

## **COUNCIL ASSEMBLY**

### **(ORDINARY MEETING)**

**15 JULY 2020**

### **MEMBERS' QUESTIONS**

#### **1. QUESTION TO THE LEADER OF THE COUNCIL FROM COUNCILLOR JASON OCHERE**

On 30 June 2020, Boris Johnson announced a ‘new deal’ to help the country recover from the impact of coronavirus. Can the Leader tell us what the likely impact of this will be for the council?

#### **RESPONSE:**

Boris Johnson’s half-baked ‘new deal’ brings forward just £5 billion of infrastructure spending, worth only 0.2% of current UK GDP. This level of financial stimulus will simply not touch the sides of what will be needed to rebuild our economy after the devastation of COVID-19, nor will it do anything to renew our public services which are still reeling from a decade of austerity.

The £5 billion brought forward covers the whole country and Southwark will only have access to a fraction of this total allocation. At this time the basis of distribution is not known (e.g. by formula or by specific application). The package also includes sums set aside for non-council services such as £1.5 billion for hospitals and £146 million for prisons and prison places. The remainder of the allocation includes road repairs, funding for local building schemes and school repairs.

The council will of course seek to maximise any funding available but the limited extent of the government’s funding should be compared to the commitment already being made by Southwark to local investment through our 10 year capital programme. This amounts to investment well in excess of £2.6 billion to be paid for by the council’s own capital receipts, through existing grants, through the Community Infrastructure Levy (CIL) and Section 106 growth and through revenue contributions and debt financing.

Any discussion of a new deal must also take into account the significant financial strain local authorities have been put under during the COVID-19 crisis. Ministry of Housing, Communities and Local Government research shows that councils have already incurred £4.8 billion in additional pressures. In Southwark, we are estimating an increase of £40.5 million in spending during the pandemic. This includes £8.1 million in housing services, including work such as helping rough sleepers off the street. We estimate we will spend an additional £9.2 million on adult social care in 2020-21, providing PPE and increased demand on our services throughout the crisis. This is to say nothing of our significant package of support to those shielding, in need, and receiving support from our Community Hub, amounting to £6.2m.

In addition to increased expenditure, we have also seen an enormous loss of income to the council, amounting to a predicted £44 million. Once we take into account additional expected mitigation funding from central government, Southwark is left with a funding shortfall of around £32 million.

These figures are current projections, but we should be clear that this is an ongoing crisis and we are not expecting the situation to improve in the coming weeks and months without additional government support.

What the council needs from any government recovery package is threefold. Firstly, the government must not renege on its promise to fund councils for the full impact of COVID-19. This must cover costs, but also the huge income loss. Only this level of funding will ensure the council can confidently invest and borrow to create the growth and economic stimulus our borough will need to recover at speed.

Secondly any government ‘new deal’ must be of the scale needed to genuinely stimulate recovery. Compare Johnson’s offer of 0.2% of UK GDP to Franklin D. Roosevelt’s ‘new deal’, which was estimated to be worth 40% of the US national income in 1929. A better offer from Johnson does not have to be capital alone; it could also include additional affordable borrowing capacity for councils.

Finally, the government should be stimulating a green and inclusive recovery – so they should be considering far greater financial support for initiatives that will build back an economy that is stronger, cleaner and fairer.

## **2. QUESTION TO THE LEADER OF THE COUNCIL FROM COUNCILLOR NICK JOHNSON**

As cabinet noted in their 16 June 2020 cabinet report “Policy and Resources Strategy: revenue monitoring outturn, including treasury management 2020-21”, the council faces significant extra financial pressures, resulting in an estimated shortfall of £45 million, as a result of COVID-19. If this should mean cabinet considering any cuts in council services or additional charges to residents, will the Leader of the Council commit to properly consulting through meaningful and wide-ranging engagement with residents in order to:

- a) Give residents the opportunity to share any ideas they may have on where money is best raised or saved, and
- b) Give residents the opportunity to feedback on specific proposals for cuts or charges before any final decisions are made?

### **RESPONSE:**

Ten years of austerity and the impact of COVID-19 means that the council’s finances are in a precarious position. Whilst the exact impact of COVID-19 is still unclear, taking into account increased expenditure, reduced income but also central government support, we are currently estimating an in-year shortfall of around £32 million. The current ‘most-likely’ funding gap for planning purposes for the 2021-22 budget is £26.2 million. This figure factors in any council tax increases and use of reserves. With the speed of the recovery still unclear, and long term funding of local government still full of uncertainty, the council must be prudent in 2021-22 to ensure future year budget gaps can also be bridged.

As part of the council’s Fairer Future principles, we will always be open and transparent with residents about the financial challenges we face. We are currently expecting the government’s spending review in early autumn and the draft refreshed Council Plan to be agreed by cabinet in September. Taken together, there is a good opportunity to consult with residents that the priorities in the Council Plan are the right ones and that they are achievable in the tough financial times we face. This will also

be a good opportunity for residents to feed in their own suggestions for budget savings before the draft budget is published in December.

Every cabinet meeting through to budget council assembly in February will have a comprehensive report on our financial position which will be published online in the usual way. We will also ensure we are accountable to the overview and scrutiny committee in the way they deem most effective. These meetings are held in public and there is scope for residents' input here too.

In order to have the fullest engagement with residents, we need the government to agree a multi-year settlement for local government, make clear what reforms may or may not happen to local government finance, develop a long-term funding arrangement for social care and resolve school funding so that DSG deficits are paid down. The last three year financial settlement we received was in 2015 and this allowed a much more substantive engagement with residents about their priorities over the longer-term. We continue to press the government for a similar multi-year settlement in order for us to be able to plan more effectively and involve residents in that process.

It is worth emphasising that following a decade of austerity, an enormous public health crisis and the prospect of high levels of unemployment and a damaging period of recession, the choices we have about how to deploy our depleted resources will be limited. The period of the spending review and future announcements on COVID-19 funding remain critical and will necessarily shape the pitch and scope of possible consultations.