

Report title	Provisional Local Government Finance Settlement and Draft Budget Update 2022-2023	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Ian Brookfield Leader of the Council	
Key decision	No	
In forward plan	Yes	
Wards affected	All Wards	
Accountable Director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee	Alison Shannon Tel Email	Chief Accountant 01902 554561 Alison.shannon@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	6 January 2022

Recommendations for noting:

The Cabinet are asked to note:

1. The outcome of the 2022-2023 Provisional Local Government Finance Settlement.
2. That the final budget report presented to Cabinet on 23 February 2022 will reflect the outcome of the settlement and detailed budget work for 2022-2023, including a review of all budget reduction proposals and the risks associated with their delivery.

1.0 Purpose

- 1.1 The purpose of this report is to provide Cabinet with an overview of the 2022-2023 Provisional Local Government Finance Settlement, which the Government announced on 16 December 2021.

2.0 Background

- 2.1 On 27 October 2021, the Government announced the outcome of the Spending Review 2021, the headlines of which were reported to Cabinet 8 December 2021. The Spending Review covered the period from 2022-2023 to 2024-2025.
- 2.2 On 16 December, the Government announced the Provisional Local Government Finance Settlement for 2022-2023. The announcement was for one year only and further details on the proposed funding reform and consultation are expected to follow in 2022.
- 2.3 The key points arising from the announcement and the impact on the Council's 2022-2023 Draft Budget and Medium Term Financial Strategy (MTFS) are detailed in the paragraphs below.

3.0 Provisional Local Government Finance Settlement

Council Tax Referendum Limit

- 3.1 The Government are proposing that the Council Tax Referendum Limit remains at 1.99% for 2022-2023. This is in line with the assumptions built into the MTFS.

Adult Social Care Precept

- 3.2 The Government have announced that local authorities with social care responsibilities can increase their council tax by an additional 1% Adult Social Care (ASC) precept, plus up to a further 3% where local authorities opted to defer the precept flexibility that was available in 2021-2022.
- 3.3 The MTFS currently assumes no additional ASC precept is levied beyond 2021-2022. In order to fund the increasing pressures across Adult Social Care, it is necessary for the Council to apply the ASC precept. The Final Budget report which will be presented to Cabinet in February 2022 and Full Council in March 2022, will recommend this increase.

Business Rates Multiplier

- 3.4 The Government have announced that there would be a freeze on the business rates multiplier for 2022-2023. Therefore, businesses will not see an inflationary increase in their business rates for 2022-2023, which would have been based on the September Consumer Price Index (CPI) at 3.1%. Local authorities will be compensated for the shortfall in income via a section 31 grant. The provisional amount included in the Core Spending Power (the amount of resources available to the local authority to fund service delivery), is based on the Consumer Price Index (CPI) which is 3.1%, however, the increase in the final settlement is expected to be based on the Retail Price Index (RPI), which is 4.9%. This would mean an increase in the Core Spending Power figures for the

final settlement. The Final Budget Report which will be presented to Cabinet and Full Council will be updated to reflect this change.

- 3.5 It was also confirmed that local authorities in 100% business rates retention Devolution Deals will continue in 2022-2023. This is in line with the assumptions built into the MTFS.

Adult and Children's Social Care

- 3.6 The Government have announced £700 million of new grant specifically for social care. The Government have estimated that these grants, together with the ASC precept flexibility, means that local authorities would be able to make use of over £1 billion of additional resources specifically for social care in 2022-2023.

Table 1 below provides a summary of these grant, with further detail in the paragraphs below:

Grant	Description	Assumptions in October 2021 MTFS £000	2022-2023 Provisional Allocation £000
Social Care Grant	Includes the roll forward of existing adults and children's social care grants, along with an additional £636 million of funding for the equalisation against the 1% ASC precept and an inflationary uplift.	11,390	15,376
Improved Better Care Fund	Local Authorities are required to pool this grant as part of the Better Care Fund with Health. £63 million uplift on 2021-2022 levels.	14,323	14,761
Market Sustainability and Fair Cost of Care Fund	£162 million for 2022-2023 to support local authorities to prepare their markets for care reform and the move towards a paying	-	929
Total Social Care Grant		25,713	31,066

- 3.7 Of the £700 million, the Government proposes to increase the Social Care Grant allocations by £636 million compared to 2021-2022 levels. This increase includes £80 million for the equalisation of the impact of the distribution of the 1% ASC precept. This takes into account the amount that local authorities are able to raise through the ASC

precept against their assessed need, and then equalises local authorities for their relative ability to raise ASC precept. The remaining £556 million to be allocated directly through the existing Adults Social Care Social Care Grant for inflationary uplift to support integrated working with the National Health Service. Wolverhampton's provisional allocation is £15.4 million, this is an increase of approximately £4.0 million.

- 3.8 The remaining balance relates to the improved Better Care Fund (iBCF). Government proposes to increase the iBCF allocations by £63 million, an inflationary uplift on the 2021-2022 allocations. The MTFS currently assumes that the iBCF is rolled forward based on 2020-2021 allocations, as this grant has remained flat since 2019-2020. Wolverhampton's provisional allocation is £14.8 million, an increase of £438,000.
- 3.9 In addition, as announced on the 7 September in the 'Build Back Better: Our Plan for Health and Social Care', the Government announced their proposal to allocation £162 million to support local authorities in preparing their markets for adult social care reform and to help move towards paying a fair cost of care. Adult Services and Finance are working collectively to estimate the additional costs associated with the reform when compared to the provisional allocation. Wolverhampton's provisional allocation for the Market Sustainability and Fair Cost of Care Fund is £929,000. There are a number of conditions attached to this funding, including the submission of plans to the Department of Health and Social Care by September 2022 for formal approval; detailed guidance and supporting templates are expected to be published in early 2022. Funding for 2023-2024 and 2024-2025 will be conditional upon satisfying these grant conditions.
- 3.10 The Final Budget Report which will be presented to Cabinet and Full Council will be updated to reflect these changes along with updated assumptions on the pressures across social care, including the impact of any fee uplift, the potential impact of the Covid-19 pandemic, the costs pressures associated with supporting additional reablement and discharges from hospital - which are currently funded by Health, and the cost of the Adults Transformation Service redesign. As outlined in the Performance and Budget Monitoring 2021-2022 report presented to Cabinet on 17 November 2021, Adult Services is currently forecasting cost pressures across care purchasing budgets due to an increase in demand.

2022-2023 Services Grant

- 3.11 The Government are proposing to introduce a one- off 2022-2023 Services Grant worth £822 million to support a range of additional services provided by local government. This new grant will provide funding to all tiers of local government in recognition of the vital services, including social care, delivered at every level of local government. This grant also includes funding for the cost of increasing the employer National Insurance contribution by 1.25%.
- 3.12 The Government propose that this grant will not be ringfenced, so local authorities can provide support across the entire sector.

- 3.13 This funding will be excluded from any proposed baseline for transitional support as a result of any proposed system changes.
- 3.14 Wolverhampton's provisional allocation is £5.5 million, of which it is estimated that in the region of £1 million will be used to cover our increased costs in our National Insurance contributions. The MTFS does not assume this new grant for 2022-2023. This new allocation will be reflected in the Final Budget Report to Cabinet and Full Council.

New Homes Bonus

- 3.15 The Government have announced the continuation of the New Homes Bonus (NHB) scheme for a further year with no legacy payments.
- 3.16 The Council's provisional allocation for 2022-2023 has been announced at £1.6 million, which includes an additional £1.4 million. The MTFS did not assume any additional NHB being awarded for growth from 2022-2023 onwards, therefore the £1.4 million allocation represents additional income to the budget for 2022-2023. The updated allocation will be reflected in the Final Budget Report to Cabinet and Full Council.

Other Grants

- 3.17 The Council receives a top up grant to 'top up' funding as the business rates baseline funding level determined by the Government for the Council is greater than the forecast level of business rates that the Council can collect. The Council's provisional allocation of Top up Grant for 2022-2023 has been uplifted by inflation, this is an increase of approximately £697,000.
- 3.18 The Government have announced the continuation of the Lower Tier Services grant for 2022-2023. The Council's provisional allocation is £478,000, this allocation will be reflected in the Final Budget Report to Cabinet and Full Council.
- 3.19 In addition, the Council also receive a number of grants which fall outside the Provisional Settlement. On 20 December 2021, the Holiday Activities and Food Programme (HAF) for 2022-2023 was confirmed. Wolverhampton's allocation is £1.9 million. This is a ringfenced grant to enable local authorities to provide free places at holiday clubs during Easter, Summer and Christmas school holidays in 2022. This will be made available for children who are eligible for and receive benefits-related free school meals.
- 3.20 On 21 December, the Homelessness Prevention Grant allocations for 2022-2023 were announced. The allocations for the grant remain the same as 2021-2022 at £310 million nationally, with a further £5.8 million to cover new burdens funding for those forced into homelessness by domestic abuse. Wolverhampton's total allocation is £915,120.
- 3.21 The allocations for 2022-2023 for the Public Health Grant, Independent Living Fund, Local Reform and Community Voices and War Pension Disregard Grant have not yet been announced by the Department of Health and Social Care. The MFTS currently

assumes these grants will continue at the 2021-2022 level. The MTFS will be updated once confirmation is received.

- 3.22 Government have also recently announced a number of grants for 2021-2022 to support the Covid-19 pandemic. An update on these grants will be provided in the quarterly Performance and Budget Monitoring 2021-2022 report to Cabinet.

4.0 Government Consultation and Updating the System

- 4.1 The Government have released a consultation on the Provisional Settlement with responses to be provided by 13 January 2022.
- 4.2 The data used to assess funding allocations has not been updated in a number of years, dating from 2013-2014 to a large degree, and even as far back as 2000. Over the coming months, Government will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.
- 4.3 Government have announced that they will look at options to support local authorities through a transitional protection. No further details have been provided at the time of writing this report as to what form the transitional protection will take. However, it is anticipated that for those local authorities that see a reduction in their funding following the review, will receive some protection at their current funding levels for a period of time in order to allow them to develop and implemented plans to reduce expenditure. However, as detailed above, the 2022-2023 Services Grant will be excluded from any potential transitional protection.

5.0 Evaluation of alternative options

- 5.1 This report provides Cabinet with the outcome of the 2022-2023 Provisional Local Government Finance Settlement, to consider the impact on the City of Wolverhampton Council and medium term planning.

6.0 Reasons for decision

- 6.1 Cabinet are asked to note the outcome of the 2022-2023 Provisional Local Government Finance Settlement.

7.0 Financial implications

- 7.1 The financial implications are discussed within the body of the report and will be reflected fully in the Budget Report to Cabinet on 23 February 2022 and Full Council on 2 March 2022.

[AS/10012022/V]

8.0 Legal implications

- 8.1 The Council's revenue budgets make assumptions which must be based on realistic projections about available resources, the costs of pay, inflation and service priorities and the likelihood of achieving any budget reduction proposals.
- 8.2 The legal duty to spend with propriety falls under S.151 Local Government Act 1972 and arrangements for proper administration of their affairs is secured by the S.151 Officer as Chief Financial Officer (CFO).
- 8.3 Section 25 of the Local Government Act 2003 requires the CFO to report to the Council when it is making the statutory calculations required to determine its Council Tax. The Council is required to take this report into account when making its budget decisions. The CFO's report must deal with the robustness of the budget estimates and the adequacy of the reserves for which the budget provides. Both are connected with matters of risk and uncertainty. They are inter-dependent and need to be considered together. In particular, decisions on the appropriate level of Reserves should be guided by advice based upon assessment of all the circumstances considered likely to affect the Council.
- 8.4 The relevant guidance concerning reserves is Local Authority Accounting Panel Bulletin 77, issued by the Chartered Institute of Public Finance and Accounting (CIPFA), in November 2008. Whilst the Bulletin does not prescribe an appropriate level of reserves, leaving this to the discretion of individual authorities, it does set out a number of important principles in determining the adequacy of reserves. It emphasises that decisions on the level of reserves must be consistent with the Council's MTFS, and have regard to the level of risk in budget plans, and the Council's financial management arrangements (including strategies to address risk).
- 8.5 In addition, Section 114 of the Local Government Finance Act 1988 requires the CFO to '... make a report ... if it appears to her that the Authority, a committee or officer of the Authority, or a joint committee on which the Authority is represented':
- a) has made or is about to make a decision which involves or would involve the Authority incurring expenditure which is unlawful
 - b) has taken or is about to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency on the part of the Authority, or
 - c) is about to enter on item of account then entry if unlawful
- 8.6 The CFO of a relevant Authority shall make a report under this section if it appears to her that the expenditure of the Authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

- 8.7 These statutory requirements will have to be taken into account when making final recommendations on the budget and council tax requirements for 2022-2023.
[SZ/11012022/P]

9.0 Equalities implications

- 9.1 The Government publish a draft policy impact statement which covers the Government's proposals for the Provisional Local Government Settlement for 2022-2023. It focuses on the impact of the proposals on people who share protected characteristics. Explanation of the measures announced in the settlement can be found in this document.
- 9.2 The method by which the MTFS is developed is governed by the Council Plan priorities, which itself is guided by consultation and equality analysis. All of this will enable Councillors to pay, "due regard" to the equalities impact of their budget decisions at the point in the budget development process. The resulting and final report to Cabinet will contain a supporting equality analysis that will offer information across the whole range of proposals and in doing so enable Councillors to discharge their duty under Section 149 of the Equality Act 2010

10.0 All other implications

- 10.1 There are no other direct financial implications as a result of this report.

11.0 Schedule of background papers

- 11.1 [Draft Budget and Medium Term Financial Strategy 2022-2023 to 2023-2024](#), report to Cabinet on 20 October 2021.