

**COUNCIL ASSEMBLY
(ORDINARY)**

WEDNESDAY JUNE 28 2005

QUESTIONS SUBMITTED BY MEMBERS ON REPORTS

ITEM 7.1

STATEMENT OF ACCOUNTS 2005/06

**1. QUESTION ON TRADING ACTIVITIES – PAGE 21 - FROM COUNCILLOR
BARRIE HARGROVE**

Why have there been significant increases in losses on the building, street and metal work services and building design services trading accounts?

RESPONSE

Building services made a loss because of reduced levels of works orders received from its main client, the housing department compared to previous years. The like for like total income received in 05/06 was £1.1m (9%) lower than what was received in 04/05. Similarly, the building design service's profitability also suffered due to reduction in work orders from housing.

When reviewing the financial position of trading activities, it is important to take into account the impact of the Best Value Accounting Code of Practice (BVACOP) and Financial Reporting Standard 17 (FRS17).

During 2005/06 the street & metal work services direct service organisation (DSO) received appropriations from reserves of £0.435m. Under BVACOP, the council is not permitted to reflect this in the trading position of the DSO, although it would have been able to under the compulsory competitive tendering (CCT) regime. For operational purposes, taking into account the appropriations received, the DSO made a surplus for the year. It will not, however, be able to rely on reserves in future years.

FRS17 sets out how the council should account for retirement benefits. It requires the council to show its outstanding liability to the pension fund in its accounts rather than just the payments made into the pension fund in the year. This has the effect of increasing costs for the trading activities that they are not able or required to recover through income. It therefore distorts the surplus or loss of the trading activity. This applies to each of the three trading activities referred to in the members' questions.

After taking into account the use of reserves for street & metalwork services and FRS17 adjustments, the trading results of the three activities are as follows:

- Building – a loss of £627,000
- Street & metalwork services – a surplus of £86,000
- Building design services – a surplus of £7,000

2. QUESTION ON HOUSING REVENUE ACCOUNT INCOME – PAGE 26 - FROM COUNCILLOR KIRSTY McNEILL

Why has there been almost a £1m decrease in non-dwelling rents (gross) income in the housing revenue account (HRA)?

RESPONSE

In 2005/06 the council re-categorised voids on non-dwelling properties from “charges for services and facilities” to “non-dwelling rents” in order to better match rental income by category. The amount in question was a debit balance of £1.4m. Preserving the previous allocation would have meant that the non-dwellings rent income category would have increased by £0.3m in 2005/06.

3. QUESTION ON HOUSING REVENUE ACCOUNT INCOME – PAGE 26 - FROM COUNCILLOR FIONA COLLEY

Why has expenditure on supervision and management increased by £4.46m, whilst expenditure on repairs and maintenance is up just £0.66m?

RESPONSE

The four principal reasons for expenditure increases under this category are staffing costs (£0.4m), gas supply costs (£1.9m), increased water charges (£1.2m) and equipment purchase (£0.9m). The water rates element is offset by an equivalent increase in water rates income collected on behalf of Thames Water, which is within the overall HRA income categories.

SUPPLEMENTAL QUESTION FROM COUNCILLOR FIONA COLLEY

Is this rising expenditure appropriate?

RESPONSE

It is not unreasonable but I am happy to discuss this with you.

4. QUESTION ON PROVISIONS FOR BAD DEBTS – PAGE 38 - FROM COUNCILLOR PETER JOHN

Why has the council increased provisions for bad debt for housing benefit overpayments by 25.8%? How much housing benefit was overpaid in each of the last 4 years?

RESPONSE

The council’s approach to calculating all its main bad debt provisions follows advice received from Price Waterhouse Coopers in response to recommendations made by the District Auditor in 2002/03. The District Auditor also reviews the level of bad debt provisions during each annual audit. The increase in bad debt provision is largely explained by the overall increase housing benefit overpayments, although other factors are taken into account as well, such as the nature and age profile of the debt.

The amount of housing benefit overpaid in each of the last 4 years is shown below:

FINANCIAL YEAR	HB OVERPAYMENTS (£)
2002/03	4,227,122.70
2003/04	3,898,263.08
2004/05	3,803,432.95
2005/06	5,297,745.75

Please note that the level of housing benefit overpayments is determined by a combination of claimant error (eg failure to notify changes in circumstances or failure to disclose savings) and local authority error.

SUPPLEMENTAL QUESTION FROM COUNCILLOR PETER JOHN

Page 14 of the report under 'control exception' states that further development is needed in dealing with fraud, can you enlarge on that?

RESPONSE

I have asked officers to bring this to the District Auditor's attention so this aspect of fraud control can be dealt with in the management letter. The government has dispensed with the claim on annual application.

5. QUESTION ON PROVISIONS FOR BAD DEBTS – PAGE 38 - FROM COUNCILLOR ROBERT SMEATH

Why has the council increased provisions for bad debt for right to buy (RTB) leaseholders 61.4% respectively?

RESPONSE

The council's approach to calculating all its main bad debt provisions follows advice received from Price Waterhouse Coopers in response to recommendations made by the District Auditor in 2002/03. The District Auditor also reviews the level of bad debt provisions during each annual audit. The increase in bad debt provision reflects the changing profile and assessed risk of arrears.

SUPPLEMENTAL QUESTION FROM COUNCILLOR ROBERT SMEATH

I am interested how in any further detail this has been has been quantified?

RESPONSE

I will provide more detail in conjunction with the executive member for housing management on this question and to any other councillors that are interested – if they'll signalled their interest to me by e-mail I will make sure that the details are provided to them.

6. QUESTION ON PUBLICITY – PAGE 22 - FROM COUNCILLOR ANDREW PAKES

Do you believe it is appropriate to spend £4.6m per annum on publicity?

RESPONSE

The Department for Communities and Local Government has established a code of recommended practice on local authority publicity. It argues that good, effective publicity, aimed at improved public awareness of a council's activities, is to be welcomed.

Three quarters of the council's spending on publicity is on consulting with the public. The level of spending is considered reasonable for a large and diverse organisation such as Southwark.

However, no area of council activity is spared from examination for Gershon and other efficiencies.

SUPPLEMENTAL QUESTION FROM COUNCILLOR ANDREW PAKES

Thank you Mr Mayor – I do find that the accounts are great reading. As a new councillor it helped me fall asleep quite easily but I did diligently read through it and my question relating to this £4.6m particularly struck me as many members and residents within my own ward struggle to find even the money to go about their daily business that something as large as this as an item should be something worthy of a question, and I thank the executive member for the response that he has given. However the figure also reminded me of a period earlier in the year when I travelled through Elephant & Castle and other parts of the borough and saw again very low bill boards reminding me how clean and green and safe I felt in the wonderful boulevards of the Old Kent Road and Elephant that we all live in and I also remember seeing some pictures of Councillor Stanton with community wardens, both in council publications and other publications throughout the last year as well, so my supplementary to the executive member is now he is in a marriage of convenience will he promise to keep a close eye on what the spouses in his executive are spending and ensure that we have good housekeeping for the residents of my ward and others.

RESPONSE

I thank you Councillor Pakes – from the marriage bed of convenience I will certainly have regards to that and just mention a little bit of encouraging news in relation to this. Southwark Life is going to try to include within it now, I think it is going to be a monthly format, a lot of the consultation expenditure so there will be rearrangement of some of those items there and I would like to strive to ensure that the overall expenditure there which is mostly publicity and consultation is necessary in local government but I will be striving to keep it well under control and well within inflation in future years.

7. QUESTION ON STATEMENT OF ACCOUNTING POLICIES, RELATED PARTY TRANSACTIONS – PAGE 16 - FROM COUNCILLOR CHRIS PAGE

Please provide a breakdown of the 14 outstanding declarations into chief officers, executive members and other members. How many declarations still remain outstanding for that year?

RESPONSE

As at today, the number of returns outstanding remains 13. Of these, one is due from a former employee and nine are due from former councillors. There are four

current councillors from whom we have not yet received declarations. Of these, all are other members.

The number of responses outstanding is not unusual at this stage in the accounts preparation, especially given the local election. We will continue to chase outstanding returns from now until the audit is completed.

8. QUESTION ON CONSOLIDATED REVENUE ACCOUNT, COMMERCIAL INCOME – PAGE 19 - FROM COUNCILLOR PAUL BATES

Please provide an explanation of the falling revenue from commercial refuse collection (3.1) and renting out of commercial properties (3.3).

RESPONSE

Commercial refuse collection

Although the service increased its turnover by £116,000, the profit margin reduced significantly due to an increase in collection and disposal (landfill tax) contract costs.

Income from commercial properties

Within the short timescale, it has not been possible to obtain a full explanation for the falling revenue from renting out commercial properties. I will arrange for the circulation of this information shortly.

9. QUESTION ON INCOME FROM RENTED COMMERCIAL PROPERTIES - FROM COUNCILLOR RICHARD LIVINGSTONE

In light of the falling income from renting out of commercial properties, can figures be provided to show the number of properties rented out in 2004/05 and 2005/06, together with figures for vacant properties in both years?

RESPONSE

Income from commercial properties

Within the short timescale, it has not been possible to provide details of the number of properties rented out in both years and the number of vacant properties, but I will arrange for this information to be circulated shortly.

SUPPLEMENTAL QUESTION FROM COUNCILLOR RICHARD LIVINGSTONE

I would not only like to thank the executive member for his response, but given some of the responses in the earlier question time I am quite grateful I have got somebody with good humour to answer my question – I appreciate the timescale maybe very difficult to come up with the answer to my particular question. I would at this point also like to thank officers for their hard work in assisting the executive member in bringing together answers to these questions at fairly short notice but as many members will recall there have been plenty of issues over the last year or so and indeed beyond that of small businesses that rent premises from the council finding the increases in rents to be very onerous and indeed putting some out of those properties. It does appear that if there has been a reduction in the income from

these properties as a result of that policy of market rents that there may well be a case to review that policy in certain areas and I would hope that the figures that are produced for this can actually look particularly at that issue because I think there is a real problem that we have in the borough at the moment where we are having small businesses pushed out of their premises – we have a local community suffering because of the loss of some of those businesses and at the same time we also appear to be making less income from these premises as well as part of that policy so I would hope that some of those questions and answers could help point us in the direction of reviewing some of our policies around the rent of the commercial properties.

RESPONSE

Thank you Councillor Livingstone. It is nice to hear from your commercial approach to this and of course if you are a property owner and you raise your rents too much the result would be that nobody wants to come forward and rent your property you are going to get falling income, therefore you have to revise that policy and that would be a commercially based assessment and that would be very much in line with what we should have regard to and I will leave that for the moment and on the information of course that will be provided so when we get the information all issues contributing to policy making on this I would be grateful for that.

10. QUESTION ON BUSINESS PROCESS IMPROVEMENTS AND THE CORPORATE MODERNISATION PROCESS - FROM COUNCILLOR OLA OYEWUNMI

Please provide further information on the working balances put aside for business process improvements and the corporate modernisation process. Can you confirm that this is all directly related to housing?

RESPONSE

These are listed in the table below. As the HRA is a ring-fenced account, monies accounted for within it may only relate to the council’s provision of landlord services, and so the working balances identified must by definition be housing-related.

BUSINESS PROCESS IMPROVEMENTS	£
Human Resources, Recruitment and Training & Development	412,650
Income Collection and Financial Management and Governance	391,500
Customer Care & Satisfaction	524,239
	1,328,389
CORPORATE MODERNISATION	
Customer Service Centre	240,980
	240,980

SUPPLEMENTAL QUESTION FROM COUNCILLOR OLA OYEWUNMI

Thanks Mr Mayor and thanks to the officer to my question.

My next supplementary question is in future there will be no call on the HR to fund activities such as establishment of community council as it was in the past.

11. QUESTION ON OTHER EARMARKED RESERVES – PAGE 49 - FROM COUNCILLOR MARK GLOVER

Of the budget movement of £329,000 for signage, how much of this was for community council signs?

RESPONSE

None of the budget movement for signage was spent on community council signs. The expenditure formed part of a programme of works and it was mainly spent on improving signage on public access, schools and street name plates.

12. QUESTION ON SUMMARY OF CAPITAL EXPENDITURE AND FINANCING – PAGE 55 - FROM COUNCILLOR ALISON McGOVERN

Given the concerns about leisure facilities in the borough, please explain the £2m reduction in environment and leisure capital spending in 2005/06.

RESPONSE

Capital expenditure in 2004/05 included the purchase of a site for £5.8m to facilitate the waste project at the Old Kent Road. Excluding this, capital expenditure on other items increased by £3.8m compared to last year.

Officers are currently working on options for leisure centres and will be presenting these to executive in due course.

SUPPLEMENTAL QUESTION FROM COUNCILLOR ALISON McGOVERN

I would like to thank the executive member for the answer – I would like to focus my supplementary question on the second paragraph of the answer that officers are currently working on options for leisure centre and will be presenting these to the executive in due course. That seems to have been the position for rather a long time now and again any more information than that has been rather like drawing blood from a stone and I would specifically like to ask how wide-ranging this work on different options is and specifically to the options looking into management organisations other than fusion and we have had various dates presented to local communities around leisure centres specifically Camberwell where I represent and those dates seems to have been put back time and time again. The executive will forgive me if I push rather hard on when the executive expect to have a more financial detail to be presented to councillors and the wider community and I do hope that we can share in any information that is available.

13. QUESTION ON PECKHAM PULSE FROM COUNCILLOR NICK VINEALL

To ask the executive member for resources to comment on the provision for liabilities arising from Peckham Pulse in the sum of £2.15 million?

RESPONSE

The earmarked reserve of £2.15m for Peckham Pulse is made up of £1.9m for the capital works needed to restore the centre into use, and £0.25m to meet the loss of revenue income against the 2006/07 budget as a result of the centre not being in use in the meantime.