any circumstances. ‘Qualified’ rights, including the Article 6, Article 8 and Protocol 1 rights, can be interfered with or limited in certain circumstances. The extent of legitimate interference is subject to the principle of proportionality whereby a balance must be struck between the legitimate aims to be achieved by a local planning authority in the policy making process against potential interference with individual human rights.
71. Before making their decision members are advised to have regard to human rights considerations and strive to strike a fair balance between the legitimate aims of setting CIL for the benefit of the community against potential interference with individual rights.
72. At this stage it is not considered that the proposal to consult on or implement CIL would constitute unlawful interference with human rights. Indeed, CIL has the legitimate aim of securing the infrastructure necessary for development growth provided for in the development plan and mitigation of its impacts.

### **Decision-making**

73. The legislation on CIL does not prescribe decision making in respect of a charging schedule. Neither are the Local Government (Functions and Responsibilities Act) England Regulations 2010 amended to deal with CIL, suffice it to say that CIL is a planning policy function. The only relevant requirement within the CIL Regs is that the charging schedule, once approved by the Examiner, should be approved by a resolution of the full council of the charging authority (PA 2008, s.213(2)).
74. As noted earlier, CIL is to be a part of the Local Development Framework and can be considered analogous to other LDF documents such as Development Plan Documents (DPDs). Under Part 3(C) of the Constitution, the cabinet collectively has responsibility for the council’s policy framework (function 3), its finances (function 7) and approval of preferred options (effectively advanced drafts of) development plan documents (function 20). In any event, cabinet has power under Article 6 of the council’s Constitution (“the Constitution”) to carry out all of the local authority’s functions which are not the responsibility of any other part of the council.
75. Therefore, it is considered appropriate to follow the decision making pattern used for DPDs and similar documents. It is recommended that members of cabinet may collectively approve the draft charging schedule for publication and submission to an examiner having regard to the contents of this report and the accompanying documents: the draft charging schedule the viability appraisal, infrastructure plan and Regulation 123 list.

**Strategic Director of Finance and Corporate Services (FC/13/104)**

76. The strategic director of finance and corporate services notes the recommendations in this report.
77. Currently, the council uses standard charges set out in its s106 Planning Obligations SPD to pool contributions for infrastructure such as new schools places, strategic transport infrastructure, open space, leisure facilities and health facilities. However, from April 2014 or the adoption of a CIL Charging Schedule the council will not be able to pool more than 5 obligations to fund a single item of infrastructure.
78. The use of s106 funding has been forecast in the council's 10 year capital programme, using existing balances and new funds anticipated from future agreements. Use of CIL as a potential funding source for capital schemes was outlined in a report considered by cabinet on 17 July 2012. The capital programme will be subject to future refresh and depending on the final charging schedule for CIL this may be used to support appropriate capital programme schemes.
79. The income projections outlined in this report are indicative only and a full financial analysis of projected costs and income streams attributable to the operation of the levy should be undertaken prior to its formal introduction, and kept under review as part of normal budget and resource monitoring.
80. Officer time to effect the recommendations will be contained within existing budgeted revenue resources and any significant additional costs from any specific proposals arising from the consultation or any queries will be subject to the council's usual approval arrangements.

**BACKGROUND DOCUMENTS**

<b>Background paper</b>	<b>Held at</b>	<b>Contact</b>
Statement of Community Involvement 2008 (available on the council's website)	Council Offices, 160 Tooley Street, London SE1 2QH	Sandra Warren 0207 525 5471
CIL viability study 2013 update (available on the council's website)	As above	Sandra Warren 0207 525 5471

**APPENDICES**

<b>No.</b>	<b>Title</b>
Appendix A	Community infrastructure levy (CIL) draft charging schedule
Appendix B	Draft Regulation 123 list
Appendix C	Infrastructure Plan (available on the website)
Appendix D	Equality Analysis (available on the website)
Appendix E	Consultation Plan (available on the website)
Appendix F	Consultation Report (available on the website)

**AUDIT TRAIL**

<b>Cabinet Member</b>	Councillor Fiona Colley, Cabinet Member for Regeneration and Corporate Strategy	
<b>Lead Officer</b>	Eleanor Kelly, Deputy Chief Executive	
<b>Report Author</b>	Tim Cutts, Team Leader, Planning Policy	
<b>Version</b>	Final	
<b>Dated</b>	1 February 2013	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	1 February 2013	

**Planning Act 2008  
Community Infrastructure Levy Regulations 2010**

London Borough of Southwark  
Draft Community Infrastructure Levy  
Charging Schedule (February 2013)

No.	Title
Appendix A	Community infrastructure levy (CIL) draft charging schedule (available with the report)
Appendix B	Draft Regulation 123 list (available with the report)
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**Planning Act 2008  
Community Infrastructure Levy Regulations 2010**

**London Borough of Southwark  
Draft Community Infrastructure Levy  
Charging Schedule (February 2013)**

The London Borough of Southwark is a charging authority for the purposes of Part 11 of the Planning Act 2008 and may therefore charge the Community Infrastructure Levy in respect of development in the London Borough of Southwark.

The rate at which CIL will be charged shall be:

<b>Development type</b>	<b>Zone *</b>	<b>CIL Rate £ per sq.m.</b>
<b>Office</b>	Zone 1	£70
	Zones 2-4	£0
<b>Hotel</b>	Zone 1	£250
	Zones 2-4	£125
<b>Residential and student housing</b>	Zones 1-2	£400
	Zone 3	£250
	Zone 4	£50
<b>Destination superstores / supermarkets / shopping centres / malls **</b>	Zones 1-4	£250
<b>All other retail (A1 – A5 &amp; Sui Generis uses akin to retail) ***</b>	Zones 1-4	£125
<b>Industrial and warehousing</b>	Zones 1-4	£0
<b>Public libraries</b>	Zones 1-4	£0
<b>Health</b>	Zones 1-4	£0
<b>Education</b>	Zones 1-4	£0
<b>All other uses</b>	Zones 1-4	£30

\*These zones are shown in the CIL Zones Map 2013 below.

\*\* Destination superstores/supermarkets for weekly food shopping needs, which can include non-food floor space as part of the overall mix of the unit, with car parking provision.

Shopping centres/shopping malls are shopping destinations which comprise one or more buildings providing a range of services including shops, cafes and restaurants, connected by pedestrian walkways and with car parking provision.

\*\*\* Sui generis akin to retail includes petrol filling stations; shops selling and/or displaying motor vehicles; retail warehouse clubs.

As per Regulation 14 of the Community Infrastructure Levy Regulations 2010 (as amended 2011 and 2012), the Council is designated the collecting authority for the Mayor of London in Southwark. This requires a current charge of £ 35 per square metre to be levied in addition to the amounts specified above.

The amount to be charged for each development will be calculated in accordance with Regulation 40 of the Community Infrastructure Levy Regulations 2010 (as amended 2011 and 2012). For the purposes of the formulae in paragraph 5 of Regulation 40 the relevant rate (R) is the rate for each charging zone shown in the charging schedule above.

CIL will be applied on the chargeable floor space of all new development apart from that exempt under Part 2 and Part 6 of the Community Infrastructure Levy Regulations 2010 (as amended by the Community Infrastructure Levy Regulations 2011 and 2012). The exemptions from the CIL rates are:

- The gross internal area of a new buildings or extensions to buildings will be less than 100 square metres (other than where the development will comprise one or more dwelling);
- A building into which people do not normally go;
- A building into which people go only intermittently for the purpose of maintaining or inspecting machinery; or
- A building for which planning permission was granted for a limited period;
- Development by charities of their own land to be used wholly or mainly for their charitable purposes;
- Social Housing.

#### Statement of Statutory Compliance

The Charging Schedule has been approved and published in accordance with the Community Infrastructure Levy Regulations 2010 (as amended 2011 and 2012) and Part 11 of the Planning Act 2008 as amended.

In setting the levy rates, the Council has struck an appropriate balance between;

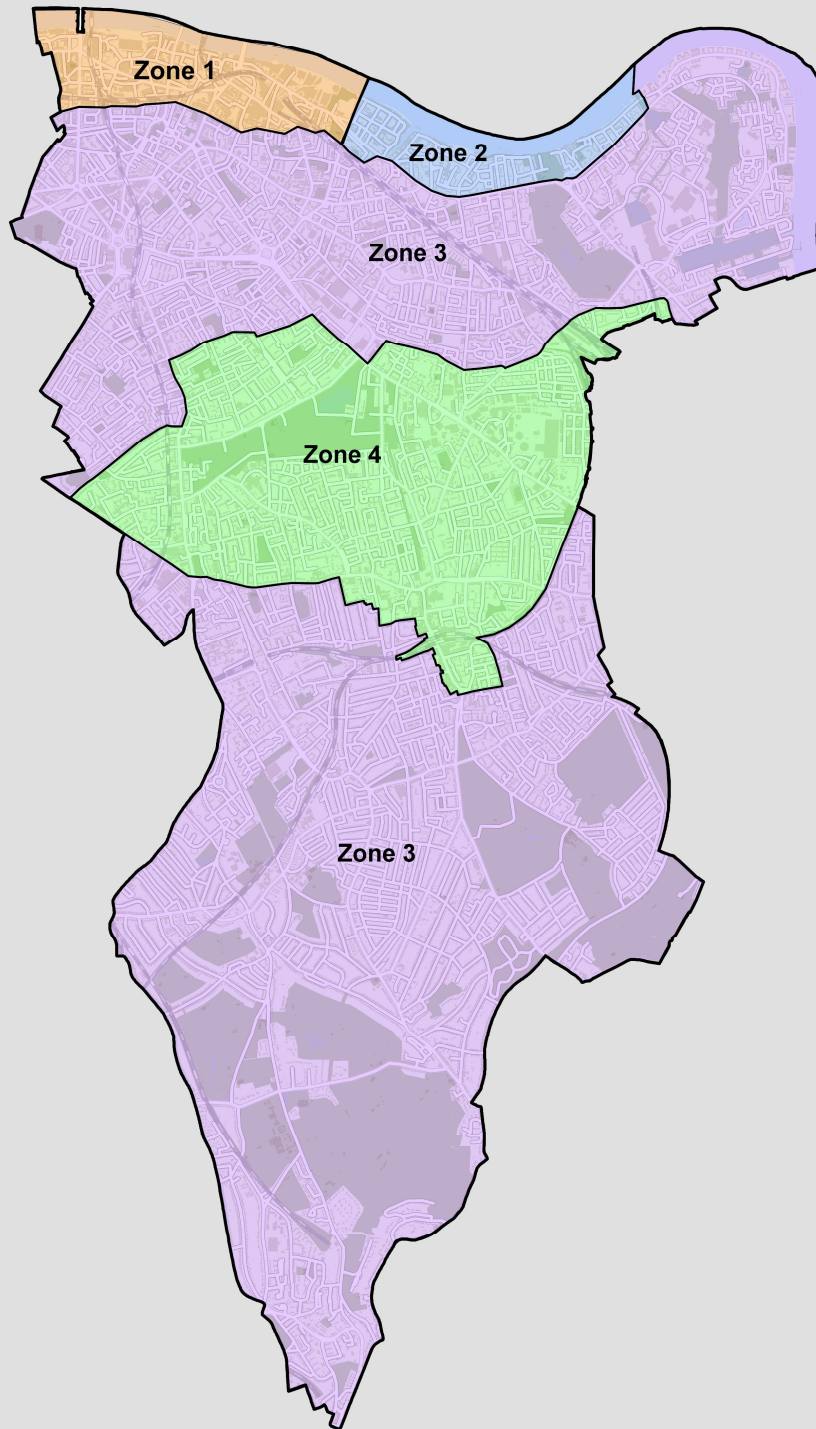
- a) the desirability of funding from CIL in whole or in part the estimated cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding, and
- b) the potential effects, taken as a whole, of the imposition of CIL on the economic viability of development across its area.

This Charging Schedule was approved by the Council on (date to be inserted following examination)

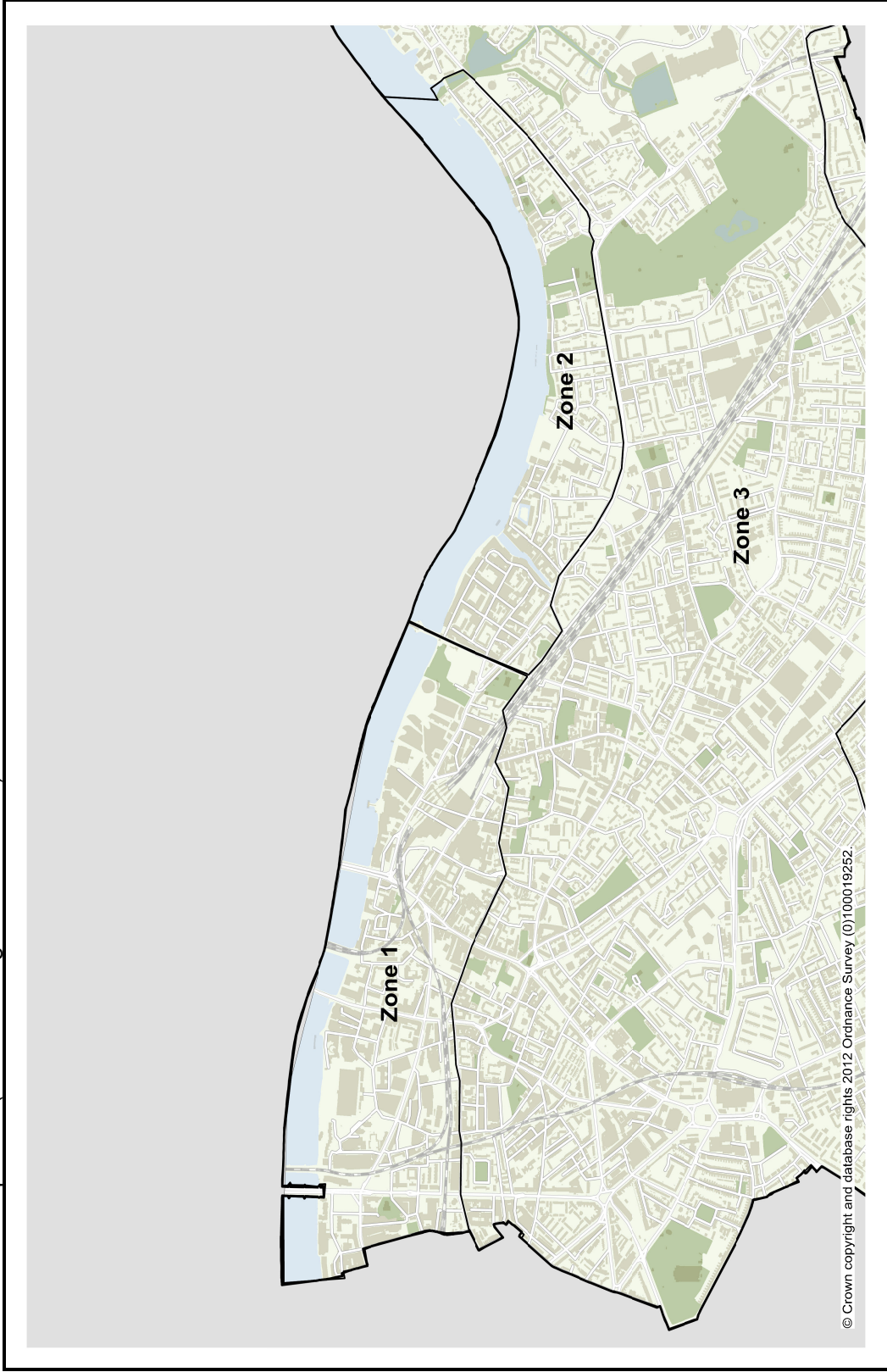
This Charging Schedule will come into effect on (date to be inserted following the examination and approval)



### Proposed CIL Charging Zones

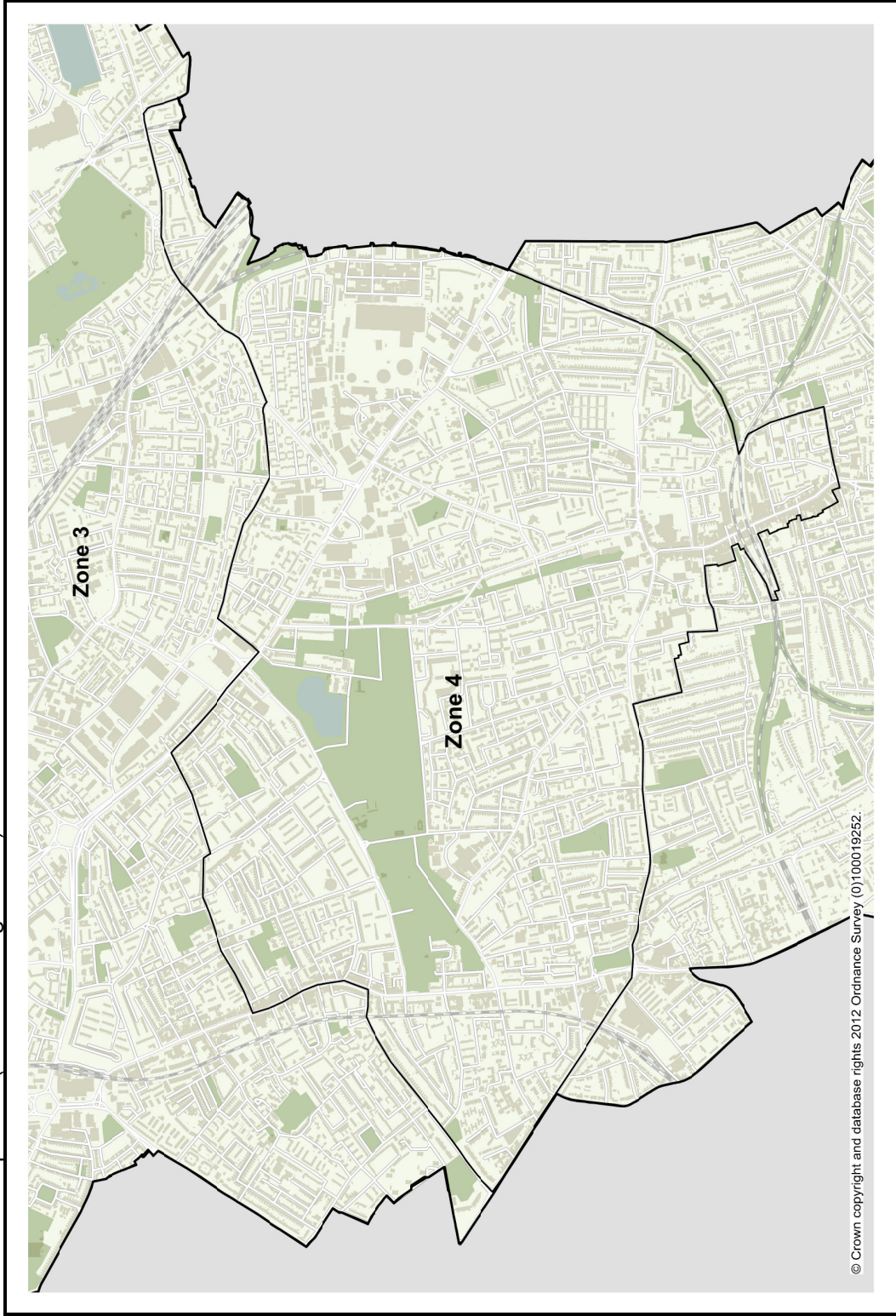


CIL Zones Map 2013 (inset showing zones 1 and 2)





CIL Zones Map 2012 (inset showing zone 4)



**APPENDIX B****CIL Draft Regulation 123 list**

<b>No.</b>	<b>Title</b>
Appendix A	Community infrastructure levy (CIL) draft charging schedule (available with the report)
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## **CIL Draft Regulation 123<sup>1</sup> list**

### **Transport:**

Elephant & Castle underground stations (not including land)  
 Peckham Rye station and forecourt  
 Queens Road Peckham station and forecourt (not including land)  
 Cycle routes (not including land and development specific signage)  
 Elephant and Castle northern roundabout pedestrian and cycle improvements.  
 Camberwell Green town centre improvements to pedestrian crossings, signals and pavements  
 Lower Road (Canada Water AAP) removal of the gyratory (not including land)  
 Rotherhithe pedestrian and cycling improvements

### **Open Space:**

Improvements to District Parks (Burgess Park, Peckham Rye, Dulwich Park and Southwark Park).

### **Education:**

Existing primary school expansion (not land)  
 Secondary school provision /expansion (not land),

### **Health:**

All with the exception of sites where there is a planning requirement to re-provide a health use.

**Libraries:** All with the exception of sites where there is a planning requirement to re-provide a library.

### **Sports:**

Elephant and Castle new leisure centre  
 Refurbishment of Seven Islands leisure centre  
 Refurbish tracks at Southwark Park  
 Improvements to St Paul's sports ground  
 Improvements to Homestall Road playing field  
 Greendale playing field improvements

### **Other:**

Canada Water district heating/CHP (not including land or connection costs)

Cemeteries (not including land)

**Storm water storage areas:** Dulwich, Peckham Rye, Camberwell and North Peckham

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<sup>1</sup> Refers to Regulation 123 of the Community Infrastructure Regulations 2010 (as amended 2011 and 2012)

<b>Item No.</b> 16.	<b>Classification:</b> Open	<b>Date:</b> 12 February 2013	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Establishment of Public Health Leadership and Commissioning in Southwark Council	
<b>Ward(s) or groups affected:</b>		All wards	
<b>Cabinet Member:</b>		Councillor Catherine McDonald, Health and Adult Social Care	

**FOREWORD – COUNCILLOR CATHERINE MCDONALD, CABINET MEMBER FOR HEALTH AND ADULT SOCIAL CARE**

On 1 April 2013, local authorities take on responsibility for public health. This presents huge opportunities to tackle some of the borough’s public health issues, and improve the health and wellbeing of our citizens. In our borough up to 600 people die early each year of preventable illnesses and the life expectancy of our least affluent citizens is around a decade less than that of our most affluent citizens.

Our vision is to work with our citizens to significantly improve public health – by tackling health challenges and reducing health inequalities. We want our borough to be a place with healthy communities. We want Southwark’s citizens to live healthy lives for as long as possible; and for our children and young people to grow up to be healthy, happy and productive members of our economies and communities.

Already, much of the council’s work has a positive impact on public health. In taking on the responsibility for public health, we will seize the opportunity to embed public health considerations in everything we do across the council. We want to make use of all our policy levers to improve public health, for example through our policies in regeneration, housing, planning, children’s services, leisure, adult social care, the wider environment and economy.

We recognise that to achieve our vision we need to go beyond borough boundaries. We recently took the decision to jointly appoint a specialist public health service, and a shared Director of Public Health, with Lambeth, to harness the collective resources of both boroughs to tackle the common health challenges we face. We look forward to formally welcoming the public health team into the local authority.

We will use the combined experience and expertise of our two boroughs’ public health professionals, joining together with existing local authority officers, to deliver change that will have a lasting impact on people, families and communities across all of Lambeth and Southwark. We will also work collaboratively with partners – for example through the Health and Wellbeing Board.

In taking on responsibility for public health from April, we will place democratic decision-making at the centre of how we determine local public health choices. This is hugely important. It provides our communities with the chance to directly shape, and hold us to account in, how we embed public health into our service delivery.

## RECOMMENDATIONS

That the cabinet:

1. Notes that the local authority will take on public health accountabilities and responsibilities from April 2013.
2. Notes the appointment on 3 September 2012 of a joint Director of Public Health for Southwark and Lambeth, in line with the Southwark Cabinet's decision of 17 July 2012.
3. Notes the NHS consultation with public health staff on the operating model for a shared specialist team for Southwark and Lambeth.
4. Agree the approach to commissioning sexual health services (paragraphs 43 to 52), alcohol and substance misuse treatment services (paragraphs 53 to 59), children's commissioning (paragraphs 60 to 63) and health promotion and prevention (paragraphs 64 to 65).
5. Agree to delegate authority for the final sign-off on the NHS' contract transfer scheme and staff transfer scheme to the Strategic Director of Children's and Adults' Services and the Strategic Director of Finance and Corporate Services.
6. Agree to delegate authority to the Strategic Director of Children's and Adults' Services after consultation with the Strategic Director of Finance and Corporate Services on:
  - i. the agreement with the local Clinical Commissioning Group referred to in paragraph [71]
  - ii. the tri-borough agreement referred to in paragraph [70]
  - iii. the shared service agreement referred to in paragraph [69] and any other ancillary agreements.

## KEY ISSUES FOR CONSIDERATION

### Public health in Southwark

7. Southwark is a borough of contrasts when it comes to key measures of public health. On the one hand, the borough's residents are living longer than ever before (with an increase in the average life expectancy in Southwark since 1991 of 5.2 years for women and 6.6 years for men), smoking rates are falling and there has been a reduction in the number of deaths from heart disease in recent years.
8. On the other hand, the borough faces some of the most challenging public health issues in London and in the country. Despite increases in life expectancy overall, average life expectancy for men is still lower than the national average, and the difference in life expectancy between our most affluent and least affluent citizens is around 10 years for men and around 9 years for women. National survey data (2006) shows that 13% of the borough's population is obese and 37% is overweight.
9. Southwark has high levels of cardiovascular disease, stroke and diabetes. There were 4,818 hospital admissions in Southwark in 2011-2012 related to alcohol.

Alcohol was a factor in 3101 recorded crimes (including domestic violence) between April 2009 and September 2010. Early deaths from smoking are high with around 33% of males compared to around 14% of females. When compared to rest of England, Southwark has a higher number of residents living with HIV.

10. The statistics paint a picture of much achieved but also much to deliver. Public health in Southwark is about more than health provision. It is also about the wider determinants that impact on people's lives - the economy and jobs that people have access to, the homes they live in and the places they work.
11. Public health means people having a good quality of life and being active and healthy citizens, for as long as possible, so they are able to make a positive contribution to the borough.
12. For the council, and other public sector partners, this means ensuring public health is embedded in all that we do. This means putting public health at the centre of our decision-making when thinking about how services are provided, to who and to what quality.
13. The council is already delivering a number of key promises, through the council plan, that will help improve public health. These include making all council homes warm, dry and safe by 2015/16, delivering improvements to Burgess Park, bringing the benefits of regeneration to local communities through ambitious plans for the transformation of the Elephant and Castle and introducing free healthy school meals for all primary schools. The council have also recently agreed a new economic well-being strategy which is about supporting economic growth and helping people into work and the positive health impacts that can bring. This demonstrates the importance that the council places on wanting to keep people as healthy as possible for as long as possible.
14. Equally, there are many benefits from delivering good public health in terms of the council's other areas of work. For example by reducing alcohol misuse or drug dependency this may decrease crime more generally across the borough, making the borough a safer and healthier.
15. Southwark has a long history of effective partnership working on public health. In 2003 the council established a joint director of health and social care, one of the first of its kind established in the country. The joint team went on to develop and deliver some pioneering and innovative services, for example the Carelink child and adolescent mental health team which is embedded in the services for children who are looked-after. The council now has an opportunity to build upon this shared history as it takes on direct responsibility for delivering public health from April 2013.
16. By bringing the public health service into the remit of the council, there is a huge opportunity to deliver step change and transformation in the way we tackle health challenges. We want to ensure people stay as healthy as possible for as long as possible so they avoid the negative impact that poor and ill health can have.
17. This is a huge opportunity because we are combining the talents of the public health service profession with the experience and delivery of council officers who work across a range of services (from parks through to community safety, children's and adults' services, planning, regeneration and housing).



18. We need to seize this opportunity with urgency to make Southwark an even healthier place as quickly as possible. By bringing public health under the remit of the council elected members will be able to have a better understanding of the key factors that influence people's health and well-being. They will also be able to make decisions based on expert advice to achieve real and lasting change.
19. Our vision is to significantly improve the public health of the citizens in our boroughs by tackling health challenges and reducing health inequalities. We want to improve life expectancy and ensure that people have the best health for as many years of their lives as possible. We also want people to have access to information to support them and their families' well-being.
20. We recognise that to achieve our vision we need to go beyond borough boundaries. We want to use the combined experience and expertise of our two boroughs' public health professionals joining together with existing local authority officers, to deliver change that will have a lasting impact on people, families and communities across all of Lambeth and Southwark. Having a specialist public health team and wider commissioned public health services will broaden the impact of public health leadership.
21. Working in partnership will be fundamental to achieve our vision for improved public health, particularly as public sector resources continue to be squeezed. This will require us to work with the health sector, GPs, the voluntary and community sector and the wider community to focus on the areas where we feel we can make the most positive impact.
22. As a member of the Department of Health's Early Implementers Network, Southwark committed to establish a shadow Health and Wellbeing Board in April 2012. This was a year prior to the Board becoming a statutory committee of the council (see report on "Establishing Southwark's Health and Wellbeing Board as a Committee of the Council" elsewhere on this cabinet meeting's agenda). Through the partnership work of the health and well-being board, the council will be able to have a deeper understanding of public health challenges in the borough. It will be able to more directly influence a broad range of bodies (such as GPs, Clinical Commissioning Groups and local hospitals) and services that impact on people's health and wellbeing in the borough.

#### **Director of Public Health**

23. The Director of the Public Health (DPH) will be the person who elected members and senior officers look to for leadership, expertise and advice on a range of issues. The DPH will provide the expert understanding of the factors that determine health and ill health, how to change behaviour and promote both health and wellbeing in ways that reduce inequalities in health.
24. The DPH will be responsible for providing leadership, expertise and advice on a range of issues, from outbreaks of disease and emergency preparedness through to improving local people's health and concerns around access to health services. Core statutory responsibilities of the DPH include public health leadership across the local system, plans to protect local population health, statutory annual reporting on local population health, advice to NHS commissioners on local population health and a role in emergency preparedness for threats to local public health.

25. In partnership with local authority colleagues, such as the strategic director of children's and adults' services, the DPH will tackle the causes of ill health in the borough and work to reduce health inequalities, particularly for the most vulnerable communities in the borough.
26. At the most strategic level, the DPH will be an active member of both Lambeth and Southwark's health and wellbeing boards, advising on, and contributing to, the development of joint strategic needs assessments and joint health and wellbeing strategies.
27. It will also be important that the DPH and the specialist public health team work with local authority colleagues within the council's overall commissioning cycle. This work will include: using the joint strategic needs assessment to inform strategic planning and review service provision; identifying vulnerable groups and assessing and analysing the effectiveness of access arrangements; investigating differential take up of services; and monitoring and evaluating the impact of commissioned services in terms of closing the health inequalities gap.
28. The DPH will also have a key role in protecting the local population from risks to public health, again working in partnership with local organisations, groups and stakeholders.

#### **Specialist public health team**

29. In July 2012, the cabinets of both Lambeth and Southwark Council approved a plan to create a specialist public health team across Lambeth and Southwark, located in and employed by Southwark, and to appoint a joint Director of Public Health.
30. There are a number of benefits to pursuing a partnership approach and creating a specialist public health team that supports both councils. A shared team will allow both boroughs to share expertise, knowledge and approaches to identifying and tackling the root causes of inequality in health outcomes in both boroughs. The specialist team will help develop public health capacity across both councils and partner organisations in both boroughs. The specialist public health team will provide a strong, expert bridge between the health needs of the population of Lambeth and Southwark and the council services upon which they rely.
31. The specialist public health team will be focused not just on the present, but also on the future of both councils and their residents, improving the wellbeing of our populations and preventing ill health. The team will achieve this through the application of their public health expertise, and through a strong commitment to partnership working, communication and continuous learning.
32. The specialist public health team will support the Director of Public Health to discharge their core responsibilities for public health on behalf of Lambeth and Southwark. An operating model and draft structure for the specialist team was published as a consultation by the NHS with their staff on 22 January 2013. The consultation ends on 21 February 2013. Following the consultation and implementation of the new structure these staff will formally transfer from the NHS to Southwark Council on 1 April 2013.
33. The model for the specialist public health team is based on delivery across three domains: health intelligence and analysis; health protection; and, health

improvement, including partnership work and public health input to commissioning.

34. The principles of the specialist team will be to:
- work in partnership to improve health and reduce health inequalities
  - understand local health needs
  - ensure parity in providing expert advice and support to both councils
  - work with local communities
  - advocate for health in the borough
  - support prioritisation of public health initiatives
  - have an evidence-based approach to policy making
  - bring a public health perspective to all local authority commissioning
35. As the specialist service is embedded in the council's way of working and operations there will be opportunities to review and consider how resources are best deployed to achieve the vision for improved public health across Lambeth and Southwark.

### **Approaches to commissioned services**

36. The Health and Social Care Act 2012 has set out a number of areas for mandatory and discretionary commissioned services which will transfer from the responsibility and management of the local NHS to the local authority from April 2013. These are highlighted at Appendix 1.
37. The local authority is working closely with the local NHS to ensure that the transfer of services does not adversely affect service users or the performance of these services. Every opportunity to align these services with those of the local authority, and for improvement of services is being taken.
38. The mandatory services transferring to the local authority are:
- comprehensive sexual health services;
  - the National Child Measurement Programme; and
  - NHS Health Check assessments.

In future years, elements of children and young people's commissioning may be mandated.

39. A wide range of discretionary service areas will become the responsibility of the council from 1 April 2013. Provision of these services should be locally determined, guided by the local joint health and wellbeing strategy, local joint strategic needs assessment and Public Health Outcomes Framework. Provision and levels of provision for these services may also be mandated by the Secretary of State in further legislation. The local NHS has identified relevant services which are currently provided locally, and identified the transferring resources. In Southwark, these services include;
- sexual health services in addition to those mandated above
  - drug and alcohol misuse treatment services;
  - children and young people's health services, and
  - health promotion and prevention services.

40. The formal transfer scheme is yet to be published, however, the local authority and local NHS have worked closely together to identify the relevant commissioned services for transfer. This is in line with national legislation and policy guidance. The local authority and local NHS have identified the scope for each of these services and the current strategic, governance, management and resource arrangements.
41. At the direction of chief officers from the local authority and local NHS, senior commissioners from the local authority and local NHS have worked together to identify possible approaches to the commissioning of each of these service areas through the transfer and stabilisation of these services, and plan to review these for the medium to longer term. These approaches are set out here for each of the areas under consideration. Plans for transfer have focused on providing a steady-state transition for the first year to minimise the risk of disruption to services. Once services have been transferred safely, the council plans to review how each of these services is commissioned, on a phased basis, working in partnership with the NHS, partners and stakeholders.
42. Commissioning activity will be located across a number of areas in the council which reflects the importance of a cross-council approach to leadership on public health. This will involve the Strategic Director of Children's and Adults' Services, the Director of Public Health and the councils' senior leadership team working together in partnership to deliver the vision. Specific accountabilities will be reviewed and clarified as public health is embedded within council services and the government finalises expectations on public health provision in local authorities.

### **Comprehensive sexual health services**

43. Improving sexual health is important in Southwark, where for example HIV prevalence rates are amongst the highest in the UK and over twice the London average.
44. The level of teenage conceptions in the borough has fallen steadily over the past ten years, but is still high.
45. To tackle these challenges Southwark PCT has worked in partnership with Lambeth and Lewisham PCTs for six years to jointly commission sexual health and HIV services across the three boroughs. The Sexual Health Commissioning team has developed knowledge and expertise in this specialist area and has historically provided a responsive and high quality service across the three boroughs. The joint team has a track record in pioneering service developments, for example introducing voluntary HIV testing at registration with a GP and training pharmacists to provide over the counter emergency contraception.
46. The legislation sets out that the local authority will become responsible for commissioning comprehensive open-access and confidential contraception and sexually transmitted infections (STIs) testing and treatment services, for the benefit of all persons of all ages present in the area.
47. In Southwark these services are currently commissioned by the NHS through a range of public, private and voluntary sector providers, through contractual and supplementary arrangements to the value of £7.803M.

48. Sexual health services currently provided include: reproductive sexual health; STI testing and treatment through genitourinary medicine services at local hospitals; post-exposure prophylactic treatment for HIV; young person's sexual health; community contraceptive services, and local sexual health promotion and prevention work.
49. The NHS will retain responsibility for some sexual health services, which will include contraceptive provision that is part of existing GP contracts, termination of pregnancy and vasectomy services, HIV treatment and sexual assault referral centres. The local authority will continue to work closely with the NHS to ensure that the range of sexual health services provided in the area is appropriate, that transitions between services for people accessing those services work well and overall resources are used most effectively.
50. Southwark, Lambeth and Lewisham have similar populations with similar needs and existing sexual health challenges. The pattern of health provision across the three boroughs means that residents from all three boroughs currently access health provision from largely the same sites and services. We recognize the benefits the primary care trusts have gained through commissioning sexual health services via a tri-borough commissioning team.
51. The proposed commissioning approach for sexual health is therefore to maintain and formalise the existing arrangement of a tri-borough commissioning team covering Lambeth, Southwark and Lewisham, with the team hosted by Lambeth Council. The scope of the team would include sexual health services which the local NHS will be responsible for commissioning, alongside the local authority commissioned services. If agreed by Southwark's cabinet, the decision to proceed with a tri-borough service will be ratified by Lambeth's cabinet on 4 March 2013.
52. The formal and final transfer scheme for contracts will be published on the 28 March 2013, and officers expect it to match the current identified contracts.

#### **Substance misuse (drug and alcohol) treatment services**

53. The local authority currently commissions substance misuse treatment and ancillary services jointly with the Primary Care Trust through Southwark's Drug and Alcohol Treatment Board. The DAAT Board is chaired by the Strategic Director for Environment and Leisure and is a statutory body formed under the Crime and Disorder Act 1998. It reports to the Safer Southwark Partnership. It is responsible for overseeing the commissioning and management of substance misuse treatment services within the Borough.
54. Under the new arrangements, the majority of currently commissioned services within the health service will become the responsibility of the local authority. These jointly commissioned services are wide ranging. They include early intervention and prevention services, treatment for addictions including complex care, inpatient treatment and crisis management.
55. In addition keywork, referral and treatment are provided for clients from the criminal justice sector including the courts, prisons and the police service on arrest. The current contract value of transferring services is £8.131M.
56. Tackling both drug and alcohol misuse is a key issue for Southwark as the negative impacts directly affect long term health outcomes, crime, domestic

violence, gang and weapon violence, families, and the night time economy. Alcohol and substance misuse is a key factor in the lives of some of Southwark's most troubled families. Good clinical treatment and care has been shown to help reduce these impacts significantly. Integrated commissioning across funding streams will enable the development of more services that intervene early to support and challenge parents to keep their children safe from harm and raise them successfully.

57. Successive Governments have produced national drug and alcohol strategies which look to local authorities to provide leadership in their local delivery and implementation. Key parts of that delivery include:
- Effective prevention and early intervention services including those for young people;
  - High quality treatment and care which is recovery oriented with the overall aim that individuals will be helped to recover to integrate fully back into society.

These are areas which have significant cross-cutting effects and impacts for families and communities as well as a significant impact on the physical and mental health and wellbeing of individuals and communities.

58. The prevention and reduction of alcohol misuse has been identified as one of the shadow health and wellbeing priority areas. The new Southwark Alcohol strategy 2013-16 has been presented to the shadow Health and Wellbeing Board (15 January 2013). It is a multi-agency strategy which aims:

“to work in partnership to promote recovery, and protect individuals, families and our communities from the harm caused by alcohol misuse in Southwark”

59. Senior local authority commissioners currently work with NHS commissioners and the DAAT team which sits within community safety, who currently co-commission the treatment and associated services relating to substance misuse. The bulk of the current commissioning is managed by the NHS team which has been identified for transfer. The proposed commissioning approach for alcohol and substance misuse in Southwark would be to join together the DAAT team in one location and so establish a substance misuse commissioning team in the Community Safety and Enforcement division. This will build on the already strong relationship established between this team and the Health and Wellbeing board, and will include public health leadership, to ensure the current benefits of close links and working between this commissioning area and the rest of the health system is maintained.

### **Children and young people's commissioning**

60. It is crucial to ensure children get the best start in life. Taking better care of children's early health and development can improve educational attainment and reduce the risk of poor health outcomes in later childhood and through into adult life.
61. Childhood obesity in Southwark remains a significant concern, with the highest prevalence in the country at age eleven. The council is introducing universal free healthy school meals in primary schools to help tackle obesity by ensuring that all children have access to at least one healthy meal a day during term time. The new approach to public health will provide robust opportunities to work in

new ways across the system with children's services colleagues, schools and partners from the community and voluntary sector to challenge and review existing approaches and determine local strategies together.

62. Commissioned services for young people that are due to transfer in April 2013 mainly comprise of school nursing services and the National Child Measurement Programme. The school nursing services, healthy start vitamins and healthy school programme contract value is £1.513M. The local authority's responsibilities for children and young people's commissioning will increase from 2015 as the government has set out that they anticipate the transfer of responsibility for children's commissioning from 0-5 which would include the health visiting service.
63. The proposed approach for this area is to explore joint commissioning arrangements with Southwark CCG in 2013/14 to deliver this service through the existing community health contract. In parallel a joint review by the council, the CCG and other key stakeholders (including headteachers and Children's Centre Managers) will draw on expertise from the public health team and include the outcomes of the single service reviews currently in progress to develop options for commissioning arrangements for 2014 onwards. The review should report no later than autumn 2013.

#### **Health promotion commissioning**

64. Health Promotion and commissioned services include a range of programmes to promote healthy weight and encourage smoking cessation. The current contract value is £0.928M.
65. The proposed approach for this area in 2013/14 is to continue to deliver some health promotion services directly, transferring current staff into the shared service. This is a different approach to Lambeth where these services are commissioned from Guys and St Thomas's Trust. Over this year we will review opportunities to jointly commission these services with Lambeth, testing the market and bringing forward proposals for 2014/15 and beyond no later than Autumn 2013.

#### **Public health funding and resources implications**

66. The Department of Health has set out that Southwark Council's ring-fenced grant allocation for the delivery of public health services in 2013/14 is £21,809,000. The allocation is set 5.4% above the baseline given for the cost of public health services. The detailed scope of the local authority's responsibilities within that funding has yet to be finalised by government.

#### **Governance arrangements**

67. The cabinet member for health and adult social care is publicly accountable for the delivery of public health leadership in Southwark, who in turn will hold the council's senior leadership to account for delivery including the Director of Public Health, Director of Children and Adults Service and other relevant officers. The more detailed governance and accountability arrangements will be developed once the council takes on formal responsibility for public health delivery from April 2013.

68. At an officer level the Director of Public Health for Lambeth and Southwark reports to the Chief Executives of both Lambeth and Southwark for delivery of public health leadership and advice for both areas This includes the delivery of the local authorities' statutory public health functions, including an annual report on population health. The Director for Public Health will be a statutory member of both Health and Wellbeing Boards of Southwark and Lambeth.
69. More specifically there will be a detailed legal agreement in place between the two authorities with regards the specialist service.
70. Arrangements for the joint sexual health commissioning team will be set out in detail in an agreement between Lambeth, Southwark and Lewisham Councils and relevant Clinical Commissioning Groups.
71. Arrangements for areas of joint working and commissioning with the NHS will be set out in a legal agreement between the council and the local Clinical Commissioning Group.
72. The budget for the grant allocation will be managed by the Strategic Director of Children's and Adults' Services.

#### **Transfer of contracts**

73. The transfer of contracts will require a mixed approach to governance and some phasing of new procurement for services.

#### **Transfer of staff**

74. The transfer of staff will be in line with the Transfer Scheme (yet to be published in finalised form) under the Health and Social Care Act 2012. The process for the identification of staff to transfer is set out within policy and legal frameworks. It will involve local "sender and receiver" meetings, to follow the consideration of responses on the current staff consultation on the specialist public health team structure.

#### **Evaluation and review**

75. The specialist public health service will be subject to evaluation and review following transfer to ensure the efficacy and affordability of the service.

#### **Policy considerations**

76. The Health and Social Care Act 2012 sets out new responsibilities for local authorities, to be responsible for public health commissioning and to appoint a local Director of Public Health to lead on public health and population healthcare issues across the local system. It sets out a duty for the authority to "take such steps as it considers appropriate for improving the health of the people in its area".
77. The Health and Social Care Act envisages a new role for local authorities in terms of health and wellbeing leadership. This new role was articulated in the 2010 *Marmot Review* which set out the limitations in tackling health inequalities in the current system in which "the perception among agencies is that responsibility for the delivery of health improvement lies with the NHS". The



Marmot review highlighted that local government and other organisations hold many of the levers that shape and can have an impact on health improvement.

78. From April 2013 councils take on a new role across all four domains of public health, that is: health improvement, health protection, public healthcare and improving the wider determinants of health. The new role for local authorities will be to lead work to tackle health inequalities across the system, and to champion improvements in health and wellbeing outcomes for local populations.
79. Following the transfer of public health accountabilities from the NHS, local authorities will receive a ring-fenced public health budget set by the Department of Health. Local authorities are expected to be guided by their local joint strategic needs assessment and health and wellbeing strategy, and the objectives within the national public health outcomes framework. There is an opportunity to align the objectives in the public health outcomes framework with related objectives in the adult social care outcomes framework.
80. There are a number of mandatory commissioned services, for sexual health services, NHS Health Check assessments and the National Child Measurement Programme. Each local area is required to have a Director of Public Health, although this role can be shared between areas (as is proposed in Lambeth and Southwark), and the Director of Public Health will fulfil a number of statutory duties including providing professional public health expertise to both councils, clinical commissioning groups and health and wellbeing boards.

### **Community impact statement**

81. The health and wellbeing of the local population is at the core of public health commissioning, the work of the Director of Public Health and the specialist public health team. The transition of public health from the NHS to local authorities, as set out in the Health and Social Care Act 2012, includes at its core the provision for local authorities to take on a new leadership role in terms of health improvement for local communities. The role of a shared Director of Public Health, in working with the council, NHS and other partners, is to help lead change across organisations, and to tackle health inequalities in both Lambeth and Southwark.
82. The involvement of communities is a key part of the work of all parts of the health system, including through health and wellbeing boards of which the Director of Public Health is a member. The value of including the wider views of individuals and communities is critical to both understanding and tackling the health and wellbeing issues in both Lambeth and Southwark.
83. The additional value brought by a specialist public health team across the two areas will be to work with communities across borough boundaries, and to help enable the combined efforts (including community knowledge and resources) to be brought to bear on health issues in both Lambeth and Southwark.
84. A key initial principle of the transition will be that it is 'steady-state', so there will be minimal change to the services which are currently being provided to the community. This is due to the scale of change in the NHS and the complex nature of the commissioned services the local authority will be responsible for from 2013.

85. Engagement with the community and with people accessing commissioned public health services is a core principle within future commissioning strategies for the new public health services within the council. The impact of these services on the community, and the views of the local community about these services, will be a core element of any reviews of public health services over 2013-14, in their first year of provision with the council.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Legal Services**

86. The Cabinet is being asked to agree the approach to commissioning sexual health services, alcohol and substance misuse treatment services, children's commissioning and health promotion and prevention. Cabinet is also being asked to agree to delegate authority for the final sign-off on the NHS' contract transfer scheme to the Strategic Director of Children's and Adults' Services and the Finance Director.
87. There is no specific power which permits the council to enter into shared delivery models with another public authority. The legal powers are contained in a variety of legislation including sections 101 and 102 of the Local Government Act 1972 (delegation of specific functions to another local authority) and the Local Authorities (Goods and Services) Act 1970 (providing services to other local authorities) . The combined effect of this legislation is to give local authorities the power work together to provide services usually provided by local authorities.
88. It is proposed that the tri-borough sexual health commissioning team for Southwark, Lambeth and Lewisham, although serving all three boroughs, and the three local Clinical Commissioning Groups, will be based with Lambeth and be employees of Lambeth Council, with Southwark Council and Lewisham Council making a contribution to employment costs. It will be important that a written agreement is put in place between the three local authorities clearly setting out what Lambeth Council's responsibilities as lead commissioner will be, what level of input Southwark Council will have in commissioning and managing the services, and how Lambeth will report back to its partners. The agreement should also detail the financial arrangements for transferring the relevant budget to Lambeth Council and how any over-spend or under-spend is dealt with. It will also be essential to include provisions setting out how the arrangement can be terminated and how any associated liabilities will be dealt with.
89. It is proposed that the majority of the currently commissioned substance misuse (drug and alcohol) treatment services and that some of the health promotion services will become the responsibility of the local authority from April 2013. It has also been proposed that a steady-state transition is followed for the first year to minimise the risk of disruption to services.
90. The relevant officers will need to ensure that any procurement processes or contract awards are carried out in line with the Council's constitution and in particular its Contracts Standing Orders or that the relevant approvals are obtained where it is necessary to go outside of these, e.g. due to time constraints. It will also be necessary to consider whether there any unduly onerous obligations, unusual provisions or unacceptable omissions in existing arrangements with service providers that the council is not prepared to agree to for the transition period.

91. It is proposed that children's and young people's services as well as some block contracts and locally enhanced services dealing with substance misuse treatment will initially be commissioned through Southwark CCG. It is essential that an agreement is put in place with Southwark CCG covering the same issues as outlined above in relation to the tri-borough sexual health commissioning agreement. Consideration should also be given now to how block contracts might be disaggregated in the future if the commissioning strategy changes.
92. The council will need to ensure that in all commissioning arrangements it is acting in compliance with the public sector equality duty stemming from the Equality Act 2010 and carries out the appropriate equality analyses when procuring services.
93. The report sets out in paragraph 84 that there will be minimal change to the services which are currently being provided to the community on transition and that the council will engage with and assess the impact of future commissioning arrangements on the community. Carrying out appropriate equality analyses and engaging with the community when procuring services will ensure that the council is acting in compliance with the public sector equality duty. Equality analyses would inform the council of the impact that its decisions will have on the community and specifically on particular groups within the community who may be disproportionately affected. The council would then be able to take steps to lessen such impact, where appropriate
94. As a steady state transition has been proposed, we understand that there should be minimal immediate impact on the community. However, this may change in the future if the commissioning strategy changes.
95. The proposal for a Director of Public Health and specialist public health team, serving both Lambeth and Southwark, but based at Southwark and employed by Southwark Council was approved by Cabinet in July 2012 following legal advice on the same. Whilst it is not intended to repeat generally the advice given, it is important to re-state that an agreement will need to be put in place with Lambeth Council containing appropriate indemnity arrangements to ensure that any liabilities which might initially fall to Southwark as employer are ultimately apportioned between Lambeth and Southwark. The agreement should also contain provisions dealing with possible termination in the future. It is also recommended that indemnity protection be sought from the Department of Health or NHS with regard to liabilities arising from pre-transfer acts in relation to staff transferring into the shared service.

#### **Strategic Director of Finance and Corporate Services (FC/13/101)**

96. This report recommends that the cabinet notes matters pertaining to new public health accountabilities and responsibilities, and also seeks approval for an approach to commissioning various services.
97. The Strategic Director of Finance and Corporate Services notes the funding and resource implications contained within the report. The new public health responsibilities offer the council an opportunity to significantly improve public health by tackling health challenges and reducing health inequalities. However, it is important that the risks of current contracts are quantified and that the total expenditure is managed within the budget being made available of £21.809m.

98. It is noted that officers are continuing to work with colleagues in the PCT, Department of Health and Lambeth Council to finalise indicative expenditure numbers subject to any changes in the proposed specialist team structure following consultation.

#### **Director of Human Resources**

99. Local authorities are set to receive, via a Transfer Scheme, public health functions and NHS employees as part of the overall reorganisation of health services and restructure of the health system (creation of Clinical Commissioning Groups, Public Health England etc). As sender organisations NHS bodies have to operate according to the principles agreed with the NHS trade unions about the treatment of staff during reorganisations. In practice this means local authorities have to abide by some overall national decisions as the people transferring are NHS staff up to the point of transfer.
100. The Department of Health and the LGA have agreed a process for local authorities as receiver organisations to follow whereby joint working groups collaborate on the functions transferring and identify the workforce to be named in the transfer scheme. The Department of Health and the LGA have agreed a process for local authorities as receiver organisations to follow, whereby joint working groups collaborate on the functions transferring and identify the workforce to be named in the transfer scheme. This will be written to ensure the protections offered by the Cabinet Office Statement of Practice (COSOP) January 2000 (Revised November 2007) applies. This will be important for staff as COSOP effectively means that staff will be treated no less favourably than if TUPE applied, in relation to protecting statutory continuity of employment, transferring on current terms and conditions, including any contractual redundancy or severance entitlements. National decisions have also been taken in relation to Pensions enabling transferring staff to remain in the NHS pension scheme.
101. The HR arrangements for both sender and receiver organisations are complex and the NHS and council both have statutory and policy collective and individual consultation and information requirements.
102. The council's priority has been to work with NHS leads to ensure a smooth payroll and pensions transfer as staff will transfer irrespective of the operating model agreed. Due diligence around terms and conditions, employee rights and liabilities is now taking place, including the identification of any 'measures' proposed by the council. Southwark and Lambeth HR are working closely on all aspects of the HR aspects of the transfer.
103. More broadly, staff transfer considerations will include how best to ensure the public health team embeds effectively into the local authority organisations, and that ways of working are harmonised effectively.

**BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
Healthy lives, healthy people	Department of Health	<a href="http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_128120">www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_128120</a>
Public Health Outcomes Framework	Department of Health	<a href="http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_132358">http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_132358</a>
Public Health Factsheets	Department of Health	<a href="http://www.healthandcare.dh.gov.uk/public-health-system/">www.healthandcare.dh.gov.uk/public-health-system/</a>
Southwark Council Cabinet paper, 17 July 2012	Council Offices, 160 Tooley Street, London SE1 2QH	<a href="http://moderngov.southwark.gov.uk/documents/s30448/Report%20Public%20Health%20Shared%20Service%20between%20Lambeth%20and%20Southwark%20Councils.pdf">http://moderngov.southwark.gov.uk/documents/s30448/Report%20Public%20Health%20Shared%20Service%20between%20Lambeth%20and%20Southwark%20Councils.pdf</a>

**APPENDICES**

<b>No.</b>	<b>Title</b>
Appendix 1	Local Authority Commissioning Public Health Responsibilities

**AUDIT TRAIL**

<b>Cabinet Member</b>	Councillor Catherine McDonald, Cabinet Member for Health and Adult Social Care	
<b>Lead Officer</b>	Romi Bowen, Strategic Director of Children's and Adults' Services	
<b>Report Author</b>	Kerry Crichlow, Director Strategy & Commissioning (Children's and Adults' Services) Stephen Gaskell, Head of Strategy and Partnerships	
<b>Version</b>	Final	
<b>Dated</b>	1 February 2013	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Director of Human Resources	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	1 February 2013	

## LOCAL AUTHORITY COMMISSIONING PUBLIC HEALTH RESPONSIBILITIES AS SET OUT IN THE DEPARTMENT OF HEALTH GUIDANCE

### 1. Public health services

1.1. Local authority commissioning public health responsibilities were set out in the Department of Health's *public health: factsheet* in December 2011. These were listed as:

- Comprehensive sexual health services (outside of the GP contract)
- Alcohol and drug misuse services
- Public health services for children and young people aged 5 – 19
- The National Child Measurement Programme
- NHS Health Check assessments
- Interventions to tackle obesity
- Locally-led nutrition initiatives
- Increasing levels of physical activity
- Tobacco control and smoking cessation services
- Behavioural and lifestyle campaigns to prevent cancer and long-term conditions
- Population level interventions to reduce and prevent birth defects
- Local initiatives on workplace health
- Local initiatives to reduce excess deaths as a result of seasonal mortality
- Local initiatives that reduce public health impacts of environmental risks
- Public health aspects of local initiatives to tackle social exclusion
- Public health aspects of promotion of community safety, violence prevention and response
- Accidental injury prevention
- Public mental health services
- Dental public health services
- The local authority role in dealing with health protection incidents, outbreaks and emergencies
- Supporting, reviewing and challenging delivery of key funded and NHS delivered services such as immunisation and screening programmes

1.2. Some of these services will be mandated. The commissioning of any of the other services will be discretionary, guided by the local Joint Strategic Needs Assessment (JSNA), the Joint Health and Wellbeing Strategy (JHWS) and the Public Health Outcomes framework. The local authority is not limited to this list and will be able to commission a wider variety of services under the health improvement duty from the Health and Social Care Act 2012.

1.3. The Department of Health has set out that accountability for public health commissioning of children's health from 5 – 19 will be with the NHS Commissioning Board. However this will later transfer to be a local authority by 2015.

1.4. Within sexual health services, termination of pregnancy services, HIV treatment, and sexual assault referral centres will be the responsibility of the NHS Commissioning Board.

1.5. Mandatory services and activities are to include:

- Sexual Health Services
- Ensuring health protection plans are in place through local resilience forums
- Population healthcare advice to the NHS
- Production of an annual public health report
- National Child Measurement Programme
- NHS Health Check Assessments

- 1.6. Health protection plans will require the co-operation of multiple bodies across the area, but it will be the statutory responsibility of the local authority to lead them and ensure that they are in place. These will include aspects of advice and challenge on screening and immunisation programmes, although the immunisation and screening programmes will be delivered by the NHS Commissioning Board.

**More information at Department of Health Factsheet:**

<http://healthandcare.dh.gov.uk/public-health-system/>



<b>Item No.</b> 17.	<b>Classification:</b> Open	<b>Date:</b> 12 February 2013	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Establishing Southwark's Health and Wellbeing Board as a Committee of the Council	
<b>Ward(s) or groups affected:</b>		All Wards	
<b>Cabinet Member:</b>		Councillor Peter John, Leader of the Council	

### **FOREWORD - COUNCILLOR PETER JOHN, LEADER OF THE COUNCIL**

Since last year Southwark's Shadow Health and Wellbeing Board has been meeting in order to prepare for April 1st 2013, when responsibility for public health will pass to us as the local authority. Drawing its membership from the local Clinical Commissioning Group, the council, Police, Kings Health Partners and the voluntary sector, the Board has sought to determine the public health priorities for Southwark in the years ahead and bring a new shared approach to solving some of the public health problems which are too prevalent in our community.

The potential impact of the changes in responsibility for public health is immense - and from the early work of Southwark's Shadow Health and Wellbeing Board I believe that it will be hugely positive. The partnership working amongst the Board's members is already evident and there is a growing anticipation and impatience for change.

The time has now come to establish Southwark's Health and Wellbeing Board as a committee of the council. The proposals contained in this report represent the shared views and vision of all of the shadow board's membership.

### **RECOMMENDATIONS**

That the cabinet:

1. Agree to recommend that council assembly establishes Southwark's Health and Wellbeing Board as a committee of the council from 1 April 2013 and agrees the membership of the board as set out in paragraph 25.
2. Note that the terms of reference and procedural rules for the board will be agreed at council assembly following the publication of secondary legislation.
3. Agree that the Joint Health and Wellbeing Strategy will be proposed by the Health and Wellbeing Board for approval by cabinet and the NHS Clinical Commissioning Group Governing Body.

### **BACKGROUND INFORMATION**

#### **Health and Social Care Act 2012**

4. Southwark's Health and Wellbeing Board offers the council an opportunity to make a significant contribution to improving the health of the people living and

working in the borough. It is a new kind of partnership involving the council, health services and the wider voluntary and community sector that aims to focus on those things that each of these organisations cannot do alone. The new role for local authorities, as encapsulated in the establishment of Health and Wellbeing Boards, will be to work with the NHS and other key partners to champion improvements in the health and well-being of people in Southwark and reduce health inequalities.

5. The Health and Social Care Act 2012 brought about significant reform of existing health structures. These changes included the transfer of public health accountabilities from the NHS to local authorities, the abolition of Primary Care Trusts (PCTs) and, in the place of PCTs, the establishment of GP-led Clinical Commissioning Groups (CCGs). It also established the creation of patient champion groups HealthWatch in place of Local Involvement Networks (LINKs). These changes are due to be in place by 1 April 2013.
6. As a member of the Department of Health's Early Implementers Network, Southwark committed to establish a shadow Health and Wellbeing Board by April 2012, a year prior to the board gaining statutory powers. In its newly constituted role as a committee of the council from 1 April 2013, the board will be at the core of the council's new role in championing improvements to the health and wellbeing of the local population, and leading the transformation of public health in Southwark. In this work, the fully constituted board will seek to tackle the health inequalities in the borough and build on the work that took place during the shadow year. The changes in the Health and Social Care Act provide an opportunity to deliver improved health outcomes, through closer working relationships between the council, local GPs and the health community,

### **Planning Group and Southwark's Shadow Health and Wellbeing Board**

7. Following the publication of the NHS White Paper in November 2010, the Leader of the council asked the cabinet Member for Health and Adult Social Care to oversee a programme of work to make preparations for the local implementation of the Health and Social Care Act. This included work to establish a shadow Health and Wellbeing Board for Southwark. A planning group was set up to bring together key players from across the borough including statutory members of the board to set out a clear direction for the establishment of a shadow Health and Wellbeing Board for Southwark.
8. The planning group led work to consider the key health and wellbeing challenges in the borough. They also considered what values and core behaviours should be embedded at the heart of the new partnership, how the board would engage with other partners and residents in the course of its work and how it would operate within the partnership architecture and other organisational systems that already exist in Southwark.
9. The planning group agreed a set of terms of reference for the shadow board and also proposed four priorities for them to focus on. These were
  - Prevention and reduction of alcohol-related misuse
  - Coping skills, resilience and mental wellbeing
  - Early intervention and families
  - Healthy weight and exercise.

10. It was also decided through the work of the planning group that the meetings of the shadow board would take place in public, with papers and minutes publically available. This ensured that the board was in line with the fairer future principles of being open and transparent and ensured that all groups and communities could have access to the discussions of the shadow board. The decision for Southwark's shadow board to meet in public has meant that the board is well equipped to transition to being a committee of the council, which will also meet in public.
11. Following the work of the planning group, the cabinet approved the establishment of Southwark's Shadow Health and Wellbeing Board on the 17th April 2012. Through the decision, the non-statutory membership was agreed for a fixed term of one year during the existence of the shadow board. As the board did not hold any executive functions or any decision making powers in its shadow year, the board did not need a formal constitutional framework to be set up.
12. Southwark's Shadow Health and Wellbeing Board met for the first time on 10 July 2012. At its first meeting the board agreed the four priorities which had been proposed by the planning group as areas where the board could work together to make an impact. Each priority area was given a 'champion' on the board and an officer lead to support the work.
13. The shadow board has taken some significant steps towards bringing together the organisations that can have an impact on the health inequalities in Southwark in order to make a difference. Once the board is established as a committee of the council from April 2013, it will have a solid foundation to further build on this work and to continue to develop partnership working.

#### **Establishing the board as a committee of the council**

14. The Health and Social Care Act 2012 provides a basic, common framework for Health and Wellbeing Boards and specifically sets out that that the Health and Wellbeing Board must be established as a local authority committee. The board is to be treated as if appointed under section 102 of the Local Government Act 1972.
15. The government recognised however that Health and Wellbeing Boards are unusual in comparison to normal section 102 committees and is developing a set of technical regulations in this regard. The regulations will be able to disapply, or modify, any legislation relating to a section 102 committee that would otherwise apply to a Health and Wellbeing Board. Key aspects of the legislation being considered relate to political proportionality requirements, voting restrictions, conflicts of interest, appointment of sub-committees, and access to information provisions.
16. The government set out its intentions regarding this in late 2012, though the full regulations, due to come into force on 1 April 2013, were still not available in time to be included in this report. It is however possible to proceed with this decision based on the primary legislation and other information available at the current time. Officers have also sought legal and constitutional advice to supplement the information currently available. The delay in releasing secondary legislation by government has meant that it has not been possible to draft terms of reference and procedural rules for this report. These will be included in the

report to council assembly.

## **KEY ISSUES FOR CONSIDERATION**

### **Health and Wellbeing duties for the local authority**

17. The Health and Social Care Act 2012 states that the Health and Wellbeing Board will have various functions. These include those conferred on it directly, such as the duty to encourage integrated working. It also includes duties conferred jointly on the local authority and its partner Clinical Commissioning Groups (CCGs) but which must be discharged by the board. These joint duties include the preparation and publication of Joint Strategic Needs Assessments (JSNAs) and Joint Health and Wellbeing Strategies (JHWSs).
18. The government produced a consultation paper for the statutory guidance relating to the JSNA and the JHWS in July 2012. At the same point the Department for Health also collated all the Health and Wellbeing duties for the Local Authority, the CCG, the Health and Wellbeing Board, the Local Healthwatch and the NHS Commissioning Board and published them.
19. The Health and Social Care Act 2012 requires the local authority to establish and participate in the Health and Wellbeing Board, and through the board, to:
  - Prepare and publish a Joint Strategic Needs Assessment (“JSNA”) and a Joint Health and Wellbeing Strategy (“JHWS”) to meet the needs identified in the JSNA in relation to the local authority’s area.
  - Involve third parties in preparation of the JSNA and JHWS including the Local Healthwatch and people living or working in the area, having regard to guidance from Secretary of State.
  - Together with each of its partner clinical commissioning groups, to have regard to the JSNA and JHWS in the exercise of any function.
  - When developing the JHWS, consider extent to which needs could be met more effectively by making arrangements under National Health Service Act 2006, to pool health budgets.

### **Governance**

20. This report seeks to clarify the governance of the Health and Wellbeing Board once it is established as a committee of the council from 1 April 2013. The government has recognised that challenges exist for local authorities to set up a Health and Wellbeing Board as a committee of the council and it is expected that they will aim to clarify this in the secondary legislation.
21. The secondary legislation is expected to set out that there will be no prescription regarding political proportionality for Health and Wellbeing Boards. It is therefore proposed that this be reflected in Southwark with no stipulation regarding the political proportionality of the membership of the board. Beyond this the board will follow the current rules relating to committees of the council subject to the secondary legislation from government. The report to council assembly will include the terms of reference and procedural rules for the Health and Wellbeing Board. It has not been possible to include these in this report due to the absence of secondary legislation from government.
22. Beyond the technical governance and constitutional arrangements, there is a

need to set out the way that the board will operate on a practical level. Current indications are that it will be for each Health and Wellbeing Board to determine how their decisions are made. If there is local discretion regarding this, it is proposed that the board collectively decide how decisions are taken. This will be set out in the procedural rules put before council assembly.

### **Membership**

23. Health and Wellbeing Boards must include six statutory members which are:

- at least one councillor, who will be (or be nominated by) the Leader
- the director of adult social services of the local authority
- the director of children's services of the local authority
- the director of public health of the local authority
- a representative of Local HealthWatch
- a representative of the Clinical Commissioning Group.

24. The primary legislation states that beyond the statutory members, the board can also include *(g) such other persons, or representatives of such other persons, as the local authority thinks appropriate*. The board once constituted will have the power to appoint additional members as it sees fit. The local authority may also appoint such additional members as it sees fit (in consultation with the board if an appointment is made after the establishment of the board).

25. The proposed membership of the board is:

- The Leader of Southwark Council
- The Cabinet Member for Health and Adult Social Care
- The Cabinet Member for Children's Services
- The Chief Executive of the Council
- The Strategic Director of Children's and Adults' Services
- The Director of Public Health
- Three representatives from the Clinical Commissioning Group
- A representative of Southwark HealthWatch
- A representative from King's Health Partners
- Southwark Borough Commander, Metropolitan Police Service
- The Chief Executive of Community Action Southwark

26. The membership will be reviewed annually at the Annual Meeting of council assembly from 2014 onwards. This will allow the membership to stay relevant to the work that the board chooses to focus on.

27. All members of the Health and Wellbeing Board are subject to Southwark's Code of Conduct for elected members when acting as a member of the board and will be subject to declarations of disclosable pecuniary interests. As a consequence it is recommended that substitutes should not be permitted at meetings of the board from 1 April 2013.

### **NHS Commissioning Board**

28. The NHS CB is an autonomous non-department public body which operates within the wider health and social care. It assumes its full responsibilities in April 2013, on the dissolution of SHAs and PCTs. The board's overarching role is to

ensure that the NHS delivers better outcomes for patients within its available resources, provide leadership for the NHS, commission services and champion patient and carer involvement.

29. The board will:

- assess, assure and hold CCGs to account for delivering their statutory responsibilities
- commission certain primary services (e.g. dental, pharmaceutical)
- commission specialised services (e.g. specialised cancer, haemophilia)
- commission armed forces and offender health care
- commission certain health services on behalf of Public Health England (e.g. screening and immunisation)

30. The London region of the NHS CB will include one of 10 'enhanced' Area Teams, with an estimated Budget of £4.2bn.

31. In the Health and Social Care Act 2012 it sets out that the Health and Wellbeing Board has a duty to have regard to the NHS CB mandate in developing the JHWS and the JSNA. In light of this the NHS CB must appoint a representative to join the Health and Wellbeing Board for the purpose of participating in its preparation of the JSNA or the JHWS. In addition, If the Health and Wellbeing Board so requests, the NHS CB must appoint a representative to join the Health and Wellbeing Board for the purpose of participating in its consideration of the matter.

32. Given the NHS CB's remit around commissioning health services in Southwark it will be necessary for the board to consider how they engage with the NHS Commissioning Board from 1 April 2013.

### **Joint Health and Wellbeing Strategy**

33. Beyond the duties to prepare and publish the JHWS, there is no clear prescription for how the strategy should be signed off or by whom, which we are interpreting as maximum local discretion. As the strategy will affect the commissioning decisions of a number of organisations represented on the board, it is important that the Health and Wellbeing Board has significant input into the strategy. The board will be a useful forum for board in 'shaping' resource decisions and creating a space for influence over local spending plans.

34. As such it is suggested that the board has the opportunity to support the development of the strategy and recommend the final version to be signed off by cabinet and the CCG Governing Body. Given the importance and wide-reaching nature of the Joint Health and Wellbeing Strategy, it may be also be appropriate to take a report to council assembly on the strategy following the board's recommendation.

### **Executive functions and scrutiny**

35. The Health and Social Care Act 2012 enables the local authority to arrange for any of its functions to be exercised by the board should it so wish. The board will not have the power to perform any of the functions given to the Health Overview and Scrutiny Committee, and it will itself be subject to overview and scrutiny as a committee of the council. In addition members of scrutiny committees should not

be members of the Health and Wellbeing Board as this may create a conflict of interests.

36. It will be for the Leader of the Council under the 'Strong Leader' model to decide, based on the work of the board through its first year of operation, whether any executive functions should be delegated to the board. Until such a decision is taken, the board will operate in accordance within the council's existing decision-making framework and normal council budget setting processes.

### **Administration**

37. Following the establishment of the board as a committee of the council, the organisation and minuting of meetings will be the responsibility of the constitutional team. This will not require any additional resource from the council.
38. In some cases it may be appropriate to establish working groups to support the work of the board. In order that they are able to accurately represent the views of the board at least one board member should be assigned as a 'champion' for each working group. At such meetings, the board 'champion' should attend in order to represent the views of the board. These sub-groups will be resourced by the relevant organisations on the board rather than via the constitutional team.

### **Policy implications**

39. The local authority has a duty to have regard to relevant JSNA and JHWS in the exercise of all functions. Members of the Health and Wellbeing Board representing the local authority will need to take account of this when proposing the JHWS. Officers and members will also need to bear this in mind in their day to day roles.

### **Community impact statement**

40. The health and wellbeing of the community is at the core of the work of the Health and Wellbeing Board.
41. The involvement of communities will be a key part of the work of the Health and Wellbeing Board. The board has acknowledged that the value of including the wider views of individuals and communities will be critical to both understanding and tackling the health and wellbeing issues in Southwark.
42. There are opportunities with the establishment of the Health and Wellbeing Board, for instance, with the greater involvement of GPs in partnership work. One opportunity is the local community knowledge and expertise that GPs will bring in working with the council and other organisations, including public health, to help improve the health and wellbeing of the people of Southwark.
43. In consideration of any future guidance and an understanding of best practice from elsewhere, the council will work with the NHS and other partners in order to ensure that following the establishment of the statutory board in April 2013, that equalities and a respect for human rights are at the heart of the work of the shadow Health and Wellbeing Board, and that those people who have a stake in the health and wellbeing of Southwark have fair access to services and are free from discrimination.

## SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

### Director of Legal Services

44. The cabinet is being asked to recommend to council assembly that a Health and Wellbeing Board for Southwark be established as a committee of the council. This is a statutory duty on the authority set out in the Health and Social Care Act 2012.
45. The board will be made up, as a minimum, of:
  - one local elected representative
  - a representative of the local Healthwatch organisation
  - a representative of each local clinical commissioning group
  - the local authority director for adult social services
  - the local authority director for children's services
  - the director of public health for the local authority
46. The board once constituted will have the power to appoint additional members as it sees fit. The local authority may also appoint such additional members as it sees fit (in consultation with the board if an appointment is made after the establishment of the board).
47. The Leader is being asked to appoint the councillor member or members to the Health and Wellbeing Board for a fixed-term until the Annual Meeting of Council Assembly in 2014, and then on an annual basis for each year after that. Should the Leader wish to he can delegate the selection of councillor members on the board to another Cabinet Member. The Leader can appoint himself to the board should he so wish.
48. A Health and Wellbeing Board is to be a committee of the local authority which established it and, is to be treated as if it were a committee appointed by that authority under section 102 of the Local Government Act 1972. However secondary regulations are due to be produced in January 2013 which are likely to disapply rules relating to proportionality and voting rights and amend rules relating to disqualification from membership.
49. The Health and Social Care Act 2012 requires the local authority to establish and participate in the Health and Wellbeing Board, and through the board, to:
50. Prepare and publish a Joint Strategic Needs Assessment ("JSNA") and a Joint Health and Wellbeing Strategy ("JHWS") to meet the needs identified in the JSNA in relation to the local authority's area.
51. Involve third parties in preparation of the JSNA and JHWS including the Local Healthwatch and people living or working in the area, having regard to guidance from Secretary of State.
52. Together with each of its partner clinical commissioning groups, to have regard to the JSNA and JHWS in the exercise of any function.
53. When developing the JHWS, consider extent to which needs could be met more effectively by making arrangements under National Health Service Act 2006, to pool health budgets.



54. The Health and Social Care Act 2012 requires the board to encourage integrated working, and in particular encourage the use of National Health Service Act 2006 powers to pool health budgets.
55. The Health and Social Care Act 2012 enables the local authority to arrange for any of its functions to be exercised by the board should it so wish.
56. The Health and Social Care Act 2012 enables to board to arrange for health related service providers to work with the board and with each other. It also enables the board to give the local authority an opinion on whether the authority is discharging its duty to have regard to the JSNA and JHWS when exercising its functions.
57. The board will not have the power to perform any of the functions given to the Health Overview and Scrutiny Committee, and it will itself be subject to overview and scrutiny as a committee of the council. In addition it is advised that members of scrutiny committees should not be members of the shadow or statutory Health and Wellbeing Board as their role would be conflicted.
58. All members of the Health and Wellbeing Board are subject to Southwark's Code of Conduct for elected members when acting as a member of the board and will be subject to declarations of disclosable pecuniary interests.

**Strategic Director of Finance and Corporate Services (FC13/005)**

59. The establishment of the Health and Wellbeing Board can be implemented within existing budgets. The ongoing administration and minuting of the board will be undertaken by the constitutional team.
60. As set out in the report, the board will operate in accordance within the council's existing decision-making framework and normal council budget setting processes. A decision to exercise any further local authority functions by the Health and Wellbeing Board would therefore need to be taken by the appropriate decision-making body (e.g. cabinet or council assembly), and a further report would be required for this.

**BACKGROUND DOCUMENTS**

Background Papers	Held At	Contact
Cabinet Report 17 April 2012 - Establishment of a Southwark Health and Wellbeing Board. This document is available at the following web page: <a href="http://modern.gov.southwark.gov.uk/ie/ListDocuments.aspx?CId=302&amp;MId=3822&amp;Ver=4">http://modern.gov.southwark.gov.uk/ie/ListDocuments.aspx?CId=302&amp;MId=3822&amp;Ver=4</a>	Corporate Strategy, Chief Executive's Department, 160 Tooley Street, London SE1 2QH	James Postgate, Principal Strategy Officer 020 7525 7627
Minutes of the Shadow Health and Wellbeing Board meetings. Available via this web link: <a href="http://www.southwark.gov.uk/downloads/download/3111/shadow_health_and_wellbeing_board">http://www.southwark.gov.uk/downloads/download/3111/shadow_health_and_wellbeing_board</a>	Corporate Strategy, Chief Executive's Department, 160 Tooley Street, London SE1 2QH	Will Palmer, Senior Strategy Officer 020 7525 0698

**APPENDICES**

No.	Title
None	

**AUDIT TRAIL**

<b>Cabinet Member</b>	Councillor Peter John, Leader of the Council	
<b>Lead Officer</b>	Eleanor Kelly, Chief Executive	
<b>Report Author</b>	Will Palmer, Senior Strategy Officer	
<b>Version</b>	Final	
<b>Dated</b>	31 January 2013	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	31 January 2013	

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