

Update on Key Assumptions on Corporate Resources

1.0 Introduction

- 1.1 The Council receives its core funding from Council Tax, Business Rates and Government Grants.
- 1.2 On 18 December 2023, the Government announced the Provisional Local Government Settlement, details of this are summarised in the main report. On 5 February 2024, the Secretary of State for Levelling Up, Housing and Communities published a written statement on the Final Local Government Finance Settlement 2024-2025. The changes in resource assumptions arising as a result of this announcement, and the detailed work that has been ongoing, are detailed in the paragraphs below.
- 1.3 The recent Government announcements have provided some clarity for the forthcoming financial year, however the Council continues to face significant uncertainty over its funding levels post 2024-2025. It is therefore particularly challenging to establish a medium-term financial strategy beyond 2024-2025 and a number of assumptions have had to be made on the level of resources that will be available to the Council.

Collection Fund Estimated Outturn 2023-2024

- 1.4 The table below provides details of the collection fund surplus that will be retained by the Council.

Table 1 – Retained Element of Collection Fund Surplus

Elements of Collection Fund	Surplus £000	Retained %	Retained £000
Council Tax	546	87.4%	477
Business Rates	3,265	99%	3,230*
	3,811	-	3,707

*the proportion to Wolverhampton includes a prior deficit which is attributed to Central Government of £261,000.

- 1.5 The estimate on the Collection Fund for 2023-2024 set out above includes assumptions about collection rates. It is forecast that there will be an accumulated surplus on both elements of the collection fund as at the 31 March 2024. It is important to note that this includes the carry forward of the in-year 2020-2021 deficit, which the Government confirmed could be spread over three years from 2021-2022 to 2023-2024. A detailed breakdown of the forecast outturn for the Collection Fund 2023-2024 can be found at Appendix 7.

Business Rates

- 1.6 The National Non-Domestic Rates Return 1 (NNDR1) was compiled and returned to the Department of Levelling Up, Housing and Communities (DLUHC) by the deadline of 31 January 2024.
- 1.7 On 17 January 2024, Cabinet approved the Collection Fund Business Rates Net Yield for 2023-2024 at £78.6 million. Following revisions arising as a result of further data becoming available, the Cabinet Member for Resources, in consultation with the Director of Finance approved the revised Business Rates baseline net rate yield from £78.6 million to £79.3 million. Of the £79.3 million net rates yielded by business rates forecast to be collected in 2024-2025, the Council would retain in the region of £78.5 million under the 99% business rates retention scheme. The estimate of net rates payable in 2024-2025 assumes continued pressure on business rates collection, including the potential for further business rates appeals.
- 1.8 There are a number of Business Rates policies that the Government have stipulated for which the Council is reimbursed through Section 31 of the Local Government Act 2003. This includes compensation for a freeze on the small business rates multiplier in 2024-2025 (as announced in the Autumn Statement 2023) and grant to compensate for business rates relief. Overall, the forecast Section 31 grant income for business rates policies totalling £32.1 million is projected for 2024-2025 and based upon the NNDR1 form returned to the Department for Levelling Up, Housing and Communities (DLUHC) on 31 January 2023.
- 1.9 In October 2016, Cabinet approved that the City of Wolverhampton Council, as one of the Constituent Members of the West Midlands Combined Authority (WMCA), will participate in a business rates retention pilot from April 2017, on a no financial detriment basis. One part of the West Midlands Devolution Deal includes the WMCA receiving the real terms growth in the central share of business rates, which came into effect from 1 April 2016 onwards. This was the share that was previously held by central government. As a result of entering into this pilot, the Council will retain 99% of the business rates but no longer receive Revenue Support Grant and instead receive a Top Up Grant adjustment to account for the net effect of the changes.
- 1.10 It was reported to Cabinet in October 2023, that Government are offering local authorities forming WMCA the ability to retain 100% business rates for a further ten-year period. Cabinet delegated authority to the Director of Finance to enter into a Memorandum of Understanding with Government for the ten-year, 100% Business Rates Retention for the West Midlands in accordance with the Trailblazing Devolution Deal.
- 1.11 There is some complexity in identifying the true business rates growth between years due to business rates appeals and the revaluation process, however an approach to allocate the growth in the central share for 2017-2018 to 2023-2024 has been agreed with the WMCA. The assumed growth of £12.0 million attributable to the WMCA in 2023-2024, in line with the Investment Plan assumptions, has been apportioned for each

authority pro rata to the aggregate Rateable Value at the start of the year, resulting in a contribution from Wolverhampton in the region of £940,000.

- 1.12 The 2024-2025 budget includes provision for this payment and is in line with previous years apportionment. However, the growth calculation and distribution for 2024-2025 has yet to be formally agreed. It will therefore be proposed to seek approval to delegate authority to the Director of Finance, to approve the calculation and allocation of growth in the central share for 2024-2025 and future years to be passported to the WMCA.
- 1.13 It is important to note, the MTFS assumes the Business Rates retention scheme continues at the current level of business rates retention (99%) over the medium term up to 2026-2027 with no detrimental impact of a Business Rates reset or the retention scheme. In addition, only inflationary growth in the business rates multiplier is assumed in the MTFS. Any amendments arising of funding reforms could impact on the MTFS.

Council Tax

- 1.14 On 17 January 2024, Cabinet approved the council tax base for 2024-2025 at 66,645.60 Band D equivalent properties. The report provides further details on Government announcements regarding council tax and the adult social care precept.
- 1.15 The report recommends an increase in Council Tax of 2.99%, in addition to the Government's social care precept of 2%, totalling 4.99%. This would result in a council tax for council services in 2024-2025 of £2,004.27 for a Band D property in Wolverhampton (council tax element only). When Government publish what funding is available to councils, they include an assumption regarding the raising of council tax – this also includes the levy to fund adult social care. Projections in the MTFS beyond 2024-2025 assume that Council Tax will continue to increase by the current referendum level of 2.99%, whilst the tax base is anticipated to rise by 1% in each financial year, this generates on in the region of £5.2 million per year. Furthermore, the MTFS assumes that the adult social care precept will continue to increase by 2% which generates in the region of £2.9 million per year. Any changes to these assumptions would impact on the projected deficit over the medium term.

Services Grant

- 1.16 It was reported to Cabinet in January 2024, that the provisional settlement announced the national allocation for the Services Grant allocation has reduced from £483 million in 2023-2024 to £77 million in 2024-2025, the final settlement increased the national allocation to £87 million. The 2024-2025 draft budget reported to Cabinet in October had assumed that this grant continued at the 2023-2024 level of £3.2 million. The final settlement announced the allocation for Wolverhampton is £556,000, a reduction of over £2.6 million on the 2023-2024 allocation.
- 1.17 In order to be prudent, MTFS assumes this grant will not continue beyond 2024-2025. However, if it was to do so, this would reduce the projected budget deficit for 2025-2026.

New Homes Bonus

- 1.18 The Government have announced the continuation of the New Homes Bonus scheme for a further year with no new legacy payments.
- 1.19 The Council's allocation for 2024-2025 has been announced at £15,000 (2023-2024 was £709,000). The MTFs does not assume the continuation of the grant beyond 2024-2025.

Top Up Grant

- 1.20 As detailed above, the Council is part of the West Midlands pilot for 100% business rates retention and will therefore no longer receive Revenue Support Grant but receive an amended Top Up Grant to reflect the business rates retention model. The Top Up Grant for 2024-2025 is £27.3 million (2023-2024 was £25.2 million). The MTFs assumes that this grant will be uplifted by 1% each year for future years.

Social Care Grants

- 1.21 As detailed in the main report, local authorities receive a number of social care grants to support pressures across adults and children's social care, some of these grants have conditions attached to them. In the provisional settlement the Government announced a national increase across these grants of £1,380 million.
- 1.22 On 24 January 2024, the Secretary of State for Levelling Up, Housing and Communities announced additional funding worth £600 million. This includes £500 million of new funding for councils with responsibility for adults and children's social care, which will be distributed through the Social Care Grant. A summary of the social care grants and assumptions going forward are detailed in the table below.

Table 2 – Social Care Grants – forecast assumptions

	2024-2025 Final £000	2025-2026 Draft £000	2026-2027 Draft £000
Improved Better Care Fund (iBCF)	(14,761)	(14,761)	(14,761)
Social Care Grant	(32,290)	(32,290)	(32,290)
ASC Market Sustainability and Improvement Fund	(6,022)	(6,022)	(6,022)
ASC Discharge Fund	(3,449)	(3,449)	(3,449)
Total	(56,522)	(56,522)	(56,522)

- 1.23 Current working assumptions assume these grants will continue at the same level over the medium term. However, if any of these grants were to cease or reduce, for instance the ASC Discharge Fund, this would increase the projected budget challenge going forward. These grants are vital to support the inflationary and demand pressures across social care.

1.24 A number of assumptions have been made with regards to the level of resources that will be available to the Council as detailed in the report and this appendix. It is important to note that there continues to be a considerable amount of uncertainty with regards to future funding streams for local authorities as the funding settlement for 2024-2025 was for one year only. The table below summaries the current forecast assumptions in the MTFS around our corporate resources.

Table 3 – MTFS – forecast assumptions

Grant	MTFS forecast assumptions (2025-2026 onwards)
Top-up Grant	Uplifted 1% per year after 2024-2025
Services Grant	Will not continue after 2024-2025
New Homes Bonus	Will not continue after 2024-2025.
Business Rates	Assumption that the business rates multiplier increases each year by 2%, whilst the business rates base remains static. Also, there is no detrimental impact of a Business Rates reset or the retention scheme
Council Tax	Assume that council tax will increase by 2.99%, whilst the tax base is anticipated to rise by 1% in each financial year. Furthermore, the MTFS assumes that the adult social care precept will increase by 2% in each financial year, in line with current referendum limits
Improved Better Care Fund	Will continue over the medium term at 2024-2025 level
Social Care Grants	Will continue over the medium term at 2024-2025 levels
Adult Social Care Market Sustainability and Improvement Fund	Will continue over the medium term at 2024-2025 levels
Adults Social Care Discharge Fund	Will continue over the medium term at 2024-2025 levels