

Briefing Note

CITY OF
WOLVERHAMPTON
COUNCIL

Title: Medium Term Financial Strategy - Corporate Resources **Date:** 27.08.2019

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Intended Audience: Internal Partner organisation Public Confidential

Purpose

The purpose of this briefing note is to allow Scrutiny Panel to review and comment on the assumptions built into the Medium-Term Financial Strategy (MTFS) for Corporate Resources.

Background

The 2019-2020 budget is the final year of the Comprehensive Spending Review 2015, which covers the parliamentary period to 2019-2020. The Government originally planned to undertake a Comprehensive Spending Review and Fair Funding Review during 2019-2020 in order to inform the level of funding beyond 2019-2020.

In July 2019 we reported that the Local Government Association and financial research organisations envisage that the Comprehensive Spending Review 2020 would be delayed due to the extension of ongoing negotiations surrounding Brexit and the Leadership election process for a new Prime Minister, and therefore local authorities are likely to receive a one-year settlement.

On 8 August 2019, the Chancellor announced that a fast-tracked one-year Spending Round to set departmental budgets for 2020-2021 will be completed in September, with a full spending review will be held in 2020.

Due to the uncertainty the Council currently faces, it is particularly challenging to establish a medium-term financial strategy beyond 2019-2020, however work has been ongoing to project a forecast medium-term position to 2023-2024.

The Budget and MTFS 2019-2020 to 2023-2024 was presented to Full Council for approval on 6 March 2019. The Council was able to set a balanced budget for 2019-2020 without the use of General Fund reserves.

However, it is projected that the Council would be faced with finding further estimated budget reductions totalling £27.3 million in 2020-2021 rising to £40 – £50 million over the medium term to 2023-2024.

The Draft Budget and MTFS 2020-2021 to 2023-2024 was presented to Cabinet on 31 July 2019 which provided an update on the progress towards addressing the budget deficit for 2020-2021 to 2023-2024. This report included a number of assumptions in relation to the level of resources that will be available to the Council.

MTFS assumptions on Corporate Resources

Corporate resources are the funding sources available to the Council to spend on local services. Corporate Resources comprise of Council Tax, Business Rates and general grants.

The table below details the assumptions around Corporate Resources built into the current MTFS as reported to Full Council in March 2019 along with the proposed changes reported to Cabinet in July 2019.

Appendix 1 shows the financial implications of these changes.

Corporate Resources	Description	Approved Assumptions - March 2019	Updated Projected Assumptions – July 2019
Council Tax	<p>This is a tax paid by residents to the Council, based on the value of their property.</p> <p>The level of council tax we receive is influenced by increases in the Council Tax Charge per property and the number of properties in the City (known as the Council Tax Base).</p> <p>The Government set a referendum limit (expressed as a percentage) at which local authorities can increase Council Tax. The tax is set locally and approved by Full Council on an annual basis.</p>	<p>In the provisional settlement for 2018-2019 the Government announced it would change the Council Tax referendum limit in 2018-2019 and 2019-2020 from 1.99% to 2.99%.</p> <p>The MTFS approved in March assumed the referendum limit reverts back to 1.99% from 2020-2021.</p> <p>Growth in the Council Tax base (number of properties) has been assumed to be 1.8% for 2020-2021, and 1% annually thereafter.</p>	<p>In July it was recommend that if the Government retain the current referendum limits at 2.99%, that the Council increases Council Tax by this amount (a further 1% above previous projections)</p> <p>This would generate an additional £1 million in 2020-2021.</p>
Adult Social Care Precept	In the Autumn Spending Review 2015 the Government	The assumptions in the current MTFS assumes that the	In July it was proposed that, if the Government continue

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	<p>announced that local authorities with adult social care responsibilities could raise an additional 2% through Council Tax to fund adult social care. This is in addition to the Council Tax referendum limit.</p>	<p>Adult Social Care Precept is not levied beyond 2019-2020.</p>	<p>to allow local authorities to raise an additional 2% through Council Tax, that the Council considers this as part of the 2020-2021 budget consultation process.</p> <p>This would generate an addition £2.1 million in 2020-2021.</p>
Business Rates	<p>Businesses across the country have to pay business rates. The Government set how much businesses should pay and local authorities collect the money.</p> <p>The City of Wolverhampton, under the business rates retention pilot scheme, keeps 99% of the business rates raised in the area with the balance of 1% going to the West Midlands Fire Service.</p> <p>The level of business rates we receive is influenced by changes in rateable values, the business rates multiplier and the number of business properties in the City.</p>	<p>The MTFS assumptions were based on an increase on the multiplier of 2% (the multiplier is usually increased by government in line with RPI increases)</p> <p>We have assumed no growth in the number of business properties.</p>	<p>There are no proposed changes in to the current assumptions</p>
Top Up Grant	<p>Some local authorities collect a lot more business rates than others. In order to equalise out the opportunity to collect rates and to encourage growth in all areas whatever</p>	<p>The February MTFS assumed the continuation of this grant at the level received in 2019-2020</p>	<p>There are no proposed changes in to the current assumptions</p>

Corporate Resources	Description	Approved Assumptions - March 2019	Updated Projected Assumptions – July 2019
	<p>their starting position the rates retention scheme includes a system of top ups and tariffs.</p> <p>Whether a local authority is a tariff or a top-up authority is determined by comparing each individual local authority's baseline funding level and individual authority business rate baseline. A local authority must pay a tariff each year if its business rate baseline was greater than its baseline funding level. Conversely, a local authority will receive a top-up each year if its business rate baseline was less than its baseline funding level.</p> <p>Wolverhampton is a top up authority and therefore receives top up grant.</p>		
Section 31 Grant	The Government compensate local authorities for offering centrally designed discounts on certain properties. This is called a Section 31 grant.	The current MTFS assumes the continuation of this grant at the level received in 2019-2020	There are no proposed changes in to the current assumptions
New Homes Bonus	The New Homes Bonus is a Government scheme which is aimed at encouraging local authorities to grant planning permission	In the 2019-2020 final settlement the Government confirmed that the New Homes Bonus baseline for growth	In the 2019 final settlement the Government provided illustrative New Homes Bonus allocations to 2022-2023. The

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	for the building of new homes in return for additional revenue grant.	would be retained at 0.4% in 2019-2020. No further growth was assumed beyond 2019-2020.	Government announced it remains committed to incentivising housing growth. If the existing methodology were to be rolled forward it is anticipated that an additional £250,000 would be received each year from 2020-2021.
Adult Social Care – improved Better Care Fund (iBCF)	In 2016-2017 the Government announced iBCF allocations for 2017-2018 to 2019-2020. In the Spring Budget 2017, a further grant was announced for the period of 2017-2018 to 2019-2020 called the additional iBCF	The MTFS assumes the original iBCF allocation continues at the 2019-2020 level. There is no assumption that the additional iBCF continues.	There are no proposed changes in to the current assumptions
Adult Social Care – Winter Pressures	Over the past few years the Government have awarded one-off grants to support winter pressures within adult services.	The February MTFS assumed that these grants will cease after 2019-2020.	Taking account of historical trends it is anticipated that the local authorities will receive adult social care winter pressures grant funding for 2020-2021 onwards of £1.4 million.