

COUNCIL ASSEMBLY
(COUNCIL TAX SETTING MEETING)

WEDNESDAY 24 FEBRUARY 2016

**QUESTIONS ON REPORT: ITEM 2.1 POLICY AND RESOURCE STRATEGY
2016/17 TO 2018/19: REVENUE BUDGET**

1. QUESTION TO THE CABINET MEMBER FOR FINANCE, MODERNISATION AND PERFORMANCE FROM COUNCILLOR ELEANOR KERSLAKE

As part of the Local Government Settlement the government announced an additional £300m 'transitional' funding to ease budget difficulties. How was this funding allocated in London?

RESPONSE

Following on from the provisional grant settlement, the government announced transitional grant funding to ease budget difficulties for councils taking relatively high cuts. This followed significant lobbying not only from shire district and county councils but also from some outer London boroughs who felt unfairly compromised by the settlement. More than 70% of the £150m transitional funding for councils in 2016/17 has been allocated to counties.

It is unfortunate that while inner London boroughs like Southwark have taken the bulk of funding cuts over the last five years, no such transitional relief was given. In London, none of the 12 inner London boroughs received any funding, despite facing over £50m more cuts than the 20 outer London boroughs combined.

Between 2010 and 2017/18, Southwark will have lost over £130m in government funding – more than most of the councils which have received transitional funding. Of the 232 councils which have received transitional funding for 2016/17 and/or 2017/18, 225 (97%) have had funding cuts lower than Southwark. Surrey County Council, for example, will receive an additional £24m in transition funding in 2016/17 and 2017/18, despite having a lower reduction in government funding than Southwark.

The table below demonstrates the inequality of the way in which this government continues to treat those councils most severely impacted by their funding cutbacks. The funding splits in London outlined in this table speak for themselves.

Local Authority	Transition Grant 2016/17	Transition Grant 2017/18	Total Transition Grant	Reduction in government Funding (2010/11 to 2016/17)	Reduction in government Funding (2010/11 to 2017/18)
	£ m	£ m	£ m	£ m	£m
England	150.000	150.000	300.000		

Local Authority	Transition Grant 2016/17	Transition Grant 2017/18	Total Transition Grant	Reduction in government Funding (2010/11 to 2016/17)	Reduction in government Funding (2010/11 to 2017/18)
Camden	0.000	0.000	0.000	-93.140	-105.192
Greenwich	0.000	0.000	0.000	-82.376	-92.600
Hackney	0.000	0.000	0.000	-114.681	-126.918
Hammersmith and Fulham	0.000	0.000	0.000	-62.436	-70.277
Islington	0.000	0.000	0.000	-84.667	-40.493
Kensington and Chelsea	0.000	0.000	0.000	-57.790	-117.214
Lambeth	0.000	0.000	0.000	-111.647	-125.429
Lewisham	0.000	0.000	0.000	-93.202	-104.938
Southwark	0.000	0.000	0.000	-116.519	-130.124
Tower Hamlets	0.000	0.000	0.000	-116.211	-128.910
Wandsworth	0.000	0.000	0.000	-74.432	-83.045
Westminster	0.000	0.000	0.000	-90.427	-100.485
Total Inner London	0.000	0.000	0.000	-1,097.529	-1,225.625
Barking and Dagenham	0.000	0.000	0.000	-46.996	-53.887
Barnet	1.422	1.427	2.849	-56.742	-69.120
Bexley	0.725	0.713	1.438	-36.557	-44.065
Brent	0.000	0.000	0.000	-84.023	-95.732
Bromley	2.068	2.052	4.119	-42.879	-52.624
Croydon	0.418	0.418	0.836	-66.752	-79.643
Ealing	0.000	0.000	0.000	-79.102	-91.077
Enfield	0.000	0.000	0.000	-61.168	-72.337
Haringey	0.000	0.000	0.000	-80.284	-91.207
Harrow	0.712	0.699	1.411	-36.830	9.071
Havering	1.373	1.360	2.733	-32.913	-46.626
Hillingdon	0.517	0.515	1.031	-47.106	-36.044
Hounslow	0.000	0.000	0.000	-51.911	-56.784
Kingston upon Thames	1.305	1.288	2.593	-24.840	-30.880
Merton	0.567	0.557	1.123	-38.867	-45.846
Newham	0.000	0.000	0.000	-107.052	-119.332
Redbridge	0.000	0.000	0.000	-47.926	-56.788
Richmond upon Thames	2.910	2.920	5.830	-21.217	-29.691
Sutton	1.343	1.333	2.676	-32.439	-39.704
Waltham Forest	0.000	0.000	0.000	-60.208	-69.966
Total Outer London	13.359	13.281	26.639	-1,055.812	-1,172.284
Total	13.359	13.281	26.639	-2,153.341	-2,397.909

SUPPLEMENTAL QUESTION TO THE CABINET MEMBER FOR FINANCE, MODERNISATION AND PERFORMANCE FROM COUNCILLOR ELEANOR KERSLAKE

Thank you Madam Mayor. I would like to thank the cabinet member for her response and I would like to ask a short supplemental. Does the cabinet member agree that it is deeply unfair gaming of the system that the Tory government has granted an additional £300 million transitional funding for wealthy areas like Richmond and Bromley when offering no such funding to inner London boroughs like Southwark, which have faced significantly greater budget cuts in the past five years?

RESPONSE FROM THE CABINET MEMBER FOR FINANCE, MODERNISATION AND PERFORMANCE

Thank you Madam Mayor and I would like to thank Councillor Kerslake for her excellent question. I have to say I am a little hesitant to admit it but for a few weeks in January, I was feeling just quite warm towards Greg Clark, the Secretary of State for Communities and Local Government. We have been fearing the worst in Southwark especially after being so hard hit and always the worst hit under Eric Pickles but then when the provisional settlement came, it seemed like a rather pleasant surprise, the government had finally taken into account the greater wealth and tax base of the shire and county councils when divvying those cuts up and while things were predictably awful for us, they just weren't quite so bad as we had been fearing and the pain for one seemed to have spread around just that little bit fairer, but Madam Mayor that really didn't last very long. Soon enough the Tories realised their cuts were hitting their own back yards in Tory Surrey and Hampshire, not just Labour Southwark and Hackney. Strangely enough the government was able to find £300 million down the back of the sofa to help out to soften the blow. So yes, like Councillor Kerslake, I wonder where was that transitional funding in 2011 when we first faced these enormous challenges, when our funding cuts are amongst the highest in London. Why is it that Richmond and Bromley are the ones getting help? Now perhaps if David Cameron's mother lived here rather than in Oxfordshire, we would have got a little help. With the brazenly political allocation of 83% of the transitional funding going to Tory authorities, my warm and fond feelings towards Greg Clark very rapidly evaporated and it is quite clear that the Tories are still only interested in looking after their own.

2. QUESTION TO THE CABINET MEMBER FOR FINANCE, MODERNISATION AND PERFORMANCE FROM COUNCILLOR KARL EASTHAM

The budget report sets out the council's intention to contribute £6m of reserves to the annual general fund balance in 2016/17 to relieve pressure on services. Is the cabinet member confident the council will still have sufficient ability to manage potential risks despite this proposal?

RESPONSE

Sound levels of balances and reserves are critical to the financial health of local authorities; and you are quite right to point out their importance.

Unlike the vast majority of other London councils, Southwark has used the planned uses of balances to support our services since 2010/11 when we started to see the full impact of reductions in government funding. Since 2010/11, £26m has been used to soften the effects of these cutbacks; a further £15m is planned to be used over the next three years as indicated in the budget and indicative budgets presented to council assembly over the next three years; a total of £41m that has helped us to manage the

consequences of the austerity cuts and to allow us to transform progressively and in a structured way.

In no small part, contingency provision made year on year has helped us to make this investment in our services. This contingency has allowed us to mitigate the risks inherent in our budgets for the ambitious savings targets that we have had to set and the demand pressures that we continue to face.

It is also helpful to refer to the budget report being considered at this council assembly and especially the comparison of balances and reserves across similar London boroughs. In 2014/15, balances fell as planned, but this trend was exceptional in London as the vast majority of other councils saw an increase. It is extremely important that the position is kept under careful scrutiny as Southwark reserves and balances remain relatively low, not least given the size of the council and the progressive programme of regeneration, development and modernisation to which we are committed.

SUPPLEMENTAL QUESTION TO THE CABINET MEMBER FOR FINANCE, MODERNISATION AND PERFORMANCE FROM COUNCILLOR KARL EASTHAM

Thank you to Councillor Colley for her answer which clearly demonstrates the importance of the council's balances and reserves in mitigating against risk and demand pressures. The Liberal Democrat amendment is proposing significant reductions to the council's contingency fund. Does the cabinet member think this is wise?

RESPONSE FROM THE CABINET MEMBER FOR FINANCE, MODERNISATION AND PERFORMANCE

I would like to thank Councillor Eastham for his question. As he rightly notes, Southwark Council's reserves stand at just £109 million, the third lowest level of reserves in London despite us having one of the highest levels of annual spend and yet we are one of only a handful of councils across London who are planning to make any contribution to their budgets from reserves and we have been doing so since 2011. Now we have only been able to do that because we take such a prudent approach to risk management in large parts through the maintenance of that £4 million contingency allowance but sadly Madam Mayor, I feel members opposite don't really understand the importance of contingency. Contingencies are not a magic money tree, they exist to protect the council from the risk of overspends and we have needed them for this purpose, both last year and in this current year and if we are lucky enough not to need it all in year, then the remainder can move over into financial risk reserve which then funds the contribution from reserves in the following year's budget. The Liberal Democrat amendment calls on us to take £6 million out of the contingency allowance over three years; that is half the contingency allowance and risks our reserves falling to levels where the continued contributions from balances into our budget are no longer sustainable. It is lazy and short term measures that simply store up financial trouble and the need for greater cuts in the future. The reality is that if you want to spend more on services, then you must find either additional sources of income or alternative savings. The Liberal Democrat budget amendments may be balanced and lawful but they are certainly not financially responsible.