

REPORT TO COUNCIL

10 March 2020

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| Subject: | Council Finances 2020/21 |
| Director: | Executive Director – Resources – Darren Carter |
| Contribution towards Vision 2030: |  |
| Contact Officer(s): | Rebecca Maher Head of Finance Rebecca_maher@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 2020/21 as set in Appendix B1 and B2 and the resultant Council Tax as set out in Appendix C.
3. Approve the provisional budgets for 2020/21 to 2022/23 as shown in Appendix B3.
4. Note the revised financial position and the forecast reserves position for the end of 2019/20.
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 2019/20 to 2023/24 in Appendix F and the Capital Strategy in Appendix G.

8. Note that the Cabinet meeting on the 8 January 2020 approved the amount of 74,280.91 as its Council Tax base for the year 2019/20 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 2020/21 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 **£1,076,397,664**

(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; **£968,140,217**

(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; **£108,257,447**

(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; **£1,457.41**

(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

| | £ |
|----------|-----------------|
| A | 971.60 |
| B | 1,133.54 |
| C | 1,295.47 |
| D | 1,457.41 |
| E | 1,781.27 |

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;

F 2,105.14
G 2,429.01
H 2,914.81

10. Note that, for the year 2020/21, 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 | 41.20 | 108.37 |
| B | 48.07 | 126.43 |
| C | 54.93 | 144.49 |
| D | 61.81 | 162.55 |
| E | 75.54 | 198.67 |
| F | 89.27 | 234.79 |
| G | 103.01 | 270.92 |
| H | 123.61 | 325.10 |

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 2020/21 for each of the categories of dwellings shown below:

| Valuation Band | £ |
|-----------------------|----------|
| A | 1,121.17 |
| B | 1,308.04 |
| C | 1,494.89 |
| D | 1,681.77 |
| E | 2,055.48 |
| F | 2,429.20 |
| G | 2,802.94 |
| H | 3,363.52 |

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 2020/21 report, be dispensed with on the grounds that in the opinion of the Council the items are urgent.
14. Authorise the Chief Finance Officer to agree the contract sum for the Children's Trust for 2020/21.

1 PURPOSE OF THE REPORT

- 1.1 This report details the 2020/21 net expenditure level for the council based on the Local Government Finance Settlement received on 6 February 2020 and seeks approval for the resultant Council Tax for 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 received a report on 19 February 2020 incorporating s 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 2020.
- 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 2020/21 onwards.
- 3.3 Table 8 of the MTFS shows the forecast funding and expenditure for Sandwell from 2019/20 to 202/23: -

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

Directorate and Central Item Budgets (Appendix B)

- 3.4 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 2020/21 to 2022/23.
- 3.5 The report to Cabinet on 19 February 2020 provided Members with detailed budgets alongside the Corporate Plan, 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)

- 3.6 Appendix C shows the proposed Council Tax level required to meet the forecast expenditure.

3.7 For 2020/21 the following Sandwell MBC increases are proposed: -

| Table 1: Council Tax Increase | | |
|--------------------------------------|----------------------------------|--------------|
| General | Adult Social Care Precept | Total |
| 1.99% | 2.00% | 3.99% |

This is within the referendum threshold.

3.8 The council meeting on 8 January 2020 agreed that the tax base for 2020/21 would be 74,280.91.

3.9 The anticipated surplus on the Collection Fund at the end of 2019/20 is £0.249m.

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

| Table 2: Council Tax | | |
|-----------------------------------|----------------|----------------|
| | £m | £m |
| Total Expenditure | | 249.895 |
| Less: | | |
| Business Rates | 99.806 | |
| Business Rates Top Up | 41.582 | |
| Collection Fund Deficit (One-off) | 0.250 | |
| Sub-Total | 141.638 | |
| Council Tax | | 108.257 |

3.11 Both the West Midlands Fire and Rescue and Police and Crime Commissioner precepts have now been confirmed. These are detailed below: -

| Table 3: Precepts | | | |
|---|---------------------|------------------------|---------------------|
| | Precept (£m) | Council Tax (£) | Increase (%) |
| West Midlands Police & Crime Commissioner | 12.074 | 162.55 | 6.56 |
| West Midlands Fire and Rescue | 4.591 | 61.81 | 1.99 |

3.12 The total Council Tax that will be raised in 2020/21 including these precepts will therefore be: -

| Table 4: Council Tax Total | |
|---|----------------|
| | £m |
| Sandwell MBC | 108.257 |
| West Midlands Police & Crime Commissioner | 12.074 |
| West Midlands Fire and Rescue | 4.591 |
| Total | 124.923 |

3.13 The overall Council Tax increase will be **4.16%** which results in a total Band D rate of **£1,681.77**.

Balances and Reserves (Appendix D)

- 3.14 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.
- 3.15 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.
- 3.16 The estimated General Fund reserve balance as at 31 March 2020 is £64.107m.
- 3.17 After consideration of the council's strategic risks, the forecast level of free balances at the end of 2019/20 is unlikely to reduce from the level of £12.105m which were held at the end of 2018/19. This is equivalent to 4.84% of the council's net expenditure budget for 2020/21 and is within the prudent parameters set by the Section 151 officer.

Specific Reserves and Provisions

- 3.18 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.
- 3.19 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 2019/20 closedown of accounts process.

Treasury Management Strategy Statement (Appendix E)

- 3.20 The prudential regime introduced as part of the Local Government Act 2003 requires the council to establish its own borrowing limits regarding affordability and its capital investment plans.
- 3.21 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 Council.

Capital Programme (Appendix F)

- 3.22 The five-year capital programme provided at Appendix F incorporates the capital review that was reported to Cabinet on 20 November 2019 and any further approvals that have been agreed at this time.
- 3.23 In summary, the current capital programme commitments and available resources between 2020 and 2023 are: -

| Capital Programme | | | |
|--------------------------|-------------------------|-------------------------|-------------------------|
| | 2020/21 (£m) | 2021/22 (£m) | 2022/23 (£m) |
| Approved Commitments | 177.788 | 64.439 | 58.326 |
| Resources | 177.788 | 64.439 | 58.326 |

- 3.24 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)

- 3.25 The level of resources committed by the council for capital investment is significant. In the period 2019/20 to 2023/24 total resources are expected to be around £482m. The effective use of these resources is vital in achieving the Vision 2030 ambitions.
- 3.26 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)

- 3.27 The HRA budget was included with the Corporate Plan presented to Cabinet on 19 February 2020.
- 3.28 The Housing Revenue Account (HRA) is a ringfenced account which operates fully within its own resource, meeting expenditure from income obtained from tenants' rents.
- 3.29 Following a 4-year period of reducing rents by 1% per annum, as imposed by the Welfare Reform and Work Act 2016, new guidance was issued enabling tenants' rents to be increased by a value no greater than CPI +1%. In order to fund future investment in the Housing stock and to ensure delivery of service to tenants, Cabinet approved a 3-year rent increase on 8th January 2020 of 2% per annum.
- 3.30 A 30-year plan business plan is maintained to ensure that any future planned investment in the Housing stock remains affordable. The current 10-year investment strategy as approved by Cabinet on 18th October 2017 will be reviewed during financial year 2020/21 to ensure that it remains relevant to the changing demands of tenants and government policies.

4 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)

- 4.1 A meeting for non-domestic rate payers was held on 19 February 2020. A full public consultation on 2021/22 budget proposals is planned to take place during 2020.
- 4.2 Directors and Cabinet Members have been consulted in the setting of the provisional net target budgets.

5 ALTERNATIVE OPTIONS

- 5.1 Cabinet and Management Board have considered a wide range of options throughout 2019.

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 2020/21 and supporting documents.

Darren Carter
Executive Director – Resources