

Southwark Council

Budget Book

Budget Overview

2015/16

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Detailed departmental budget books

Children's and Adult Services

Environment and Leisure

Housing Services (including HRA)

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 Children's Services Adult Services	Melissa Williamson Yusuf Shaib	020 7525 3772 020 7525 3888
Environment and Leisure	Daniel Brew-Riverson	020 7525 2389
Housing Services	Ian Young	020 7525 7489
Finance and Corporate Services and Chief Executive	Fay Hammond	020 7525 0614
Capital	Jay Nair	020 7525 0960

Introduction

This budget book presents key information in relation to the 2015/16 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 February 2015. The Council Plan contained the leader's vision of a fairer future for all in Southwark. The Council Plan can be found here.

<http://moderngov.southwark.gov.uk/documents/s52057/Appendix%201%20Council%20Plan.pdf>

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

- Quality affordable homes
- Best start in life
- Strong local economy
- Healthy and active lives
- Cleaner greener safer
- Revitalised neighbourhoods

Schedules

<http://moderngov.southwark.gov.uk/documents/s52058/Appendix%202%20Performance%20schedules.pdf>

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 2015/16 that was agreed by Council Assembly on 25 February 2015.

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
- Asset Management
- The voluntary and community sector
- Contracts and procurement
- Technology
- Facilities Management

The current Medium Term Resources Strategy 2015/16 – 2017/18 was agreed by Council Assembly on 25 February 2015, 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 ten 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 25 February 2015 Council Assembly set a balanced general fund revenue budget of £289.4 million for 2015/16 with a 0% increase in the level of council tax for Southwark's element.

Reports from Council Assembly on 25 February 2015 can be found using the following link

<http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=132&MId=4788&Ver=4>

Capital

On 25 March 2015, Council Assembly approved the capital strategy and a refresh of the 10 year capital programme for the period 2014/15-2023/24 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.

Reports from Council Assembly on 25 March 2015 can be found using the following link.

<http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=132&MId=4789&Ver=4>

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

	£m
Depreciation	23.9
Debt repayment	13.5
	<u>37.4</u>

Housing Revenue Account

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 9 December 2014 formed the basis of early consultation with Tenant Council, area housing forums, Southwark TMO Committee and Home Owner Council. This process commenced in mid-December 2014, and continued throughout January 2015. The Council is obliged by statute to agree a balanced HRA budget, whereby income and expenditure levels for the forthcoming year match and following a minor revision to the tabled report regarding garage rent levels this was agreed by Cabinet on 27 January 2015.

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 - £23.9m – Depreciation charges made to service department revenue accounts, based on the value of the assets used by the service.
- Service cost recharges (SCRs) - £29.4m - 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 rates leaflet (issued each year with the council tax bill)

http://www.southwark.gov.uk/downloads/download/4089/your_council_tax_201516

Statement of accounts

http://www.southwark.gov.uk/info/200493/what_we_do/568/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 2015/16 the Council will spend in the region of £1.9bn. This expenditure can be classified into four main types as follows:

Expenditure type	£m
General fund expenditure	1,010
Capital	414
Housing revenue account	284
Schools	190
Total	1,898

Council tax

In 2015/16 the band D council tax for Southwark services has been frozen at £912.14. The GLA precept was reduced by £4.00 to £295.00, so the total band D council tax paid by Southwark taxpayers is £1,207.14.

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 (£295.00), are added together to give a total council tax of £1,207.14 for a band D property.

Council tax base	2014/15	2015/16
Gross tax base	87,397	90,674
Budgeted collection rates	96.50%	96.75%
Net tax base *	84,338	87,727

Council tax calculation

	2014/15		2015/16	
	£000		£000	
Gross Southwark revenue requirement		308,231		283,225
Greater London Authority		25,217		25,880
Total revenue requirement		333,448		309,105
Less income from				
Retained business rates	(61,573)		(65,295)	
Business rates top-up	(44,122)		(44,965)	
Revenue support grant	(124,281)	(229,976)	(90,044)	(200,304)
Amount to be raised		103,472		108,801
Add deficit/(surplus) on collection fund		(1,327)		(2,902)
Amount to be met from council tax		102,145		105,899
Divided by the council tax base of		84,338		87,727
Council tax per band D property		£1,211.14		£1,207.14

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)	2015/16 Southwark Council Tax
A	Below		£40,000	11,609	8.8%	4,325.64	608.09
B	£40,000	To	£52,000	37,723	28.6%	17,591.58	709.44
C	£52,000	To	£68,000	33,964	25.7%	21,191.11	810.79
D	£68,000	To	£88,000	22,458	17.0%	17,275.00	912.14
E	£88,000	To	£120,000	15,439	11.7%	15,143.94	1,114.84
F	£120,000	To	£160,000	6,160	4.7%	7,668.92	1,317.54
G	£160,000	To	£320,000	4,099	3.1%	6,362.50	1,520.23
H	Above £320,000			599	0.5%	1,115.50	2,422.28
Total				132,051	100.0%	90,674.19	
Estimated collectable amount %						96.75%	
Council tax base						87,727.28	
Budgeted amount to be met from Council Tax £'000 (Tax base x Band D)						80,020	

The full council tax charges for 2015/16 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	196.67	229.44	262.22	295.00	360.56	426.11	491.67	590.00
Total council tax	804.76	938.88	1,073.01	1,207.14	1,475.40	1,743.65	2,011.90	2,414.28

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	857.31	0.00%	943.44	0.18%	3
Camden	1,042.10	1.99%	1,337.10	1.24%	15
Greenwich	981.04	0.00%	1,276.04	-0.31%	10
Hackney	998.45	0.00%	1,293.45	-0.31%	12
Hammersmith & Fulham	727.81	-1.00%	1,022.81	-1.10%	4
Islington	981.22	1.99%	1,276.22	1.22%	11
Kensington & Chelsea	782.58	0.00%	1,077.58	-0.37%	5
Lambeth	943.70	1.99%	1,238.70	1.18%	8
Lewisham	1,060.35	0.00%	1,355.35	-0.29%	18
Southwark	912.14	0.00%	1,207.14	-0.33%	7
Tower Hamlets	885.52	0.00%	1,180.52	-0.34%	6
Wandsworth	388.42	0.00%	683.42	-0.58%	2
Westminster	377.74	0.00%	672.74	-0.63%	1
OUTER LONDON					
Barking & Dagenham	1,036.67	1.99%	1,331.67	1.24%	14
Barnet	1,102.07	0.00%	1,397.07	-0.29%	22
Bexley	1,150.53	1.94%	1,445.53	1.26%	25
Brent	1,058.94	0.00%	1,353.94	-0.29%	16
Bromley	1,030.14	1.99%	1,325.14	1.23%	13
Croydon	1,171.39	0.00%	1,466.39	-0.27%	28
Ealing	1,059.93	0.00%	1,354.93	-0.29%	17
Enfield	1,100.34	0.00%	1,395.34	-0.29%	21
Haringey	1,184.32	0.00%	1,479.32	-0.27%	29
Harrow	1,234.36	1.99%	1,529.36	1.33%	31
Havering	1,219.00	1.99%	1,514.00	1.33%	30
Hillingdon	1,112.93	0.00%	1,407.93	-0.28%	24
Hounslow	1,079.77	0.00%	1,374.77	-0.29%	19
Kingston-upon-Thames	1,379.65	0.00%	1,674.65	-0.24%	33
Merton	1,106.45	-0.01%	1,401.45	-0.29%	23
Newham	945.63	0.00%	1,240.63	-0.32%	9
Redbridge	1,095.53	0.00%	1,390.53	-0.29%	20
Richmond-upon-Thames	1,287.39	0.00%	1,582.39	-0.25%	32
Sutton	1,163.60	1.99%	1,458.60	1.30%	27
Waltham Forest	1,152.21	0.00%	1,447.21	-0.28%	26
London Average	1,003.74	0.58%	1,298.26	0.14%	
London Average (excl City)	1,004.08	0.58%	1,299.08	0.14%	
Inner London Average (incl City)	801.63	0.71%	1,095.38	0.16%	
Inner London Average (excl City)	801.29	0.72%	1,096.29	0.16%	
Outer London Average	1,129.78	0.52%	1,424.78	0.13%	

Note: These averages are calculated as follows:

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

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 2015/16 the Greater London Authority precept is £295.00 for Band D, compared to £299.00 in 2014/15.

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:

	2014/15 £'000	2015/16 £'000
Greater London Authority	25,217	25,880
Total precepts	25,217	25,880
Environment agency	194	201
London Pension Fund	1,418	1,431
Lee Valley regional Park Authority	266	263
Total levies	1,878	1,895
Total precepts and levies	27,095	27,775

Collection fund

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

In 2015/16, a collection fund surplus of £2.902m has been included in the budget, in 2014/15 a £1.327m 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 2014/15 and 2015/16

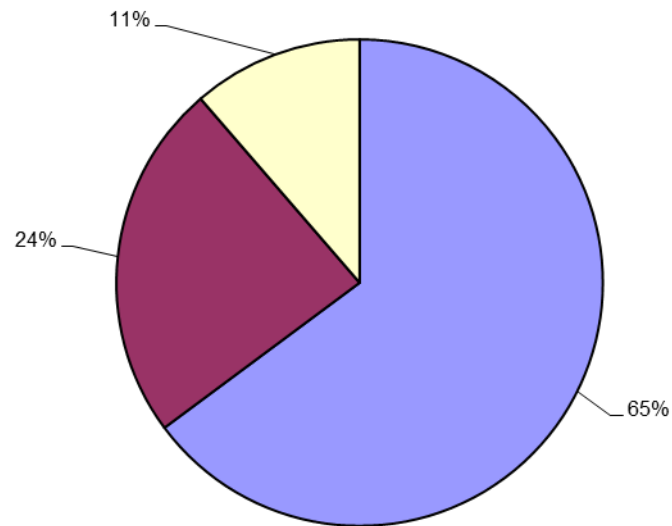
In 2015/16 the Council's net total budget £289.4m, which compares to £314.4m for 2014/15. The key changes to the budget are:

	2014/15 £m	2015/16 £m	Change £m
Previous year budget	334.0	314.4	(19.6)
Inflation			
Pay award: 1% in 2014/15, 1.1% for 2015/16	1.8	2.1	0.3
Inflation based on contractual commitments	3.9	2.3	(1.6)
Commitments, Savings & Growth ¹			
Commitments and Growth	8.4	4.7	(3.7)
Net change in grants	(7.8)	(4.1)	3.7
Efficiencies and improved use of resources	(24.4)	(26.1)	(1.7)
Income generation	(1.0)	(2.9)	(1.9)
Savings impacting on service delivery	(0.5)	(1.0)	(0.5)
Total Budget	314.4	289.4	(25.0)
Funded by			
Government Grants			
Settlement funding allocation	(227.5)	(195.2)	32.3
Business rates growth	(2.5)	(5.1)	(2.6)
Council Tax			
Council tax	(76.9)	(80.0)	(3.1)
Collection fund surplus	(1.3)	(2.9)	(1.6)
Funding available	(308.2)	(283.2)	25.0
Funding shortfall	6.2	6.2	0.0
Contributions from balances	(6.2)	(6.2)	0.0
Balance	0.0	0.0	0.0

Summary of general fund gross expenditure and income

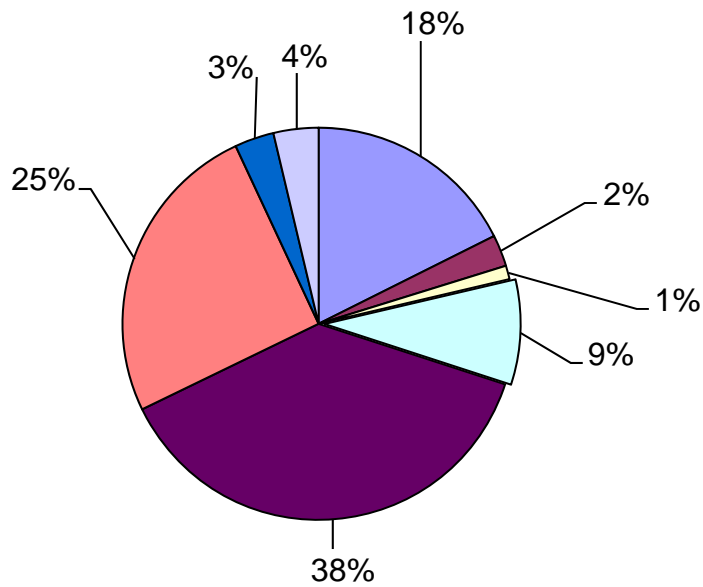
2014/15 Net expenditure £m	Department	2015/16		Net Expenditure £m
		Expenditure £m	Income £m	
203.0	Children's and Adult Services	469.6	(286.0)	183.6
72.1	Environment and leisure	134.3	(66.8)	67.5
36.6	Housing services	47.3	(10.7)	36.6
44.7	Finance and corporate services	288.4	(252.1)	36.3
18.3	Chief executive	30.1	(18.4)	11.7
(57.9)	Corporate support cost recharge income	0.0	(46.5)	(46.5)
316.8	Total general fund cost of services	969.7	(680.5)	289.2
(3.5)	Corporate budgets	38.9	(39.3)	(0.4)
1.1	Corporate and democratic core	1.7	(1.1)	0.6
314.4	Total Budget	1,010.3	(720.9)	289.4
(6.2)	Contribution to / (from) reserves	0.0	(6.2)	(6.2)
308.2	Amount met from government grants and local taxation	1,010.3	(727.1)	283.2
(230.0)	Settlement funding allocation (SFA) and business rates growth			(200.3)
(1.3)	Shortfall (surplus) on collection fund from previous year			(2.9)
76.9	Council tax requirement			80.0
84,338	Council tax base (number of band D equivalent properties)			87,727
£912.14	Southwark council tax			£912.14

How the money is spent
Net expenditure by service department



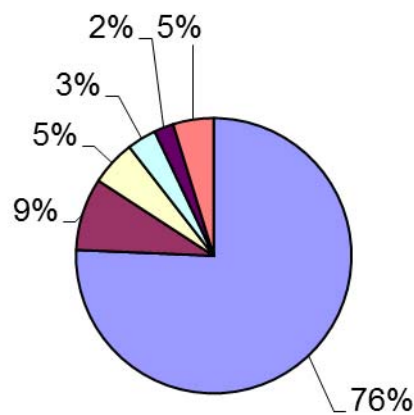
- Children's and Adults
- Environment and leisure
- Housing and other departments

Expenditure by type



- Employees
- Premises
- Transport
- Supplies and Services
- Third Party Payments
- Transfer Payments
- Support Services
- Capital Financing Costs

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 Assessment

On 3 February 2015, the government announced the final settlement for 2015/16. These figures give Southwark's Settlement Funding Assessment (SFA) at £195.209m.

Overall Southwark's SFA has been reduced by £34.8m (15.1%), this compares with Inner London £333.2m (15.3%), and £654.3m for all London authorities (14.8%). At a national level the reduction is £3,280 (13.6%).

		Southwark	Inner London	London	England
Adjusted 2014/15	£m	230.042	2,182.039	4,419.156	24,112.195
2015/16 Funding	£m	195.209	1,848.888	3,764.643	20,832.539
Change	£m	(34.833)	(333.151)	(654.513)	(3,279.656)
Change	%	(15.1%)	(15.3%)	(14.8%)	(13.6%)

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

	2014/15 Funding	Adjusted 2014/15 Funding	2015/16 funding		Change
	£m	£m	£m	£m	%
Upper - tier funding	144.294	144.294	120.366	(23.928)	(16.6)
Lower - tier funding	53.773	53.773	44.934	(8.839)	(16.4)
Formula Funding	198.067	198.067	165.300	(32.767)	(16.5)
Add Grants rolled in					
2011/12 Council Tax Freeze grant	2.247	2.247	2.239	(0.008)	(0.4)
Early Intervention	13.298	13.298	12.112	(1.186)	(8.9)
Homelessness Prevention	1.518	1.518	1.512	(0.006)	(0.4)
Lead Local Flood Authority	0.180	0.180	0.179	(0.001)	(0.6)
Learning Disability and Health Reform	10.933	10.933	10.892	(0.041)	(0.4)
2013/14 Council Tax freeze grant	0.929	1.870	1.870	0.000	0.0
Local Welfare Provision	0.000	1.627	1.225	(0.402)	(24.7)
Returned holdback	0.302	0.302	0.000	(0.302)	(100.0)
Carbon Reduction Credits	0.000	0.000	-0.120	(0.120)	(100.0)
Settlement Funding Assessment	227.474	230.042	195.209	(34.833)	(15.1)

For 2015/16, Southwark have the highest settlement funding cash reduction in London (11th highest % decrease). The cash reductions range between £34.8m for Southwark (15.1%) to £5.4m for Richmond-upon Thames (11.4%)

Revenue spending power

As part of the 2015/16 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 £20.4m reduction (5.7%). This compares with a reduction for Inner London of £170.9m (4.8%) and £266.0m (3.2%) for all London boroughs. At a national level the reduction is £1.040.1m (2.0%).

The Governments announcement gives the national funding reduction at 1.7%, 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 2015/16, Southwark have the second highest spending power reduction in London. The spending power reductions range between £20.7m for Hackney (6.1%) to an increase of £3.1m for Richmond-upon Thames (1.8%)

	Adjusted 2014/15	2015/16	Change
	£m	£m	£m
Settlement Funding Assessment	230.042	195.209	(34.833)
Council Tax Requirement	76.928	78.260	1.331
Adjustment to reflect Section 31 grants for business rates cap	1.095	1.534	0.438
Lead Local Flood Authorities	0.255	0.170	(0.085)
Community Right to Challenge	0.009	0.000	(0.009)
Community Right to Bid	0.008	0.000	(0.008)
New Homes Bonus	10.845	13.110	2.265
New Homes Bonus: Returned Funding	0.346	0.339	(0.007)
Local Council Tax Support and Housing Benefit Admin Subsidy	3.751	3.469	(0.281)
Council Tax Support New Burdens Funding	0.203	0.092	(0.111)
LA Social Housing Fraud	0.100	0.000	(0.100)
Local Reform and Community Voices grant	0.284	0.212	(0.072)
Public Health Grant 2013-14 (Ring-fenced)	22.946	22.946	0.000
Indicative CT Freeze 2015-16	0.000	0.957	0.957
Adjusted Adult Social Care New Burdens	0.942	0.942	0.000
Better care fund	10.378	20.478	10.100
Estimated 2015/16 Revenue Spending Power	358.132	337.717	(20.415) (5.7%)

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	20.4	170.9	266.0	845.5
	%	5.7	4.8	3.2	1.7

The 2015/16 reductions for Southwark follows on from the loss of £89.7m between 2010/11 and 2014/15, some (23%). For all years, the reduction is in cash terms and takes no account of inflation, albeit that pay awards have been frozen through much 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 £105.165m 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 £44.965 in 2015/16

	Adjusted 2014/15 £m	2015/16 £
Baseline funding level	103.193	105.165
Less estimated retained business rates	(59.071)	(60.200)
Business rate top - up	44.122	44.965

The 2015/16 baseline funding of £105.165m is then deducted from the settlement funding allocation of £195.209m to determine the amount of revenue support grant, for Southwark this will be £90.044m in 2015/16, 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 2015/16 the government have capped the increase to 2% for the uplift of the baseline funding amount.

		2014/15 £m	Adjusted 2014/15 £m	2015/16 £m
Retained Business Rates (RBR)	Variable	59.071	59.071	60.200
RBR top up from government	Fixed	44.122	44.122	44.965
Baseline funding level		103.193	103.193	105.165
Revenue Support Grant (RSG)	Fixed	124.281	126.849	90.044
Total Funding		227.474	230.042	195.209

Actual retained business rates income for 2015/16 is dependent on the assessed rateable values, effect of appeals and collection rates. This information is notified to the government (DCLG) on the NNDR1 return.

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%):

The NNDR1 return completed in January 2015 for 2015/16 resulted in the following, compared to the NNDR1 for 2014/15.

	2014/15 £m	2015/16 £m
Net forecast rate yield	205.243	217.650
Less: amount to be paid to central government (50%)	(102.621)	(108.825)
Less amount to be passed on to the GLA (40% of business rates baseline, 20% of net rate yield)	(41.049)	(43.530)
RBR income for Southwark Council (30%)	61.573	65.295
Government estimate of RBR	59.071	60.200
Additional retained share of business rates	2.502	5.095

Safety Net

The business rates retention scheme includes a safety net at 7.5% to protect local authorities from significant reductions in business rates. However, this means that shortfalls from 0-7.5% are not be protected and have to be borne by the local authority.

It is 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 against the RV set by the valuation office. If successful, this reduces the level of income collected.

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

	2014/15 £m	2015/16 £m
Total Budget	314.4	289.4
Settlement funding assessment	(227.5)	(195.2)
(Growth) / shortfall in business rate income	(2.5)	(5.1)
Collection fund (surplus) / deficit	(1.3)	(2.9)
Contribution from balances	(6.2)	(6.2)
Council tax requirement	76.9	80.0

Government grant and council tax

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

As government funding reduces the percentage of the budget requirement raised by council tax will increase.

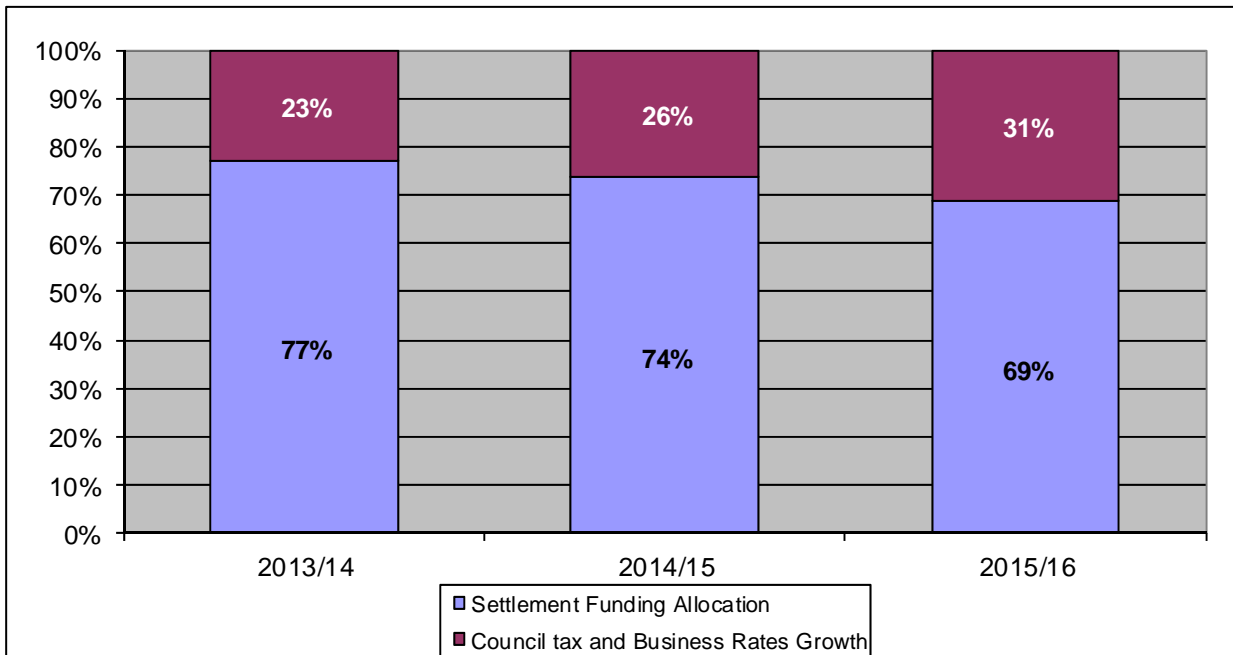
Year	Settlement Funding Allocation £'000	%	Council Tax and Business Rates growth £'000	%	Budget Requirement £'000	%
2013/14 [#]	253,372	77%	74,400	23%	327,772	100%
2014/15 [*]	227,474	74%	80,757	26%	308,231	100%
2015/16 ⁺	195,209	69%	88,016	31%	283,225	100%

[#] 2013/14 Council Tax and Business Rates Growth includes a £0.7m business rates shortfall and £0.9m collection fund surplus.

^{*} 2014/15 Council Tax and Business Rates Growth includes £2.5m of business rates growth and £1.3m collection fund surplus.

⁺ 2015/16 Council Tax and Business Rates Growth includes £5.1m of business rates growth and £2.9m collection fund surplus.

How the ratio between government determined funding and locally generated funding is changing.



Forecast funding shows this trend increasing

