

# Report to Cabinet

**24 February 2021**

<b>Subject:</b>	Council Finances 2021/22 to 2023/24
<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 [Explanation of key decision type]
<b>Contact Officer:</b>	Rebecca Maher Rebecca_Maher@sandwell.gov.uk

## 1 Recommendations

That Cabinet recommend to Council to:

- 1.1 Approve the Medium-Term Financial Strategy set out in Appendix A.
- 1.2. Approve the expenditure level for 2021/22 as set in Appendix B1 and B2 and the resultant Council Tax as set out in Appendix C.
- 1.3 Approve the provisional budgets for 2021/22 to 2023/24 as shown in Appendix B3.
- 1.4 Note the revised financial position and the forecast reserves position for the end of 2020/21.
- 1.5 Note the supporting information on the robustness of the budget process and adequacy of the Council's reserves detailed in Appendix D.









- 1.6 Approve the Treasury Management Strategy Statement and Investment Strategy in Appendix E.
- 1.7 Approve the Capital Programme 2021/22 to 2023/24 in Appendix F and the Capital Strategy in Appendix G.
- 1.8 Approve the contract sum for Sandwell Children’s Trust of £68.028m for 2021/22.
- 1.9 Approve the freezing of Fees and Charges across the Council.

**2 Reasons for Recommendations**

- 2.1 Cabinet are required to approve the documents in this report and refer to full Council for final approval.

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

	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

- 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.



## 4 Context and Key Issues

4.1 The final settlement was announced on 4 February 2021. There were no changes from the provisional settlement, the key headlines from which included:

- 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.



## Medium-Term Financial Strategy (Appendix A)

- 4.3 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 2021/22 onwards.
- 4.4 Table 6 of the MTFS shows the forecast funding and expenditure for Sandwell from 2020/21 to 2023/24:

	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)	2023/24 (£m)
Forecast Expenditure	249.9	213.3	267.5	271.0
Forecast Funding	249.9	213.3	258.6	264.2
<b>Annual Shortfall</b>	<b>0.0</b>	<b>0.0</b>	<b>-8.9</b>	<b>-6.8</b>

## Directorate and Central Item Budgets (Appendix B)

- 4.5 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 2022/23 to 2023/24. Cabinet are required to approve these provisional budgets.

## Council Tax (Appendix C)

- 4.6 Appendix C shows the proposed Council Tax level required to meet the forecast expenditure. Cabinet are requested to recommend these Council Tax levels to Council for approval.
- 4.7 There is an increase of £59.80 per Band D property which equates to 3.56%. The West Midlands and Fire Rescue Authority and West Midlands precepts are still provisional but not expected to change. Following confirmation of this precept, any significant variance will be reported to the full Council meeting in March.



## Balances and Reserves (Appendix D)

### Balances

- 4.8 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.
- 4.9 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.
- 4.10 The estimated General Fund reserve balance as at 31 March 2021 is £74.656m.
- 4.11 After consideration of the Council's strategic risks, the forecast level of free balances at the end of 2020/21 is unlikely to reduce from the level of £11.470m which were held at the end of 2019/20. This is equivalent to 4.64% of the Council's net expenditure budget for 2021/22 and is within the prudent parameters set by the Section 151 officer.

### Specific Reserves and Provisions

- 4.12 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.
- 4.13 Specific reserves and provisions have been reviewed during the budget process and found to be sufficient to meet existing known liabilities. They will continue to be thoroughly reviewed as part of the 2020/21 closedown of accounts process.



## Treasury Management Strategy Statement (Appendix E)

- 4.14 The prudential regime, introduced as part of the Local Government Act 2003, requires the Council to establish its own borrowing limits regarding affordability and capital investment plans.
- 4.15 Full Council is also required to approve the authority's Treasury Management and Investment Strategies and 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)

- 4.16 The current capital programme commitments and available resources between 2021 and 2024 are:

Table 7: Capital Programme			
	2021/22 (£m)	2022/23 (£m)	2023/24 (£m)
Approved Commitments	165.6	58.3	58.0
Resources	165.6	58.3	58.0

- 4.17 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)

- 4.18 The level of resources committed by the Council for capital investment is significant. In the period 2020/21 to 2023/24 total resources are expected to be around £486m. The effective use of these resources is vital in achieving the Corporate Plan priorities.
- 4.19 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.



## **Sandwell Children's Trust (SCT)**

- 4.20 The MTFP for Sandwell Children's Trust has been assessed by Council finance officers and contract negotiations have now concluded. The outcome of these is a revised contract sum of £68.028m for 2021/22 which is £0.550m higher than the existing MTFP sum for 2021/22.
- 4.21 In addition to the contract sum requested for 2021/22 the Trust have requested access to £500k from a High Cost Placements reserve created by the Council. The Trust is able to seek access to the reserve if it can demonstrate that High Cost Placements have increased above the baseline that was established when agreeing the reserve in 2019/20. Access to this reserve is subject to the approval of the Executive Director of Children's Services.

## **Housing Revenue Account (HRA)**

- 4.22 The HRA budget was included in the Corporate Plan presented to Cabinet on 10<sup>th</sup> February 2021.
- 4.23 The Housing Revenue Account (HRA) is a ringfenced account which operates fully within its own resource, meeting expenditure from income obtained from tenants' rents.
- 4.24 A 3-year rent increase of 2% was approved by cabinet on 8th January 2020 for the years 20/21, 21/22 and 22/23. Due to the impact of COVID this resulted in a decrease of CPI to 0.5% in September 2020. As the 2% increase would have taken the authority above the maximum allowable increase of CPI +1%, a revised report was approved by cabinet approving an increase of 1.5 % for the financial year 2021/22.
- 4.25 The 10-year HRA investment programme is currently under review. A report was due to be presented to Cabinet during 2020, however, due to the impact of COVID and the revised rent increase it was necessary to defer this by 12 months. This will also enable the programme to include items that help to meet the Council's climate change priorities.

## **Fees and Charges**

- 4.26 Full Council agreed the approach to increases in Fees and Charges for the 3-year period up to March 2021. A new approach therefore needs to be agreed.



4.27 Due to the COVID-19 pandemic and the low level of inflation, it has been decided that Fees and Charges should be retained at the same level across all Council Services. Any service that requires a different approach to this will need to seek approval from Cabinet.

## 5 Alternative Options

5.1 There are no alternative options. It is a legal requirement that Cabinet recommend a balanced budget to full Council for it to be approved before the statutory deadline of 11 March.

## 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> </ul> <p>Maintain compliance with legal and regulatory framework</p> <p>The Audit and Risk Assurance Committee governs</p>





	<p>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> <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 – Medium-Term Financial Strategy 2021/22

Appendix B – General Fund Summary

Appendix C – Council Tax

Appendix D – S25 Reserves Statement

Appendix E – Treasury Management Strategy

Appendix F – Capital Programme

Appendix G – Capital Strategy

## 8. Background Papers

Final Local Government Finance Settlement 2021/22

