

Sandwell Metropolitan Borough Council

5 March 2019

Subject:	Council Finances 2019/20
Director:	Executive Director – Resources – Darren Carter
Contribution towards Vision 2030:	
Contact Officer(s):	Rebecca Griffiths Strategic Finance Manager Rebecca_griffiths@sandwell.gov.uk

DECISION RECOMMENDATIONS

That Council:

1. Approve the Medium-Term Financial Strategy set out in Appendix A.
2. Approve the expenditure level for 2019/20 as set in Appendix B1 and B2 and the resultant Council Tax as set out in Appendix C.
3. Approve the provisional budgets for 2019/20 to 2021/22 as shown in Appendix B3.
4. Note the revised financial position and the forecast reserves position for the end of 2018/19.
5. Note the supporting information on the robustness of the budget process and adequacy of the council's reserves detailed in Appendix D.
6. Approve the Treasury Management Strategy Statement and Investment Strategy in Appendix E.
7. Approve the Capital Programme 2018/19 to 2022/23 in Appendix F and the Capital Strategy in Appendix G.

8. Note that the Cabinet meeting on the 12 December 2018 approved the amount of 74,150.81 as its Council Tax base for the year 2019/20 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 33 (5) of the Local Government Finance Act 1992.

9. Approve that the following amounts be calculated by the Council for the year 2019/20 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992: -

(a) Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act **£1,059,470,803**

(b) Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) (a) to (d) of the Act; **£955,549,997**

(c) Being the amount by which the aggregate at 9(a) above exceeds the aggregate at 9(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year; **£103,920,806**

(d) Being the amount at 9(c) above, all divided by the amount at 8 above, calculated by the Council in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year; **£1,401.48**

(e) Valuation Bands:
Being the amounts given by multiplying the amount at 9(d) above by the number which, in the proportion set out in Section 5(1) of the Act, is

	£
A	934.32
B	1,090.04
C	1,245.76
D	1,401.48
E	1,712.92

applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands;

F 2,024.36
G 2,335.80
H 2,802.96

10. Note that, for the year 2019/20, the major precepting authorities have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act, 1992, for each of the categories of dwellings shown below:

Valuation Bands	West Midlands Fire & Rescue Authority (£)	Police & Crime Commissioner for the West Midlands (£)
A	40.40	101.70
B	47.13	118.65
C	53.86	135.60
D	60.60	152.55
E	74.07	186.45
F	87.53	220.35
G	101.00	254.25
H	121.20	305.10

11. Having calculated the aggregate in each case of the amounts at 8(e) and 9 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, sets the following amounts as the Council Tax for the year 2019/20 for each of the categories of dwellings shown below:

Valuation Band	£
A	1,076.42
B	1,255.82
C	1,435.22
D	1,614.63
E	1,973.44
F	2,332.24
G	2,691.05
H	3,229.26

12. Authorise the Chief Finance Officer to take any necessary action to collect revenues and disburse monies from the relevant accounts.
13. Approve that the requirements of any relevant legislation, to consider reports as a consequence of the approval of the Council's Finances 2019/20 report, be dispensed with on the grounds that in the opinion of the Council the items are urgent.
14. Authorise the Chief Finance Officer to agree the contract sum for the Children's Trust for 2019/20.

1 PURPOSE OF THE REPORT

- 1.1 This report details the 2019/20 net expenditure level for the council based on the Local Government Finance Settlement received on 29 January 2019 and seeks approval for the resultant Council Tax for 2019/20.

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 received a report on 6 February 2019 incorporating directorate business plans which outlined details of service budgets and how they develop and contribute to the Vision 2030 ambitions.

3 BACKGROUND AND MAIN CONSIDERATIONS

Medium Term Financial Strategy (Appendix A)

- 3.1 The final local government finance settlement was received on 29 January 2019.
- 3.2 The council's Medium-Term Financial Strategy (MTFS) is attached as Appendix A and sets out how the council will structure and manage its finances now and in the future in response to this settlement. It also details the assumptions and calculations behind the council's estimated budget position for 2019/20 onwards.
- 3.3 Table 7 of the MTFS shows the forecast funding and expenditure for Sandwell from 2018/19 to 2021/22: -

	2018/19 (£m)	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)
Forecast Expenditure	234.5	243.3	247.0	250.2
Forecast Funding	234.5	243.3	243.4	244.6
Annual Shortfall	0.0	0.0	-3.6	-2.0
Cumulative Shortfall	0.0	0.0	-3.6	-5.6

- 3.4 Work is now ongoing across the council to identify ways of achieving savings to cover this shortfall.

Directorate and Central Item Budgets (Appendix B)

- 3.5 Appendix B1 and B2 show the directorate and central items budgets that have been calculated as a result of the calculations contained within the MTFS. Appendix B3 also shows the estimated provisional budgets for 2019/20 to 2021/22.
- 3.6 The report to Cabinet on 6 February 2019 provided Members with detailed business plans, based on these provisional budgets, for each service area for approval and was referred to Budget and Corporate Services Scrutiny Board for consideration.

Council Tax (Appendix C)

- 3.7 Appendix C shows the proposed Council Tax level required to meet the forecast expenditure.

3.8 For 2019/20 the following Sandwell MBC increases are proposed: -

General	Adult Social Care Precept	Total
2.99%	1.00%	3.99%

This is within the referendum threshold.

3.9 The council meeting on 12 December 2018 agreed that the tax base for 2019/20 would be 74,150.81.

3.10 The anticipated surplus on the Collection Fund at the end of 2019/20 is £1.849m.

3.11 The amount that the council will need to raise in Council Tax is shown in the table below:

	£m	£m
Total Expenditure		243.286
Less:		
Business Rates	96.601	
Business Rates Top Up	40.915	
Collection Fund Deficit (One-off)	1.849	
Sub-Total	139.365	
Council Tax		103.921

3.12 Both the West Midlands Fire and Rescue and Police and Crime Commissioner precepts have now been confirmed. These are detailed below: -

	Precept (£m)	Council Tax (£)	Increase (%)
West Midlands Police & Crime Commissioner	11.312	152.55	18.67
West Midlands Fire and Rescue	4.494	60.60	2.99

- 3.13 The total Council Tax that will be raised in 2019/20 including these precepts will therefore be: -

Table 4: Council Tax Total	
	£m
Sandwell MBC	103.921
West Midlands Police & Crime Commissioner	11.312
West Midlands Fire and Rescue	4.494
Total	119.727

- 3.14 The overall Council Tax increase will be **5.18%** which results in a total Band D rate of **£1,614.63**.

Balances and Reserves (Appendix D)

- 3.15 Revenue balances are necessary to enable the council to maintain a degree of flexibility in its finances and to meet potential liabilities or deal with unforeseen events. Balances can also be used to fund capital expenditure in addition to the level which can be funded from capital receipts.
- 3.16 The Local Government Act 2003 introduced a new statutory requirement for the Chief Financial Officer to comment on the robustness of the budgetary process and adequacy of the council's reserves to meet any unforeseen liabilities. Brief details are provided below with more detailed supporting information in Appendix D.
- 3.17 The estimated General Fund reserve balance as at 31 March 2019 is £47.5m.
- 3.18 After consideration of the council's strategic risks, the forecast level of free balances at the end of 2018/19 are likely to be £10.9m, representing a reduction of £0.3m from the £11.219m of free balances held at the end of 2017/18. This represents 4.48% of net operating budget and is at a level which is deemed to be adequate in the medium term.

Specific Reserves and Provisions

- 3.19 The council has several specific reserves and provisions, in addition to general reserves, for meeting known or anticipated liabilities which are summarised in the tables below. The establishment of these specific reserves reflects the council's ongoing risk assessment of potential liabilities and this in turn reduces the risk of unexpected calls on the council's general balances.

- 3.20 Specific reserves and provisions have been reviewed during the budget process and found to be to meet existing known liabilities. They will continue to be thoroughly reviewed as part of the 2018/19 closedown of accounts process.

Treasury Management Strategy Statement (Appendix E)

- 3.21 The prudential regime introduced as part of the Local Government Act 2003 requires the council to establish its own borrowing limits regarding affordability and its capital investment plans.
- 3.22 The council is also required to approve its Treasury Management and Investment Strategies and its Minimum Revenue Provision (MRP) policy prior to the beginning of the financial year. These are attached as Appendix E and it is recommended that they be approved by Cabinet.

Capital Programme (Appendix F)

- 3.23 The five-year capital programme provided at Appendix F incorporates the capital review that was reported to Cabinet on 6 February 2019 and any further approvals that have been agreed at this time.
- 3.24 In summary, the current capital programme commitments and available resources between 2018 and 2021 are: -

Capital Programme			
	2019/20	2020/21	2021/22
	(£m)	(£m)	(£m)
Approved Commitments	122.641	77.909	59.700
Resources	122.641	77.909	59.700

- 3.25 Available resources assume the use of borrowing under the prudential regime. Members should be aware that a decision to reduce the level of borrowing (i.e. a reduction in the capital programme) will result in revenue savings of approximately £0.070m per £1.000m of borrowing.

Capital Strategy (Appendix G)

- 3.26 The level of resources committed by the council for capital investment is significant. In the period 2019/20 to 2022/23 total resources are expected to be around £318m. The effective use of these resources is vital in achieving the Vision 2030 ambitions.
- 3.27 The council has a strategic approach to ensure funds are invested in capital projects that support the longer-term objectives of the council and its partners and provide value for money service provision. This approach is detailed within the Capital Strategy in Appendix G.

Housing Revenue Account (HRA)

- 3.28 The HRA was included in the Neighbourhoods business plan presented to Cabinet on 6 February 2019.
- 3.29 The Housing Revenue Account (HRA) is a ringfenced account which operates fully within its own resource, meeting expenditure from income obtained from tenants' rents. The 2019/20 rent income requires a 1% reduction on the previous year's rent as imposed but the Welfare Reform and Work Act 2016. This reduction was approved by cabinet on 14th November 2018.
- 3.30 Previously, the HRA was required to stay within a 'borrowing cap' that limited the ability of the account to invest in its current stock and increase the supply of its own stock to replace that lost through the Right-To-Buy programme. This borrowing cap was removed in October 2018, giving greater freedoms to invest using the resources generated by the HRA.
- 3.31 A 30-year plan is maintained to ensure that any future planned investment remains affordable. The current 10-year investment plan was approved by Cabinet on 18th October 2017, with planned investment of £485m over the 10-year period. Following the removal of the borrowing cap, this programme of investment is being reviewed to ensure that it still meets the needs of the HRA and its tenants.

4 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)

- 4.1 A meeting for non-domestic rate payers was held on 6 February 2019. A full public consultation on 2019/20 budget proposals is planned to take place during 2019.
- 4.2 Directors and Cabinet Members have been consulted in the setting of the provisional net target budgets.

5 ALTERNATIVE OPTIONS

- 5.1 Cabinet and Management Board have considered a wide range of options at a series of workshops held throughout 2018.

6 STRATEGIC RESOURCE IMPLICATIONS

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

7 LEGAL AND GOVERNANCE CONSIDERATIONS

- 7.1 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.

7.2 There is also a legal requirement for the council to approve the Treasury Management and Investment Strategy before the start of the financial year.

8 EQUALITY IMPACT ASSESSMENT

8.1 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.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 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.

10 CRIME AND DISORDER AND RISK ASSESSMENT

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

11 SUSTAINABILITY OF PROPOSALS

11.1 This information is contained within the main body of the report.

12 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)

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

13 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND

13.1 There is no direct impact on any land or assets.

14 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

14.1 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.

15 BACKGROUND PAPERS

Final Local Government Settlement 2019/20 and supporting documents.

16 APPENDICES:

Darren Carter
Executive Director – Resources