

Sandwell Metropolitan Borough Council

15 January 2019

Subject:	Budget 2019/20 to 2021/22
Director:	Executive Director – Resources – Darren Carter
Contribution towards Vision 2030:	
Contact Officer(s):	Rebecca Griffiths Head of Finance Rebecca_griffiths@sandwell.gov.uk

DECISION RECOMMENDATIONS

That Council:

1. Note the impact of the 2019/20 provisional Local Government Finance Settlement announced by the Secretary of State for Housing, Communities and Local Government on 13 December 2018.
2. Approve the proposed Directorate net revenue target budgets for 2019/20 to 2021/22 detailed in Appendix A.
3. Note that service areas will continue to develop plans to deliver savings across 2020/21 to 2021/22 despite the absence of any provisional figures for those years.
4. Require Chief Officers to submit Service Business Plans to Cabinet in February 2019 outlining service delivery and providing details of gross expenditure and gross income including specific grants.

1 **PURPOSE OF THE REPORT**

- 1.1 This report informs Members of the 2019/20 provisional Local Government Finance Settlement announced by the Secretary of State for Housing, Communities and Local Government on 13 December 2018. Additional information and its impact on target budgets will be incorporated into the report to Cabinet in February 2019 following the final settlement announcement.
- 1.2 This report also requires Council to approve the net revenue target budgets for 2019/20 to 2021/22.

2 **IMPLICATIONS FOR SANDWELL'S VISION**

- 2.1 Each of the Council's ten ambitions are engaged across this report; the Council's financial status helps to underpin the Council's Vision 2030 and associated aspirations.
- 2.2 The integration of the business planning and budgetary processes ensures that limited resources available to the Council are directed to corporate priorities to achieve maximum impact. Members will receive further reports in February outlining details of service budgets and how they develop and contribute to the Vision 2030 ambitions.

3 **BACKGROUND AND MAIN CONSIDERATIONS**

- 3.1 The main purpose of this report is for Council to approve the net target budgets for directorates. This will enable Directors to decide how these budgets will be spent and incorporate these decisions into their business plans.

Provisional Settlement

- 3.2 The provisional settlement was announced on 13 December 2018. The key headlines include: -
 - Core spending power across England will increase by 2.8% (including winter pressures and social care grant). This assumes that all councils will increase Council Tax by the maximum amount allowable within referendum thresholds.
 - Confirmation of a winter pressures grant and a new Social Care Support Grant which replaces the Adult Social Care Grant and can be spent on both Adult and Children's Social Care.
 - New Homes Bonus baseline has been retained at the current level of 0.4%

- The Council Tax referendum limit remains at 2.99%.
- A surplus on the government's Business Rate Levy account has been allocated to local authorities based on additional need. This will be received in the current financial year (2018/19).

3.3 The provisional settlement is broadly in line with the prudent planning assumptions contained in the council's Medium-Term Financial Strategy and will not require any changes to the 2019/20 budget plan.

Core Spending Power

3.4 National figures for Core Spending Power for next year are shown in the table below.

Table 1: Core Spending Power (England)		
	2018/19 (£m)	2019/20 (£m)
Settlement Funding Assessment	15,574.2	14,559.6
Compensation for under-indexing Business Rates multiplier	275.0	400.0
Council Tax	24,766.9	26,025.2
Council Tax for Adult Social Care	1,529.1	1,810.2
Council Tax £5 Referendum	35.6	91.7
Better Care Fund	1,499.0	1,837.0
New Homes Bonus	947.5	917.9
Winter Pressures	240.0	240.0
Rural Services Grant	81.0	81.0
Social Care Support Grant	0.0	410.0
Adult Social Care Grant	150.0	0.0
Total	45,098.3	46,372.7

3.5 The overall spending power figures show a 2.8% increase in funding. However, this assumes that all Councils will increase Council Tax at the maximum allowable rate. If Council Tax is excluded the overall figures show a reduction of 1.7%

3.6 The Local Government Association has estimated that this provisional settlement leaves Councils with a £3.2 billion funding gap in 2019/20.

3.7 The provisional Core Spending Power figures for Sandwell are as follows:

Table 2: Core Spending Power (Sandwell)		
	2018/19 (£m)	2019/20 (£m)
Settlement Funding Assessment	141.4	133.8
Compensation for under-indexing Business Rates multiplier	2.2	3.3
Council Tax	90.9	95.5
Council Tax Adult Social Care	6.4	7.7
Better Care Fund	16.1	20.5
New Homes Bonus	3.6	2.9
Winter Pressures	1.8	1.8
Social Care Support Grant	0.0	3.2
Adult Social Care Grant	1.2	0.0
Total	263.7	268.6

3.8 Sandwell's total funding across the two years will increase by 1.8% assuming the Council agrees to implement the full Council Tax increase, including the Adult Social Care precept. If the additional funding for Social Care is excluded, then Sandwell's funding will reduce by 1% (£2.6m).

Settlement Funding Assessment & Retained Business Rates

3.9 The Settlement Funding Assessment is broken down in Table 3 below:-

Table 3: Settlement Funding Assessment (Sandwell)		
	2018/19 (£m)	2019/20 (£m)
Revenue Support Grant	0.0	0.0
Baseline Funding Level	141.4	133.8
Total	141.4	133.8

3.10 Sandwell will not receive any Revenue Support Grant in 2019/20 due to our inclusion in the 100% Business Rates pilot. However, we will receive £40.9m of Business Rates Top-Up, a reduction of £9.7m compared to 2018/19.

3.11 On 12 December 2018, Cabinet considered officers' estimates of the Business Rates income for 2019/20 (based on 100% Business Rates retention). The latest position as set out in Table 4 shows estimated Business Rates income for SMBC of £98.6m: -

Table 4: Estimated Business Rates	£
Business Rates	99.6
Central Government 50%	0.0
Fire 1%	1.0
Retained by SMBC	98.6

Council Tax

- 3.12 In the 2016-17 settlement, the Government responded to rising costs in Adult Social Care by giving Local Authorities the option to increase Council Tax by an additional 2% and by introducing a different version of the Better Care Fund from 2017/18.
- 3.13 The Better Care Fund was calculated on an assessment of need, less the amount assumed to be raised through the additional 2% Council Tax threshold. The clear implication of this is that Local Authorities who do not implement the additional 2% increase will have insufficient funds to deliver their adult social care responsibilities. It also represents a clear shift towards local Council Tax payers being responsible for funding Adult Social Care services.
- 3.14 The 2017/18 settlement included more flexibility for Local Authorities to bring forward the increase in Council Tax, to cover Adult Social Care costs, by implementing a 3% increase in 2017/18 and/or 2018/19 instead. However, the total increase across 2017/18 to 2019/20 must still not exceed 6%. Sandwell used this flexibility and implemented a 3% increase for 2017/18 and 2% in 2018/19 with the intention to implement a further increase of 1% in 2019/20.
- 3.15 The Government also increased the referendum limit for general Council Tax increases from 2% to 3%. This will continue in 2019/20 therefore it is assumed that general Council Tax for Sandwell MBC will increase by 2.99% plus the remaining 1% for Adult Social Care.

New Homes Bonus

- 3.16 Provisional 2019/20 allocations of New Homes Bonus were announced by MHCLG as part of the settlement on 13 December 2018; a total of £917.9m for English local authorities which has been funded primarily through the top slicing of overall funding totals. Sandwell will receive an estimated £2.9m of New Homes Bonus in 2019/20 although actual grant payment will depend on housing delivery.

Expenditure Projections – Sandwell

- 3.17 The Council continues to face an extremely challenging financial position with cuts in Central Government funding continuing for another year despite the recent announcement of the end of austerity.
- 3.18 The expenditure projections included in the Medium Term Financial Strategy approved by Council in March 2018 have been updated to reflect current available information and use the roll forward budget assumptions detailed in the summary statement.
- 3.19 The 2018/19 budget included the use of £5m of one-off reserves to fund the increase in the contract sum to be paid to Sandwell Children’s Trust resulting from increasing demand pressures. £3m of this increase has been built into the base budget for 2019/20, with the remaining £2m being funded by the use of the Social Care grant announced as part of the provisional settlement. The expenditure projections assume no increase in the contract sum for 2019/20.
- 3.20 The resultant forecast expenditure and funding over the next 3 financial years is shown in table 7 below. Appendix A provides forecast net target budget requirements for each Directorate.
- 3.21 Work will continue on finalising these figures however, final information will not be available until the end of January 2019. Details of the Fire and Civil Defence and Police and Crime Commissioner precepts will also not be finalised until February 2019.
- 3.22 The provisional budget allocations for the next 3 financial years include the assumptions below. Note – the assumption that the general inflation rate will be held at 1% will be kept under review as there may be a need to revise this and other inflationary assumptions due to pressures in the wider economy: -

Table 5: Corporate Budgetary Parameters			
	2019/20	2020/21	2021/22
	(%)	(%)	(%)
Pay Award - APT&C	2.45	2.00	2.00
Pay Award - Teachers & Chief Officers	2.45	2.00	2.00
General Inflation	1.00	1.00	1.00
Contractual Commitments	1.00	1.00	1.00
Fuel – Gas	5.00	5.00	5.00
Fuel – Electricity	15.00	15.00	15.00
Income – Fees & Charges	2.00	2.00	2.00
Income - Internal Recharges	1.00	1.00	1.00
Income - Other	2.00	2.00	2.00

- 3.23 Levies, including transport and environment, are based on up to date information.
- 3.24 Projected expenditure also includes provision for the anticipated supported borrowing requirements over the 3 years and resultant revenue debt charges.

Forecast Funding – Sandwell

- 3.25 Indicative funding for 2019/20 was announced as part of the provisional settlement. The provisional settlement announced in December 2018 runs for just one year. The LGA responded to this by saying:
- “The four-year deal runs out in March 2020. We remain concerned that there is no clarity over funding levels, nationally and locally, after that date. This hampers meaningful financial planning at a time when central government grant funding is the lowest it has been for decades and demand pressures are increasing.”
- 3.26 In the absence of any national figures beyond 2019/20, the starting position for the next two years of the budget strategy is the Medium Term Financial Strategy approved by Council in March 2018. That MTFS assumes ongoing cuts of £10m per annum to the Business Rates top-up but we need to consider whether this should be updated following the Prime Ministers announcement of the end of austerity.
- 3.27 A Cabinet Summit in November 2018 agreed the base future planning on three scenarios:
- 1) The continuation of a £10m pa cut to funding (Worst Case);
 - 2) The halving of that cut to £5m (Base Case);
 - 3) No further funding cuts (Best Case).
- 3.28 It was agreed that option 2 will be the base position to be used in the next update to the MTFS but that services will continue to prepare options for the worst-case scenario.
- 3.29 Table 6 below shows the current funding levels forecast for the council over the next 3 years. These are based on the following information and assumptions: -
- Retained Business Rates are as per the 2019/20 estimates presented to Cabinet on 12 December 2018 increased by CPI thereafter;
 - Business Rates Top Up is as per the provisional settlement and is reduced by £5m pa thereafter;

- Council Tax increases of 2.99% in each year plus an Adult Social Care precept of 1% in 2019/20;
- Council Tax Collection Rate of 99%;
- Assumed growth in Council Tax base of 1% pa.

Table 6: Forecast Funding Sandwell				
	2018/19 (£m)	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)
RSG	0.0	0.0	0.0	0.0
Business Rates	96.1	98.6	101.4	104.4
Business Rates Top Up	50.2	40.9	35.9	30.9
Council Tax	91.1	96.6	108.1	111.4
Adult Social Care CT	6.2	7.4	0.0	0.0
Collection Fund Surplus/Deficit	-9.1	0.0	0.0	0.0
Total	234.5	243.4	245.4	246.6

3.30 Table 7 compares the projected net revenue expenditure to the forecast council funding included above in Table 6.

Table 7: Forecast Funding compared to Expenditure (Sandwell)				
	2018/19 (£m)	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)
Forecast Expenditure	234.5	243.4	248.9	252.1
Forecast Funding	234.5	243.4	245.4	246.6
Annual Shortfall	0.0	0.0	-3.5	-2.0
Cumulative Shortfall	0.0	0.0	-3.5	-5.5

Housing Revenue Account

3.31 The business plan and available funding for the Housing Revenue Account will be presented alongside the Directorate Business Plans to Cabinet in February 2019.

Schools and Education Services Funding

3.32 The school funding settlement was announced by the Education and Skills Funding Agency (ESFA) on 17 December 2018 and confirmed that

Sandwell's total Dedicated Schools Grant (DSG) allocation for 2019/20 is £328.5m. This is broken down between the following blocks: -

Table 8: DSG Blocks	
	2019/20 (£m)
Schools Block	260.894
Central School Services Block	2.008
High Needs Block	42.035
Early Years Block	23.538
Total	328.475

3.33 The government has recognised the pressures in dealing with special educational and disability needs (SEND) and announced additional High Needs funding for 2018/19 and 2019/20 as part of the settlement. Sandwell has been allocated £0.851m for each year.

3.34 Other settlement headlines around High Needs and SEND were: -

- National £100m top-up to the Special Provision Capital Fund.
- Establishment of a SEND Leadership Board which is aimed at improving education, health and care commissioning.
- Funding for the training of more Educational Psychologists.
- Commissioning of SEN Futures – a package of long-term research and analysis around the impact of current SEN provision on young people's outcomes.
- Evidence gathering will be taking place about the use of the £6k High Needs Funding within school budgets.

Budget Process & Medium-Term Financial Strategy (MTFS)

3.35 Management Board and Cabinet Members continue to jointly develop plans to meet savings requirements for 2020/21 to 2021/22. Specific pressures identified in the directorate business plans will be reflected in budgets where appropriate. Where necessary, reserves will be prudently earmarked to fund potential liabilities.

3.36 The MTFS will be presented to Cabinet in February and will include details of the council's key financial objectives as well as a number of strategic and operational principles which align to the 2030 Vision ambitions.

- 3.37 This year's budgetary planning process has continued to ensure that there is an integrated approach towards business, budget and performance planning through the development of multi-year Directorate business plans, which clearly set out the vision, outcomes and focus for each service area. Final business plans including full budget details will be considered by Cabinet in February 2019.

4 THE CURRENT POSITION

- 4.1 The latest budget monitoring for the council shows a projected surplus of **£4.171m** against service areas. This figure excludes the use of corporate resources by service areas. When this is included, the overall position is a projected deficit of **£1.546m**.
- 4.2 The main risk area continues to be the increasing demand pressures in Children's Social Care.

5 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)

- 5.1 Directors and Cabinet Members have been consulted in the setting of the provisional net target budgets.

6 ALTERNATIVE OPTIONS

- 6.1 Cabinet has considered a wide range of options at Cabinet Summits during 2018.

7 STRATEGIC RESOURCE IMPLICATIONS

- 7.1 These are contained in the main body of the report.

8 LEGAL AND GOVERNANCE CONSIDERATIONS

- 8.1 The Council has a statutory duty to set a balanced budget by 11 March each year prior to the start of the relevant financial year. Further detailed reports will be presented to Cabinet and Council in February and March to ensure this requirement is met.

9 EQUALITY IMPACT ASSESSMENT

- 9.1 There is no requirement to conduct an Equality Impact Assessment as the decisions required do not impact on any community groups in a different way.

10 DATA PROTECTION IMPACT ASSESSMENT

- 10.1 Any information used to compile this report is subject to information governance legislation and is managed in accordance with the Council's policies and protocols. A Data Protection Impact Assessment is not required.

11 CRIME AND DISORDER AND RISK ASSESSMENT

- 11.1 There no requirement to carry out a Crime and Disorder and Risk Assessment.

12 SUSTAINABILITY OF PROPOSALS

- 12.1 This information is contained within the main body of the report.

13 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)

- 13.1 The financial prosperity of the Council provides a foundation for health and wellbeing across the remit of the Council.

14 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND

- 14.1 There is no direct impact on any land or assets.

15 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 15.1 The report contains accurate expenditure and funding projections based on the most timely and relevant information available. It is vital that directorates are informed of their provisional net target budgets as soon as possible in order for spending decisions to be made and incorporated into business plans.

16 BACKGROUND PAPERS

Provisional Local Government Settlement 2019/20 and supporting documents.

17 APPENDICES:

Appendix A – Provisional Target Budgets 2019/20 to 2021/22

Darren Carter
Executive Director – Resources

SANDWELL METROPOLITAN BOROUGH COUNCIL**General Fund Summary****Provsional Service Target Budgets 2018/19 to 2021/22**

<u>Service Target Budgets</u>	Target Budget 2018/19	Target Budget 2019/20	Target Budget 2020/21	Target Budget 2021/22
	£	£	£	£
<u>Performance</u>				
Corporate Management	331,000	941,000	1,096,000	1,101,000
Resources	15,689,000	15,696,000	15,494,000	15,289,000
<u>People</u>				
Adult Social Care	83,500,000	82,102,000	82,312,000	82,526,000
Children's Services	79,879,000	78,928,000	78,707,000	78,731,000
Public Health	97,000	97,000	97,000	97,000
<u>Place</u>				
Regeneration & Growth	21,570,000	21,317,000	21,637,000	21,969,000
Housing & Communities	17,819,000	18,423,000	18,439,000	18,344,000
Total Service Target Budgets	<u>218,885,000</u>	<u>217,504,000</u>	<u>217,782,000</u>	<u>218,057,000</u>