

Report title	Draft Budget and Medium Term Financial Strategy 2019-2020 – Provisional Local Government Finance Settlement Update	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Louise Miles Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee	Alison Shannon	Chief Accountant
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Report to be/has been considered by	Corporate Leadership Team Strategic Executive Board	8 January 2019 14 December 2019

Recommendations for noting:

The Cabinet is asked to note:

1. The outcome of the 2019-2020 Provisional Local Government Finance Settlement.
2. That the final budget report presented to Cabinet on 20 February 2019 will reflect the outcome of the settlement, budget consultation, scrutiny work and detailed budget work for 2019-2020, including a review of all budget reduction proposals and the risks associated with their delivery.

1.0 Purpose

- 1.1 The purpose of this report is to provide Cabinet with an overview of the 2019-2020 Provisional Local Government Finance Settlement, which the Government announced on 13 December 2018.

2.0 Background

- 2.1 In 2016-2017 the Government announced a four-year settlement offer. The City of Wolverhampton Council was among 97% of local authorities who took up the offer. The Provisional Settlement confirms the final year of the four-year settlement and also provides an update on other funding streams and government consultations.
- 2.2 The Provisional Local Government Financial Settlement was originally expected to be announced on 6 December 2018, however, this was delayed due to the Brexit vote expected on 11 December 2018. The Provisional Settlement was subsequently announced on the 13 December 2018.

3.0 Council Tax Referendum Limit

- 3.1 The Government confirmed the Council Tax Referendum limit at 2.99% for 2019-2020, which is in line with the assumptions built into the Medium Term Financial Strategy (MTFS).

4.0 New Homes Bonus

- 4.1 The Government have announced that they are committing up to £20 million to maintain the New Homes Bonus baseline for growth at 0.4% in 2019-2020.
- 4.2 The Council's provisional allocation for 2019-2020 has been announced at £2.1 million. This is an increase of approximately £265,000 above the current assumption in the MTFS. The updated allocation will be reflected in the Final Budget Report to Cabinet on 20 February 2019.

5.0 Business Rates Levy Account

- 5.1 The Government have identified a surplus in 2018-2019 totalling £180 million in the business rates levy account which will be distributed to all councils based on need. The surplus is due to national growth in business rates, resulting in reduced levels of safety net payments.
- 5.2 The provisional allocation for the City of Wolverhampton Council is £1.2 million and it is anticipated that this will be received as a one-off grant in 2018-2019. It is proposed that this additional funding will be set aside to support the 2019-2020 budget strategy and will be reflected in the Final Budget Report to Cabinet on 20 February 2019.

6.0 Other Grants

- 6.1 The Council's provisional allocation of Top Up Grant for 2019-2020 is in line with the assumptions in the MTF5 at £26.2 million.
- 6.2 In addition to this, the allocation of Improved Better Care Fund Grant for 2019-2020 has been confirmed at £12.9 million in line with the level currently assumed in the MTF5.

7.0 Government Consultation

- 7.1 The Government have released a consultation on the Provisional Settlement with responses to be provided by 10 January 2019.
- 7.2 In addition to this, two further consultations were also launched on 13 December 2018; 'Reform to the Business Rates Retention Scheme' and 'Distributing funding through the Review of Relative Needs and Resources'. The closing date for responses to these consultations is 21 February 2019.

8.0 Other Headlines

- 8.1 In addition to key headlines for the Council, as detailed in the sections above, there were other key areas of interest announced as part of the Provisional Settlement including the following:
- Police and Crime Commissioners will be allowed to increase the police precept to £24.00 in 2019-2020; the previous limit was £12.00.
 - The referendum limit for the Fire precept remains at 3%.
 - The Government will directly eliminate negative Revenue Support Grant totalling £152.9 million in 2019-2020 using foregone business rates.
 - The Government will be publishing a green paper on the future of Social Care soon, however no specific date has been provided.
 - A continuous Improvement Tool will be launched in Spring 2019 to help councils become more efficient. No detail has been provided at this stage.

9.0 Evaluation of alternative options

- 9.1 This report provides Cabinet with the outcome of the 2019-2020 Provisional Local Government Finance Settlement, to consider the impact on the City of Wolverhampton Council and medium term planning.

10.0 Reasons for decisions

- 10.1 Cabinet are asked to note the outcome of the 2019-2020 Provisional Local Government Finance Settlement.

11.0 Financial implications

- 11.1 The financial implications are discussed within the body of the report and will be reflected fully in the Budget Report to Cabinet on 20 February 2019.

[MH/04012019/J]

12.0 Legal implications

- 12.1 The Council's revenue budgets make assumptions which must be based on realistic projections about available resources, the costs of pay, inflation and service priorities and the likelihood of achieving any savings proposals.
- 12.2 The legal duty to spend with propriety falls under S.151 Local Government Act 1972 and arrangements for proper administration of their affairs is secured by the S.151 Officer as Chief Financial Officer.
- 12.3 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report to the Council when it is making the statutory calculations required to determine its council tax. The Council is required to take this report into account when making its budget decision. The Chief Financial Officer's report must deal with the robustness of the budget estimates and the adequacy of the reserves for which the budget provides. Both are connected with matters of risk and uncertainty. They are inter-dependent and need to be considered together. In particular, decisions on the appropriate level of Reserves should be guided by advice based upon an assessment of all the circumstances considered likely to affect the Council.
- 12.4 The relevant guidance concerning reserves is Local Authority Accounting Panel Bulletin 77, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in November 2008. Whilst the Bulletin does not prescribe an appropriate level of reserves, leaving this to the discretion of individual authorities, it does set out a number of important principles in determining the adequacy of reserves. It emphasises that decisions on the level of reserves must be consistent with the Council's MTFS, and have regard to the level of risk in budget plans, and the Council's financial management arrangements (including strategies to address risk).
- 12.5 In addition, Section 114 of the Local Government Finance Act 1988 requires the Chief Financial Officer to '...make a report ... if it appears to her that the Authority, a committee or officer of the Authority, or a joint committee on which the Authority is represented':
- (a) has made or is about to make a decision which involves or would involve the Authority incurring expenditure which is unlawful,
 - (b) has taken or is about to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency on the part of the Authority, or
 - (c) is about to enter an item of account the entry of which is unlawful.
- 12.6 The Chief Financial Officer of a relevant Authority shall make a report under this section if it appears to her that the expenditure of the Authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.
- 12.7 These statutory requirements will have to be taken into account when making final recommendations on the budget and council tax requirement for 2019-2020.
[TS/03012019/Q]

13.0 Equalities implications

13.1 There are no equalities implications as a result of this report.

14.0 Environmental implications

14.1 There are no environmental implications as a result of this report.

15.0 Health and Wellbeing Implications

15.1 There are no health and wellbeing implications as a result of this report.

16.0 Human resources implications

16.1 There are no human resources implications as a result of this report.

17.0 Corporate landlord implications

17.1 There are no corporate landlord implications as a result of this report.

18.0 Schedule of background papers

Cabinet, 17 October 2018 – [‘Draft Budget and Medium Term Financial Strategy 2019-2020’](#)