

COUNCIL ASSEMBLY

(COUNCIL TAX SETTING)

WEDNESDAY 26 FEBRUARY 2014

QUESTIONS ON THE REPORT

ITEM 2.1: POLICY AND RESOURCES STRATEGY - 2014/15 to 2016/17 REVENUE BUDGET

1. QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR GAVIN EDWARDS

How many times did Southwark Council raise council tax between 2002 and 2010?
How does this compare with 2010 – 2014?

RESPONSE

Council tax was increased five times between 2002 and 2010 resulting in the council's precept on a band D property rising from £ 776.10 in 2002/03 to £912.14 in 2010/11 - an increase of 17.5% across the period when the Liberal Democrats ran the council.

In contrast, sound financial management by this Labour administration has resulted in council tax being frozen four years running since 2010.

2. QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR MARK WILLIAMS

How much additional government funding was provided to Southwark Council under the Liberal Democrat led administration from 2002 – 2010? How does this compare with the current administration since 2010?

RESPONSE

As the table below demonstrates, the council has been compelled to absorb some unparalleled cuts from government in the last four years. The reduction is the equivalent of £249.28 loss for every man, woman and child living in the borough since May 2010.

In addition, the council faces spending pressures in essential areas of its work to protect vulnerable children and families as a result of government's decisions on welfare changes.

Financial year	Previous year grant	Adjustments	Adjusted previous year grant	Current year grant	Grant increase / decrease	% change	
	£'000	£'000	£'000	£'000	£'000	%	£'000
2007/08	206,763	-582	206,181	211,801	5,620	2.73%	

Financial year	Previous year grant	Adjustments	Adjusted previous year grant	Current year grant	Grant increase / decrease	% change	
	£'000	£'000	£'000	£'000	£'000	%	£'000
2008/09	211,801	7,360	219,161	223,544	4,383	2.00%	
2009/10	223,544	-98	223,446	227,356	3,910	1.75%	
2010/11	227,356	-37	227,319	230,729	3,410	1.50%	17,323
2011/12	230,729	31,717	262,446	232,790	-29,656	-11.30%	
2012/13	232,790	-792	231,998	217,078	-14,920	-6.43%	
2013/14	217,078	44,330	261,408	253,372	-8,036	-3.07%	
2014/15 *	253,372	928	254,300	227,474	-26,826	-10.55%	-79,438

This table shows that the council's grant, in cash terms, increased by 14.3% over the period 2007/08 to 2010/11, and has decreased by 28.0% since that time. This decrease of course does not include the additional real terms loss during that period through inflation.

SUPPLEMENTAL QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR MARK WILLIAMS

Yes I do Mr Mayor. I would like to thank the cabinet member for his response. I would just like to note that this shows that between 2007/08 and 2010/11 the council received budgetary increases of 28% but since that time we have had budgetary decreases of 28% following a 14% increase before that.

I would like to ask the cabinet member does he think the party opposite should join Labour councillors in condemning these salvage cuts to Southwark's funding that have been implemented by the coalition government since 2010, and that they should lobby their government, their government ministers – and one in the north of this borough – they should stop hitting the most deprived areas of the country with their savage cuts and be much more fair in the proportion of those?

RESPONSE

It might not surprise you to say that I fully agree with that statement. It is worth remembering that the scale of the cuts that are outlined here; that £79 million that has been cut of this council is greater than the amount we collect each year in council tax. That is the scale of what's being inflicted on this borough, which is far more than most other boroughs up and down this country. I think the fact that we are able here tonight to propose a budget which yet again freezes council tax is a testament to the hard work of officers, but actually also of the values which are reflected on this side of the chamber in protecting services whilst those cuts are going on.

3. QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR MICHAEL SITU

Following the shameful behaviour of Liberal Democrat ward councillors in failing to include funding for the Rotherhithe festival in the Community Council Fund proposals to the Bermondsey and Rotherhithe Community Council, is there any resource for rescuing this festival for local residents?

RESPONSE

Yes.

The final settlement for 2014/15 from government, received on 5 February 2014, was £30,000 more than the level indicated in the provisional settlement that has been used in proposing this budget.

It is therefore possible to find the money from this amount to rectify the worrying decision by the community council. This would ensure that the popular and successful Rotherhithe Festival can go ahead this year after all.

SUPPLEMENTAL QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR MICHAEL SITU

Thank you Mr Mayor and thank the cabinet member for his answer. I do have a supplementary question. Given the local support for the Rotherhithe Community Festival would the cabinet member agree that this position suggests that the Liberal Democrat councillors in Rotherhithe cannot be trusted to use the community council fund in the best way for the local community?

RESPONSE

I would like to thank Councillor Situ for his supplemental question. I think there are some serious questions that have to be asked about why, in this year alone, there wasn't sight given to all members of community council of the proposals that were made by various ward councillors on the community fund, and why the councillors of Rotherhithe ward decided to no longer fund, as they have done in the previous seven years, such a successful and well-run festival which serves all the community in Rotherhithe. I think it is a great shame that they decided to do something like this; it feels slightly vindictive to me and, I think, a number of other people. I am however glad that there is an amendment here to consider this evening to help put that right and put that money back and ensure that the festival will go ahead.

4. QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR ROSIE SHIMELL

At the meeting in January, council assembly agreed to the Liberal Democrat proposal of 'funding additional childcare hours on top of those already offered by the government', but no resources have been allocated to childcare in Labour's budget proposals. Do Labour councillors intend to honour their commitment to Southwark's families?

RESPONSE

Yes, Labour remains fully committed to supporting Southwark families with the cost of childcare and will come forward with proposals to do this. We want to ensure that our investment is sustainable, deliverable and has the greatest positive impact for parents. In order to do this it is necessary to consult with parents and childcare providers to identify specific needs and gaps in childcare provision.

We do not believe that the Liberal Democrats' proposal for 15 minutes a day, which conservative estimates suggest will cost £6.2 million to deliver, is the answer. The Liberal Democrats have shown the dangers of relying on uncosted proposals that are hastily put together without proper analysis or consultation ahead of an election.

We welcome the Liberal Democrats voting with Labour at the last council assembly to condemn the Liberal Democrats in government for the changes they have made to the tax credit system, which are hitting families with children hard. If the Liberal Democrats are serious about this, I trust they will join us in condemning Liberal Democrat Minister Simon Hughes for his support of these reforms which are penalising hard working parents, struggling to meet their childcare costs.

SUPPLEMENTAL QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR ROSIE SHIMELL

Thank you Mr Mayor and I would like to thank the cabinet member for his answer although I have to say I am disappointed that it is a little bit vague on any kind of detail.

The Liberal Democrats have put forward proposals this evening to give every 2, 3 and 4 year old child in this borough one day a month of free child care. These proposals have been signed off by the council as being legal and implementable; and Labour by contrast, while claiming in their answer to be committed to helping local families with the costs of child care, have not put forward any proposals in their budget in relation to this at all. So while I thank you for acknowledging the problem and you are right to do so, I would like to ask if you can give us any more detail about what exactly you are going to do about it?

RESPONSE

I would like to thank Councillor Shimell for her supplemental question. I think as our answer makes clear, there are some particular difficulties around the proposal going ahead in a way that she suggests, and it came very late in the day, and too late for us to put in our budget in a considered and well thought through way because there is clearly going to be a lot of work particularly with providers to ensure that this could happen.

The statutory hours that are already there are of course something that providers at the moment tell us that they are making a loss on, and there is no guarantee at all that child care providers would agree to us funding any additional hours. It is really important that we do this properly. I think there is a real difficulty of only funding one day extra a month and as I said, I don't think the figures add up either. We think it would cost £6.2 million a year to actually implement the proposal that has been put forward here, and I can certainly share those figures with Councillor Shimell at a later point; but the reality is to actually fulfil the commitment, you are

talking about making sure that every 2, 3 and 4 year old could have those additional hours as opposed to just those who are currently in child care that's paid through this, ensures that there is an extra amount of money required.

As I said you also need to negotiate this with providers, I understand that the figure that you were looking at previously even to do just the additional hours for existing child care recipients was £4 million. £1.75 million as you propose won't go anywhere near far enough to meet that full commitment. I think there is a real question about the fidelity of the sums you have put together in your budget, but the important thing is that we work together hopefully for a Labour government in 2015 which has made a commitment to ensure there will be an extra 10 hours a week of child care, which obviously goes far further than the proposals put forward by the Liberal Democrats today. And if we all work together to get a Labour government in 2015 we can insure that we are getting the child care that she proposes.

5. QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR CATHERINE BOWMAN

The medium term resource strategy (MTRS) mentions the housing stock as one of the council's key assets, but doesn't provide details of the current state of this asset group. Will the cabinet member provide an update on the current level of its housing stock assets?

RESPONSE

Asset profile

The housing stock is currently in excess of 51,000 properties, of which around 38,000 are tenanted, and over 13,000 are leasehold properties.

Table 1 below shows that as expected for a social landlord based in an urbanised area, the majority of this stock comprises traditional housing blocks: however, there are also a significant number of street properties and houses within Southwark's management. In terms of its tenanted stock alone, well over 6,500 dwellings are categorised as houses, street properties or conversions.

Table 1: Housing Stock by Property Type

Property Type	Total
Flat – traditional block	80%
House on estate	7%
Converted street property	6%
Street property	4%
Flat – social housing unit	2%
Flat – infill block	1%
Total	100%

Within each of the above categories there is a further range of building types and constructions that require varying strategies for effective long-term management of these assets. Table 2 further illustrates the degree of complexity in the composition of the housing stock.

Table 2 – Housing Stock by Property Archetypes

Property Archetype	Total
Low rise flats post-1945	43%
High rise flats	25%
Low rise flats 1920 – 1944	13%
Flats pre-1920	8%
Houses post-1945	7%
Houses pre-1945	4%
Total	100%

Post-war residential blocks account for the majority of Southwark’s stock. However, there is still an unusually large proportion of properties that do not fall within this category, including a relatively high number of pre-war blocks and houses, and properties dating from the turn of the previous century.

SUPPLEMENTAL QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR CATHERINE BOWMAN

Thank you Mr Mayor. I would like to thank the cabinet member for his response. While we are clearing things up and clarifying figures, can I ask him about his party’s pledge for 10,000 new homes? Since the cabinet made that announcement last year there seems to be a bit of flip flopping in terms of the numbers and quite what the tenure of the homes is going to be.

Can he clarify for residents what is actually on offer? Is the party opposite offering 10,000 new homes over the next 25 years, or as they have suggested in other announcements, are they offering 10,000 new council homes over 30 years?

RESPONSE

Well the 10,000 figure is not right in the first place; it is 11,000 new homes, and it is 11,000 new council homes over 30 years. And details will be coming forward very soon about how those will be phased so that people can see very clearly how many homes there are going to be. You will be aware the first 500 homes sites have already been announced for across the borough and I think that is something hopefully everybody will welcome. I note there seems to be a little bit of scepticism – if we can get it done in 25 years, all the better.

6. QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR JAMES BARBER

The MTRS discusses the importance of holding reserves and balances. What will be the total value of the council’s usable reserves at the end of the 2013/14 financial year?

RESPONSE

We forecast that the total value of the council’s “usable reserves” – its unearmarked general fund balance – at 31 March 2014 will be £18.125 million.

It is proposed to use £6.2 million from this sum in the 2014/15 budget.

SUPPLEMENTAL QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR JAMES BARBER

I would like to thank the cabinet member for his answer. I actually asked what the usable reserves were and he has given me, I believe, the unallocated reserves answer or he has lost £223 million. I have asked what the usable reserves will be at the end of this financial year, the usable reserves at the end of the last financial year were £241.5 million. So can he tell me what the answer is, or tell me where the £233 million at least has gone?

RESPONSE

I was just hearing from the chair of audit and governance committee that the view that seemed to arise from that committee was slightly different I believe. Oh, and the fact that no Liberal Democrats actually turned up to the meetings, sorry, which is interesting, so in fact you might have been held to examine those facts with a bit more detail if your representative had turned up to that meeting.

I think the important thing, the point is, that the council doesn't have something that is identified in the phrase that you have used saying 'usable reserves'. We have had to identify what that is; the only money in the reserves that is not earmarked for any other purpose is the amount that is in unearmarked balances, which is the figure given here. I am not sure what he thinks the extra bit of reserves are to be usable.

I am happy to discuss that further if he is willing to identify what that figure is. We have to try and work out what he meant by the question; it is not a term that is used regularly in the council accounts, it is not something that there is a formal set of wording for. The most logical thing was to take the figure for all that money that's not got a use that is identified for it, which is the figure we have reported.

7. QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR TIM MCNALLY

The MTRS states that the council will 'use the New Homes Bonus to incentivise house building by returning the benefits of growth to the community, generally through capital projects'. How will the council pursue this policy in 2014/15?

RESPONSE

Since New Homes Bonus was introduced in 2011/12, Southwark will have received a total of £15.8m by 31 March 2014.

Of this a total of £4.5m (3 years at £1.5m) has been used to support revenue, the remaining £11.3m has been earmarked to fund capital projects.

To date only £1.1m has been used for capital purposes, the remaining £10.2m has been transferred into the new homes bonus grant capital allocation reserve.

In addition, in 2013/14 Southwark received a further £0.9m, this being the New Homes Bonus adjustment, repaying surplus resources clawed back by the government as part of the 2013/14 settlement.

This grant will also be transferred to the reserve, giving a total of £11.1m to fund capital in 2013/14 and future years.

SUPPLEMENTAL QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR TIM MCNALLY

Thank you Mr Mayor. I was going to ask the cabinet member about how disappointing it was that they have stored up new homes bonus and stuck it into reserves and not used it, but in his answer to my colleague Councillor Barber, has said that the council does not generally use the phrase 'total usable reserves' and he is not sure where this number comes from. Well, I am holding the front page of Southwark accounts which are published and signed off by the auditor, and the column is headed 'total usable reserves', and shows that last year 2012/13, the total usable reserves (that is what the column heading is, I will happily give him this paper) went from £214 million to £241 million; a rise of £27 million, and there is the final column, is the total reserves of the council which at the end of last year stood at £1.95 billion. So my question to him is does he not read the accounts?

RESPONSE

Well I would like to say I thank you for your supplemental question if it had actually been to the question that you had asked in the first place. We do have supplemental questions which are meant to be on the questions you ask, not on somebody else's.

I am more than happy to look at those figures; those figures are clearly not related to the general fund, those are clearly reserves for purposes that are already allocated and have already been identified. Okay, it might be some terminology that the auditors use, it is not the common parlance in terms of other documents that the council has. As I said perhaps it is a shame he decided not to ask the supplemental on the question he asked in the first place.

8. QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR LISA RAJAN

The MTRS states that the council will 'increase all fees and charges capped by statute to the maximum level the cap allows'. Would the cabinet member consider aiming instead to achieve London-average levels of fees and charges, in order to help support cash-strapped local residents?

RESPONSE

The council's position on fees that are capped by statute has not changed in the last seven years.

The MTRS from 2007/08 onwards have had the same intention on statutory fees and charges which was "All fees and charges capped by statute to be increased to the maximum level the cap allows". This is the same as in the current proposal.

Given the seven years that this policy has been in place, it is unlikely that this policy would result in any significant fee increases in 2014/15.

I therefore think it would be difficult to justify a change in this policy given the severe financial pressures faced by the council. I am not sure why the Liberal

Democrat group appear to be asking for a reversal of the policy that they themselves put in place.

However, we are continuing to maintain our policy on discretionary fees that aims for fees at the London average except where this conflicts with council policy or would impact on vulnerable clients.

9. QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR ANOOD AL-SAMERAI

The MTRS states that the council aims to 'manage rent reviews and lease renewals to maximise revenue income'. How will this ensure the best community value from Southwark properties?

RESPONSE

In considering rent reviews and lease renewals, the council will continue to be mindful of the 2011 budget principles that are set out earlier in the budget setting section of the medium term resources strategy.

The council has long held the policy, including throughout the previous administration, that the most transparent and appropriate approach on setting rents for properties occupied by the voluntary and community sector is to charge the appropriate market rent level and then pay grants to organisations to help cover the cost of that rent in those cases where the council recognises the benefit that organisation has to the community.

Doing so makes clear the level of subsidy that the council is making to that organisation rather than losing the value of that contribution through a less-transparent deal on rent between the council and organisation.

It must be remembered that whether:

- a) the council charges market rent to a community organisation which it then gives an openly-declared grant to assist with the rent, or
- b) if it decides to a less-transparent subsidy by offering the property at a value below market rent that there is a cost to the general fund, either through the grant or the lost income.

SUPPLEMENTAL QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR ANOOD AL-SAMERAI

Thanks Mr Mayor. I hope you won't complain about my supplemental as well. What I was going to ask, my question had been about rent reviews and one of the issues that is raised quite regularly with business in places like the Blue and Walworth Road is how do small business compete with those big betting shops, pay day loan shops, who can sign longer leases at cheaper rents?

And there is a real lack I think of openness and transparency about what different business are paying in different rents and lots of rumours circulating about 'well, this place is given a rent free period' and that kind of thing. So rather than going into masses of detail now, I think what might be helpful is if you could commit to reviewing the rents that different business are paying in council premises and look

at trying to make them more open and transparent, because it creates a lot of bad feeling and there is a real danger that the big players get a cheaper deal because of economies of scale than the small business that we want to encourage.

RESPONSE

I would like to thank Councillor Al-Samerai for her supplemental, which was certainly on topic. I have to say apologies if I misunderstood the reference to best community value in terms of Southwark properties; I assumed you were talking about the voluntary sector. I think it is a really interesting point that you raised about small business and how to ensure we are being fair to those. That is certainly something I am happy to take away and talk to officers about and ensure we are playing fair with everybody.

10. QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR ADELE MORRIS

A key part of managing the council's housing stock assets effectively is determining which properties to sell and which to maintain, and the council currently sets the threshold at which council homes will be considered for sale at £300,000. This has led to a sharp fall in council properties in my ward, and across the whole of the north of the borough, in favour of expensive private flats that local people could never dream of being able to afford. Will the council raise this threshold to £500,000 and stop its council home sell-off?

RESPONSE

It is not correct to claim that there has been a sharp decrease of council properties in Cathedrals ward that result from the council's policy on void sales. Since 2010, only seven properties have been sold in the ward through this policy. That is significantly less than the number of new council homes at social rent where a site has already been proposed in the ward.

Of those seven properties, only one was sold for less than the £400,000 value agreed by the previous administration and only two for less than the £500,000 threshold proposed in this question.

Since 2010, 138 void homes (excluding those as part of the East Dulwich Regeneration) have been sold across the borough, of which only 19 were sold for less than the £400,000 threshold agreed by the previous Executive in March 2009. This figure of 138 over four years contrasts with the sale of 103 void properties per year proposed by the by the Liberal Democrat/Conservative executive, on 17 March 2009.

On the more general point on the supply of council homes in the north of the borough, it should be noted that of the total 495 sites for new council homes identified to date by the cabinet, 262 (53%) are in the Bermondsey and Old Southwark constituency.

SUPPLEMENTAL QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR ADELE MORRIS

Thank you Mr Mayor and I thank the cabinet member for his answer. I understand that at Housing, Environment, Transport and Community Safety Scrutiny Sub-

Committee last night Councillor Wingfield hinted that there may be an option to have differential rates for setting the threshold for council properties in different parts of the borough and I wondered whether you knew anything about that or whether off the top of your head you would say whether you do or don't support that?

RESPONSE

I think it is an interesting idea. Councillor Wingfield discussed that with me this morning; I have only heard of it as an idea at the moment. I think it is something we need to explore.

However I think what is interesting in the answer I would give is to point out that the suggestion that the Labour party in any way has actually disposed of more void properties than has been proposed by the previous administration clearly does not stack up, the previous administration signed up to disposing of 103 voids every year and that is significantly less than this administration has done.

Councillor Morris seems to be doubting that, but it is of course set out here in the capital income generation for housing investment programme hidden homes that was taken by the previous executive, of which she was a member, on 17 March 2009 in appendix A it says at paragraph 35 the table below rising an example of a number of units that will need to be sold to generate £20 million per annum and it sets out and that will be 103 units a year.

11. QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR MICHAEL BUKOLA

What are the total savings the council has made from freezing performance-related pay over the last three years? Where does this saving appear in the budget?

RESPONSE

Performance-related pay is part of the contractual terms of employment for a number of our senior staff to reward high performance. It is only given where high performance can be demonstrated. It does not have a budget – performance related payments have only been made when there has been sufficient underspend against a year's budget to allow such payments to be made.

Given the financial restraints facing the council, performance-related pay has been suspended for the last three years. As those payments would only have been taken from budget surpluses, there is not an identifiable saving.

Any attempt to identify a figure for how much might have been paid in those years would be highly speculative. I am advised that the sum would have been unlikely to exceed £200,000 in any one year.

If performance-related pay had been awarded, the impact would have been to reduce money returned to the council's unearmarked balances. This budget already proposes using £6.2m from those balances to avoid further cuts.

**SUPPLEMENTAL QUESTION TO THE CABINET MEMBER FOR FINANCE,
RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR MICHAEL
BUKOLA**

Thank you Mr Mayor, and I would like to thank the cabinet member for his answer. In the spirit of transparency would the cabinet member like to commit to reviewing the pay award system that currently exists, really for the benefit of council tax payers?

RESPONSE

I would like to thank Councillor Bukola for his supplemental question. You know we do regularly review how we pay and how we look at performance and rewarding good performance in our staff and the whole package of pay each and every year, and of course that is something that we will be looking at at a future council assembly. So I am more than happy to do that, to look at those issues.

I am a little worried that the proposals that have been put forward in a Liberal Democrat amendment this evening seem to suggest a saving from the budget that doesn't exist; which is an interesting way to approach a budget. I am not quite sure where the money would come from given that we only pay performance related pay on any surplus generated at the end of the year; there is no set budget for that, so cutting that money would have to take money from elsewhere, but I am more than happy to look at the issues he has raised tonight.