

INFORMATION

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO SPECIAL POLICY AND FINANCE COMMITTEE

meeting date: 16 FEBRUARY 2021
title: PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2021/22
submitted by: DIRECTOR OF RESOURCES
principal author: JANE PEARSON

1. PURPOSE

- 1.1 To report the details of the Spending Review and also the Local Government Provisional Finance Settlement for 2021/22.

2. BACKGROUND

Spending Review

- 2.1 The Spending Review announced on 25 November 2020 was for one year only and whilst it provided more certainty for councils next year the long-term outlook remains unclear. The Spending Review has provided a potential increase of 4.5 per cent in council core spending power to support local services. However this increase is largely due to the ability of social care authorities to increase their council tax bills by up to 5 per cent.
- 2.2 To support local authorities in England with COVID-19 pressures next year, the Government stated it will provide over £3 billion in additional support. The additional support includes £1.55 billion to meet additional expenditure pressures as a result of COVID-19, £670 million to support households that are least able to afford council tax payments, £762 million to compensate for 75 per cent of irrecoverable loss of council tax and business rates revenues in 2020/21, and extending the existing COVID-19 sales, fees and charges reimbursement scheme for a further 3 months until the end of June 2021

Fair Funding Review

- 2.3 The Chancellor confirmed that as announced earlier this year, the implementation of the fair funding review has been delayed. The Spending Review does not specify when the review will be revisited.

LGA view:

- 2.4 The impact of the pandemic has not changed the way general Government grants are distributed between councils and remains complex, opaque and out of date. It is not possible to succinctly explain why the funding allocations for different councils are what they are. However, it is also clear that any review of distribution arrangements puts a multi-year local government finance settlement at risk, with an impact on certainty.
- 2.5 The LGA are calling on the Government to resume the Fair Funding Review, but with a guarantee that the transitional mechanisms ensure that no councils experience a loss of income.
- 2.6 Councils had to revisit and revise many of their services to react to the impact of the pandemic and it is yet to be seen how permanent some of those shifts are. This means that, when the Fair Funding Review is relaunched, the Government needs to review progress made to date to ensure that it is still fit for purpose, or flexible enough to deal with any such shifts in council service models.

Business Rates

- 2.7 The Chancellor announced that the Government is undertaking a fundamental review of the business rates system and is currently considering responses to the call for evidence. A final report setting out the full conclusions of the review will be published in spring 2021.
- 2.8 The Government has decided to freeze the business rates multiplier in 2021/22, saving businesses in England an estimated £575 million over the next five years. Local authorities will be fully compensated for this decision.
- 2.9 The Government is also considering options for further COVID-19 related support through business rates reliefs. In order to ensure that any decisions best meet the evolving challenges presented by COVID-19, the Government will outline plans for 2021/22 reliefs in the New Year.
- 2.10 Earlier this year, the Government announced that it would delay the move to 75 per cent Business Rates Retention and the implementation of the fair funding review. This decision allowed local authorities to focus on meeting the public health challenge posed by the pandemic. In order to provide further stability to the sector, the Government has decided not to proceed with a reset of business rates baselines in 2021/22 and will maintain the existing 100 per cent business rates pilots for a further year.

New Homes Bonus

- 2.11 The Chancellor announced that the Government will maintain the existing New Homes Bonus scheme for a further year with no new legacy payments.
- 2.12 The Government will consult on reforms to the New Homes Bonus shortly, with a view to implementing reform in 2022/23.

LGA view:

- 2.13 The New Homes Bonus makes up a considerable part of funding for some councils, particularly shire district authorities. The Government needs to work closely with councils as part of its review of housing incentives in order to ensure it helps us deliver more homes and works for local government. It is important that sufficient clarity about the outcome of the review, is provided to councils as soon as possible to allow them to plan their 2022/23 budgets and beyond.

Local Government Finance Settlement

- 2.14 The local government finance settlement is the annual determination of funding to local government and is approved by the House of Commons. The grant settlement for next year was issued on 17 December 2020.
- 2.15 The Secretary of State for Housing, Communities and Local Government, Robert Jenrick MP, issued a written ministerial statement to the House of Commons which set out the Local Government Finance Settlement for 2021/22.
- 2.16 The consultation period ended on 16 January 2021. It is expected the final settlement will be laid before the House of Commons in February.
- 2.17 The announcement was broadly in line with the indicative figures for 2021/22 announced in the 2020 Spending Review in November 2020.

3. KEY INFORMATION FOR RIBBLE VALLEY

3.1 Our settlement is for one year only and I've shown below a comparison with the previous settlements for information:

	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Settlement Funding Assessment	1.862606	1.569143	1.411972	1.440600	1.354393	1.354393
of which:						
Revenue Support Grant	0.623087	0.304319	0.109149	0.000000	0.000000	0.000000
Baseline Funding Level	1.239518	1.264824	1.302823	1.440600	1.354393	1.354393
Tariff/Top-Up	-4.361493	-3.997472	-4.147262	-6.364375	-4.311424	-4.311424
2017-18 Tariff and Top-up reconciliation			-0.028828			
Safety Net Threshold	1.146554	1.169962	1.205111	1.368570	1.252814	1.252814
Levy Rate	0.500000	0.500000	0.500000	0.000000	0.500000	0.500000

3.2 You will see our figures are effectively frozen at last year's levels.

4. RURAL SERVICES DELIVERY GRANT (RSDG)

4.1 The Government have announced that they will continue with the Rural Services Delivery Grant next year and increase the level by £4m to £85m. This is a grant paid to the top quartile of local authorities on the basis of the super-sparsity indicator, in recognition of possible additional costs for rural councils.

Impact on Ribble Valley

4.2 For Ribble Valley this is very pleasing news as over the years we have lobbied the Government and supported the various groups including the Rural Services Network to point out the significant extra costs of providing services in rural areas. Next year we will receive £113,250. This will be paid as a separate grant.

5. LOWER TIER SERVICES GRANT

5.1 The Government has announced a new £111m 'lower tier services' grant. £86m will be allocated to district councils and unitary authorities in line with their shares of the 'lower-tier' element of the settlement funding assessment. The remaining £25m will be allocated to district councils to ensure that no council sees its core spending power reduce in 2021/22.

5.2 The announcement states that this £25 million funding is in response to the current exceptional circumstances and is a one-off and that no local authority should take this funding floor as guaranteeing similar funding floors in future years, including in future finance reforms.

Impact on Ribble Valley

5.3 Ribble Valley will receive £57,680. It is interesting to note this is the 4th lowest allocation out of 308 authorities who will receive the new grant.

6. NEW HOMES BONUS

6.1 The provisional amount of £622m for the New Homes Bonus (NHB) has been included in Core Spending Power in 2021/22. The bonus consists of the legacy payments for 2018/19 and 2019/20 and the new money for 2021/22, as well as the Affordable Homes Premium across those years. The England total of allocations for 2021/22 is £196m.

6.2 As previously announced, there is no legacy payment in respect of 2020/21, and there will be no legacy payment in respect of 2021/22 in forthcoming years. The threshold over which the bonus is paid remains at 0.4 per cent.

6.3 The Government has set out its intention to hold a consultation on the future of the New Homes Bonus, with a view to implementing reform in 2022/23.

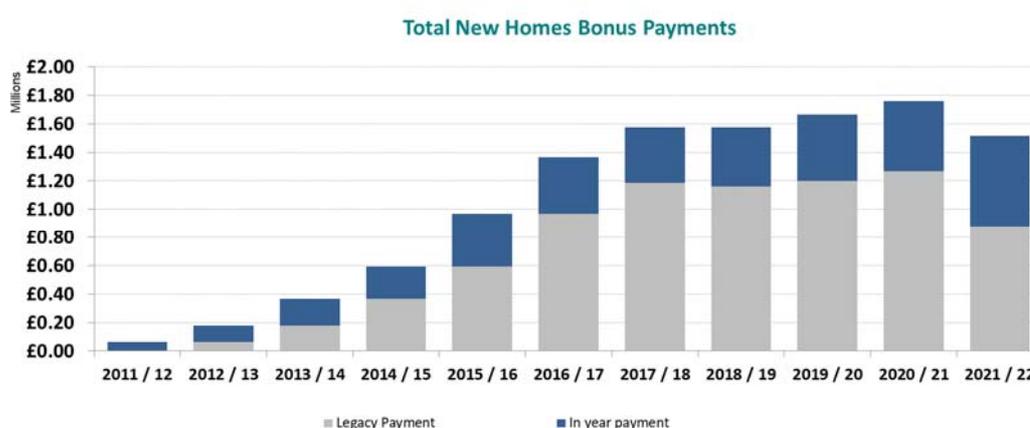
Impact on Ribble Valley

6.4 Our in-year allocation for 2021/22 will increase from £490k to £637k. We had 423 extra properties in year with an additional 16 empty properties brought back into use. After converting this into Band D equivalents we were eligible for NHB on 523 properties. Applying the 0.4% threshold reduces this by 110 (ie 0.4% of our total properties in October 2020 of 27,714). Our allocation also includes a payment for new affordable housing within the year.

6.5 As there is no legacy payment for 2020/21 we will only receive effectively 3 allocations (in year for 2021/22 plus in year for 2018/19 plus in year for 2019/20). There will also be no legacy payments in respect of 2021/22 in future years.

6.6 Our total provisional allocation for next year is £1.516m compared with £1.771m in 2020/21.

6.7 The table in Annex 1 shows the in-year allocation payments and also shows the legacy payments over the years and importantly their fall out.



6.8 The Government have stated that the new reforms to the NHB will be implemented in 2022/23. As stated previously, we rely on £1.105m of our allocation each year to finance our revenue budget. In addition we also currently use our NHB to fund the capital programme.

6.9 We estimate unused NHB of £2.941m in our earmarked reserves at the end of 2021/22. This would only cover a further 2 years if the NHB scheme ceases to exist

from 2022/23 and we were to no longer receive any funding. We will therefore need to carefully consider the financing of the Councils ongoing revenue budget going forward to find an alternative to this important income stream.

6.10 Annex 2 shows the use of our NHB since the start of the scheme.

7. BUSINESS RATES

7.1 As you are aware we have been a member of the 2020/21 50% Lancashire Business Rate Pool. The Government asked all members of pools to express their pooling preferences for 2021/22 by 23 October 2020. After some uncertainty surrounding Covid and the resetting of baselines and not least the continuation of Business Rate Reliefs next year it was decided to request to remain a member of the pool for next year. This was reported and agreed by Policy and Finance Committee in November.

7.2 All other members of the current pool decided to also request to remain in the pool and we received the official designation letter from MHCLG confirming the Lancashire Pool for next year which consists of the following local authorities.

- Burnley Borough Council
- Chorley Borough Council
- Fylde Borough Council
- Hyndburn Borough Council
- Pendle Borough Council
- Ribble Valley Borough Council
- Rossendale Borough Council
- South Ribble Borough Council
- West Lancashire Borough Council
- Wyre Borough Council
- Lancashire County Council

7.3 The designation has effect from 1 April 2020 and for each year unless revoked.

7.4 Local authorities in the pool had 28 days from the date of the announcement of the Local Government Finance Settlement (17/12/20) to consider if they wish to continue to be designated as a pool. No member gave notice to pull out of the Lancashire pool.

7.5 The Pool will operate on the same basis as it does in the current year, where members benefit from retaining levies on growth above their baseline instead of paying these over to the Government. LCC will receive 10% of the total retained levies. In addition, as Lead Authority we will receive £20,000 and act as a channel for all payments to and from MHCLG.

7.6 We will have an estimate of the retained levies when we receive all completed NNDR1 returns which are due to be submitted by 31 January 2021.

8. COUNCIL TAX REFERENDUM PRINCIPLES

8.1 The following council tax referendum principles were announced:

- a core principle of up to 2 per cent applying to shire county councils, unitary authorities, London borough councils, the City of London, the Isles of Scilly, the GLA general precept and fire and rescue authorities.

- a continuation of the Adult Social Care precept, with an additional 3 per cent flexibility available for social care authorities on top of the core principle. This can be spread over two years.
- 2 per cent or £5, whichever is higher, for shire district councils.
- £15 for Police and Crime Commissioners.
- no referendum principle for Mayoral Combined Authorities or town and parish councils.

9. CONCLUSION

9.1 This is one year only settlement. Whilst we benefit from the new Lower Tier Services Grant our allocation is one of the lowest in the country. Pleasingly the Rural Services Delivery Grant is to continue of which we will benefit by £113k next year. Our baseline and tariff amounts have both remained at the previous year's levels.

9.2 However, of significant concern going into next year is what will replace the New Homes Bonus Scheme and also the outcomes of both the Business Rate Retention Review and the Fair Funding Review.

10. FINAL LOCAL GOVERNMENT GRANT SETTLEMENT AND LATEST UPDATE

10.1 On 4 February 2021 Robert Jenrick laid the documents for the 2021/22 final local government finance settlement in the House of Commons and made a written ministerial statement. The final settlement debate and vote will be held in the House of Commons next week.

10.2 I have attached at Annex 3 a copy of the statement.

10.3 Our figures have remained the same except for a small increase in the Lower Tier Services Grant which has increased from £57,680 to £57,696.

10.4 Also the Financial Secretary to the Treasury made a Written Ministerial Statement to Parliament. The statement asks billing authorities to consider waiting until the Chancellor has set out his plans at the Budget on 3 March, before issuing business rate bills for 2021/22.

DIRECTOR OF RESOURCES
PF10-21/JP/AC

NHB IN-YEAR ALLOCATION PAYMENTS

Year of Payment

	Year of Payment 											
Cumulative Payments	2011 / 12	2012 / 13	2013 / 14	2014 / 15	2015 / 16	2016 / 17	2017 / 18	2018 / 19	2019 / 20	2020 / 21	2021 / 22	2022 / 23
Payments for Year 1	£62,046	£62,046	£62,046	£62,046	£62,046	£62,046						
Payments for Year 2		£117,598	£117,598	£117,598	£117,598	£117,598						
Payments for Year 3			£188,053	£188,053	£188,053	£188,053	£188,053					
Payments for Year 4				£227,109	£227,109	£227,109	£227,109					
Payments for Year 5					£373,810	£373,810	£373,810	£373,810				
Payments for Year 6						£398,267	£398,267	£398,267	£398,267			
Payments for Year 7							£389,751	£389,751	£389,751	£389,751		
Payments for Year 8								£414,079	£414,079	£414,079	£414,079	
Payments for Year 9									£464,389	£464,389	£464,389	£464,389
Payments for Year 10										£490,083		
Payments for Year 11											£637,380	
2021/22: Total Payments											£1,515,848	

USE OF NHB

ANNEX 2

Relates to:	Received in year												
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
2011/12	62,046	62,046	62,046	62,046	62,046	62,046							
2012/13		117,599	117,599	117,599	117,599	117,599							
2013/14			188,053	188,053	188,053	188,053	188,053						
2014/15				227,108	227,108	227,108	227,108						
2015/16					373,810	373,810	373,810	373,810					
2016/17						398,268	398,268	398,268	398,267				
2017/18							389,751	389,751	389,751	389,751			
2018/19								414,079	414,079	414,079	414,079		
2019/20									464,389	464,389	464,389	464,389	
2020/21										502,733			
2021/22											637,380		
2022/23												?	
2023/24													?
	62,046	179,645	367,698	594,806	968,616	1,366,884	1,576,990	1,575,908	1,666,486	1,770,952	1,515,848	464,389	0
Allocated to date:													
Revenue base	60,000	60,000	60,000	333,780	676,065	786,961	793,079	1,105,000	1,105,000	1,105,000	1,105,000	1,105,000	1,105,000
Revenue in year						6,000							
Capital	0	0	100,000	85,000	35,662	57,749	175,618	139,469	361,547	229,150	241,040	70,960	306,637
Adjustment	60,000	60,000	160,000	418,780	711,727	850,710	968,697	1,244,469	1,466,547	1,334,150	1,346,040	1,175,960	1,411,637
Unallocated	2,046	119,645	217,727	165,997	256,889	516,174	608,293	331,439	199,939	436,802	169,808	-711,571	-1,411,637
Bal C/fwd	2,046	121,691	339,418	505,415	762,304	1,278,478	1,886,771	2,218,210	2,418,149	2,854,951	3,024,759	2,313,188	901,551

Statement

Today I laid before the House, the 'Report on Local Government Finance (England) 2021-22', the 'Council Tax referendum principles report 2021-22' and 'Council Tax alternative notional amounts report 2021-2022', which together form the annual local government finance settlement for local authorities in England.

My Ministers and I have held meetings with representative groups including the Local Government Association and with councils and MPs. Representations from 155 organisations or individuals have been carefully considered before finalising the settlement.

Social care

This Government is dedicated to supporting the most vulnerable, which is why this settlement provides access of up to an additional £1 billion of funding for Adult and Children's Social Care, comprising £300 million in grant and a 3% Adult Social Care precept. In the interests of stability, the Government proposes to roll-forward allocations of the £1.41 billion 2020-21 Social Care Grant and continue the 2020-21 improved Better Care Fund at £2.1 billion.

Our proposal is to use £240 million of the additional £300 million Social Care Grant as an 'equalisation' component – to level the playing field, recognising that the distribution of resources generated through the Adult Social Care precept does not match the pattern of assessed need. The remaining £60 million will be allocated directly through the existing Adult Social Care funding formula.

New Homes Bonus

Following consultation, the Government is proposing a new round of 2021-22 (year 11) New Homes Bonus payments. This will be the final set of allocations under the current approach.

The Government is committed to developing a more efficient and effective way of incentivising housing growth, which is why I am pleased to announce that we plan to consult shortly on the future of the New Homes Bonus.

Lower Tier Services Grant

The Government is proposing a new unringfenced Lower Tier Services Grant in 2021-22, which will allocate £111 million to local authorities with responsibility for lower tier services.

As part of this, the Government is proposing a minimum funding floor, at a cost of £25 million, so that no authority - either upper or lower tier - will have less funding available in 2021-22 than last year. This minimum funding floor is in response to the current exceptional circumstances and is a one-off.

Minor changes have been made to all allocations proposed at the provisional settlement to take account of changes to New Homes Bonus allocations arising from updated house completion statistics.

Rural Services Delivery Grant

The Government will be increasing the Rural Services Delivery Grant by £4 million, taking the total to £85 million – the highest ever. As in previous years, this grant will be distributed to the top quartile of local authorities on the ‘super-sparsity’ indicator.

Independent Living Fund

I can confirm that the Former Independent Living Fund Recipient Grant will continue to be paid to local authorities in 2021-22. The total value of the grant will be maintained at the 2020-21 value of £160.6 million, with the same approach to individual local authority allocations. Details will be published shortly.

Council tax

The Government’s manifesto commits to continuing to protect local taxpayers from excessive council tax increases, and it is for the House of Commons to set an annual threshold at which a council tax referendum is triggered. This is an additional local democratic check and balance to avoid the repeat seen under the last Labour Government when council tax more than doubled.

Next year, local authorities can increase council tax levels by up to 2% without holding a referendum and, where councils have adult social care responsibilities, they will be able to increase by a further 3% specifically for these services. To provide greater flexibility for councils, who must take into consideration the situations of their residents when making council tax decisions, this 3% increase for adult social care can be deferred for use in 2022/23.

A referendum principle of up to 2% or £5 - whichever is greater - will apply to shire district councils, and £15 on Band D for Police and Crime Commissioners. This package of referendum principles strikes a fair balance. The council tax referendum provisions are not a cap, nor do they force councils to set taxes at the threshold level. Councillors, mayors and Police and Crime Commissioners and local councils will rightly want to consider the financial needs of local residents at this challenging point in time, alongside the public’s support for action on keeping our streets safe and providing key services.

Following the Mayor of London’s request, I have decided to place before Parliament a principle for the Greater London Authority which reflects the Mayor’s request for an increase of £15 (on Band D) to fund transport concessions above the average level available elsewhere in England. The final decision on the increase in tax will be for the Mayor of London to take. The reasoning is set out in a letter to the Mayor, which I have placed in the Library.

At the same time as providing councils with the flexibility to set increases where they consider it appropriate, the Government also recognises the importance of providing support to those least able to pay. That is why we are providing councils with £670 million of new funding alongside the settlement, to enable them to continue reducing council tax bills for low-income households. This is in addition to the funding that is already built into the local government finance system to fund local council tax support (which is a local discount, rather than a benefit payment).

Future of local government finance

As announced earlier in the year, the Government will not proceed with widescale funding reform in 2021-22, including the implementation of the Review of Relative Needs and Resources, 75% business rates retention, and a reset of accumulated growth under the business rates retention system.

Our decision to postpone reform has been taken in the interest of creating stability for local authorities and has allowed both the Government and councils to focus on meeting the immediate public health challenges posed by the COVID-19 pandemic. We will revisit the priorities for finance reform in time for the next Spending Review, taking account of wider work on the future of business rates and how best to organise and finance adult social care.

Covid-19 support

Councils have welcomed our estimated £3 billion package of support to respond to additional expenditure pressures and loss of income from the COVID-19 pandemic in 2021-22. This package, on which I will provide further details shortly, includes £1.55 billion of unringfenced grant funding; a commitment to meet 75% of councils' irrecoverable losses in council tax and business rates income for 2020-21, worth an estimated £800 million; an extension to the existing Sales, Fees and Charges scheme for three further months, from April to June 2021; and an additional £670 million Local Council Tax Support grant.

Conclusion

Depending on local decisions, Core Spending Power in England may rise from £49.0 billion in 2020-21 to up to £51.3 billion in 2021-22, a 4.6% increase in cash terms.

This settlement and the additional COVID-19 resources build on the largest year-on-year increase in spending power in a decade last year, and recognise the resources and flexibility councils need to maintain critical services and their role at the heart of the national recovery from COVID-19. The settlement provides further stability for the whole sector by maintaining Core Spending Power at pre-pandemic levels – as a minimum – for every authority in England. This stands alongside an unprecedented package of COVID-19 support this year and next year, totalling over £11 billion in direct support for councils and £30 billion in additional support for local councils, businesses and communities.

Statement from

Ministry of Housing, Communities and Local Government