

APPENDIX A

Indicative Resourcing for 2019-20 compared to 2018-19

	2018-19 Agreed Budget £m	2019-20 Indicative £m	Change £m	
Retained Business Rates	164.617	156.155	-8.462	MHCLG settlement
Business rates top-up	-6.177	-6.362	-0.185	
Revenue Support grant	0	0	0	
Settlement Funding Assessment	158.440	149.793	-8.647	
Public Health Grant	27.469	26.744	-0.725	Specific Grants
New Homes Bonus	11.398	11.818	0.420	
Autumn statement measures grant	2.320	4.114	1.794	
Grant funding	41.187	42.676	1.489	
Improved Better Care Fund	8.088	13.259	5.441	
Supplementary Improved Better Care Fund	4.497	2.223	-2.274	
Improved Better Care Fund	12.584	15.752	3.168	Local Taxation
BRR growth	21.750	23.000	1.250	
BRR growth – indicative pool growth (£10.8m)	0	0	0	
BRR collection fund surplus	3.970	1.158	-2.812	
Council tax - baseline	98.543	105.432	6.888	
Council tax - change (2% 18-19; 0% 19-20)	2.947	0	-2.947	
Council tax - ASC precept (3% 18-19; 0% 19-20)	2.956	0	-2.956	
Council tax – long-term empty premium	0	0.400	0.400	
Council tax - surplus	5.663	1.596	-4.067	
Total revenue from local taxation	135.830	131.586	-4.244	
Resources	348.041	339.807	-8.234	
Known cost pressures/savings				
Pay award			-4.500	
Pay award – spinal point and low paid review			-1.500	
Contract Inflation			-3.950	
Debt financing			-3.809	
Base budget inflation provision			2.606	
Improved Better Care Fund commitments			-3.168	
Use of capital receipts to finance MRP			4.600	
Known cost pressures			-9.721	
Budget Gap			-17.955	

Note this gap would reduce by £3.2m should the council element of council tax be increased by 2.99%.

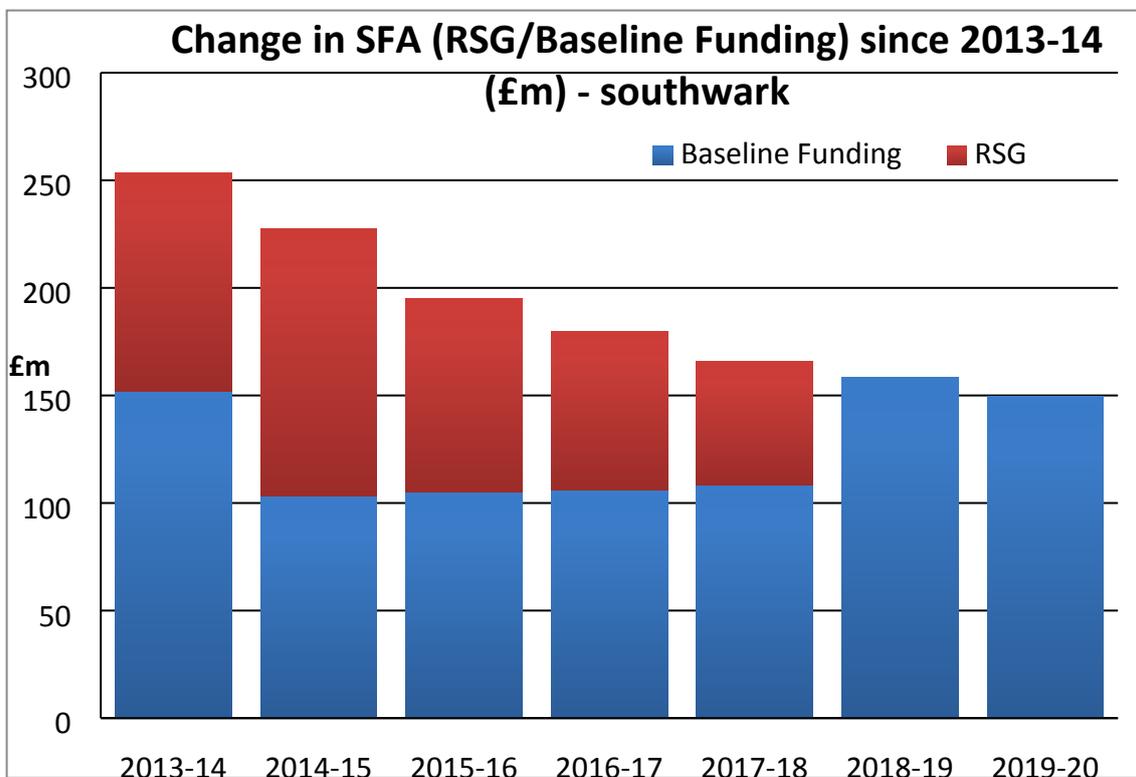
APPENDIX B

Government Resourcing 2018-19 to 2019-20

	2018-19 Budget £	2019-20 Indicative £	Change £
Retained Business Rates	164.617	156.155	-8.462
Business rates top-up	-6.177	-6.362	-0.185
Revenue Support grant	0	0	0
Settlement Funding Assessment (MHCLG)	158.440	149.793	-8.647

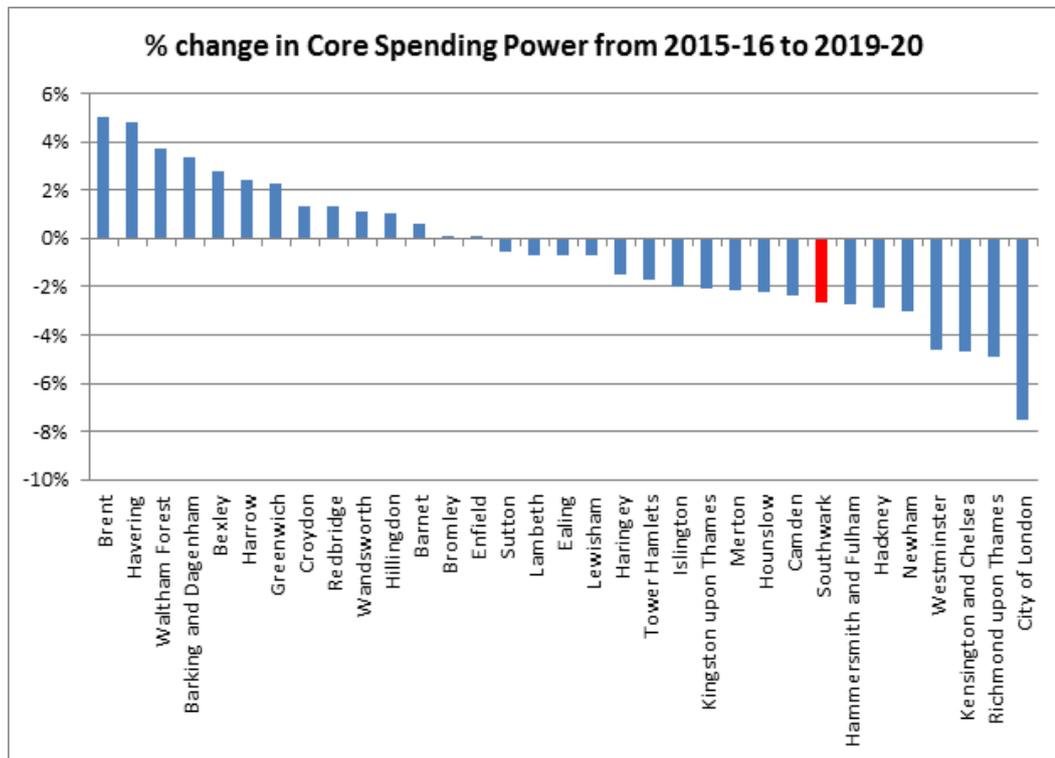
Settlement Funding Assessment

- B.1. The Settlement Funding Assessment (SFA) comprises the core funding sources for authorities defined as the Revenue Support Grant, retained business rates and business rate top up. The SFA is 5.5% lower than in 2018-19 (and 9.8% lower than 2017-18).
- B.2. Under the London Business Rates Pooling, the Pool retains 100% of the business rates collected in London but does not receive any Revenue Support Grant.
- B.3. As demonstrated in the chart below, the 2019-20 reduction in SFA follows previous year's reductions in resources. In addition, this chart demonstrates the change in balance of sources of funding for local authorities – increasing reliance on business rates over this period.



Change in Spending Power

- B.4. The Core Spending Power figures calculated by the MHCLG include the Settlement Funding Assessment, an assumed increase in council tax of 2.99%, in line with the referendum limit, take up of the adult social care precept (at 2%), and average growth in council tax base, the Improved Better Care Fund, New Homes Bonus, the 2017-18 Adult Social Care Support Grant, the new supplementary Improved Better Care fund and the ring-fenced Homelessness Prevention Grant.
- B.5. The MHCLG calculation does not include the impact of cost pressures such as pay and contract inflation, new regulation changes such as apprenticeship levy or revised business rates, significant demand pressures or cessation of the Education Services Grant (ESG) and reduction in Public Health grants.
- B.6. Southwark's reduction in core spending power between 2015-16 and 2019-20 is calculated as -2.7%. Southwark reduction in spending powers compared to the 33 London boroughs are set out below.



APPENDIX C

Grant Funding

	2018-19 Budget £m	2019-20 Indicative £m	Change £m
Public Health Grant	27.469	26.744	-0.725
New Homes Bonus	11.398	11.818	0.420
Autumn statement measures grant	2.320	4.114	1.794
Sub total	41.187	41.676	1.489
Improved Better Care Fund	12.584	15.752	3.168
Grant funding	53.761	57.428	3.657

Public Health Grant and Commissioning of 0-5 children's public health services

C.1. The Chancellor's Autumn Statement in 2016 confirmed that local authority funding for public health would be reduced by an average of 3.9% in real terms per annum over the five years to 2020. This equates to a reduction in cash terms of 9.6% over the same period. In 2019-20, this grant reduction equates to an estimated £0.725m (to £26.744m) whilst cost pressures and demand for public health services continues to rise.

New Homes Bonus

C.2. The New Homes Bonus (NHB) commenced in 2010-11. It is calculated on the amount of extra council tax revenue raised from new-build homes and long-term empty homes brought back into use. There is also payment for providing affordable homes. This was intended to release resources for local authorities to pay for the increased services resulting from the growth in dwellings.

C.3. In 2017-18, there was a reduction in this grant (moving from being calculated on a six year basis to five years). From 2018-19 this reduces again to four years. The provisional figure announced in the DCLG settlement for Southwark in 2019-20 is £11.818m (this is a 12% reduction when compared to 2016-17). There could be variances between the indicative grant and the actual allocations and so further modelling will need to be undertaken to calculate NHB for 2019-20.

Autumn Statement Measures (Grant Section 31 Grant)

C.4. There has been no announcement to date with regard to 2019-20 allocations of the autumn statement measures grant.

C.5. In addition, this grant will need to be updated to reflect the new business rate relief funding referred to in paragraph above.

Improved Better Care Fund

C.6. There is an overall increase in targeted government grant for Adult Social Care

of £3.168m. The ability for this money to be utilised to support council spend on Adult Social Care will be subject to the specific pooling arrangements for the Better Care Fund.

APPENDIX D

Education Funding

- D.1. After Academy Recoupment, the Total Dedicated Schools Grant (DSG) is £199m in 2018/19. The grant is split by the schools block (£127.7m); the high needs block (£41.2m), the central block (£1.7m) and the early years block (£28.6m). This is before block transfers where following the relevant approval £2.1m will transfer from the schools block to the high needs block (£1.99m) and to the central block £0.11m). The majority of Schools block is delegated to maintained schools through the funding formula with some £0.7m held back to fund growth and falling rolls. The central block funds services such as admissions and services previously funded through the Education Services Grant. In addition, funding of £3.9m is de-delegated from schools in agreement with Schools Forum to support central areas such as behaviour services and general duties (formerly funded by ESG) as well as areas supporting schools such as schools in financial difficulties, the intervention fund and the maternity scheme. The Council has had to fund the ESG transitional grant of £0.7m which ceased in 2018/19 and also provide support to School Improvement of £0.6m as it moves to being a fully traded service in the next two years.
- D.2. Academies and Free Schools are funded through the same formula however the ESFA recoup the funding from the DSG and fund these schools separately. Whilst central retentions are taken from academies and free schools DSG allocations, de-delegations are from maintained schools only. Therefore if any of these services provided to academies and free schools must be charged for these. In addition, for any growing free schools which are still filling up, these are funded on an estimates basis in the DSG rather than lagged funded with some growth funding as is the case for maintained schools and basic need academies. This funding for expanding free schools is an increasing cost pressure to the DSG together with general increases in business rates which must also be funded by the DSG.
- D.3. The National Funding Formula is being implemented over time in discussion with Schools Forum. This will be increasingly challenging for schools given that the cash settlement do not keep pace with costs pressures. There is also the additional issue within the borough that a number of schools are facing falling rolls. The numbers of schools moving into deficit is increasing.
- D.4. The majority of the Early Years Block funding is provided for 2, 3 and 4 year olds across maintained settings and the PVI under the Early Years Single Funding Formula on a participation basis. In 2019-20 it will be mandatory that funding rates based upon participation are uniform across all settings. Whilst there has been additional support for maintained nursery schools in the transition period the additional support in 2019-20 has yet to be confirmed. As with mainstream school settings falling rolls can have an impact upon the financial viability of settings and this will continue to be a challenge. Funding held back on this block has now been restricted to 5% in 2018-19 and this may be reduced further to 3% in 2019-20. Currently the central funding is used to support the early years team and the early help service, with the Council providing £0.2m of additional support in this area to make up with the reduction in central retention. A strategy will be needed to address the central funding reduction by a further 2% on the early years block in 2019-20 should any proposed change be implemented.

- D.5. Within the high needs block the majority of the funding is allocated special needs education for mainstream top ups, special schools, resource units, non maintained special schools and academies, independent provision, other local authorities and 16-25 provision. In addition funding is also provided for alternative provision, the pupil referral unit and the two hospital schools. The EFA recoup place funding for academies from the DSG and pay this directly to these schools. The current level of funding held back for services such as SEN transport, hearing and visual impairment, speech and language therapy, central costs and home tuition is £4m. Following significant pressures on high needs in 2017-18, as reported in the July outturn report, the DSG is now in a deficit of £4.11m. The pressure is particularly acute in the 16-25 area which was transferred to local authorities with no additional funding and a consultation on this area has been delayed for some time. The national picture is that the high needs block is overspending across most local authorities.
- D.6. With cash increases limited in 2018-19 and transfers between blocks being increasingly restricted and also unlikely given a reduction in funding across settings, the pressures in the high needs block are such that the Council is working closely with Schools Forum to identify savings and efficiencies and this will also need to include centrally funded areas. Proposals are being developed and a recovery plan for the medium to longer term to bring the position back into balance is being drawn up.
- D.7. In this context of the ongoing pressures and issues identified in the blocks above, it is likely that savings will be needed from within the ring-fenced Dedicated Schools Grant in 2019-20 and further, that a review of expenditure currently charged to the DSG will take place as part of budget setting process in 2019-20. The movement towards more trading for school services will also continue to be the likely direction of travel with regard to school improvement and other services. In addition for SEND the model for funding the service will need to be sustainable given the reliance upon grants and one off support from the Council.
- D.8. Robust monitoring of the DSG budget and the recovery strategy is now incorporated within the budget recovery working in partnership with Schools Forum. The topic regarding the inadequacy of funding in this area is also being taken forward both locally and nationally with the relevant groups and bodies.