

Cabinet

Tuesday 13 December 2011

4.00 pm

Ground Floor Meeting Room G01A - 160 Tooley Street, London
SE1 2QH

Supplemental Agenda No.2

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Agenda Item 10

Item No. 10.	Classification: Open	Date: 13 December 2011	Meeting Name: Cabinet
Report title:		Policy and Resources 2012/13 to 2014/15 – Provisional Local Government Settlement	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Richard Livingstone, Finance Resources and Community Safety	

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

This report considers the recent announcement of our provisional Local Government Settlement for 2012/13. In doing so, it also sets out our draft budget for that year to enable consultation with the community on its proposals before the Cabinet agrees its final recommendations that Council Assembly will consider in February 2012.

2012/13 is the second year of deep cuts in our funding from government. We do not yet have a clear indication of what further cuts are coming in 2013/14 and beyond, but we have planned this draft budget to enable us to address those once government indicates what those might be. It is therefore a budget that has to make some tough decisions that will impact on every area of the council's expenditure. We are also faced with inflation running well ahead of government targets and increasing cost pressures that are outside of our control, such as for the London concessionary fares scheme.

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

But there is some good news

- This budget enables the further rollout of the Free Healthy School Meals programme for our primary schools to include years 2 and 3 in addition to the coverage of Reception and Year 1 classes now in place.
- It introduces for the first time clear plans to ensure that the London Living Wage benefits not only our directly employed staff but also those who work for us through employment agencies or through contractors.
- It also introduces a new Cleaner Greener Safer Revenue Fund for Community Councils to determine, devolving more decisions to a more local level.
- It responds to the challenge of the August disorder events by creating a fund to improve those areas most severely affected.

- It continues the successful Voluntary Sector Transition Fund scheme that we established in 2011.
- The government has recently confirmed that the council will be in receipt of New Homes Bonus for 2012/13; as agreed in February 2011, £1.5m will help underpin General Fund services while the remainder has been allocated to the capital programme to support future investment in the borough

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

RECOMMENDATIONS

That cabinet:

1. Note the provisional local government settlement for 2012/13 which was published on 8 December 2011.
2. Note the confirmation of the payment of New Homes Bonus to the Council in 2012/13 in so far as £1.5m is allocated to support General Fund services.
3. Note that the issues in this report and subsequent analysis will form the basis of a formal response to the consultation on the provisional local government settlement which must be submitted to government by 16 January 2012.
4. Agree the amendment to the medium term resources strategy to reflect the change in housing revenue account resources set out in paragraph 176.
5. Agree in principle to the establishment of a £1m Community Restoration fund for 2012/13 to support those areas most affected by the August disturbances (paragraphs 109 to 114).
6. Note that because government funding beyond 2012/13 is not known, and is unlikely to be announced until November 2012, the Finance Director proposes that a single year budget for 2012/13 only will be set. This report sets out changes that are likely to impact on 2013/14 and beyond, but at this stage cannot be quantified. Officers will report back at the earliest opportunity once any announcements are made.
7. Note that the government have announced a further council tax freeze grant for 2012/13, details are outlined in paragraphs 32 to 34.
8. Note the medium and long term impact of accepting the council tax freeze grant on the Council Tax Base, especially in the context of the grant being removed from 2013/14, as described in paragraphs 33 and 34.
9. Confirm that the budget principles agreed by cabinet on 21 September 2010, supported by the ten fairer future promises agreed by council assembly on 6 July 2011, will continue to guide and underpin the work of officers in arriving at a balanced budget in February 2012.

10. Note officer recommendations on the 2012/13 budget, and invite comments on the proposals from stakeholders and scrutiny.
11. Taking all the issues in this report, instruct the Finance Director to report back to the cabinet at its meeting on 24 January 2012, and after the Overview and Scrutiny meeting on 9 January 2012, on the budget for 2012/13.

BACKGROUND INFORMATION

12. In June 2010 the cabinet set out its vision, 'Fairer Future for all in Southwark'. This set out the broad local priorities of the current administration.
13. In January 2011 the council received its final grant settlement for 2011/12 of £232.8m, a reduction of £29.7m (11.3%) against the rebased 2010/11 formula grant. This settlement represented the first year of a two year settlement from the 2010 spending review.
14. In 2011/12, Southwark also received £196.67m of Dedicated Schools Grant (DSG), of which £168.478m is allocated to schools formula budgets and supplementary grants; the remainder is held centrally to provide pupil related services and for school related contingencies such as in year SEN statements adjustments. The DSG will be adjusted throughout the year for schools that transfer to academy status. During 2011/12, the Pupil Premium unit rate increased from £430 to £488 per pupil, in total £3.982m of Pupil Premium was allocated to Southwark Schools and Looked After Children.
15. In February 2011 Council Assembly agreed a balanced budget of £323.0m for 2011/12. This was based on a zero percent increase in Council Tax, and included £2.2m Council Tax Freeze Grant, the equivalent of a 2.5% increase in council tax. The agreed budget included £7.5m of financial commitments largely to meet increasing demand and other pressures and £6.1m growth in additional or new services. The budget included budget reductions, savings and efficiencies of some £33.8m (10.5% of 2010/11 revenue budget). This included a range of options including the rationalisation of management structures and back office structures and options for savings in contract spend and shared service delivery.
16. On 21 September 2010 the Cabinet agreed seven budget principles to guide and underpin the work of officers in preparing a balanced budget for February 2011.
17. Moving forward from 'Fairer Future for all in Southwark', on 6 July 2011, Council Assembly agreed the Council Plan. Included in the plan are ten fairer future promises which reinforce the seven budget principles.
18. The purpose of this report is to set out the headline content of the 2012/13 provisional grant settlement and the draft budget for 2012/13, which represents the second year of a three year budget programme as per the report to Council Assembly on 22 February 2011.

KEY ISSUES FOR CONSIDERATION

19. On the 8th December 2011, the Secretary of State for Communities and Local Government announced the 2012/13 provisional local government settlement. There has been no change from the indicative 2012/13 settlement figures announced on 31 January 2011, with the exception that the ongoing council tax freeze grant from 2011/12 of £2.257m is now included in formula grant. However the council tax freeze grant for 2012/13 is not included as this is one off for one year only. There has been no confirmation that this more recent element will form part of future grant settlements beyond 2012/13.

Formula grant – national position

20. In 2012/13 the total level of provisional formula grant funding to local government nationally will be £27.2billion, a reduction of 7.3% against the 2011/12 position. To ensure a like for like comparison between 2011/12 and 2012/13 the position for 2011/12 has been revised. This revision involves a further claw back of resources from education authorities to fund academies. For 2012/13 the 2011/12 element of council tax freeze grant has been included in the total formula grant, nationally at £652m, for Southwark £2.2m, the reductions at national level exclude this addition.
21. For 2011/12 the government announced a number of significant changes to the formula grant at a national level.
22. The way in which the minimum funding guarantee, or floor, is calculated and applied changed in 2011/12. In 2010/11, there was a single floor for each class of authority. A class refers to the type of authority i.e. single-tier councils such as Southwark, two-tier councils such as districts and so on. From 2011/12 multiple floors were created, which are described by the government as 'bands', within each class of authority. The bands are based on the level of dependency a council has on its formula grant. Put another way, the greater the proportion of formula grant funding that makes up the net budget of a council, the 'higher' the band in which it will be placed. For single tier authorities the bands, and the percentage reduction in formula grant in 2012/13 (excluding the addition of council tax freeze grant) are:

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

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

Revenue spending power and transition grant

24. As part of the 2011/12 local government grant settlement, the government introduced a transition grant to manage the impact of spending reductions. Whether a council receives the transition grant or not is dependent on the extent to which their overall 'revenue spending power' has decreased as a result of the provisional grant settlement.
25. The revenue spending power is a new concept within the settlement process. It is made up of formula grant plus council tax income along with other government grants and NHS support for health and social care. If, as a result of the provisional settlement, a council's overall revenue spending power has decreased by more than 8.8% in 2012/13 they will be awarded sufficient transition grant to bring them back to an overall reduction of 8.8%.
26. Nationally in 2012/13 there are 12 councils that will see their revenue spending power reduced by the maximum 8.8%, sharing £20.03m transition grant. None of these are London boroughs. Fifteen authorities will experience an increase in revenue spending power of between 0.13% and 1.10%. A further 6 authorities will see their revenue spending power reduced by less than 1%. Southwark will lose revenue spending power of 4.6%. Inner London boroughs will lose revenue spending power of 5.1%. This compares with 3.1% in outer London Boroughs.
27. Southwark received no transition grant in 2011/12, and will not receive any transition grant in 2012/13. This is because the level of reduction in Southwark's 'revenue spending power' in 2012/13 is 4.5%. In cash terms this equates to a reduction in revenue spending power of £16.2m in 2012/13. Southwark's level of reduced revenue spending power is lower than the threshold of an 8.9% reduction set nationally by the government.

Council tax

28. The indicative budget process for 2011/12 -2013/14 included £93.5m of council tax income for 2012/13.
29. The updated amount of council tax revenue currently predicted for inclusion in the 2012/13 budget is currently £91.0m. This estimate remains under constant review given the significance and the in house delivery model that has been in place since April 2011. This is based on a tax base of 103,929 chargeable dwellings, a collection rate of 96% and a zero increase in the current band D of £912.14. The variation of £2.5m is for the following reasons:
 - £2.3m – value of a 2.5% council tax increase, currently being matched by council tax freeze grant.
 - £0.2m - Under achievement by 0.1% of a prudent predicted increase in tax base of 1%
30. Tables 1 and 2 below show how the tax base has changed since 2008/09. The shortfall in the 2012/13 forecast tax base appears to be due to an increase in discounts, that had previously been reducing; this is in large part due to the number

of dwellings attracting discounts either for single persons, students or second homes.

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

	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m
Total Dwellings	103.2	105.5	106.6	108.5	109.6
Exemptions	(4.1)	(4.4)	(4.1)	(3.7)	(3.7)
Discounts	(11.3)	(11.1)	(10.9)	(10.8)	(11.1)
Council Tax yield @ 100%	87.8	90.0	91.6	94.0	94.8
Band D council tax	£912.14	£912.14	£912.14	£912.14	£912.14
Budgeted collection rate	96%	96%	96%	96%	96%
Budgeted non collection	(3.5)	(3.6)	(3.7)	(3.9)	(3.8)
Net Council Tax yield	84.3	86.4	87.9	90.2	91.0
Net Taxbase	92,473	94,672	96,419	98,994	99,772

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

Movement between years	2008/09 to 2009/10 £m	2009/10 to 2010/11 £m	2010/11 to 2011/12 £m	2011/12 to 2012/13 £m
Total Dwellings	2.2%	1.0%	1.8%	1.0%
Exemptions	7.3%	-6.8%	-9.8%	0.0%
Discounts	-1.8%	-1.8%	-0.9%	2.8%
Council Tax yield @ 100%	2.4%	1.8%	2.6%	0.9%
Tax base	2,199	1,747	2,575	778

31. The 2012/13 Council Tax Base report will be presented to Council Assembly on 25th January 2012. As this will use more current data, this may affect the indicative council tax yield reported in paragraph 29.

Council tax freeze grant

32. As part of the 2011/12 local government grant settlement the government announced the council tax freeze grant, which was given to all authorities which set a zero increase in council tax, for the equivalent of a 2.5% increase in council tax. Southwark received £2.2m. This grant will be paid throughout the four years of the spending review, and has now been subsumed into formula grant. This grant will cease in 2015/16.
33. In October 2011 the government announced a new council tax freeze grant for 2012/13 only, for those authorities who agree to set a zero percent council tax increase. The grant will be equivalent to a 2.5% increase in council tax. This grant

would be for one year only, and will cease in 2013/14. It is estimated that if this option is taken by members, Southwark would receive some £2.3m. The creation of a one year only grant, although welcome, does not in itself deliver medium term certainty in financial planning for the council. Moreover it adds to the uncertainty attached to financial plans for 2013/14 and beyond. The council will continue to lobby to secure greater certainty in future financial settlements so that it can financially plan for the future with more confidence.

34. On 22 February 2011, Council Assembly agreed indicative council tax increases of 2.5% for 2012/13 and 2013/14. The freeze grant for 2012/13 will match the 2012/13 proposed increase. However, the 2012/13 freeze grant is for one year only and therefore will not be included in the 2013/14 grant settlement. This means that, based on the indicative three year budget programme (set in the February 2011 budget report), a 5% increase in council tax would need to be assumed for 2013/14 to reach the indicative band D level. The Secretary of State has stated that if council tax increases are proposed to be above 3.5% in any one year then the council would be required to call a referendum of local residents to approve this increase.

Formula grant - Southwark's position

35. Overall, Southwark will experience a total reduction in formula grant in cash terms of £17.2m (excluding the addition of £2.2m council; tax freeze grant) for 2012/13. The total reduction in grant in cash terms over the first two years of the Spending Review 2010 is therefore £46.9m. This is the highest cash reduction of all London boroughs.
36. Southwark remains a 'floor' authority. This means the council receives more than that determined by the formula due to the application of a "minimum funding guarantee" that ensures no council receives less than a nationally determined minimum. Without the floor Southwark would experience an additional loss in cash terms of £19.3m grant in 2012/13.
37. As a result of the settlement, Southwark, like others in London, is even more dependent on the floor and how it is applied.
38. The table below shows how the formula grant has changed between 2010/11 and 2012/13 and how Southwark compares to the London and national position:

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

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

Core grants

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

Table 4: 2011/12 and provisional 2013/14 core grants

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

New Homes Bonus

40. The New Homes Bonus (NHB) is intended to reward local authorities and communities where growth in housing stock takes place. The proposed formula for allocation is to match the level of council tax paid on each new home for 6 years with

an additional £350 for each affordable unit. As an 'unringfenced' grant, there is no restriction on its use.

41. There is currently £1.5m allocated to revenue within the 2011/12 revenue budget base. The total new homes bonus received for 2011/12 was £2.5m, and the remaining £1m has been earmarked to fund capital expenditure.
42. On 21 June 2011, the cabinet agreed that all estimated surplus NHB resources over and above that committed to the revenue budget should be earmarked to the corporate resource pool to support the ten-year capital programme. Table 5 below shows the estimated level of expected NHB in future years.

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

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

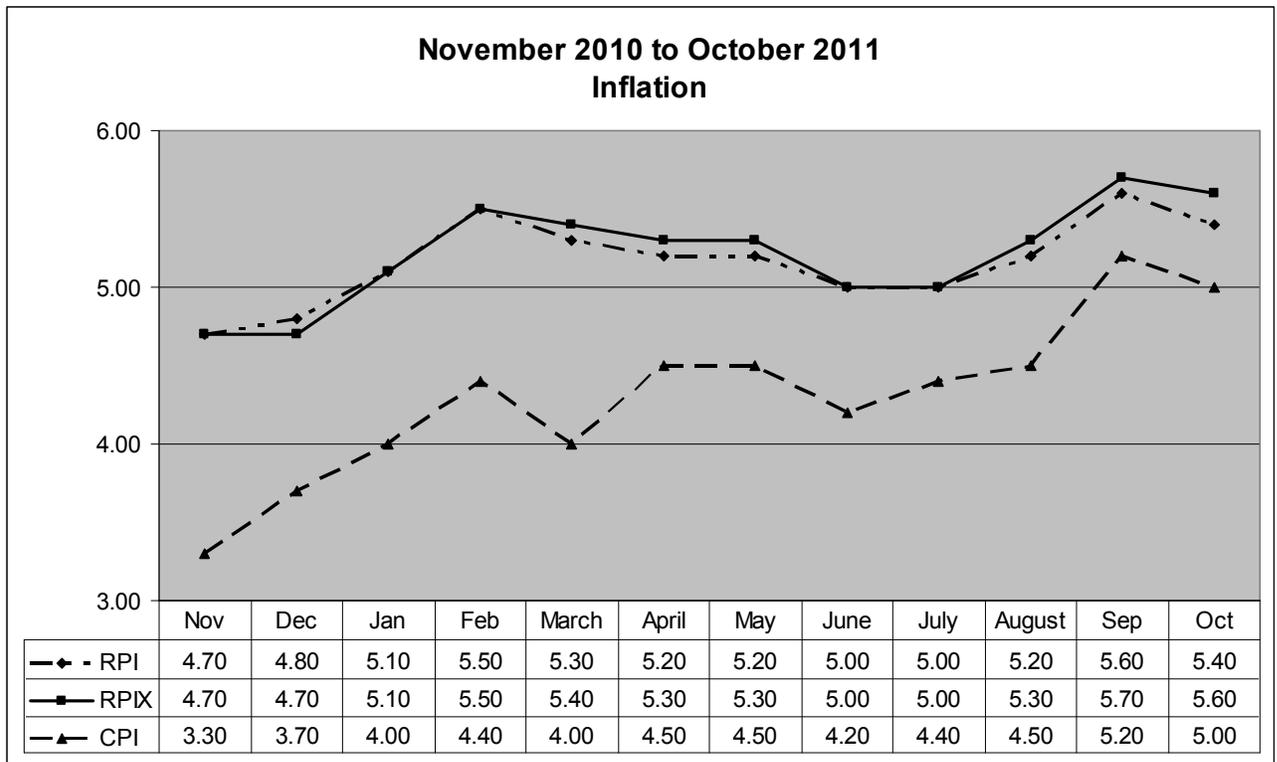
NHS grant

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

Inflation

45. **Pay award.** Pay has been frozen for 2012/13, this is the second year of the two year public sector pay freeze announced by the government in the emergency budget on 22 June 2010. The November 2011 Autumn Statement set public sector pay increases at an average of one per cent for the two years after the current pay freeze comes to an end (i.e. for 2013/14 and 2014/15). The chancellor has asked the independent pay review bodies to report by July 2012 on whether pay can be "more responsive to local labour markets", potentially heralding more regionally-based public sector pay rates.

46. **General Inflation.** When setting the 2011/12 budget no provision was made for general running costs inflation. On 15 November 2011, ONS announced the inflation statistics for October. The reported indicators show CPI at 5.0% (down by 0.2% from 5.2% in September), RPI 5.4% (down by 0.2% from 5.6% in September), and RPIX 5.6% (down by 0.1% from 5.7% in September).
47. The chart below shows the movement in inflation from November 2010 to October 2011



48. Running costs budgets amount to some £172m for 2011/12, with CPI currently at 5.0% and RPI at 5.4% after taking account of alternative inflation of £3.6m, explained in paragraph 49 below, Southwark are absorbing inflationary pressures of £5.0m and £5.7m respectively.
49. **Alternative Inflation.** The Council also calculates “alternative inflation” which covers things like long term contracts tied to industry specific rates of inflation (e.g. utilities, business rates, waste etc.). Alternative inflation does not have a single rate and current estimates show alternative inflation at £3.6m for 2012/13.

2011/12 Revenue monitoring position

50. The council is experiencing a number of new and emerging service pressures. Major pressures identified include families with “no recourse to public funds” and unaccompanied asylum seeking children. Other pressures exist within public realm as a result of a reduced income from parking control notices as a result of improved compliance. The detailed revenue monitoring as at quarter 2 was set out in a report

to Cabinet on 22 November 2011. It will be important to consider these pressures as part of the budget setting process moving forward.

Officer budget proposals for 2012/13

51. When setting the revenue budget local authorities are required, under section 43(4) of the Local Government Finance Act 1992, to calculate their "revenue budget requirement" for the forthcoming financial year. The revenue budget requirement is a statutory definition of expenditure to be met from formula grant and council tax income. The proposals are for a revenue budget requirement of £308.3m in 2012/13.
52. The table below shows the 2011/12 budget agreed by Council Assembly on 22 February 2011, the indicative 2012/13 budget approved at the same time, and the current 2012/13 budget proposed by officers.

Table 6: 2011/12 Budget and Indicative budgets for 2012/13.

	2011/12 Budget	Indicative 2012/13 Budget reported to 22 February 2011 Council Assembly	2012/13 Budget proposed by officers
	£m	£m	£m
Formula Grant (note 1)	(232.8)	(214.8)	(217.1)
Council Tax Income	(90.2)	(93.5)	(91.0)
Total Income Resources	(323.0)	(308.3)	(308.1)
Revised Previous year's budget	349.6	326.4	326.4
Inflation			
- Pay award pay frozen for 2011/12 and 2012/13	0	0	0
- General inflation (running costs): 0% allowed for 2011/12 and 2012/13	0	0	0
- Inflation based on contractual commitments (linked to industry specific rates)	3.5	3.6	3.6
Commitments	7.5	4.9	10.4
Growth	6.1	3.4	0.7
Efficiencies and improved use of resources	(22.3)	(13.7)	(16.6)
Income generation	(0.5)	(0.3)	(0.9)
Savings impacting on service delivery	(11.0)	(13.4)	(10.3)
Council Tax freeze grant 2011/12(note 1)	(2.2)		2.2
Council Tax freeze grant 2012/13 (note 1)			(2.3)
Funding to support social care and benefit health	(4.3)	0.2	0.2
Total Service Area Budgets	326.4	311.1	313.4
Contribution (from) and to balances	(3.4)	(2.8)	(5.3)
Total budget	323.0	308.3	308.1

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

2011/12 element has now been included in formula grant figures.

53. The table above shows the movement in 2012/13 from the indicative budget included in the 2011/12 to 2013/14 budget setting report.
54. There is currently a requirement for an additional £2.5m from reserves to balance the budget as it now stands.
55. This variance is because savings are £0.5m higher than indicated in 2011/12, growth commitments have increased by £2.8m, and council tax income is £0.2m less due to a lower than anticipated tax base.

Service area budgets

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

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

Service area	2011/12 Budget	2012/13 Indicative Budget reported to 22 February 2011 Council Assembly	2012/13 Budget proposed by officers
	£m	£m	£m
Children’s Services	90.1	86.3	86.4
Communities, Law & Governance	11.5	10.5	10.5
Deputy Chief Executive’s including Regeneration & Neighbourhoods	17.8	16.9	17.1
Environment & Leisure	72.7	70.6	70.8
Finance & Resources	49.2	46.4	46.7
Health and Community Services	108.2	100.3	108.0
Housing Services	36.3	36.2	36.6
Total Service Budgets	385.8	367.2	376.1
Corporate Budgets	(59.4)	(56.1)	(62.7)
Total Budgets	326.4	311.1	313.4

57. Draft high level schedules of budget proposals for 2012/13 and 2013/14 are attached as Appendices A – E
58. The following paragraphs contain commentaries from each department.

Children's services

59. Children's Services currently represents around 27.6% of the council's revenue expenditure. The department provides universal services as well as those targeted at more vulnerable families and children. There continues to be a high level of demand for services for children in need; recent DfE data identifies Southwark as having the 5th highest rate of children in need nationally (compared to 7th in 2009/10). These services are delivered through three divisions.
- The Specialist Services Division supports delivery of statutory social care functions, including protecting vulnerable children and those at risk of harm, providing services for looked after children, foster care, adoption, youth offending and children with disabilities.
 - The Education Division supports the delivery of universal services, including early years, school improvement, admissions, after school play and youth services, alongside more specialist services for children and young people with additional needs such as SEN or those excluded from school.
 - The Strategy, Commissioning and Business Improvement Division provides data to support targeted service delivery, manages the multiple inspection processes, and commissions a range of placements and other services for vulnerable children. In addition the division leads on specialist parenting services, compliance and departmental governance and project support for the free healthy school meal programme.
60. To deliver the challenging budget savings for 2011-14, Children's Services remains focussed on the key priorities set out within the Children and Young People Plan:
- Thinking family – families at the centre of all we do;
 - Narrowing the gap – better and more equal life chances for all;
 - Raising the bar – high-quality provision that meets local needs;
 - Succeeding into adulthood – at-risk young people achieve wellbeing;
 - Working together – children are safeguarded from harm and neglect.
61. During 2011/12 £5.763m of savings have been achieved. When the significant reductions in government grants for children's services are taken into account around £12m has been taken out of the budget.
62. For 2012/13 the Children's Services budget is proposed to be £86.4m. The total savings and commitments for the department remain unchanged from those agreed at council assembly in February 2011. However additional growth of £250k has arisen from the new legal requirement to ensure that rates paid to Family and Friends carers are comparable to those paid to the local authority approved carers.
63. Further, the following amendments are proposed as substitutions, in part, for staffing savings agreed in February 2011

- Transfer of the responsibility for universal Careers Services to schools from Local Authorities as set out in the in 2011 Education Act saving £700k in 2012/13;
 - Reducing back office and central management costs of Children's Centres saving £125k in 2012/13.
64. The savings by division are as follows
- £1.600m Specialist Services (Children's Social Care)
 - £3.844m Education Division
 - £730k Strategy, Commissioning and Business Improvement Division
65. In delivering these savings we have sought to minimise the impact on statutory social care functions for the most vulnerable children and young people and so maintain the Council's responsibility to keep children safe.
66. The key drivers to achieving the reductions are to:
- Maximise service effectiveness, drive down costs and ensure high quality provision within the available remaining resources;
 - Protect front line services by reducing back office costs and increasing productivity;
 - Reshape our retained services around the Council's core statutory duties for education and social care;
 - Reduce subsidies to non-statutory, discretionary services;
 - Further improve commissioning and procurement to increase value for money;
 - Further cut waste and duplication in supplies and services.

Communities law and governance

67. Communities, Law and Governance (CLG) includes the Council's statutory monitoring officer function and is also responsible for legal services, electoral services, coroners, registrars and scrutiny and community engagement functions.
68. The overall vision for Communities, Law and Governance is to ensure that the Council's services are accessible, accountable and efficient, delivered lawfully and engage and empower local people. We will contribute to the fairer future for all by reducing our own costs while continuing to support members in their leadership role and our partners in the voluntary and community sector (VCS).
69. The budget for Communities, Law and Governance in 2012/13 is £10.5m.
70. The budget plans for Communities, Law and Governance include a commitment item of £50k to support continuing activities within Community Action Southwark (CAS) and their work to ensure effective working with the voluntary sector in Southwark. There is also a growth item of £62k to deal with the increased volumes of enquiries and pressures of the Freedom of Information (FOI) and Data Protection Act (DPA) regimes, to free up departments through stronger central support.
71. In February 2011 it was agreed to deliver savings within Communities, Law and Governance of some £2.4m over the three years from 2011/12 through rationalising back office and support costs and service reconfiguration. The department also

inherited a savings item within registrars of £100k. Savings of £1.1m have already been delivered in 2011/12. The remaining savings will mostly be delivered in 2012/13, from resizing and reviewing team structures across legal services. There will also be some reductions in non statutory committees.

72. There will be savings from community councils delivered as part of the Democracy Commission process. Following consultation, the voluntary sector grants programme is also being refocused, enabling the delivery of savings in 2012/13. The Democracy Commission savings are likely to mean a reduction in the budget for the neighbourhoods team. This is compounded by the government's withdrawal of area based grant in 2011/12 that funded £150k of the costs of operating this team. In 2012/13 £110k of this saving will be absorbed by the department with a £40k contribution from the general fund.

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

73. The DCE department is made up of human resources, communications, corporate strategy, organisational development, planning and transport services (including building control and development management and policy), economic development, housing strategy and regeneration, property and the major regeneration schemes.
74. The DCE department will deliver on the fairer future vision by having a relentless focus on rationalising support services so more money is protected at the frontline and working alongside others to provide the organisation with the tools to innovate and transform service delivery. It will also be focused on delivering functions that help achieve local policy priorities. This will mean working to ensure the benefits of regeneration can spread across the borough including in strategic areas such as Elephant and Castle and the Aylesbury but also within Peckham, Nunhead and Camberwell.
75. There will be opportunities within the department to streamline structures through rationalisation of internal organisational arrangements. There will be an imperative to maximise opportunities from very limited external funding streams. Resources will be focused on the most vulnerable through partnership arrangements with developers to help create jobs and through optimising council land and property to achieve policy objectives. Seeking alternative ways to deliver services will also be a priority.
76. The draft indicative budget for the department in 2012/13 is £17.1m.
77. It is proposed to deliver savings of some £1.057m in 2012/13 through service re-configuration, review and management restructuring. This will be achieved by rationalising back office and support costs and merging functions as a result of bringing two departments together.
78. Savings will include reviewing how services are provided, such as across community housing functions and housing renewal, so they are retargeted to deliver a more effective service for those most in need.

Environment and leisure

79. The services provided by Environment and Leisure currently make up just over a fifth of the council's net revenue expenditure and they can be broadly grouped into:
- Environment covering: the public realm such as parks and open spaces, parking, highways, cleaner greener safer initiatives, cemeteries and crematorium; sustainable services, such as waste management and refuse collection, street cleaning and recycling, carbon reduction and energy projects.
 - Community safety covering: Safer Southwark Partnership, drug and alcohol teams, emergency planning, environmental health, the community wardens, anti-social behaviour unit, environmental enforcement, noise teams and CCTV.
 - Culture, Libraries, Leisure and Learning covering: arts, museums, leisure centres, sports outreach, libraries and adult learning
80. The overall vision for these services is to make Southwark's neighbourhoods great places to live, that are clean, safe and vibrant and where activities and opportunities are accessible to all. The department's approach to achieving the savings has been in accordance with the budget principles to focus on a core provision of quality services, efficiency savings, smarter procurement and tougher contract management; reducing optional services and using data and intelligence to target services to places or people where they will be more effective
81. The budget for environment and leisure services in 2012/13 is £70.8m
82. The budget proposals include commitments of £1.1m for 2012/13, of which £500k is to cover the loss of income within parking services as a result of better compliance and lower traffic volumes due to economic downturn, £444k for additional unavoidable costs during the five weeks of the Olympics games, £80k for loss of income from Stead Street car park while it is closed for housing development and £44k relates to additional costs for maintaining traffic signals
83. Draft savings of £3.6m are proposed for 2012/13, with further indicative savings of £2.3m in 2013/14. This is in addition to £6.9m already achieved in 2011/12. The total savings of £12.8m over three years represents 22% of the budget for 2010/11. It should also be noted that current savings proposal for 2012/13 is some £971k more than the indicative savings agreed as part of 2011/12 budget agreed in February 2011.
84. It is proposed to make some £850k of reduction in public realm over the two years from 2012/13. Savings will be made through two major procurements that will start in 2013/14 for in parking and highways contracts and, the reactive street maintenance budget will be reduced; and the environment grants programme reassessed and retargeted. Management arrangements for South Dock Marina will also be reviewed to generate efficiency savings.
85. In sustainable services, £975k savings can be achieved by recalculating waste PFI cost profiling due to lower waste tonnage than anticipated at contract negotiation. Further efficiency savings have been negotiated with the waste contractor including some specification changes; rationalising divisional management structures; and utilising spare capacity from the waste and recycling centre at the Old Kent Road Site. These proposals will deliver savings of £2.2m over the two years from 2012/13.

86. It is proposed to save a total of £1.2m across the community safety and enforcement division over the two years from 2012/13, in addition to £1.8m (25% of budget) savings made in 2011/12. This will be achieved through management restructuring and service review and reconfiguration. The loss of grants and reduction in funding has resulted in the service cutting a number of its current functions and has moved to a closer and more collaborative approach with partner agencies to maximise the resources at their disposal. The proposals include the re-organisation of the division, sharing the commissioning of drugs and alcohol services as well as merging CCTV monitoring and maintenance services with other authorities. The proposals also include release of a second phase of savings from the re-organisation of the community warden's service around our key town centres, supported by a response service for the whole borough, which was approved as part of 2011/12 budget process.
87. It is proposed to restructure and re-organise management and support services within culture, libraries, leisure and learning. It is also proposed to make contract savings from the new leisure management agreement and restructure the Community Sports unit with the ending of the Southwark Community Games from 2013/14. A review of the library provisions initiated in light of the opening of the new Canada Water Library to provide a more effective level of service, without closing any libraries, is also proposed. This will deliver some £1.7m of savings over two years from 2012/13.
88. There are plans to generate additional income of some £609k over the two years from 2012/13 through increasing charges across a range of services. This is in line with local policy to increase discretionary fees and charges to a level, at a minimum, that is equal to the most appropriate London average (e.g. inner London, family, groupings etc) as set out in the MTRS. The proposals also include reorganisation of road network management team to include new London wide permitting scheme and other highway licensing functions.

Finance and resources

89. Finance and resources provides the corporate support services of finance (in direct support of the Council's section 151 statutory function), facilities management, information and data services and procurement, as well as the revenues and benefits service.
90. The overall vision is to achieve excellent financial and resource management to help the Council achieve key policy objectives in delivering a fairer future for all. Resources will need to be managed well with sound and robust audit and governance underpinning delivery of policy objectives. There will be a continual, rigorous focus on effective resource management, financial monitoring and control so that value for money outcomes are achieved across all council services.
91. The draft indicative budget for Finance and Resources in 2012/13 is £46.7m after the proposed savings.
92. It is proposed to deliver savings within Finance and Resources of £2.7m for 2012/13 through management restructuring, rationalised back office support and new

contractual arrangements for facilities management, information and data services. The savings include a further review of finance functions across the Council, building on the recent shared services review. This will also include a review of audit, fraud and risk services to refocus priorities and reduce running costs. Savings will also be achieved through smarter procurement and contract management.

Housing

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

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

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

temporary accommodation placements (£38k) within an overall total of £284k. Regarding the wider budget planning horizon, anticipated savings relating to the Customer Service Centre contract form £750k and up to £4.1m of totals for 2013/14 and 2014/15 of £904k and £5.0m respectively.

98. The draft indicative budget for Housing in 2012/13 is £46.7m after the proposed savings is £36.6m

Health and community services

99. Health and community services provides support for the most vulnerable people in our community. These are frail older people, including those with dementia, disabled people of all ages, people with a learning disability and people with mental health problems. This includes residential and nursing home placements, services to allow people to maintain independence and support them living in their own homes, home care, day care, intermediate care, advocacy and support, equipment to aid daily life, transport and meals on wheels. People who are eligible for social care increasingly have personal budgets, including direct payments, where they self-direct the support they need to meet agreed outcomes.
100. The overall aim for health and community services in relation to adult social care is to deliver a fairer future for older and disabled people by creating a sustainable system that continues to support the most vulnerable and deliver value for money. This requires a change in the way the Council works across the whole system of adult social care. It will mean different relationships between the Council and the community, where families and older and disabled people will be expected to do more for themselves, with less reliance on the Council. It means moving to a model where older and disabled people can contribute and exercise greater control over their own lives, improving their health and well being. This will also mean containing growth in demand, focussing council support to the most vulnerable, providing services differently but always with an aim to maintain and improve quality.
101. The budget for health and community services in 2012/13 is £108.0m after savings of £10.3m. Key savings areas for 2012/13 are detailed below.
102. Reducing supporting people budgets for housing related support in the community for all clients. This will be done through a combination of efficiency and service reductions. In 2012/13 funding will be withdrawn from some services, including lower support community based services for offenders (£250k) and people with substance misuse problems (£60k).), Lower level support to former homeless groups, including people with learning and physical disabilities, mental health issues and older people will be reduced by £260k. In addition there will be a reduction in hostel capacity by decommissioning two hostels for homeless people (£1,180k)
103. The redesigning of mental health services, including a two year programme reducing day care services by £400k, will allow the move to personal budgets. An innovation fund of £150k will be made available to encourage a wider variety of service provision.

104. For services to older people the merger of management arrangements in two Council run day centres for older people will save £100k. This will mean a shared management arrangement between the Fred Francis and Southwark Park day centres.
105. The redesign of day centre provision for people with learning disabilities, saving £1,000k and developing clients' independent living skills will facilitate their access to local services. To support these changes an innovation fund of £100k will be made available.
106. Other areas of savings include driving down costs through smarter procurement across a range of care services and developing a new customer approach for personalised services across adult social care, reducing posts in assessment & care management and commissioning to save £881k. In addition, the phased transfer, over three years, from high dependency on residential care into community based services will also contribute towards overall savings.

Equalities

107. The Council works within the requirements of the Equality Act 2010. This means the Council must have due regard to the need to: eliminate unlawful discrimination, harassment and victimisation; advance equality of opportunity between different groups; and foster good relations between different groups. Guidance on the implications of the Equality Act 2010 and the duties it imposes on the Council has been issued to service departments and members
108. In September 2010, Cabinet agreed seven principles that will guide its decision making on the budget. One of these principles is to limit the impact of its budget on the most vulnerable and to be transparent with any specific group or groups of users who may be affected by any cut or reduction in service provision, and to conduct an equalities impact assessment of budget proposals. These budget principles are consistent with the Council's Equalities and Human Rights Scheme. The equality impact assessments prepared as part of the 2011/12 budget setting process will be refreshed during the current budget cycle. The equality analysis material will be made available as part of the 24 January 2012 budget report.

Community Restoration Fund

109. Southwark has a strong sense of community which was put to the fullest test when on Monday 8 August 2011 parts of the borough experienced disturbances, following similar disturbances in north London. The disturbances were a difficult and challenging time for all concerned with pressure put on local resources.
110. The disturbances had the potential of creating further tension but instead the local community responded positively for example through the community-led "Peckham Wall of Love". Furthermore, a series of community conversations followed in which individuals and groups have provided insight into the impact of the disturbances and what can be done to learn for the future.
111. As an immediate response to the disturbances the council set up an emergency small business recovery fund of £100,000 to provide immediate, short-term support

to small businesses in Southwark physically affected by the public disorder. The fund was covered from the Financial Risk Reserves. Other resources have also been set out by the government to support local areas to recover from the public disorder and the Council continues to pursue all opportunities to secure this funding for the borough.

112. The full impact of the disturbances may however only become apparent over the medium to longer term. Short term, immediate funding is helpful although it is important for the council to look at ways in which it can support communities to rebuild in those areas most severely affected by the disorder over the longer term.
113. The draft budget for 2012/13 therefore includes a proposal to establish a fund of £1million to support activities focused on restoring local community pride and delivering longer term solutions to support business and the wider community. Activities that support the positive contribution that young people bring to local communities will in particular be prioritised through the fund, and it is intended that the fund be split between support to businesses and to young people.
114. It is proposed that the fund be set up along the lines of the voluntary sector transition fund. The council will consult with local business leaders and business organisations to determine the relevant criteria for support. Fuller details of the establishment of criteria and process for assessment and award will be set out once it is agreed that the fund be established.

Cleaner Greener Safer Revenue budget

115. It is proposed to introduce a cleaner, greener, safer revenue budget, equating to £10,000 per ward, for community councils to determine from 1 April 2012. This £210,000 revenue fund will be managed by officers in Communities Law and Governance with decisions on allocation of funding taken by community councils. The criteria for this fund will include giving community councils the flexibility to support the provision of local services that have been reduced due to the impact of spending cuts on the council.

Voluntary Sector Transition Fund

116. In 2011/12 a transition fund of £1.5m was established over two years, £1m in 2011/12, and £500k in 2012/13, with no provision for 2013/14. The fund was set up to provide interim support in helping VCS organisations make the changes necessary to meet the challenges from reduced public sector funding and work with the Council to develop a more sustainable sector.

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

117. Concessionary fares is the common name given to the London Freedom Pass which is issued to all older and disabled Londoners to give free travel on almost all public transport in London. The Freedom Pass scheme is administered by the organisation London Councils and costs are recharged to individual London boroughs on the basis of journeys travelled.

118. In recent years there have been significant changes impacting on the cost of concessionary fares, changes in grant funding to London Councils and a phased transfer from passes issued to passes used have now resulted in a fairly stable base.
119. However the year on year change in the cost of the freedom pass is subject to inflationary increases and changes in usage. London Councils have provided an indicative cost to Southwark of £11.550m for 2012/13, an increase of £896k, this has been included in the budget options, although there is very little opportunity for the council to influence this figure.
120. The main element of this increase is inflation, the largest operator charging London Councils is Transport for London (TfL), currently increasing their charges by July RPI + 2% (7.0%)
121. This may change in the light of the Chancellor's Autumn Statement stating that fares should only increase by RPI + 1%, the mayor of London has announced a reduction in the average cost of fares for 2012 on this basis, but no indication of how this may affect the cost of concessionary fares has been announced, although London councils do expect the charge to be reduced.
122. The Concessionary fares charge to London Boroughs for 2012/13 will be discussed at London Councils' Transport and Environment Committee on 15 December 2011, the final increase will be included in the Cabinet report of 24 January 2012.

Superannuation fund contributions

123. The actuarial review published in March 2011 identified the funding required over the period 2011/12 to 2013/14 to cover the pension fund deficit.
124. To enable the deficit to be funded, additional resources are required for 2012/13 of £1m. This requirement will continue into 2013/14 and 2014/15 at £1.5m and £1m respectively.
125. The position will be revised when the next actuarial review is published in 2014.

Agency Workers Directive

126. The Agency Worker Regulations come into effect on 1 October 2011. Under these regulations, agency workers will be entitled to at least the same pay and some conditions as though they were directly employed by the council after 12 weeks. They do not gain employment rights, e.g. redundancy. Conditions such as occupational sick pay and access to pensions are also excluded. Agency workers can continue to be paid more than substantive staff; employees do not have rights under the Regulations to make claims of comparability.
127. From 26 December 2011, agency staff employed since 1 October 2011 will be entitled to the same annual leave entitlement as a substantive worker and at a minimum, the same level of pay that would be paid to a new worker in that role.

128. Action is currently being taken to mitigate this. Managers are currently required to review the use of agency staff until 31 December 2011 when all assignments will cease unless authorised for extension.
129. However there are exceptional circumstances where agency staff are essential for provision of critical front-line service, such as street cleaners. The use of agency staff will continue to be strictly monitored through management action to ensure costs are minimised, in line with the Council's Medium Term Resources Strategy.

London Living Wage

130. The London Living Wage (LLW) was introduced in 2005 to provide headroom above the National Minimum Wage (NMW) to stop working Londoners from falling into poverty.
131. In November 2008 Council Assembly agreed to support the LLW by paying all staff, including staff employed by contractors providing a service on behalf of council, the London Living Wage. The 2011/12 – 2013/14 Workforce Strategy (part of the Medium Term Resources Strategy) includes "To ensure all staff employed by the Council are employed at or above the London Living Wage".
132. In 2011/12, Southwark was one of a minority of councils in London to pay all its permanent employees at or above the £8.30 level of the London Living Wage. Cabinet members have now asked that officers plan to bring all contracted staff up to this level over the next three years. Future new contract procurements will contain the requirement for contractors to pay employees the LLW.
133. The 2011 LLW announced by the Mayor of London in May 2011 is £8.30 per hour, this is 14.5% above the £7.25 per hour poverty threshold wage and 40% above the £5.93 per hour NMW, and represents an increase of 5.7% over the 2010 LLW.
134. Included in the 2012/13 budget is a £1m allocation required as a consequence of the agency worker directive, requiring parity pay rates with Council staff and the application of London Living Wage.

Human resources

135. The 2011/12 budget proposals required a reduction of some 400 FTE posts to achieve the savings. The 2012/13 proposals, appended, require a further significant reduction in posts (some 200 FTE) arising from the general fund savings programme. As in 2011/12, management will look first at vacancies (a selective recruitment freeze has been in place for over 2 years), and agency / temporary staff cover, as well as through natural wastage. The Council has tried and tested procedures to manage workforce change and has prepared to provide greater emphasis on the redeployment process, supporting staff and in mitigating redundancies.
136. On 19th July 2011, a report was presented to the Cabinet on amendments to strategic management arrangements. This report will help kickstart the process for the cabinet to deliver on their commitment from the 2011/12 budget setting to cut £1m from the costs of senior managers over the next two years, and divert the

money saved back into frontline services. A further report on senior management arrangements is planned for cabinet in March 2012.

137. There are some underlying principles that the Council will aim to maintain through this period of significant change whilst trying to ease the financial pressures over the medium term, which form part of the draft medium term resources strategy:

- To aim to maintain our standing as a good employer and as an employer of choice.
- To continue to provide opportunities to refresh the workforce through apprentices, trainees etc. and employ high quality specialist staff to critical hard to fill roles, particularly as recruitment is curtailed.
- To implement a framework for managing and learning from change process, overcoming barriers and emphasising the positive aspects.
- To undertake equality impact assessments at all critical stages of the change process.
- To encourage innovation and technological opportunities where these best deliver intended outcomes.
- To continue to invest in learning and development; and provide accessible, targeted and high quality corporate learning, targeting skills maximisation, leadership capacity and nurturing career development.
- To sustain a remuneration strategy that supports organisational objectives and is affordable, perceived as fair and retains a diverse motivated workforce.
- To review top pay in line with Hutton inquiry report (due March 2011); and review the application of terms and conditions and discretionary elements to ensure they are contemporary and fit for purpose.
- To promote innovation and voluntary schemes which contribute to the reduction of the overall paybill for example through flexible working, flexible retirement; and to facilitate fast track approval.
- To continue to make progress in key areas of sickness management and agency controls.
- To maximise opportunities for redeployment utilising the existing workforce positively to meet future needs
- To ensure all staff employed by the Council are employed at or above the London living wage.

Use of balances

138. As a result of the unprecedented reductions in government grant for 2011/12, and the short notice given by the government to identify savings, reserves were used to support the 2011/12 budget setting process.
139. For 2011/12 £3.4m was taken from reserves, the indicative budgets for 2012/13 and 2013/14 required an additional £2.8m and £0.1m from reserves, although 2013/14 did not contain any estimate for grant reduction.
140. Current budget proposals will require a contribution from reserves for 2012/13 of £5.3m, an increase of £2.5m. This is because savings are £0.5m higher than indicated in 2011/12, growth commitments have increased by £2.8m, and council tax income is £0.2m less due to a lower than anticipated tax base.
141. On 19 July the Cabinet noted that a favourable 2010/11 variance of £3.906m on the general fund which had been taken to the modernisation reserve, where it will be used to address one-off pressures such as redundancy costs arising from restructuring due to savings requirements.

2013/14 and beyond

142. In the 2010 spending review, the government set out the plan for public spending over the years 2011/12-2014/15. The government are committed to a shift of power from central to local government, and considered that measures contained in the Localism Bill and Open Public Services white paper were crucial to the achievement of this commitment.
143. Currently the Secretary of State has the power to cap excessive council tax increases. From 2012/13, the Localism Act, which received Royal Assent on 15 November 2011, has given communities the power call for a referendum if an authority raises council tax above a limit determined by the Secretary of State. The Secretary of State's limit for 2012/13 was announced on 8 December 2011 as the same time as the provisional settlement at 3.5%.
144. On 18 July 2011 the government commenced a consultation on Local Government Resource Review, including proposals for business rates retention (at the local level). This began the process that will culminate in a significant change in the way that local government is funded. Business rates are currently collected by local authorities, and paid to the government, and then reallocated through the grant formula. Under the proposals included in the consultation, authorities will keep the business rates that they collect, subject to a threshold/baseline set by the government. The government will set a baseline, similar to the cost floors under the current funding mechanism. Authorities below the threshold will be described as "top up" authorities, and will receive additional funding up to the threshold. These top ups will be funded from tariffs taken from authorities generating business rates above the threshold. Southwark is likely to be a top up authority. This consultation concluded on 24 October 2011.
145. The proposals to retain business rates locally raise two fundamental issues which are thought to impact on adult social care services. There is a concern that a new

funding system created through localised business rates may not address the funding gap between the resources available to local authorities for adult social care and the increasing demand for care. If this is not addressed, then the council would have to consider service reductions and / or increased charges, with adverse impacts on service users and carers, and it is also likely to impact on the health service and other public services. There is also uncertainty over the relationship between the proposals set out in this consultation and the potential implementation of the report of the Commission on Funding of Care and Support. The response from the Association of Directors of Adult Social Services (ADASS) is listed as a background document to this report.

146. On 2 August 2011 the government commenced a further consultation on the localising support for council tax from 2013/14. The government's proposals entail transferring the responsibility for developing local schemes for council tax benefit to local authorities, while protecting pensioners and the vulnerable, and at the same time reducing the amount paid to local authorities by 10%. Instead of receiving council tax benefit subsidy to match payments, local authorities will receive a fixed amount, probably as a specific grant to fund the new local system. This consultation concluded on 14 October 2011. Southwark's response is listed as background documents to this report.
147. On 31 October 2011, the government began a consultation on technical reforms of council tax. The reforms being proposed are largely around discounts and exemptions on second homes and empty dwellings, giving authorities full control on the level of discount they grant with a minimum of 0%. Other proposed changes include, moving from 10 to 12 monthly instalments and on-line publication of some elements of information supplied with the council tax bill. This consultation concludes on 29 December 2011.
148. The consultations described above will require a large amount of new legislation beginning in the near future, all with a proposed implementation date of 1 April 2013, and all relating to council tax and business rates. The government hopes to introduce these proposals as part of the Local Government Finance Bill, with primary legislation by spring 2012 and secondary legislation by the summer.
149. The changes proposed by the three consultations will necessitate major changes to software and processes to enable the proposals to be implemented on 1 April 2013. Delays in the legislative process will delay these changes being planned and implemented, putting pressure on local authorities ability to levy bills by 1 April 2012. London Councils have estimated that even a minor delay could result in bills not being issued until July, with clear cash flow implications for both the council and council tax payers.
150. In addition the introduction of localised council tax benefits is dependent on the deletion of the current council tax benefit scheme. This is currently being debated as part of the Welfare Reform Act, currently making progress through the House of Lords Grand Committee. It is planned that the Welfare Reform Act gains royal assent during the current parliamentary session, although there is a risk that this could slip into the 2012/13 session.

151. Overall, the proposed changes set out above pass significant risk to local authorities. On business rates localisation there is the risk of non collection, previously this was borne by central government, it now transfers to local government. On the localisation of support for council tax, the 10% reduction in the total allocated to local government, coupled with the government's policy to protect pensioners and the vulnerable, means that the remaining benefit recipients will have to have their benefits cut, or council tax benefits will have to be subsidised from already reducing resources.
152. There are also concerns with the timetabling of the local government resource review in that authorities may not receive their individual settlements until very late in the 2012 calendar year and as such this will put pressure on the council's ability to plan effectively for the 2013/14 financial year. The council has attempted to mitigate this through setting out an indicative budget position for 2013/14, however, this is subject to many assumptions which are difficult to predict, not least because the funding system will be overhauled to a significant extent from 2013/14.
153. Ministers have announced that in 2013/14 no council will be worse off than they would have been under the current four block model. Addressing the Local Government Association annual conference in June, Deputy Prime Minister Nick Clegg said "From the start, no authority will receive less funding under the new arrangements than they would have done previously, in other words, everyone will start on the same starting line."
154. An indicative figure has not been provided by DCLG regarding what individual authorities 2013/14 formula grant, within the envelope of the 2013/14 CSR control totals, would have been using the four block model. Government have stated that funding under the new regulations will be the same as they would have been under the current system for 2013/14.
155. The latest timeline for local government reform is shown below

December 2011/January 2012	Publication of formal responses to the local government resource review consultation.
Before Summer 2012	Discussions with local government about the allocation of the baseline, ahead of further consultation.
November 2012	Ministers expected to announce council's individual settlements for the following year.
December 2012 / January 2013	Consultation on provisional 2013/14 settlement.
April 2013	New funding distribution goes live at same time as local government take control of council tax benefit,.
April 2014	Councils informed of last settlement of the current spending review period
April 2015	The results of a business rates revaluation, to be carried out over 2014, are fed into the system from

	2015-16; a move which is predicted will create considerable turbulence for the system to equalise
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Dedicated Schools Grant (DSG)

156. The 2012/13 per pupil value for the DSG will be announced some time in the autumn term. The expectation is that it will remain at the 2011/12 rate of £7,244, however, the level of DSG will likely be influenced by the outcome of the recent Academy Funding review. The Schools Funding Reform consultation that closed on 11 October 2011, proposed significant changes in the methodology for funding schools and centrally retained budgets currently funded by the DSG, however this is not due to be implemented until 2013/14 or possibly later. A "shadow settlement" is anticipated to be published in Spring 2012 to illustrate the potential allocations under the new school funding system.
157. The Pupil Premium funding budget will double nationally in 2012/13, however the methodology for allocating this funding is under review.

Housing Revenue Account (HRA)

158. Following the Localism Act, which received Royal Assent on 15 November 2011, 2012/13 will be the first year of a self-financed HRA. Government intend to adjust HRA debt for individual local authorities to a level calculated centrally to be sustainable by the HRA over a 30-year period without further external intervention.
159. For Southwark, draft figures from CLG indicate that the debt adjustment will entail writing down around £267m of debt, leaving an opening self-financing debt balance of £383m.
160. National rent restructuring policy is assumed to be followed as part of the Settlement debt calculation.
161. CLG intend to issue final subsidy determinations for consultation during November 2011 in order to facilitate the debt redemption (or in some cases for other local authorities further debt take-up) on 28 March 2012.
162. A report setting out the provisional housing revenue account settlement and rent setting 2012/13 for Southwark is included elsewhere on this agenda. This report also sets out the details of the 2012/13 HRA determination for Southwark.

Capital programme

163. In July 2011, Council Assembly agreed the recommendations of the cabinet for a refreshed 10-year general fund capital programme 2011-21 of £351m. This will also be refreshed as part of the 2012/13 budget setting process.

164. The general fund capital programme 2011-21 reflected new and emerging priorities, latest information on existing projects and a refreshed estimate of resources. The total programme included expenditure of £351.0m with projected funding of £414.8m. Within this there has been some £70m of new additions to the programme including;
- major works to roads,
 - a new leisure centre and improvements to existing centres,
 - projects to deliver an Olympic legacy,
 - creation of new places and improvements in local primary schools
165. In October 2011 cabinet agreed a five year Housing Investment Programme to the value of £326m. This programme will be key in delivering the council's priority of ensuring all council homes are warm, dry and safe.

A strong and stable resource base

166. In setting out the draft budget proposals for 2012/13 the Finance Director as the statutory section 151 officer is assured that the range of spending commitments and proposed savings are being set within the resources available that meet local priorities. The draft budget proposed for 2012/13 is therefore robust.
167. In addition to ensuring that sufficient funds are available to finance the ongoing management of the Council services, the Finance Director needs to be assured that there is an appropriate level of reserves and balances available. The Local Government Act 2003 requires the chief finance officer to report on the adequacy of reserves held, and requires members to have regard to that report in setting the budget. The Act also gives powers to the Secretary of State to specify a minimum of reserves to be held, but those powers have not yet been applied.
168. Reserves are funds set aside from underspends or proposed budget contributions, to meet contractual commitments or future expenditure plans, including meeting risks or liabilities that may arise at a later date. For example, the council has a number of pressures which fluctuate over time and are unpredictable in nature. These could include winter maintenance (such as pot holes and road gritting for highways) or meeting the upkeep of older buildings that the council operate from. Reserves are the most effective way in which to mitigate these pressures, subject to appropriate criteria. Another example is one-off redundancy costs arising from restructuring. It may be that these costs cannot be met from existing revenue budget provision. Therefore and, subject to an appropriate business case, reserves may be used to support these costs.
169. The council has a number of reserves. The most significant of which are:
1. Modernisation, service and operational improvement reserve. This is for one-off expenditure and multi-year projects that are designed to modernise and improve service levels and operational efficiency of Southwark's activities. Schemes will include accommodation pressures, shared services, customer service improvements and information services. The use of the reserve is subject to protocols in accordance with the Council's MTRS.

2. Regeneration and development reserve. This reserve is to fund one-off expenditure and multi-year projects to facilitate the significant regeneration and development taking place in the borough. Projects include the Elephant & Castle, Canada Water, Southwark Schools for the Future, and land acquisitions associated with these projects.
 3. Financial risk reserve. This reserve is set aside against future financial risks that may arise. For example, taxation risk, legislative changes including actions involving the Greater London Authority, major projects, risks as a result of unavoidable changes in accounting practice.
170. Due to the size, scale and complexity of projects and services across the borough the council is required to maintain a general level of balances to meet future unpredictable expenditure demands. Securing outcomes around key priorities of regeneration, recognising key operational risks attached to the unique size of our housing stock and more generally the levels of deprivation across the borough and associated factors, means that it is essential the council maintains a robust approach to both reserves and balances. Maintaining an adequate level of reserves and balances are therefore key factors in the Finance Director's assessment of the robustness of the budget.
 171. The council's General Fund reserves and balances at the end of 2010/11 totalled £91.2m, made up of £73.0m earmarked reserves and £18.2m General Fund balance. In total this represents some 9.35% of the General Fund spend in 2010/11.
 172. The earmarked reserves, by their nature, are reserves set aside and earmarked for spending plans. Many of those spending plans were already in progress as at the end of 2010/11, especially around the Council's modernisation agenda and major capital projects. The reserves also include balances that the Council cannot freely reallocate, for example Dedicated Schools Grant unspent or PFI credits received in advance to meet future years' costs on the waste PFI scheme; or are balances that the Council would not wish to redirect, for example the Council's self insurance reserve.
 173. General fund balances are intended to act as a contingency in the event of any extraordinary unbudgeted expenditure having to be incurred. The target level of working balances have been set at £20m over the medium term, as per the 2012/13 MTRS, in line with similar organisations in London. Although the Council has made progress to achieving this level of balances, there have been insufficient surplus resources over the years to be able to achieve this target. Current General Fund balances stand at £18.2m. This is 1.87% of 2010/11 General Fund spend, which is below the cross London average of balances held (2.06%) and lower than the inner London average of 2.43%. Outer London boroughs tend to have smaller contingency balances, with an average of 1.80%, but that includes seven boroughs that proportionately hold balances greater than Southwark. The Finance Director will continue to review the level of balances and reserves and report to the cabinet through the normal monitoring process.
 174. In setting the budget the council needs to be mindful of the continued uncertainty with regards future funding particularly beyond 2012/13. This strengthens the

importance of maintaining a robust MTRS within which to plan council business and sustain delivery of essential frontline services.

Amendment to Medium Term Resources Strategy (MTRS)

175. The MTRS will be fully refreshed in the summer of 2012. This is in anticipation of early announcements being published by the government on the local government resource review. Officers will continue to monitor the timetable to ensure that the timing of the MTRS refresh effectively aligns with the outcomes of the resource review. However in advance of that reform of HRA subsidy means that the rent setting element of the MTRS will not be applicable for rents from 1 April 2012, and should be amended to inform the 2012/13 rent setting.

176. Under the heading of housing finance, the following bullet point:

- To set rents at a level to optimise central government support;

should be replaced with:

- To set rents at a level consistent with income assumptions within the 30-year HRA self-financing business plan.

Consultation

177. This report follows the Policy and Resources scene setting report of October 2011. This report provides information on the resources which are anticipated to be available for 2012/13, which is the second year of a three year budget framework, agreed in February 2011. The budget agreed in February 2011 was supported by an extensive consultation undertaken in autumn 2010. Further comments are now invited from scrutiny.

Next steps

178. Taking account of all the information contained in this report a further report will be presented to Cabinet on 24 January 2012 with the draft budget for 2012/13. This will be in advance of the Overview and Scrutiny meeting to discuss the budget proposals on 9 February 2012. The budget will be proposed to Council Assembly on 22 February 2012. Subject to agreement of the budget, a new council business plan will be prepared.

Community impact statement

179. This report describes the key highlights from the provisional local government settlement as published on 8 December 2011. It concentrates on information published by the government and therefore is focused on the overall national financial position and how this relates to Southwark. However the financial information ultimately relates to a service or activity that the council provides and/or supports.

180. In itself, therefore, this report is judged to have no impact on local people and communities. However the actions that will be required by the council as a result of the provisional local government settlement through budget setting are likely to have an impact on local people and communities in terms of service provision and programme delivery. This will be considered when decisions around those services and programmes are proposed.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

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

REASONS FOR URGENCY

182. This report is urgent because of the significant impact of the provisional settlement 2012/13 on the council's budget and resource planning process.

REASONS FOR LATENESS

183. It was not possible to prepare this report until details of the provisional settlement were made available which was on 8 December 2011. Officers have been working since to analyse the areas of potential impact of the settlement, in as far as is possible, on Southwark's resources for future years.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Local Government Settlement 2012/13	Department of Communities and Local Government	http://www.local.communities.gov.uk/finance/1213/grant.htm
ADASS	Health and Community Services	Carl Rushbridge 020 7525 3380
Responses to business rate retention consultation	Finance and Resources	Stephen Gaskell 020 7525 7293
Responses to localisation of council tax benefits consultation	Finance and Resources	Stephen Gaskell 020 7525 7293
Housing investment Programme - Confirmation of the Five Year Programme and Update on the High Investment Need Estates Options Appraisal Project	160 Tooley Street	Stephen Gaskell 020 7525 7293 http://moderngov.southwarksites.com/mgConvert2PDF.aspx?ID=22977

Policy and Resources Strategy 2012/13 - 2014/15: Scene Setting Report	160 Tooley Street	Stephen Gaskell 020 7525 7293 http://modern.gov.southwarksites.com/mgConvert2PDF.aspx?ID=22932
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APPENDICES

No.	Title
Appendices A - E	Draft high level descriptions of budget proposals

AUDIT TRAIL

Cabinet member	Councillor, Richard Livingstone, Finance Resources and Community Safety	
Lead officer	Duncan Whitfield, Finance Director	
Report author	Duncan Whitfield, Finance Director	
Version	Final	
Dated	12 December 2011	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Date final report sent to Constitutional Team		12 December 2011

Commitments

Appendix A

Department	Description of Commitments	2012/12 £'000
Children's Services Strategy, Commissioning, Business Improvement Children's Social Care Total Children's Services	The provision of free healthy school meals for primary aged pupils in schools in Southwark; phased implementation over academic years 2011-14. Special Guardianship Orders (SGOs) are financially supported placement orders made by the courts which have increasingly replaced adoption as a permanent alternative to care for children. On average an additional 20-30 a year are being made in Southwark.	1,414 135 1,549
Health and Community Services Older People All services Total Health and Community Services	Impact of a phased reduction in welfare meal charges of 50% of the 2010/11 charge, harmonising the charge for hot and frozen meals in the process. The first reduction will be in 2011/12 and the full reduction be completed by 2014/15. Increased budget to match NHS contribution for greater integration between Health and Social Care. Department of Health have confirmed that funding will continue for a minimum of further two years (2013/14 & 2014/15)	42 4,110 4,152
Environment and Leisure Public Realm - Parking & Road Network Public Realm - Parking & Road Network Public Realm - Asset Management CLLL - Culture Total Environment and Leisure	Shortfall in the parking income arising from better compliance and lower traffic volumes due to economic downturn. The estimated pressure for 2012/13 may be as high as £1m, but the department will make efforts to contain any additional net costs of the service. Failure to contain net costs of the service would lead to calls on corporate contingency. Stead Street car park off the Walworth Road is closing in autumn 2012, for housing development. Currently Stead Street car park is a pay and display car park which generates income from the Pay and Display meters. Increased costs payable to TfL for maintaining traffic signals mainly due to increase in number of systems being deployed in the borough and inflation increase of 4.6%. Additional unavoidable costs to E&L services during the 5 weeks of the Olympics (£30k required for 2011/12). It includes recruitment of an Olympic Intelligence Analyst and planner to cover additional analytical and planning demands for the Olympic games	500 80 46 444 1,070
Communities Law and Governance Community Engagement Total Communities Law and Governance	To support the continuing activities of Community Action Southwark and their work to ensure effective working with the voluntary sector in Southwark.	50 50
Corporate Budgets Corporate Corporate Corporate Corporate Corporate	Impact of 2010/11 triennial review. In order to maintain a planned recovery of the fund deficit in line with the funding strategy there will need to be increases in employers contributions of circa 3% over the period to 2013/14. Setting up of a community restoration fund subject to criteria to be agreed as part of the budget setting process.. Creation of Cleaner Greener Safer Revenue Fund, to be co-ordinated through each community council (£10,000 per annum for each ward). The scheme will be administered on behalf of officers by the Director of Communities, Law and Governance. A voluntary sector relief fund of £1m was set up in 2011/12 to support partners wishing to innovate their service delivery. This fund was scheduled to reduce to £500k in 2012/13 and to wind up in 2013/14. Discontinuation of london councils grant scheme, resources to be redistributed to support other funds.	1,000 1,000 210 (500) (400)

Commitments**Appendix A**

Department	Description of Commitments	2012/12 £'000
Corporate	Additional resources to support low paid staff arising from commitment made by council assembly in setting three year budget in february 2011 (£375k),a new commitment to support agency worker directive requiring parity pay rates with Council staff and the requirement for external contractors to pay london living wage in contracts to be let or relet by the council in the future (£1m). The commitment to london living wage in contracts will require annual increases in budget provision over the period to 2015/16.	1,375
Corporate	Increase in charge from London Councils for concessionary fares based on current information, useage and fare increases.	896
Total Corporate Budgets		3,581
Total Commitments		10,402

Growth**Appendix B**

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

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

Department	Description of Savings	2012/13 £'000
Environment and Leisure		
Sustainable Services	Restructure Divisional Management and Support including revising terms and conditions	(230)
Sustainable Services	Contract savings resulting from reduced total waste tonnage.	(100)
Sustainable Services	Efficiency savings from the refuse collection service contract arising from roll out of weekly food waste collections where feasible and staged introduction of fortnightly collection of dry recyclables.	(140)
Sustainable Services	Utilising spare capacity from the waste and recycling centre at the Old Kent Road Site	(150)
Sustainable Services	Recalculation of waste PFI cost profiling. £975k reduction arising from contract efficiencies, with scope to rise to £1.7m in future years from further efficiencies and analysis of tonnage levels.	(975)
Sustainable Services	Further savings negotiated with Veolia (Bulky waste changes)	(55)
Sustainable Services	Further savings negotiated with Veolia (Container delivery changes)	(88)
Community Safety	Reorganisation of Community Safety and Enforcement division by further reducing management posts	(60)
Community Safety	Restructure the principal enforcement officer functions to focus our resources in the areas, at the times, on the businesses and the communities that need them most. We will also be focusing resources from across our regulatory services in those areas so that we can deal with a range of issues through tougher enforcement.	(52)
CLLL	Restructure divisional support services	(97)
CLLL	Contract savings delivered by the new Leisure Management Agreement	(200)
Business Support	Review admin overheads	(8)
Total Environment and Leisure		(2,155)
Housing Services		
Housing Strategy and Options - Housing Options Services	Restructure of Housing Options team.	(38)
Housing Strategy and Options - Business Support Services	Rationalise business support services through restructuring of service.	(7)
Total Housing Services		(45)
Deputy Chief Executive		
Director and Business Support	On-going review of service to deliver efficiencies including departmental restructure, modernisation programme and shared services across functions	(19)
Planning & Transport - Development Management	Savings from review of the technical support area.	(65)
Economic Development & Strategic Partnership	Reduction in administrative costs	(13)
Major Projects	Savings to be achieved from review and rationalisation of project team budgets and strategic management costs across the regeneration function	(117)
Human Resources	Reduction in transactional staff through extension of self-service/efficient process. Reduction in direct staffing support. These reductions exemplify the second and third stages of the HR shared services review which was first implemented in April 2009 as a result of the move to Tooley Street. The shared services review will lead to the consolidation of HR services from across the Council and improved processes, including the use of IT, to improve efficiency.	(210)
Corporate Strategy	Review of structure, staffing levels and support costs across the division. This would include significantly reducing the training budget, reviewing subscriptions to external policy services and minimising all stationery, software and printing requirements.	(80)
Communications	Shared service with Westminster	(50)

Department	Description of Savings	2012/13 £'000
Communications Organisational Development Organisational Development Total Deputy Chief Executive	Reduction in frequency of Southwark Life from 4 to 3 editions per year Building on our 2011 25% savings in year 1 further efficiencies in service delivery by the development of "mylearningsource" web based learning management system are now projected, which has developed into a learning tool for the wider Southwark community (the council and its social partners) and as by-product enabled greater economic purchasing and development of interventions requiring reduced professional and back office resources. Further rationalisation of the service and centralisation of training budgets.	(58) (612)
Communities Law and Governance Electoral Services Scrutiny Community Councils Legal Services Total Communities Law and Governance	Streamline the annual canvass by reducing the number of posted notification cycles and subsequently cease household confirmation letters as part of the annual canvass process. Review structure of scrutiny committees to reduce administrative and other costs while retaining essential nature of function in overseeing Council activities. Savings from community councils delivered as part of the Democracy Commission process. Fundamental review of team structures within Legal Services to further promote and make use of modern ways of working and remain consistent with best professional practices.	(30) (65) (344) (400) (839)
Finance and Resources Information Services Corporate Facilities Management Deputy Finance Director AFD Financial Services Revenues and Benefits Management and CIPFA trainees Total Finance and Resources	Reductions in ISD related costs arising from streamlined contractual arrangements and from restructuring of the core element of the ISD Division. Further review of contractual arrangements will coincide with the end of the Council's contract with Serco in July 2012 and the review of the management of the Council's major IT applications that will follow on from the current review. Review of existing contracts and service levels and review and restructuring of CFM function, including new contract arrangements to support Tooley Street management. Reductions in levels of building repair and maintenance in response to future office and administrative buildings and asset management strategies. Further review of the finance function will meet the 2012/13 target. Reduce the number of posts and reduce running costs in the Finance Transactional Shared Service (FTSS) due to more efficient ways of working. A review of the overall audit, fraud and risk service to focus priorities, including internal audit planned days, structure, staffing and contracted days, and a reduction in running costs. Reduction in the use of the capacity contract following successful recruitment will lead to a £557k saving in 2012/13 plus negotiated ICT saving with the Northgate contract of £70k in 2012/13 Reduction from 6 to 3 professional accounting trainee posts, achieved in part through consolidation of trainee activities within existing establishment where appropriate.	(525) (555) (395) (500) (627) (75) (2,677)
Corporate Corporate Client Services Total Corporate	Review of departmental and corporate management structures by Deputy Chief Executive Savings already built into Vangent Contract and the renegotiation of the contract to include more services without additional cost.	(500) (1,500) (2,000)
Total efficiencies and improved use of resources		(16,524)

Income Fees and ChargesAppendix D

Department	Description of Savings	2012/13 £'000
Health and Community Services All Client Groups	Updating charging policies in line with London averages and current government policy and guidance	(260)
Total Health and Community Services		(260.0)
Environment and Leisure		
Public Realm	Increase Cemetery and Crematorium fees and charges to Inner London Average.	(75)
Public Realm	Reorganisation of road network management team to include new London wide permitting scheme and other highway licensing functions	(150)
Public Realm	Income from raising parking fees to Inner London average	(150)
Public Realm	Increase South Dock Marina fees and charges to Inner London average	(50)
Sustainable Services	Croydon Pest Control income	(54)
Sustainable Services	Cessation of external contract use by the Council for Pest Control services (estimate from SAP analysis) - use in-house team	(30)
Community Safety	increased license fees in line with the new Police reform and Social responsibility bill	
CLLL	Rental income received from Bacon's College for Mellish Fields Sports Grounds (new contract)	(20)
Total Environment and Leisure		(529)
Deputy Chief Executive		
Property Services - Managed Commercial Property Holding Account and Industrial Properties	Increased income due to rent reviews and lease renewals	(50)
Major Projects	Additional advertising income arising from the Elephant & Castle project. This extra income is factored in as a one off addition, with a further review being undertaken in 2013/14	(100)
Planning & Transport -Development Management	Restructuring of pre-application and other fees to encourage greater take-up for smaller applications and a higher charge for a more detailed service for larger applications	(25)
Total Deputy Chief Executive		(175)
Total Income Generation		(964)

Department	Description of Savings	2012/13 £'000
Children's Services		
Strategy, Commissioning, Business Improvement	Review of management structures, business support and staffing across Education and Strategy and Commissioning Teams.	(653)
Education - Early Prevention and Intervention	Reduce community nursery subsidies.	(75)
Education - Early Prevention and Intervention	Maximise usage of the Playrooms/One O'Clock Clubs by transferring management responsibility to Children's Centres for these running services.	(110)
Education - Early Prevention and Intervention	Use Early Intervention Grant to support core services.	(384)
Education - Standards 0-19	Restructure the School Improvement Team to deliver the Local Authority statutory responsibilities.	(250)
Education - After school and play	Reduction in funding for non statutory play services: maintaining a core offer at all adventure play facilities.	(250)
Education - Specialist Education Services	Remove financial subsidies to the non-statutory supplementary schools programme.	(200)
Children's Social Care / Strategy, Commissioning, Business Improvement	Improved targeting of commissioning of voluntary sector providers and reduced requirement for contract management.	(75)
Children's Social Care	In line with Munro Review, reduce bureaucracy and develop early help services to reduce demand for social care.	(800)
Education - Early Prevention and Intervention	Redesign Integrated Child Support Service to provide more targeted Early Help in line with the Munro review and changes in specialist children's services.	(225)
Education - Specialist Education Services	Transfer of the universal Careers Service to schools as set out in the recent Education Act.	(700)
Total Children's Services		(3,722)
Health and Community Services		
All services	Reshape remaining open access services not effected by 2011/12 savings. These are voluntary sector services that provide practical and social support, which will be encouraged to operate in ways that build future sustainability and enable members of the community to contribute their time and skills.	(300)
All Client Groups	Reduce Supporting People budgets for housing related support by a total of 50% over 3 years, through a combination of efficiency and services reductions. Investment of remaining budgets will be focused on the most vulnerable groups in line with identified need. In 2012/13 funding will be withdrawn from the following services: - Lower support community based services for offenders £250k - Lower support community based services for former homeless groups, across all client types £260k - Lower support community based services for people with substance misuse problems £60k - A reduction in hostel capacity by decommissioning two hostels for homeless people £1,180k	(1,750)
Mental Health	Reduction in Drugs & Alcohol services	(60)
Mental Health	Redesign of Mental Health Day Services - this is an additional saving to the £200k reported for 2011/12	(200)
Older People	Merge management and redesign two Council run day centres for Older People	(100)
Learning Disabilities	Redesign and where appropriate decommission day centre provision to develop clients' independent living skills and to facilitate their access to local services.	(1,000)

Savings impacting on service delivery**Appendix E**

Department	Description of Savings	2012/13 £'000
All Client Groups	Review and redesign functions to deliver new customer approach for personalised services. Adult Social Care service delivery will be reconfigured to align with the personalisation agenda and new customer journey, including a single point of contact. The redesign will drive value through the department through redefinition of operating models, structures and roles and responsibilities. This is expected to result in a reduction of approximately 15% in the number of posts across assessment and care management and commissioning.	(881)
Total Health and Community Services		(4,291)

Department	Description of Savings	2012/13 £'000
Environment and Leisure		
Public Realm	Savings from revision of reactive street maintenance. This proposal will involve reducing what is spent on road repairs, lighting and street furniture. Safety issues will continue to be prioritised and addressed but planned maintenance programmes will be reduced. Resources will be focused on urgent repairs to be done.	(200)
Public Realm	Savings resulting from rationalisation of school crossing patrol service. Some 25% of patrols are located at crossing which are already signal controlled.	(50)
Sustainable Services	Reduction in accommodation costs following move from Manor Place Depot	(60)
Sustainable Services	Savings from the rescheduling and reprioritising of the mechanical sweeping service	(100)
Community Safety	Savings resulting from the re-organisation of the community safety service	(45)
Community Safety	Reorganise Southwark Anti Social Behaviour Unit (SASBU) team to solely manage high risk cases of anti social behaviour	(90)
Community Safety	Phase 2 of reorganisation of the Community Wardens Service to focus on three key town centre locations and supported by a response team service linked directly to the retained environmental enforcement team. The 3 town centre teams will be based in Elephant and Castle, Camberwell and Peckham Town Centres. The reactive response team will be targeted to the areas, times and issues that concern our community the most. The additional accredited powers given to wardens means that the service will be able to deal with a wider range of anti social behaviour issues. Close working relationships with the Police and shared tasking arrangements means that we will use a variety of interventions to tackle anti-social behaviour.	(531)
CLLL	Reduce the funding to the South London Gallery	(10)
CLLL	Savings derived from the re-configuration of support staff within the culture service	(40)
CLLL	Consultants services budget for Playing Fields not required any longer	(28)
CLLL	Review of Library services. The future size and shape of the service needs to be considered as part of the Council's overall budget plan for the next three years and a complete review and consultation period will take place with a view to saving library costs in 2012/13. The review will focus upon delivering the service more efficiently through the restructuring of posts and deployment of staff across the libraries. There are no plans at present to close any library buildings.	(274)
CLLL	Further divisional efficiencies	(42)
Total Environment and Leisure		(1,470)
Housing Services		
Housing Strategy and Options - TA model	Reduction in placements in temporary accommodation. Reduce overall costs of placements by reducing dependency on expensive bed and breakfast accommodation through the use of other social housing, private sector provision and bringing council void properties back into use.	(38)
Housing Strategy and Options - Strategy & Regeneration	Restructure and rationalisation of Housing Renewal Team.	(110)
Housing Strategy and Options - Temporary Accommodation	Reduction in funds used to provide emergency furniture for resettlement clients.	(14)
Housing Strategy and Options - Temporary Accommodation	Restructure of supported hostels service.	(11)
Housing Strategy and Options - Temporary Accommodation	Rationalise service provision including reduced information support and placement support and procurement posts.	(14)
Housing Strategy and Options - SMART Service - Older Persons Service	Restructure monitoring and support function.	(28)
Housing Strategy and Options - Policy & Performance and procurement	Rationalise back office support e.g. communications.	(24)
Total Housing Services		(239)

Department	Description of Savings	2012/13 £'000
Deputy Chief Executive		
Property Services	Savings achieved through reprioritisation of repairs and maintenance on commercial estate and rationalisation of GIS support services	(15)
Planning & Transport - Development Management	Following a review of procedures (to be undertaken in 2011/12) to deliver a more effective public consultation process for planning applications. This will include using modern technology and smarter ways of working.	(35)
Planning & Transport - Development Management	Savings from review and restructure of the Development Management unit	(90)
Economic Development & Strategic Partnership	Reducing commissioning budget and re-targeting cash to schemes with the highest level of need and that represent greater value for money.	(130)
Total Deputy Chief Executive		(270)
Communities Law and Governance		
Community Engagement	Review of voluntary sector grants programme in the context of reductions in government funding, including the consequential loss of a commissioning post.	(245)
Total Communities Law and Governance		(245)
Total savings impacting on service delivery		(10,237)

CABINET AGENDA DISTRIBUTION LIST**MUNICIPAL YEAR 2011-12**

NOTE: Original held by Constitutional Team; all amendments/queries to
Paula Thornton/Everton Roberts Tel: 020 7525 4395/7221

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Corporate Management Team			
Annie Shepperd	1		
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		Dated: 18 October 2011	