

Southwark Council

Budget Book

Budget Overview

2016-17

Contents

| | |
|--------------------------------------|----|
| Introduction | 3 |
| Budget strategy | 7 |
| Background to settlement (To follow) | 17 |

Detailed departmental budget books

Children's and Adult Services

Environment and Leisure

Housing and Modernisation (including HRA)

Finance and Governance

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 | Shenis Hassan | 020 7525 5737 |
| Environment and Leisure and Chief Executive | Jay Nair | 020 7525 0960 |
| Housing and Modernisation | Ian Young | 020 7525 7489 |
| Finance and Governance | Fay Hammond | 020 7525 0614 |

Introduction

This budget book presents key information in relation to the 2016-17 budget agreed by the council in February 2016. 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://modern.gov.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

Budget principles

On 15 September 2015 the cabinet agreed a refreshed set of budget principles to guide the budget process.

The principles are;

At a time of unprecedented cuts imposed by central government, the budget will continue to prioritise the promises we made in the Fairer Future council plan and will seek to protect services for the most vulnerable.

We will keep any council tax increase at or below inflation and take into consideration the wider impact of austerity measures on residents and public services in Southwark.

We will be responsible guardians of public finances and plan ahead by developing a three year balanced budget supported by prudent use of reserves.

To achieve this

The council will spend money as if it were coming from our own pocket. We will put value for money at the heart of this budget, taking every opportunity to modernise and transform working practises and to make the council more efficient.

We will continue to find alternative ways of providing services more efficiently and effectively by working jointly with partner organisations such as the health sector, the voluntary sector, local businesses and other local authorities.

We will seek to generate additional income by reviewing fees, charges

and contributions and seeking further opportunities to provide commercial services. This may include introducing charges for some discretionary services that are currently free.

Some services currently provided by the council may have to stop, and many will have to be delivered differently or reduced.

We will be open, honest and accountable.

- a. We will build on the outcomes of budget consultations conducted over the last 5 years, reflecting the priorities of our residents and stakeholders as we develop proposals.
- b. We will conduct ongoing consultation on the tough choices we must make and be transparent with any specific group or groups of users or staff who may be affected by any cut, reduction or significant change in service provision as soon as possible and explore with them other ways to provide the service.
- c. We will conduct an equalities impact assessment for our budget proposals.

A reduced budget will inevitably mean that the size and composition of our workforce will change. We will treat our staff with respect. We will do everything we can to retain staff through redeployment and retraining, to minimise compulsory redundancies and to assisting staff who are leaving the council.

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 to 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 24 February 2016 Council Assembly set a balanced general fund revenue budget of £277.6 million for 2016-17 with a 0% increase in the level of council tax for the Southwark council element, but taking advantage of the government's offer to levy a 2% precept to assisting in meeting pressures presented by adult social care services.

Reports from Council Assembly on 24 February 2016 can be found using the following link

<http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CIId=132&MIId=5067&Ver=4>

Capital

On 9 February 2016, cabinet approved the Quarter 3 Capital Monitoring for 2015-16 and Capital Programme Refresh for 2015-16 to 2024-25 which delivers of Southwark's Fairer Future promises, such as our Warm, Dry and Safe council housing upgrades, building

11,000 new council homes, ensuring every child has a local school place and delivering new libraries and leisure centres.

Reports from cabinet on 9 February 2016 can be found using the following link.

<http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MIId=5144&Ver=4>

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

| | |
|----------------|-------------|
| | £m |
| Depreciation | 27.7 |
| Debt repayment | 13.5 |
| | <hr/> |
| | 41.2 |

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 8 December 2015 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 2015, and continued throughout January 2016. The council is obliged by statute to agree a balanced HRA budget, whereby income and expenditure levels for the forthcoming year match, and also has a new obligation under the Welfare Reform and Work Act 2016 to reduce non-supported housing dwelling rents by 1% per annum for each of the next four years. The final budget and rent for 2016-17 was agreed by cabinet on 27 January 2016.

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 - £27.7m – Depreciation charges made to service department revenue accounts, based on the value of the assets used by the service.
- Service cost recharges (SCRs) - £29.7m - 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_201617

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 Governance, 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 2016-17 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 | 972 |
| Capital | 508 |
| Housing revenue account | 287 |
| Schools | 200 |
| Total | 1,967 |

Council tax

In 2016-17 there has been no increase in Southwark's element of council tax, but Southwark has taken advantage of the government's offer to levy a 2% precept to assist in meeting adult social care services pressures. Southwark's band D council tax for 2016-17 will be £930.38. The GLA precept was reduced by £19.00 to £276.00, so the total band D council tax paid by Southwark taxpayers is £1,206.38.

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 (£930.38) and for the GLA (£276.00), are added together to give a total council tax of £1,206.38 for a band D property.

| Council tax base | 2015/16 | 2016/17 |
|---------------------------|----------------|----------------|
| Gross tax base | 90,674 | 94,053 |
| Budgeted collection rates | 96.75% | 97.00% |
| Net tax base * | 87,727 | 91,231 |

Council tax calculation

| | 2015/16 | | 2016/17 | |
|--|----------------|------------------|----------------|------------------|
| | £000 | | £000 | |
| Gross Southwark revenue requirement | | 283,225 | | 271,378 |
| Greater London Authority | | 25,880 | | 25,180 |
| Total revenue requirement | | 309,105 | | 296,558 |
| Less income from | | | | |
| Retained business rates | (65,295) | | (65,275) | |
| Business rates top-up | (44,965) | | (45,340) | |
| Revenue support grant | (90,044) | (200,304) | (73,480) | (184,095) |
| Amount to be raised | | 108,801 | | 112,463 |
| Add deficit/(surplus) on collection fund | | -2,902 | | -2,404 |
| Amount to be met from council tax | | 105,899 | | 110,059 |
| Divided by the council tax base of | | 87,727 | | 91,231 |
| Council tax per band D property | | £1,207.14 | | £1,206.38 |

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 (January 2016) | % of properties in this band | Number of band D equivalents (after adjustment for discounts and exemptions) | 2016-17 Council Tax |
| A | Below | | £40,000 | 11,528 | 8.6% | 5,690.44 | 620.25 |
| B | £40,000 | To | £52,000 | 38,027 | 28.2% | 21,700.19 | 723.63 |
| C | £52,000 | To | £68,000 | 34,301 | 25.4% | 22,326.91 | 827.00 |
| D | £68,000 | To | £88,000 | 23,440 | 17.4% | 17,111.81 | 930.38 |
| E | £88,000 | To | £120,000 | 16,401 | 12.2% | 14,619.49 | 1,137.13 |
| F | £120,000 | To | £160,000 | 6,324 | 4.7% | 6,662.28 | 1,343.88 |
| G | £160,000 | To | £320,000 | 4,144 | 3.1% | 5,032.78 | 1,550.63 |
| H | Above £320,000 | | | 599 | 0.5% | 625 | 908.68 |
| Total | | | | 134,790 | 100.0% | 94,052.58 | |
| Estimated collectable amount % | | | | | | 97.0% | |
| Council tax base | | | | | | 91,231.00 | |
| Budgeted amount to be met from Council Tax £'000 (Tax base x Band D) | | | | | | 84,879 | |

The full council tax charges for 2016-17 are shown below:

| | Band A £ | Band B £ | Band C £ | Band D £ | Band E £ | Band F £ | Band G £ | Band H £ |
|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Southwark | 620.25 | 723.63 | 827.00 | 930.38 | 1,137.13 | 1,343.88 | 1,550.63 | 1,860.76 |
| GLA | 184.00 | 214.67 | 245.33 | 276.00 | 337.33 | 398.67 | 460.00 | 552.00 |
| Total council tax | 804.25 | 938.30 | 1,072.33 | 1,206.38 | 1,474.46 | 1,742.55 | 2,010.63 | 2,412.76 |

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% | 931.20 | -1.30% | 3 |
| Camden | 1,083.66 | 3.99% | 1,359.66 | 1.69% | 17 |
| Greenwich | 1,020.18 | 3.99% | 1,296.18 | 1.58% | 11 |
| Hackney | 1,018.42 | 2.00% | 1,294.42 | 0.07% | 10 |
| Hammersmith & Fulham | 727.81 | 0.00% | 1,003.81 | -1.86% | 4 |
| Islington | 1,020.37 | 3.99% | 1,296.37 | 1.58% | 12 |
| Kensington & Chelsea | 782.58 | 0.00% | 1,058.58 | -1.76% | 5 |
| Lambeth | 981.35 | 3.99% | 1,257.35 | 1.51% | 9 |
| Lewisham | 1,102.66 | 3.99% | 1,378.66 | 1.72% | 19 |
| Southwark | 930.38 | 2.00% | 1,206.38 | -0.06% | 7 |
| Tower Hamlets | 920.85 | 3.99% | 1,196.85 | 1.38% | 6 |
| Wandsworth | 403.91 | 3.99% | 679.91 | -0.51% | 2 |
| Westminster | 392.81 | 3.99% | 668.81 | -0.58% | 1 |
| OUTER LONDON | | | | | |
| Barking & Dagenham | 1,078.03 | 3.99% | 1,354.03 | 1.68% | 15 |
| Barnet | 1,121.07 | 1.72% | 1,397.07 | 0.00% | 22 |
| Bexley | 1,196.43 | 3.99% | 1,472.43 | 1.86% | 25 |
| Brent | 1,101.24 | 3.99% | 1,377.24 | 1.72% | 18 |
| Bromley | 1,071.27 | 3.99% | 1,347.27 | 1.67% | 14 |
| Croydon | 1,218.13 | 3.99% | 1,494.13 | 1.89% | 29 |
| Ealing | 1,059.93 | 0.00% | 1,335.93 | -1.40% | 13 |
| Enfield | 1,144.17 | 3.98% | 1,420.17 | 1.78% | 24 |
| Haringey | 1,208.01 | 2.00% | 1,484.01 | 0.32% | 27 |
| Harrow | 1,283.61 | 3.99% | 1,559.61 | 1.98% | 31 |
| Havering | 1,267.64 | 3.99% | 1,543.64 | 1.96% | 30 |
| Hillingdon | 1,112.93 | 0.00% | 1,388.93 | -1.35% | 21 |
| Hounslow | 1,079.77 | 0.00% | 1,355.77 | -1.38% | 16 |
| Kingston-upon-Thames | 1,407.24 | 2.00% | 1,683.24 | 0.51% | 33 |
| Merton | 1,106.45 | 0.00% | 1,382.45 | -1.36% | 20 |
| Newham | 964.54 | 2.00% | 1,240.54 | -0.01% | 8 |
| Redbridge | 1,139.22 | 3.99% | 1,415.22 | 1.78% | 23 |
| Richmond-upon-Thames | 1,306.39 | 1.48% | 1,582.39 | 0.00% | 32 |
| Sutton | 1,210.03 | 3.99% | 1,486.03 | 1.88% | 28 |
| Waltham Forest | 1,198.18 | 3.99% | 1,474.18 | 1.86% | 26 |
| London Average | 1,298.83 | 2.64% | 1,306.36 | 0.73% | |
| London Average (excl City) | 1,243.03 | 2.73% | 1,249.89 | 0.70% | |
| Inner London Average (incl City) | 1,095.38 | 3.15% | 1,101.54 | 0.74% | |
| Inner London Average (excl City) | 1,096.29 | 3.17% | 1,102.66 | 0.77% | |
| Outer London Average | 1,424.92 | 2.59% | 1,435.18 | 0.89% | |

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 2016-17 the Greater London Authority precept is £276.00 for Band D, compared to £295.00 in 2015/16.

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:

| | 2015/16 £'000 | 2016/17 £'000 |
|------------------------------------|------------------|------------------|
| Greater London Authority | 25,880 | 25,180 |
| Total precepts | 25,880 | 25,180 |
| Environment agency | 201 | 207 |
| London Pension Fund | 1,431 | 1,433 |
| Lee Valley regional park authority | 263 | 261 |
| Total levies | 1,895 | 1,901 |
| Total precepts and levies | 27,775 | 27,081 |

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 2016-17, a collection fund surplus of £2.404m has been included in the budget. In 2015-16 a £2.902m 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 2015/16 and 2016/17

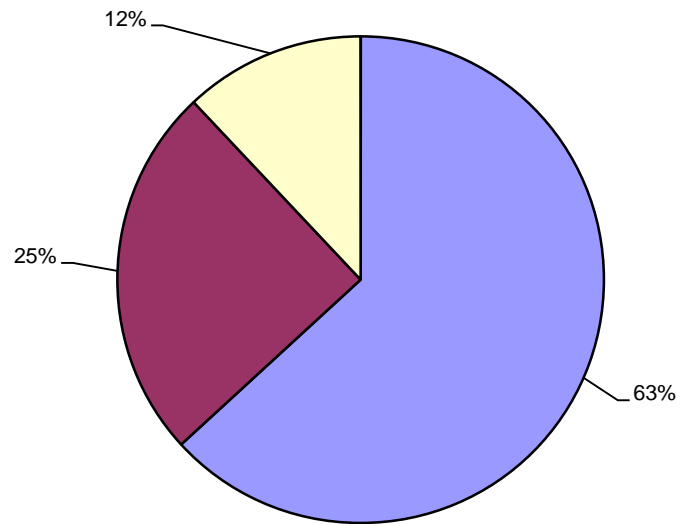
In 2016-17 the council's net total budget is £277.6m, which compares to £289.4m for 2015/16. The key changes to the budget are:

| | 2015-16 £m | 2016-17 £m | Change £m |
|---|----------------|----------------|--------------|
| Revised previous year budget | 314.4 | 289.4 | -25.0 |
| Inflation | | | |
| Pay award: 1.1% in 2015-16, 1.0% for 2016-17 | 2.1 | 1.7 | (0.4) |
| Inflation based on contractual commitments | 2.3 | 3.2 | 0.9 |
| Commitments, Savings & Growth ¹ | | | 0.0 |
| Commitments and Growth | 4.7 | 13.3 | 8.6 |
| Net change in grants | (4.1) | (3.4) | 0.7 |
| | | | 0.0 |
| Efficiencies and improved use of resources | (26.1) | (14.1) | 12.0 |
| Income generation | (2.9) | (10.0) | (7.1) |
| Savings impacting on service delivery | (1.0) | (2.5) | (1.5) |
| Total Budget | 289.4 | 277.6 | -11.8 |
| Funded by | | | |
| Government Grants | | | |
| Settlement funding allocation | (195.2) | (179.5) | 15.7 |
| Buisness rates growth | (5.1) | (4.6) | 0.5 |
| | | | 0.0 |
| Council Tax | | | 0.0 |
| Council tax | (80.0) | (84.9) | (4.9) |
| Collection fund surplus | (2.9) | (2.4) | 0.5 |
| Funding available | (283.2) | (271.4) | 11.8 |
| 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

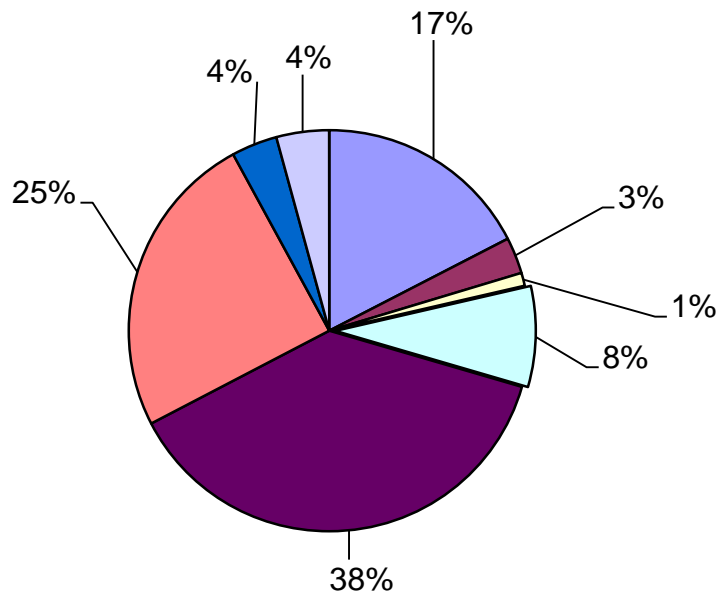
| 2015-16 Net expenditure £m | Department | 2016-17 | | Net Expenditure £m |
|-------------------------------------|--|-------------------|----------------|--------------------------|
| | | Expenditure £m | Income £m | |
| 183.3 | Children's and Adults Services | 412.0 | (240.6) | 171.4 |
| 0.0 | Public Health | 30.7 | (30.7) | 0.0 |
| 68.8 | Environment and Leisure | 124.3 | (57.0) | 67.3 |
| 61.8 | Housing Services | 90.9 | (26.0) | 64.9 |
| 20.7 | Finance and Governance | 246.1 | (226.5) | 19.6 |
| 8.8 | Chief Executive | 19.2 | (10.8) | 8.4 |
| (46.1) | Corporate support cost recharge income | 0.0 | (44.1) | (44.1) |
| 297.3 | Total general fund cost of services | 923.2 | (635.7) | 287.5 |
| (8.5) | Corporate budgets | 47.0 | (57.6) | (10.6) |
| 0.6 | Corporate and democratic core | 1.7 | (1.1) | 0.6 |
| 289.4 | Total Budget | 971.9 | (694.4) | 277.5 |
| (6.2) | Contribution to / (from) reserves | 0.0 | (6.2) | (6.2) |
| 283.2 | Amount met from government grants and local taxation | 971.9 | (700.6) | 271.3 |
| (200.3) | Settlement funding allocation (SFA) + Retained Business Rates growth | | | (184.0) |
| (2.9) | Shortfall (surplus) on collection fund from previous year | | | (2.4) |
| 80.0 | Council tax requirement | | | 84.9 |
| 87,727 | Council tax base (number of band D equivalent properties) | | | 91,231.0 |
| £912.14 | Southwark council tax | | | £930.38 |

How the money is spent
Net expenditure by service department



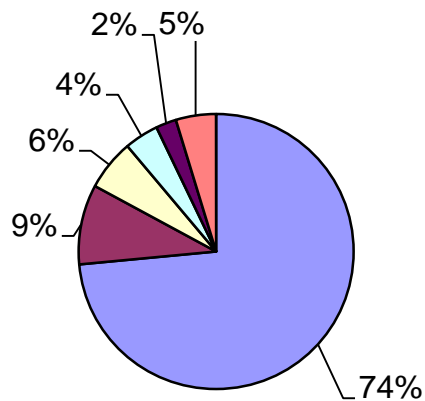
- Children's and Adults
- Environment and leisure
- Housing and other departments

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 |