

Carlisle City Council

Report to Executive

Report details

Meeting Date:	19 January 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.10/21
Policy and Budget Framework	Yes
Public / Private	Public
Title:	PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2022/23
Report of:	CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number:	RD67/21

Purpose / Summary:

This report provides an analysis of the Provisional Finance Settlement received for 2022/23 and the impact it has on the Council's Revenue budget.

Recommendations:

The Executive is requested to:

- (i) note the updated budget projections, in respect of the Provisional Finance Settlement, which was received on 16 December, noting that the overall financial impact was incorporated into the Executive's budget proposals for consultation purposes and also forms part of the Revenue report considered elsewhere on the agenda; and
- (ii) delegate responsibility to the Corporate Director of Finance and Resources to respond, if required, to the Local Government Finance Settlement consultation document, following consultation with the Portfolio Holder for Finance, Governance and Resources.

Tracking

Executive:	19 January 2022
Scrutiny:	n/a
Council:	1 February 2022 (Budget Resolution)

1. INTRODUCTION

- 1.1 This report provides an analysis of the 2022/23 Provisional Finance Settlement received from Central Government on 16 December 2021. A consultation document which outlines the government's approach in allocating funding for the local government finance settlement has also been provided, which seeks views by 13 January 2022.
- 1.2 The Department for Levelling Up, Housing and Communities (DLUHC) has proposed the referendum limits for 2022/23; and for District Councils, this is 2% or £5, whichever is the greater.
- 1.3 Members should also note that the DLUHC has confirmed the continuation of Cumbria's Business Rate Pool for 2022/23, but as this is integral to the provisional finance settlement, pool members have 28 days (from 16 December) to decide whether they formally wish to be designated as part of the pool.

2. UPDATED BUDGET PROJECTIONS

- 2.1 The amendments to the revenue budget as a result of the provisional finance settlement are as follows:

Draft Local Government Finance Settlement

Provisional figures were received on 16 December and are broadly in line with expectations contained within the MTFP for 2022/23 in respect of the baseline figure; however other one-off grants have been provided for which no budgetary provision was made. It should also be noted that no figures beyond 2022/23 have been provided with only a 1-year settlement announced. The provisional finance settlement for 2022/23 is open for consultation until 13 January 2022, with final figures being provided after that date. Details of the changes following receipt of the draft settlement are provided below.

Settlement Funding Assessment

The Settlement Funding Assessment (SFA) relates to the Retained Business Rates Baseline only, with the table below showing the differences in the Settlement Funding Assessment figures:

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MTFP		Estimated			
Business Rate Baseline	3,402	3,470	3,539	3,610	3,682
	3,402	3,470	3,539	3,610	3,682
Draft Settlement (Dec 2021)					
Business Rate Baseline	3,336	3,403	3,471	3,540	3,611
	3,336	3,403	3,471	3,540	3,611
Additional Contribution from/(to) Reserves	66	67	68	70	71

The Business Rate baseline allocation for 2022/23 shows a reduction of £66,000 when compared to the MTFP assumptions. This is a result of the baseline being frozen at 2021/22 levels. No provisional settlement figures have been provided beyond 2022/23; however, the two reviews on (i) the reform of the Business Rates Retention Scheme, and (ii) the approach to measuring the relative needs and resources of local authorities, used to determine new baseline funding allocations, will inform these allocations, once completed. The assumptions for 2023/24 onwards have been revised with an assumed 2% increase using the 2022/23 figures as the base, inclusive of the business rate multiplier compensation grant (see table later in this report). It is expected that the allocations for 2023/24 for all the Cumbrian Councils will be used to determine the overall funding 'pot' for the new unitary authorities in Cumbria thus ensuring that LGR has no detrimental financial impact on all the other local government authorities. These allocations will not be known until December 2022.

Other Funding

New Homes Bonus

Draft New Homes Bonus figures have also been included in the settlement announcement. The national baseline for housing growth remains at 0.4% for 2022/23 below which allocations will not be made.

The settlement provides an indication of the overall allocations the Council can expect to receive from New Homes Bonus. The table below shows how these estimates compare to the MTFP assumptions.

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MTFP					
New Homes Bonus included in MTFP	351	0	0	0	0
	351	0	0	0	0
Draft Settlement (Dec 2021)					
New Homes Bonus	1,373	0	0	0	0
	1,373	0	0	0	0
Additional Contribution from/(to) Reserves	(1,022)	0	0	0	0

A one-year allocation has been provided for 2022/23, with no legacy payments expected in subsequent years; however all previously announced legacy payments for previous years will be honoured in the 2022/23 allocations.

Rural Services Delivery Grant

Confirmation of the Rural Services Delivery Grant as set out below:

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MTFP					
Rural Services Delivery Grant	0	0	0	0	0
	0	0	0	0	0
Draft Settlement (Dec 2021)					
Rural Services Delivery Grant	193	0	0	0	0
	193	0	0	0	0
Additional Contribution from/(to) Reserves	(193)	0	0	0	0

Compensation Grant – Business Rate Multiplier Change

Similar to previous years, the Council will also receive a compensation grant in respect of the business rate multiplier change.

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MTFP					
Business Rate Multiplier Compensation	177	181	185	189	193
	177	181	185	189	193
Draft Settlement (Dec 2021)					
Business Rate Multiplier Compensation	274	279	285	291	297
	274	279	285	291	297
Additional Contribution from/(to) Reserves	(97)	(98)	(100)	(102)	(104)

Lower Tier Services Grant

An un-ringfenced grant will be received to support Councils with responsibility for lower tier services such as homelessness, planning, recycling and refuse collections and leisure services.

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MTFP					
Lower Tier Services Grant	0	0	0	0	0
	0	0	0	0	0
Draft Settlement (Dec 2021)					
Lower Tier Services Grant	150	0	0	0	0
	150	0	0	0	0
Additional Contribution from/(to) Reserves	(150)	0	0	0	0

Services Grant

A new un-ringfenced grant will be received to support Councils with delivery of front-line services. There will be £822million distributed to local authorities and DLUHC will work with the sector for how to distribute from 2023/24 onwards.

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MTFP					
Services Grant	0	0	0	0	0
	0	0	0	0	0
Draft Settlement (Dec 2021)					
Services Grant	230	0	0	0	0
	230	0	0	0	0
Additional Contribution from/(to) Reserves	(230)	0	0	0	0

The figures for all of these funding streams have been provided by the DLUHC up to 2022/23 only; therefore, any figures beyond this are indicative only.

Council Tax Referendum Limit

The draft settlement also confirms that District Council's will be able to raise Council Tax by the greater of 2% or £5. The Executive's budget proposals currently assume a nil increase for 2022/23 only.

Overall Spending Power

All of the elements described above together with the income raised from Council Tax make up what is known as the Council's Spending Power. Within the settlement the Government makes an assumption as to how much will be raised through Council Tax; however, the precise figure is not known until each Council sets their own Council tax levels and calculates their Tax Bases.

The table below shows the overall effect of the settlement on the Council's Spending Power.

Core Spending Power of Local Government 2022/23 LG FINANCE SETTLEMENT					
	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000
Settlement Funding Assessment	3,657	3,282	3,335	3,335	3,336
Compensation for under-indexing the business rate multiplier	74	107	134	174	274
Council Tax	6,905	7,183	7,487	7,794	7,978
New Homes Bonus and returned funding	1,606	1,565	1,492	747	1,373
Rural Services Delivery Grant	184	184	184	193	193
2022/23 Services Grant	-	-	-	-	230
Lower Tier Services Grant	-	-	-	389	150
Core Spending Power	12,426	12,321	12,632	12,632	13,534
Change over the Spending Review period (£ 000's)					1,108
Change over the Spending Review period (% change)					8.9%

The overall effect of the Draft Settlement is that for 2022/23, there will be an additional contribution to reserves of £1,626,000.

2.2 Housing Benefit/Local Council Tax Support Administration Subsidy

The allocation for Housing Benefit Administration subsidy and other grant allocations are still awaited from the Department for Work & Pensions (DWP) and the Localised Council Tax Support Administration Subsidy allocation for 2022/23 from DLUHC is also still to be advised.

2.4 Other Areas of Funding

Funding has been announced in respect of the Homelessness Prevention Grant of £198,863 for 2022/23 and Domestic Abuse new burdens funding of £7,568.

At the time of writing the Chancellor has just announced a funding package of £1bn to support business impacted by Omicron with a one-off grant of up to £6,000 (RV dependent) for the hospitality and leisure sector; funding for discretionary grants administered by local authorities; £30million for Cultural Recovery Fund and changes to Statutory Sick pay for small/medium businesses. Further guidance and advice is awaited.

3. **CONSULTATION**

- 3.1 Business and Transformation Scrutiny Panel considered the Executive's draft budget proposals on 7 January 2021.

4. **CONCLUSION AND REASONS FOR RECOMMENDATIONS**

- 4.1 The Executive is requested to note the updated budget projections, in respect of the Provisional Finance Settlement, which was received on 16 December, noting that

the overall financial impact was incorporated into the Executive's budget proposals for consultation purposes and also forms part of the Revenue report considered elsewhere on the agenda.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

5.1 To ensure that a balanced budget is set.

Contact details:

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Appendices attached to report:

- None

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

LEGAL – The Council has a fiduciary duty to manage its resources properly and for the benefit of its community. In doing so it is required to take account of the advice it receives from its chief finance officer, the Corporate Director of Finance and Resources. The Council must have a balanced budget to deliver its services and also achieve and sustain an appropriate level of reserves.

PROPERTY – not applicable

FINANCE – Contained within the body of the report

EQUALITY – not applicable

INFORMATION GOVERNANCE – not applicable