

Item No. 4	Classification: Open	Date: 05/18/2009	Meeting Name: Overview and Scrutiny Committee
Report title:		Scrutiny Call In Finance Director report – Allocation of Funding to Southwark Circle	
Ward(s) or groups affected:		All	
From:		Finance Director	

RECOMMENDATION(S)

1. That Overview and Scrutiny Committee receive and note the report from the Finance Director.

BACKGROUND INFORMATION

2. Overview and Scrutiny Committee have called in the individual member decision on Allocation of Funding to Southwark Circle by the Executive Member for Health and Adult Care. The Finance Director has been requested to address specific areas as follows:

'Members question whether the decision is in accordance with the budget as:

- this is a significant departure from normal budgetary procedures;
- there is no evidence of how the “savings” for the £1m “invest to save” will be delivered; and,
- there is a lack of clarity on whether proper procedures for use of the financial reserve were followed.

Members therefore believe that the decision may well be outside the budget framework and will wish to receive a report and question the Director of Finance further on these issues'.

Key Issues for Consideration

Budget Framework and Decision Making

3. The IDM decision included agreement to allocate grant funding of £1 million to Southwark Circle Community Interest Company, starting in 2009 to cover a 3 year period. The funding allocated to Southwark Circle is to create a new, innovative membership organisation for older people that will improve the quality and well-being of their lives and those of their families.
4. This decision is in line with the budgetary framework as set out in the 2009/10 Policy and Resourcing Strategy which was agreed by Council Assembly on 23 February 2009 and which represents the second year of a three year budget programme agreed by Council Assembly in February 2008.

5. It is accepted that the link to the Policy and Resourcing Strategy may have been made clearer within the Finance Director concurrent contained within the IDM report.
6. By way of background, in February 2008, Council Assembly approved a budget for 2008/09 and also draft indicative budget proposals for 2009/10 and 2010/11. The report to Council Assembly from the executive noted that the level of government funding over the 3-year settlement period created a budget pressure of £15 million and also noted that it was not possible to achieve national and local policy outcomes without a significant re-configuration of service design arising from local policy changes. In particular, health and social care costs were highlighted as an area experiencing significant pressure due to increased complexity and volume.
7. Following a recommendation that the strategic director of health and community services should report back to the executive on consultation with users etc. on changing the eligibility criteria for adult social care services, options were considered by the Executive in October 2008. This resulted in agreement to change the level at which service users are eligible to receive services affecting those categorised as having moderate needs. The report identified a range of supportive and preventative services already in existence; including an innovative project 'which is to launch as a social enterprise ('Southwark Circle') in the autumn' aimed at providing a safety net particularly to those affected by the change in criteria.
8. Additionally, it should be noted that the leader's speech in autumn 2008 outlined further information about the Southwark Circle project and explained that because of the tough financial settlement and in addition to changing eligibility criteria, the Council was looking at how innovation can help people with moderate needs to live more independent lives. He outlined plans over the coming months to extend the work of the innovative pilot project which had been launched in 2007 the outcome of which had created the social enterprise Southwark Circle, which he described as 'a pioneering social enterprise which will enable older people ... to live fuller and more independent lives'.
9. The 2009/10 budget report considered by Council Assembly in February 2009 reiterated the position as agreed in February 2008 and referred to the ensuing consultation with users on changing eligibility criteria. Recognising the continuing and increasing pressures on services including social care, the report made it clear that the Council needed to revisit plans across all services, including service redesign and modernisation.
10. Discussions between the Council and Southwark Circle continued through the budget process for 2009/10 and the additional complexities around the innovative nature of the project meant that it was not possible even to provide indicative budget figures at that stage within the Council's budget.
11. The path breaking nature of this project means that hard evidence as to the nature and incidence of annual savings to match the investment over three years is not easily available. However, studies¹ have shown that in preventative projects

¹ Benefits, realisation of the supporting people programme – Older People Services, Office of the Deputy Prime Minister

similar to this, for every £1 spent, £2 is saved. Professional colleagues support this aspiration.

12. It is intended that Southwark Circle will be aligned with the personalisation agenda which has the further potential to achieve savings for the Council. It is expected that the changes to eligibility criteria will encourage those who would have benefited from moderate services to have some of their needs met by Southwark Circle.
13. Proper procedures for the use of financial reserves were followed. The use of corporate reserves has to be approved by the Finance Director (with use of the capital contingency reserve also requiring the approval of the executive member for resources). Funding from a reserve will generally be for one-off (project) costs and invest to save initiatives and must be requested via a business case which explains why use of the reserve would be consistent with the purpose of the reserve. In this case, these criteria have been met and that is why the decision has been made to provide funding for this project from earmarked reserves as taken by the Finance Director.
14. For the information of the Committee, the Financial Risk Reserve is set aside against future financial risks that may arise as described within the Council's Annual Statement of Accounts. Any such movements from this reserve are reported to the Executive through quarterly monitoring reports. This commitment will be reported as part of Quarterly Revenue Monitoring for quarter 1 in autumn 2009, cross referenced to the IDM report.

Policy implications

15. Not applicable.

Community Impact Statement

16. Not applicable.

Resource implications

17. Not applicable.

Consultation

18. Not applicable.

NOTE: Financial Implications

19. The financial implications are set out in the main body of the report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

20. Not applicable.

Strategic Director for Legal and Democratic Services

21. .

Finance Director

22. Not applicable.

Head of Procurement

23. Not applicable.

Other Officers

24. Not applicable

REASONS FOR LATENESS AND URGENCY

25. This report contains additional advice from the Finance Director to Overview and Scrutiny Committee, as required by the scrutiny procedure rules in Southwark Council's constitution

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
IDM report: Allocation of Funding to Southwark Circle	Health and Social Care	Susanna White

APPENDICES

No.	Title
Appendix 1	N/A

AUDIT TRAIL

Lead Officer	Finance Director	
Report Author	Tom Branton / Jo Anson	
Version	FINAL	
Dated	05/15/2009	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director for Legal and Democratic Services	No	No
Finance Director	Yes	Yes
List other officers here		
Executive Member	No	No
Date final report sent to Constitutional/Community Council/Scrutiny Team	05/15/2009	