

Overview & Scrutiny Committee

Monday 1 December 2014
7.00 pm
160 Tooley Street, London SE1 2QH

Membership

Councillor Gavin Edwards (Chair)
Councillor Rosie Shimell (Vice-Chair)
Councillor Anood Al-Samerai
Councillor Jasmine Ali
Councillor Catherine Dale
Councillor Karl Eastham
Councillor Tom Flynn
Councillor Rebecca Lury
Councillor Claire Maugham
Councillor Adele Morris
Councillor Johnson Situ

Reserves

Councillor Evelyn Akoto
Councillor Maisie Anderson
Councillor James Barber
Councillor Dan Garfield
Councillor Jon Hartley
Councillor Hamish McCallum
Councillor David Noakes
Councillor Martin Seaton
Councillor Bill Williams
Councillor Kieron Williams

Education representatives

Mr Martin Brecknell, Church of England Diocese
Lynette Murphy-O'Dwyer, Archdiocese of Southwark
Abdul Raheem Musa, Parent Governor Representative
George Ogbonna, Parent Governor Representaive

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Contact

Peter Roberts on 020 7525 4350 or email: peter.roberts@southwark.gov.uk

Members of the committee are summoned to attend this meeting

Eleanor Kelly

Chief Executive

Date: 21 November 2014



Overview & Scrutiny Committee

Monday 1 December 2014
7.00 pm
160 Tooley Street, London SE1 2QH

Order of Business

Item No.	Title	Page No.
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PART A - OPEN BUSINESS

1. APOLOGIES

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

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

3. DISCLOSURE OF INTERESTS AND DISPENSATIONS

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

4. MINUTES

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To approve as a correct record the Minutes of the open section of the meeting held on 20 October 2014.

5. SCHOOL PLACES

A representative of the Harris Federation will be attending the meeting.

6. CABINET MEMBER INTERVIEW - COUNCILLOR FIONA COLLEY, FINANCE, STRATEGY & PERFORMANCE

Themes:

- council tax collection
- budget planning
- council development, including corporate IT, workforce strategy, efficiency and sustainability

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- customer services
- property and asset management and corporate procurement
- corporate strategy
- response to the government's welfare reforms
- savings through our relationship with partnering boroughs

7.	BUDGET SCRUTINY	10 - 21
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Cabinet Report 21 October 2014 attached:

Policy and Resources Strategy 2015/16 to 2017/18 – Scene Setting Report

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

PART B - CLOSED BUSINESS

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

Date: 21 November 2014



OVERVIEW & SCRUTINY COMMITTEE

MINUTES of the Overview & Scrutiny Committee held on Monday 20 October 2014 at 7.00 pm at 160 Tooley Street, London SE1 2QH

- PRESENT:**
- Councillor Gavin Edwards (Chair)
 - Councillor Rosie Shimell (Vice-Chair)
 - Councillor Anood Al-Samerai
 - Councillor Catherine Dale
 - Councillor Karl Eastham
 - Councillor Tom Flynn
 - Councillor Rebecca Lury
 - Councillor Claire Maugham
 - Councillor Adele Morris
 - Councillor Martin Seaton (Reserve)
 - Councillor Johnson Situ
- OTHER MEMBERS PRESENT:**
- Councillor Mark Williams, Cabinet Member for Regeneration, Planning & Transport
- ALSO PRESENT:**
- John Corey, Bermondsey Neighbourhood Forum
 - Amy Carruthers, Bermondsey Village Action Group
 - Russell Gray, Bermondsey Village Action Group
- OFFICER SUPPORT:**
- Simon Bevan, Director of Planning
 - Fran Biggs, Head of Electoral Services
 - Deborah Collins, Strategic Director, Environment & Leisure
 - Norman Coombe, Legal Services
 - Juliet Seymour, Planning Policy Manager
 - Peter Roberts, Scrutiny Project Manager

1. APOLOGIES

- 1.1 Apologies for absence were received from Councillor Jasmine Ali. Councillor Martin Seaton attended as a reserve.

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

2.1 There were no urgent items of business.

3. DISCLOSURE OF INTERESTS AND DISPENSATIONS

3.1 Councillor Catherine Dale reported that she was employed by Guy's and St Thomas', which fell within the neighbourhood area. Councillor Martin Seaton reported that he was Chair of Borough & Bankside Community Council.

4. MINUTES

4.1 Councillor Karl Eastham asked that paragraph 6.7 be amended to show that he was encouraged that a new school would improve the situation in East Dulwich.

RESOLVED:

That, subject to the above amendment, the minutes of the meeting held on 8 September 2014 be agreed as a correct record.

5. CALL-IN: NEIGHBOURHOOD PLANNING - DESIGNATION OF A NEIGHBOURHOOD AREA IN BERMONDSEY

5.1 The Vice-Chair, Councillor Rosie Shimell, explained the reasons behind the call-in request. She had received representations from Ward Councillors expressing concern that two separate community groups had put forward proposals but both had been turned down in favour of a third alternative. There was concern that some of the criteria on the basis of which the decision had been taken were subjective and a question whether the decision was in the spirit of the legislation as it was a council decision as opposed to a community decision. Councillor Adele Morris added that the legislation promoted a bottom-up, community approach and that she was not fully happy with the council's reasoning and its refusal of both groups. The outcome was an area which was artificially created and had not been put forward by any residents.

5.2 The Director of Planning, Simon Bevan, explained that the new legislation in the Localism Act introduced the Neighbourhood Plan, to be prepared by a Parish Council or Neighbourhood Forum. The Director of Planning clarified the process for a Neighbourhood Forum to prepare a Neighbourhood Plan, culminating in a referendum. It had to be considered whether an area was completely or predominantly a business area. If it were considered to be predominantly a business area, there would have to be two referendums, one for local businesses and one for local residents. Southwark had been asked to consider the process before the Act had been passed in order to test the principles of neighbourhood planning, particularly to see how it might work in a dense central London area.

- 5.3 The Director of Planning explained that the specific process in question had initially involved the Bermondsey Neighbourhood Forum (BNF) in discussions about the area to be included and how to involve people. Subsequently, another group had emerged and eventually two applications had been put forward. The two areas proposed were overlapping and the area proposed by the Bermondsey Village Action Group (BVAG) also overlapped the area designated as the Bankside Neighbourhood Plan area. The legislation was very clear that areas could not overlap. The Director of Planning explained that a long period of discussion had followed, including exploration of the idea that the two different groups might combine, and also that consultation had identified other groups around the area with views on the proposals. The council was proposing Area A as an appropriate area, containing elements of both applications and based on an assessment of the character of the area as very much a residential one (not including a strategic employment area).
- 5.4 Councillor Morris queried the decision to remove strategic employment areas from Area A, pointing out that the neighbouring Bankside Neighbourhood Plan area had a range of uses mixed in. The Director of Planning agreed that the areas were similar in some ways, both being in the central London part of Southwark. The difference in terms of Bankside was that the area had been presented as predominantly a business area with some residential. From the beginning it had been very much led by the Better Bankside Business Improvement District (BID) although working closely with residential and community groups. The Director of Planning clarified that the area under consideration tonight included a substantial population in a clearly residential area. Beyond the proposed boundary was an area where there was a concentration of businesses with very few residents.
- 5.5 Councillor Anood Al-Samerai stressed that two community groups had put forward proposals and that it seemed as if both had been ignored. She was concerned that the council's decision was in part based on Area A being easier, in terms of it not requiring a business referendum. Councillor Al-Samerai also stressed the amount of good will and enthusiasm that had been present in the community at the start of the process but that delays over the past three years had caused problems. She was concerned that neither group had been told when the decision had been taken by the cabinet member and that details of all consultation responses had not been included in the report. The Director of Planning stressed that it was difficult to justify a business led neighbourhood plan and referendum in this area. He also explained that apparent delays had been the result of talks with the groups, the requirement to advertise applications and other groups coming forward with their views. This had been followed by a period of meetings, including community council meetings, to try and resolve differences. The Director of Planning clarified that it had been the officers' intention to notify the groups of the cabinet member's decision but that this had not happened due to an oversight. At the same time it was not a requirement of legislation to do this. He also confirmed that the cabinet member had received a summary of the views which had arisen out of the consultation. Councillor Al-Samerai asked whether the groups had received an apology for this oversight and Juliet Seymour, Planning Policy Manager, confirmed that they had.
- 5.6 John Corey of the BNF addressed the committee. He explained that the original area that the Forum had proposed was quite small but that it grew as it was

important to include a particular estate and businesses. There were now eleven thousand residential units and nine thousand businesses in the proposed area. A key idea was to improve the flow between the station and the rest of the proposed area.

- 5.7 Councillor Martin Seaton asked whether members of the forum had discussed the council's proposal. John Corey responded that the forum did not understand why the area was limited to the residential element below Long Lane . The proposed area would be supported by some groups but not by others, for instance Leathermarket JMB would withdraw. He added that the council proposal also excluded the people who worked at the hospital. Councillor Morris commented that a lot of businesses saw advantages in neighbourhood planning and asked whether the forum had discussed its proposals with, for instance, More London. John Corey stated that the forum had begun as a residential group but had involved businesses in a lot of different conversations. Councillor Al-Samerai wondered how flexible the forum had been in terms of boundaries. John Corey felt that the forum had tried to work with boundaries in order not to overlap with the Bankside area or create holes. Councillor Karl Eastham asked how much work had been done with BVAG to achieve commonly agreed boundaries. In John Corey's view there was disagreement between the two groups about what localism provided and he believed that the groups had different agendas.
- 5.8 The chair, Councillor Gavin Edwards, asked for information about the forum's decision making structure and how it made itself accessible to the whole community. John Corey explained that a working group had drawn up the forum's constitution and had met a number of times including open meetings. A steering group had also been set up which was supposed to be interim but was still in place. The group included representatives from different groups in the community, including churches, charities and businesses. He commented that initially the forum had been part of the government's 'front runner' programme but following the passing of the legislation it had needed to make a formal application. John Corey also emphasised that the council's decision had served to take the wind out of the sails of the many volunteers who had worked so hard on the forum's application.
- 5.9 Russell Gray and Amy Carruthers of BVAG addressed the committee. Russell Gray pointed out that the officer report did not specifically refer to the St Thomas Street Plan. He also outlined the history of the Action Group which had been formed in response to a draft supplementary planning document published in 2010 when he felt that the council had not adequately consulted on a proposed high-rise zone. Following this, the Localism Act had provided the opportunity for local people to have more say in local planning policy and had sowed the seeds of the St Thomas Street Plan. Russell Gray was of the view that the council wanted a neighbourhood forum that would endorse existing council policy. He felt that, because BVAG had been at loggerheads with the council over policy in the past, the council was now less than enthusiastic in supporting BVAG's application. Russell Gray also challenged the council's designation of Area A, stating that his understanding of case law was that a forum could not be designated without an area or an area be designated without a related forum.

- 5.10 Councillor Tom Flynn asked for the rationale behind the area proposed by BVAG. Russell Gray stressed that there was a cohesive group supporting this area, made up of people who had consistently worked together and holding regular meetings to which everyone was invited. In response to a question from Councillor Catherine Dale, he emphasised that St Thomas Street was the area where there was a fundamental clash in preferred policy. He stated that the council was trying to drive high-rise developments down St Thomas Street.
- 5.11 Councillor Johnson Situ asked the make-up of BVAG and for details of its constitution. Russell Gray explained that all meetings were open and that the group resisted holding private meetings. Decisions were made on a collective basis. Amy Carruthers added that meetings were publicised via an extensive mailing list. Councillor Situ asked for an explanation of the difference between BVAG and BNF. Russell Gray stated that BNF was entirely an off-shoot of BVAG. When an application was made by one individual on behalf of BNF, BVAG called a joint meeting but only one or two representatives from BNF came. The meeting had resolved how the groups should proceed, given the conflict over the proposed areas, but then BNF had done something different.
- 5.12 Councillor Eastham wondered whether St Thomas Street not being included in Area A presented an obstacle. Russell Gray felt that this took the heart out of BVAG's plan to the point of making a lot of its initiatives pointless. Councillor Morris emphasised that one objective of a neighbourhood plan was to identify new sites for development and another was to designate and protect heritage assets and open and green spaces. She asked whether BVAG, as well as wanting to restrict development, was also attempting to forge partnerships in order to focus on heritage. Russell Gray replied that developers did not need help to identify new sites. The legislation empowered local communities to create planning policy. One of BVAG's aims was to manage an area of high-rise development, including the Shard, with the Bermondsey Street conservation area.
- 5.13 Amy Carruthers stressed her view that BVAG had been closed out of the St Thomas Street area by the proposal in the new Southwark Plan for high-rise development in that area. She felt that the council was trying to prevent local people from having a say about development, that the council was happy to talk to business but not to residents who knew what their neighbourhood was and should be allowed to have a say in how it was designated. Amy Carruthers argued that BVAG was not just concerned about high-rise development but about people and homes. She stated that the central issue was that the council could only come up with Area A as it had the larger area proposed by the BNF to start from. It needed this alternative proposal in order to turn down BVAG's proposal but this was reliant on the BNF being a democratically operating group and Amy Carruthers felt that this was not the case as BNF did not have a decision making body and its application was not supported by the steering group. Russell Gray added again that the recent Daws Hill case suggested that neighbourhood areas and forums needed to be designated at the same time and that the council could not expand areas.
- 5.14 Councillor Mark Williams, Cabinet Member for Regeneration, Planning & Transport, addressed the committee. Neighbourhood planning was a complex process, especially in a central London location. It was an opportunity to bring

people together to inform planning and to bring sites forward for development. Councillor Williams acknowledged and apologised that the two groups had not been formally informed of his decision. In terms of the Daws Hill case he felt that it was important to recognise that in that instance there was one group and one area whereas the situation here was one of two groups and two different areas. He stood by his decision and the council's proposal of Area A. The council was now inviting bids for the designated area and he welcomed and encouraged the two groups and any other individuals or groups to come forward. Councillor Williams stated that this was the best way forward in a very complicated area.

- 5.15 The chair asked for further explanation in respect of the BNF proposed area not forming a coherent neighbourhood appropriate for neighbourhood planning (paragraph 23 of the report). Councillor Williams explained that this was due to the very different character of the two areas, residential and commercial, making it very unwieldy as a neighbourhood planning area. Councillor Al-Samerai remained concerned that the council had not genuinely listened to residents, especially as it had excluded a big area over which both groups were in agreement. Councillor Williams responded that there was a lot of local opinion. Two groups had come forward with clear differences. The council had to work with and take into account all views in order to arrive at an appropriate boundary for the neighbourhood planning area. The council's role was to designate an area and a forum. Councillor Williams hoped that a group would come forward to apply to be the forum for Area A. He also stressed the amount of work officers had undertaken in order to speak to the local community and that ultimately the new Southwark Plan would take precedence over neighbourhood plans.
- 5.16 Councillor Tom Flynn highlighted the major disappointment that the Leathermarket JMB was unhappy with Area A. He hoped that one or more groups would come forward. Councillor Morris asked what would happen if no group came forward. Councillor Williams replied that this would be a huge shame as the result would be that there was no forum or plan. Councillor Morris pointed out that a bigger area would have included business and that this would have had the advantage that the Community Infrastructure Levy (CIL) could have been spread throughout the whole area of the neighbourhood plan. Councillor Williams responded that the exact mechanism for distribution of CIL was not set but a mixture of Cabinet Member and Community Council decisions. The vice-chair, Councillor Rosie Shimell suggested that there would be real benefits to the residential and business communities being treated as one and wondered if there was scope for re-thinking Area A to include some businesses. She also asked whether the council would be proactively engaging with BNF and BVAG and others in respect of Area A. Councillor Williams stressed his view that here was a clear difference in the two areas, in terms of commercial and residential, which would be problematic if the area was amended. He confirmed that the council would be getting in touch with groups and individuals and would help to support whoever came forward.
- 5.17 In response to questions from Councillors Eastham and Seaton, Councillor Williams gave further clarification on the boundaries and the exclusion of some streets from Area A. He explained that the area in which the Tooley Street offices sat was covered by Team London Bridge. The redevelopment of London Bridge Station and the increasing number of passenger journeys could pull greater numbers of commuters into the borough. This did not necessarily need to be

addressed through a neighbourhood plan.

- 5.18 Councillor Damian O'Brien, a member for Grange ward, emphasised that a large group of people had invested a lot of time in putting forward applications to be designated as neighbourhood forums. He was concerned that another group would not appear out of nowhere and encouraged the council to come up with an area that a group would be happy to work with.
- 5.19 The chair summarised his view of the issues. The council had been presented with a complicated situation where it had believed that the two bids could not deliver its wide objectives in terms of jobs and home building. The council clearly had discretion to take the decision that it had and had clearly put a lot of effort into consultation. It was crucial that something constructive came out of the proposal of Area A and that the council put resources into engaging groups in order to achieve this aim. The chair stressed that homes and economic development were essential for Southwark and, this being the case, the cabinet member's decision was the best that could be made in difficult circumstances. Councillor Seaton agreed, particularly with the critical importance of employment opportunities. There had been two or three years' discussion over boundaries and he expressed his respect for the two groups. Councillor Situ was confident that the right decision had been taken. Councillor Flynn stressed the importance of the council trying to reconcile all housing estates in the area to how Area A could benefit them.
- 5.20 Councillor Al-Samerai remained of the view that Area A had not been properly consulted on, especially as there were areas in the two applications over which both groups were in agreement. She proposed that the cabinet member be asked to extend the boundary of Area A northwards and to work with one or both groups. Councillor Morris added that residents did not see Area A as a cohesive area. Councillor Shimell shared these concerns, stating her view that it was not in the spirit of the legislation for the council to throw out plans that local residents had put together and believed to be cohesive. It was a shame that the decision excluded the business district to the North of Area A and schools to the South.
- 5.21 Following further discussion it was

RESOLVED:

1. That the cabinet member's decision not be referred back.
2. That the cabinet member and officers be urged to engage with the two existing groups and the wider community, including housing estates, in respect of the designated Neighbourhood Area (referred to in the report as Area A).

6. ELECTION UPDATE

- 6.1 The Strategic Director, Environment & Leisure, Deborah Collins, introduced the report.
- 6.2 Councillor Tom Flynn highlighted recommendation 65 in respect of establishing Tooley Street as the primary venue of choice for all future elections. He was

concerned that, due to a lack of space, a lot of people and including young people, had been unable to come to the count. He felt that this was a problem in terms of the need to engage people in local democracy. The Strategic Director commented that the available space in 2010 had also been very cramped and that in comparison Tooley Street provided more space. There were not many possible venues in the borough although the Castle Leisure Centre might provide an answer in the future. The Strategic Director also explained that the count was not a public event, and there were rules as to who was entitled to attend. At the same time, the Strategic Director stated that more people had been expected to attend than did on the day and that therefore there was significant spare capacity. At future counts it was planned to try to get earlier information about how many people were attending.

6.3 Councillor Johnson Situ asked the strategic director's opinion on the use of social media. The Strategic Director replied that use of Twitter had worked well and that she was always looking for ways to expand and improve communication. Councillor Anood Al-Samerai raised a concern that data from the electoral register had been sold accidentally. The Strategic Director explained that data had not been sold, but that she was obliged to make versions of the electoral register available to certain bodies if people had not opted out of that. She had been forced by threatened legal action from some data companies to remove the pre-ticked opt out from the form so that as a result the opt-out now had to be entered by electors every time they registered and followed up in the data entry within the team. In the transition process an error had been made in generating the reports, but the issue had been picked up very quickly and the bodies contacted before they used the information so that no data had been used wrongly. Although this meant that there was no practical impact on electors it had been decided for transparency's sake to notify everyone whose data had been included in the first report and explain what had been done to protect them. The Head of Electoral Services, Fran Biggs, added that the error had come to light before data companies had uploaded the information in question. She also clarified an issue relating to ballot paper numbers appearing on a marked postal voters' register. Again no material breach had occurred, as the recipients had all been asked to delete the incorrect report and confirmed that they had done so. The likelihood of actual breach was negligible as the ballot papers themselves were in secure storage, which meant that there was no possibility of any match between the elector and the ballot paper itself.

6.4 Councillor Claire Maugham commented that, because of connectivity problems, it had been difficult to Tweet from the count. She also asked how Southwark could increase the election turnout. The Strategic Director responded that adverts had been placed in newspapers two and three weeks before the election. In addition, the "Southwark decides" hash tag had been used to encourage registration and then to let people know that the election was coming. By Southwark standards, the turnout was high for a local government election. The Strategic Director acknowledged that it was disappointing that more people were not voting and now the council was making a big push to get electors registered. Southwark made use of community and other groups to publicise this and also made use of Electoral Commission guidelines and templates. In response to a further question from the vice-chair, Councillor Rosie Shimell, the Strategic Director reported that the registration rate was around 92%. The Head of Electoral Services added that 79%

of electors were passported onto the register. For those people who did not match central and local data it was necessary for canvassers to visit door to door and confirm details.

7. CORPORATE PROCUREMENT STRATEGY

- 7.1 The chair reported that, due to time constraints that evening, he would be meeting separately with representatives from Community Action Southwark. He also informed the committee that he would be interviewing procurement officers and that John Tizzard would be attending the November meeting.
- 7.2 Members highlighted areas for possible inclusion in the final report:
- evaluation of cost of use of consultants
 - LGA best practice
 - establishment of councillor champion for procurement and cabinet member with responsibility for procurement
 - monitoring and management of contracts (for instance appropriate serving of default notices)
 - any strategy must be scenario tested
 - incorporation of social value criteria
 - qualitative as well as quantitative measures to be included in contracts
 - transparency of data (on contractors and sub-contractors)

The meeting ended at 10.10 pm

Item No. 10.	Classification: Open	Date: 21 October 2014	Meeting Name: Cabinet
Report title:		Policy and Resources Strategy 2015/16 to 2017/18: Scene Setting Report	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Fiona Colley, Finance, Strategy and Performance	

FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR FINANCE, STRATEGY AND PERFORMANCE

As we look forward to the next financial year, this report sets out the budgetary challenge ahead of us. Whilst there are many ways of measuring the scale of funding cuts we face – the government’s preferred "spending power" measure, the straight forward cut in “start up funding” from government - the figure that is most important for us is the gap between the money we would wish to spend and the money we actually expect to be able to spend next year. At £31.4m this represents a 10% budget hole we need to fill – largely by reducing council spending.

Further ahead the picture is less clear. We can be sure that whoever forms a government following next year’s election, cuts to local government funding are likely to continue, although having been amongst the hardest hit authorities since 2010 we certainly hope that the next round of cuts will not fall so disproportionately hard on the most deprived areas like Southwark. Our best estimates are those coming from London Councils and based on those we will be going out to consult on a need to reduce the council's budget by £90m over the next three years.

While the government’s austerity measures are hitting the council's budgets hard, they are resulting in a great deal of hardship for many of our residents too. Over the first few months of this financial year we have seen a 20% increase in applications to the Southwark Emergency Support Scheme. The scheme provides furniture, white goods, food bank voucher, rent deposits and emergency cash for people in desperate situations. Despite this increasing need for help, the government’s Social Fund grant, which was passed to councils to provide such emergency support, is being withdrawn! I am recommending that despite the removal of this government grant we should continue the Southwark Emergency Support Scheme to ensure we maintain a safety net for our hardest hit residents.

RECOMMENDATIONS

That cabinet:

1. note the reduction in the government’s estimate of spending power for the council in 2015/16 of £18.8m as shown in paragraph 20 and the reduction in the government’s estimate of start up funding for the council in 2015/16 of £33.5m.
2. note the changes in the council’s estimates of grants due to the council in 2015/16 as shown in paragraphs 23 to 43.

3. note the actions and estimates provided by the council to address the gap between funding available and general fund spending, and the current predicted gap between resources available and general fund spending of £31.4m.
4. instruct officers to submit a further report to cabinet in December to include any further settlement information that becomes available, initial feedback from consultation and the revised budget gap, and to continue to work on budget options for a balanced budget in 2015/16 for presentation to the cabinet in January 2015.
5. agrees that the council's Southwark Emergency Support Scheme (SESS) should continue to be supported at current levels for the duration of this policy and resources strategy despite the removal of Social Fund grant.

BACKGROUND AND PURPOSE

6. This report is the first of the Policy and Resources Strategy revenue budgeting reports that will inform elected members during the 2015/16 budget setting process.
7. This report provides updates on:
 - 2014/15 budget monitoring
 - 2015/16 policy and resources strategy
 - the Autumn Statement
 - revenue spending power
 - start up funding assessment
 - changes in grant funding
 - budget pressures
 - actions to meet the challenge
 - current predicted gap
 - budget consultations
 - 2016/17 and 2017/18 policy and resources strategy
 - The next steps for preparation of the 2015/16 budget.

KEY ISSUES FOR CONSIDERATION

2014/15 Budget Monitoring

8. The council agreed a balanced general fund budget of £308.2m on 26 February 2014 based on a nil council tax increase, and £6.2m use of reserves, giving a budget of £314.4m. The council also approved budget decisions including reductions of some £25.9m within general fund for 2014/15.
9. The 2014/15 position as at quarter 1 was reported to cabinet on 16 September 2014 and a further report will follow in November. The quarter 1 position showed the council was on track overall to deliver those savings and stay within the budget across both the General Fund and the Housing Revenue Account. However, within that overall picture there are sizeable variations and risks which the council will continue to monitor.
10. Action taken to compile the 2014/15 budget included identifying savings from strategic financing, efficiencies across the council, better council tax collection and an increase in the council tax base.

11. The 2014/15 budget includes £4m for contingency, held to meet unforeseen costs that may arise during the year within departments that strategic directors are unable to contain. At quarter 1 no significant pressures have been identified that will require a call against this contingency. This will be used as the first call to pay the £6.2m contribution from reserves which is already included in the draft budget for 2015/16.

2015/16 Policy and Resources Strategy

The Autumn Statement

12. No details of when the autumn statement will be presented have been announced, but indications are that it will be in early/mid December 2014.
13. There is currently little information as to the content of the autumn statement. However following the publication of the "One North Report" in August 2014, the chancellor of the Exchequer has announced that plans to devolve new money and civic powers to the north of England are to be worked up over the next five months in order to form the centrepiece of December's autumn statement.
14. The government are consulting on the provisional settlement on the basis that their indicative figures are not likely to change.

Spending Power

15. The term "revenue spending power" was first introduced by the government as part of the 2011/12 Local Government Finance Settlement. It is made up of retained business rates, top up grant, revenue grant and council tax income along with a selection of specific grants and NHS support for health and social care.
16. Over the four year period from 2011/12 Southwark as a council and London as an area have borne a disproportionate share of the reductions.
17. Since 2010/11, Southwark have will have lost a lost a total of £75.1m revenue spending power by the end of 2014/15.
18. Revenue Spending Power masks the reduction in formula grant. In 2011/12 Southwark's spending power was 8.4% while the reduction in formula grant was 11.3%. For 2014/15, the reduction in spending power is 6.0%, while the reduction in start up funding is 9.6%.
19. As part of the provisional local government finance settlement 2014 to 2015 the government provided an illustrative spending power for 2015/16. The calculations were based on a cap to spending power reductions of no more than 6.9% but this is subject to change. The calculations also include the pooled NHS and LA Better Care Fund.
20. The figure for Southwark's illustrative 2015/16 revenue spending power was £335.8m which is £18.8m lower than in 2014/15 and represents a 5.3% decrease.

Changes in Start up funding assessment

21. Indicative figures from the government show that Southwark faces a further £33.5m (14.7%) reduction in our settlement funding assessment (SFA) in 2015/16. Total resources from government fall from £230m to £196.5m.

22. The start up funding assessment also includes the business rates which the council can retain. The table in paragraph 59 shows that retained business rates are predicted to rise from £59.2m to £60.7m in 2015/16.

Changes in Grant Funding

New Homes Bonus and the local growth fund

23. Following the 2013 spending review and the creation of a Single Local Growth Fund to be devolved to Local Enterprise Partnerships (LEPs), it was announced in the 2013 autumn statement that London authorities would have their NHB top-sliced, and that the pooled element of New Homes Bonus (£70m) will be transferred to the Greater London Authority, with advice on spending being offered by the London Local Enterprise Partnership.
24. Southwark are currently forecasting NHB receipts of £13.7m in 2015/16, an increase of £2.7m over the £10.8m 2014/5 funding level. When 35% of this is held back for the pool, Southwark would receive £8.9m and the remaining £4.8m would go to the GLA.
25. This represents a net reduction in NHB of £1.9m over the sum included in the 2014/15 budget to support revenue funding. This reduction has been included in the current budget calculations.
26. It is still unclear from government sources whether this top slice is for 2015/16 only or whether it will be ongoing. Current estimates are assuming that the top-slice will continue.
27. The council will continue to lobby for the top slicing to be removed for London, as it has been for the rest of the country.
28. However the council is also engaging with the LEP and has made a joint application with Lambeth and Lewisham for a constructions skills centre to be located in the heart of the regeneration programme at the Elephant & Castle. The skills centre hub, to be in place by 2016/17, will focus on both skills training and employment and form part of a package of delivery involving other skills centres in Deptford and Vauxhall. They will provide pathways for employment and a career in construction and development for our local residents.

Better Care Funding

29. The £3.8 billion Better Care Fund (BCF) was announced by the government in the June 2013 Spending Round, with the aim of delivering better, more joined-up services to older and disabled people, to keep them out of hospital and to avoid long hospital stays.
30. Indicative figures from the government gives Southwark's allocation as £20.5m in 2015/16 an increase of £10.2m over the government announced adjusted 2014/15 grant of £10.3m. The government show the £10.2m increase as included in the government's assessment of Southwark's spending power, which means it should be available for spending on council services.
31. The BCF is a pooled budget that shifts resources into social care and community services for the benefit of the NHS and local government. This means that

although this included in Southwark's spending power allocation, full grant funding will not necessarily be received.

32. The current budget model includes the full use of the additional BCF in 2015/16 to support the council's revenue budget, which does represent a risk. This will be reviewed during the budget process as 2015/16 allocations and governance become clearer, in the context of the Better Care Fund resubmission of September 2014 to NHS England.

Local Welfare Provision (Social Fund grant)

33. In 2014/15, Southwark will receive some £1.627m of local welfare provision grant.
34. The government have announced that this grant will cease from 2015/16, Currently the budget scenario includes the removal of both grant income and expenditure budgets, a net zero effect on the budget.
35. The council has been receiving a funding from the Social Fund which has been used for the Southwark Emergency Support Scheme (SESS).
36. The SESS Scheme is operated as a voluntary sector model through Community Action Southwark. The majority of items provided in the past relate to goods such as cookers, fridges, and starter packs for families. The council has made some payments in emergencies for utilities via the credit union, and also for food vouchers via Pecan. The council has a partnership with St Giles for rent deposits for ex offenders.
37. Experience to date is that applications are increasing and the council recognises the vulnerability of those applying for and receiving funds from the SESS. It is therefore recommended that cabinet maintain it at current levels for the duration of this Policy and Resources strategy.

HB Admin subsidy, localised council tax support and council tax support

38. There is a likely fall out of three grants totalling £5m. Currently the budget scenario includes the removal of both grant income and expenditure budgets, a net zero effect on the budget. This should be recognised as a risk within the indicative budget.

Council tax freeze grant

39. The government have announced that 2014/15 council tax freeze grant will be transferred into the settlement funding allocation (SFA) from 2015/16.
40. No formal announcement has yet been made as to whether there will be a further council tax freeze grant for 2015/16. However, council tax freeze grant has been included in the indicative 2015/16 spending power calculations at a level to make funding available to allow authorities to freeze council tax in 2015/16, at a level equivalent to a 1% increase. The threshold which would require an authority to hold a referendum if exceeded by a council tax increase has not been announced and as for 2014/15 is set at 2%.

Free School Meals

41. In 2013, The Deputy Prime Minister announced that all infants at schools in England would get free school lunches from September 2014. When the 2014/15 budget was set there had been no indication from the government of how much the funding would be, and an estimate of £1.5m was included in the 2014/15 budget. It has recently been announced that Southwark's indicative grant funding for 2014/16 will be £1.607m, some £107k higher than estimated.
42. Based on the current grant funding, the full year effect would be around £2.5m. An additional £1.0m has been included in the budget figures for 2015/16. When indicative figures for 2015/16 are announced, the difference between the indicative sum and the £1.5m already included in the budget, will be included in the budget calculations.

Public Health Grant

43. Current modelling is based on a freeze on public health grant at the 2014/15 level.

Budget Pressures and Commitments

44. The council faces a number of budget commitments and growth or cost pressures as it prepares the 2015/16 budget.
45. Employee costs have been modelled to show a 1% increase for 2015/16 at £1.8m growth based on current estimates of likely pay award.
46. The council calculates "alternative inflation" for long term contracts tied to industry specific rates of inflation. This does not have a single rate, and the current budget is based on contractual inflation modelling at an increase of £2.1m.
47. Due to pressure on budgets, no allowance for general inflation effects has been provided for in the budget since 2010/11. Other costs and income have now been increased and are therefore shown as cash limited with zero increase, meaning the council is absorbing inflationary pressures.
48. Concessionary fares is the name given to the scheme for the London Freedom Pass which is issued to all older and disabled Londoners to give free travel on almost all public transport in London. The Freedom Pass scheme is administered by the organisation London Councils and costs are recharged to individual London Boroughs on the basis of journeys travelled. Cost pressures include an additional £800k for concessionary fares based on London Council estimates.
49. Costs pressures also include £4m for meeting the Southwark ethical care charter commitments, designed to tackle poor working conditions in care in order to improve the quality of care that people receive, in accordance with the cabinet decision on 22 July 2014.

Actions to meet the challenge

50. A number of measures to meet the challenge of delivering a balanced budget in 2015/16 have already been taken and are incorporated in budget projections.

51. These include the prudent use of reserves. In years prior to 2012/13 reserves were used to balance the budget, but the first call on the proceeding years balance was the replenishment of the reserve.
52. Since 2012/13 Southwark a total of £16.8m has been taken from reserves to support the budget. The effect on reserves was somewhat mitigated because there had not been any call on the contingency budget, allowing it to be put into reserves to support the budget process.
53. The Strategic Director of Finance and Corporate Services recognises and accepts that it is necessary to make some prudent use of balances through the period of introduction of new funding arrangements for local government and the general cutbacks in public expenditure. He recognises also that this expedient can only be short term and that year on year the council target must be to remove any dependency on reserves and balances order to reconcile resources with spending needs. The 2015/16 budget proposals include a further £6.2m use of reserves.
54. The budget modelling includes a further growth in the council tax base, as new properties are brought into the council tax list.
55. The modelling shows a further 0.25% increase in council tax collection.
56. The modelling does not include any increase in the Band D council tax rate.
57. The budget is modelled on government and London Council's projections on the retention of business rates, and reflects the expansion of premises subject to business rates in the council area.
58. The first round of the 2015/16 budget challenge meetings were held between 27 August and 16 September with Cabinet Members and Strategic Directors. Further meetings are planned to continue to work towards a balanced budget for consideration in January 2015.

Current predicted gap

59. The current budget model shows a gap of £31.4m as shown in the table below

Para Ref	Item	2015/16 Indicative Budget £m
	Resources	
	Retained Business Rates (DCLG)	(60.7)
	Business rates top-up (DCLG)	(45.3)
	Revenue Support Grant	(88.0)
	Total Start up funding	(194.0)
	Estimated increase in Business Rate Collection	(2.5)
21	Total funding from business rates and government	(196.5)
	Council Tax baseline from 2014/15	(78.2)
54	Taxbase increase (2%)	(1.6)
55	Budgeted increase in collection levels by 0.25%	(0.2)
56	Council tax change	0.0
	Total revenue from council tax	(80.0)
	Total funding before contribution from balances	(276.5)

Para Ref	Item	2015/16 Indicative Budget £m
	Current contribution from balances	(6.2)
	Total Resources	(282.7)
	2014/15 budget starting point	314.4
	Inflation	
45	Employees (1% increase)	1.8
46	Contractual inflation	2.1
47	Other costs and income (0% - cash limited)	0.0
48	Concessionary Fares (Freedom Pass)	0.8
	Commitments	
49	Southwark Ethical Care Charter	4.2
	Grants	
25	New Homes Bonus	1.9
32	Better Care NHS Funding (subject to submission Sept 14)	(10.2)
38	Others: note net nil but present a risk if expenditure of £5m is not also reduced by the same amount	0.0
40	Net change in council tax freeze grant	(0.9)
	Proposed Budget	314.1
	Net Shortfall before efficiencies, savings, and other growth items	31.4

Budget Consultation – Engaging With The Community

60. Extensive budget consultation was undertaken to inform the 2014/15 budget, and the main themes arising have continued to guide the preparation of the 2015/16 budget. These include maximising efficiencies rather than service cuts, and continuing to protect front line services supported by savings from back office functions.
61. The main consultation on the 2015/16 budget with the community is planned to take place at community councils in November. Other events are being planned which may take place earlier. At the same time the council is undertaking a consultation on the draft council plan, which will also inform the budget process.
62. The consultation will take the same format as for 2014/15. The community will be asked to identify services that they consider should be kept, increased, cut or protected, with the aim of identifying £90m in savings over the years 2015/16 to 2017/18.
63. The results of the budget consultations will be reported to committee as part of the budget setting process, will be taken into account as the budget is prepared.

2016/17 and 2017/18 Policy and Resources Strategy

64. No indicative announcement has been made with regard to funding beyond 2015/16, however the 2014 Spending Review did announce high levels of funding reductions for the entire period of the spending review. London Councils have modelled further reductions in funding for 2016/17 and 2017/18. These will need

to be challenged and verified as they appear to show a disproportionate effect on London compared with elsewhere, and on Southwark as a council within London.

65. At the present time, the funding position beyond 2015/16 is therefore subject to considerable uncertainty and conjecture.
66. Advice received from London Councils suggests that local authorities should expect cuts of the same magnitude in 2016/17 and 2017/18. The council's budget consultation, explained in paragraphs 60 and 61 will ask for comments in the context of savings of £90m over three years.
67. For long term financial planning purposes, it would be desirable to be able return to full three year budgeting, at least, and this is a recommendation from the external auditors. However the lack of information from government in terms of indicative funding for 2016/17 and 2017/18 make it difficult to construct a robust financial plan. The council will be guided by further information arising following the national election in May 2015 and possible changes to overall government funding allocations to the benefit of local government. The council will keep under review the capacity to publish a meaningful long term budget.
68. Some services have been brought in-house by the council, which has enhanced service delivery and increased efficiency of those services. It should be noted that as more services are delivered in house rather than by contract, this could lead to the need to make even greater savings from staffing, rather than from contracts.
69. Proposals under the Sustainable Communities Act 2007 such as the power for local authorities to introduce a local supermarket levy may influence later budgets. The supermarket levy would be 8.5% of the rate on large retail outlets in their area with a rateable annual value not less than £500,000; and the revenue from this levy would be outside retained business rates calculations, and 100% would go directly to the local authority.
70. Derby City Council has submitted a proposal to the government to introduce the supermarket levy. The government now until January 2015 to respond to the proposal. If agreed, the timescale involved in getting primary legislation agreed would make unlikely that this could form part of the council's 2015/16 budget planning.

Next Steps

71. Work is continuing to develop the budget proposals and includes the work undertaken by the Leadership Network looking at reducing and integrating services, multi-agency working, managing down demand and digital by default. In addition the council will continue to look at the effectiveness and efficiency of back office services. Proposals around strategic finance issues such as bad debt provision will be explored. Further to this report, officers will consider further options and present a further report to cabinet on 9 December 2014. However it is unlikely that the provisional 2014/15 finance settlement will have been announced in time for this to be included in the report. If the provisional settlement is announced before cabinet a briefing will distributed either before or at the meeting as time allows.
72. A timetable of scheduled meetings leading up to council tax setting is shown below, as detailed on the forward plan.

Date	Meeting	Current forward plan description	Summary of decision to be made
09/12/14	Cabinet	Policy and Resources Strategy 2015/16 - 2017/18: provisional settlement	To note the council's deliberations for the 2015/16 general fund revenue budget, to report initial feedback from public consultation to the cabinet and agree the next step in the budgeting process
27/01/15	Cabinet	Policy and Resources Strategy 2015/16 - 2017/18 - revenue budget	Cabinet to recommend a balanced budget for 2015/16 to council assembly in Feb 2015
10/02/15	Cabinet	Policy and Resources Strategy 2015/16 - 2017/18 - revenue budget	To recommend a balanced budget for 2015/16 to council assembly in February 2015
26/02/15	Council Assembly	Policy and Resources Strategy 2015/16-2018/19 revenue budget	To agree a balanced budget for 2015/16
26/02/15	Council Assembly	Setting the Council Tax 2015/16	To set the council tax levels for 2015/16

Community impact statement

73. Transparency and fairness form part of the seven budget principles and are an underlying principle in the Council Plan. As with the 2014/15 budget, each department will undertake equality analysis on its budget proposals.
74. Undertaking equality analysis will help the council to understand the potential effects that the budget proposals may have on different groups. The analysis will also consider if there may be any unintended consequences and about how these issues can be mitigated. Analysis will also be undertaken to consider any cross-cutting and organisation-wide impacts.
75. The equality analysis undertaken will build on previous analysis including the equality impact assessments carried out as part of 2013/14 budget setting and the equality analysis undertaken on decisions to implement the budget this year. The development of equality analysis will commence now to ensure that it informs decision making at each stage of the budget process.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

76. The constitution determines that cabinet consider decisions regarding the strategic aspects of the regulation and control of the council's finances. The council has a legal obligation to set a balanced budget on an annual basis as prescribed in the Local Government and Finance Act 1992 and associated Regulations. The issues contained in this report will assist in the future discharge of that obligation.

77. The council is required under section 149 of the Equality Act 2010 to have due regard to the need to:
- Eliminate unlawful discrimination harassment and victimisation
 - Advance equality of opportunity between people who share protected characteristics and those who do not
 - Foster good relations between people who share protected characteristics and those who do not.
78. Decision makers must understand the effect of policies practices and decisions on people with protected characteristics.
79. Equality impact assessments are the mechanism by which the council considers these effects. The report sets out how it is proposed equality impact assessments will be undertaken in relation to the budget proposals.
80. It is essential that cabinet give due regard to the council's duty under the Equality Act 2010 and the implications for protected groups in the context of that duty in relation to this decision and future decisions on the budget proposals.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Policy and Resources 2014/15 to 2016/17: cabinet 28/01/14 (Item 11)	160 Tooley Street PO Box 64529 London SE1P 5LX	Jennifer Seeley 020 7525 0695
Link: http://moderngov.southwark.gov.uk/ielistdocuments.aspx?CId=302&MId=4554&Ver=4		

APPENDICES

No:	Title
None	

AUDIT TRAIL

Cabinet member	Councillor Fiona Colley, Finance, Strategy and Performance	
Lead officer	Duncan Whitfield, Strategic Director of Finance & Corporate Services	
Report author	Jennifer Seeley, Deputy Finance Director	
Version	Final	
Dated	10 October 2014	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to constitutional team	10 October 2014	

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