

# Council Assembly

## Budget and Council Tax Setting meeting

Wednesday 26 February 2020

7.00 pm

Council Offices, 160 Tooley Street, London SE1 2Q

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

Eleanor Kelly  
Chief Executive

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### INFORMATION FOR MEMBERS OF THE PUBLIC

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#### **Contact**

Virginia Wynn-Jones, Andrew Weir on 020 7525 7055 or 020 7525 7222 or email: [virginia.wynn-jones@southwark.gov.uk](mailto:virginia.wynn-jones@southwark.gov.uk); [andrew.weir@southwark.gov.uk](mailto:andrew.weir@southwark.gov.uk); [constitutional.team@southwark.gov.uk](mailto:constitutional.team@southwark.gov.uk)

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Date: 14 February 2020



# Council Assembly

## Budget and Council Tax Setting meeting

Wednesday 26 February 2020  
7.00 pm  
Council Offices, 160 Tooley Street, London SE1 2QH

### Order of Business

Item No.	Title	Page No.
	<b>PART A - OPEN BUSINESS</b>	
<b>1.</b>	<b>PRELIMINARY BUSINESS</b>	
<b>1.1.</b>	<b>ANNOUNCEMENTS FROM THE MAYOR, MEMBERS OF THE CABINET OR CHIEF EXECUTIVE</b>	
	To receive any announcements from the Mayor, members of the cabinet or the chief executive.	
<b>1.2.</b>	<b>NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE MAYOR DEEMS URGENT</b>	
	In special circumstances an item of business may be added to an agenda within seven working days of the meeting.	
<b>1.3.</b>	<b>DISCLOSURE OF INTERESTS AND DISPENSATIONS</b>	
	Members to declare any interests and dispensations in respect of any item of business to be considered at this meeting.	
<b>1.4.</b>	<b>APOLOGIES FOR ABSENCE</b>	
	To receive any apologies for absence.	
<b>1.5.</b>	<b>MINUTES</b>	1 - 17
	To approve as a correct record the open minutes of the council assembly meeting held on 28 January 2020.	

**2. REPORT(S) FOR DECISION FROM THE CABINET**

**2.1. POLICY AND RESOURCES STRATEGY 2020-21 - REVENUE BUDGET**

To follow

**2.2. CAPITAL STRATEGY AND TREASURY MANAGEMENT STRATEGY 2020-21** 18 - 46

**2.3. SETTING THE COUNCIL TAX 2020-21**

To follow

**3. OTHER REPORTS**

**3.1. CONSTITUTIONAL CHANGES 2019/20: CONTRACT STANDING ORDERS, FINANCIAL STANDING ORDERS, MEMBER AND OFFICER PROTOCOL** 47 - 97

**4. AMENDMENTS**

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

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

**EXCLUSION MOTION (IF NECESSARY)**

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

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

**PART B – CLOSED BUSINESS**

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



## Council Assembly Ordinary Meeting

MINUTES of the Council Assembly (Ordinary Meeting) held on Tuesday 28 January 2020 at 7.00 pm at Council Offices, 160 Tooley Street, London SE1 2QH

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### PRESENT:

The Deputy Mayor for 2019-20, Councillor Barrie Hargrove

Councillor Evelyn Akoto	Councillor Alice Macdonald
Councillor Anood Al-Samerai	Councillor Eliza Mann
Councillor Humaira Ali	Councillor James McAsh
Councillor Jasmine Ali	Councillor Hamish McCallum
Councillor Peter Babudu	Councillor Darren Merrill
Councillor Maggie Browning	Councillor Victoria Mills
Councillor Jack Buck	Councillor Adele Morris
Councillor Radha Burgess	Councillor Graham Neale
Councillor Victor Chamberlain	Councillor Margy Newens
Councillor Sunil Chopra	Councillor David Noakes
Councillor James Coldwell	Councillor Damian O'Brien
Councillor Stephanie Cryan	Councillor Jason Ochere
Councillor Dora Dixon-Fyle MBE	Councillor Victoria Olisa
Councillor Nick Dolezal	Councillor Leo Pollak
Councillor Karl Eastham	Councillor Catherine Rose
Councillor Gavin Edwards	Councillor Jane Salmon
Councillor Tom Flynn	Councillor Martin Seaton
Councillor Renata Hamvas	Councillor Andy Simmons
Councillor Barrie Hargrove	Councillor Johnson Situ
Councillor Jon Hartley	Councillor Michael Situ
Councillor William Hougbo	Councillor Charlie Smith
Councillor Peter John OBE	Councillor Cleo Soanes
Councillor Eleanor Kerlake	Councillor Leanne Werner
Councillor Sarah King	Councillor Dan Whitehead
Councillor Lorraine Lauder MBE	Councillor Kath Whittam
Councillor Richard Leeming	Councillor Bill Williams
Councillor Maria Linforth-Hall	Councillor Kieron Williams
Councillor Richard Livingstone	Councillor Ian Wingfield
Councillor Rebecca Lury	

## 1. PRELIMINARY BUSINESS

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

As Madam Mayor Councillor Sandra Rhule was unwell, Deputy Mayor Councillor Barrie Hargrove was in the chair.

The Deputy Mayor expressed his condolences on the passing of Gerry Bowden, ex-MP for Dulwich.

Councillor Ian Wingfield spoke on Mr Bowden's life.

The Deputy Mayor expressed his condolences on the passing of Les Alden MBE, a past Councillor for Southwark and a Freeman of the Borough.

Councillors Peter John and Anood Al-Samerai spoke on Mr Alden's life.

The Deputy Mayor offered his congratulations to Councillors Sarah King and Jon Hartley on their civil partnership; one of the first different sex civil partnerships in the country, and thanked Southwark Registrars for officiating.

Councillor Jasmine Ali, cabinet member for children, schools and adult care, announced Southwark Council's commitment to children's and adolescents' mental health with the Open Access programme.

Councillor Johnson Situ, cabinet member for growth, development and planning, announced an additional fund for support for the traders from Elephant and Castle shopping centre during its redevelopment.

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

At this juncture the meeting agreed the programme motion.

#### RESOLVED:

The timings for the evening will be as follows:

Time	Business
19:00 - 19:10	<b>1. Preliminary business and announcements</b>
19:10 - 20:10  (20 minutes)	<b>Themed debate</b> <b>3.1 Community Evidence</b> <ul style="list-style-type: none"> <li>• Marc Mora, Robes Project</li> <li>• Simone Strachan, Shelter UK</li> <li>• Rhiannon Hughes, Southwark Group of Tenant Organisations</li> </ul>

(7 minutes)	<b>3.2 Motion on the Theme</b> 1. Councillors Leo Pollak, Cabinet Member for Social Regeneration, Great Estates and New Council Homes, and Kieron Williams, Cabinet Member for Housing Management and Modernisation 2. Councillor Hamish McCallum, opposition spokesperson, to speak on the motion and move Amendment A 3. Themed debate open to all other councillors 4. Cabinet member's right of reply to the debate
(5 minutes)	
(25 minutes)	
(3 minutes)	
<b>20:10 - 20:40</b>	<b>4. Deputation requests</b> <ul style="list-style-type: none"> <li>• Elephant and Castle Traders</li> <li>• Southwark Borough of Sanctuary</li> </ul>
<b>20:40 – 21:15</b> (5 minutes) (15 minutes) (15 minutes)	<b>5.1 Members' Question Time</b> <ul style="list-style-type: none"> <li>• Late questions</li> <li>• Members' questions to the leader</li> <li>• Members' questions to the cabinet</li> </ul>
<b>21:15 - 22:00</b>	<b>5.2 Motions</b>
	Motion 1 – Making Southwark a Borough of Sanctuary
	Motion 2 – EU Citizens
	Motion 5 – High-stakes testing in primary schools
	Motion 4 – Safe meeting spaces
	Motion 3 – A fully funded, proper pay rise for council and school workers
	Motion 6 – Showing photographic ID in order to vote
	Motion 7 – Power for people: supporting the Local Electricity Bill
<b>22:00*</b>	<b>6. Reports</b>
	6.1 Empowering Communities Programme – Devolved Budget Decisions and Communications Protocols

\* subject to the guillotine rule; maximum 15 minutes debate per item.

**Note:** Any time left remaining on any item will be rolled into the next items.

That the meeting be conducted as follows:

### **Item 3 - Themed debate**

#### **Community Evidence Submissions**

To receive submissions from the groups listed in the themed section of the agenda:

- Marc Mora, Robes Project
- Simone Strachan, Shelter UK
- Rhiannon Hughes, Southwark Group of Tenant Organisations

### **Format**

A five minute presentation from the group, followed by a question from the group to the relevant cabinet member.

### **Themed debate**

To run as listed in the timings above.

### **Item 4 - Deputations**

Meeting to agree to hear deputations from:

- Elephant and Castle Traders
- Southwark Borough of Sanctuary

### **Item 5.2 General motions:**

Each motion to have a single debate, subject to the guillotine.

That the motions be heard in the order listed in the programme motion above.

That the seconder for Motion 1 be Councillor Michael Situ instead of Councillor Sirajul Islam.

## **1.3 DISCLOSURE OF INTERESTS AND DISPENSATIONS**

Councillor David Noakes declared a pecuniary interest in Motion 3 – A fully funded, proper pay rise for council and school workers, as he is a council worker.

Councillor Victoria Olisa declared a pecuniary interest in Motion 3 – A fully funded, proper pay rise for council and school workers, as she is a council worker.

Councillor Gavin Edwards declared a pecuniary interest in Motion 3 – A fully funded, proper pay rise for council and school workers, as he works for Unison.

Councillor Vicky Mills declared a pecuniary interest in Motion 3 – A fully funded, proper pay rise for council and school workers, as her husband works for Unison.

All the above members left the room during this item.

## **1.4 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Helen Dennis, on maternity leave, Paul Fleming, Sirajul Islam, Nick Johnson, Sunny Lambe and Sandra Rhule.

Apologies for lateness were received from Councillors Gavin Edwards and Andy Simmons.

## **1.5 MINUTES**

The minutes of the council assembly meeting held on 17 July 2019 were agreed as a correct record.

## **2. ISSUES RAISED BY THE PUBLIC**

### **2.1 PETITIONS**

There were no petitions.

### **2.2 PUBLIC QUESTION TIME**

There were no public questions.

## **3. THEMED DEBATE**

### **3.1 COMMUNITY EVIDENCE**

The meeting received submissions from the following:

#### **Marc Mora, Robes Project**

He spoke to the meeting for five minutes.

#### **Nic Brown, Shelter UK**

He spoke to the meeting for five minutes.

#### **Southwark Group of Tenant Organisations**

They spoke to the meeting for five minutes. They had a question for the relevant cabinet member. Councillor Kieron Williams, cabinet member for housing management and modernisation and Councillor Jasmine Ali, cabinet member for children, schools and adult care responded to the community evidence.

### **3.2 MOTION ON THE THEME: HOMELESSNESS AND HOUSING NEEDS**

The cabinet member for social regeneration, great estates and new council homes, Councillor Leo Pollak, and the cabinet member for housing management and modernisation, Councillor Kieron Williams, presented the motion on the themed debate.



Councillor Hamish McCallum, the majority opposition group spokesperson, responded to the cabinet member's motion and proposed Amendment A.

Following debate (Councillors Stephanie Cryan, Anood Al-Samerai, Margy Newens, Maria Linforth-Hall, Peter Babudu, William Hougbo, Bill Williams, Jane Salmon and Jack Buck), the cabinet member for housing management and modernisation, Councillor Kieron Williams, responded to the debate.

Amendment A was put to the vote and declared to be Lost.

The motion was put to the vote and declared to be Carried.

**RESOLVED:**

1. Council assembly notes that our country, city and borough are facing a housing crisis:
  - a. Nationally over 280,000 people are homeless, with rough sleeping up 165% in the last decade.
  - b. London has been hit hardest, with over 170,000 people homeless including over 8,800 who are sleeping rough.
  - c. In Southwark 1 in 47 people are homeless, with 11,000 people on our waiting list for a council home.
  - d. Our broken housing market means the private sector is now unaffordable to an increasing number of Southwark residents, with the average rent for a two bedroom flat now being £24,000 a year to rent and the average asking price for a home being over £900,000.
  - e. Southwark's housing crisis means far too many people in our borough are facing either overcrowding, homelessness, housing insecurity, poverty, health issues and wealth inequalities because of their housing situation.
  
2. Council assembly further notes that this housing crisis has been exacerbated by successive Conservative and Liberal Democrat coalition governments, including by:
  - a. Undermining action to deliver more council homes by cutting the affordable housing grant, hiking up the cost of borrowing for councils making it more expensive to build new council homes and increasing the Right to Buy discount so that over 1300 council homes have been lost through Right to Buy in Southwark since 2012.
  - b. Slashing and then freezing the Local Housing Allowance (LHA) and imposing the Bedroom Tax, benefit cap and a five week wait for Universal Credit, leaving a growing number of households with no way of paying all or part of their rent.
  - c. Enforcing a hostile environment that has left a growing number of people with no access to public funds including no access to most homelessness and rough sleepers' support.
  
3. Council assembly notes that the previous Liberal Democrat-led administration in Southwark contributed to the scale of the housing crisis, by:
  - a. Abolishing Southwark's housing department, and leaving a £600m hole in the finances.
  - b. Failing to maintain standards in Southwark's housing stock, meaning that

- when Labour took over the council, only around half of council homes met the decent homes standard.
- c. Putting off decisions on the investment needed in Southwark's estates when the funding environment was much better.
  - d. Never committing to building a single council home since.
4. Council assembly notes the radical action Southwark Labour is already taking to address the housing crisis locally, by:
- a. Delivering the most ambitious council house-building programme in the country, building 11,000 new council homes by 2043 or earlier, with a pipeline already established across over 150 sites delivering over 5000 council homes across the borough.
  - b. Resetting the policy framework for the future of our council estates through the Great Estates programme to Expand and Enrich our estates, with any redevelopment requiring a net increase in council homes, keeping communities together, and estate improvement plans that provide an uplift in everyone's living environment.
  - c. Tackling rough sleeping, with the number of people sleeping rough in Southwark now believed to be under 30, a reduction from 47 in 2018.
  - d. Investing in award winning homelessness prevention services, with the highest rate of homelessness prevention in London and the second highest rate in England, and ending the use of 'Bed and Breakfast' accommodation for families in temporary accommodation.
  - e. Taking extensive action to tackle empty properties, including contacting every private owner of an empty home in Southwark to offer them help and grants to rent out their home, supporting 500 landlords do so since 2011, as well as charging 200% council tax on empty homes.
  - f. Leading the debate nationally to reform our broken housing economy, with campaigns to raise the LHA rate, boost affordable housing investment, suspend or mitigate the impact of Right to Buy and reform the land compensation code.
5. Council assembly calls on cabinet to:
- a. Use every tool and lever available to meet the entire housing need of the borough, including building new land capacity and resource partnerships that increase the supply of genuinely affordable homes, especially social rent council homes.
  - b. Develop a refreshed housing strategy that sets out how the council and housing providers can work together to deliver genuinely secure, high quality, affordable and sustainable homes for all Southwark residents.
  - c. To build on the council's success in Ending the use of 'Bed and Breakfast' accommodation for families in temporary accommodation and to now go further and end the use of nightly paid for every but very short term emergency use.
  - d. Work with the Labour Mayor of London to:
    - i. Secure more investment in the genuinely affordable homes Londoners need, with the first priority being council homes, including building the case for funding that matches construction costs, and
    - ii. Promote the London Model of Tenure reform in the private rented sector, including creating open-ended tenancies, scrapping break clauses, and removing section 21 'no fault' evictions, and to build the case for fair

- limitation on rent rises.
- e. Lobby the Government to raise the Local Housing Allowance so it pays that actual cost of rent a home in our borough, scrap the bedroom tax, and create a social security system that guarantees on-time payments and an end to poverty.
  - f. Continue to work with Shelter, Helen Hayes MP and other land reform activists on our Affordable Land for Affordable Housing campaign, to reform the land compensation code to better meet the housing needs of Southwark residents.
  - g. Continue to lobby for the suspension of the Right to Buy, or otherwise for 'half-way' powers that mitigate its impact, including covenants requirement leaseholders to sub-let at social rents, and one in/out caps on Right to Buy applications based on social homes completed.

#### **4. DEPUTATIONS**

As part of the programme motion the meeting agreed to hear deputations from:

##### **Elephant and Castle Traders**

The group's representative spoke to the meeting for five minutes and thereafter asked a question of Councillor Johnson Situ, the cabinet member for growth, development and planning

Councillors Darren Merrill and Maria Linforth-Hall asked questions of the deputation.

##### **Southwark Borough of Sanctuary**

The group's representatives spoke to the meeting for five minutes and thereafter asked a question of Councillor Rebecca Lury, the deputy leader and cabinet member for culture, leisure, equalities and communities.

Councillor Humaira Ali asked a question of the deputation.

#### **5. ISSUES RAISED BY MEMBERS**

##### **5.1 MEMBERS' QUESTION TIME**

There was one late question to the leader from Councillor Anood Al-Samerai, the written response to which was circulated at the meeting. There were two supplemental questions.

There were 29 members' questions, the written responses to which were circulated at the meeting. There were 13 supplemental questions.

##### **5.2 MEMBERS' MOTIONS**

###### **MOTION 1 – MAKING SOUTHWARK A BOROUGH OF SANCTUARY**

This motion was considered prior to the guillotine having fallen.

Councillor Dora Dixon-Fyle, seconded by Councillor Michael Situ, moved the motion.

Following debate (Councillors David Noakes, Maggie Browning, Evelyn Akoto, Humaira Ali and Vicky Mills), the motion was put to the vote and declared to be carried.

**Note:** This motion will be referred as a recommendation to the cabinet for consideration.

**RESOLVED:**

1. Council assembly notes:
  - a. The Conservative government's "Hostile Environment" policies which have deliberately made it harder for refugees, asylum seekers, and those who cannot prove their right to remain in the UK.
  - b. The "Solidarity with the Windrush Generation" passed by council assembly in November 2018, which condemned the government's "Hostile Environment" policies.
  - c. That the council currently supports over 280 vulnerable households who have No Recourse to Public Funds due to their immigration status.
  - d. That the council receives no funding from government to support these households.
  - e. That four families have been resettled in the borough through the council's refugee resettlement programme, and that one family has been resettled by the Peckham Sponsors Refugees Community Sponsorship Scheme.
  - f. That aside from a Home Office owned hostel which accommodates some asylum seekers for "initial assessment", the Government does not place many asylum seekers in Southwark, as is consistent with their policy of "dispersal" of asylum seekers to areas of the UK which has cheaper accommodation.
  - g. The work that Southwark Council has already been doing to highlight to the government the impact of underfunding immigration system, meaning applications are subject to long delays, the impact of being excluded from fully participating in society for people granted leave to remain in the UK but who have No Recourse to Public Funds and the impact of the unjustifiably high and unreasonable fees for immigration applications.
  
2. Council assembly believes:
  - a. That Southwark should be a place that welcomes those from around the world.
  - b. That Southwark values the enormous contributions that refugees and migrants have made, and continue to make to Southwark.
  - c. That declaring Southwark to be a "Borough of Sanctuary" would reaffirm Southwark's commitment to Southwark's refugee and migrant communities.
  
3. Council assembly resolves to call on cabinet to:
  - a. Declare Southwark to be a "Borough of Sanctuary"
  - b. Work with community groups to harness public support to help and support refugee, migrant and asylum seekers in Southwark.
  - c. Continue to celebrate the contribution of refugee and migrant communities to Southwark.
  - d. Continue to work with organisations in the borough who support refugees and asylum seekers in the borough.
  - e. Challenge anti-refugee and anti-migrant attitudes wherever they are found.

- f. Lobby the government to reform No Recourse to Public Funds so that people are no longer blocked from fully participating in society for years while they wait for their status to be resolved.

## **MOTION 2 – EU CITIZENS**

This motion was considered prior to the guillotine having fallen.

Councillor Anood Al-Samerai, seconded by Councillor David Noakes, moved the motion.

Following debate (Councillor Vicky Mills), the motion was put to the vote and declared to be carried.

**Note:** This motion will be referred as a recommendation to the cabinet for consideration.

### **RESOLVED:**

1. Council assembly notes that:
  - a. EU nationals from the other 27 EU member states are part of our shared communities alongside UK citizens. They are our husbands, wives, partners, parents, friends, neighbours and colleagues. They are an integral part of a vibrant and thriving Southwark community
  - b. Since 2016 EU nationals have been promised again and again that "there will be no change for EU citizens already lawfully resident in the UK and [...] will be treated no less favourably as they are at present".
2. Council assembly further notes that:
  - a. According to the Home Office's July statistics, only a third of EU nationals have applied for the Settled Status and 42% of them have been granted the inferior Pre-Settled status leading them to reapply for the Full Settled status later on.
  - b. There is no possibility of knowing how many EU nationals need to apply, leaving vulnerable and unaware EU nationals left at risk of becoming unlawful residents the mercy of the Home Office's "Hostile Environment".
  - c. Lack of clarity regarding differentiating between EU citizens arriving before and after the UK's exit from the EU could lead to discrimination in the labour market and may prevent many from accessing the services to which they are entitled.
3. Council assembly asserts that:
  - a. After three years of living in limbo, EU nationals' homes and livelihoods are in danger of being threatened by the further uncertainty brought about by the outcome of the General Election in December 2019.
  - b. Another Windrush-like scandal could be unfolding right before the eyes of this Council and we must not be passive observers to it.
4. Council assembly therefore calls on cabinet to direct:
  - a. Officers to report to cabinet within 3 months with action plans for how the council will mitigate adverse impacts on the rights of EU nationals post-Brexit (including but not limited to advising on what the council can do to help landlords and employers to be better informed about immigration status and therefore avoid potential discrimination against EU nationals)

- b. The chief executive of the council to write to EU citizens resident in Southwark giving advice on how the council can help them with applying for Settled Status. This notice shall inform EU citizens of any potential consequences of not applying for the EU Settlement scheme. This includes asking EU citizens to contact the council for further support if they did not achieve Full Settled Status.
- c. The leader of the council to write to the Home Secretary seeking clarification and suggesting improvements for the European Settlement scheme, which include:
  - i) Confirming that there will be no reduction in the rights of Settled Status EU citizens from what they currently have and committing to ratifying this as primary legislation before the exit day;
  - ii) Confirming what support is to be provided to EU Citizens who did not achieve Full Settled Status and over what timescales;
  - iii) Providing a means for EU Citizens to rapidly and without charge obtain physical proof of Settled Status that can be used to access services if required with the option to apply for full British citizenship waiving the fees involved;
  - iv) Providing EU citizens the right to full participation in civic life, including the ability to stand for office and vote in UK referendums, European elections from within the UK and UK general elections as well as local elections.
  - v) Replacing the current European Settlement scheme with a better free registration scheme without a deadline where EU citizens living in the UK for 5 years or more are considered lawful by default.

### **MOTION 3 – A FULLY FUNDED, PROPER PAY RISE FOR COUNCIL AND SCHOOL WORKERS**

Councillors David Noakes, Victoria Olisa, Gavin Edwards and Vicky Mills, having declared a pecuniary interest in this motion, left the room and did not vote on this motion.

The guillotine having fallen, the motion was put to the vote and declared to be carried.

**Note:** This motion will be referred as a recommendation to the cabinet for consideration.

#### **RESOLVED:**

1. Council assembly notes:
  - a. Government has endured central government funding cuts of nearly 50% since 2010.
  - b. Between 2010 and 2020, councils will have lost 60p out of every £1 they have received from central government.
  - c. The 2019 LGA survey of council finances found that one in three councils fear they will run out of funding to provide even their statutory, legal duties by 2022/23. This number rises to almost two thirds of councils by 2024/25 or later.
  - d. The Local Government Association estimates councils will face a funding gap of £8 billion by 2025.
  - e. Faced with these cuts from central government, the local government workforce has endured years of pay restraint with the majority of pay points losing 22 per cent of their value since 2009/10.

- f. At the same time as seeing their pay go down in real terms, workers experience ever increasing workloads and persistent job insecurity. Across the UK, an estimated 876,000 jobs have been lost in local government since June 2010 – a reduction of 30 per cent. Local government has arguably been hit by more severe job losses than any other part of the public sector.
  - g. There has been a disproportionate impact on women, with women making up more than three quarters of the local government workforce.
2. Council assembly believes:
    - a. Our workers are public service heroes. They keep our communities clean, care for those in need, and keep our towns and cities running.
    - b. Without the professionalism and dedication of our staff, the council services our residents rely on would not be deliverable.
    - c. Government funding has been cut to the extent that a proper pay rise could result in a reduction in local government services.
    - d. The government needs to take responsibility and fully fund increases in pay; it should not put the burden on local authorities whose funding been cut to the bone.
  3. Council assembly resolves to call on cabinet to:
    - a. Support the pay claim submitted by Unite, GMB and UNISON on behalf of council and school workers for a £10 per hour minimum wage and a 10% uplift across all other pay points in 2020/21 and for this to be fully funded by central government.
    - b. Call on the Local Government Association to make urgent representations to central government to fund the National Joint Council (NJC) pay claim.
    - c. Write to the Chancellor and Secretary of State to call for a pay increase for local government workers to be funded with new money from central government.
    - d. Meet with local NJC union representatives to convey support for the pay claim.

#### **MOTION 4 – SAFE MEETING SPACES**

The guillotine having fallen, Amendment B was put to the vote and declared to be carried.

The motion was put to the vote and declared to be carried.

**Note:** This motion will be referred as a recommendation to the cabinet for consideration.

#### **RESOLVED:**

1. Council assembly notes that:
  - a. Police officers and community support officers often need to meet and speak to members of the public in Southwark to hear their concerns, gather information and build links with the community;
  - b. These meetings are informal, and are usually arranged at a time convenient to both the police and the member(s) of the public involved, and aim to provide a safe space where people can speak freely about their concerns.
2. Council assembly further notes that:

- a. Local neighbourhood police teams currently use a variety of spaces to meet members of the public within their areas. These include businesses, libraries and community venues, and are advertised on social media and through local police panels. More confidential one to one meetings are also arranged at a range of suitable locations with the date and time agreed with the community members.
  - b. The council is currently working to ensure that the ways in which the police and the public interact is tailored to meet the needs of the community, and recognises the need for sensitivity, given that members of the public can be concerned about inviting the police into their homes, being seen to enter a police station, or being seen speaking to police officers near to where they live.
3. Council assembly therefore calls on cabinet to:
- a. Direct officers to continue to work with the police and other partners to offer a range of spaces which local people and policing teams can use to meet to discuss a range of issues that concern them the most, recognising that these arrangements will need to be flexible and tailored to local areas and include faith establishments, youth centres, and tenants and residents' association halls.
  - b. Work with partners to establish more permanent community contact points for police to ensure a long term solution to the issue.
  - c. Work with the police and other partners to ensure that communication of these community contact points is robust.

#### **MOTION 5 – HIGH STAKES TESTING IN PRIMARY SCHOOLS**

The guillotine having fallen, the motion was put to the vote and declared to be carried.

**Note:** This motion will be referred as a recommendation to the cabinet for consideration.

#### **RESOLVED:**

1. Council assembly welcomes the commitment of the Labour Party and the Liberal Democrats to abolish statutory assessment tests (SATs) and other high-stakes testing in primary schools.
2. Council assembly notes that:
  - a. Statutory testing in primary schools has increased since 2010 and is increasing further: by 2020, children will be tested in Reception (the Baseline Assessment), Year 1 (the Phonics Screening Check), Year 2 (SATs), Year 4 (the Multiplication Tables Check) and Year 6 (SATs).
  - b. The pressures of testing in primary schools have a detrimental effect on children's mental health.
  - c. Tests are focussed on the requirements of school accountability rather than on support for children's learning.
  - d. Educational research has demonstrated repeatedly that teaching to the test narrows the curriculum and the educational experience of children, focussing on labelling not learning.
  - e. The pressures of statutory assessment contribute to the crisis of teacher morale, workload, recruitment and retention.



3. Council assembly believes:
  - a. That campaigning, by those who work in primary schools, parents, guardians and academics, to end the current high-stakes system of primary assessment should be welcomed, in particular the More Than A Score campaign.
4. Council assembly resolves to call on cabinet to:
  - a. To express its support for campaigns against the current system of primary assessment, including those organised by teacher unions and More Than A Score.
  - b. To call a meeting of trade unions, parents, guardians and school governors to discuss the council's position on these matters and to coordinate a response.
  - c. To lobby the Secretary of State for Education to listen to the growing number of voices who are calling for the abolition of high-stakes testing in primary schools.
  - d. To offer support to schools within the area which adopt an alternative approach to assessment (for example by taking the More Than A Score pledge).

#### **MOTION 6 – SHOWING PHOTOGRAPHIC ID IN ORDER TO VOTE**

The guillotine having fallen, the motion was put to the vote and declared to be carried.

**Note:** This motion will be referred as a recommendation to the cabinet for consideration.

#### **RESOLVED:**

1. Council assembly notes that:
  - a. In the December 2019 Queen's Speech the government committed to require voters in elections in England to show photographic ID in order to be able to vote;
  - b. This is being proposed to prevent people pretending to be someone else in order to vote fraudulently in an election, an offence known as "personation".
2. Council assembly also notes that:
  - a. Personation is extremely rare in the UK: of the 44.4 million votes cast in 2017, only 28 allegations of personation were made, of which only one resulted in a conviction. This is equal to 0.000063% of votes<sup>1</sup>;
  - b. Prior to the 2018 pilots, a major coalition of over 40 leading civil society groups, charities and academics joined came together to oppose mandatory ID plans – including Electoral Reform Society, Age UK, Stonewall, Liberty, The Salvation Army, Migrants' Rights Network, the British Youth Council and the Race Equality Foundation<sup>2</sup>;
  - c. Compulsory voter ID was piloted across a range of boroughs in local elections on 2018 and 2019. Across all ten trial areas in 2019, 1,968 people were turned

<sup>1</sup> <https://www.electoral-reform.org.uk/latest-news-and-research/parliamentary-briefings/the-2019-voter-id-pilots/>

<sup>2</sup> <https://www.electoral-reform.org.uk/latest-news-and-research/media-centre/press-releases/unprecedented-coalition-of-charities-and-civil-society-demand-rethink-on-dangerous-voter-id-trials/>

- away for not having the correct ID. Of those people, 740 did not return to vote;
- d. This means that around four times as many people were blocked from voting in the 2019 than there have been allegations of personation between 2010 and 2017 in the UK<sup>3</sup>.
  - e. These proposals run the risk of disenfranchising millions of people without photo ID, who are already more likely to come from groups who are marginalised within our society. Research into the impact of compulsory voter ID laws in the United States suggests that they can disproportionately prevent older people, and those from Black and Minority Ethnic backgrounds, from voting<sup>4</sup>;
  - f. Research by the Cabinet Office following the 2018 voter ID pilots showed that implementing mandatory voter ID across Great Britain could cost up to £20m per general election<sup>5</sup>.
  - g. Research by the Electoral Commission published in September 2019 found that 17% of potential voters (up to 9.4 million people) are not correctly registered to vote at their current address<sup>6</sup>.
3. Council assembly asserts:
    - a. The policy of requiring voters in elections in England to show photographic ID in order to be able to vote presents a significant risk to democratic access and equality, and risks undermining the principles of fair and equal participation that have been at the heart of British democracy since the adoption of universal, equal suffrage in 1928;
    - b. Public funds would be better spent on ensuring that people are correctly registered to vote rather than on preventing legitimate voters from exercising their democratic right;
    - c. Southwark Council will not be party to the mass disenfranchisement of voters proposed by this unfair and discriminatory policy.
  4. Council assembly therefore calls upon cabinet to:
    - a. Write to ministers expressing in the strongest possible terms Southwark Council's concerns about this policy and its implications for voters in our borough;
    - b. Once the legal provisions for this policy have been enacted, direct officers to seek external expert legal advice on the avenues open to the council and its officers to mitigate the impact on Southwark residents;
    - c. To work with the Acting Returning Officer and his or her team, in the light of the expert legal advice, to implement the requirement to present photographic ID in order to vote in Southwark in as light-touch a manner as is legally permissible.

## **MOTION 7 – POWER FOR PEOPLE: SUPPORTING THE LOCAL ELECTRICITY BILL**

<sup>3</sup> [https://fullfact.org/crime/voter-id-scheme/?utm\\_source=content\\_page&utm\\_medium=related\\_content](https://fullfact.org/crime/voter-id-scheme/?utm_source=content_page&utm_medium=related_content)

<sup>4</sup> <https://fivethirtyeight.com/features/what-we-know-about-voter-id-laws/>

<sup>5</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/733128/Electoral\\_Integrity\\_Project\\_-\\_Local\\_Elections\\_2018\\_-\\_Evaluation.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733128/Electoral_Integrity_Project_-_Local_Elections_2018_-_Evaluation.pdf)

<sup>6</sup> <https://www.electoralcommission.org.uk/major-study-electoral-registers-great-britain-shows-changes-are-needed-help-millions-people-ensure>

The guillotine having fallen, the motion was put to the vote and declared to be carried.

**Note:** This motion will be referred as a recommendation to the cabinet for consideration.

**RESOLVED:**

1. Council assembly acknowledges the efforts that this council has made to reduce greenhouse gas emissions and promote renewable energy.
2. Council assembly recognises:
  - a. That councils can play a central role in creating sustainable communities, particularly through the provision of locally generated renewable electricity;
  - b. That very large financial setup and running costs involved in selling locally generated renewable electricity to local customers result in it being impossible for local renewable electricity generators to do so;
  - c. That making these financial costs proportionate to the scale of a renewable electricity supplier's operation would create significant opportunities for councils to be providers of locally generated renewable electricity directly to local people, businesses and organisations;
  - d. That revenues received by councils that became local renewable electricity providers could be used to help fund local greenhouse gas emissions reduction measures and to help improve local services and facilities.
3. Council assembly calls on cabinet:
  - a. To support the Local Electricity Bill, supported during the last parliament by a cross-party group of 115 MPs, and which, if made law, would make the setup and running costs of selling renewable electricity to local customers proportionate by establishing a Right to Local Supply;
  - b. Inform the local media of this decision;
  - c. Write to local MPs, asking them to support the Bill, and write to the organisers of the campaign for the Bill, Power for People, expressing support.

**6. OTHER REPORTS**

**6.1 EMPOWERING COMMUNITIES PROGRAMME - DEVOLVED BUDGET DECISIONS AND COMMUNICATIONS PROTOCOLS**

**RESOLVED:**

1. That council assembly agreed the proposal of the creation of five area committees to take devolved budget decisions.
2. That council assembly noted that the area committees will follow the Multi-ward boundaries and the rule will only apply to one round of Multi-ward meetings a year.
3. That council assembly agreed the membership of the new area committees remain the same as the multi-wards' and the relevant Community Champions act as Chairs for their respective multi-ward areas.

4. That council assembly created the post of Deputy Community Champions for each of the multi-ward areas whose role will be to deputise in the absence of the Community Champions and act as Vice Chairs of the new area committees. The role will not attract a special responsibility allowance.
5. That council assembly agreed the proposed communications guidance for promoting ward and multi-ward forum meetings.
6. That council assembly noted that the proposed changes require changes to Article 8 and Part 3H of the Constitution and any other consequential constitutional changes.

## **7. AMENDMENTS**

Amendments are set out in supplemental agenda no. 1.

The meeting closed at 10.10 pm.

**CHAIR:**

**DATED:**

<b>Item No:</b> 2.2	<b>Classification:</b> Open	<b>Date:</b> 28 February 2020	<b>Meeting Name:</b> Council Assembly
<b>Report title:</b>		Capital Strategy and Treasury Management Strategy 2020-21	
<b>Wards or Groups affected:</b>		All	
<b>From:</b>		Strategic Director of Finance and Governance	

## RECOMMENDATIONS

That council assembly notes:

1. That the council continues to invest in an ambitious long term capital programme that provides significant ongoing benefits throughout the borough and revenue streams to support council services.
2. The HM Treasury decision on 9 October 2019 to increase the interest rate margin added to new borrowing from the Public Works Loan Board from 0.8% to 1.8%.

That council assembly approves:

3. The Capital Strategy 2020-21 as Appendix A.
4. The Treasury Management Strategy Statement 2020-21 as Appendix B
5. The Investment Management Strategy 2020-21 as Appendix C
6. The Minimum Revenue Provision Statement 2020-21 as Appendix D
7. The Prudential Indicators for 2020-23 as Appendix E

## BACKGROUND INFORMATION

8. Southwark council has long tradition for investment in local infrastructure and facilities that support the development of the borough for the benefit of residents and businesses. This investment has been sustained throughout the recent period of austerity and has fundamentally supported the generation of new financial resources from council tax, retained business rate growth and new homes bonus. These revenue streams have helped to support basic council services and continued capital investment will seek to enhance this income further.
9. Each year council assembly agrees an annual strategy covering the management of council debt, capital and treasury investments. The strategy is to be agreed following consultation with the audit, governance and standards committee.
10. Treasury management is the management of the authority's cash flows, borrowing and investments. The council is exposed to financial risks from treasury management activity including possible losses associated with

council investment and potential for increased borrowing costs arising from market movements. The identification, monitoring and control of financial risks are therefore a crucial part of the financial management and governance arrangements of the council.

11. Commencing in 2019-20 the council is required to produce a capital strategy report (Appendix A) providing a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how any associated risks are managed and the implications for future financial sustainability.
12. Under financial delegation, the strategic director of finance and governance is responsible for all executive and operational decisions on treasury management. This treasury management strategy, together with supporting prudential indicators and policies will ensure that these responsibilities can be carried out effectively.

## **KEY ISSUES FOR CONSIDERATION**

### **Borrowing strategy and debt management activity and position**

13. The council's debt management strategy is to pursue a policy of internal borrowing, which is the use of existing reserves and balances to temporarily fund capital expenditure, where possible, rather than the use of external borrowing.
14. The use of internal borrowing allows the council to minimise unnecessary external borrowing costs by only borrowing when needed for liquidity, or to benefit from advantageous borrowing rates. Efficient use of existing council resources to fund capital expenditure through internal borrowing also reduces the council's counterparty risk inherent in the investment of cash balances.
15. In 2017-18 to finance capital expenditure and to maintain minimum cash balances the council borrowed for the first time since 2012. The extent of the council's capital expenditure plans has necessitated further borrowing during 2018-19 and 2019-20.
16. In the financial year to 31 March 2019 the council borrowed £117m from the Public Works Loans Board (PWLB), as part of HM Treasury, in 13 separate loans, with maturity terms ranging from 35 to 49 years at an average interest rate of 2.49%.
17. In the current financial year to 31 December 2019 the council has borrowed a further £32.5m from the PWLB in three tranches ranging from eight to 40 years at an average rate of 1.75%.
18. Drawing of long term borrowing has been supplemented by a continuation of short term borrowing from other local authorities to reduce the overall debt interest expense for the council. The level of short term borrowing from other local authorities as at 31 March 2019 was £120m. The weighted average rate of interest for current short term debt held by the council as at 31 December 2019 is 0.87%.
19. The council has an ambitious capital programme for both General Fund and Housing Revenue Account capital expenditure, including substantial delivery

of new homes and regeneration schemes, as set out in the approved Capital Programme Refresh 2018-2028.

20. Projections for this capital expenditure and financing, as well as long term cashflow forecasts indicate that the council may require £1bn of additional borrowing by the end of 2025.

#### **Public Works Loan Board**

21. In October 2019, a percentage point increase in the rate of borrowing from the PWLB was announced, with immediate effect, leading to an increase in the future interest cost for the council from new borrowing.
22. All historical long term debt for the council has been drawn from the PWLB. However future borrowing could come from a variety of different sources. Following the rate increase, the council will continue to review alternative sources of borrowing to the PWLB. Any borrowing decision will be made in consideration of capital and cashflow forecasts, market conditions, interest rate expectations and with respect to associated risks. The council will also utilise the advice of its external treasury advisor Arlingclose.

#### **Proposed Investment Strategy**

23. The council's investment objectives for treasury management are to preserve principal, provide liquidity and secure a return on investments consistent with the prior objectives of security and liquidity. This is in line with investment guidance produced by the Ministry of Housing, Communities and Local Government
24. The annual investment management strategy 2020-21 is attached at Appendix C. The strategy will allow investment across highly rated sovereigns, banks and other corporates, quasi-sovereigns, covered bonds whilst limiting excessive exposure to market volatility, and maintaining the overarching objective of ensuring appropriate security and liquidity. External fund managers will be utilised to implement the strategy when appropriate.
25. In considering the investment strategy for 2020-21 the council has taken advice from the external treasury advisor Arlingclose, in addition to ongoing engagement with the council's external fund managers, to ensure that any investment limits and restrictions remain appropriate to meet the investment objectives.
26. The investment strategy for the council for 2020-21 is proposed to remain unchanged as it is considered overall to be well structured to limit any undue risks to the security of assets and preservation of liquidity whilst also allowing the council and delegated managers to access suitable investment opportunities.

#### **Minimum Revenue Provision**

27. Each year, the General Fund sets aside sums known as the minimum revenue provision (MRP) to reduce its borrowing liabilities. The HRA may also set aside sums to reduce its own borrowing liabilities. The policy for MRP is set out in Appendix D and complies with the new guidance issued by MHCLG in 2018.

28. Government guidance on the MRP requires that the general fund set aside prudent sums to reduce debt and long term liabilities (such as PFI schemes) arising from capital spend and that the council produces a statement on its MRP policy. MRP costs fall on revenue budgets and runs on for many years into the future, usually over the period to which the capital item provides an economic benefit or the duration of the revenue grant supporting the expenditure.
29. Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, a local authority is required to charge a minimum revenue provision annually to its revenue account in respect of capital financing obligations that arise in that year or arose in any prior year. Capital financing obligations represent debt or long term liabilities taken to fund capital expenditure.
30. A council may not change the total MRP it is liable for but may prudently modify the timing of payments to improve affordability and take account of individual spend and financing characteristics.

### **Prudential Indicators**

31. Local authority borrowing, investment and capital finance activity is supported by the Prudential Code for Capital Finance and the Treasury Management in the Public Services Code of Practice and Guidance published by the Chartered Institute of Public Finance and Accountancy, backed by the Local Government Act 2003. The codes introduced a series of indicators and limits, which the council assembly should agree annually.
32. The indicators for approval relate to 2020-21 to 2022-23 and are set out at Appendix E. The indicators are of a technical nature and include a self imposed authorised limit on debt which the council assembly must determine each year. Approval will ensure that the council meets its obligations under the 2003 Act and that the strategic director of finance and governance can carry out their financial responsibilities in this area.

### **SUPPLEMENTAL ADVICE FROM OTHER OFFICERS**

#### **Director of Law and Democracy**

33. The constitution determines that agreeing the treasury management strategy is a function of the council assembly and that review and scrutiny of strategies and policies is the responsibility of the audit and governance committee.
34. Financial standing orders require the strategic director of finance and governance to set out the treasury management strategy for consideration and decision by council assembly, and report on activity on a quarterly basis to cabinet and at mid and year-end to council assembly. Furthermore all executive and operational decisions are delegated to the strategic director of finance and governance.
35. The Local Government Act 2003 and supporting regulations require local authorities to determine annual borrowing limits and have regard to the Prudential Code for Capital Finance, and the Treasury Management in the Public Services Code of Practice and Guidance, published by the Chartered Institute of Public Finance and Accountancy, when considering borrowing and



investment strategies, determining or changing borrowing limits or prudential indicators.

36. Section 15(1) of the 2003 Act requires a local authority “to have regard (a) to such guidance as the Secretary of State may issue”. This guidance is found in the Ministry of Communities and Local Government Guidance on Local Authority Investments updated February 2018 and there is statutory guidance on the Minimum Revenue Provision (MRP) produced under amendments made to section 21(1A) of the 2003 Act by section 238(2) of the Local Government and the Public Involvement in Health Act 2007.
37. Members are advised to give approval to the recommendations, ensuring continuing compliance with Government guidance and CIPFA’s codes.

## BACKGROUND DOCUMENTS

Background Papers	Held at	Contact
None		

## APPENDICES

No.	Title
Appendix A	Capital Strategy 2020-21 to 2028-29
Appendix B	Treasury Management Strategy 2020-21
Appendix C	Annual Investment Management Strategy 2020-21
Appendix D	Annual Minimum Revenue Provision Statement 2020-21
Appendix E	Prudential Indicators - 2020-23

## AUDIT TRAIL

<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Rob Woollatt, Departmental Finance Manager	
<b>Version</b>	Final	
<b>Version Date</b>	14 February 2020	
<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 Law and Democracy	Yes	Yes
Strategic director of finance and governance	N/A	N/A
Cabinet Member	Yes	Yes
<b>Date sent to constitutional team</b>	14 February 2020	

## **CAPITAL STRATEGY 2020-21 – 2029-30**

### **1. INTRODUCTION AND BACKGROUND**

This Capital Strategy is an overarching document which sets the policy framework for the development, management and monitoring of capital investment. The strategy focuses on core principles that underpin the council's capital programme; its short, medium and long-term objectives; the key issues and risks that will impact on the delivery of the programme; and the governance framework required to ensure the capital programme is delivered and provides value for money for residents of Southwark.

The capital strategy aligns with the priorities set out in the Council Plan and other key council strategies. The strategy is integrated with the medium term financial strategy and treasury management strategy.

### **2. CORE PRINCIPLES THAT UNDERPIN THE CAPITAL PROGRAMME**

The key principles for the capital programme are summarised below:

- Capital investment decisions reflect the aspirations and priorities included within the Council Plan and supporting strategies;
- Schemes to be added to the capital programme will be subject to a gateway process, prioritised according to availability of resources and scheme specific funding, fairer future for all commitments and factors such as legal obligations, health and safety considerations and the longer-term impact on the council's financial position;
- The cost of financing capital schemes, net of revenue benefits, are profiled over the lifetime of each scheme and incorporated into the annual policy and resources strategy and budget;
- Commissioning and procuring for capital schemes will comply with the requirements set out in the council's constitution, financial regulations and contract standing orders.

A risk review is an important aspect of the consideration of any proposed capital or investment proposal. The risks will be considered in line with the risk management strategies we have in place and commensurate with the council's low risk appetite. Subject to careful due diligence, the council may consider a moderately higher level of risk for strategic initiatives, where there is a direct gain to the council's revenues or the ability to deliver its statutory duties more effectively and efficiently.

### **3. GOVERNANCE FRAMEWORK**

The council's constitution requires the Council Assembly to agree the capital strategy and programme at least once every four years and in the event of a significant change in circumstances. The reports from the chief finance officer will consider the compliance of proposed schemes in the programme with the medium term financial strategy, the capital resources available to the council, the revenue implications of the proposed capital expenditure, and any other relevant information.

Democratic decision-making and scrutiny processes provide overall political direction

and ensure accountability for investment in the capital programme. These processes include:

- Council Assembly approves the Council Plan which sets out the strategic priorities for the council
- Council Assembly is ultimately responsible for approving the Capital Strategy, Treasury Management Strategy and capital programme
- The Cabinet receives regular capital monitoring reports, approves variations to the programme and considers new bids for inclusion in the capital programme
- Portfolio holders are assigned projects in line with their responsibilities
- Scrutiny committees can call in Cabinet reports, receive and scrutinise reports
- All projects progressing to the capital programme follow the constitution, and financial regulations
- The capital programme and capital expenditure is subject to internal and external audit.

Approval to spend on individual capital schemes will only be given once procedural guidelines have been complied with and assessed to the satisfaction of the strategic director of finance and governance.

Senior officer teams exist within directorates to monitor the delivery of the directorate capital programme. Directorate management teams must consider and recommend all additions, variations to their directorate capital programme before being agreed by the strategic director of finance and governance and then by cabinet.

#### **4. CAPITAL INVESTMENT PRIORITIES AND PLANS**

The capital programme for the council is a long term ambition, with the lifetime of new and existing assets stretching far into the future. The obligation for maintaining and improving council dwellings and operational buildings is very long term and as such will be considered accordingly in financial and asset management planning.

Capital investment plans are driven by the Council Plan, the council's key strategic document that sets out the council's vision, ambitions, values and priorities. The 2018-2022 Council Plan includes the following key capital commitments:

- to build more council houses and secure new homes at London Living Rent
- to build a new library and GP health centre on the Aylesbury estate
- to open a new, modern leisure centre at Canada Water
- to open a new secondary school at Borough
- to build a new library on the Walworth Road
- to open a new library at Grove Vale in East Dulwich
- to work with the Mayor of London to build a new pedestrian and cycling bridge from Canada Water to Canary Wharf
- to deliver new affordable business spaces
- to open two nursing homes
- to build extra care housing

The application and planning for the capital expenditure obligations and objectives can be considered over short, medium and long term time horizons. Long-term forecasts are not easily predicted and the accuracy of all financial estimates will be limited. However, long-term forecasting is valuable in informing strategic plans taking account of the cumulative sustainability and affordability of existing and planned investment, which will

need to be repaid over future periods. For major projects and investment the funding and financial implications need to be planned well in advance. The council maintains an approved capital programme that covers a ten year period. Prudential indicators for capital expenditure and financing are set out in Appendix E.

## **5. TREASURY MANAGEMENT**

Treasury Management is concerned with keeping sufficient but not excessive cash available to meet the council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of resources will be met by prudential borrowing. The council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Each year the council assembly agrees an annual treasury management strategy covering the management of council debt and cash investments Appendix B.

## **6. ASSET MANAGEMENT PLANNING**

The overriding objective of asset management within the council is to achieve a corporate portfolio of property assets that is appropriate, fit for purpose and affordable. The council's property portfolio consists of operational property, investment property and property held for specific community or regeneration purposes. The council has specific reasons for owning and retaining property:

- Operational purposes e.g. assets that support core business and service delivery e.g. schools, office buildings.
- Investment properties held to provide a financial return to the council that supports service provision.
- Parks, playgrounds and open spaces.
- Regeneration, enabling strategic place shaping and economic growth.

Asset management is an important part of the council's business management arrangements and is crucial to the delivery of efficient and effective services, the ongoing management and maintenance of capital assets will be considered as part of the strategy. The asset management planning includes an objective to optimise the council's land and property portfolio through proactive estate management and effective corporate arrangements for the acquisition and disposal of land and property assets.

The council will continue to realise the value of any properties that have been declared surplus to requirements in a timely manner, having regard to the prevailing market conditions.

## **7. COMMERCIAL ACTIVITY AND INVESTMENT PROPERTY**

Returns from property ownership can be both income driven (through the receipt of rent) and by way of appreciation of the underlying asset value (capital growth). The combination of these is a consideration in assessing the attractiveness of a property for acquisition.

In the context of the Capital Strategy, the council is using capital to invest in property to provide a positive surplus/financial return. The council may fund the purchase of the property by borrowing money, normally from the Debt Management Office as part of HM Treasury. The rental income paid by the tenant should exceed the cost of repaying the borrowed money each year. The annual surplus then supports the council's budget position, and enables the council to continue to provide services for local people.

Historically, property has provided strong investment returns in terms of capital growth and generation of stable income. However, property investment is not without risk as property values can fall as well as rise and changing economic conditions could cause tenants to leave with properties remaining vacant. The investment appraisal, including taking external professional advice, ensuring all investments are in Southwark (local strategic knowledge) and risk assessment ensure that commercial investments remain proportionate to the size of the council and that the revenue impact can be managed should expected yields not arise.

The strategy makes it clear that the council will continue to invest prudently on a commercial basis and to take advantage of opportunities as they present themselves, supported by our robust governance process.

## **8. LOANS AND OTHER LIABILITIES**

The council has discretion to make loans for a number of reasons, primarily for economic development. These loans are treated as capital expenditure.

In making loans the council is exposing itself to the risk that the borrower defaults on repayments. The council, in making these loans, must therefore ensure they are prudent and has fully considered the risk implications, with regard to both the individual loan and that the cumulative exposure of the council is proportionate and prudent.

The council will ensure that a full due diligence exercise is undertaken and adequate security is in place. The business case will balance the benefits and risks. All loans are agreed by Cabinet. All loans will be subject to close, regular monitoring.

In addition to debt liabilities set out in the treasury management strategy, the council is committed to making future payments to cover any pension deficit. The pension fund is subject to a triennial valuation and the revenue implications are built into the Medium Term Financial strategy.

## **9. REVENUE BUDGET IMPLICATIONS**

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and Minimum Revenue Provision (or debt repayment in HRA) are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream, i.e. the amount funded from council tax, business rates and general government grants (see Prudential Indicators).

Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend up to 50 years into the future. Capital investment decision making is not only about ensuring the initial allocation of capital funds meets the corporate and service priorities but ensuring the asset is fully utilised, sustainable and affordable throughout its whole life. This

overarching commitment to long term affordability is a key principle in any capital investment appraisal decision. In approving the inclusion of schemes and projects within the capital programme, the strategic director of finance and governance must be satisfied that the proposed capital programme is prudent, affordable and sustainable.

## **10. KNOWLEDGE AND SKILLS**

The council has professionally qualified staff across a range of disciplines including finance, legal and property that follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills.

The council establishes project teams from all the professional disciplines from across the council as and when required. External professional advice is taken where required and will always be sought in consideration of any major commercial property investment decision.

Internal and external training is offered to members to ensure they have up to date knowledge and expertise to understand and challenge capital and treasury decisions taken by the strategic director of finance and governance.

## APPENDIX B

### TREASURY MANAGEMENT STRATEGY STATEMENT 2020-21

#### Introduction

1. Treasury management is the management of the authority's cash flows, borrowing and investments. The council is exposed to financial risks from treasury management activity including possible losses associated with council investment and potential for increased borrowing costs arising from market movements. The identification, monitoring and control of financial risks are a crucial part of the financial management and governance arrangements of the council.
2. Treasury risk management is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the council to approve a treasury management strategy before the start of each financial year. This report fulfils the council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
3. Investments held for service purposes or for commercial profit are considered in the Capital Strategy.
4. Under financial delegation, the strategic director of finance and governance is responsible for all executive and operational decisions on treasury management. This treasury management strategy, together with supporting prudential indicators and policies will ensure that these responsibilities can be carried out effectively.

#### Net Borrowing Position

5. As at 31 December 2019 the council held £757m of borrowing and £148m of investments.
6. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, known as internal borrowing.
7. The Council has an increasing CFR due to its ambitious capital programme. Based on current forecasts there is an estimated need to borrow up £1bn by 31 March 2025.

#### Borrowing strategy and debt management activity and position

8. The council's debt management strategy since 2011-12 has been to pursue a policy of internal borrowing, which is the use of existing reserves and balances to temporarily fund capital expenditure rather than the use of external borrowing.
9. The use of internal borrowing allows the council to minimise unnecessary external borrowing costs by only borrowing when needed for liquidity, or to benefit from advantageous borrowing rates. Borrowing in advance of need from a cashflow perspective creates a 'cost of carry' which is the difference between

the short term investment income earned through holding cash balances compared against longer term external debt financing costs

10. During the period from 2011-12 to 2017-18 the rate of return on short term investments was consistently much lower compared to longer term borrowing. The savings for the council from deferring external borrowing in this way equate to circa £20m
11. Efficient use of existing council resources to fund capital expenditure through internal borrowing also reduces the council's counterparty risk inherent in the investment of cash balances.
12. During the financial year to 31 March 2019 the council borrowed £117m from the Public Works Loans Board (PWLB), as part of HM Treasury, in 13 separate loans, with maturity terms ranging from 35 to 49 years at an average interest rate of 2.49%.
13. The £117m borrowed in long term debt was lower than the £150m originally forecast at the beginning of 2018-19. The re-profiling of capital expenditure into future years allowed the council to defer external borrowing. This had the impact of reducing the interest cost associated with debt financing to the revenue budget.
14. Drawing of long term borrowing has been supplemented by a continuation of short term borrowing from other local authorities to reduce the overall debt interest expense for the council. The level of short term borrowing from other local authorities as at 31 March 2019 was £120m.
15. This approach to short term borrowing has continued during 2019-20 with the balance of short term borrowing from local authorities at £175m as at 31 December 2019, although the balance as at 31 March 2020 is expected to reduce to £130m. The weighted average rate of interest on existing short term borrowing is 0.9%, significantly less than long term rates of borrowing.
16. Officers regularly monitor current and forecast interest rates to determine the appropriateness of the internal and short term borrowing approach, so that the reduction in current borrowing costs from use of internal balances is not offset by higher borrowing costs in the future.
17. Future borrowing requirements arising from the approved capital programme, the extent of internal borrowing and the need to refinance scheduled debt repayments, together with potential for interest rate rises, indicate the need for long-term borrowing during the second half of 2019-20, with further borrowing required during 2020-21.
18. All historical long term debt for the council has been drawn from the PWLB. However future borrowing could come from a variety of different sources. In October 2019, a percentage point increase in the rate of borrowing from the PWLB was announced, with immediate effect. The council has already built a higher assumed rate of interest into budgets, given that the PWLB rate was expected to rise in the medium term.
19. The council could borrow through other financial institutions and banks, or directly from other local authorities. Alternative sources of borrowing to the PWLB will be considered Any borrowing decision will be made in consideration of capital and cashflow forecasts, market conditions, interest rate expectations



and with respect to associated risks. The council will also utilise the advice of its external treasury advisor Arlingclose.

20. The council's outstanding debt portfolio, used to fund historical capital expenditure, stood at £677m as at 31 March 2019 with £364m attributable to the HRA and £313m to the general fund.
21. All long term outstanding debt was borrowed from the PWLB, part of HM Treasury, at fixed rates of interest. During the first half of 2019-20, £2.5m of long term debt principal matured and was repaid to PWLB.
22. The weighted average rate of interest for the council's debt portfolio is 3.9% as at 31 December 2019 a reduction from 4.2% as at 31 March 2019.

### **Investment Position and Activity**

23. The council holds sizable investment balances, representing income received in advance of expenditure plus balances and reserves held. Investments as at 31 December 2019 were £148m (£108m at 31 December 2018).
24. Council resources that are not immediately required for current expenditure are invested in money market instruments in accordance with the MHCLG Guidance on Local Authority Investments and the approved investment strategy. The MHCLG guidance gives priority to security and liquidity and the council's aim is to achieve a yield commensurate with these principles.
25. Council investments are managed both in-house and delegated to two fund managers: Alliance Bernstein and Aberdeen Standard (formerly Aberdeen Asset Management). The focus for in-house investment is to meet variable near term cash liquidity requirements, principally using money market funds and other highly secure, liquid financial instruments
26. Any surplus cash resources not required in the short term to fund council activities is placed with the council's two external fund managers. The fund managers invest for a longer term in UK government gilts, supranational bank bonds, certificates of deposits issued by major banks/ building societies and other financial instruments.
27. The use of fund managers has the advantage of diversification of investment risk, coupled with the services of professional fund managers, which over the longer-term, provides enhanced returns within the council's risk appetite. Although investments can be redeemed from the fund managers at short notice, the intention is to hold them for the medium term. Their performance and suitability in meeting the council's investment objectives are regularly monitored.

28. The distribution of council investments across counterparties by rating and maturity as at 31 December 2019 is set out in the table below:

Investment Maturity	A		AA		AAA		Total
	£m	%	£m	%	£m	%	£m
Up to 1 Year	18.9	13%	39.0	26%	51.3	35%	109.2
1 - 2 Years	1.5	1%	2.0	1%	5.1	3%	8.6
2 - 5 Years	0.0	0%	7.1	5%	22.6	15%	29.7
<b>Total</b>	<b>20.4</b>	<b>14%</b>	<b>48.1</b>	<b>33%</b>	<b>79.0</b>	<b>54%</b>	<b>147.5</b>

16. The global economic environment during the first half of this year was marked by a continuation of declining trade volumes and political uncertainty, especially surrounding trade relations between US and China.
17. Concern regarding political uncertainty and a possible global recession led to additional monetary easing from central banks. This accelerated already declining yields across all major economies. The German 10 year Bund dropped further into negative territory reaching -0.57% at the end of Q2 and the yield for 10 year US Treasury collapsed from 3.25% in November 2018 to 1.66% as at the end of September 2019.
18. The annualised rate of return for council treasury management assets for the first nine months of the financial year was 1.0%. To analyse the treasury management portfolio, the council measures the return against a composite investment benchmark of three month LIBID and one to three year gilt index. For the equivalent period the benchmark index annualised return was 0.65% indicating an outperformance of 0.35%.
19. The rate of investment return generated by the treasury management portfolio is a consequence of the council's prudent, low risk approach to treasury management investing. This is in line with the requirements of the statutory guidance for local government treasury investment issued by MHCLG.
20. The priorities for treasury management investment are, in order of priority, security, liquidity and yield. The objective therefore is to ensure that funds are available to meet council liabilities as they fall due.
21. It is important that the treasury management strategy is suitably flexible such that the council can take advantage of market opportunities and maintain appropriate asset diversification within the portfolio to best support the council's revenue budget, whilst retaining the overriding objectives of security and liquidity.
22. The 2019-20 investment strategy, agreed by Council Assembly in February 2019, had allowed for enhanced flexibility in the implementation of the investment strategy for the council such that there is no requirement to change it further at this time.

## APPENDIX C

### THE ANNUAL INVESTMENT MANAGEMENT STRATEGY 2020-21

#### BACKGROUND

1. The guidance on local government investments produced by the Ministry of Housing, Communities and Local Government (MHCLG) as updated in February 2018, requires that local authorities produce an annual investment strategy. The guidance promotes prudent management of investments with security and liquidity as priorities, while also considering yield.
2. Investments held as part of the council's pension fund are managed under a separate regulatory framework and are outside the scope of this strategy.
3. Investments held for service purposes or for commercial profit are considered within the capital strategy.

#### INVESTMENT OBJECTIVES

4. The council's treasury investment objectives are to preserve principal, provide liquidity and secure a reasonable return.
5. The council holds cash in the normal course of its business and any cash not immediately required for settling council liabilities should be invested until needed. Investments should be managed prudently and fall within two categories: specified investments and non-specified investments, as set out in government guidance. Specified investments are investments up to one year, as detailed below, with high liquidity and credit quality. Non-specified investments, as set out below, are investments that exceed one year and are potentially more responsive to liquidity, credit and market factors.
6. Prudent exposure to non-specified investments can help raise the overall level and diversification of investment returns over the long term and so should be considered as part of an investment strategy, having regard to prevailing credit and market conditions. Investment exposure shall be diversified and managed with due care and attention.
7. All investments will be denominated in GBP sterling, comply with credit standards and investment limits. Exposure to share capital that is treated as capital expenditure is outside the scope of this strategy.
8. The strategic director of finance and governance is responsible for this strategy and its management. Fund managers may be appointed to assist in advising or executing elements of the strategy.

## SPECIFIED INVESTMENTS

9. Specified investments shall consist of investments with a remaining term of up to one year in the following categories. Actual exposure shall be subject to investment limits, be managed prudently and have regard to prevailing credit and market conditions.

<b>Specified investments - in sterling, meeting credit standards and with remaining life not longer than 1 year</b>	
A	Term deposits, notice accounts, certificates of deposits, commercial paper, notes, collateral backed lending, bills, bonds (including covered bonds) issued or guaranteed by: the UK government, supranational banks, foreign governments, quasi-sovereigns, UK local authorities, banks or UK building societies.
B	Money market funds and short duration low volatility enhanced cash funds rated AAA/Aaa/AAA (Fitch/Moody's/S&P) with stable or variable net asset values.

## NON-SPECIFIED INVESTMENTS

10. Non-specified investments shall consist of investments with a remaining term exceeding one year in the following categories of investments. Actual exposure shall be subject to investment limits, be managed prudently and have regard to prevailing credit and market conditions.

<b>Non-specified Investments - in sterling, meeting credit standards and with remaining life longer than 1 year</b>	
A	Term deposits, notice accounts, certificates of deposits, commercial paper, notes, collateral backed lending, bills, bonds (including covered bonds) issued or guaranteed by: the UK government, supranational banks, foreign governments, quasi-sovereigns, UK local authorities, banks or UK building societies, pooled multiasset income funds.

## CREDIT STANDARDS

11. Credit risk, the risk that an entity with which investments are held fails to meet its obligations to investors, shall be contained and credit ratings consulted.
12. The minimum credit ratings are set out in the tables and paragraphs below. While these ratings indicate a low risk of default and are well above the minimum regarded as investment grade, they may not always keep up with developments in turbulent markets. Therefore, in managing exposure, attention should also be paid to developments in the financial and credit markets. Rating definitions are set out below.

**Minimum Credit Rating Criteria**

<b>Minimum long term rating from one of the three rating agencies</b>		
<b>Fitch Ratings</b>	<b>Moody's Investor Services</b>	<b>Standard &amp; Poor's</b>
A-	A3	A-

13. Credit requirements shall not apply to investments issued or guaranteed by the UK Government, nationalised entities, UK local authorities, the council's clearing bank (RBS) or the cash manager custodian bank (BNY Mellon). Local authorities are not usually rated, but the Local Government Act 2003 provides sanctions in the event that an authority fails to meet its liabilities to lenders.
14. Ratings shall be reviewed frequently and at least monthly. In the event of significant adverse rating changes, investments may be recalled prior to maturity where it would be prudent to do so.
15. The strategic director of finance and governance shall have discretion to vary minimum rating and limits in response to market developments, cash flow volatility or operational requirements where prudent to protect the council's interests.

**INVESTMENT LIMITS**

16. Investment exposure shall be subject to the following limits.

<b>Investment limits, subject to overall constraints and minimum ratings</b>		
	<b>Issuer/Institution</b>	<b>Upper limits (percent or amount of council investment portfolio)</b>
A	UK National Government	No limit
B	UK Local Authorities	Up to 1 year £10m per issuer maximum 25% in total
C	Foreign sovereigns, supranational banks and quasi-sovereigns, minimum rating AAA/Aaa/AAA	Up to 5.5 years 20% per issuer
D	Foreign sovereigns, supranational banks and quasi-sovereigns, minimum rating AA-/Aa3/AA-	Up to 5.5 years 12.5% per issuer
E	Foreign sovereigns, supranational banks and quasi-sovereigns minimum rating A1-/A3/A-	Up to 1 year; 5% per issuer
F	Banks and building societies Minimum rating AAA/Aaa/AAA	Up to 5.5 years 20% per issuer
G	Banks and building societies minimum rating AA-/Aa3/AA-	Up to 3 years 12.5% per issuer
H	Banks and building societies long term rating A-/A3/A-	Up to 1 year; 5% per issuer
I	Other Corporate Entities long term rating AA-/Aa3/AA-	Up to 3 years 10% per issuer
J	Other Corporate Entities long term rating A-/A3/A	Up to 1 year; 5% per issuer
K	Money market funds above £1,000m in holdings	£50m per fund
L	Short duration low volatility enhanced cash funds	£10m per fund maximum 20% in total
M	Sterling government money market funds above £200m in holdings	£50m per fund
N	Multi asset income pooled fund	£10m in total
O	Royal Bank of Scotland (NatWest) and Bank of New York Mellon (custodian)	Up to 3 months £75m per issuer
Overall portfolio: maximum above 1 year maturity 65% maximum weighted average maturity 2.5 years (the maturity of floating rate instruments is treated as the next interest re-set date)		

**RATING DEFINITIONS**

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

<b>AAA</b>	Highest credit quality. AAA ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events
<b>AA</b>	Very high credit quality. AA ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
<b>A</b>	High credit quality. A ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

19. The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

20. The Fitch Short Term Ratings are shown below

<b>F1</b>	Highest short-term credit quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.
<b>F2</b>	Good short-term credit quality. Good intrinsic capacity for timely payment of financial commitments
<b>F3</b>	Fair short-term credit quality.

21. Moody's Long Term Ratings are shown below

<b>Aaa</b>	Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.
<b>Aa</b>	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
<b>A</b>	Obligations rated A are considered upper-medium grade and are subject to low credit risk.

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

23. Moody's short-term ratings are opinions of the ability of issuers to honour short-term financial obligations and are shown below.

<b>P-1</b>	Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.
<b>P-2</b>	Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

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

<b>AAA</b>	An obligation rated AAA has the highest rating assigned by S&P. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.
<b>AA</b>	An obligation rated AA differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.
<b>A</b>	An obligation rated A is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

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



26. Standard and Poor's (S&P) Short Term Ratings are shown below

<b>A-1</b>	A short-term obligation rated A-1 is rated in the highest category by S&P. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.
<b>A-2</b>	A short-term obligation rated A-2 is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

## APPENDIX D

### ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2020-21

#### Background

1. Minimum Revenue Provision (MRP) is statutory requirement to make a charge to the council's General Fund to make provision for the repayment of the council's past capital debt and other credit liabilities.
2. The Local Government Act 2003 requires local authorities to have regard to the Department for Housing, Communities and Local Government *Guidance on Minimum Revenue Provision*.
3. The broad aim of the Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by government grant, reasonably commensurate with the period implicit in the determination of that grant.
4. The Guidance requires the council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. This forms part of the Treasury Management Strategy considered by Council Assembly annually.
5. A prudent level of MRP on any significant asset or expenditure may be assessed on its own merits or in relation to its financing characteristics in the interest of affordability or financial flexibility.
6. The strategic director of finance and governance has delegated responsibility for implementing the Annual Minimum Revenue Provision Statement and executive, managerial, operational and financial discretion to determine MRP and any practical interpretation issues.
7. The strategic director of finance and governance may make additional revenue provisions, over and above those set out, and set aside capital receipts, balances or reserves to discharge financing liabilities for the proper management of the financial affairs of the HRA or the general fund. The strategic director of finance and governance may make a capital provision in place of any revenue MRP provision.

#### **General Fund Supported Capital Expenditure or Capital Expenditure incurred before 1 April 2008**

8. In relation to capital expenditure for which support forms part of the calculation of revenue grant by the government or any capital expenditure incurred before 1 April 2008, the MRP shall be calculated in accordance with the Local Authorities (Capital Finance and Accounting) Regulations 2003 as if it had not been revoked. In arriving at that calculation, the capital financing requirement shall be adjusted as described in the guidance.
9. In addition, the calculation method and the rate or the period of amortisation referred to in the guidance may be varied by the strategic director of finance and governance in the interest of affordability.

10. The methodology applied to pre-2008 debt, is an annuity basis, calculated over 40 years remaining as at 31 March 2018 (within the pre-2008 debt portfolio the final loan is due for repayment in 2057-58).

**General Fund Self- Financed Capital Expenditure from 1 April 2008.**

11. Where capital expenditure incurred from 1 April 2008 is on an asset financed wholly or partly by self-funded borrowing, the MRP is to be made in instalments over the life of the asset. The calculation method and the rate or the period of amortisation shall be determined by the strategic director of finance and governance.
12. The strategic director of finance and governance shall determine how much and which capital expenditure is funded from borrowing and which from other sources. Where expenditure is only temporarily funded from borrowing in any one financial year and it is intended that its funding be replaced with other sources by the following year, no MRP shall apply. Nor shall any annual MRP apply where spend is anticipated to be funded from capital receipts or grants due in the future but is in the meantime funded from borrowing, subject to a maximum of three years or the year the receipt or grant is actually received, if sooner.
13. The asset life method shall also be applied to borrowing to meet expenditure from 1 April 2008 which is treated as capital expenditure by virtue of either a direction under section 16(2) of the 2003 Act or regulation 25(1) of the 2003 Regulations. The strategic director of finance and governance shall determine the asset life. When borrowing to construct an asset, the asset life may be treated as commencing in the year the asset first becomes operational and postpone MRP until that year.
14. Where capital expenditure involves repayable loans or grants to third parties no MRP is required where the loan or grant is repayable. By exception, on the basis of a business case and risk assessment, this approach may be amended at the discretion of the strategic director of finance and governance.
15. Where capital expenditure involves a variety of different types of works and assets, the period over which the overall expenditure is judged to have benefit over shall be considered as the life for MRP purposes. Expenditure arising from or related or incidental to major elements of a capital project may be treated as having the same asset life for MRP purposes as the major element itself. An estimate of the life of capital expenditure may also be made by reference to a collection or grouping of expenditure type or types.

**PFI, leases**

16. In the case of finance leases, on balance sheet private finance initiative contracts or other credit arrangements, MRP shall be the sum that writes down the balance sheet liability. These are being written down over the PFI contract term.

**The Annuity Method**

17. The annuity method makes provision for an annual charge to the General Fund which takes account of the time value of money (whereby paying £100 in 10 years' time is less of a burden than paying £100 now). The annuity method also

matches the repayment profile to how the benefits of the asset financed by borrowing are consumed over its useful life (i.e. the method reflects the fact that asset deterioration is slower in the early years of an asset and accelerates towards the latter years). This re-profiling of MRP therefore conforms to the MHCLG "Meaning of Prudent Provision" which provide that "*debt [should be] repaid over a period that is reasonably commensurate with that which the capital expenditure provides benefits*".

## APPENDIX E

### Prudential Indicators 2020-21 – 2022-23

1. The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

#### Estimates of Capital Expenditure

2. The Authority's planned capital expenditure and financing may be summarised as follows. Further detail is provided in Month 4 Capital Monitoring for 2019-20 as reported at Cabinet on 17 September 2019.

Capital Expenditure and Financing	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate	2022-23 Estimate
	£m	£m	£m	£m
General Fund	166	187	134	40
HRA	221	436	403	258
<b>Total Expenditure</b>	<b>387</b>	<b>623</b>	<b>537</b>	<b>298</b>
Capital Receipts	77	97	68	38
Capital Grants	44	56	30	19
Revenue and Reserves	83	72	72	72
External Contributions	49	21	19	10
Funded by Borrowing	134	377	348	159
<b>Total Financing</b>	<b>387</b>	<b>623</b>	<b>537</b>	<b>298</b>

#### Estimates of Capital Financing Requirement

3. The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.
4. The CFR is forecast to rise over the next three years as capital expenditure financed by debt is outweighed by resources put aside for debt repayment.
5. The adoption of new accounting standard IFRS16 in the 2020-21 financial year necessitates a change in the accounting treatment for certain council leases. Existing leases may need to be reclassified. This change in accounting treatment will lead to an increase in the council's reported CFR.



Capital Financing Requirement	2019-20 Estimate £m	2020-21 Estimate £m	2021-22 Estimate £m	2022-23 Estimate £m
General Fund	663	793	893	908
HRA	462	698	934	1,075
<b>Total CFR</b>	<b>1,125</b>	<b>1,491</b>	<b>1,827</b>	<b>1,983</b>

### Gross Debt and the Capital Financing Requirement

6. In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence. Actual external borrowing is expected to remain well under this value.

Debt	31-03-20 Estimate £m	31-03-21 Estimate £m	31-03-22 Estimate £m	31-03-23 Estimate £m
External Borrowing	855	1,210	1,533	1,679
Other Long Term Liabilities	91	86	81	76
<b>Total Debt</b>	<b>946</b>	<b>1,296</b>	<b>1,614</b>	<b>1,755</b>

7. Total debt is expected to remain below the CFR during the forecast period.

### Operational Boundary for External Debt

8. The operational boundary is based on the Authority's estimate of the most likely (i.e. significantly prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

Operational Boundary	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
Borrowing	915	1,336	1,631	1,686
Other Long-Term Liabilities	100	90	89	90
<b>Total Debt</b>	<b>1,015</b>	<b>1,426</b>	<b>1,720</b>	<b>1,776</b>

### Authorised Limit for External Debt:

9. The authorised limit is the affordable borrowing limit determined in compliance with the [Local Government Act 2003 / Local Government Finance Act (Northern Ireland) 2011]. It

is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

<b>Authorised Limit</b>	<b>2019-20 £m</b>	<b>2020-21 £m</b>	<b>2021-22 £m</b>	<b>2022-23 £m</b>
Borrowing	1,281	1,637	1,964	2,120
Other Long-Term Liabilities	118	126	125	126
<b>Total Debt</b>	<b>1,399</b>	<b>1,763</b>	<b>2,089</b>	<b>2,246</b>

### Ratio of Financing Costs to Net Revenue Stream

10. This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2019-20 Estimate</b>	<b>2020-21 Estimate</b>	<b>2021-22 Estimate</b>	<b>2022-23 Estimate</b>
General Fund	3%	5%	6%	7%
HRA	11%	11%	13%	15%

### Debt Limits

11. There are three debt related treasury activity limits. The purpose of these is to manage the overall risk for the authority and limit the exposure to any adverse movement in interest rates. Debt shall be subject to the following limits:

<b>Debt limits</b>	
Upper limits on fixed interest rates	100%
Upper limits on variable interest rates	20%

<b>Debt maturity profile limits</b>	<b>Lower Limit</b>	<b>Upper Limit</b>
Under 12 months	0%	35%
12 months and within 24 months	0%	35%
24 months and within 5 years	0%	50%
5 years and within 10 years	0%	75%
10 years and above	25%	100%



**Adoption of the CIPFA Treasury Management Code**

12. The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition*. It fully complies with the Code's recommendations.

<b>Item No.</b> 3.1	<b>Classification:</b> Open	<b>Date:</b> 25 March 2020	<b>Meeting Name:</b> Council Assembly
<b>Report title:</b>		Constitutional Changes 2019/20: Contract Standing Orders, Financial Standing Orders, Member and Officer Protocol	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Proper Constitutional Officer	

## RECOMMENDATIONS

1. That council assembly agree the proposed changes to the constitution as outlined in Appendices 1 to 3 of the report.

## BACKGROUND INFORMATION

2. This report outlines some constitutional changes. The constitutional steering panel has considered the suggested changes to the constitution and recommends them to council assembly. The audit, governance and standards committee has considered the suggested changes to the member and officer protocol and recommends them to council assembly.

## Financial Standing Orders

### Proposed substantive amendments

3. There are a number of proposed substantive changes which would require approval by council assembly. The changes are shown in the usual way in appendix 1 and further information is set out below.
4. Financial Standing Order (FSO) 1.1 (Chief finance officer) has been updated to make reference to the forthcoming CIPFA Financial Management Code.
5. FSO 10 (Partnerships) has been expanded to include shared service arrangements, whether statutory or non-statutory and to make explicit the need to meet relevant governance requirements.
6. FSO 12 (Companies) has also been extended to cover other types of service delivery models and to make explicit the types of proposals on which the CFO and monitoring officer should be consulted and the need for approval in writing of any proposal to enter into a shareholding agreement.
7. FSO 15.1 (Preparation of the revenue budget – chief finance officer's responsibilities) has been updated to make reference to the council's long term financial sustainability and resilience.
8. FSO 18.3 (Budget adjustments/virements within a directorate) and 18.4 (Budget adjustments/virements between directorates) has been amended to increase the threshold from £250,000 to £275,000. As this threshold has not been reviewed since 2005-06, it is considered that the proposed increase would help to ensure that governance arrangements remain appropriate.

9. FSO 19.3 (Variations to the capital programme) and 19.4 (Major overspends and underspends) has also been amended to increase the threshold from £250,000 to £275,000. This threshold has not been reviewed since 2009-10 and, as with the proposed change to FSO 18, it is considered that a review is timely.

#### **Other areas for consideration**

10. A review of FSO 21 (Leases) will be undertaken later in the year to consider whether any changes are needed to address the impact of revised accounting requirements in respect of leases which will follow the implementation of IFRS16 Leases from 1 April 2020.

#### **Contract Standing Orders**

##### **Proposed substantive amendments**

11. There is one proposed substantive change which would require approval by council assembly. This relates to the submission of monitoring reports to departmental contract review boards (DCRBs) and aims to put in place more proportionate governance arrangements in respect of contract monitoring.
12. Contract Standing Order (CSO) 9 sets out the minimum requirements in respect of contract management and monitoring. These include the submission of six-monthly monitoring reports by lead contract officers to the relevant DCRB for contracts with an estimated value over the relevant EU threshold. It is proposed to replace this with a requirement to submit an annual report to the relevant DCRB, in line with the monitoring reports for contracts of higher values to the corporate contract review board. It is considered that this will enable a greater focus on ongoing contract management and monitoring as set out in CSO 9.1. The change has been tracked in the usual way in appendix 2.

#### **Member and Officer Protocol**

##### **Proposed substantive amendments**

13. The updates to the Member and Officer Protocol (MOP) gives clarification on the requirements of the Freedom of Information Act 2000 on councillors' emails and other information contained in text messages or online communication fora. The additions have been tracked in the usual way in appendix 3.
14. These updates have been agreed by the audit, governance and standards committee on 10 February 2020 for recommendation to council assembly.

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

15. The context for this report is the on-going review of efficient democracy and the current financial climate requiring savings to be identified.

#### **Community impact statement**

16. The proposal in this report provides additional benefits to the public and the local community and enhances the council's commitment to diversity and fairness.

## Resource implications

17. The constitution is published on the council's website and is available for viewing online. Limited numbers of the constitution are produced in binder form with loose leaf pages and dividers. This means that any additional costs arising from the reproduction of small sections of the constitution are reduced compared to the reprinting of the whole constitution. It is anticipated that the cost can be contained within existing budgets.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Southwark Constitution	160 Tooley Street London SE1 5LX	Constitutional Team 020 7525 7228

## APPENDICES

No.	Title
Appendix 1	Financial Standing Orders with tracked changes
Appendix 2	Contract Standing Orders with tracked changes
Appendix 3	Member and Officer Protocol with tracked changes

## AUDIT TRAIL

<b>Lead Officers</b>	Chidilim Agada, Head of Constitutional Services	
	Jo Anson, Head of Financial and Information Governance	
	Norman Coombe, Head of Governance team, Legal Services	
<b>Report Author</b>	Virginia Wynn-Jones, Principal Constitutional Officer	
<b>Version</b>	Final	
<b>Dated</b>	12 February 2020	
<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 Law and Democracy	Yes	Yes (Included in the body of the report)
Strategic Director of Finance and Governance	No	Not applicable
<b>Date final report sent to Constitutional Team</b>		12 February 2020

## FINANCIAL STANDING ORDERS

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- 21. Leases
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- 22. Schools financial framework
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  - 23.3 Departure from statutory guidance or the CIPFA code

## **Glossary**

## Introduction

The financial standing orders (FSOs) provide the framework for managing the council's financial affairs. They apply to every elected member and to all staff including temporary/agency staff, interims and consultants.

All members and staff have a general responsibility for taking reasonable action to provide for the security of assets under their control and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value. Failure to abide by the FSOs may lead to action under the disciplinary procedure.

The FSOs identify the financial responsibilities of:

- The full council
- The cabinet
- The chief finance officer (strategic director of finance and governance)
- The monitoring officer (director of law and democracy)
- Strategic directors
- All staff and members.

References in these standing orders to “the cabinet” should be taken to include decisions taken by the whole cabinet, decisions by any committee of the cabinet and decisions by individual members of the cabinet. Delegations to the cabinet are set out elsewhere in the constitution.

The chief finance officer is responsible for maintenance and regular reviews of the FSOs and, as set out in article 1, may make minor changes (see Glossary) to the financial standing orders, after consultation with the monitoring officer.

The FSOs are supported by financial regulations and other detailed financial procedures, setting out how the FSOs are implemented. All staff and members must ensure that they read and follow these procedures.

## Financial administration

### 1. Chief finance officer

- 1.1 The strategic director of finance and governance is the officer appointed by the council in accordance with section 151 of the Local Government Act 1972, section 114 of the Local Government Finance Act 1988, the Accounts and Audit (England) Regulations 2015, and section 25 of the Local Government Act 2003. As chief finance officer, the postholder must ensure that the council's financial affairs are administered in a proper manner, in compliance with all relevant professional codes of practice, [including the CIPFA Financial Management Code](#), and all statutory obligations.
- 1.2 All matters connected with the financial administration of the council's affairs are the delegated responsibility of the chief finance officer, except any matters which are delegated to other officers or reserved to committees of council members, the cabinet, or to the council itself. The chief finance officer may authorise other officers to carry out matters delegated to him/her except the section 151 responsibilities.
- 1.3 The chief finance officer is responsible for issuing the financial regulations [and other detailed procedures] to underpin the FSOs. Members, staff and

others acting on behalf of the council are required to familiarise themselves with financial regulations and to fully comply with them.

- 1.4 The chief finance officer is also responsible for reporting, where appropriate, breaches of the FSOs to the council and/or cabinet.

## **2. Strategic directors**

- 2.1 Strategic directors are responsible for ensuring that there is proper financial management within their department. Specific responsibilities are set out in the scheme of delegation for financial authority and accountability. Strategic directors must set and maintain a departmental scheme of management setting out the levels of authorisation and standards for the department.
- 2.2 Strategic directors must maintain adequate systems of internal control over financial operations and processes and secure the accuracy and integrity of financial information and systems operating within their departments.
- 2.3 Strategic directors must ensure compliance with procedural instructions on financial administration issued by the chief finance officer.

## **3. Financial advice to the cabinet**

- 3.1 Corporate and strategic matters. The chief finance officer will provide financial advice to the council, its committees, sub-committees, and similar bodies of members including the cabinet on all matters of a corporate or strategic financial nature or of an interdepartmental nature.
- 3.2 Departmental matters. Strategic directors are responsible for financial advice to committees, sub-committees and similar service bodies of members including the cabinet on all financial matters of a departmental nature.

## **4. Risk management**

- 4.1 The chief finance officer will be responsible for ensuring awareness of and compliance across the council with risk management responsibilities and protocols as they impact upon day-to-day operations and major project activities and for reporting on risk management as appropriate.

## **5. Internal audit**

- 5.1 The chief finance officer is responsible for:
  - safeguarding the independence of internal audit
  - determining the overall audit arrangements and the annual internal audit plan
  - the content and distribution of internal audit reports
  - the form and frequency of reports which may be made to the audit and governance committee arising from internal audit activity.
- 5.2 It is the responsibility of all council officers to implement agreed recommendations and to provide, upon the request of the chief finance officer or a person nominated by him or her for this purpose, any information, explanation or document under the control of the officer concerned which is



required for the purposes of or in connection with an internal audit inquiry, project, or investigation.

- 5.3 The chief finance officer will report to the audit and governance committee any serious breach of financial standing orders or of the financial regulations or procedural instructions issued in accordance with them.

## 6. Fraud

- 6.1 The chief finance officer is responsible for management of the investigation process for all suspected cases of fraud, corruption, financial loss or malpractice.

## 7. Treasury management

- 7.1 All treasury management decisions are the responsibility of the chief finance officer, as set out in paragraph 23 below.

## 8. Pensions

- 8.1 All pension scheme decisions are the responsibility of the chief finance officer, acting on the advice of the pensions advisory panel, as set out in part 3 of the constitution.

## 9. Insurance

- 9.1 All insurance decisions are the responsibility of the chief finance officer.

## 10. Partnerships and shared service arrangements

- 10.1 Financial governance arrangements in respect of partnerships must meet the requirements of the chief finance officer and his written approval must be obtained before any partnership arrangements are entered into.

10.2 Financial governance arrangements in respect of shared service arrangements must meet the requirements of the chief finance officer and his written approval must be obtained before any shared service arrangements are entered into.

10.3 Arrangements allowed by virtue of statutes, such as s.75 or s.256 of the National Health Service Act 2006, must have regard to the council's constitutional requirements.

## 11. Cap and trading schemes

- 11.1 The chief finance officer must be consulted on all decisions relating to the landfill allowance trading scheme (LATS) and any similar cap and trading schemes.

## 12. Companies, joint ventures, limited liability partnerships and other forms of delivery vehicle in which the council has an interest

- 12.1 The chief finance officer and monitoring officer must be consulted on all proposals, including business plans, financial models, funding arrangements, articles of association, board membership, company registration and

governance arrangements relating to the establishment and operation of companies, joint ventures, limited liability partnerships and other forms of delivery vehicle in which the council is to have an interest.

12.2 Any proposal to enter into a shareholding agreement with a third party/company must be approved in writing by the chief finance officer and monitoring officer.

### **13. Guarantees**

13.1 Any proposal for giving a financial guarantee, including any indemnity, on behalf of a party external to the council must have prior written approval of the chief finance officer.

## **Financial planning and budgeting**

### **14. Planning process**

14.1 The council's financial planning processes and planning horizons, for the revenue budgets (including the housing revenue account), the capital programme and the medium term resources strategy, will be determined by the chief finance officer, subject to approval by the cabinet. This will have regard to the council plan.

### **15. Preparation of the revenue budget**

#### **15.1 Chief finance officer's responsibilities**

15.1.1 The chief finance officer is responsible for the overall coordination of the budget process. Under section 25 of the Local Government Act 2003, s/he also has specific responsibilities for reporting on:

- the robustness of the estimates
- the adequacy of the proposed financial reserves.

15.1.2 The chief finance officer also has specific responsibility for confirming the deployment of the dedicated schools grant in support of the schools budget, as required by section 16 of the Education Act 2002 and the Accounts and Audit (England) Regulations 2015.

15.1.3 The chief finance officer is responsible for ensuring, as far as is possible, the long term financial sustainability and resilience of the council.

#### **15.2 Strategic directors' responsibilities**

15.2.1 Preparing the revenue budget for the services in his/her departments in consultation with the relevant member of the cabinet, which will have regard to the community strategy, council plan, corporate priorities and business plans.

15.2.2 Ensuring that corporate deadlines are met.

15.2.3 Ensuring that resources are allocated through a detailed budget on SAP by the deadline set by the chief finance officer.

- 15.2.4 Ensuring that reports are submitted to the relevant cabinet member(s), seeking approval of fees and charges in relation to their areas of responsibility.

### **15.3 Budget working papers and revenue estimates**

- 15.3.1 All working papers and revenue estimates must be prepared in accordance with issued procedural instructions. The instructions will include information in respect of inflation, capital financing costs and other variables outside the control of service departments.
- 15.3.2 The revenue estimates must include forecast expenditure and income for the year.

### **15.4 Budget timetable and cash limits**

- 15.4.1 As part of the council's arrangements for medium term financial planning and budget preparation, the cabinet will give guidance on the budget timetable to be adopted and the resource constraints (cash limits) within which business plans and budget estimates must be prepared. The cabinet may also, as part of a strategy to integrate strategic planning with four-year budgeting, issue indicative cash limits for up to four years ahead.

## **16. Preparation of the capital programme**

### **16.1 Capital strategy and programme**

- 16.1.1 Council assembly will, on consideration of reports at least every four years and as necessary in the event of a significant change in circumstances from the chief finance officer, agree the capital strategy and programme. The reports from the chief finance officer will consider the compliance of proposed schemes in the programme with the medium term resources strategy, the capital resources available to the council, the revenue implications of the proposed capital expenditure, and any other relevant information.

### **16.2 Financing of schemes**

- 16.2.1 Within the overall approved capital programme, the chief finance officer will decide the method by which any particular scheme will be financed in consultation with the cabinet member for finance, performance and Brexit.

### **16.3 Capital schemes**

- 16.3.1 Approval to spend on individual capital schemes will only be given once issued procedural instructions have been complied with and cash flow implications have been determined and assessed to the satisfaction of the chief finance officer.

## **17. Setting the annual budget and the council tax**

### **17.1 Precepting authorities, tax base, and net rate yield**

- 17.1.1 The council must before 31 January each year approve the council tax base for the following financial year.

17.1.2 Following the council decision, the chief finance officer will inform precepting and levying bodies of the approved council tax base.

17.1.3 The chief finance officer must before 31 January each year sign off the estimated net rate yield for national non domestic rates for the following financial year.

17.1.4 The chief finance officer will inform the government and the Greater London Authority (GLA) of the approved estimated net rate yield, so that the appropriate payments can be made to the government and GLA.

## **17.2 Support for council tax**

17.2.1 The council must before 31 January each year approve any changes to its scheme for council tax support for the following financial year.

## **17.3 Decision by members**

17.3.1 The cabinet will make recommendations to the council regarding the annual budget for the following financial year and the council tax required to finance it.

17.3.2 At a meeting on or before 1 March each year, the council will set the overall council tax (including the impact of the GLA precept) for the following financial year.

17.3.3 All members must ensure that any outstanding debts relating to council tax or national non-domestic rates payable by them to the council have been settled at least one clear working day before the council assembly meeting at which the overall council tax is set.

## **17.4 Collection fund**

17.4.1 The chief finance officer will determine the probable collection fund surplus or deficit for the year, notify precepting bodies, and report to the cabinet.

## **Budgetary control**

### **18. Monitoring and control of the revenue budget**

#### **18.1 Budget spending**

18.1.1 Following approval by the council of the annual revenue estimates, strategic directors may spend within the agreed budget for their departments. They must ensure that the net expenditure for their departments does not exceed the approved budget. They must also ensure that they do not incur expenditure on budgets outside their departmental budget without first getting approval from the relevant strategic director.

#### **18.2 Monitoring**

18.2.1 Strategic directors must:

- ensure that there are adequate systems to monitor and audit the resources allocated to services.
- monitor at least monthly the accurately projected income and expenditure outturn for the financial year under each budget heading, having regard to any contingent or other liabilities for which financial provision may be required.
- present reports containing up to date summary projections to the relevant cabinet member each month.

18.2.2 The chief finance officer must report on the overall financial position of the council to the cabinet on a regular basis. This report will include any concerns he/she may have about the outturns projected by strategic directors or about financial controls within departments.

### **18.3 Budget adjustments/virements within a directorate**

18.3.1 Strategic directors may vire budget provision between services as set out in the budget book within their department, subject to the following:

- i) The authority for all virements must comply with each department's scheme of management.
- ii) Budget adjustments/virements may not alter the aggregate sum of any one of the budgets listed in the schedule of corporately controlled budgets (e.g. insurance, national insurance, pensions and capital charges), unless previously agreed in writing by the chief finance officer, who is responsible for maintaining the schedule.
- iii) If the budget adjustment/virement is in excess of ~~£250,000~~ **£275,000**, the strategic director must notify it to the chief finance officer who will obtain the approval of the cabinet at the earliest opportunity. This rule applies where there is movement of an approved budget from one service to another and to adjustments between subjective categories of income and expenditure such as to reflect additional grant or other income and associated expenditure.

### **18.4 Budget adjustments/virements between directorates**

18.4.1 Budget adjustments/virements may not alter the aggregate sum of any one of the budgets listed in the schedule of corporately controlled budgets (e.g. insurance, national insurance, pensions and capital charges), unless previously agreed in writing by the chief finance officer, who is responsible for maintaining the schedule.

18.4.2 Technical adjustments relating to closing the accounts, including those to corporately controlled budgets, will be reflected in the statement of accounts signed by the chief finance officer. Examples of technical adjustments include those in relation to capital charges such as depreciation and international accounting standard (IAS) 19 – accounting for employee benefits.

18.4.3 Inter –departmental and reserves adjustments/virements of ~~£250,000~~ **£275,000** or less may be actioned with the agreement of the relevant strategic director(s), in line with each department's scheme of management, and must be reported to the cabinet.

18.4.4 Where an inter-departmental or reserve adjustments/virement exceeds ~~£250,000~~ £275,000, the relevant strategic director(s) must obtain written consent from the chief finance officer who will obtain the approval of the cabinet.

18.4.5 Subject to paragraph 13 of Part 3A of the Constitution “matters reserved to council assembly”, the cabinet may at any time during a financial year, having considered a report of the chief finance officer, vary the departmental approved budget either:

- to require mid-year savings to compensate for a projected corporate overspend
- to allocate to departments sums included within corporate provisions or budgets, excluding those which form part of the schedule of corporately controlled budgets maintained by the chief finance officer.

### **18.5 Treatment of overspends and underspends**

18.5.1 The chief finance officer may, on consideration of the overall financial position of the council at the end of a financial year, recommend to the cabinet whether overspends by departments should be set off against budgets in the subsequent financial year and whether underspends by departments can be made available for specific projects or carried forward to the subsequent financial year, or otherwise accounted for, in line with the medium term resources strategy.

### **18.6 Accuracy of accounts**

18.6.1 It is the responsibility of strategic directors, having regard to any guidance which may be issued by the chief finance officer, to ensure that all items are correctly accounted for, and that all expenditure and income is charged to a revenue account in the first instance, in accordance with proper accounting practices. The only exceptions under the provisos of the Local Government Act 2003 are:

- expenditure under finance leases
- expenditure permitted to be charged to capital
- the repayment of sums borrowed
- expenditure on approved instruments (treasury loans)
- payments from the superannuation funds
- the use of trust funds
- transactions within the collection fund.

## **19. Monitoring and control of the capital programme**

### **19.1 Control**

19.1 Strategic directors must ensure that their total departmental capital spending in any financial year does not exceed the relevant provision within the capital programme, except where approved by the cabinet.

### **19.2 Reporting requirements**

19.2.1 The chief finance officer will report on the actual capital expenditure incurred by the council as a whole to the cabinet on a regular basis. This report will include details of variations to the capital programme (see (c) below), the projected outturn for the financial year and the total capital resources available to the council with which to finance such expenditure.

19.2.2 The chief finance officer will report to the cabinet on the outturn position for capital expenditure for each financial year

### **19.3 Variations to the capital programme**

#### **19.3.1 Virements**

Virements between capital projects or programme headings as set out in the overall programme approved by council assembly must be notified by the relevant strategic director to the chief finance officer and cannot be actioned until they have been approved as follows:

- up to £100,000 – chief finance officer
- over £100,000 and up to £1,000,000 – the cabinet member for finance, performance and Brexit, after consultation with the relevant cabinet member(s)
- over £1,000,000 and up to £10,000,000 – the cabinet
- over £10,000,000 – council assembly.

#### **19.3.2 Changes to profiles of expenditure and resources**

Changes to profiles for capital projects or programme headings as set out in the overall programme approved by council assembly must be notified by the strategic director to the chief finance officer and cannot be actioned until they have been approved as follows:

- up to ~~£250,000~~ £275,000 – strategic director
- over ~~£250,000~~ £275,000 – cabinet member for finance, performance and Brexit, after consultation with the relevant cabinet member.

### **19.4 Major overspends and underspends**

19.4.1 Strategic directors must report to the chief finance officer who will report to the cabinet on any schemes in progress, which are forecast to overspend or underspend by 10% or more compared to the approved budget unless the overspending or underspending amounts to less than ~~£250,000~~ £275,000. The report must give the reasons for the overspending or underspending.

### **19.5 Accuracy of accounts**

19.5.1 It is the responsibility of strategic directors, having regard to any guidance which may be issued by the chief finance officer, to ensure that all items are correctly coded and only expenditure classified as capital expenditure in accordance with proper accounting practices or as defined as such under the Local Government Act 2003 (and subsequent regulations) is charged to capital.

## **20. Annual statement of accounts**

### **20.1 Chief finance officer's responsibilities**

20.1.1 The chief finance officer is responsible for the preparation and certification of the annual statement of accounts in accordance with current legislation and in particular with the Accounts and Audit (England) Regulations 2015. The chief finance officer will make arrangements for the coordination of the council's closing of accounts programme to ensure compliance with national guidelines.

### **20.2 Strategic directors' responsibilities**

20.2.1 Strategic directors are responsible for ensuring:

- i) the accuracy of their departmental accounts and compliance with all current legislation and applicable accounting codes of practice
- ii) the prompt production of adequate working papers to justify all items attributable to them in the statement of accounts
- iii) the achievement of their departmental closing of accounts programme in line with the chief finance officer's timetable for the closure of accounts and production of the annual statement of accounts
- iv) the completion of all grant claims accurately, within deadlines and with adequate supporting working papers, ensuring that income due to the council is maximised
- v) that their staff cooperate fully with the council's external auditors during their audit of the accounts and grant claims.

## **21. Leases**

### **21.1 Capital accounting considerations**

21.1.1 The taking or granting of a lease on any asset may form part of the council's capital expenditure or receipts, and must, therefore, be provided for.

### **21.2 Consent**

21.2.1 Strategic directors are required to consult with the chief finance officer as early as possible in order to obtain advice on the correct assessment of a lease (as 'finance' or 'operating') and to obtain written permission from him before taking or granting a lease on any asset. The exceptions to this are:

- i) the granting of short term leases on property within the commercial property portfolio managed by the director of regeneration
- ii) the granting of leases on housing revenue account dwellings under the right to buy provisions of the Housing Act 1985.

## **22. Schools financial framework**

### **22.1 Application of standing orders**



22.1.1 Delegated budgets of schools, in accordance with the Schools Standards and Framework Act 1998, remain part of the authority. The statutory responsibilities of the chief finance officer apply to schools in the same way as any other part of the council.

## **22.2 Financial regulations**

22.2.1 Financial regulations applying to schools which differ from those issued to strategic directors and departments will be issued by the strategic director of children's and adults services after agreeing them with the chief finance officer.

## **22.3 Scheme for financing schools**

22.3.1 The chief finance officer and strategic director of children's and adults services will consult on and issue a scheme for financing schools annually.

## **23. Treasury management**

### **23.1 Prudential framework**

#### 23.1.1 Prudential indicators

The chief finance officer shall set out prudential indicators for capital finance and treasury management under the provisions of the Local Government Act 2003 for consideration and decision by council assembly alongside consideration of the budget and council tax each year.

#### 23.1.2 Reporting

The chief finance officer shall monitor and report at least twice a year to council assembly on performance against the indicators.

### **23.2 Borrowing and treasury management strategy and decisions**

#### 23.2.1 Strategy

The chief finance officer shall set out the borrowing and treasury management strategy (including prudential borrowing arrangements) for consideration and decision by the council assembly each year, in accordance with statutory guidance on local government investments and the CIPFA code of practice on treasury management in the public sector.

#### 23.2.2 Decisions

All cabinet and operational decisions on borrowing, credit finance and investments are delegated to the chief finance officer.

#### 23.2.3 Reporting

The chief finance officer shall monitor and report on operational activity in relation to the strategy on a regular basis to the cabinet and at mid year and year end to council assembly.

**23.3 Departure from statutory guidance or the CIPFA code**

- 23.3.1 If the chief finance officer should wish to depart materially from the main principles of the guidance or code, the reasons should be reported to the council assembly.

## Glossary

Budget adjustments/virements	A budget adjustment or virement is a movement of an approved budget from one budget heading or service to another. It will be self-balancing and will be in response to either a change in the level of service (increased or decreased) or additional net costs or benefits within a service. It includes changes to expenditure and income budgets to take account of new grants or other income and associated expenditure including movements between subjective categories of income and expenditure and also corrections to budgets which were set on the basis of incomplete information. It may recognise movements to and from reserves and balances, which may only be actioned by the chief finance officer.
Capital programme	The capital programme is a medium term statement of the council's proposals for capital expenditure, including leasing, having regard to the likely level of resources.
CIPFA	The Chartered Institute of Public Finance and Accountancy (CIPFA) is the body with responsibility for issuing guidance on how accounting standards are to apply to local authorities.
Financial regulations	Financial regulations are such procedures that the chief finance officer shall issue from time to time as part of the financial standing orders. They are available on the Source.
Minor changes	Minor changes are defined as: <ul style="list-style-type: none"> <li>• typographical/presentational/explanatory changes</li> <li>• changes in statutory framework, i.e. references to new or updated legislation</li> <li>• changes in titles, names or terminology</li> <li>• changes consequential to other constitutional changes already made.</li> </ul>
Partnership	A partnership is an agreement between the council and one or more parties to work together to enable the service provider to give the client the best possible service. The council may not always be the lead provider and the agreement may take a number of forms: it may be contractual, but involve a more integrated, consultative and interactive working relationship or there may be no contract, no formal

specification and no competitive process. As a minimum, there should be a service level agreement. Partnerships include joint arrangements, joint committees, joint venture companies and any other special purpose vehicles.

Profiles of expenditure/resources	Profiles of expenditure and resources are estimated patterns of expenditure and income through the year. For capital projects, these will often span more than one financial year. The construction of profiles enables the accurate monitoring of actuals and commitments each month which is essential to ensure that resources are used effectively.
Prudential indicators	Prudential indicators are indicators set by each local authority under CIPFA's prudential code for capital finance to help demonstrate that capital investment plans are affordable, prudent and sustainable and that treasury management (see below) decisions are taken in accordance with good practice. Examples of indicators are ratios of financing costs to net revenue streams; estimates of the incremental impact of capital investment decisions on council tax and levels of external debt.
Treasury management	Treasury management is the management of the council's long term borrowing and short term cash surpluses and deficits in line with its debt and investment strategies.

## **CONTRACT STANDING ORDERS**

### **Introduction**

#### **1. When do Contract Standing Orders apply?**

#### **2. General principles**

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- 2.2 Consequences of non-compliance
- 2.3 General principle of contract decision making
- 2.4 Contracts in writing
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- 2.7 Authority to act in line with scheme of management
- 2.8 Declarations of interest
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#### **3. Overview of procurement process**

#### **4. Requirements to obtain quotes or tenders**

- 4.1 Contracts less than £25,000
- 4.2 Contracts from £25,000 or more to below £100,000
- 4.3 Contracts of £100,000 or more to below EU threshold
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## Introduction

The council seeks to achieve value for money and best value when obtaining supplies of goods, services and works.

The Contract Standing Orders (CSOs) set out minimum requirements to be followed. CSOs are governed by section 135 of the Local Government Act 1972 and are the council's rules for contracts. They must always be followed unless the law (European or UK) requires something different.

Further information can be found in the Procurement Guidelines. Officers must always seek advice from the procurement advice team and legal services for all contracts where European law applies or which are Strategic Procurements and for other contracts if they have any queries.

CSOs do not override other parts of the council's constitution. For example, if a decision about a contract is also a "key decision", then the requirements set out in the constitution in relation to CSOs and to key decisions will have to be met.

There is a Glossary at the end of these CSOs which provides explanations of important words or phrases (e.g. Estimated Contract Value).

### 1. When do Contract Standing Orders apply?

#### 1.1 CSOs apply:

- to any procurement or tendering process or contract entered into by the council for the provision of goods, services and works and to the operation of any concession
- where the council is involved in joint working funded partly or entirely by external funding to the extent that the money passes through the council's accounts
- to all schools maintained by the London Borough of Southwark but subject to the current Southwark Scheme for Financing Schools and the Schools' Contract Standing Orders.

unless an exemption to CSOs is approved (see 6.8 below).

#### 1.2 CSOs do not apply:

- to contracts of employment
- to land transactions
- to grants given by the council.

## 2. General principles

### 2.1 Compliance with relevant statutory and corporate requirements

#### 2.1.1 There must be compliance with the requirements of:

- a) propriety, including obtaining all necessary approvals
- b) value for money and best value, through the consideration of all procurement options

- c) all parts of the council's constitution such as these CSOs, the Financial Standing Orders and the protocol on Key Decisions
- d) EU and domestic legislation
- e) the council's procurement strategy, Procurement Guidance and other council policies and procedures
- f) the employee code of conduct (for officers)
- g) the council plan
- h) the council's policy commitment to the Fairer Future Procurement Framework.

## **2.2 Consequences of non-compliance**

2.2.1 It is a disciplinary offence to:

- fail to comply with CSOs
- fail to comply with council policies and procedures when letting contracts.

2.2.2 Employees have a duty to report breaches of CSOs to an appropriate senior manager, who will advise the monitoring officer and the strategic director of finance and governance.

2.2.3 The monitoring officer will report to the audit, governance and standards committee any serious breach of CSOs.

## **2.3 General principle of contract decision making**

2.3.1 The aim of the procurement process is to ensure that each contract is awarded to the most economically advantageous tenderer, who may or may not have submitted the lowest sum offered, and that any decision on a Variation is made on a similar basis so as to ensure that value for money, quality considerations and the need to implement the council's plan and strategies are taken into account. Contracts may only be awarded or a Variation decision made if the expenditure has been included in approved revenue or capital estimates or has been otherwise approved by, or on behalf of, the council.

2.3.2 When estimating the value of a contract, reference should be made to the Estimated Contract Value paragraph set out in the Glossary and, in particular, to the note that a contract may not be split into two or more separate contracts with the intention of avoiding the application of the CSOs.

2.3.3 For contracts with an Estimated Contract Value of £100,000 or more, the LCO must consult with the relevant cabinet member before a procurement strategy is implemented.

2.3.4 For contract Variations with an Estimated Contract Value of £100,000 or more, the LCO must consult with the relevant cabinet member before this is implemented.

## **2.4 Contracts in writing**

2.4.1 Every contract awarded must be in writing and, wherever practicable, on terms agreed by the council and consistent with any council terms of trading and contain full details of the contract documents and contract terms. All Strategic Procurement contracts for supplies and services and those works



contracts whose contract value is £200,000 or more must be executed on behalf of the council under seal as a deed.

2.4.2 All other contracts over £25,000 must be signed by at least two authorised officers of the lead contract officer's department.

2.4.3 All contracts must wherever practicable be signed or sealed before contract commencement and in accordance with the procedures set out in the Procurement Guidance.

## **2.5 Record keeping**

2.5.1 Chief officers must ensure that the following records are kept:

- a detailed contract file for each contract, including the Estimated Contract Value and, for all contracts with an Estimated Contract Value of £100,000 or more, all tender opening records where e-procurement is not used
- all decisions made, reasons for them and actions taken in relation to procurement processes and contracts
- all documents and reports relating to procurement processes and contracts, including the signed contract.

2.5.2 Where the Estimated Contract Value is £25,000 or more, these records must be kept on the e-procurement system.

2.5.3 Chief officers must ensure that all contracts with an Estimated Contract Value of £5,000 or more are included on the council's contract register via the e-procurement system.

## **2.6 Lead contract officer**

2.6.1 A lead contract officer (LCO) must be identified for each contract. Where no LCO is named, the LCO will be deemed to be the budget holder of the section from which the contract is funded.

## **2.7 Authority to act in line with scheme of management**

2.7.1 Each officer will act only within the limits of their delegated authority, as set out in their department's scheme of management. The hierarchy of decision makers for procurement decisions is as follows:

- cabinet/cabinet committee (highest)
- individual decision maker (IDM)
- strategic director of finance and governance
- chief officer, or as delegated through departmental schemes of management.

## **2.8 Declarations of interest**

2.8.1 The following will declare any interests which may affect the procurement process:

- a) all staff, whether directly employed by the council or otherwise, who play a role in any aspect of the tendering process

- b) all staff listed on a scheme of management or delegation in relation to a contract or procurement issue
- c) external consultants, community representatives and representatives of bodies other than the council who play a role or whose work gives them influence over or information about any aspect of the contract process
- d) joint negotiating committee (JNC) officers
- e) any other officers who regularly give advice to members including report authors.

2.8.2 Chief officers will ensure that staff, consultants, community representatives and representatives of bodies other than the council appointed or agreed by them make declarations on appointment, or on any change in circumstances (and annually in the case of staff); and will either certify them as acceptable or take any necessary action in respect of potential conflicts of interest.

2.8.3 Chief officers will keep completed staff declarations and also maintain a departmental register of declarations indicating the names and grades of all those declaring, and the nature of their declaration. LCOs will keep any consultants' or other bodies' representatives' declarations on the contract file.

## **2.9 Changes to CSOs**

2.9.1 As set out in article 1, the monitoring officer may make minor changes to the CSOs, after consultation with the chief finance officer.

2.9.2 Minor changes are defined as:

- typographical/presentational/explanatory changes
- changes in statutory framework, i.e. references to new or updated legislation
- changes in titles, names or terminology
- changes consequential to other constitutional changes already made.

## **3. Overview of procurement process**

3.1 Having identified a need to purchase goods, services or works which are not covered by an existing contract and having confirmed that they are subject to CSOs (see section 1 above), the main stages of all non-emergency procurements are – in summary:

- a) to identify who is the lead contract officer (LCO) – see 2.6 above
- b) to follow appropriate quote/tender route. This will depend on the Estimated Contract Value and other factors – see 4 below
- c) to obtain approval of a pre-procurement strategic assessment for services contracts with an Estimated Contract Value of £10 million or more (Gateway 0 report) – see 6.3 below
- d) to obtain approval of procurement strategy (Gateway 1 report). This will depend on the Estimated Contract Value and other factors and may require consideration of the report by the Departmental and Corporate Contract Review Boards (DCRB and CCRB) – see 6.4 below
- e) to obtain approval to award contract (Gateway 2 report). This will depend on Estimated Contract Value and other factors and may require consideration of the report by the DCRBs and CCRB – see 6.5 below

- f) to ensure that a written contract has been signed (and sealed if necessary) on behalf of the chief officer of the LCO's department in line with constitutional requirements.

For an emergency procurement, see 6.9 below.

- 3.2 Where there is a need to vary an existing contract, the process to be followed is set out in 6.6 below.
- 3.3 Where it is proposed to bring a service which was previously externalised back in-house, it is necessary to follow 3.1.a) and d) above, unless approval has been previously obtained via a GW0 report.

#### **4. Requirements to obtain quotes or tenders**

##### **4.1 Contracts less than £25,000**

- 4.1.1 For all contracts where the Estimated Contract Value is less than £25,000, there is a requirement to ensure value for money and best value and to keep a record of what action has been taken and when. The best way of ensuring value for money is to obtain competitive quotes and, if this is not done, the reason for not seeking quotes should be recorded. In addition, if the contract is for works or for works-related services, the provider must be obtained from the council's Works Approved List, unless permission is obtained to do otherwise through a Gateway 1 report; such a report must include supplementary procurement advice from the strategic director of finance and governance or his delegated officers, without which the approval cannot be granted.

##### **4.2 Contracts from £25,000 or more to below £100,000**

- 4.2.1 For all contracts where the Estimated Contract Value is from £25,000 or more to below £100,000, there is a requirement to take all reasonable steps to obtain at least three written quotes, including one from a local supplier where this is possible, unless the LCO decides that this will not secure value for money. In such cases, a Gateway 1 report must be completed to explain what alternative action is being taken and why. In addition, if the contract is for works or works-related services, those invited to submit quotes must be selected from the council's Works Approved List unless permission is obtained to do otherwise through a Gateway 1 report; such a report must include supplementary procurement advice from the strategic director of finance and governance or his delegated officers, without which the approval cannot be granted.

### **4.3 Contracts of £100,000 or more to below EU threshold**

- 4.3.1 For all contracts where the Estimated Contract Value is £100,000 or more to below the relevant EU threshold, there is a requirement to take all reasonable steps to obtain at least five tenders. In addition, if the contract is for works or work-related services, those invited to submit tenders must be selected from the council's Works Approved List unless permission is obtained to do otherwise through a Gateway 1 report; such a report must include supplementary procurement advice from the strategic director of finance and governance or his delegated officers, without which the approval cannot be granted.

### **4.4 All contracts above EU threshold values**

- 4.4.1 For all contracts above the EU threshold applicable to them, there is a requirement to comply with the Public Contract Regulations 2015 following a publicly advertised competitive tendering process, as set out in these CSOs and in line with the Procurement Guidance.
- 4.4.2 Health, social care or educational services fall within the EU's Light Touch Regime (see definition in Glossary). The relevant chief officer must have regard to the threshold for these services under the Public Contract Regulations 2015.

## **5. Use of Framework agreements and Purchasing consortia**

### **5.1 Using Framework agreements**

- 5.1.1 Where there is a contract in place for the council by way of a Framework agreement for a service, supply or work, it must be used to make the relevant purchase. If the LCO believes that the Framework agreement does not meet their requirements, they must obtain an exemption (see CSO 6.8) through a Gateway report if the value is £25,000 or more.
- 5.1.2 Establishing a council-led Framework agreement or use of a third party's Framework Agreement is subject to the full requirements of these CSOs, including Gateway 1 and Gateway 2 reports.
- 5.1.3 For all Framework agreements, if recommending use of a direct award on a multi-supplier framework, the LCO must treat this as a single supplier negotiation in the Gateway 1 report.
- 5.1.4 Any planned use of a Framework agreement once in place will need a Gateway 2 report, which will be approved in line with CSO 6.5, and which should set out how orders are to be placed. In the absence of this, the LCO will need to prepare Gateway 1 and 2 reports.

### **5.2 Third party Framework agreements**

- 5.2.1 Some Framework agreements require buying authorities to formally join the framework in order to use it. Some may require an access charge to be paid. Wherever necessary, these should be made clear in the Gateway 1 and 2 reports.

### **5.3 Contracts secured through Purchasing consortia**

- 5.3.1 Approval to create or join a Purchasing consortium must be obtained in a Gateway 1 report which must identify the procedure for award of individual contracts or orders placed via the consortium. Once approval has been obtained, contracts or orders placed through the Consortium Agreement will not be subject to the quotation or tendering requirements in these CSOs, but a Gateway 2 report must be obtained in accordance with CSO 6.5 before any individual contract or order is placed.

## **6. Approvals processes**

### **6.1 Gateway and other reports**

- 6.1.1 The procurement process requires written reports at the following stages:
- a) approval of pre-procurement strategic assessment – Gateway 0 report
  - b) approval of procurement strategy – Gateway 1 report
  - c) approval of award of the contract – Gateway 2 report
  - d) approval of Variation or Extension to contract – Gateway 3 report
  - e) monitoring reports throughout the life of the contract.

More information can be found in CSOs 6.3 to 6.8, 9 and the Glossary.

### **6.2 Supplemental advice from other officers in Gateway and other reports**

- 6.2.1 Where the Estimated Contract Value or, in relation to a Variation, the Contract Value is over the relevant EU threshold for supplies and services or over £2 million for works contracts or where required elsewhere in the CSOs, any Gateway report or other report containing a contract matter (such as a Variation report) must include legal advice from the monitoring officer, financial and procurement advice and, for housing-related reports, statutory leaseholder consultation advice from the strategic director of finance and governance or delegated officer(s).
- 6.2.2 Where it is not possible to undertake a procurement through the e-procurement system and the Estimated Contract Value or proposed variation is £25,000 or more, a Gateway report must include procurement advice from the strategic director of finance and governance or delegated officer(s).
- 6.2.3 There is a requirement to include all relevant information and this may require advice from other officers e.g. the director of modernise for all IT projects or director of education for all school-related projects.

### **6.3 Decision on pre-procurement strategic assessment – Gateway 0**

- 6.3.1 A pre-procurement assessment decision is required for:
- All services contracts with an Estimated Contract Value of £10 million or more in value (excluding capital investment works)
  - Other strategically important contracts for services, goods or works where requested by the relevant cabinet member

6.3.2 The decision on a pre-procurement assessment is to be taken by the relevant cabinet member, after consideration by the CCRB of a Gateway 0 report.

#### **6.4 Decision on procurement strategy – Gateway 1**

6.4.1 For contracts with an Estimated Contract Value of £100,000 or more, the LCO must consult with the relevant cabinet member before a procurement strategy is implemented.

6.4.2 A decision on the procurement strategy to be used on any contract with an Estimated Contract Value of £100,000 or more must only be made after consideration of a Gateway 1 report. It is recommended that such a report is also used for contracts with an estimated value below £100,000. As a minimum, the LCO must keep a written record of decisions, the date that the decision is taken and action taken.

6.4.3 The decision on the approval of the procurement strategy is to be taken as set out below:

- a) if the contract is a Strategic Procurement, the decision must be taken by the cabinet or cabinet committee, after consideration by the CCRB of the report
- b) if the Estimated Contract Value is £2 million or more but below £4 million for services and supplies or £10 million or more but below £15 million for works but the contract does not fall into a) above, the decision must be taken by the relevant individual decision maker, after consideration by the CCRB of the report
- c) if the contract will affect the budget of more than one department but does not fall into a) or b) above, the decision must be taken by the chief officer responsible for the contract after consideration of the report by all relevant DCRBs or as otherwise agreed by the relevant chief officers
- d) if the Estimated Contract Value is above the relevant EU threshold but the contract does not fall into a), b) or c) above and the LCO is requesting approval to proceed with a single tenderer or to negotiate with a single provider (and this is permitted by EU legislation), the decision must be taken by the strategic director of finance and governance, after consideration by the CCRB of the report
- e) if the Estimated Contract Value is above the relevant EU threshold but the contract does not fall into a), b), c) or d) above, the decision must be taken by the chief officer or under his/her delegated authority, after consideration by his/her DCRB of the report
- f) a different requirement must be met as specified elsewhere in the constitution or these CSOs:
  - i) for the decision to be made by someone else (e.g. pensions, treasury management and insurance where decisions are to be made by the strategic director of finance and governance), or
  - ii) about the decision (e.g. in emergencies where no prior written report is needed – see CSO 6.9).
- g) if the decision does not fall into any of the categories above, it must be taken by the relevant chief officer or under their delegated authority in line with the department's scheme of management.

6.4.4 Gateway 1 reports should consider social value and set out how this will be included in any tender process. They must also include any details of procurement proposals that are different from the normal routes, including

requests for exemptions to all or some of these CSOs and requests to delegate powers to award the contract.

## **6.5 Decision on contract award – Gateway 2**

6.5.1 A decision to award any contract with an Estimated Contract Value of £100,000 or more must only be made after consideration of a Gateway 2 report. It is recommended that such a report is also used for contracts with an estimated value £100,000. As a minimum, the LCO must keep a written record of decisions, the date that the decision is taken and action taken.

6.5.2 The decision on the award of a contract is to be taken as set out below:

- a) if the contract is a Strategic Procurement, the decision must be taken by the cabinet or cabinet committee, after consideration by the CCRB of the report
- b) if the Estimated Contract Value is £2 million or more but below £4 million for supplies and services or £10 million or more but below £15 million for works but the contract does not fall into a) above, the decision must be taken by the relevant individual decision maker, after consideration by the CCRB of the report
- c) if the contract will affect the budget of more than one department but does not fall into a) or b) above, the decision must be taken by the chief officer responsible for the contract after consideration of the report by all relevant DCRBs or as otherwise agreed by the relevant chief officers
- d) If:
  - i) the Estimated Contract Value is £500,000 or above (for services and supplies contracts) or above the relevant EU threshold (for works contracts), and
  - ii) the contract is to be awarded to a contractor whose bid was more than 15% above the Lowest Bid,
 but does not fall into a), b) or c) above, the decision must be taken by the relevant chief officer after consultation with the strategic director of finance and governance
- e) if the proposed contract includes pension arrangements terms which are different from those set out in the council's Admitted Bodies policy but the contract does not fall into a), b) c) or d) above, the decision must be taken by the strategic director of finance and governance, after consideration of the report by the CCRB and taking advice from the Pensions Advisory Panel
- f) if the Estimated Contract Value is above the relevant EU threshold but the contract does not fall into a), b), c), d) or e) above, the decision must be taken by the relevant chief officer or under his/her delegated authority, after consideration by the relevant DCRB of the report
- g) a different requirement must be met as specified elsewhere in the constitution or these CSOs:
  - i) for the decision to be made by someone else (e.g. pensions, treasury management and insurance where decisions are to be made by the strategic director of finance and governance)
  - ii) about the decision (e.g. in emergencies where no prior written report is needed – see CSO 6.9)
- h) approval has been obtained in line with CSO 6.4.4 above to a different decision process.

- i) if the decision does not fall into any of the categories above, it must be taken by the relevant chief officer or under their delegated authority in line with the department's scheme of management.

6.5.3 Requests to delegate the decision on the award of a contract should be included within the Gateway 1 report.

6.5.4 Report authors should include, as part of the proposed recommendations contained within the Gateway 2 report, details of any possible options to extend the contract.

## **6.6 Decision to allow Variations during contract term – Gateway 3**

6.6.1 For contract Variations with an Estimated Contract Value of £100,000 or more, the LCO must consult with the relevant cabinet member before this is implemented.

6.6.2 A decision to allow a contract Variation of £100,000 or more must only be made after consideration of a Gateway 3 report. It is recommended that such a report is also used for contract Variations with an estimated value of £100,000 or below. As a minimum, the LCO must keep a written record of decisions and action taken.

6.6.3 Any decision to allow a Variation of a contract or Framework agreement is to be taken as set out below:

- a) if the value of the proposed Variation is a Strategic Procurement, the decision must be taken by the cabinet or cabinet committee, after consideration by the CCRB of the report
- b) if the value of the proposed Variation is £2 million or more but below £4 million for supplies and services or £10 million or more but below £15 million for works but the contract does not fall into a) above, the decision must be taken by the relevant individual decision maker, after consideration by the CCRB of the report
- c) if the value of the proposed variation is £1 million or more but the contract does not fall into a) or b) above, the decision must be taken by the strategic director of finance and governance, after consideration by the CCRB of the report
- d) a different requirement must be met as specified elsewhere in the constitution or these CSOs:
  - i. for the decision to be made by someone else (e.g. pensions, treasury management and insurance where decisions are to be made by the strategic director of finance and governance)
  - ii. about the decision (e.g. in emergencies where no prior written report is needed – see CSO 6.9)
- e) if the decision does not fall into any of the categories above, the decision must be taken by the relevant chief officer or under their delegated authority in line with the department's scheme of management.

6.6.4 Where an additional amount is to be paid in respect of an outstanding sum for works, services or supplies already provided or where an Urgent Payment is required, written confirmation from the monitoring officer that the sums are legally payable must be obtained and the decision to make the payment must be reported in writing to the strategic director of finance and governance within five clear working days.



- 6.6.5 Where a decision on a Variation is made in relation to a contract for works, there will also be a deemed variation of the contract of any consultant engaged in relation to that works contract. This only applies where the consultant is engaged on a fixed percentage of the works contract value. The deemed variation of the consultant's contract will be by the same percentage as that applied to the works contract.

## **6.7 Retrospective approvals**

- 6.7.1 In the event of procurement activity being commenced or a contract having been entered into other than in compliance with these CSOs, it may be necessary to seek approvals retrospectively. In such cases, the procedures relating to Gateway 0, Gateway 1, Gateway 2 and Gateway 3 reports should be followed as soon as possible. In addition, a report should be submitted to the relevant DCRB for information and, where a decision relates to a procurement strategy, a contract award or a contract Variation with an estimated value of over £100,000, also to CCRB and to the audit, governance and standards committee, setting out the circumstances and manner in which the decision was taken, for the purpose of obtaining guidance to inform future decision making.

## **6.8 Exemptions**

- 6.8.1 In the event that there appear to be exceptional circumstances which mean that the usual procedures set out in the CSOs cannot be followed, written approval must be obtained in advance through a Gateway report. The report should set out the exceptional circumstances and explain why usual procedures cannot be followed. Proposed alternative courses of action must still comply with remaining relevant statutory and corporate requirements as set out in 2.1 above.
- 6.8.2 Examples of circumstances which might amount to an exceptional reason for not following the usual procedures include but are not limited to:
- a) the nature of the market has been investigated and is such that a departure from the CSO requirements is justified
  - b) the circumstances of the proposed contract are covered by legislative exemptions (whether under EU or domestic law).

## **6.9 Emergencies**

- 6.9.1 An emergency is a situation where action is needed to prevent a risk of injury or loss of life, or to the security or structural/operating viability of a property or other tangible or intangible asset. In the case of an emergency, action necessary can be approved by a chief officer without a prior written Gateway report. Such action shall be limited to dealing with the emergency and it shall be subsequently recorded in a written report to the CCRB, within six months of the action taken.

## **7. Quote and tender issue, return and opening procedure**

### **7.1 Issue of quotes and tenders through the e-procurement system**

- 7.1.1 Officers must use the e- procurement system for all quotes and tenders with an Estimated Contract Value of £25,000 or more to ensure compliance with

relevant legislative and corporate requirements and to provide a complete audit trail.

- 7.1.2 If the e-procurement system is not to be used for a quote or tender with an Estimated Contract Value of £25,000 or more, the Gateway 1 must include procurement advice from the strategic director of finance and governance or delegated officer(s).
- 7.1.3 If the e-procurement system is not used for a tender with an Estimated Contract Value above the relevant EU threshold, a report should be submitted to the relevant DCRB for information and to CCRB and the audit, governance and standards committee, setting out the circumstances and manner in which the decision was taken, for the purpose of obtaining guidance to inform future decision making.

## **7.2 Quote and tender return and opening procedure**

- 7.2.1 All quote and tender processes must comply with the following requirements.
- 7.2.2 Those submitting quotes or tenders must be told that their quotes or tenders may only be considered if they are received in time within the protocols of the council's e-procurement system.
- 7.2.3 All quotes and tenders will be electronically released or opened at the same time and place, after the closing date and time for receipt stated in the quote or tender documents and the e-procurement system.
- 7.2.4 A quote or tender received by the council via the e-procurement system or otherwise (subject to CSO 7.3) after the time and date specified in the invitation shall not be accepted or considered.
- 7.2.5 Tenders where the Estimated Contract Value is £500,000 or more shall be electronically released or opened by the monitoring officer's authorised representative. Where the Estimated Contract Value is less than £500,000, quotes or tenders will be released from the e-procurement system by the relevant LCO or their authorised representative.

## **7.3 Exceptions to the requirements set out in 7.2 above**

- 7.3.1 Exceptions to the requirements set out in 7.2 above will only be made in exceptional circumstances and must be authorised by the relevant chief officer in writing following consultation with the monitoring officer and legal advice as necessary.

## **8. Advertisement and publication of procurement notices**

- 8.1 Chief officers are responsible for ensuring that the council's obligations in relation to the publication of notices relating to procurement and contracts are met. Contract opportunities for quotations or tenders with an Estimated Contract Value of £25,000 or above that are advertised in any way must be advertised on the Contracts Finder website. All awards of contracts that have an Estimated Contract Value of £25,000 or above, including call-off contracts from Framework agreements must also be published on the Contracts Finder website.

- 8.2 Notices to be published in the Official Journal of the European Union (OJEU) must only be placed by the monitoring officer or delegated representative. These include contract notices, contract award notices, voluntary ex-ante transparency (VEAT) notices and modification of contract during term notices.

## **9. Contract management and monitoring**

- 9.1 The LCO must ensure that systems are in place to manage and monitor contracts in respect of at least:

- a) compliance with specification and contract
- b) contractor performance and KPIs
- c) budget and cost
- d) user satisfaction
- e) risk management
- f) delivery of the Fairer Future Procurement Framework, including social value commitments.

- 9.2 Where the Estimated Contract Value exceeds the relevant EU threshold, the LCO should prepare an annual a-six-monthly monitoring report to the relevant DCRB.

- 9.3 Where the contract relates to a Strategic Procurement or was awarded by an individual decision maker, the LCO should prepare an annual monitoring report to the CCRB, within six months of the contract anniversary.

## **10. Contract termination / Mergers and acquisitions**

### **10.1 Contract termination**

- 10.1.1 A contract may only be terminated early or suspended by a chief officer by the council only after obtaining approval from the monitoring officer and strategic director of finance and governance; all such decisions will be advised in writing by the chief officer to the relevant member of the cabinet and cabinet member for finance, modernisation and performance.

### **10.2 Mergers and acquisitions**

- 10.2.1 Where it appears that a current contractor may be the subject of a merger or acquisition by another company or organisation, the LCO must inform the monitoring officer and strategic director of finance and governance as early as possible, in order to enable appropriate advice to be given.

## **11. Contractor insolvency**

- 11.1 Where it appears that a contractor is at risk of becoming insolvent, or the council is notified that insolvency proceedings have been brought, the chief officer must inform the monitoring officer and strategic director of finance and governance as early as possible, in order to enable appropriate advice to be given.

## Glossary

CCRB	Corporate Contract Review Board – panel of officers operating under terms of reference of CCRB. Its role includes considering reports from LCOs for the cabinet, individual decision makers and the strategic director of finance and governance on contract decisions and contract monitoring reports.
Consortium agreement	A consortium agreement is a single formal legal document, agreed and signed by all the parties to a project, and which imposes a set of standard conditions on those signatories. These conditions include, amongst other things, agreements as to ownership and exploitation of intellectual property rights, and a set of warranties and disclaimers allocating risk between the parties. A consortium agreement is needed when joining a purchasing consortium.
Contract Value	The total value of a contract as awarded (which may be different from the Estimated Contract Value), net of VAT, or if there is no fixed figure, the LCO's best estimate of the likely amount to be spent over the period of the contract, taking into account the prices accepted.
Contracts Finder	Contracts Finder is a government website which the council is legally required to use to advertise contract opportunities, contract award notices and early engagement advertisements, as set out in the Contracts Finder Protocol which can be found on the Source at: <a href="http://thesource.southwark.gov.uk/tools-and-resources/contracts/eu-procurement/advertising-eu-contracts/?_ga=2.249398721.79453278.1523519154-77434579.1523519154">http://thesource.southwark.gov.uk/tools-and-resources/contracts/eu-procurement/advertising-eu-contracts/?_ga=2.249398721.79453278.1523519154-77434579.1523519154</a> .
Council's contract register	A register of contracts, compiled through the council's e-procurement system.
DCRB	Departmental Contract Review Board – panel of officers operating under terms of reference of DCRB. Its role includes reviewing reports for consideration by the CCRB and the chief officer on contract decisions and contract monitoring reports.
e-procurement system	The council's e-procurement system, Pro-Contract 3, should be used for all procurements with an Estimated Contract Value of £25,000 or more unless approval has been obtained, to use an alternative e-procurement system. Agreement not to use the council's system must be obtained from the procurement advice team and their advice included in the Gateway 1 report.
Estimated Contract Value	The total value of a proposed contract including options to extend it (as estimated by the LCO on the basis of all relevant factors) net of VAT calculated for the proposed contract period, or, if for an undetermined period, in accordance with the valuation rules contained in European Regulations, whether or not the Regulations apply to the particular contract. This may be different from the lifetime cost of the contract, which may need to be considered for other purposes (see Procurement

Guidelines). Note that a contract may not be artificially packaged into two or more separate contracts, nor a valuation method selected, with the intention of avoiding the application of these CSOs. Chief officers are responsible for considering aggregation within their department to ensure delivery of best value within CSO requirements. The Estimated Contract Value should be based on the best available estimates, or on actual costs if known.

EU Regulations	The Public Contracts Regulations 2006 and 2015 or any amendment to or successor to those Regulations.
EU threshold	The current contract value at which the requirements of the EU Regulations apply for the services, supplies or works being procured.
Fairer Future Procurement Framework	The <a href="#">Fairer Future Procurement Framework</a> was approved by cabinet in June 2019 and sets out how the council will use its procurement to support the delivery of the Fairer Future Commitments and the processes and practices to do this. Included in the Framework is the delivery of commitments to London Living Wage, the Southwark Ethical Care Charter, blacklisting, modern slavery etc and, for contracts with an estimated value over £100,000, the inclusion of social value as part of the tender evaluation methodology.
Framework agreements	<p>Framework agreements are often used when a number of providers are secured to provide supplies, services or works. Setting up framework arrangements is subject to EU regulations and they generally can exist for no more than four years.</p> <p>Providers on a Framework agreement will have been through a procurement process to appear on the framework list. During this process the providers must demonstrate that they can deliver the scope of requirements covered by the framework. There should be clear rules supporting the use of the framework as these will need to be followed to ensure the framework remains EU compliant. Some frameworks require a further competition process to be undertaken involving all providers appearing in the list. The council may set up its own framework agreements for a particular service or decide to use a framework set up by a third party, e.g. Crown Commercial Service (CCS).</p>
Gateway report	A written report in substantially the same terms as those contained in the relevant template which can be found on the Source at <a href="http://thesource/SectionLandingPage.asp?id=22344&amp;cat=1234">http://thesource/SectionLandingPage.asp?id=22344&amp;cat=1234</a> .
Key Decision	<p>Definitions of Key Decisions are contained in the Protocol on Key Decisions in appendix 1 of the Access to information procedure rules section of the constitution. Examples of Key Decisions for procurement purposes are:</p> <ul style="list-style-type: none"> <li>• those which are subject to a general financial threshold</li> </ul>

	(£500,000 or more – note that in relation to awarding contracts, this is a per annum value not a contract term value)
	<ul style="list-style-type: none"> <li>• those which have a significant impact on communities</li> <li>• Strategic Assessment (Gateway 0) approvals</li> <li>• Gateway 1 approvals in respect of a Strategic Procurement.</li> </ul>
Lead contract officer (LCO)	The LCO for each contract is the officer who has a duty to ensure that the obligations set out in these CSOs are complied with.
Light Touch Regime	Services that fall within the EU definition of Light Touch Regime Services for Social and other Specific Services noted in schedule 3 of the Public Contract Regulations 2015. These generally include Health, Social Care or Education Services. Any queries on this should be directed to the procurement advice or legal contract teams.
Lowest Bid	The lowest price offered by tender or quotation which meets the specification and other requirements of the contract and has not been rejected as abnormally low.
Procurement Guidance	Guidance, advice or templates published on the intranet pages in relation to the procurement process.
Purchasing consortium	A purchasing consortium is a group of organisations that have come together with the primary objective to buy collectively, thereby increasing their buying power and minimising procurement activity. To join a purchasing consortium it is necessary to sign a consortium agreement. An example of a purchasing consortium is the London Contracts Supply Group (LCSG).
Strategic Procurement	Procurement where one or more of the following apply: <ol style="list-style-type: none"> <li>1) Estimated Contract Value of £4 million or more for non-works and of £15 million or more for works</li> <li>2) a significant change to previous service</li> <li>3) possible externalisation or change in manner of delivery</li> <li>4) significant transfer of assets or staff</li> <li>5) political sensitivity</li> <li>6) contract carrying a high level of risk.</li> </ol>
Tender value	The value of a contract at the time of the award of the contract or, if there is no fixed value, the LCO's best estimate of the likely spend on the contract during the contract period.
Urgent Payment	A payment where delay would lead to significant demonstrable financial loss to the council (and where no breach of EU or domestic requirements would be occasioned).
Variation	A modification to an existing contract such as additional services, exercising options, changes in price or a change in

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contractor.

Works List	Approved	A list of providers of works and works-related consultancy services which have all been appraised to meet minimum criteria in respect of their financial standing, level of insurance held, health and safety policies and procedures, and equal opportunities policies and procedures, maintained by the procurement advice team. For further information about the use of Approved Lists, seek advice from the procurement advice team.
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## MEMBER AND OFFICER PROTOCOL

### Role and purpose

1. The purpose of this protocol is to set down principles and procedures, which have been jointly agreed by officers and members to guide their joint working in the public interest. The protocol supplements and interprets, but does not supplant:
  - statutory provisions, the code of conduct for members and other codes and guidance
  - the other provisions of the council's own adopted constitution and especially the rules of procedure
  - the disciplinary codes which regulate the conduct of officers, details of which can be found on the council's intranet at: <http://thesource/SectionLandingPage.asp?id=2089>.
2. It contains interpretation and guidance on some of the issues which commonly arise. It cannot cover every matter which will arise in council life but it reflects an approach and sets standards which will serve as a guide to dealing with other issues. It is intended to guide new members and officers and explain to them what they can expect of each other. It also explains what to do when things go wrong.
3. This protocol also applies to voting non-elected members of committees and also to consultants and agency staff working for the council, to whom a copy should be supplied. With regard to associates from partnership organisations, where their organisation has no code of conduct, it is expected they will abide by the principles of Southwark's code and this protocol.
4. Members appointed to outside bodies or partnership organisations as representatives of Southwark Council need to be aware that the code of conduct for members will apply to these appointments. However, members are advised to be aware that other conduct arrangements of the outside body are likely to exist. In those circumstances, members should comply with both sets of conduct arrangements, unless the code of conduct for members conflicts with the lawful obligations of the outside body. Further assistance is given in the *guidance for councillors on membership of outside bodies* issued by the monitoring officer.

### Review

5. The standards committee and the monitoring officer will jointly keep the protocol under review and make recommendations for changes as appropriate. Review will take place in time for an updated version to be circulated annually after annual council with the new constitution, to all members and officers.



### **Definition of the role of officers and members**

6. Both councillors and officers are servants of the public and they are indispensable to one another but their responsibilities are distinct.

#### *Members*

7. Councillors are responsible to the electorate and serve only so long as their term of office lasts. All councillors have responsibilities to determine the policy of the council, monitor its performance, represent the council externally and act as advocates on behalf of their constituents. Cabinet members, chair and vice-chairs of scrutiny and other committees may also have additional responsibilities. However, all councillors have the same rights and obligations in their relationship with officers and should be treated equally.

#### *Officers*

8. Officers are responsible to the council. Their job is to give full and impartial advice to councillors and the council, and to carry out the council's work under the direction and control of the council, its cabinet, committees and sub-committees. Within these guidelines all officers should endeavour to give every assistance to members carrying out their various roles. Officers have a duty to keep members of all political groups fully informed about developments of significance in relation to council activities.

### **Member officer relations**

9. One of the key issues addressed by the member and officer protocol is the question of member officer relations. Mutual trust and respect should be the key aim of both members and officers, as it is essential for good local government.

#### *Obtaining or granting favours*

10. The member code of conduct emphasises the need for members to avoid behaviour which could be viewed as conferring an advantage or disadvantage on an officer. Members should not seek personal favours from officers. Officers should not be tempted to give favours to please a councillor. An example of favour seeking would be asking whether a councillor's parking ticket could be withdrawn or whether an application for a service could be expedited. Similarly officers should not seek to circumvent agreed staff consultative procedures by lobbying councillors on matters which directly concern them as employees.

#### *Member involvement in officer issues*

11. Issues relating to the appointment, management and dismissal of most officers are reserved by law to the chief executive and officers appointed by him/her. Member involvement in employment issues generally, including where they relate to senior officers is set out in the Local Authorities (Standing Orders) (England) Regulations 2001 and within the council's constitution.
12. Where an employee is also a constituent it may be proper for the member to make written/oral representations to the relevant chief officer, or disciplinary hearing, but the member should not take a proactive part representing or in any

other way advocating on behalf of any such employee in any disciplinary procedures brought by the council against the employee.

#### *Personal familiarity*

13. Personal familiarity between members and officers can undermine public confidence in the council. It is acknowledged that some close relationships will inevitably develop, particularly when officers and cabinet members or chairs of committees work closely together. It is important that close relationships between members and officers are openly declared and should never be allowed to become so close, or appear to be so close as to bring into question the officer's ability to deal impartially with other members and other party groups, nor to undermine public trust and confidence in the council. Where possible members and officers who have close personal relationships should try to avoid coming into contact on projects and in the day-to-day business of the council.

#### *Courtesy*

14. Members and officers should be courteous to each other at all times even if they disagree strongly with each others' views.

#### *Bullying*

15. Members and officers must not bully any person. Bullying may be characterised as offensive, intimidating, malicious, insulting or humiliating behaviour. Such behaviour may happen once or be part of a pattern of behaviour directed at a weaker person or person whom the member or officer has some actual or perceived influence over.
16. Bad relations between members and officers can be equally destructive to good governance. Members may from time to time become frustrated by what they regard as unacceptable or incompetent officer behaviour. It is self-evident that sometimes these feelings may be entirely justified although sometimes there may be a legitimate reason why member expectations cannot be met, e.g. because of a council policy or a legal requirement such as confidentiality.
17. However, members should take up their concerns through the procedure described in this document (paragraph 82 onward), rather than through public criticism. They should bear in mind that officers are instructed not to "answer back" in public. Attacking an officer's conduct in public can constitute bullying, as can undue pressure brought by either officers or members in private.

#### *Lines of contact between members and officers*

18. It must be remembered that officers within a department are accountable to their chief officer. Chief officers through their senior management are responsible for the allocation of work to, and the prioritising of work by, their staff.
19. Members should direct enquiries to staff through senior management, or if the matter is routine at least keep a senior manager informed by copying the manager in on correspondence or emails.

20. Officers should not leave confidential or sensitive information visible on their workstation or in other areas and should lock them away if they have to leave that area for any reason.
21. Where members and officers share an office building particular care needs to be taken to maintain appropriate lines of contact. Members and officers are reminded that within an open plan environment office certain standards are expected to be maintained. In particular meetings should not be held at workstations, members and officers should use the meeting facilities provided and sensitive or confidential issues should not be discussed in the open plan environment. Further details of the standards can be found on the intranet.
22. Officers should always seek to assist members but in so doing they must not go beyond the bounds of whatever authority they have been given by their chief officer under the scheme of management.

### **Registration of disclosable pecuniary interests**

#### *Notification of disclosable pecuniary interests*

23. Within 28 days of becoming a member or co-opted member, the member must notify the monitoring officer of any 'disclosable pecuniary interests'.
24. What is a 'disclosable pecuniary interest' is detailed in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012. The monitoring officer has provided guidance and will give advice should members require it.
25. A 'disclosable pecuniary interest' is an interest of the member or their partner (which means spouse or civil partner, a person with whom the member is living as husband or wife, or a person with whom the member is living as if they are civil partners).

#### *Register of interests*

26. Any interests notified to the monitoring officer will be included in the register of interests. A copy of the register will be available for public inspection and will be published on the council's website.

#### *Sensitive interests*

27. Where the member considers that disclosure of the details of a disclosable pecuniary interest entered in the register could lead to the member, or a person connected with the member, being subject to violence or intimidation, and the monitoring officer agrees, then copies of the register that are made available for inspection and any published version of the register will not include details of the interest, but may state that the member has a disclosable pecuniary interest, the details of which are withheld under Section 32 of the Localism Act 2011.

#### *Disclosable pecuniary interest in matters considered at meetings*

28. If the member is present at a meeting of the council assembly, or any committee, sub-committee, joint committee or joint sub-committee of the council, or any meeting of the cabinet or a committee of the cabinet, and they

are aware they have a disclosable pecuniary interest in any matter to be considered or being considered at the meeting,

- They may not participate in any discussion of the matter at the meeting
  - They may not participate in any vote taken on the matter at the meeting
  - If the interest is not registered, the member must disclose the interest to the meeting
  - If the interest is not registered and is not the subject of a pending notification, the member must notify the monitoring officer of the interest within 28 days.
29. Members who have a disclosable pecuniary interest in any matter to be considered or being considered at any meeting or by an individual cabinet member must not seek improperly to influence a decision about that business.
30. Where a cabinet member may discharge a function alone and becomes aware of a disclosable pecuniary interest in a matter being dealt with or to be dealt with by her/him, the cabinet member must notify the monitoring officer of the interest within 28 days and must not take any steps or further steps in the matter.

#### *Dispensations*

31. The monitoring officer may grant any member a dispensation, but only in limited circumstances, to enable the member to participate and vote on a matter in which the member has a disclosable pecuniary interest.

#### **Gifts and hospitality**

32. Members should not compromise their position by accepting any gifts or hospitality which may give the impression that they might be, or might be thought by others to have been, influenced in making an important decision as a consequence.
33. Member must register any gifts or hospitality given to them or to their partner (as defined in paragraph 25) if given to them directly worth £50 or over. A copy of the register will be available for public inspection and will be published on the council's website.
34. Members must also register what the gift is, the donor (the person, company or body) of the gift or hospitality; the date of the gift, and the value. Members only have to register gifts that are received in connection with their official duties as a member. Members do not have to register other gifts and hospitality, such as birthday gifts from family.

#### **Visits to offices by members**

35. In relation to visits to front-line services by members, members (except when accessing services as a resident of the borough) should always advise the relevant chief officers in advance of such visits. If the visit is of a statutory inspection nature other procedures apply.

36. Making an agreed time to meet with an officer is a better way of working than arriving at an officer's desk. Managers will have agreed work priorities with staff.
37. Members are advised that they carry some personal responsibilities to ensure health and safety standards are maintained at all times while on council premises and also for their private guests. Members are advised that their private guests also have personal responsibilities regarding health and safety.

### **Reports**

38. Officers' reports should contain clear, evidence-based advice as to why a course of action is being recommended. From time to time corporate advice is given to officers on report writing and they should take care to follow it. The report should lay out all relevant factors for the decision maker, and examine all alternatives in an even handed way. Officers should take care to include even unpopular options if they feel they are relevant.
39. Members can refuse to agree recommendations and table amendments to any recommendations. The member should be clear about the reasons for making alternative recommendations, and any amendments or recommendations proposed at a meeting should have a clear and rational basis, which is accessible to the public.
40. With cabinet reports the report writer should consult with the relevant cabinet member(s). That member is able to write his or her report in addition to the report submitted by the chief officer.
41. Where there is disagreement about the right course of action, it is always best practice for this to be open with both opinions available for discussion. Sometimes, in the course of preparing reports, these disagreements can be reconciled. However, it is always poor practice to bring pressure to bear on officers unwilling to amend their professional judgement, and in some cases this could be construed as bullying.
42. In relation to action between meetings, it is important to remember that the law only allows for decisions (relating to the discharge of any of the council's functions) to be taken by the cabinet, a cabinet member, a committee, a sub-committee or an officer. It is however both legal and good practice for cabinet members individually and as a whole, and chairs of committees to be briefed by officers in advance of meetings and also to meet to plan agendas for meetings.

### **Officer advice to party groups**

43. There is a statutory recognition for party groups and it is common for such groups to give preliminary consideration to matters of council business in advance of such matters being considered by the relevant decision making body. The opposition groups may seek support to enable them to function as an effective opposition on the bodies on which they sit.
44. Officers may properly be called upon to support and contribute to such deliberations by party groups, provided they maintain a stance which is politically impartial. Officers should be required to give information and advice to political groups on matters relating to the council's functions only and not on matters which are primarily issues of party politics or political strategy. It is

important that the political neutrality of officers is preserved. When engaging council officers at group meetings, party members should seek to avoid involving them in any political debate. With the exception of political assistants, officers should not attend, or be invited to attend, any political group meeting which includes non-council members.

45. Attendance at group meetings should normally be restricted to chief officers. If other officers are required this should be organised by the chief officer.
46. These briefings are confidential, to allow the free expression of views, and officers must be careful to maintain confidentiality. However, any written report supplied to a party political group must be accessible to members of other parties.

### **Support services for members**

47. The role of officers is to assist members in discharging their role as members of the council for council business and in their role as advocates for local communities. Officers should not be used in connection with party political campaigning or for private purposes, and this includes the support offered by political assistants.
48. Council resources (e.g. stationery and photocopying) may only be used for council business or when they are directly required for any office to which the member has been elected or appointed by the council.
49. Support to members is a resource, which is subject to the same budget pressures as any other. Given its importance to how effective members can be, it is essential that its allocation is agreed to be fair and in proportion to the duties of all groups of members.
50. Direct support and administrative help is provided by member services. Information technology support and training responsibilities are shared between a number of sections but are co-ordinated through the member services section. From time to time training and guidelines on the proper and effective use of council supplied IT resources will be issued. Requests for further assistance or clarification should be referred in the first instance to the proper constitutional officer.
51. Use of council resources includes the use of council owned facilities. Outside of council meetings, political groups represented on the council may use meeting rooms at 160 Tooley Street for private meetings of their group which will include ordinary group meetings and training sessions under the standard room booking arrangements. The council's offices at Queens Road are also available for these purposes. Other council owned function rooms can be hired under the council's normal conditions of charging for other types of meetings.
52. During the published normal business hours, elected members may also book meeting rooms at Tooley Street and Queens Road via member services for meetings with constituents. Any meeting outside of normal hours, or that attract special facilities or security requirements, will be chargeable. Members should discuss these matters in the first instance with member services. This facility is subject to availability and the normal booking constraints of rooms, including the priority given to official council and committee meetings and does not

extend to open and public meetings as these require risk assessment and proper arrangements to be in place.

53. Where an officer is present at a meeting involving members, the officer should always lead on making the room booking arrangements.

### **Member development programme**

54. The council runs a member development scheme which is coordinated through the organisational development team. The scheme reflects the obligation on all parts of the council to ensure that all members are able to achieve their full potential in the position to which they have been elected. When this is achieved it benefits the council as a whole and the people of the borough but it also improves the mutual understanding of members and officers.

55. Further advice on support for members can be obtained from member services.

### **Use of Information Technology**

56. Where a member is using or accessing the council's resources, s/he must act in accordance with the council's requirements and ensure such resources are not used for any unauthorised or political purpose. This includes information technology (IT) resources; the term 'IT', means computers and any systems used to create, store, print or exchange information electronically. Similarly 'computer' means an electronic device used for storing and processing information, such as desktop and notebook computers (laptops) and hand held devices (such as [BlackBerry mobile devices](#)).

57. Members must not use any computer equipment and systems supplied by the council to conduct any business activity other than for their role as a councillor.

### **Using and caring for equipment**

58. Members have a personal responsibility for any IT equipment supplied to them by the council and should take all reasonable steps to ensure that this equipment is kept safe and in good working order. Members should report any loss/theft to member services, but should note that only one issue and one upgrade will be paid for by the council in any 4-year term of office. Members should report any technical problems, lack of service etc. to the council's contractor.

59. Members are advised to consider adding council issued equipment to their home insurance arrangements. Members will be able to claim any additional related premium from the council.

60. A restricted level of personal use of the equipment is permitted provided it does not constitute misuse as detailed in the communication protocol. Members will need to:

1. reimburse the council for any personal use of equipment that incurs a cost to the council or;
2. confirm that all costs were associated with official council business.

Members will also be responsible for any use of equipment, authorised by them or not (unless reported lost or stolen), and hence any associated costs.

61. Members are reminded that details of expenses paid on their behalf are published on the Southwark website.
62. IT equipment supplied to members remains the property of the council and must be returned when their period of office ends. In addition, members may be asked to return the equipment for servicing.

### **Political assistants**

63. The Local Government and Housing Act 1989 gives councils a power to appoint political assistants to qualifying political groups. Southwark Council currently employs political assistants to the two largest groups. Political assistants are council officers who are employed to assist members of a political group, "in the discharge of any of their functions as members of a relevant authority". Unlike other officer appointments, the political affiliations and preferences of the political group for whom the assistant is hired can be taken into account in the selection process. They provide a useful means of broadening the base of advice to members.
64. The act also restricts the work that political assistants can do. A political assistant's role is to provide assistance to members in carrying out their duties as members of the authority, and not in any additional political, or other, activity. For example, political assistants are not employed to work on election campaigns. Political assistants hold politically restricted posts under the Local Government and Housing Act 1989, and therefore also face restrictions on their personal political activity.

### **Members' access to information and council documents and data information**

65. Members often require access to information to carry out their work in decision making, scrutiny, and representing their constituents. Officers should always process such requests promptly. They are required to ensure that the information required can be released. In some cases they will need to consult their managers or third parties who may hold the information, which may cause some delay.
66. The process for obtaining information is set out in the access to information rules in the council's constitution. Advice on the legal framework can be obtained from the monitoring officer.
67. The common law right of members is based on the principle that any member has a prima facie right to inspect council documents so far as his/her access to the documents is reasonably necessary to enable the member properly to perform their duties as a member of the council. This principle is commonly referred to as the "need to know" principle and it is well established that a member has no right to "a roving commission" to go and examine documents of the council. The crucial question is the determination of the "need to know" and this question must initially be determined by the particular chief officer whose department holds the document in question (with advice from the monitoring officer).
68. In some circumstances (e.g. a cabinet or scrutiny committee/commission member wishing to inspect documents relating to the functions of their portfolio/committee/commission) a member's "need to know" will normally be



presumed, and also where the member is representing a constituent within his ward, although in these cases there may be legal reasons restricting the information that can be produced. In other circumstances (e.g. a member wishing to inspect documents which contain personal information about third parties) a member will normally be expected to justify the request in specific terms in writing.

69. Guidance on holding and processing data to comply with the Data Protection Act can be found on the Source (the council's intranet). Registration is coordinated by member services, but members should be aware that they are personally responsible under the act, and should take care to follow any guidance issued.

### *Confidentiality*

70. Sometimes information will be supplied in confidence and paragraph 4 of the Southwark Council's code of conduct for members makes it clear that such information should not be disclosed without the consent of a person authorised to give it, or unless he or she is required by law to do so.
71. Recent case law confirms that a member may benefit from the public interest defence in some specific circumstances. However, those circumstances are rare and any member considering leaking confidential information should take legal advice immediately where their actions may impact on them as individuals.
72. Members are also reminded that there is an agreed process for applying for the release of information contained in the Freedom of Information Act 2000. Further details of this are available on the council's website

### **Freedom of Information Act 2000**

73. Under the Freedom of Information Act (FOI), councillors like other members of the public have a general right, subject to any applicable exemption, of access to information. Requests under the Freedom of Information Act must be in writing and contain sufficient information to enable the document to be identified. There is a requirement under the act that for the information to be disclosed within 20 working days.
74. There is no requirement under the act for the member to specify whether or not the information is requested under the Freedom of Information Act. Officers should therefore in all cases ascertain from the member whether or not the information is sought under the Freedom of Information Act and if so to advise the member that the request will be dealt with within the statutory time limit of 20 working days.
75. Where the request is for access to documents that are unrelated to any council meeting or where the member requesting the information is not the ward member, officers must inform the member that the request is being treated as a freedom of information request and that a response will be provided within 20 working days.

### **Information held by members**

76. [As stated in the Communication Protocol, members should remember that their emails may be subject to disclosure if a request is made under the Freedom of Information Act 2000.](#)
77. [Councillors may have on their Southwark email account political, constituency, or trade union emails, which would not be considered 'held' for the purposes of the Freedom of Information Act 2000. Where a public authority holds or stores information solely on behalf of another person or body that material will also not be 'held' by that authority for the purposes of the Act.](#)
78. [However under the Freedom of Information Act 2000 information could be considered to be 'held' by Southwark if it is retained for the purposes of the public authority's business, for example, emails sent to a cabinet member.](#)
79. [The Information Commissioner's Office and the courts have also concluded that the private email accounts could contain information held on behalf of a public authority under section 3\(2\)\(b\) of the Freedom of Information Act 2000. This would mean they would need to be disclosed. It is likely that the same principle would apply to information held in a text message or a WhatsApp, Twitter or Facebook account. In accordance with the FOI Code of Practice, Southwark would consult third parties about information held in scope of a request in order to help in consideration as to whether information is suitable for disclosure.](#)

### **Operation of the overview & scrutiny committee and its commissions**

80. The overview & scrutiny committee and its commissions may require officers and members to attend and provide any information required to answer questions. It is the duty of any officer or member to attend and answer questions (other than those which he or she would be entitled to refuse to answer in a court of law) if the overview & scrutiny committee and its commissions so request. The council may consider that chief officers and other senior managers as described in the departmental schemes of management and not more junior staff are the appropriate officers to attend scrutiny meetings and answer questions.
81. Members of the overview & scrutiny committee or one of its commissions should explain the role and operation of the committee/commissions, particularly in relation to future policy development, before asking questions of witnesses. Members should adopt an inquisitorial (information seeking) approach to questioning rather than a confrontational one. They may be firm and assertive, but adopting a facilitative and exploratory way of working should generate an atmosphere in which members and officers can explore issues openly and honestly. Under no circumstance should members adopt a rude or aggressive style.
82. Officers should provide all relevant information in their possession, and they should use their best efforts to make sure that they possess all relevant information. They should never seek to conceal or 'improve' inconvenient facts, and more senior officers, or other members should never attempt to persuade them to do so.
83. Reports of scrutiny committees, while drafted by officers, are the reports of the committees themselves and there is nothing improper in members of those committees asking for draft reports to be amended.

### **Ceremonial events**

84. Civic ceremonial events will normally be led by the Mayor or the Deputy Mayor with the leaders of all political groups and other local members informed or invited as appropriate.

### **When things go wrong**

#### **Procedure for officers**

85. It is always preferable to resolve matters informally, through an appropriate senior manager. Officers however do have recourse to the procedure for individual employee complaints (which can be found on the council's intranet), the protections laid down in the officer employment procedure rules (contained in part 4 of the constitution) or the council's monitoring officer. In appropriate cases they may wish to utilise the council's whistleblowing procedure (again contained on the Source). In the event of a complaint being upheld, the matter will be referred to the chief executive. A local solution may be found after discussion with the leader of the council and the leader and/or whip of the group concerned. The advice of the monitoring officer should be sought.

#### **Procedure for councillors**

86. Where a councillor is dissatisfied with the conduct of an officer, and they have been unable to resolve the issue, they should refer the matter to the officer's relevant chief officer, who will nominate an appropriate manager to carry out any investigation required. The manager should then make a preliminary investigation and consider whether the council's disciplinary and capability procedure is appropriate, and then follow the appropriate procedure. The manager should then report back to the member concerned that the appropriate procedures have been followed.
87. Where the complaint relates to a chief officer or monitoring officer, the complaint may be referred to the chief executive for an informal review, conciliation and resolution where possible. If the matter is not resolved at this preliminary stage or in cases of serious complaints, the chief executive, taking appropriate advice will consider whether any formal process under the council's employment procedures and as set out in the officer employment procedure rules, as appropriate.
88. Where a complaint relates to the chief executive both the member concerned and the chief executive should consider whether a meeting may resolve the situation and whether that could be facilitated by the whip or leader of the relevant political group, if any, attending. The chief executive will provide the member with a written response to their complaint.
89. If the member remains dissatisfied with the response of the chief executive he or she will notify the monitoring officer and the head of human resources in writing and they will prepare a report for consideration by the leader of the council. The leader of the council, taking advice as appropriate, will have regard as to whether a formal process, as set out in the Local Authorities (Standing Orders)(England) 2001 is appropriate.

**Standards committee**

90. The function of the standards committee is set out in the council's constitution. It has a role in offering guidance on the content and working of this protocol, although it will not arbitrate, except in considering cases relating to potential breaches of the code of conduct for members.

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**COUNCIL ASSEMBLY AGENDA DISTRIBUTION LIST (OPEN) (FULL LIST)  
MUNICIPAL YEAR 2019/20**

**NOTE:** Original held by Constitutional Team; all amendments/queries to  
Virginia Wynn-Jones Tel: 020 7525 7055

<b>ONE COPY TO ALL UNLESS OTHERWISE STATED</b>	<b>Copies</b>	<b>To</b>	<b>Copies</b>
<p><b>Councillors (1 each)</b>            Councillor Jasmine Ali            Councillor Radha Burgess            Councillor Sunil Chopra            Councillor Nick Dolezal            Councillor Tom Flynn            Councillor Renata Hamvas            Councillor Peter John            Councillor Lorraine Lauder            Councillor Maria Linforth-Hall            Councillor Eliza Mann            Councillor Darren Merrill            Councillor David Noakes            Councillor Damian O'Brien            Councillor Leo Pollak            Councillor Sandra Rhule            Councillor Martin Seaton            Councillor Andy Simmons            Councillor Cleo Soanes            Councillor Kath Whittam</p> <p><b>Electronic Versions (No hard copy)</b>            All other councillors</p>	<b>19</b>	<p><b>Press</b></p> <p>Southwark News 1            South London Press 1</p> <p><b>Group Offices</b></p> <p>Eleanor Law, Labour Group Office 1            Tamsin Hewett, Liberal Democrat Group Office 1</p> <p><b>Officers</b></p> <p>Eleanor Kelly 1            Duncan Whitfield 1            Doreen Forrester-Brown 1            Chidilim Agada 1            Caroline Bruce by email            David Quirke-Thornton by email            Michael Scorer by email            Kevin Fenton by email</p> <p><b>Constitutional Team</b> <b>12</b></p> <p>(Copies to Virginia Wynn-Jones, 2<sup>nd</sup> Floor, Hub 2, Tooley Street)</p> <p><b>Others</b></p> <p>Matt Dean, Grant Thornton 1            Ground floor audit office, Tooley Street</p>	
		<b>Total:</b>	<b>40</b>
		<b>Last updated:</b> 4 July 2019	