

Cabinet – Supplementary agenda No.1

A meeting of the Cabinet will be held on:

Date: 14 January 2020

Time: 3.00pm

Venue: Meeting Room 2 - Level 3, Gun Wharf, Dock Road, Chatham ME4 4TR

Items

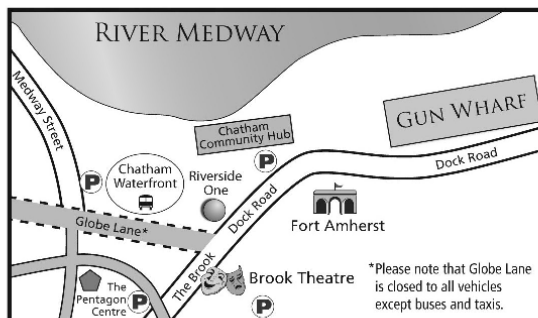
12. Provisional Local Government Finance Settlement

**(Pages
3 - 8)**

Please find the report enclosed.

For further information please contact Jade Milnes, Democratic Services Officer on Telephone: 01634 332008 or Email: democratic.services@medway.gov.uk

Date: 10 January 2020



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CABINET

14 JANUARY 2020

PROVISIONAL LOCAL GOVERNMENT SETTLEMENT 2020/21

Portfolio Holder: Councillor Alan Jarrett, Leader

Report from/author: Phil Watts, Chief Finance Officer

Summary

This report provides Cabinet with details of the provisional local government settlement announced by the Secretary of State on 20 December 2019. It also provides updated assumptions in relation to locally raised taxes.

1. Budget and Policy Framework

- 1.1 The provisional settlement is an important stage in the process of setting the 2020/21 budget, providing a firmer base to the resource assumptions underpinning it. Formulation of the 2020/21 budget proposals is a matter for Cabinet, however it will be for Council to agree the final budget at its meeting on 20 February 2020.
- 1.2 This report has been circulated separately to the main agenda. Therefore, the Cabinet is asked to accept this report as urgent to enable consideration of the matter at the earliest opportunity given that the final budget proposals will be submitted to the next scheduled Cabinet meeting on 4 February 2020.

2. Core Spending Power

- 2.1 The local government settlement is underpinned by the Core Spending Power calculation. This calculation makes certain assumptions about the local tax that Medway is able to generate and then aggregates this with the core grant funding available to Medway. Medway Council's Core Spending Power is summarised in Table 1.
- 2.2 The Core Spending Power calculation is not in itself a statement of the actual resources available to the Council. It is simply a mechanism used by Government to illustrate the potential funds available to local authorities. In

practice, the budget will be based upon the Council's own estimate of local tax yields.

Table 1: Medway Council's Core Spending Power

	2019/20 £m	2020/21 £m
Adjusted Revenue Support Grant	6.053	6.151
NDR Baseline Funding Level	47.441	48.214
Settlement Funding Assessment	53.494	54.365
Council Tax excl. Parishes	119.651	126.080
Section 31 Compensation for Under-Indexing	1.546	1.932
Improved Better Care Fund	6.095	7.093
Illustrative New Homes Bonus	1.978	1.221
Winter Pressures Grant	0.998	0.000
Social Care Support Grant 2	1.705	0.000
Social Care Grant	0.000	5.492
Core Spending Power	185.466	196.183

3. The Provisional Settlement

- 3.1 The Secretary of State announced the provisional financial settlement via a written statement on 20 December 2019. It has been an unusual settlement. We generally have a good idea about when the settlement will take place, but not necessarily what is going to be in it. This time we knew with some accuracy the content of the settlement, but did not know until the last minute whether the settlement would be before or after Christmas.
- 3.2 The content of the provisional settlement was largely known in advance because it is based on the Technical Consultation paper that was published in October 2019, following the Chancellor's one year spending round in September. There were no material changes from the proposals outlined in the Technical Consultation.

4. Council Tax

- 4.1 The Council Tax referendum limit returns to its historic level of 2%, however the Adult Social Care precept has been extended for a further year, allowing upper tier authorities the flexibility to increase Council Tax by a further 2% above the referendum limit. Medway's Draft Budget assumes that Council Tax will be increased by 3.994%. This report reflects the updated tax base presented to the Leader this month.

5. Retained Business Rates

- 5.1 The widely anticipated review of the Business Rates Retention scheme and plans to reset the baseline from next year have been deferred, whilst Parliament has been distracted by other more pressing issues. In the meantime the 50% business rate retention scheme will continue in its existing form and Medway remains a top-up authority.

6. Baseline Needs Funding

- 6.1 Until the final Retained Business Rates figure is known through the completion of the NNDR1 Return (due at the end of January), we do not know the impact on the Baseline Need Funding assumptions that were included in the Draft Budget.

7. New Homes Bonus

- 7.1 In his Provisional Settlement, the Secretary of State announced that he will make a new round of allocations of the New Homes Bonus for 2020/21, but that no legacy payments will be made on this figure. The 2020/21 allocation indicates that Medway will receive £1.221million.

8. Education Related Grants

- 8.1 The Spending Round 2019 announced that the schools budget would rise nationally by £2.6 billion in 2020/21, £4.8 billion in 2021/22 and £7.1 billion in 2022/23, compared to 2019/20 funding levels, along with almost £1.5 billion of funding to compensate schools for the increased cost of employer pensions contributions. The Draft Budget projects that Education Related Grants will total £99.537 million in 2020/21.

9. Social Care Related Grants

- 9.1 The provisional settlement has confirmed the figures indicated by the Technical Consultation and which were reflected in the Draft Budget presented to Cabinet in November.

10. Public Health Grant

- 10.1 The provisional settlement indicates that the Public Health grant will be £16,800 less than was reflected in the Draft Budget presented to Cabinet in November.

11. Summary of Potential Impact on the 2020/21 Revenue Budget

- 11.1 The draft budget that Cabinet approved on 19 November 2019 was predicated on the funding assumptions contained in the MTFs. Table 2 overleaf seeks to summarise the changes to the available funding for the 2020/21 revenue budget.

Table 2: Changes to Available Funding

	2020/21 £'000
Available Funding as per Draft Budget (Cabinet 19/11/2019)	318,643.3
Changes since Draft Budget	
New Homes Bonus - Increase	331.9
Council Tax Base - Increase	529.9
Public Health Grant - Reduction	(16.8)
Available Funding as at 9/01/2020	319,488.3

- 11.2 Overall the Spending Round in September 2019 and subsequent provisional settlement has been relatively positive in terms of the potential impact on the Council's 2020/21 budget and has gone some way towards addressing the budget pressures for next year. Members are however are reminded that the Draft Budget still represents a £4.8million deficit and additional pressures are emerging in response to the recent inspection of Children's Services. Work is ongoing to identify savings to close the gap.

12. Risk Management

- 12.1 The continuation of severe funding cuts has prompted much discussion within local government finance circles regarding the risks to local authorities of being unable to set sustainable budgets and it is worth reminding the Cabinet what a failure to set a balanced budget might mean for the Council.
- 12.2 In setting the Council's budget the Section 151 Officer is required, under Section 25 of the Local Government Act 2003, to report on the robustness of the budget and the adequacy of reserves supporting the budget. The requirement on the Section 151 Officer is to ensure that the budget recommended to Council is balanced (i.e. expenditure does not exceed income), deliverable and ensures that the local authority maintains an adequate level of reserves.
- 12.3 If the Council were to set a budget, which in the Section 151 Officer's view is not robust, is not balanced or puts the authority at risk of bankruptcy because it does not provide for an adequate level of reserves, then he would be required to submit a report to the Council under Section 114 of the Local Government Finance Act 1988. The issuing of a Section 114 report would prevent the Council from incurring any expenditure which was not subject to approved contract, was not needed to maintain statutory services or was not incurred to address emergency requirements.
- 12.4 There remains a slight possibility that following consultation, changes could be made to the settlement that adversely affect the overall position for the

Council in terms of Government support. This is considered a low risk but in the event that it proves to materialise there may be a need to table revised proposals for consideration by Council.

13. Financial and Legal Implications

- 13.1 The financial implications of this report are set out above. There are no direct legal implications other than those referred to under risks.

14. Recommendation

- 14.1 The Cabinet is asked to note the implications of the provisional settlement in formulating its 2020/21 budget proposals.

15. Suggested Reasons for Decision

- 15.1 These provisional levels of grant are a fundamental component of the 2020/21 budget, and their announcement is a further stage in the process of preparing a balanced budget.

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Appendices

None

Background papers

Medium Term Financial Strategy 2019-2024 report to Cabinet 24 September 2019

<https://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=48993>

Draft Capital and Revenue Budget 2020/21 report to Cabinet on 19 November 2019

<https://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=49763>

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