


Sandwell Metropolitan Borough Council

6 March 2018

Subject:	Council Finances 2018-19
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 2018-19 as set in Appendix B1 and B2 and the resultant Council Tax as set out in Appendix C.
3. Approve the provisional budgets for 2018-19 to 2020-21 as shown in Appendix B3.
4. Note the revised financial position and the forecast reserves position for the end of 2017-18.
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 2020-21 in Appendix F and the Capital Strategy in Appendix G.

8. Note that the Cabinet meeting on the 13 December 2017 approved the amount of 72,206.05 as its Council Tax base for the year 2018-19 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 2018-19 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 | £1,042,330,443 |
| (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; | £945,017,616 |
| (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; | £97,312,827 |
| (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; | £1.347.71 |

(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
 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;

£

A	898.47
B	1,048.22
C	1,197.96
D	1,347.71
E	1,647.20
F	1,946.69
G	2,246.18
H	2,695.42

10. Note that, for the year 2018-2019, 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	39.23	85.70
B	45.77	99.98
C	52.30	114.27
D	58.84	128.55
E	71.92	157.12
F	84.99	185.68
G	98.07	214.25
H	117.68	257.10

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 2018-19 for each of the categories of dwellings shown below:

Valuation Band	£
A	1,023.40
B	1,193.97
C	1,364.53
D	1,535.10
E	1,876.24
F	2,217.36
G	2,558.50
H	3,070.20

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 2018-19 report, be dispensed with on the grounds that in the opinion of the Council the items are urgent.

1 PURPOSE OF THE REPORT

- 1.1 This report details the 2018-19 net expenditure level for the council based on the Local Government Finance Settlement received on 6 February 2018 and seeks approval for the resultant Council Tax for 2018-19.

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 7 February 2018 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 6 February 2018.
- 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 2018-19 onwards.
- 3.3 Table 8 of the MTFS shows the forecast funding and expenditure for Sandwell from 2017-18 to 2020-21: -

	2017-18 (£m)	2018-19 (£m)	2019-20 (£m)	2020-21 (£m)
Forecast Expenditure	240.2	234.5	246.7	250.3
Forecast Funding	240.2	234.5	240.2	237.4
Annual Shortfall	0.0	0.0	-6.5	-6.4
Cumulative Shortfall	0.0	0.0	-6.5	-12.9

- 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 2020-21.
- 3.6 The report to Cabinet on 14 February 2018 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 2018-19 the following Sandwell MBC increases are proposed: -

General	Adult Social Care Precept	Total
2.99%	2.00%	4.99%

This is within the referendum threshold.

3.9 The council meeting on 13 December 2017 agreed that the tax base for 2018-19 would be 72,206.05.

3.10 The anticipated deficit on the Collection Fund at the end of 2017-18 is £9.080m.

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

	£m	£m
Total Expenditure		234.489
Less:		
Business Rates	96.095	
Business Rates Top Up	50.161	
Collection Fund Deficit (One-off)	-9.080	
Sub-Total	137.176	
Council Tax		97.313

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	9.282	128.55	10.30
West Midlands Fire and Rescue	4.249	58.84	2.98

3.13 The total Council Tax that will be raised in 2018-19 including these precepts will therefore be: -

Table 4: Council Tax Total	
	£m
Sandwell MBC	97.313
West Midlands Police & Crime Commissioner	9.282
West Midlands Fire and Rescue	4.249
Total	110.844

3.14 The overall Council Tax increase will be 5.34% which results in a total Band D rate of £1,535.10.

Balances and Reserves (Appendix D)

Balances

- 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 additional 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. The estimated General Fund reserve balance as at 31 March 2018 is £60.9m.
- 3.17 After consideration of the council's strategic risks, the forecast level of free balances at the end of 2017-18 are likely to be £11.9m, representing an increase of £0.3m from the £11.684m of free balances held at the end of 2016-17. This represents 4.73% of net operating budget and is at a level which is deemed to be adequate in the medium term.
- 3.18 The council's forecast earmarked reserves at the end of 2017-18 are likely to be in the region of £46.6m (currently £53.7m). Further details of these can be found in Appendix D.
- 3.19 The movement in earmarked reserves does not impact on the level of Council Tax for 2018-19.

Specific Reserves and Provisions

3.20 The council has a number of specific reserves and provisions in addition to general reserves for the purpose of 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. The table below shows an estimate of the position against these reserves at the end of 2017-18: -

	2017-18 (£m)
Directorate Carry Forwards (As part of the Council's 4 year rolling budget strategy).	22.228
Redundancies	6.000
General Projects Fund (New)	5.000
Children's Services/Trust Pressures	4.000
Section 31 Grant	3.717
National Living Wage	2.000
SIPS Redundancy Reserve	2.000
Land Regeneration Fund (New)	1.322
Dilapidations	1.100
Community Hubs (New)	1.000
Grant Irregularities	1.000
MMI	0.650
Other	3.723
Earmarked Reserves as at 31st March 2017	53.740
Estimated Movements 2017/18	
<i>Use of Earmarked Reserves</i>	
Carry Forwards from 2016/17	-22.228
Section 31 Grant	2.523
Children's Services/Trust Pressures	1.300
Redundancies	-2.000
National Living Wage	-2.000

	2017-18 (£m)
Community Hubs	-1.000
Dilapidations	-0.800
Other	-2.554
<i>Contribution to (from) Earmarked Reserves</i>	
Carry Forwards into 2018/19	19.087
Other	0.500
Net Movement in 2017/18	-7.172
Forecast Earmarked Reserves as at 31st March 2018	46.568

3.21 Specific reserves and provisions have been reviewed during the budget process and found to be at a sufficient level to meet existing known liabilities. They will continue to be thoroughly reviewed as part of the 2017-18 closedown of accounts process.

Treasury Management Strategy Statement (Appendix E)

3.22 The prudential regime introduced as part of the Local Government Act 2003 requires the council to establish its own borrowing limits with regard to affordability and its capital investment plans.

3.23 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)

3.24 The five-year capital programme provided at Appendix F incorporates the capital review that was reported to Cabinet on 14 February 2018 and any further approvals that have been agreed at this time.

3.25 In summary, the current capital programme commitments and available resources between 2018 and 2021 are: -

Capital Programme			
	2018-19 (£m)	2019-20 (£m)	2020-21 (£m)
Approved Commitments	114.021	76.038	58.847
Resources	114.021	76.038	58.847

3.26 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 £0.080m per £1.000m of borrowing.

Capital Strategy (Appendix G)

3.27 The level of resources committed by the council for capital investment is significant. In the period 2018-19 to 2021-22 total resources are expected to be around £307m. The effective use of these resources is vital in achieving the Vision 2013 ambitions.

3.28 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)

3.29 The HRA was included in the Neighbourhoods business plan presented to Cabinet on 14 February 2018 and received by the Budget and Corporate Services Scrutiny Board on 21 February 2018.

3.30 The account operates fully within its own resources meeting expenditure from income obtained from tenants' rents. The 2018-19 rent income is based on decisions taken by Cabinet on 13 December 2017. The Government continues to retain some control over the maximum amount the HRA can borrow and the use of receipts derived from the sale of housing properties.

The HRA is required to maintain a 30-year business plan including provision for investment into its properties. The 10-year investment programme of c£500m was approved by the Cabinet Members for Jobs & Economy and Strategic Resources on 21 November 2013. The investment programme is reviewed annually to ensure affordability within the business plan when final decisions on rent increases are known. The plan which includes an update to the investment strategy was approved by Cabinet on 14 February 2018. The programme remains affordable for 2018-19.

4 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)

4.1 A meeting for non-domestic rate payers was held on 7 February 2018. A full public consultation on 2019-20 budget proposals is planned to take place during 2018.

4.2 Directors and Cabinet Members have been consulted in the setting of the provisional net target budgets.

5 ALTERNATIVE OPTIONS

5.1 Cabinet has considered a wide range of options at Cabinet Summits during 2017.

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 2018-19 and supporting documents.

16 APPENDICES:

Darren Carter
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