

# Report to Cabinet

**10 February 2021**

<b>Subject:</b>	Budget 2021/22 to 2023/24 – Provisional Settlement
<b>Cabinet Member:</b>	Cabinet Member for Resources and Core Services Cllr Wasim Ali
<b>Director:</b>	Acting S151 Officer Rebecca Maher
<b>Key Decision:</b>	Yes Type a, b and c
<b>Contact Officer:</b>	Rebecca Maher <a href="mailto:Rebecca_Maher@sandwell.gov.uk">Rebecca_Maher@sandwell.gov.uk</a>

## 1 Recommendations

- 1.1 That the impact of the 2021/22 provisional Local Government Finance Settlement announced by the Secretary of State for Housing, Communities and Local Government on 17 December 2020 be noted.
- 1.2 That the proposed Directorate net revenue target budgets for 2021/22 to 2023/24 detailed in Appendix A be approved.







## 2 Reasons for Recommendations

- 2.1 Cabinet is required to approve the net revenue target budgets for Directorates in order for Chief Officers to develop detailed budget plans within these budgets.

## 3 How does this deliver objectives of the Corporate Plan?

- 3.1 The Council's budget shows how resources will be directed to meet the objectives of the Corporate Plan. It therefore underpins all of these objectives.



	Best start in life for children and young people
	People live well and age well
	Strong resilient communities
	Quality homes in thriving neighbourhoods
	A strong and inclusive economy
	A connected and accessible Sandwell

## 4 Context and Key Issues

### Provisional Settlement

4.1 The provisional settlement was announced on 17 December 2020. The key headlines include: -

- Core spending power for England councils increases by 4.5%
- The Improved Better Care Fund remains at the same value as 2020/21.
- The Social Care Grant increases by £300m nationally.
- A new Lower Tier Services grant, financed from a reduction in New Homes Bonus.
- Council Tax referendum cap remains at 2% with the ability to set an Adult Social Care precept up to 3% over the next two financial years.
- A further tranche of COVID-19 emergency funding.
- Funding to cover 75% of irrecoverable Council Tax and Business Rates losses in 2020/21.
- A £670m Local Council Tax Support scheme to allow further support to those residents in financial difficulty.
- The Troubled Families programme will continue in 2021/22.



- An extra £125m new burdens funding for local authorities to provide safe accommodation for victims of domestic abuse and their children.
- £15m to help with compliance with the recommendations of the Redmond Review of external audit.

4.2 The provisional settlement is broadly in line with the prudent planning assumptions contained in the council's Medium-Term Financial Strategy. However, due to COVID-19, actions to address a number of budget pressures have not been possible during 2020/21 and therefore the expenditure budget for 2021/22 onwards has been adjusted to cover these additional costs.

### Core Spending Power

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

Table 1: Core Spending Power (England)		
	2020/21 (£m)	2021/22 (£m)
Settlement Funding Assessment	14,796.9	14,809.7
Compensation for under-indexing Business Rates multiplier	500.0	650.0
Council Tax	29,226.9	31,145.3
Better Care Fund	2,077.0	2,077.0
New Homes Bonus	907.2	622.1
Winter Pressures	0.0	0.0
Rural Services Grant	81.0	85.0
Social Care Support Grant	0.0	0.0
Adult Social Care Grant	0.0	0.0
Social Care Grant	1,410.0	1,710.0
Lower Tier Services Grant	0.0	111.0
<b>Total</b>	<b>48,999.0</b>	<b>51,210.2</b>

4.4 The overall spending power figures show a 4.5% increase in funding.



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

<b>Table 2: Core Spending Power (Sandwell)</b>		
	<b>2020/21 (£m)</b>	<b>2021/22 (£m)</b>
Settlement Funding Assessment	136.0	136.2
Compensation for under-indexing Business Rates multiplier	4.1	5.3
Council Tax	108.3	115.4
Better Care Fund	22.3	22.3
New Homes Bonus	1.6	1.3
Winter Pressures	0.0	0.0
Social Care Support Grant	0.0	0.0
Social Care Grant	12.3	17.0
Lower Tier Services Grant	0.0	0.6
<b>Total</b>	<b>284.6</b>	<b>298.0</b>

4.6 Sandwell's total funding across the two years will increase by 4.7%. However, this assumes the full implementation of the 3% Adult Social Care precept in 2021/22.

### **Settlement Funding Assessment & Retained Business Rates**

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

<b>Table 3: Settlement Funding Assessment (Sandwell)</b>		
	<b>2020/21 (£m)</b>	<b>2021/22 (£m)</b>
Revenue Support Grant	0.0	0.0
Baseline Funding Level	136.0	136.2
Business Rates Top Up	41.6	41.8
<b>Total</b>	<b>177.6</b>	<b>177.9</b>



- 4.8 Sandwell will not receive any Revenue Support Grant in 2021/22 due to our inclusion in the 100% Business Rates pilot.
- 4.9 On 13 January 2021, Cabinet considered officers' estimates of the Business Rates income for 2021/22 (based on 100% Business Rates retention). The latest position as set out in Table 4 shows estimated Business Rates income for SMBC of **£99.4m**: -

<b>Table 4: Estimated Business Rates</b>	<b>£</b>
Business Rates	100.37
Central Government 50%	0.0
Fire 1%	1.00
<b>Retained by SMBC</b>	<b>99.4</b>

- 4.10 This is £3.5m lower than in the existing MTFS, mainly due to an estimated loss in Business Rates income as a result of the economic impact of COVID-19.
- Council Tax**
- 4.11 In line with the settlement announcement, Council Tax is projected to increase by 1.99% for the general element and 1% for the Adult Social Care (ASC) precept.
- 4.12 General Council Tax income is £0.405m lower than in the existing MTFS, due to the expected collection rate reducing from 99% to 98% as a result of the economic impact of COVID-19.
- 4.13 The estimated impact of a 1.99% increase in general Council Tax on a Band B property is an additional £22.56 per year. A 1% increase in the ASC precept on a Band B property is an additional £11.34 per year. The total increase on a Band B property would therefore be £33.89 per year.
- 4.14 Details of the Fire and Civil Defence and Police and Crime Commissioner precepts will not be finalised until February 2021.



## New Homes Bonus

- 4.15 Provisional 2021/22 allocations of New Homes Bonus were announced by MHCLG as part of the settlement on 17 December 2020. Sandwell will receive an estimated £1.3m of New Homes Bonus in 2021/22 although actual grant payment will depend on housing delivery. This is a reduction of £0.3m compared to 2020/21.

## Expenditure Projections

- 4.16 The expenditure projections included in the Medium-Term Financial Strategy approved by Council in March 2020 have been updated to reflect current available information and use the budget assumptions detailed in Table 5 below.
- 4.17 Projected expenditure also includes provision for the anticipated supported borrowing requirements over the 3 years and resultant revenue debt charges. Levies, including transport and environment, are based on up to date information.
- 4.18 The provisional budget allocations for the next 3 financial years include the assumptions below: -

<b>Table 5: Corporate Budgetary Parameters</b>			
	<b>2021/22 (%)</b>	<b>2022/23 (%)</b>	<b>2023/24 (%)</b>
Pay Award - APT&C	1%	1%	1%
Pay Award - Teachers & Chief Officers	1%	1%	1%
General Inflation	0%	0%	0%
Contractual Commitments	0%	0%	0%
Fuel – Gas	5%	5%	5%
Fuel – Electricity	15%	15%	15%
Income – Fees & Charges	0%	0%	0%
Income - Internal Recharges	0%	0%	0%
Income - Other	0%	0%	0%



## Forecast Funding – Sandwell

4.19 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 2021/22 estimates presented to Cabinet
- 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 1% in 2021/22;
- Council Tax Collection Rate of 98%;
- Assumed growth in Council Tax base of 0.5% pa and then 1% thereafter.

<b>Table 6: Forecast Funding Sandwell</b>				
	<b>2020/21 (£m)</b>	<b>2021/22 (£m)</b>	<b>2022/23 (£m)</b>	<b>2023/24 (£m)</b>
RSG	0.0	0.0	0.0	0.0
Business Rates	99.8	99.4	101.5	103.5
Business Rates Top Up	41.6	41.8	41.8	41.8
Council Tax	98.8	101.1	104.4	107.8
Adult Social Care CT	9.5	10.6	12.9	13.0
Collection Fund Surplus/Deficit	0.2	-5.5	-1.9	-1.9
<b>Total</b>	<b>249.9</b>	<b>247.3</b>	<b>258.6</b>	<b>264.2</b>

4.20 Table 7 compares the projected net revenue expenditure to the forecast council funding included above in Table 6. Appendix A provides forecast net target budget requirements for each Directorate.



**Table 7: Forecast Funding compared to Expenditure (Sandwell)**

	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)	2023/24 (£m)
Forecast Expenditure	249.9	261.0	267.5	271.0
Forecast Funding	249.9	247.3	258.6	264.2
<b>Annual Shortfall</b>	<b>0.0</b>	<b>-13.8</b>	<b>-8.9</b>	<b>-6.8</b>

4.21 The shortfall in 2021/22 will be covered by one-off earmarked balances/reserves and COVID-19 Emergency Funding to cover the 2020/21 Collection Fund Deficit and reduced level of Business Rates and Council Tax in 2021/22. These had originally been set aside to cover items of expenditure that have now been included in the net revenue expenditure budget which means that the level of free balances will not be affected. This is set out in table 8 below: -

<b>Table 8: Balancing the budget 2021/22</b>	
	2021/22 (£m)
Funding Shortfall	-13.802
Earmarked Balances no longer required	7.972
COVID-19 Emergency Funding to offset Collection Fund Deficit	5.831
<b>Total</b>	<b>0.000</b>

4.22 Savings plans will need to be devised to cover the budget shortfall for subsequent years. Future years funding is still uncertain and will be reviewed once more information on this is received.

### **Housing Revenue Account**

4.23 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**

4.24 The school funding settlement was announced by the Education and Skills Funding Agency (ESFA) on 17 December 2020 and confirmed that Sandwell's total Dedicated Schools Grant (DSG) allocation for 2021/22 is £380.409m (prior to High Needs Place adjustments). This is broken down between the following blocks: -





<b>Table 9: DSG Blocks</b>	
	<b>2021/22 (£m)</b>
Schools Block	297.545
Central School Services Block	2.249
High Needs Block	55.738
Early Years Block	24.877
<b>Total</b>	<b>380.409</b>

4.25 The government announced increases in school funding in August 2019, recognising the budget pressures faced by schools in general and particularly children with special education needs.

4.26 This is the second year of a three year 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 in 2022/23. This total includes extra funding to help children with Special Education Needs and Disabilities. (SEND). There has also been the rolling in of the Teachers' Pension Grant and Teacher's Pension Employer Contribution Grant into the DSG. For Sandwell this has meant the following:

- School block funding (prior to recoupment) increased from £274.031m in 2020/21 to £297.545m in 2021/22. 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 £49.681m to £55.738m.
- Early years Block increased from £24.351m to £24.877m.
- Central School Service Block increased from £2.020m to £2.249m

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

### **Budget Process & Medium-Term Financial Strategy (MTFS)**

4.28 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 Corporate Plan.



4.29 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.

### **Current Position**

4.30 The latest budget monitoring for the council (as at December 2020) shows a projected underspend of £10.451m against service areas and central items. Services are also utilising £14.754m of reserves and one-off corporate resources that have previously been earmarked for use by those services and after making Revenue Contributions to Capital of £4.100m, the projected overspend is £0.203m.

4.31 The projection also includes the use of £15.827m of COVID-19 Central Government Emergency Grant funding.

4.32 The main budget pressures relate to SEND transport, Legal and Governance and the Property Maintenance Account. Sandwell Children's Trust also remains a significant financial risk but is independent of the council and is therefore not included within these figures.

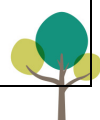
## **5 Alternative Options**

5.1 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.



## 6 Implications

<b>Resources:</b>	These are included in the main body of the report.
<b>Legal and Governance:</b>	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.
<b>Risk:</b>	<p>Risks are managed in line with the council’s corporate risk management strategy. A proactive approach to the identification and management of risks are taken within the financial planning and budget monitoring process and updated regularly.</p> <p>In constructing and assessing the proposed directorate budget plans, a comprehensive financial risk assessment will be undertaken for all parts of the budget, including sensitivity analysis and active steps will be taken to manage the risks identified. This will enable the council to:</p> <ul style="list-style-type: none"> <li>• Achieve planned financial targets;</li> <li>• Achieve a high level of customer satisfaction in our service delivery;</li> <li>• Maintain a safe and supportive working environment for staff;</li> <li>• Enhance our reputation;</li> <li>• Maintain compliance with legal and regulatory framework</li> </ul> <p>The Audit and Risk Assurance Committee governs risk management. The MTFs is noted in the council’s strategic risk register and updates on the management of the risks around the MTFs are regularly reported to the Committee. Risks influencing the MTFs and directorate plans will include:</p> <ul style="list-style-type: none"> <li>• Recovery from Covid 19 and the impact on finances</li> <li>• Impact on local government settlements as a result of Brexit as well as impacts on interest rates and employment and demand for council services</li> <li>• The capacity to deliver planned and future savings</li> <li>• Future government funding (including the fair funding review; improved Better Care Fund, public health grant, business rates retention and New Homes Bonus)</li> </ul>



	<ul style="list-style-type: none"> <li>• Pension Fund risks</li> <li>• Risks from the council’s subsidiary companies including the Sandwell Children’s Trust</li> </ul> <p>Key risks are evaluated within regular monitoring reports to the Cabinet and to Budget and Corporate Scrutiny Management Board.</p> <p>The Chief Financial Officer uses this risk assessment to inform decisions on the transfer of risks/ insurance and on the appropriate levels of general reserves, central contingency and specific reserves where the risk is retained by the council.</p>
<b>Equality:</b>	There are no equality impacts arising from this report.
<b>Health and Wellbeing:</b>	The financial prosperity of the Council provides a foundation for health and wellbeing across the remit of the Council.
<b>Social Value</b>	There are no social value impacts arising from this report.

## 7 Appendices

Appendix A – Provisional Target Budgets 2020/21 to 2023/24

## 8 Background Papers

Provisional Local Government Finance Settlement 2021/22

