

Report to Executive

Agenda
Item:
6 (1)
(X)

Meeting Date: 13 January 2021
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref: KD.25/20
Within Policy and Budget Framework YES
Public / Private Public

Title: PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2021/22
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number: RD55/20

Purpose / Summary:

This report provides an analysis of the Provisional Finance Settlement received for 2021/22 and the impact it has on the Council's Revenue budget.

Recommendations:

The Executive is requested to:

- (i) note and consider the updated budget projections, in respect of the Provisional Finance Settlement, which was received on 17th December, noting that the overall financial impact 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:	13 January 2021
Scrutiny:	Not applicable
Council:	2 February 2021 (Budget Resolution)

1. INTRODUCTION

- 1.1. This report provides an analysis of the 2021/22 Provisional Finance Settlement received from Central Government on 17th December 2020. 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 16th January 2021.
- 1.2. The Ministry of Housing, Communities & Local Government (MHCLG) has proposed the referendum limits for 2021/22; and for District Councils, this is 2% or £5, whichever is the greater. This is in line with the MTFP with the Executive proposing an annual £5 increase for 2021/22.
- 1.3. Members should also note that the MHCLG has confirmed the continuation of Cumbria's Business Rate Pool for 2021/22, but as this is integral to the provisional finance settlement, pool members have 28 days (from 17th 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 17th December and are broadly in line with expectations contained within the MTFP for 2021/22. It should be noted that no figures beyond 2021/22 have been provided as these should form part of any Local Government Finance Reviews taking place next year. The provisional finance settlement for 2021/22 is open for consultation until 16th January 2021, 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:

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
MTFP		Estimated			
Business Rate Baseline	3,513	3,583	3,655	3,728	3,803
	3,513	3,583	3,655	3,728	3,803
Draft Settlement (Dec 2020)					
Business Rate Baseline	3,335	3,579	3,651	3,724	3,799
	3,335	3,579	3,651	3,724	3,799
Additional Contribution from/(to) Reserves	178	4	4	4	4

The Business Rate baseline allocation for 2021/22 shows a reduction of £178,000 when compared to the MTFP assumptions. This is a result of the baseline being frozen at 2020/21 levels. No provisional settlement figures have been provided beyond 2021/22; however, as mentioned earlier, 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. The assumptions for 2022/23 onwards have been revised with an assumed 2% increase using the 2021/22 figures as the base inclusive of the business rate multiplier compensation grant (see table later in this report).

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 2021/22 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.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
MTFP					
New Homes Bonus included in MTFP	610	351	0	0	0
	610	351	0	0	0
Draft Settlement (Dec 2020)					
New Homes Bonus	747	351	0	0	0
	747	351	0	0	0
Additional Contribution from/(to) Reserves	(137)	0	0	0	0

A one-year allocation has been provided for 2021/22, with no legacy payments expected in subsequent years; however all previously announced legacy payments for previous years will be honoured in the 2021/22 allocations.

Rural Services Delivery Grant

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

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
MTFP					
Rural Services Delivery Grant	0	0	0	0	0
	0	0	0	0	0
Draft Settlement (Dec 2020)					
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.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
MTFP Business Rate Multiplier Compensation	0	0	0	0	0
Draft Settlement (Dec 2020) Business Rate Multiplier Compensation	0	0	0	0	0
	174				
	174	0	0	0	0
Additional Contribution from/(to) Reserves	(174)	0	0	0	0

Lower Tier Services Grant

A new one-off 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.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
MTFP Lower Tier Services Grant	0	0	0	0	0
Draft Settlement (Dec 2020) Lower Tier Services Grant	0	0	0	0	0
	389				
	389	0	0	0	0
Additional Contribution from/(to) Reserves	(389)	0	0	0	0

Covid-19 Support for 2021/22

An additional un-ringfenced grant of £616,032 to manage the immediate and long-term impacts of the pandemic in 2021/22 has been allocated; however current estimates indicate that the additional costs/income shortfalls could be in the region of £1.1million in 2021/22. The Sales, Fees and Charges income support scheme (SFC scheme) will also be extended to June 2021.

The figures for all of these funding streams have been provided by the MHCLG up to 2021/22 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. A £5 increase has been assumed in the budget which equates to a 2.30% increase.

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 2021/22 LG FINANCE SETTLEMENT					
	2017-18 £000	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000
Settlement Funding Assessment	4,000	3,657	3,282	3,335	3,335
Compensation for under-indexing the business rate multiplier	47	74	107	134	174
Council Tax	6,658	6,905	7,183	7,487	7,794
New Homes Bonus and returned funding	2,013	1,606	1,565	1,492	747
Rural Services Delivery Grant	147	184	184	184	193
Transition Grant	5	-	-	-	-
Lower Tier Services Grant	-	-	-	-	389
Core Spending Power	12,870	12,426	12,321	12,632	12,632
Change over the Spending Review period (£ 000's)				-	238
Change over the Spending Review period (% change)					-1.8%

The overall effect of the Draft Settlement is that for 2021/22, there will be an additional contribution to reserves of £715,000 (excluding any Covid-19 funding allocations).

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 2021/22 from MHCLG is also still to be advised.

2.3 Homelessness Prevention Grant

A total allocation of £198,863 has been awarded for 2021/22 for Homelessness Prevention Grant.

2.4 Other Areas of Funding

Other funding was announced in respect of Help for Rough Sleepers, New Burdens Funding for the Domestic Abuse Bill, Improved Better Care Fund, Strengthening the local audit system, and a local tax income guarantee scheme for irrecoverable losses this year (2020/21) to help compensate councils for lost council tax and business rates income however, no allocations have yet been announced. A Local Council Tax Support Grant (LCTS) of £154,735 has also been announced.

3. **CONSULTATION**

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

4. **CONCLUSION AND REASONS FOR RECOMMENDATIONS**

The Executive is requested to note and consider the updated budget projections, in respect of the Provisional Finance Settlement, which was received on 17th December, noting that the overall financial impact forms part of the Revenue report considered elsewhere on the agenda.

5. **CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

To ensure that a balanced budget is set.

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Appendices **None**
attached to report:

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

INFROMATION GOVERNANCE – not applicable

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 13 JANUARY 2021

**EX.05/21 **PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT
2021/22
(Key Decision – KD.25/20)**

(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, The Mayor had agreed that call-in procedures should not be applied to this item)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Business and Transformation

Subject Matter

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder submitted report RD.55/20 providing an analysis of the 2021/22 Provisional Finance Settlement received from Central Government and the impact it had on the Council's Revenue budget.

Details of the amendments to the revenue budget as a result of the provisional finance settlement were provided at Section 2.

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder moved the recommendations as recorded within the report and the Leader seconded them.

Summary of options rejected None

DECISION

That the Executive:

- (i) noted and had considered the updated budget projections, in respect of the Provisional Finance Settlement which was received on 17 December 2020, noting that the overall financial impact formed part of the Revenue report considered elsewhere on the agenda; and
- (ii) delegated 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.

Reasons for Decision

To seek Executive consideration of the Provisional Local Government Finance Settlement 2021/22