

Cabinet (Resources) Panel

16 January 2018

Report title	2018-2019 Budget and Medium Term Financial Strategy 2018-2019 to 2019-2020 - Provisional Local Government Finance Settlement Update	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Andrew Johnson, Resources	
Corporate Plan priority	Confident Capable Council	
Key decision	Yes	
In forward plan	Yes	
Wards affected	(All Wards);	
Accountable Director	Keith Ireland, Managing Director	
Originating service	Strategic Finance	
Accountable employee	Claire Nye	Director of Finance
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Report to be/has been considered by	Strategic Executive Board	3 January 2018

Recommendations for decision:

The Cabinet (Resources) Panel is recommended to:

1. Approve the extension of use of the capital receipts flexibilities to fund transformation work to 2019-2020.
2. Delegate authority to the Cabinet Member for Resources, in consultation with the Director for Finance to respond to the consultation on the Fair Funding Review.

Recommendations for noting:

The Cabinet (Resources) Panel is asked to note:

1. The outcome of the 2018-2019 provisional local government finance settlement.
2. The final budget report to Cabinet 21 February 2018 will reflect the outcome of the settlement, budget consultation, scrutiny work and detailed budget work for 2018-2019, including a review of all savings and the risks associated with their delivery.

1.0 Purpose

- 1.1 The purpose of this report is to provide Cabinet (Resources) Panel with an overview of the 2018-2019 provisional local government finance settlement, which the Government announced on 19 December 2017.

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 years three to four of the four-year settlement and also provides an update on other funding streams and future proposed changes to the local government funding regime.

3.0 Council Tax Referendum Limit

- 3.1 The Government announced that there is a change to the referendum limit on council tax increases in 2018-2019 and 2019-2020 from 2% to 3%. The Medium Term Financial Strategy (MTFS) assumes an increase of 2% in both 2018-2019 and 2019-2020. There are no plans to utilise the additional limit, subject to confirmation of Full Council on 7 March 2018.

4.0 Fair funding review

- 4.1 The funding baselines for local authorities are based on an assessment of needs and resources. The current methodology was last updated in 2013-2014. Last year, the Government announced the intention to review the methodology and over the past year, the Department for Communities and Local Government (DCLG) has worked with local authorities and their representatives on the design of the review, including through a joint Local Government Association (LGA) and DCLG chaired technical working group.
- 4.2 As part of the provisional settlement, the Government have announced a consultation on the fair Funding Review to be implemented in 2020-2021. The consultation will last for 12 weeks to 12 March 2018 and focusses on the potential approaches identified to measure the relative needs of local authorities. It is proposed that authority is delegated to the Cabinet Member for Resources in consultation with the Director of Finance to agree a response to the consultation.

5.0 New Homes Bonus

- 5.1 In 2016-2017 the Government announced that New Homes Bonus payments would be reduced from six years to five in 2017-2018 (including prior years) and to four years from 2018-2019. This has been confirmed by the provisional settlement.

- 5.2 During 2017-2018, the Government have consulted on potential changes to the calculation of New Homes Bonus to link the allocation of grant to the number of successful planning appeals and to increase the baseline. The provisional settlement confirms that there are no proposals to change the scheme at this stage and that the 0.4% base line announced in 2017-2018 will remain.
- 5.3 The provisional figures, as detailed in the table below, will be reflected in the Final Budget Report to Cabinet on 21 February 2018. It should be noted that for 2019-2020 onwards, allocations are indicative and may be subject to any further changes to the scheme.

Table 1 – New Homes Bonus Provisional Allocation

	2018-2019	2019-2020	2020-2021
	£000	£000	£000
Year 5	876	-	
Year 6	754	754	-
Year 7	758	758	758
Year 8	303	303	303
Total	2,691	1,815	1,061

6.0 Business Rates Pilots and national scheme for business rates retention

- 6.1 The provisional settlement confirmed that existing 100% rate retention pilots will continue into 2019-2020. Further new pilots were announced in the provisional settlement and it is anticipated that the pilot programme will be further extended in 2019-2020.
- 6.2 It was announced that there is an aim to move to 75% business rate retention for all local authorities by 2020-2021. This will be achieved by incorporating existing grants including RSG and Public Health Grant. As with the pilot schemes, local authorities will be able to keep 75% share of the growth. The redistribution of business rates from 2020-2021 will reflect the outcome of the new needs assessment discussed above.
- 6.3 A separate report on this agenda considers the forecast net business rate yield for the Council.

7.0 Capital receipts flexibilities

- 7.1 In 2016-2017 the Government allowed councils to use new capital receipts from April 2016 to March 2019 to pay for transformation work that is designed to make revenue savings. The provisional settlement announced the continuation of this flexibility for a further three years.

7.2 It is recommended that the capital receipts flexibilities are utilised beyond 2018-2019 to enable further transformation of services to deliver efficiencies. The use of receipts for this purpose will need to be balanced with capital programme investment requirements.

8.0 Evaluation of alternative options

8.1 This report provides Cabinet (Resources) Panel with the outcome of the 2018-2019 provisional local government finance settlement, to consider the impact on the City of Wolverhampton Council and medium term planning.

9.0 Reasons for decisions

9.1 Cabinet (Resources) Panel are recommended to approve the extension of the use of capital receipts flexibilities to fund transformation work to 2019-2020. As a result of this, the Council will be able to capitalise revenue transformational costs up to the value of capital receipts available in 2019-2020.

9.2 Cabinet (Resources) Panel are therefore recommended to approve the delegation of authority to the Cabinet member for Resources, in consultation with the Director of Finance, to respond to the Fair Funding Review consultation. It is important that the Council takes opportunities to influence the shaping of local government funding where possible.

10.0 Financial implications

10.1 The financial implications are discussed within the body of the report and will be reflected fully in the Budget Report to Cabinet on 21 February 2018.
[CN/29122018/P]

11.0 Legal implications

11.1 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.

11.2 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.

11.3 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.

- 11.4 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).
- 11.5 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.
- 11.6 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.
- 11.7 These statutory requirements will have to be taken into account when making final recommendations on the budget and council tax requirement for 2018-2019.
[TS/02012018/Q]

12.0 Equalities implications

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

13.0 Environmental implications

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

14.0 Human resources implications

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

15.0 Corporate landlord implications

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

16.0 Schedule of background papers

16.1 Draft Budget and Medium Term Financial Strategy 2018-2019 to 2019-2020, report to Cabinet, 18 October 2017.

Draft Budget and Medium Term Financial Strategy 2018-2019 - 2019-2020, report to Cabinet, 19 July 2017.

2017-2018 Budget and Medium Term Financial Strategy 2017-2018 – 2019-2020, report to Full Council, 1 March 2017.