

The 2021/22 Provisional Local Government Finance Settlement

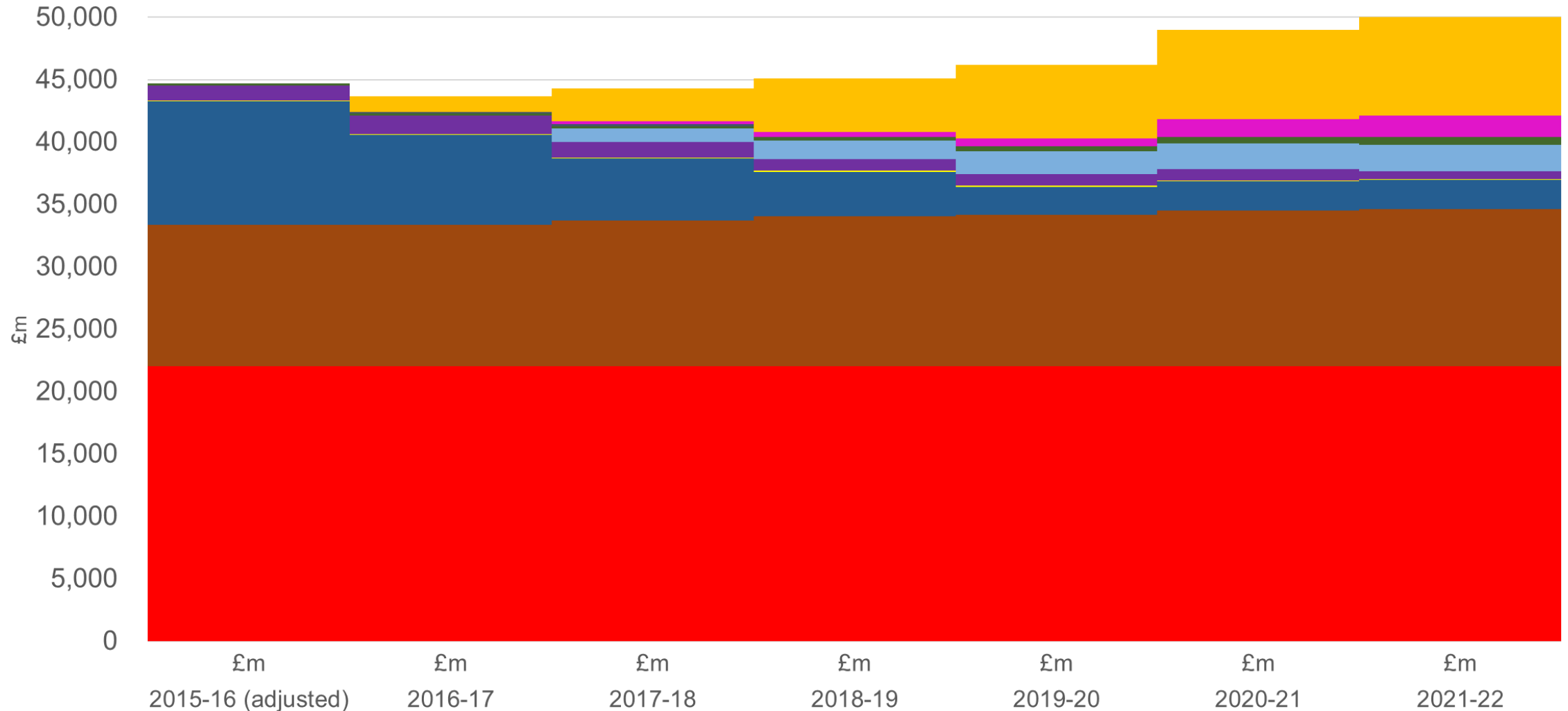
LGA Annual Local Government Finance Conference,
January 2021

Sarah Pickup, Deputy Chief Executive

12 January 2021

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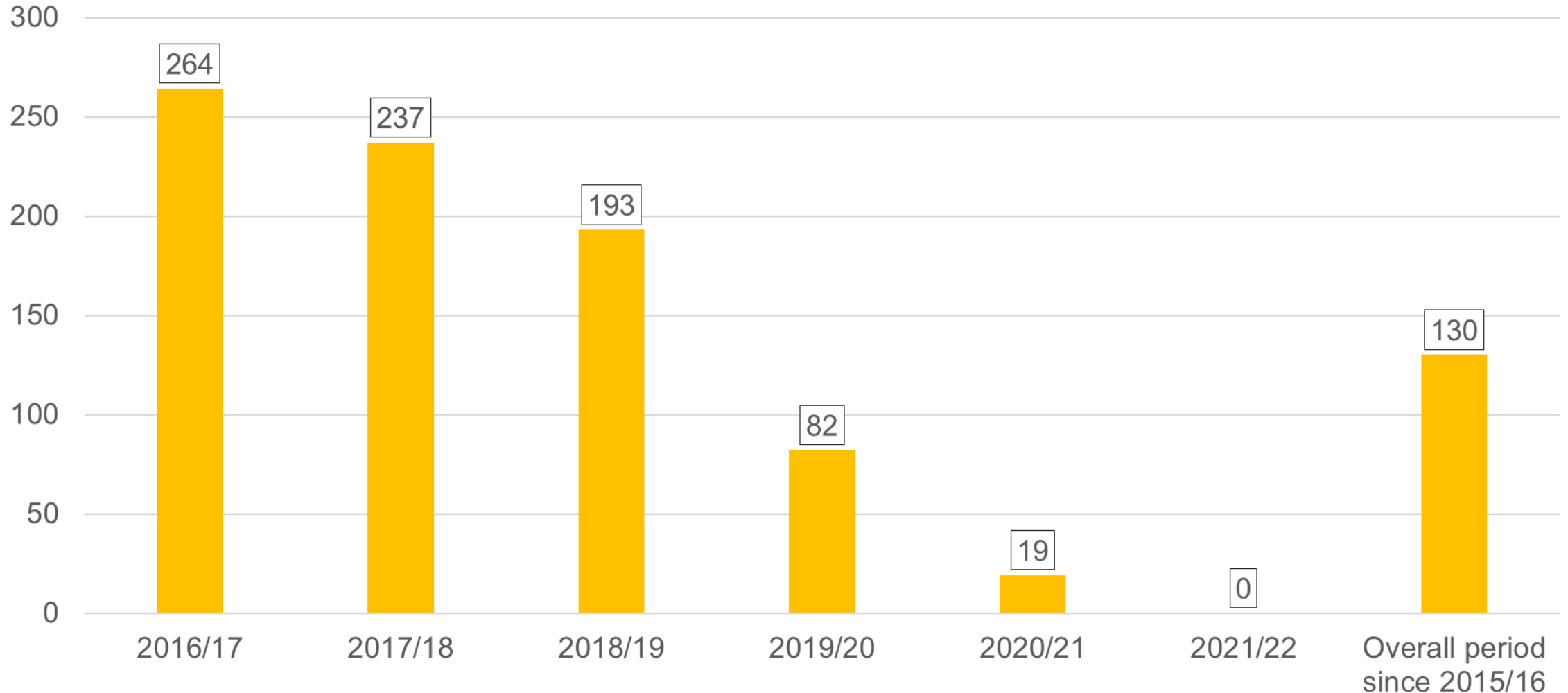
Core Spending Power 2015-2021 (£ billion)



- Council tax at 2015-16 levels
- Business Rates Baseline
- Revenue Support Grant
- Rural Services Delivery Grant
- New Homes Bonus (incl returned funding)
- Improved Better Care Fund
- Compensation for underindexing the multiplier
- Transition Grant
- Social Care grants
- Total additional council tax since 2015/16

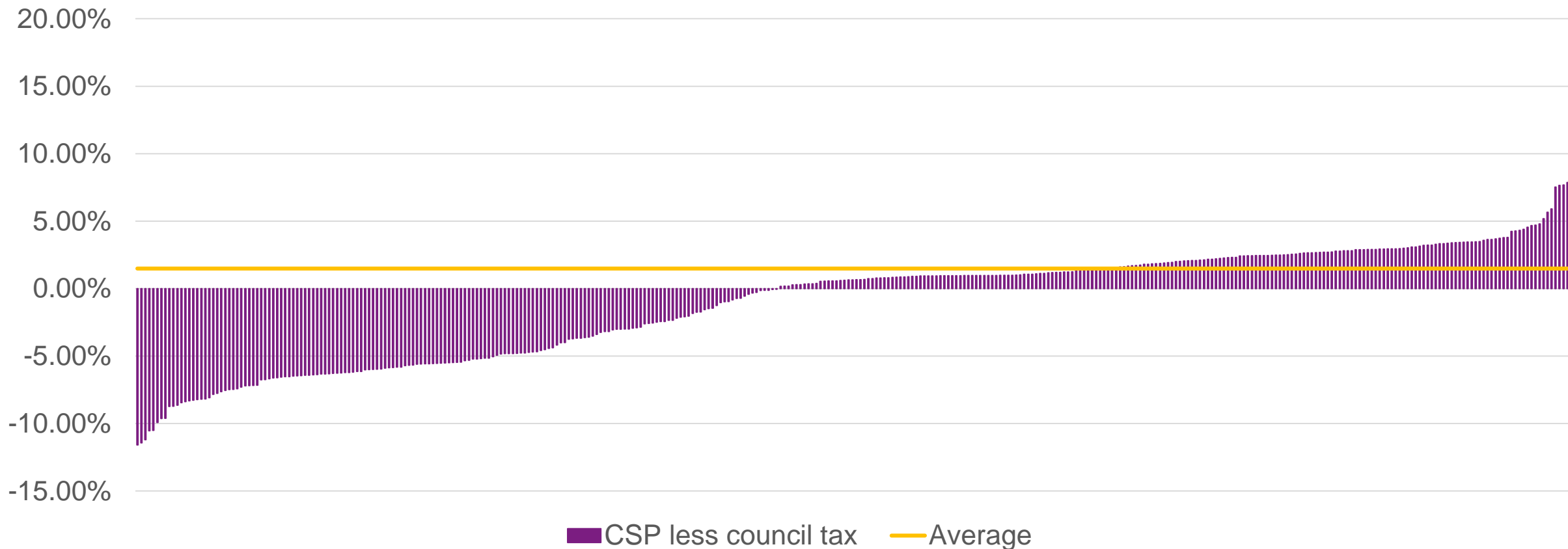
Authorities with reduced Core Spending Power

Number of authorities with reduced Core Spending Power, compared with preceding year



Change in Core Spending Power less council tax (%)

Changes in Core spending power less council tax for local authorities in England from 2020/21 to 2021/22 (%)



Council tax referendum principles

2% general
referendum limit

ASC precept: Up
to 3% flexibility -
can be spread over
two years

Shire districts:
the higher of £5
or 2% Band D

£15 for Police and
Crime Commissioners
and GLA / Greater
Manchester police

Government
awaiting
proposals on the
GLA referendum
principle

Town and
Parish Councils
- no referendum
principles

Other announcements

Additional Social Care Grant of £300 million

£60 million distributed on basis of ASC Relative Needs Formula.

£240 million to adjust for the funding through the ASC precept.

New £111 million 'lower tier services' grant

£86 million to district councils and unitary authorities.

£25 million to district councils so that no council sees a reduce in CSP.

New Homes Bonus (NHB)

£622 million for the NHB included in CSP in 2021/22 – a reduction of £285 million from 2020/21.

No increase to threshold (stays at 0.4%).

No legacy payments in respect of 2020/21 and 2021/22.

Consultation on the future of the NHB shortly; implementing reform in 2022/23.

Other

£85 million of Rural Services Delivery Grant (increase of £4 million compared to 2020/21); Consultation on method of distribution.

£650 million compensation for under-indexing the business rates multiplier (increase of £150 million compared to 2020/21).

Revenue Support Grant to increase by £12.8 million; baseline funding level unchanged for 2021/22.

Based on LGA draft response

- Potential increase of £2.2 billion (4.5 per cent) in CSP - over 85 per cent depends on increasing council tax.
- Flexibility to raise the ASC precept by further 3 per cent; districts should have extra flexibility - we call for a higher limit than £5.
- Council tax rises (including the ASC precept) not a long term solution; vital need to reform social care.
- Need clarity and certainty over longer term funding, including multi-year settlement.
- COVID-19 financial challenge needs to be met in full, including cost pressures and full compensation of lost income.

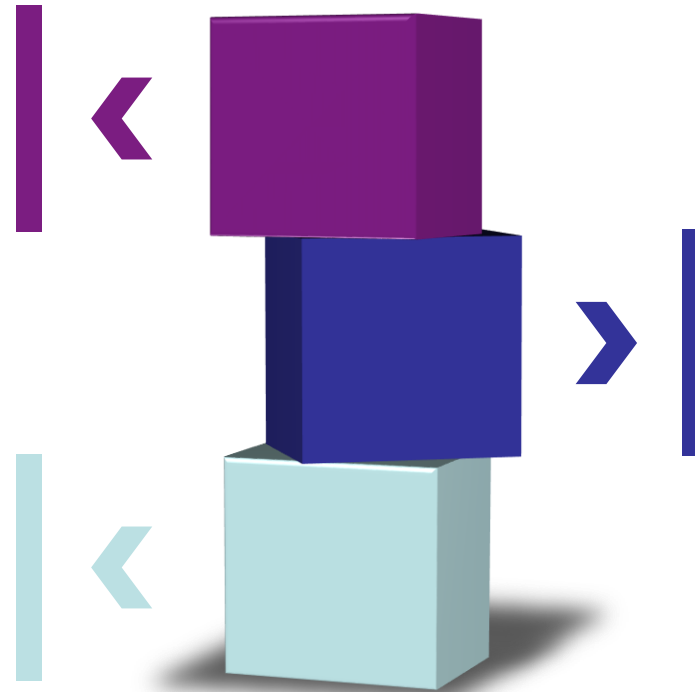
Based on LGA draft response

- Publish public health grant settlement ASAP.
- Need to work together during the review of the New Homes Bonus.
- Resume the Fair Funding Review – no losses of income.
- Fundamental review of business rates to report in spring 2021. Use the review to determine its future and develop new sources of finance for councils.

COVID-19 announcements

Confirmed allocations of the £1.55 billion of unringfenced funding; distributed using the COVID-19 Relative Needs Formula.

Consultation on financial support measures included in the COVID-19 2021/22 package, in particular the extension of the SFC compensation scheme and £670 million council tax support funding.



Guidance on how irrecoverable 2020/21 business rates and council tax losses will be measured.

2020/21 COVID-19 position (£ million)

Costs..

Reported pressures	Mar - Dec	FY 2020-21	Mar-Dec as % of FY 2020/21
Total spending pressures	5,016	6,863	73%
Sales, fees and charges	2,014	2,099	96%
Other non-tax income losses	731	742	99%
Total non-tax income losses	2,746	2,840	97%
Total pressures on budgets in 2020-21	7,762	9,704	80%

..and (selected!) funding

	FY 2020/21
General-purpose grant funding (excludes local restrictions funding for comparability)	4,613
SFC compensation (uncertain estimate)	1,000
CCG reimbursement of costs (survey)	937
Other	876
Total	7,426

Survey took place prior to Tier 4



- Views and responses to the COVID-19 consultation to MHCLG by 14 January 2021.
- Responses and representations to the Settlement consultation document to MHCLG by 16 January 2021.
- Please send us your responses and comments to lgfinance@local.gov.uk
- Final Settlement – late January / early February 2021.
- Debate and approval in Parliament.

Forward look (2)

- Next Budget to take place on 3 March 2021. Deadline for representations – 14 January 2021.
- Continued COVID-19 impacts in 2020/21 and 2021/22 – vital that councils are compensated in full for the financial impact of the pandemic.
- The 2020 Spending Review and the 2021/22 local government finance settlement provided some certainty to councils. We need long term certainty and a multi-year Spending Review ASAP in 2021.

Happy to take questions!