

Update on Key Assumptions on Corporate Resources

1.0 Introduction

- 1.1 The Council receive core funding from Council Tax, Business Rates and Government Grants.
- 1.2 On 19 December 2022, the Government announced the Provisional Local Government Settlement, details of this are summarised in section 7 of the report. The forecast changes in resources assumptions arising as a result of the announcements and the detailed work that has been ongoing is 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 the medium term, and it is particularly challenging to establish a medium term financial strategy beyond 2023-2024. A number of assumptions have been made on the level of resources that will be available to the Council.
- 1.4 The paragraphs below provide an update on the forecast assumptions for the 2023-2024 budget and over the medium term on our Corporate Resources. These assumptions will be updated once the Final Settlement has been announced, a date has not yet been confirmed for this announcement.

Collection Fund Estimated Outturn

- 1.5 Further details regarding the assumptions made on the Collection Fund estimated outturn and corresponding Government announcements can be found in section 8 of the report, whilst the table below provides details of the collection fund deficit that will be retained by the Council.

Table 1 – Retained Element of Collection Fund Deficit

Elements of Collection Fund	Deficit (surplus)	Retained	Retained Deficit / (Surplus)
	£000	%	£000
Council Tax	846	89.1%	754
Business Rates	(1,563)	99%	(1,806)*
Total	717		(1,052)

*the proportion to Wolverhampton is higher as it includes a prior deficit which is attributed to Central Government.

- 1.6 The estimate on the Collection Fund for 2022-2023 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 2023. 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.

Business Rates

- 1.7 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 2022.
- 1.8 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. The continuation of this arrangement to 2023-2024 was confirmed in the provisional settlement in December 2022. 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.
- 1.9 On 18 January 2023, Cabinet approved the Collection Fund Business Rates Net Yield for 2023-2024 at £76.9 million. These assumptions are being reviewed and will be updated and confirmed in line with the Government deadline of 31 January 2023. The budget report to Cabinet will be updated to reflect any changes. The estimate of net rates payable in 2023-2024 assumes continued pressure on business rates collection, including the potential for further business rates appeals.
- 1.10 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 business rates multiplier in 2023-2024 (as announced in the Autumn Statement 2022), and grant to compensate for business rates relief. Overall, the forecast Section 31 grant income for business rates policies totalling £26.3 million is projected for 2023-2024, however, this is currently under review and will be confirmed upon the NNDR1 form returned to the Department for Levelling Up, Housing and Communities (DLUHC) by 31 January 2023.
- 1.11 One part of the West Midlands Devolution Deal included 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.
- 1.12 There is some complexity in identifying the true business rates growth between years due to business rates appeals and the 2023 revaluation, however an approach to allocate the growth in the central share for 2017-2018 to 2022-2023 has been agreed with the WMCA. The assumed growth of £10.5 million attributable to the WMCA in 2022-2023, 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 £800,300.

- 1.13 The basis for growth assumptions and distribution for 2023-2024 has yet to be agreed. It will therefore be proposed in the budget report to Cabinet will seek approval to delegate authority to the Portfolio Holder for Resources and Digital City, in consultation with the Director of Finance, to approve the calculation and allocation of growth in the central share for 2023-2024 and future years to be passported to the WMCA.
- 1.14 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 2025-2026 with no detrimental impact of a Business Rates reset or changes to 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 councils MTFS.

Council Tax

- 1.15 On 18 January 2023, Cabinet approved the council tax base for 2022-2023 at 65,994.12 Band D equivalent properties. The report provides further details on Government announcements regarding council tax and the adult social care precept.
- 1.16 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 2023-2024 of £1,909.01 for a Band D property in Wolverhampton. 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 assume that Council Tax will increase by 1.99%, whilst the tax base is anticipated to rise by 1% in each financial year, this generates on average £3.6 million per year. Furthermore, the MTFS assumes that the adult social care precept will increase by 1% in 2024-2025, which generates on average a further £1.4 million.

Services Grant

- 1.17 In 2022-2023 Government announced the Services Grant 2022-2023 which was a one-off grant having a national allocation of £822 million. The provisional settlement announced that this grant would continue into 2023-2024, but at a lower amount of £464 million nationally. Wolverhampton's provisional allocation for 2023-2024 is £3.1 million, (2022-2023 allocation was £5.5 million). The reduction in grant recognises the cancellation of the increase in National Insurance Contributions and moves funding to the Supporting Families Programme.
- 1.18 The Draft Budget and MTFS reported to Cabinet in October assumed that this grant would continue in part into 2023-2024, with a forecast assumption of £2.2 million. The draft budget and MTFS has been updated to reflect this provisional allocation and also assumes this will continue at the same level into 2024-2025.

Lower Tier Services Grant

- 1.19 In 2022-2023, local authorities with responsible for delivering lower tier services, such as council tax collection, building regulations, parking, housing services, environmental health, recreation and refuse collection were allocated the Lower Tier Services Grant (Wolverhampton's allocation in 2022-2023 was £487,000). In the provisional settlement it was announced that the Lower Tier Services Grant would be abolished and replaced with a Minimum Funding Guarantee fund which is intended provide a funding floor for all local authorities so that no local authority sees an increase in their core spending power that is lower than 3% - before taking into account council tax level decisions. Wolverhampton has not been awarded any funding from the Minimum Funding Guarantee fund as it does not meet this threshold. The draft budget and MTFS presented to Cabinet in October, has assumed that this grant would continue into 2023-2024, with a forecast allocation of £440,000. The Budget and MTFS has been updated to remove this grant from our assumptions.

New Homes Bonus

- 1.20 The Government have announced the continuation of the New Homes Bonus scheme for a further year with no new legacy payments.
- 1.21 The Council's provisional allocation for 2023-2024 has been announced at £709,000. This is slightly higher than the amount already built into the draft budget and MTFS reported to Cabinet in October of £680,000. The MTFS assumes this grant will not continue beyond 2023-2024.

Top Up Grant

- 1.22 As detailed above, the Council is part of the West Midlands pilot for 100% business rates retention and will therefore continue to no longer receive Revenue Support Grant but receive an amended Top Up Grant to reflect the business rates retention model. Top Up Grant for 2023-2024 has reduced from £27.4 million in 2022-2023 to £25.3 million in 2023-2024. This reduction is due to the forecast increase in business rate. The MTFS assumes the that this grant will be uplifted by inflation (at 2%) for future years.

Social Care Grants

- 1.23 The Government have delayed the national rollout of the social care charging reforms from October 2023 to October 2025. The provisional settlement announced a number. It was announced that funding for the implementation will be maintained within local government to enable local authorities to address the current adult social care pressures.
- 1.24 The settlement confirmed the continuation the continuation of the Improved Better Care Fund (iBCF) at 2022-2023 levels, an increase in the social care fund, the roll forward of the Market Sustainability and Fair Cost of Care Fund and the new Adults Social Care Market Sustainability and Improvement Fund. These grants are vital to ensure that demand and inflationary pressures forecast across Adult Social Care can be funded. In addition, the Government provide grant to equalise local authorities for the 2% Adult

Social Care precept, however, this is not compensated in full. These grants have helped to contribute to the level of growth required for adult social care. The provisional settlement announced these grants at £44.8 million, an increase of £12.8 million. At the time of writing this report it is not known what additional reporting requirements or conditions will be attached to these new grants, therefore there may be additional constraints restricting our ability to use these grants to meet the local needs within Wolverhampton.

- 1.25 Specific allocations beyond 2023-2024 have not been confirmed, however the national allocations have been announced for 2024-2025. The MTFS therefore assumes that the distribution of these grants will continue as for 2023-2024. The continuation of these grants has not been confirmed beyond 2024-2025, the MFTS currently assumes that these grants will continue at the 2024-2025 forecast allocation, with the exception of the Discharge Fund. A list of the grants and draft allocations are detailed in the table below:

Table 2 – Social Care Grants – forecast assumptions

	2023-2024 Draft £000	2024-2025 Draft £000	2025-2026 Draft £000
Improved Better Care Fund(iBCF)	(14,761)	(14,761)	(14,761)
Social Care Grant*	(24,740)	(28,670)	(28,670)
ASC Market Sustainability and Improvement Fund	(3,223)	(4,846)	(4,846)
ASC Discharge Fund	(2,069)	(3,449)	-
Total	(44,793)	(51,726)	(48,277)

*includes the rolled in Independent Living Fund – previously a specific standalone allocation.

- 1.26 In addition a number of assumptions have been made with regards to the level of resources that will be available to the Council as detailed above. 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 provisional settlement announced on 19 December was for one year only – 2023-2024, and whilst is provided some high level assumptions for 2024-2025. National figures have been published for some grants such as the Social Care Grants, but not for all the grant local authorities receive, therefore there still remains considerable uncertainty with regards to funding beyond 2023-2024. The table below summaries the current forecast assumptions in the MTFS around our corporate resources.

Table 3 – MTFS – forecast assumptions

Grant	MTFS forecast assumptions (2024-2025 onwards)
Top-up Grant	Uplifted by inflation at 2%

Grant	MTFS forecast assumptions (2024-2025 onwards)
Services Grant	Will continue into 2024-2025 at 2023-2024 level
New Homes Bonus	Assume that this grant does not continue beyond 2023-2024.
Business Rates	<p>Assumption that the business rates multiplier increases each year by 2%, whilst the business rates base remains static.</p> <p>Also, the Business Rates retention scheme will continue beyond 2023-2024 with no detrimental impact of a Business Rates reset or changes to the retention scheme</p>
Council Tax	<p>Assume that council tax will increase by 1.99%, whilst the tax base is anticipated to rise by 1% in each financial year.</p> <p>Furthermore, the MTFS assumes that the adult social care precept will increase by 1% in each financial year over the spending review period, in line with the Government's announcement.</p>
Improved Better Care Fund	Assumes will continue over the medium term at 2023-2024 level
Social Care Grants	Will continue over the medium term at 2023-2024 levels
Adult Social Care Market Sustainability and Improvement Fund	Will increase in 2024-2025 based on national allocations
Adults Social Care Discharge Fund	Will increase in 2024-2025 based on national allocation, but will not continue into 2025-2026.