

Council Assembly

Wednesday 27 February 2019

7.00 pm

Council Offices, 160 Tooley Street, London SE1 2QH

Tabled Items

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Date: 27 February 2019

SOUTHWARK COUNCIL
COUNCIL ASSEMBLY
(COUNCIL TAX SETTING MEETING)
WEDNESDAY 27 FEBRUARY 2019
PROGRAMME MOTION

That the meeting be conducted as follows:

Time	Business
7.00pm – 7.15pm	1. Preliminary business and announcements
7.15pm – 10.00pm	<p>Item 2.1 Policy and Resources Strategy 2019-20 - Revenue Budget</p> <ol style="list-style-type: none"> 1. Consideration of this item is not time limited but the meeting is subject to the guillotine. 2. Debate to include: <ul style="list-style-type: none"> • Seven questions on reports • Councillor Vicky Mills to present recommendations (10 minutes) • Councillor Jane Salmon to reply on behalf of opposition (5 minutes) • Three amendments to be moved and seconded • Report and amendments to be debated as a single debate (all speakers 3 minutes each) • Reply to the debate from Councillor Vicky Mills (3 minutes) • Separate vote on each amendment • Recorded vote on substantive motion. <p>Members can only speak once, except for Councillor Vicky Mills (cabinet member for finance, performance and Brexit), who will reply to the single debate.</p> <ol style="list-style-type: none"> 3. Amendment A to be titled "Police officers not press officers". 4. Amendment B to be titled "A roof over every head".
	<p>Item 2.2 Capital Strategy and Treasury Management Strategy 2019-20</p> <p>To be considered as normal.</p>
	<p>Item 2.3 Setting the Council Tax 2019-20</p> <p>Recommendation 2 to be amended to refer to Appendix A rather than Appendix B.</p> <p>If Amendment C to item 2.1 is carried, Appendix A will be amended to reflect this:</p> <p>3 a) to read "£988,781,353" instead of "£988,521,353" 3 b) to read "-£878,249,672" instead of "-£877,989,672".</p>

Time	Business
	This report has a legal requirement to take a recorded vote on the substantive motion.
	<p data-bbox="395 331 1214 365">Item 2.4 Capital Programme Refresh for 2018-19 to 2027-28</p> <p data-bbox="395 398 1401 432">Recommendation 3 to be amended to refer to £1,305m rather than £2,100m.</p> <p data-bbox="395 465 767 499">To be considered as normal.</p>

Item 2 Reports for decision

Each report to have a single debate, subject to the guillotine.

COUNCIL ASSEMBLY
(COUNCIL TAX SETTING MEETING)

27 FEBRUARY 2019

QUESTIONS ON REPORTS

1. QUESTION TO THE CABINET MEMBER FOR FINANCE, PERFORMANCE AND BREXIT FROM COUNCILLOR MICHAEL SITU

What proportion of income in the council's budget is due to regeneration and new homes, and what additional resources would the council need to find in its budget if such regeneration had not taken place?

RESPONSE

Regeneration and growth means that there are more properties and businesses in Southwark which are paying council tax and business rates. With more people living and working in Southwark our local economy has grown, creating more local businesses as well as further employment opportunities for local residents.

While it is not possible to put an exact figure on the benefit of this, it is crystal clear that without this regeneration and growth we would have had to have made deeper cuts in service spending and have been less able to afford to support the revenue costs of its ambitious capital programme.

Since 2013-14, retained business rates have grown each year and now generate an additional £25m per annum, council tax base growth contributes an additional £23m per annum and this year's New Homes Bonus will be £12.8m. This totals £60.8m in 2019-20, representing 20% of our budget requirement. It would simply be impossible to sustain many of our services at their current level without this contribution from regeneration and growth.

The Business Rate Retention (BRR) system was introduced in April 2013 and allows local authorities to retain a proportion of business rates collected locally. Under the original BRR the council has been able to retain 30% of the growth in business rates income, the Greater London Authority (GLA) 20%, with the remaining 50% of new growth going to the Treasury. Retained BRR growth included in the 2019-20 budget is £25m.

Over the same period the number of homes in the borough has increased by 10,300. This has been the major factor in the increase in the council tax base Band D equivalents from 81,421 in 2013-14 to 103,662 in 2019-20. Assuming a Southwark council tax rate of £1,035.31, this equates to income of £23m in 2019-20.

In addition to council tax income, the council is also rewarded through the New Homes Bonus Scheme for the number of homes brought into use each year, including reductions in the number of empty properties. The grant in 2019-20 is £12.8m (£8.1m in 2013-14).

For 2018-19 and 2019-20, the council is part of the London Business Rate Pooling Pilot. Under these arrangements London as a whole will retain 100% of business rate growth in 2018-19 and 75% in 2019-20. It is anticipated that the benefit to Southwark

Council from pooling in 2018-19 will be £10.8m. This is one-off income and available for one-off initiatives. As it is one-off income it is not included in the recurrent base budget.

2. QUESTION TO THE CABINET MEMBER FOR FINANCE, PERFORMANCE AND BREXIT FROM COUNCILLOR ALICE MACDONALD

Why is the cabinet member only presenting a one year budget?

RESPONSE

The government has made it very difficult for councils to do anything more than a one year budget. This is a combination of uncertainties and complexities regarding the future funding of local government beyond 2019-20, including as well as the impact of government policies in areas such as Brexit. There remains significant uncertainty due to:

- Government Spending Review to report during 2019
- A new local government needs based funding formula, the Fair Funding Review, to be introduced from 2020-21
- Redesign of the Business Rates Retention System for 75% retention from 2020-21
- Resetting of the business rates baseline from 2020-21
- The future of the London Business Rates Pool
- A long awaited government Green Paper on future funding of adult social care has still not been published
- Economic uncertainty regarding the outcome of Brexit negotiations and wider economic pressures on inflation, interest rates and area costs within London (especially housing).

Cabinet will receive a refreshed outlook of the financial position in summer 2019 and specifically an update on local government financing in 2020-21 and beyond.

3. QUESTION TO THE CABINET MEMBER FOR FINANCE, PERFORMANCE AND BREXIT FROM COUNCILLOR VICTORIA OLISA

How does the rate of council tax in Southwark compare to other boroughs in i) inner London ii) all of London?

RESPONSE

This administration is committed to keeping council tax low. By keeping council tax low residents are now paying less in real terms than in 2010. We have done this despite the policy of austerity pursued by both the Liberal Democrats and Conservatives in government which has halved the council's grant since 2010.

Southwark has the eighth lowest rate of the 14 inner London authorities and the eighth lowest rate in London overall.

4. QUESTION TO THE CABINET MEMBER FOR FINANCE, PERFORMANCE AND BREXIT FROM COUNCILLOR RENATA HAMVAS

What proportion of the council's budget does the council need to meet through local funding? How has this changed since 2010?

RESPONSE

Following ongoing and savage cuts from both the Liberal Democrats and Conservatives in government, the council needs to raise a higher proportion of its income from council tax and business rates.

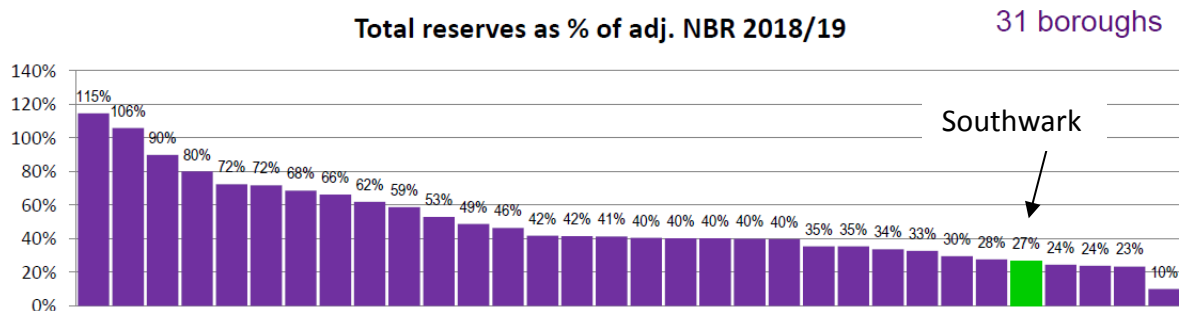
Council tax growth and business rate growth accounts for 48% (£140.6m) of the budget requirement in 2019-20 compared to 20% (£75.4m) in 2011-12.

5. QUESTION TO THE CABINET MEMBER FOR FINANCE, PERFORMANCE AND BREXIT FROM COUNCILLOR CLEO SOANES

How do Southwark's level of balances compare to other London boroughs? Is the cabinet member confident that these are adequate for this borough?

RESPONSE

London Councils conducted a financial stress survey across London that included reviewing the levels of reserves. As demonstrated by the below graph, the council's levels of reserves are low relative to the council's budget requirements and other councils. It would be irresponsible to reduce our reserves any further than we already have done.



However as cabinet member I am reassured that the level of reserves is adequate based on:

- The Local Government Act 2003 requires the chief finance officer to report on the adequacy of reserves held, and requires members to have regard to that report in setting the budget. He considers the current plans for use of balances to be acceptable and recognises that the budget continues to allow for a contingency that mitigates the risk of shortfalls in savings and income targets or higher levels of commitments arising from unforeseen budget pressures
- For a number of years previously, the council had planned for the use of reserves to help smooth the impact of government funding reductions and other budget pressures especially during the period of austerity. The council delivered balanced budgets in both 2018-19 and 2019-20 without recourse to reserves
- Budget monitoring shows that Children's and Adults' social care services continue to build on the stronger budget oversight achieved in 2017-18, with improved practices now embedded. This, together with the increase in budgets and efficiency savings for both Adults and Children's services, indicate the department is now on a sustainable financial footing

- The council was able to strengthen its overall financial position in closing the 2017-18 accounts (£10.8m) and expects the position to be further strengthened in closing the 2018-19 accounts, including the provisions in the budget to create specific reserves for Business Rates Retention Risk and Brexit Risk Reserve
- The level of balances remains subject to the scrutiny of the section 151 officer who must ensure that any one off contributions to the budget are appropriate and affordable.

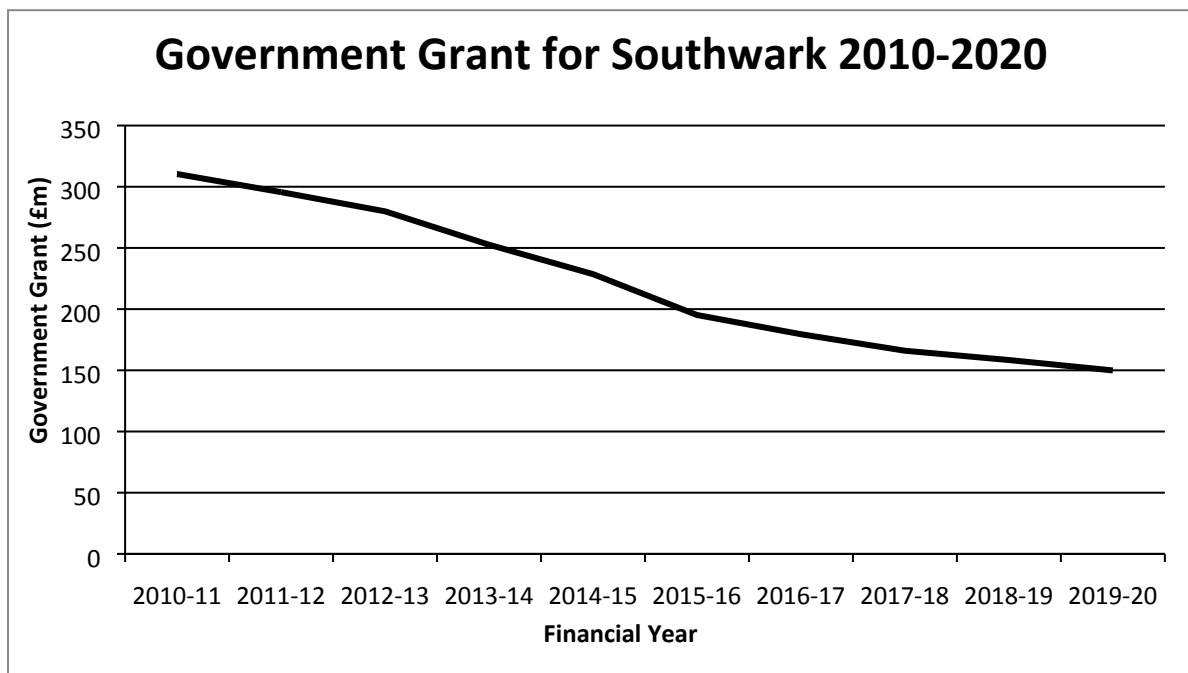
6. QUESTION TO THE CABINET MEMBER FOR FINANCE, PERFORMANCE AND BREXIT FROM COUNCILLOR TOM FLYNN

What has been the change in the government grant for Southwark each year since 2010?

RESPONSE

The following table shows the change in core government funding each year since 2010-11:

Date	£m
2010-11	310.4
2011-12	295.6
2012-13	279.9
2013-14	252.6
2014-15	228.6
2015-16	195.2
2016-17	179.5
2017-18	166.0
2018-19	158.4
2019-20	149.9



7. QUESTION TO THE CABINET MEMBER FOR FINANCE, PERFORMANCE AND BREXIT FROM COUNCILLOR IAN WINGFIELD

Could the cabinet member please provide graphs/bar/pie charts showing the following on an annual basis in actual figures and percentages:

1. The council's total budget since 2010.
2. The constituent income parts (i.e. government, council tax, business rates, etc.) of the council's budget since 2010.
3. The amount of expenditure in total spent on employees since 2010.

RESPONSE

1. The council's total budget since 2010:

Table 1 - Net expenditure 2010-11 to 2018-19

	Figures in £'m									
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Net current expenditure (or Net Budget Requirement)	385.6	376.8	365.6	345.1	328.3	302.4	293.9	290.8	306.0	303.3

Net current expenditure represents the cost of running council services offset by income from sales, fees and charges and service specific grants.

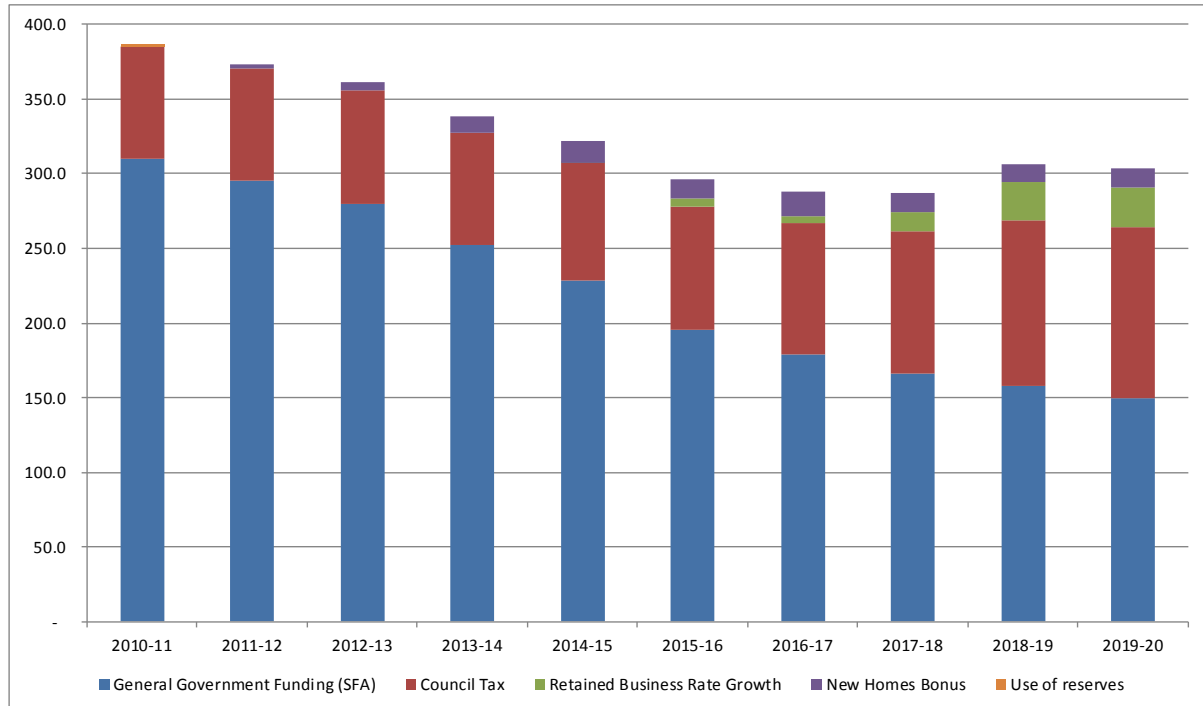
Net current expenditure is funded from general government funding (or SFA), retained business rate growth, council tax.

General government funding comprises Revenue Support Grant and Retained Business Rates (Baseline Funding)

2. The constituent income parts (i.e. government, council tax, business rate, etc.) of the council's budget since 2010:

Table 2 - Funding the Net budget requirement 2010-11 to 2018-19

Figures in £'m										
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
General Government Funding (SFA)	310.4	295.6	279.9	252.6	228.6	195.2	179.5	166.0	158.4	149.9
Council Tax	75.2	75.2	76.1	75.1	78.3	82.9	87.3	95.7	110.1	114.4
Retained Business Rate Growth	-	-	-	-	0.7	5.0	4.6	12.6	25.7	26.2
New Homes Bonus	-	2.6	5.2	11.2	14.5	13.1	16.3	12.8	11.8	12.8
Use of reserves	-	3.4	4.4	6.2	6.2	6.2	6.2	3.7	-	-
Net Budget requirement	385.6	376.8	365.6	345.1	328.3	302.4	293.9	290.8	306.0	303.3
Government Funding (SFA)	80%	78%	77%	73%	70%	65%	61%	57%	52%	49%
Locally generated resources	20%	22%	23%	27%	30%	35%	39%	43%	48%	51%



There have been a number of changes to the way Government Funding or Settlement Funding Assessment (SFA) has been defined and presented since 2010-11.

When the 50% business rates retention system was introduced in 2013-14 an updated assessment of relative need was calculated based on previous formula grant and a number of grants that were added to SFA to comprise start up funding. Earlier years have been restated for comparability.

From 2014-15 Council Tax Support Funding was combined into the new SFA. Since then it has been impossible to show how much direct funding government allocates to CTS each year. Earlier years have been restated for comparability.

From 2018-19 the council has been part of the London Business Rates pilot. One-off growth attributable to the pilot are not included above.

3. The amount of expenditure in total spent on employees since 2010:

Table 3 - General Fund Revenue Account: Employee Costs 2010-11 to 2017-18 actuals and 2018-19 forecast

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Salaries & wages	121,885	116,973	113,158	119,965	122,722	121,840	113,133	109,819	110,725
Overtime & allowances	4,543	3,828	4,444	4,866	5,513	4,859	4,863	5,065	5,693
Employers National Insurance	10,426	10,319	10,134	10,469	10,751	10,828	12,308	12,311	12,317
Employers Pension expenses	23,630	23,448	22,275	25,336	27,617	25,672	24,592	25,547	27,215
Other Employee expenses	7,554	6,274	5,823	6,263	6,862	6,942	4,555	4,686	2,362
	168,038	160,842	155,834	166,899	173,465	170,141	159,451	157,428	158,312

NB - figures are for General Fund Revenue Account and exclude school employees, HRA and DSO