

Southwark Council

Budget Book

Budget Overview

2014/15

Contents

Introduction	3
Budget strategy	7
Background to settlement	16

Detailed departmental budget books

Children's and Adult Services

Environment and Leisure

Housing Services

Finance and Corporate Services

Chief Executive

Capital

List of contacts

If you require further information regarding the estimates contained in the budget books, please contact the relevant senior finance managers listed below:

Council department	Name	Contact tel. no.
Children's & Adult Services	Fay Hammond	020 7525 0614
Environment and Leisure	Edwin Thomas	020 7525 2385
Housing Services	Ian Young	020 7525 7489
Finance and Corporate Services and Chief Executive	Carl Rushbridge	020 7525 3380

Introduction

This budget book presents key information in relation to the 2014/15 budget agreed by the Council in February 2015. It contains descriptions and the budgets for the services that the Council provides. The following sections set out the framework within which the Council sets its budget.

Council Plan

The budgets have been agreed within the framework of the Council Plan confirmed at Council Assembly in July 2011. The Council Plan contained the leader's vision of a fairer future for all in Southwark. The full report can be found here.

Report - <http://moderngov.Southwark.gov.uk/mgConvert2PDF.aspx?ID=20463>

The council plan is supported by a collection of schedules, these contain delivery schedules of key actions and targets for each portfolio

- A Finance and Resources
- B Equalities and Community Engagement
- C Health and Adult Social Care
- D Housing
- E Children's Services
- F Community Safety
- G Culture, Leisure, Sport and the Olympics
- H Transport, Environment and Recycling
- I Regeneration and Corporate Strategy

Schedules - <http://moderngov.Southwark.gov.uk/mgConvert2PDF.aspx?ID=20497>

Budget principles

On 21 September 2010 the Cabinet agreed seven budget principles to the work of officers in preparing a balanced budget. These have underpinned the budget decisions made by the Council over the last few years, including the budget for 2014/15 that was agreed by Council Assembly on 26 February 2014.

The principles are;

- At a time of unprecedented cuts proposed by central government, the 2011 Southwark budget should continue to prioritise the commitments made by the Cabinet at its first meeting as a new administration in June and its vision to create a fairer future for all by promoting social and economic equality in an economically vibrant borough.
- We recognise that some services currently provided by the Council may be lost, and some may change. However, we will do all that we can to protect our frontline services and support our most vulnerable residents.
- We will ensure that the services which the Council delivers provide value for money, value for council tax payers and contribute towards delivering our vision of creating a fairer future for all in Southwark.
- We will explore alternative ways of providing a service prior to proposing any cut or reduction. This will include talking to partner organisations, the voluntary sector, the trade unions, the business community and other local authorities.
- We will be transparent with any specific group or groups of users who may be affected by any cut or reduction in service provision as soon as possible and explore

with them other ways to provide the service. We will conduct an equalities impact assessment for our budget proposals.

- Before proposing any cut or reduction we will have a clear and comprehensive explanation for why that service should be cut, reduced or no longer provided by the Council, and this explanation should be capable of being subject to robust challenge.
- Budget proposals should be based on a three year approach and should have regard to innovative ways of providing services and maintaining employment in the borough.

Policy and resources strategy

When the Council agrees the annual budget, this is done within the framework of the policy and resources strategy. This strategy ensures that there is a fully integrated business and budget planning process. The framework ensures that:

- The highest priorities as set out ultimately in the community strategy are funded within a level of council tax which is affordable in accordance with the Council's financial management and control strategy, part of the medium term resources strategy.
- The allocation of resources is closely aligned with national and local priorities and other statutory requirements.
- Financial rigour is maintained from the point of allocation of resources through to spending, monitoring and evaluation.
- Existing performance levels are constantly challenged to achieve continuous improvement. This includes regular monitoring of performance indicators alongside revenue, capital, budget and debt monitors.
- Efficiencies are identified and implemented in accordance with the principles of achieving value for money.

Medium term resources strategy

The Medium Term Resources Strategy (MTRS) enables the council to make best use of financial, human, technological and other resources available to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders.

Effective planning and resource management are crucial to meeting our collective goals and the MTRS provides a framework of underlying principles by which resources may be allocated across the council and other relevant considerations that need to be taken into account. It brings together strategies for:

- Finance
- Workforce
- Assets
- Technology
- Procurement
- The voluntary and community sector

The current Medium Term Resources Strategy 2014/15 – 2016/17 was agreed by Council Assembly on 26 February 2014, see link below

https://www.southwark.gov.uk/downloads/download/278/medium_term_resources_strategy

Financial management and control strategy (Part of MTRS)

The financial management and control strategy sets out the financial principles of the Council and the remit within which it plans its business. The strategy sets out the following key outcomes which are to be achieved over the period of the MTRS:

- Unqualified accounts each year
- A balanced three year budget agreed annually
- A robust ten year capital programme
- A five year housing investment programme, secured and maintained
- Maximisation of the collection income due to the council.
- Maintenance of appropriate levels of general and earmarked balances and contingencies to protect council services and assist in mitigating future risks.
- Maximisation of returns from council investments, within a prudent framework.
- Minimisation of the impact of fraud and corruption on council business

Council budgets

Through the business and budget planning process, resources are allocated to services and this sets their budgets for the year(s). The Council's budget can be split into four main categories which are:

- General fund revenue
- Capital
- Housing revenue account (HRA)
- Schools budget

General fund revenue budget

On 26 February 2014 Council Assembly set a balanced general fund revenue budget of £314.4 million for 2014/15 with a 0% increase in the level of council tax for Southwark's element.

Capital

On 18 March 2014, the cabinet approved a refresh of the 10 year capital programme for the period 2013/14-2023/24 which secured the physical renewal of the borough by setting out plans for regeneration, housing, leisure, environment and schools in line with the community strategy and the Council's plan.

Capital financing charges within the general fund revenue budgets are comprised of the following

	£m
Depreciation	28.4
Debt repayment	13.5
	<u>41.9</u>

HRA

The housing revenue account (HRA) reflects the statutory requirement under Section 74 of the Local Government and Housing Act 1989 to account separately for local authority housing provision. It is a ring-fenced account, containing solely the costs arising from the provision and management of the Council's housing stock, offset by tenants' rents and service charges, leaseholder service charges and other income.

Whilst there is no statutory requirement to consult, the Council is committed to engaging with stakeholders, particularly under the terms of the Tenancy Agreement, and so the indicative budget report to Cabinet on 10 December 2013 formed the basis of early consultation with Tenant Council, area housing forums, TMO Liaison Committee and Home Owner Council. This process commenced before Christmas 2013, and continued throughout January 2014. The Council is obliged by statute to agree a balanced HRA budget, whereby income and expenditure levels for the forthcoming year match and following some revisions to the tabled report this was agreed by Cabinet on 28 January 2014.

Non controllable budgets

The budgets contain certain budgets that are required to show full cost of service, but are out of the control of individual departments.

These budgets all net out to zero within the general fund and as such are not subject to savings requirements.

These budgets are as follows

- Capital charges - £28.4m – Depreciation charges made to service department revenue accounts, based on the value of the assets used by the service.
- Service cost recharges (SCRs) - £41.1m - Charges for services that support the provision of services to the public, including functions such as finance, human resources, legal services, information technology and the customer service centre.

Other publications

The Council also produces the following publications which contain information on the Council's finances:

- Council tax and business rates leaflet (issued each year with the respective bills)
- Statement of accounts

Further details of these publications can be obtained by writing to: Duncan Whitfield, Strategic Director of Finance and corporate Services, Southwark Council, P.O. Box 64529, London SE1P 5LX

Budget strategy

Objectives of setting the budget

In addition to the statutory requirement to set a budget the Council has its own objectives in preparing and setting a budget:

- To set council tax
- To give financial expression to the Council's plans for service delivery in the coming year
- To make a detailed allocation of available financial resources
- To set a target against which performance may be monitored
- To provide authority for chief officers to incur expenditure within the framework of financial regulations, standing orders and the scheme of delegation
- To meet the requirements of external auditors that proper financial control is being exercised

Southwark Council's constitution: Budget and policy framework procedure rules

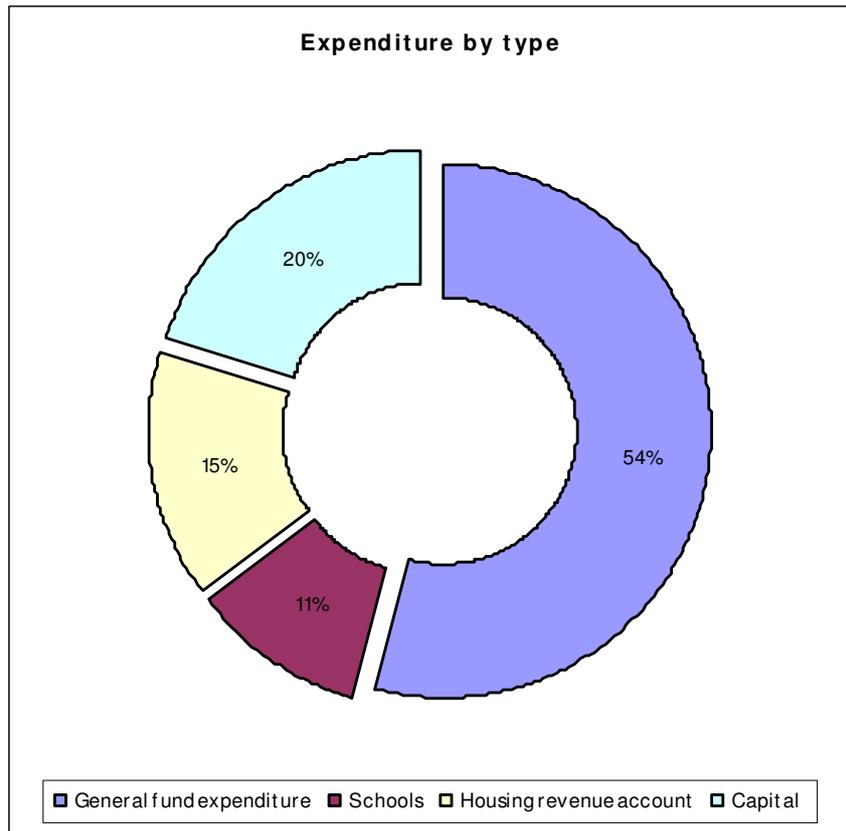
The main process is as follows:

- Budget proposals made to the Cabinet
- Scrutiny committees can respond to the Cabinet re budget proposals
- Cabinet recommend a budget to Council Assembly
- Council Assembly agrees budget and sets council tax

Budget plan

In 2014/15 the Council will spend in the region of £1.8bn. This expenditure can be classified into four main types as follows:

Expenditure type	£m
General fund expenditure	1,006
Capital	376
Housing revenue account	275
Schools	195
Total	1,852



Council tax

In 2014/15 the band D council tax for Southwark services has been frozen at £912.14. The GLA precept was reduced by £4.00 to £299.00, so the total band D council tax paid by Southwark taxpayers is £1,211.14.

How Southwark compares with other London authorities

Local authority	Band D Council Tax for the authority	Change in Council Tax for the authority	Band D Council Tax for the authority including GLA precept	Change in Council Tax for the authority including GLA precept	London Ranking (inc City) Lowest = 1
INNER LONDON	£	%	£	%	
City of London	861.67	0.51%	946.15	0.29%	3
Camden	1,021.77	0.00%	1,320.77	-0.30%	15
Greenwich	981.04	0.00%	1,280.04	-0.31%	11
Hackney	998.45	0.00%	1,297.45	-0.31%	12
Hammersmith & Fulham	735.16	-3.00%	1,034.16	-2.52%	4
Islington	961.87	0.00%	1,260.87	-0.32%	10
Kensington & Chelsea	782.58	0.00%	1,081.58	-0.37%	5
Lambeth	925.29	0.00%	1,224.29	-0.33%	8
Lewisham	1,060.35	0.00%	1,359.35	-0.29%	18
Southwark	912.14	0.00%	1,211.14	-0.33%	7
Tower Hamlets	885.52	0.00%	1,184.52	-0.34%	6
Wandsworth	388.42	-0.03%	687.42	-0.60%	2
Westminster	378.01	0.00%	677.01	-0.59%	1
OUTER LONDON					
Barking & Dagenham	1,016.40	0.00%	1,315.40	-0.30%	14
Barnet	1,102.07	-1.00%	1,401.07	-1.07%	22
Bexley	1,128.59	0.00%	1,427.59	-0.28%	25
Brent	1,058.94	0.00%	1,357.94	-0.29%	16
Bromley	1,010.07	0.00%	1,309.07	-0.30%	13
Croydon	1,171.39	0.00%	1,470.39	-0.27%	28
Ealing	1,059.93	0.00%	1,358.93	-0.29%	17
Enfield	1,100.34	0.00%	1,399.34	-0.29%	21
Haringey	1,184.32	0.00%	1,483.32	-0.27%	29
Harrow	1,210.28	0.00%	1,509.28	-0.26%	31
Havering	1,195.18	0.00%	1,494.18	-0.27%	30
Hillingdon	1,112.93	0.00%	1,411.93	-0.28%	24
Hounslow	1,079.77	-0.50%	1,378.77	-0.68%	19
Kingston-upon-Thames	1,379.65	0.00%	1,678.65	-0.24%	33
Merton	1,106.56	0.00%	1,405.56	-0.28%	23
Newham	945.63	0.00%	1,244.63	-0.32%	9
Redbridge	1,095.53	0.00%	1,394.53	-0.29%	20
Richmond-upon-Thames	1,287.39	0.00%	1,586.39	-0.25%	32
Sutton	1,140.89	0.00%	1,439.89	-0.28%	26
Waltham Forest	1,152.21	0.00%	1,451.21	-0.27%	27
London Average	997.94	-0.14%	1,296.44	-0.41%	
London Average (excl City)	998.26	-0.14%	1,297.26	-0.41%	
Inner London Average (incl City)	795.99	-0.11%	1,093.68	-0.44%	
Inner London Average (excl City)	795.58	-0.11%	1,094.58	-0.44%	
Outer London Average	1,123.91	-0.12%	1,422.91	-0.37%	

Note: These averages are calculated as follows:

$$\frac{\text{The sum of each authority's band D council tax} \times \text{each authority's council tax base}}{\text{The sum of each authority's council tax base}}$$

Council tax base

The council tax base is the measure of the tax raising capability of the authority. The tax base is calculated by multiplying the number of band D equivalent properties in the authority by the estimated collection rate.

The council tax for Southwark (£912.14) and for the GLA (£299.00), are added together to give a total council tax of £1,211.14 for a band D property.

Council tax base	2013/14	2014/15
Gross tax base	84,593	87,397
Budgeted collection rates	96.25%	96.50%
Net tax base *	81,421	84,338

Council tax calculation

	2013/14		2014/15	
	£000		£000	
Gross Southwark revenue requirement		327,772		308,231
Greater London Authority		24,670		25,217
Total revenue requirement		352,442		333,448
Less income from				
Retained business rates	(57,176)		(61,573)	
Business rates top-up	(43,278)		(44,122)	
Revenue support grant	(152,150)	(252,604)	(124,281)	(229,976)
Amount to be raised		99,838		103,472
Add deficit/(surplus) on collection fund		(900)		(1,327)
Amount to be met from council tax		98,938		102,145
Divided by the council tax base of		81,421		84,338
Council tax per band D property		£1,215.14		£1,211.14

The table below shows the council tax for all property bands.

Number of properties in each tax band							
Council Tax Band	Value of properties in band			Number of properties per valuation list in this band (Jan 2014)	% of properties in this band	Number of band D equivalents (after adjustment for discounts and exemptions)	2014/15 Southwark Council Tax
A	Below		£40,000	11,706	8.9%	4,234.92	608.09
B	£40,000	To	£52,000	37,744	28.8%	16,747.89	709.44
C	£52,000	To	£68,000	33,866	25.8%	20,447.33	810.79
D	£68,000	To	£88,000	22,130	16.9%	16,533.50	912.14
E	£88,000	To	£120,000	14,904	11.4%	14,431.08	1,114.84
F	£120,000	To	£160,000	6,070	4.6%	7,648.69	1,317.54
G	£160,000	To	£320,000	4,071	3.1%	6,281.25	1,520.23
H	Above £320,000			593	0.5%	1,072.50	2,422.28
Total				131,084	100.0%	87,397.16	
Estimated collectable amount %						96.50%	
Council tax base						84,338.26	
Budgeted amount to be met from Council Tax £'000 (Tax base x Band D)						76,928	

The full council tax charges for 2014/15 are shown below:

	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Southwark	608.09	709.44	810.79	912.14	1,114.84	1,317.54	1,520.23	1,824.28
GLA	199.33	232.56	265.78	299.00	365.44	431.89	498.33	598.00
Total council tax	807.42	942.00	1,076.57	1,211.14	1,480.28	1,749.43	2,018.56	2,422.28

Precepts and levies

The council tax also pays for the services of the Greater London Authority (GLA). Money to pay for these services is raised through an additional fixed charge on top of each taxpayer's council tax liability for Southwark. This is termed a precept.

In 2014/15 the Greater London Authority precept is £299.00 for Band D, compared to £303.00 in 2013/14.

In addition to the GLA precept, Southwark's element of the council tax also includes the levy from three other organisations. The total precept amount and levies are shown in the table below:

	2013/14 £'000	2014/15 £'000
Greater London Authority	24,670	25,217
Total precepts	24,670	25,217
Environment agency	191	194
London Pension Fund	1,404	1,418
Lee Valley regional Park Authority	267	266
Total levies	1,862	1,878
Total precepts and levies	26,532	27,095

Collection fund

All council tax income is paid into the collection fund before being used to pay for Southwark and GLA services. If less council tax is collected than was originally estimated, then the deficit must be made up the following year, similarly if more council tax is collected the surplus offsets the council tax liability in the following year.

In 2014/15, a collection fund surplus of £1,327k has been included in the budget, in 2013/14 a £900k surplus was included.

For further information please contact the Financial Accounting Team.

Chris O'Brien 020 7525 7468

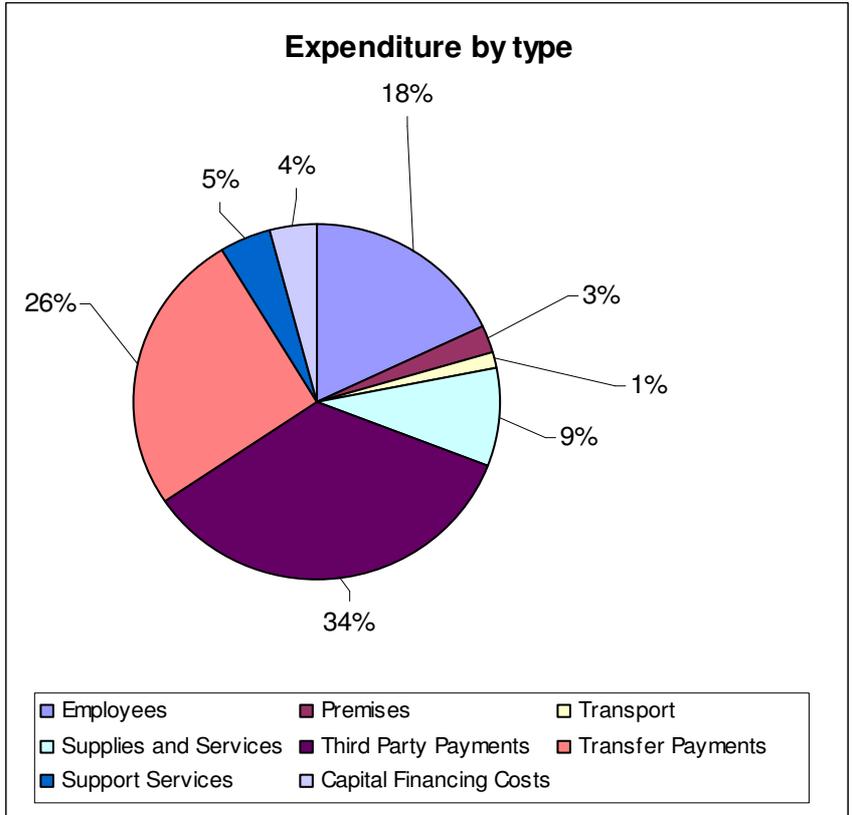
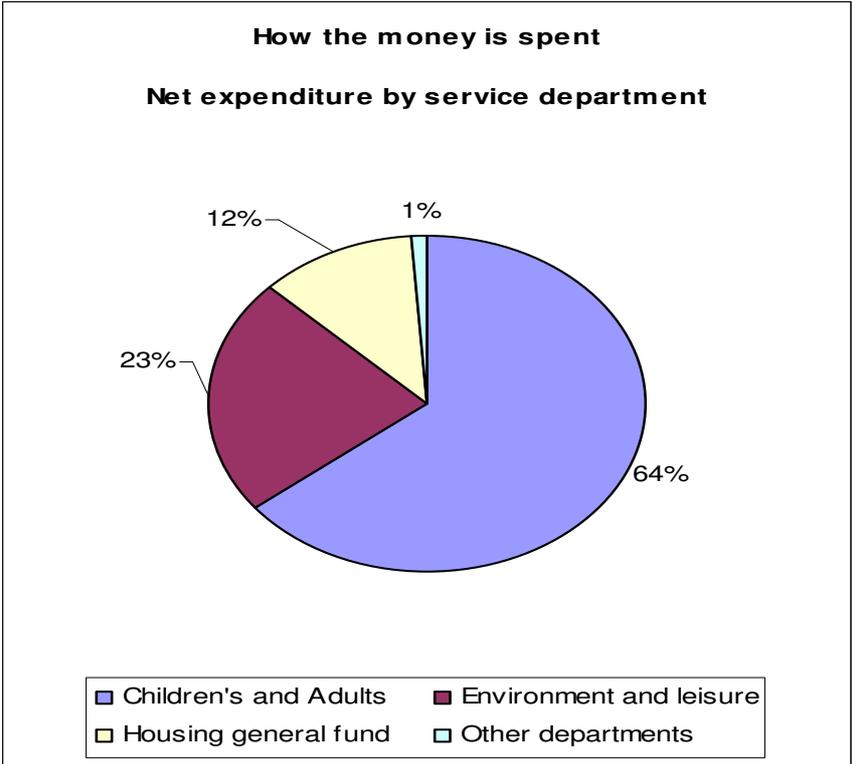
Summary of key changes to the general fund budget between 2013/14 and 2014/15

In 2014/15 the Council's net total budget £314.4m, which compares to £334.0m for 2013/14. The key changes to the budget are:

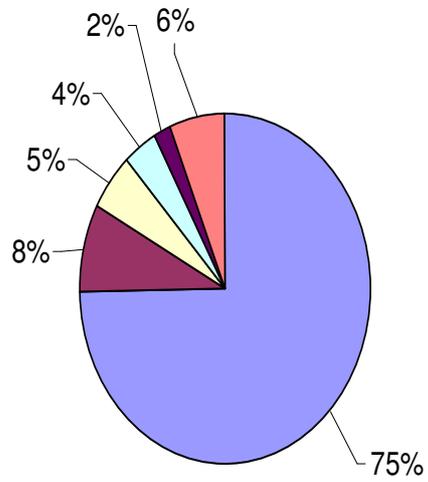
	2013/14 £m	2014/15 £m
Revised previous year budget	341.1	334.0
Inflation		
Pay award: 0% in 2012/13, 1% for 2013/14	1.6	1.8
Inflation based on contractual commitments	2.4	3.8
Commitments, Savings & Growth ¹		
Commitments and Growth	11.7	9.4
Efficiencies and improved use of resources	(18.6)	(17.8)
Income generation	(0.2)	(1.0)
Savings impacting on service delivery	(6.1)	(0.5)
Use of additional New Homes Bonus		(8.7)
Corporate initiatives		(6.6)
Other adjustments		
Reversal of one-off items from 2012/13	(0.6)	0.0
Social fund	(1.7)	0.0
Fall out of contribution from balances	4.4	0.0
Total Budget	334.0	314.4
Funded by		
Government Grants		
Settlement funding allocation	(252.6)	(230.0)
Council Tax		
Council tax	(74.3)	(76.9)
Collection fund surplus	(0.9)	(1.3)
Funding available	(327.8)	(308.2)
Funding shortfall	6.2	6.2
Contributions from balances	(6.2)	(6.2)
Balance	0	0

Summary of general fund gross expenditure and income

2013/14 Net expenditure £m	Department	2014/15		Net Expenditure £m
		Expenditure £m	Income £m	
206.8	Children's and Adult Services	440.4	(237.3)	203.1
72.8	Environment and leisure	135.0	(62.9)	72.1
37.5	Housing services	47.4	(10.9)	36.5
45.9	Finance and corporate services	305.7	(260.9)	44.8
19.3	Chief executive	34.6	(16.2)	18.4
(57.9)	Corporate support cost recharge income	0.0	(57.9)	(57.9)
324.4	Total general fund cost of services	963.1	(646.1)	317.0
8.5	Corporate budgets	40.7	(44.4)	(3.7)
1.1	Corporate and democratic core	2.2	(1.1)	1.1
334.0	Total Budget	1,006.0	(691.6)	314.4
(6.2)	Contribution to / (from) reserves	0.0	(6.2)	(6.2)
327.8	Amount met from government grants and local taxation	1,006.0	(697.8)	308.2
(252.6)	Settlement funding allocation (SFA)			(230.0)
(0.9)	Shortfall (surplus) on collection fund from previous year			(1.3)
74.3	Council tax requirement			76.9
81,421	Council tax base (number of band D equivalent properties)			84,338
£912.14	Southwark council tax			£912.14



Income by type



- | | |
|-----------------------------|----------------------------------|
| Government and other grants | Council tax |
| Fees and Charges | Other Income |
| Income from charges to HRA | Support services recharge income |

Background to settlement

Settlement Funding Assessments (previously start up funding)

On 5 February 2014, the government announced the final settlement for 2014/15 and illustrative figures for 2015/16. These figures give Southwark's Settlement Funding Assessment (SFA) at £227.474m.

Overall Southwark's SFA has been reduced by £26.8m (10.5%), this compares with Inner London £259.4m (10.7%), and £503.8m for all London authorities (10.4%). At a national level the reduction is £2,470.8 (9.4%).

		Southwark	Inner London	London	England
Adjusted 2013/14	£m	254.3	2,415.6	4,859.2	26,256.4
2014/15 Funding	£m	227.5	2,156.2	4,355.4	23,785.6
Change	£m	(26.8)	(259.4)	(503.8)	(2,470.8)
Change	%	(10.5)	(10.7)	(10.4)	(9.4)
2015/16 funding	£m	194.0	1,835.5	3,727.1	20,650.8
Change	£m	(33.4)	(320.8)	(628.3)	(3,134.8)
Change	%	(14.7)	(14.9)	(14.4)	(13.2)

For Southwark, the government's calculation of settlement funding comprises of the following:

	Adjusted 2013/14 Funding	2014/15 funding	Change		2015/16 Funding	Change	
	£m	£m	£m	%	£m	£m	%
Upper - tier funding	161.416	144.294	(17.122)	(10.6%)	120.996	(23.298)	(0.161)
Lower - tier funding	62.728	53.773	(8.955)	(14.3%)	45.000	(8.773)	(0.163)
Formula Funding	224.144	198.067	(26.077)	(11.6%)	165.996	(32.071)	(0.162)
Add Grants rolled in							
2011/12 Council Tax Freeze grant	2.257	2.247	(0.010)	(0.4%)	2.247	0.000	0.000
Early Intervention	14.416	13.298	(1.118)	(7.8%)	12.162	(1.136)	(0.085)
Homelessness Prevention	1.541	1.518	(0.023)	(1.5%)	1.518	0.000	0.000
Lead Local Flood Authority	0.183	0.180	(0.003)	(1.6%)	0.180	0.000	0.000
Learning Disability and Health Reform	10.831	10.933	0.102	0.9%	10.930	(0.003)	0.000
2013/14 Council Tax freeze grant	0.929	0.929	0.000	0.0%	0.929	0.000	0.000
Returned holdback	0.000	0.302	0.302	-	0.000	(0.302)	-
Settlement Funding Assessment	254.301	227.474	-26.827	(10.5%)	193.962	(33.512)	(14.7%)

For 2014/15, Southwark have the second highest settlement funding reduction (12th highest % decrease. The cash reductions range between £27.1m for Tower Hamlets (11.1%) to £4.7m for Richmond-upon-Thames (9.2%)

For 2015/16, Southwark have the highest settlement funding reduction (11th highest % decrease. The cash reductions range between £33.5m for Southwark (14.7%) to £4.9m for Richmond-upon-Thames (10.6%).

Revenue spending power

As part of the 2014/15 finance settlement the government announced for all councils' reductions in their spending power when compared to the previous year. According to DCLG analysis, Southwark have incurred a £17.7m reduction (4.8%). This compares with a reduction for Inner London of £179.2m (4.8%) and £327.2m (3.9%) for all London boroughs. At a national level the reduction is £1,665.5m (3.1%).

The Governments announcement gives the national funding reduction at 2.9%, (1.8% in 2015/16) this is because it excludes the GLA. The national figures above include GLA, so to provide a like for like comparison between previous years.

For 2014/15, Southwark have the third highest spending power reduction (11th highest % decrease. The spending power reductions range between £18.6m for Lambeth (5.0%) to £1.2m for Richmond-upon-Thames (0.7%)

For 2015/16, Southwark have the second highest spending power reduction (5th highest % decrease. The cash reductions range between £19.8m for Newham (6.1%) to £3.3m for Bromley (1.4%).

	Adjusted 2013/14 £m	2014/15 £m	Change £m	Adjusted 2014/15 £m	2015/15 £m	Change £m
Settlement Funding Assessment	254.301	227.474	(26.826) (10.5%)	227.474	193.962	(33.513) (14.7%)
2013-14 Council Tax Requirement	74.267	76.361	2.094	76.361	78.514	2.153
Adjustment to reflect Section 31 grants for business rates cap		1.095	1.095	1.095	1.095	0.000
Lead Local Flood Authorities	0.255	0.255	0.000	0.255	0.170	(0.085)
Local Welfare Provision Grant	1.651	1.627	(0.024)	1.627	0.000	(1.627)
Community Right to Challenge	0.009	0.009	0.000	0.009	0.000	(0.009)
Community Right to Bid	0.008	0.008	0.000	0.008	0.000	(0.008)
New Homes Bonus	8.061	10.845	2.784	10.845	13.629	2.784
New Homes Bonus: Returned Funding	0.858	0.346	(0.512)	0.346	0.884	0.538
Housing Benefit Administration Subsidy	3.751	3.751	0.000	0.000	0.000	0.000
Council Tax Support New Burdens Funding	0.242	0.203	(0.038)	0.203	0.000	(0.203)
LA Social Housing Fraud	0.100	0.100	0.000	0.100	0.000	(0.100)
Local Reform and Community Voices grant	0.275	0.284	0.009	0.284	0.284	0.000
Public Health Grant 2013-14 (Ring-fenced)	21.809	22.946	1.137	22.946	22.946	0.000
NHS funding to support social care and benefit health	5.622	7.199	1.577	0.000	0.000	0.000
Indicative CT Freeze 2014-15	0.000	0.992	0.992	0.992	0.992	0.000
Indicative CT Freeze 2015-16				0.000	1.020	1.020
Adjusted Adult Social Care New Burdens				1.865	1.865	0.000
NHS funding to support social care and benefit health				10.263	20.478	10.215
Estimated 2013-14 Revenue Spending Power	371.208	353.495	(17.713) (4.8%)	354.674	335.839	(18.835) (5.3%)

The table below shows the reductions in spending power for Southwark, London and England since 2011/12, it can be seen that over the five year period Southwark and London have borne a disproportionate share of the reductions.

		Southwark	Inner London	London	England
2011/12	£m	33.7	303.3	514.8	2,578.50
	%	8.4	7.8	5.9	4.7
2012/13	£m	16.9	175.1	325.3	1,742.90
	%	4.6	4.9	4.0	3.3
2013/14	£m	21.4	206.4	398.7	1,966.80
	%	5.9	5.9	4.9	3.8
2014/15	£m	17.7	179.2	327.2	1,665.5
	%	4.8	4.8	3.9	3.1
2015/16	£m	18.8	181.6	268.2	1,056.4
	%	5.3	4.9	3.3	2.0

The 2015/16 spending power reductions are further disguised by the inclusion of the £3.5bn Better Care Fund designed to enable local places to integrate care that is currently commissioned by the NHS and local authorities. This is a pooled budget that will fund both NHS and local services, depending on local needs, it is possible that only a small amount of this could go to local government.

The table below shows the reduction in spending power if this is excluded.

		Southwark	Inner London	London	England
2015/16	£m	29.0	300.9	552.4	2,871.7
	%	8.4	8.3	7.0	5.7

A DCLG explanatory note said it was right to include this money in the spending power calculation because “it is for local authorities and NHS to agree locally how the funding will be spent through Health and Wellbeing Boards”, Simon Parker, director of the think tank New Local Government Network, said “It’s surely either in the NHS ring-fence or it isn’t”,

These 2014/15 and 2015/16 reductions for Southwark follow on from the loss of £33.7m (8.4%) in 2011/12 and £16.9m (4.6%) in 2012/13 and £21.4m (5.9%) in 2013/14. For all years, the reduction is in cash terms and takes no account of inflation, albeit that pay awards have been frozen through most of the period. The real terms analysis of these reductions in spending power would clearly worsen the overall loss.

Retained Business Rates

For the transition to the business rates retention system, the government have calculated for each local authority a baseline funding level. For Southwark this is £103.193m for 2014/15, and £106.041m for 2015/16.

The government also calculate for each local authority an estimated share of business rates. This figure is deducted from the baseline funding to determine the top-up or tariff, Southwark will receive a top-up of £44.122m in 2014/15 and £45.339 in 2015/16

	2014/15 £m	2015/16 £
Baseline funding level	103.193	106.041
Estimated retained business rates	(59.071)	(60.702)
Business rate top - up	44.122	45.339

The 2014/15 baseline funding of £103.193m is then deducted from the start up funding £227.474m to determine the amount of revenue support grant, for Southwark this will be £124.281m in 2014/15, the total of each of the above element of the retained business rates system matches the start up funding as can be seen below. For 2014/15 the government have capped the increase to 2% for the uplift of the baseline funding amount.

		2014/15 £m	2015/16 £m
Retained Business Rates (RBR)	Variable	59.071	60.703
RBR top up from government	Fixed	44.122	45.339
Baseline funding level		103.193	106.042
Revenue Support Grant (RSG)	Fixed	124.281	87.920
Total Funding		227.474	193.962

Actual retained business rates income for 2014/15 is dependent on the assessed rateable values, effect of appeals and collection rates. An NNDR1 return to estimate this was submitted by the council to DCLG. The net rate yield from the NNDR1 report is then adjusted to take account of the central government (50%) and Greater London Authority (GLA) share (20%):

As for any new scheme of this material significance, there is much uncertainty over the operation of the business rate retention scheme. This presents significant risk to the council but also some opportunity in the event of an increase in business rate yield that surpasses government targets. Any uncollected business rates, or unfavourable variation from government estimates of rateable values, will impact directly on council resource available and therefore on resources available to fund and to provide services.

The NNDR1 return completed in January resulted in the following

	2014/15 £m
Net forecast rate yield	205.243
Less: amount to be paid to central government (50%)	(102.621)
Less amount to be passed on to the GLA (40% of business rates baseline, 20% of net rate yield)	(41.049)
RBR income for Southwark Council (30%)	61.573
Government estimate of RBR	59.071
Additional retained share of business rates	2,502

Although the business rates retention scheme will include a safety net at 7.5% to protect local authorities from significant reductions in business rates, this means that shortfalls from 0-7.5% will not be protected and will have to be borne by the local authority. It would be possible for a local authority to lose just below 7.5% for a number of years and never receive any safety net payment. In addition, the council has to estimate for the impact of appeals, of which there are 1,400 outstanding at present.

Council tax requirement

The council tax requirement is the sum needed to be raised from council tax after taking account of start up funding, collection fund surplus / deficit and contributions from reserves, see table below

	2013/14 £m	2014/15 £m
Total Budget	334.0	314.4
Settlement funding assessment	(253.3)	(227.5)
(Growth) / shortfall in business rate income	0.7	(2.5)
Collection fund (surplus) / deficit	(0.9)	(1.3)
Contribution from balances	(6.2)	(6.2)
Council tax requirement	74.3	76.9

Government grant and council tax

The ratio between funding from the government and council tax to meet the net budget requirement is as follows:

Year	Government Grant £'000	%	Council Tax £'000	%	Budget Requirement £'000	%
2013/14	252,605	77%	75,167	23%	327,772	100%
2014/15	229,976	75%	78,255	25%	308,231	100%

* Includes £900k collection fund surplus

* Includes £1,327k collection fund surplus

