


REPORT TO CABINET

5 February 2020

Subject:	Budget 2020/21 to 2022/23 – Provisional Settlement
Presenting Cabinet Member:	Cllr Ali, Cabinet Member for Resources and Core Services
Director:	Darren Carter, Executive Director of Resources
Contribution towards Vision 2030:	
Key Decision:	Yes
Cabinet Member Approval and Date:	Yes
Director Approval:	Yes
Reason for Urgency:	Do not apply
Exempt Information Ref:	Do not apply
Ward Councillor (s) Consulted (if applicable):	Boroughwide
Scrutiny Consultation Considered?	Scrutiny consultation has not been undertaken
Contact Officer(s):	Rebecca Griffiths, Head of Finance Rebecca_Griffiths@sandwell.gov.uk

DECISION RECOMMENDATIONS

That Cabinet:

1. Note the impact of the 2020/21 provisional Local Government Finance Settlement announced by the Secretary of State for Housing, Communities and Local Government on 20 December 2019.
2. Approve the proposed Directorate net revenue target budgets for 2020/21 to 2022/23 detailed in Appendix A.

3. Require Chief Officers to develop detailed budget plans and for these to be submitted to Cabinet alongside the Corporate Plan later this month.
4. Approve the movement of the following budgets to central items: -
 - Contract sum payment for Sandwell Children's Trust from Children's Services.
 - Business Rates Growth payment to West Midlands Combined Authority from Corporate Management.
5. Authorise the Executive Director - Resources to submit an application for funding to the Black Country LEP for development costs for the proposed scheme at Birchley Island.
6. Authorise the Executive Director - Resources to accept the Towns Deal capacity funding of £486,058.

1 PURPOSE OF THE REPORT

- 1.1 This report informs Members of the 2020/21 provisional Local Government Finance Settlement announced by the Secretary of State for Housing, Communities and Local Government on 20 December 2019. Additional information and its impact on target budgets will be incorporated into the report to Cabinet later this month following the final settlement announcement.
- 1.2 This report also requires Council to approve the net revenue target budgets for 2020/21 to 2022/23.

2 IMPLICATION FOR VISION 2030

- 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 later this month 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 Cabinet 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 the Corporate Plan.

Provisional Settlement

3.2 The provisional settlement was announced on 20 December 2020. The key headlines include: -

- Additional £1.5bn of funding for social care.
 - £1bn of this is additional grant funding through the Social Care Grant which replaces the Adult Social Care Grant and Winter Pressures grant.
 - £0.5bn is through the ability for councils to increase the Adult Social Care Precept by another 2%.
- Revenue Support Grant and Business Rates Baselines increase in line with inflation.
- General Council Tax referendum limit has been reduced from 3% to 2%.
- New Homes Bonus baseline continues at 0.4% and a consultation will be issued during 2020 on the future of this funding stream.
- Continuation of the Independent Living Fund.

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 2020/21 budget plan.

Core Spending Power

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

	2019/20 (£m)	2020/21 (£m)
Settlement Funding Assessment	14,559.6	14,796.9
Compensation for under-indexing Business Rates multiplier	400.0	500.0
Council Tax	25,877.2	26,892.2
Council Tax for Adult Social Care	1,799.7	2,373.3

Table 1: Core Spending Power (England)		
	2019/20 (£m)	2020/21 (£m)
Council Tax £5 Referendum	90.8	104.2
Better Care Fund	1,837.0	2,077.0
New Homes Bonus	917.9	907.3
Winter Pressures	240.0	0.0
Rural Services Grant	81.0	81.0
Social Care Support Grant	410.0	0.0
Adult Social Care Grant	0.0	0.0
Social Care Grant	0.0	1,410.0
Total	46,213.3	49,141.9

3.5 The overall spending power figures show a **6.3%** increase in funding.

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

Table 2: Core Spending Power (Sandwell)		
	2019/20 (£m)	2020/21 (£m)
Settlement Funding Assessment	133.8	136.0
Compensation for under-indexing Business Rates multiplier	3.3	4.1
Council Tax	96.2	100.2
Council Tax Adult Social Care	7.7	10.2
Better Care Fund	20.5	22.3
New Homes Bonus	2.9	1.6
Winter Pressures	1.8	0.0
Social Care Support Grant	3.2	0.0
Adult Social Care Grant	0.0	12.3
Total	269.4	286.7

3.7 Sandwell's total funding across the two years will increase by **6.4%**.

Settlement Funding Assessment & Retained Business Rates

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

Table 3: Settlement Funding Assessment (Sandwell)		
	2019/20 (£m)	2020/21 (£m)
Revenue Support Grant	0.0	0.0
Baseline Funding Level	133.8	136.0
Business Rates Top Up	40.9	41.6
Total	174.7	177.6

- 3.9 Sandwell will not receive any Revenue Support Grant in 2020/21 due to our inclusion in the 100% Business Rates pilot.
- 3.10 On 8 January 2020, Cabinet considered officers' estimates of the Business Rates income for 2020/21 (based on 100% Business Rates retention). The latest position as set out in Table 4 shows estimated Business Rates income for SMBC of **£99.8m**: -

Table 4: Estimated Business Rates	£
Business Rates	100.8
Central Government 50%	0.0
Fire 1%	1.0
Retained by SMBC	99.8

- 3.11 These figures have not been adjusted for the increase in small business rates relief for the retail sector (from 33% to 50%) which was announced recently as this has not yet been legislated for. This will reduce the collectible Business Rates but will be compensated for through Section 31 grants therefore would have no overall impact on the council's funding.

Council Tax

- 3.12 In line with the settlement announcement, Council Tax is projected to increase by 1.99% for the general element and 2% for the Adult Social Care precept.

New Homes Bonus

- 3.13 Provisional 2020/21 allocations of New Homes Bonus were announced by MHCLG as part of the settlement on 20 December 2010; a total of £907.3m for English local authorities which has been funded primarily through the top slicing of overall funding totals. Sandwell will receive an estimated £1.6m of New Homes Bonus in 2019/20 although actual grant payment will depend on housing delivery. This is a reduction of £1.3m compared to 2019/20.

- 3.14 The government also announced that they will be issuing a consultation in Spring 2020 about the future of this funding stream which will include moving to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes needed, and which is aligned with other measures around planning performance.

Expenditure Projections – Sandwell

- 3.15 The expenditure projections included in the Medium-Term Financial Strategy approved by Council in March 2019 have been updated to reflect current available information and use the roll forward budget assumptions detailed in Table 5 below.
- 3.16 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.
- 3.17 Projected expenditure also includes provision for the anticipated supported borrowing requirements over the 3 years and resultant revenue debt charges.
- 3.18 Work will continue on finalising these figures however, final information is not currently available. Details of the Fire and Civil Defence and Police and Crime Commissioner precepts will also not be finalised until February 2020.
- 3.19 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	3.00	2.50
Pay Award - Teachers & Chief Officers	2.45	3.00	2.50
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

3.20 Levies, including transport and environment, are based on up to date information.

Forecast Funding - Sandwell

3.21 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 2020/21 estimates presented to Cabinet adjusted for an increase in reliefs which will be compensated for through Section 31 grants
- Business Rates Top Up is as per the provisional settlement and remains stable thereafter;
- Council Tax increases of 1.99% in each year plus an Adult Social Care precept of 2% in 2020/21;
- Council Tax Collection Rate of 99%;
- Assumed growth in Council Tax base of 1% pa.

	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)
RSG	0.0	0.0	0.0	0.0
Business Rates	96.6	99.8	102.9	106.0
Business Rates Top Up	40.9	41.6	41.6	41.6
Council Tax	96.6	98.8	101.5	104.7
Adult Social Care CT	7.4	9.5	9.5	9.6
Collection Fund Surplus/Deficit	1.8	0.2	0.0	0.0
Total	243.3	249.9	255.4	261.9

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

	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)
Forecast Expenditure	243.3	249.9	256.1	261.2

Table 7: Forecast Funding compared to Expenditure (Sandwell)				
	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)
Forecast Funding	243.3	249.9	255.4	261.9
Annual Shortfall	0.0	0.0	-0.7	1.4
Cumulative Shortfall	0.0	0.0	-0.7	0.7

This shows that it is possible to achieve a balanced budget for 2020/21 without the need to use council reserves. Future year funding is still uncertain and will be reviewed once more information on this is received.

Housing Revenue Account

- 3.23 The budget plan and available funding for the Housing Revenue Account will be presented alongside the Corporate Plan to Cabinet later this month.

Schools and Education Funding

- 3.24 The school funding settlement was announced by the Education and Skills Funding Agency (ESFA) on 19 December 2019 and confirmed that Sandwell's total Dedicated Schools Grant (DSG) allocation for 2020/21 is £348.985m. This is broken down between the following blocks: -

Table 8: DSG Blocks	
	2020/21 (£m)
Schools Block	274.031
Central School Services Block	2.020
High Needs Block	48.583
Early Years Block	24.351
Total	348.985

- 3.25 The government has recognised the budget pressures faced by schools in general and particularly children with special education needs.
- 3.26 There will be a multi-billion-pound investment in primary and secondary education including high needs, investing an additional £2.6 billion in 2020/21; £4.8 billion in 2021/22 and 7.1 billion. This total includes £780 billion extra in 2020/21 to help children with Special Education Needs and Disabilities. (SEND). There will also be an extra £1.5 billion per year to fund additional pension costs for teachers.
- 3.27 For Sandwell this has meant the following:

- School block funding (prior to recoupment) increased from £260.894m in 2019/20 to £274.031m in 2020/21. This is due to an increase in funding as mentioned above, but also an increase in pupil numbers.
- High Needs Block funding (prior to recoupment) increased from £42.035m to £49.681m, as a result the LA will be increasing top up rates for pupils with EHCP's in mainstream school by 7% from 2020/21.
- Early years Block increased from £23.538m to £24.351m.
- Central School Service Block increased from £2.008m to £2.020m

3.28 The DfE have stated they will be progressing the implementation of the National Funding Formula.

Central Items

3.29 The following items are held as budgets within service areas in 2019/20: -

- The contract sum payment to Sandwell Children's Trust – Children's Services (£63m in 2019/20)
- The payment of 'Business Rates Growth' to the West Midlands Combined Authority – Corporate Management (0.6m in 2019/20)

3.30 Both of these amounts are considered to be outside of the control of the directorate in which they are currently located and therefore it is recommended that they be reported as central items from April 2020.

Birchley Island Capital Project

3.31 On 13 June 2018 Cabinet approved the submission of the A4123 Birchley Island/M5 Junction 2 Improvement Major Scheme Business Case to the Black Country Local Enterprise Partnership and West Midlands Combined Authority, with acceptance of funding being subject to a full Strategic Investment Unit appraisal and Cabinet approval.

3.32 As part of the continued development of this scheme, funding of £1.4m is available from the Black Country LEP. This report seeks approval to receive that funding ahead of the full business case.

Budget Process & Medium-Term Financial Strategy (MTFS)

- 3.33 The MTFS will be presented to Cabinet later this month 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.
- 3.34 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 the Corporate Plan which clearly sets out the vision, outcomes and focus for the council. This will include full budget details and be considered by Cabinet later this month.

Town Deal Funding

- 3.35 During 2019, the government announced a £3.6bn Towns Fund which can be used to redevelop vacant buildings and land, drive private sector investment and ensure young people have the skills to get good jobs. Each place selected will have the opportunity to bid for funding of up to £25m.
- 3.36 In order to assist with preparing bids, capacity funding has been allocated for each selected town. In Sandwell the towns are Rowley Regis, Smethwick and West Bromwich and the total funding allocated is **£486,058**.

4 THE CURRENT POSITION

- 4.1 The latest budget monitoring for the council (as at September 2019) shows a projected overspend of **£0.302m** against service areas and central items. Services are also utilising **£4.653m** of reserves and one-off corporate resources that have previously been earmarked for use by those services. When this is taken into account, the overall position for the Council is a projected overspend of **£6.862m**.
- 4.2 The main budget pressures relate to SEND transport, Legal and Governance and Adult Social Care. Sandwell Children's Trust also remains a significant financial risk but is independent of the council and is therefore not included within these figures.

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 The alternative option is for directorates to not be informed of their agreed target budgets which would mean it is not possible for Members to have assurance that the council has a balanced budget by the statutory deadline of 11th March. It is therefore vital that these target budgets are notified to directorates as early as possible.

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 later this month and in 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 2020/21 and supporting documents.

17 APPENDICES:

Appendix A – Provisional Target Budgets 2020/21 to 2022/23

Darren Carter
Executive Director - Resources