

**PROVISIONAL GRANT SETTLEMENT  
CONSULTATION RESPONSE - LONDON BOROUGH OF SOUTHWARK**

Dear Minister

I write in response to the Provisional Grant Settlement for Local Government issued by the DCLG on 13th December 2010. In doing so, I refer also to our meeting with you at the House of Commons on Thursday 13th January 2011 where you kindly received representations from myself and colleagues including our three local members of parliament. Thank you for giving us that opportunity to share with you those issues contained within the provisional settlement that impact most seriously on Southwark Council (LBS) and the services we provide. I summarise again by way of this formal response to the settlement these issues. I note that this response will of course be supplemented by formal responses from London Councils and others on behalf of London.

As we discussed I will be writing separately on the impact on our youth crime reduction work that we believe will result from these cuts.

**Grant Floor Mechanism**

LBS welcome the introduction of banded floors. However we note that despite these and the fact that LBS qualifies as a Band One authority, LBS will still suffer the biggest reductions in London in cash terms in both formula grant and spending power. In 2011/12 alone, this represents in cash loss in government funding of £29.7m (11.3%) and £33.7m (8.4%) respectively. The loss of formula grant in particular creates enormous practical issues for delivery of savings within the timescales available to us (not least given the lateness of the settlement) and creates additional costs for implementation of management actions to transform, reduce or to close down services.

***LBS would invite the minister to review the grant floor to see what flexibility there may be for Band One authorities to raise this floor to alleviate some of the delivery and cost issues in the first year of the settlement. As part of this review, the Minister may wish to consider in particular issues such as levels of deprivation, community cohesion, Area Based Grant consumed and effectively lost to the Council as a resource within the formula and the sheer scale of cash loss.***

**Area Based Grants**

LBS welcome the deringfencing of ABG and other specific grants and the removal of burdensome targets previously associated with many of those grants. However, given the grant floor position, a number of grants transferred into formula grant have effectively been lost to the Council as cash resources to provide related services.

Examples of these include :

- Supporting People - the tailored allocation makes LBS the 29th most adversely effected authority nationally, and is the fourth worst effected in London, with a reduction of 16.4% and a loss of £3m within formula grant. Given the purpose of

the grant, this reduction is counter intuitive for an authority such as LBS and seems to reflect a situation encountered by other similar authorities.

- General ABG Grants lost in formula amount to approximately £6.8m in cash terms that impact on the Council immediately. These include area based grant previously awarded in respect of :
  - Child and Adolescent Mental Health Services;
  - Child Death Review Processes
  - Services for Children in Care (Care Matters White Paper)
  - Adult Social Care Workforce
  - Mental Health
  - Learning Disability Development Fund
  - Economic Assessment Duty
  - Carers
  - LNKs
  - Mental Capacity Act

***LBS invites the minister to reassess the impact of these losses in Area Based Grants when reconsidering the LBS grant floor position and lack of Transition Grant to cushion the impact of front loaded funding reductions.***

#### **Transition Grant**

LBS welcomes the government's recognition of the need for transition grant to cushion the impact of grant reductions of at least 8.9% in spending power, but is disappointed that this is the only criteria being applied. LBS receives no transition grant within this settlement, as government's estimate of Southwark's revenue spending power is that it will not be reduced sufficiently, despite losing £33.7m (8.4%) in 2011/12.

Not least, this disappointment is response to a spending power assessment where not all elements are under local authority control. For example, LBS is due to receive approximately £4m in social care grant that requires joint agreement with the health sector and is not therefore 'deringfenced' for use at the Council's sole discretion.

Newham, Tower Hamlets and Hackney have experienced more than the maximum reduction in revenue spending power and therefore will be in receipt of transition grant (totalling £15.3m).

***LBS invites the minister to reconsider the criteria for transition grant in the context of the extent of cash funding lost to the Council and especially the front loading of this in the first year of the settlement. The minister is also asked to review the relevance of the way of calculating spending power to include elements where spend is not at the discretion of the Council alone.***

#### **Social Care Grants**

LBS welcomes the announcement of two grants, each of £1bn to be shared nationally to support social care spending in local authorities and reabling.

The Council is clearly disappointed to see no benefit arising from the direct local authority share as it is lost in the formula grant for grant floor authorities. There are therefore no new resources available directly to the Council to support health other than from redirecting remaining resources within the Council at a cost to other priorities such as children's services, community safety, youth, etc..

While the second element is available to the Council and reported within the spending power assessment, access to these funds requires formal agreement from our health partners (currently the PCT).

Given the nature of health provision in London at present, this clearly generates some considerable risk in terms of making these resources available as part of the budget process for 2011/12 and 2012/13.

***The minister is invited to consider together with his colleagues in the Department of Health ways of ensuring the availability of these funds to support reablement without strings for the duration of this settlement, especially for grant floor authorities who have received no cash benefit through formula grant.***

#### **Future of Grant Formula**

LBS recognises the serious limitations of the current grant formula and issues that it creates for simplicity, consistency openness and transparency. It is understood that a revised funding arrangement will be established to support future settlements, commencing from 2013/14. As a leading London authority with a number of diverse features, including a high and mobile population, increasing day time activity, extremes of wealth and deprivation and business and residential communities and as a significant social landlord in the UK with large regeneration programmes, LBS considers itself well placed to support ministers and the DCLG with preparation of these new funding arrangements. LBS would therefore be happy to offer support at both political and officer levels.

***The minister is invited to consider the offer of support from LBS.***

#### **Business Rates**

LBS welcomes the proposals in the White Paper: "*Local growth: realising every place's potential*" to provide stronger incentives for councils to support long term sustainable growth in their local economies. LBS supports the early consideration of the scope to allow councils to retain locally raised business rates. With significant the key features of the borough as outlined above, LBS considers itself well placed to support ministers and the DCLG with consideration of possible arrangements and would therefore be happy to offer to act as a pilot site for any such study.

***The minister is invited to consider the offer of LBS as a pilot site for the retention of locally raised business rates.***

#### **Population Size and Content**

LBS is concerned that there has been a significant shortfall between Southwark's actual population and the population calculated by the ONS that is used for grant allocation.

Over previous years the mid-year estimates for Southwark supplied by the ONS, have not been reflected in the formula grant calculations, resulting in severe under funding.

Over the life of the previous three year (2008/09 to 2010/11) settlement it is estimated that LBS lost a total in pre-damped grant of over £22m. As a result of this LBS has lobbied ONS and DCLG on population and other matters relating to the under funding of LBS services.

Improved migration collection methodology by the ONS has resulted in the population figures used in the provisional 2011/12 settlement showing an increase of 10.3% over that used for the 2010/11 settlement, but this does nothing to recover the underfunding caused by understated population figures being used in the past.

LBS notes the revision in population estimates, and support the use of more up to date data in the formulae, but we continue to have concerns about the Adult Social Care and Children's formulae since their introduction in 2006/07

***LBS invites the minister to ensure that these factors are taken properly into account.***

### **Concessionary Fares**

Transport for London (TFL) have withdrawn from the five year deal signed with London Councils in February 2010 that would have capped the 2011/12 payment at £261.1m, this withdrawal has contributed a further £14m to the costs of concessionary fares to London Boroughs.

From 2011/12 London Councils will not receive the Concessionary fares specific grant, instead it will be subsumed into individual authority's formula grant, the transfer value for Southwark into the revised 2010/11 grant is £2.567m but this has been lost in the formula and grant reduction.

For 2011/12 Southwark's contribution towards concessionary fares will be £10.654m, an increase of £3.306m (45%). Southwark's 2011/12 concessionary fares budgets total £7.546m, requiring a further £3.105m to meet this charge.

***LBS invites the minister to reassess the impact of these losses when reconsidering the LBS grant floor position and lack of Transition Grant to cushion the impact of front loaded funding reductions.***

### **Conclusion**

I have started 2011 with a call to action, that this be the year that we all really get involved in our community. Last July the council's cabinet agreed a vision for the borough, where everyone should be able to take advantage of the opportunities that

come from living in the centre of London. We know that the only way to make this a reality is for the council to work closely with residents, businesses and local groups to find the innovative solutions for Southwark.

The cuts are at the upper end of our expectations, they are frontloaded and leave us with very little room to manoeuvre. It is going to be very difficult to protect services in the coming years. We will all play our part in ensuring that the borough comes together to meet the challenge of providing the quality services. Southwark needs to deliver a fairer future for all, and we seek your support as outlined above.

**Peter John**  
**Leader of the Council**