


Sandwell Metropolitan Borough Council

16 January 2018

Subject:	Budget 2018-19 to 2020-21
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. Note the impact of the provisional Local Government settlement for 2018-19 to 2020-21.
2. Agree that the preliminary budget allocations for the next 3 financial years are based on the following roll forward budget assumptions:-
 - Provision for expenditure and fuel inflation, pay awards, fees and charges income to all services;
 - Passenger Transport Executive (PTE) / environmental agency levies are based on up to date soundings;
 - Provision for the anticipated supported borrowing requirements over the 3 years and resultant revenue debt charges;
 - Prudent provisions for general reserves.
3. Approve the proposed Directorate net revenue target budgets for 2018-19 to 2020-21 detailed in Appendix A.

4. Note that service areas continue to develop projects to address the projected shortfall of £11.9m across 2019-20 to 2020-21 in line with the 2030 Vision ambitions.
5. Require Chief Officers to submit Service Business Plans to Cabinet in February 2018 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 2018-19 provisional Local Government Finance Settlement announced by the Secretary of State for Communities and Local Government on 19 December 2017. Additional information and its impact on target budgets will be incorporated into the report to Cabinet in February 2018 following the final settlement announcement.
- 1.2 This report also requires Council to approve the net revenue target budgets for 2018-19 to 2020-21.

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 January/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 19 December 2017. The key headlines include: -

- An increase in the council tax referendum limit from 2% to 3% meaning that local authorities can now increase council tax by 2.99% without requiring a referendum.
- Continuation of the arrangements for the adult social care precept.
- No changes to the New Homes Bonus baseline or withholding of the grant for authorities considered to be not planning effectively for new homes. This had been proposed as part of the technical consultation in September.
- Flexibility for mayors of Combined Authorities to set a council tax precept at a level they decide. This will impact on the council tax levels for Sandwell as part of the West Midlands Combined Authority (WMCA).

3.3 The provisional settlement is in line with the prudent planning assumptions contained in the council's Medium Term Financial Strategy and will not require any changes to the 2018-19 budget plan.

Core Spending Power

3.4 National figures for Core Spending Power for the next 2 years are shown in the table below.

Table 1: Core Spending Power (England)			
	2017-18 (£m)	2018-19 (£m)	2019-20 (£m)
Settlement Funding Assessment	16,632.4	15,574.0	14,397.9
Compensation for under-indexing Business Rates multiplier	150.0	250.0	375.5
Council Tax	23,701.6	24,902.6	26,166.0
Council Tax for Adult Social Care	948.2	1,661.2	1,824.4
Council Tax £5 Referendum	16.0	36.4	57.0
Better Care Fund	1,115.0	1,499.0	1,837.0
New Homes Bonus	1,227.4	946.2	900.0
New Homes Bonus Returned Funding	24.5	0.0	0.0
Rural Services Grant	65.0	65.0	65.0
Transition Grant	150.0	0.0	0.0
Adult Social Care Grant	241.1	0.0	0.0
Total	44,271.3	44,934.4	45,622.8

Nationally total funding across the spending review period will increase by 2.1% with an assumption that all Councils will implement both a general Council Tax increase of 2.99% and the full Adult Social Care precept.

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

Table 2: Core Spending Power (Sandwell)			
	2017-18 (£m)	2018-19 (£m)	2019-20 (£m)
Settlement Funding Assessment	148.3	141.4	133.7
Compensation for under-indexing Business Rates multiplier	1.2	2.0	3.1
Council Tax	87.1	91.6	96.4
Council Tax Adult Social Care	4.3	7.3	7.7
Better Care Fund	11.5	16.1	20.5
New Homes Bonus	5.0	3.6	3.2
New Homes Bonus Returned Funding	0.2	0.0	0.0
Adult Social Care Grant	1.9	0.0	0.0
Total	259.5	262.1	264.5

3.6 Sandwell's total funding across the spending review period from 2015-16 will increase by 0.2%, assuming the Council agrees to implement the full Council Tax increase to fund cost pressures in Adult Social Care. If the additional funding for Social Care is excluded then Sandwell's funding will reduce by 10.51% (£27.7m).

Settlement Funding Assessment & Retained Business Rates

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

Table 3: Settlement Funding Assessment (Sandwell)			
	2017-18 (£m)	2018-19 (£m)	2019-20 (£m)
Revenue Support Grant	0.0	0.0	33.7
Baseline Funding Level	148.3	141.4	100.1
Business Rates Top Up	60.7	50.2	54.1
Total	209.0	191.6	187.8

- 3.7 Cabinet on 13 December 2017 considered officers' estimates of the NDR Baseline for 2018-19 (based on 100% Business Rates retention). The latest position as set out in Table 4 show an estimated NDR Baseline for SMBC of £96.4m: -

Table 4: Estimated Business Rates	£
Business Rates	97.4
Central Government	0.0
Fire 1%	1.0
Retained by SMBC	96.4

Council Tax

- 3.8 In the 2016-17 settlement, the Government had 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.
- 3.9 The Better Care Fund has been 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.
- 3.10 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 with the intention to implement a further increase of 2% in 2018-19 and 1% in 2019-20.

New Homes Bonus

- 3.11 Provisional 2018-19 allocations of New Homes Bonus were announced by DCLG as part of the settlement on 19 December 2017; a total of £946.2m for English local authorities which has been funded primarily through the top slicing of overall funding totals. Sandwell will receive an estimated £3.6m of New Homes Bonus in 2018-19 although actual grant payment will depend on housing delivery.

Expenditure Projections – Sandwell

- 3.12 The Council continues to face an extremely challenging financial position with funding cuts to Local Government set to continue for the remainder of this Parliament.
- 3.13 The starting position for the 2018-19 to 2020-21 budget strategy is the approved 2017-18 base budget and provisional estimates for future years. These have been updated to reflect current available information and using the roll forward budget assumptions detailed in the summary statement.
- 3.14 The projected deficit against Children's Services has increased significantly since the last monitoring presented to Cabinet in December. It is now estimated that the service's expenditure will exceed budget by approximately £8m as a result of an increase in looked after children.
- 3.15 This increase is set to continue therefore additional funding of £8m has been allocated to Children's Services in the 2018-19 budget figures. This has been funded by reductions in other service areas and the windfall which resulted from the authority joining the 100% Business Rates retention pilot.
- 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 It should also be noted that there are a number of other items, which are still subject to variation and could therefore affect the Council's final expenditure and Council Tax levels. These items include:
- Capital Financing Charges
 - Central Targets
 - Recharges to/from General Fund
 - Collection Fund Surplus/Deficit
- 3.18 Work will continue on finalising these figures however, final information will not be available until the end of January 2018. Details of the Fire and Civil Defence and Police and Crime Commissioner precepts will also not be finalised until February 2018. A mayoral precept will also be set by the WMCA.
- 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			
	2018-19	2019-20	2020-21
	%	%	%
Pay Award - APT&C	2.7	2.8	2.0
Pay Award - Teachers & Chief Officers	2.0	2.0	2.0
General Inflation	1.0	1.0	1.0
Supplies Inflation	0.0	0.0	0.0
Contractual Commitments	1.0	1.0	1.0
Fuel – Gas	3.0	3.0	3.0
Fuel – Electricity	10.0	10.0	10.0
Income – Fees & Charges	2.0	2.0	2.0
Income - Other	2.0	2.0	2.0

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

3.21 Projected expenditure also includes provision for the anticipated supported borrowing requirements over the 3 years and resultant revenue debt charges and prudent provisions for general and earmarked reserves.

Forecast Funding – Sandwell

3.22 Indicative funding for 2018-19 to 2019-20 was announced as part of the provisional settlement.

3.23 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: -

- The Revenue Support Grant is based on the provisional settlement announced on 19 December 2017;
- Retained Business Rates are as per the 2018-19 estimates presented to Cabinet on 13th December 2017 increased by CPI thereafter;
- Business Rates Top Up is as per the provisional settlement;
- Council Tax increases of 2.99% in each year plus a precept of 2% for Adult Social Care in 2018-19 and a further 1% in 2019-20;
- Council Tax Collection Rate of 99%;
- Assumed growth in Council Tax base of 1% pa.

Table 6: Forecast Funding Sandwell				
	2017-18 (£m)	2018-19 (£m)	2019-20 (£m)	2020-21 (£m)
RSG	0.0	0.0	0.0	0.0
Business Rates	91.9	96.4	99.4	102.5
Business Rates Top Up	60.7	50.2	38.9	28.9
Council Tax	87.1	91.1	97.0	101.3
Adult Social Care CT	4.3	6.2	5.2	5.1
Total	244.0	243.9	240.5	237.7

3.24 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)				
	2017-18 (£m)	2018-19 (£m)	2019-20 (£m)	2020-21 (£m)
Forecast Expenditure	240.2	243.9	245.7	249.6
Forecast Funding	240.2	243.9	240.5	237.7
Annual Shortfall	0.0	0.0	-5.2	-6.7
Cumulative Shortfall	0.0	0.0	-5.2	-11.9

Schools and Education Services Funding

3.25 The school funding settlement was announced on 19 December 2017 and confirmed that Sandwell's total Dedicated Schools Grant (DSG) allocation for 2018-19 is £319.2m. This is broken down between the following blocks: -

Table 8: DSG Blocks	
	2018-19 (£m)
Schools Block	255.9
Central School Services Block	2.0
High Needs Block	37.5
Early Years Block	23.8
Total	319.2

- 3.26 There are several significant changes to the funding system for 2018-19, the main headlines being: -
- Each of the blocks of the DSG have been determined by a separate national funding formula (NFF).
 - Schools block funding will be based on notional allocations for each school, which will be aggregated to arrive at the schools block funding for each local authority.
 - The NFF includes funding at local authority level for premises, mobility and growth based on historic spend.
 - Within the schools block, the government will provide for at least a 0.5% per pupil increase for each school in 2018 to 2019 through the national funding formula.
 - The national funding formula will provide local authorities with per-pupil funding of at least £3,500 for all primary schools and £4,800 for all secondary schools that have pupils in years 10 and 11 in 2019-20.

Housing Revenue Account

- 3.27 The business plan and available funding for the Housing Revenue Account will be presented alongside the Directorate Business Plans to Cabinet in February 2018.

Budget Process & Medium Term Financial Strategy (MTFS)

- 3.28 Management Board and Cabinet Members continue to jointly develop plans to meet savings requirements. Specific pressures identified in the directorate business plans will be reflected in budgets where appropriate. As in previous years, both general and specific reserves will be prudently earmarked to fund these liabilities. Service areas will also report on gross expenditure and gross income budgets to ensure the totality of each service area is encapsulated within each individual business plan.
- 3.29 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.

- 3.30 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 resource requirements will be considered by Cabinet in February 2018.

4 THE CURRENT POSITION

- 4.1 The latest budget monitoring for the council shows a projected surplus of £2.400m against service areas and a deficit of £7.267m against centrally earmarked general fund balances resulting in a total deficit of £4.867m.
- 4.2 The main risk area, and the only one that is projecting an overspend, is Children's Services. Centrally earmarked balances of £4.900m have already been allocated to the service to cover the previous projected overspend and this has now increased by a further £1.600m.
- 4.3 Detailed work is ongoing with the service to ensure that the funding required to be transferred to the new Sandwell Children's Trust is sufficient and based on robust estimates. This forms a key part of the budget planning process for 2018-19.

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 2017.

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 2018-19 and supporting documents.

17 **APPENDICES:**

Appendix A – Provisional Target Budgets 2017-18 to 2020-21

Darren Carter
Executive Director – Resources

SANDWELL METROPOLITAN BOROUGH COUNCIL**General Fund Summary****Provsional Service Target Budgets 2017/18 to 2021/22**

<u>Service Target Budgets</u>	Target Budget 2017/18	Target Budget 2018/19	Target Budget 2019/20	Target Budget 2020/21
	£	£	£	£
<u>Performance</u>				
Corporate Management	53,000	131,000	141,000	145,000
Resources	19,413,000	18,157,000	18,303,000	18,146,000
<u>People</u>				
Adult Social Care	83,387,000	83,106,000	83,427,000	83,638,000
Children's Services	61,152,000	70,317,000	71,678,000	71,931,000
Public Health	97,000	97,000	97,000	97,000
<u>Place</u>				
Regeneration & Growth	22,850,000	22,544,000	22,668,000	22,852,000
Housing & Communities	17,836,000	16,673,000	16,498,000	15,512,000
Total Service Target Budgets	204,788,000	211,025,000	212,812,000	212,321,000