



POLICY AND RESOURCES COMMITTEE

Wednesday, 20 January 2021

REPORT TITLE:	GOVERNMENT SPENDING REVIEW - IMPACT OF WIRRAL BUDGET 2021/22
REPORT OF:	DIRECTOR OF RESOURCES (S151 OFFICER)

REPORT SUMMARY

This report provides a summary of the financial impact for Wirral Council as a result of the Government Spending Review for financial year 2021/22.

The information contained within this report does not change the requirement for budget savings, as set out in the “draft revenue budget 2021/22 – proposals for consultation” paper considered by Policy & Resources Committee on 18th December 2020.

This is not a key decision.

RECOMMENDATION

That the Policy & Resources Committee note the items impacting Wirral Council as a result of the national spending review announcement.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATION/S

- 1.1 Policy and Resources Committee (P&R) is required to recommend a Budget to the Council for its meeting in March 2021. The Council has to set a budget for 2021/22 by 11 March by law. The issues detailed in this report support the recommendation which is a key step in facilitating the Policy and Resources Committee to be in a position to recommend a Budget proposal.
- 1.2 The impact of the national funding announcement is a core element of Council budgets.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 This is a report for review only, so no other options are presented.

3.0 BACKGROUND INFORMATION

- 3.1 In December 2020, P&R Committee were asked to consider three critical matters that influence the budget for 2021/22:
- National Spending Review by Government
 - Progress of the Capitalisation Directive
 - Progress of Budget proposals through the transition year of 2020/21
- 3.2 At the time of the December P&R Committee report, the publication of the provisional National Spending Review had not been released and high-level estimates were provided. This report provides an update on the financial impact of the review for Wirral Council.
- 3.3 At the time of the December P&R Committee report, it was noted that any improvement or deterioration to funding would likely impact the value of the Capitalisation Directive, an exceptional intervention to mitigate the budget gap in 2020/21 and 2021/22, rather than reducing the need for savings. This means that the savings proposals presented in the Budget consultation still require consideration.

Table 1 – Comparison of Funding Estimates from December 2020 MTFP

MTFP Extract - Funding	As Per December 2020 21-22 £m	Spending Review Update 21-22 £m	Movement £m
<u>National Non Domestic Rates:</u>			
Business Rates Income	(72.27)	(72.27)	-
Business Rates Section 31 Grant	(12.80)	(12.80)	-
Additional Section 31 Grant (RPI v CPI difference)	-	-	-

Top-Up Grant	(34.53)	(34.37)	0.16
Better Care Fund (BCF)	(18.77)	(18.77)	-
Business Rates	(138.36)	(138.20)	0.16
Council Tax:			-
Council Tax base position	(148.86)	(153.26)	(4.40)
Annual increase in number of properties	(0.38)	(0.38)	-
Inflation	(2.96)	(2.96)	-
Council Tax	(152.20)	(156.60)	(4.40)
			-
Collection Fund shortfall	4.00	1.00	(3.00)
New Homes Bonus	(0.10)	(0.18)	(0.08)
Social Care Support Grant	(11.26)	(14.60)	(3.34)
Capital Receipts	(0.35)	(0.35)	-
Lower Tier Services	-	(0.50)	(0.50)
Total other funding	(7.71)	(14.63)	(6.92)
			-
Total Funding	(298.27)	(309.43)	(11.16)

National Spending Review Overview

- 3.4 In September 2019, the Government announced the Local Government Finance Settlement for 2020/21 budgets, in the form of a single year Spending Round. A multi-year Spending Review was expected to follow in 2020, however the economic uncertainty caused by the Covid pandemic has caused the Government to halt its long-term Comprehensive Spending Review and a single year Spending Round was announced on 25 November 2020. Local authorities received the formal notification of the provisional impact of the review on 17 December 2020.
- 3.5 The final 2021/22 settlement is to be laid before the House of Commons for its approval in late January or early February 2021 and the associated consultation period closes on the 16th January 2021. It is considered unlikely that changes will be made to the provisional settlement figures.

Business Rates

- 3.6 Business rate multipliers, which are applied to the Rateable Value of a business to calculate their Business Rates liability, will be frozen in 2021/22 with councils being compensated for the loss in business rate income. 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, which Wirral forms part of.

Council Tax

- 3.7 This single year Spending Round set out up to 4.5% increase in core spending power in cash terms over Government funding for Local Authorities. The increase is based on the assumption that Local Authorities will increase Council Tax rates at 2%

and apply a 3% social care precept, with additional funding for social care, £300m from the social care grant.

Other Funding

- 3.8 Compensation scheme supporting Collection Fund losses in 2020/21 (up to 75% of the loss).
- 3.9 The Government has proposed a new un-ringfenced Lower Tier Services Grant in 2021/22, which will allocate £111m to Local Authorities with responsibility for lower tier services (for example homelessness, planning, recycling and refuse collection, and leisure services). Although Wirral council is not a “lower tier” District Council, the funding is available as lower tier services are delivered through the Metropolitan District Council approach.
- 3.10 The government will cut Public Works Loan Board (PWLB) lending rates to gilts +100 basis points (bps) for Standard Rate and gilts +80bps for Certainty Rate taking it back to its pre adjustment level. There are currently no plans to increase the headroom of PWLB borrowing.
- 3.11 Extension to the Sales, Fees and Charges compensation scheme to June 2021
- 3.12 The schools’ budget will be boosted by £7.1 billion by 2022-23 compared to last year’s funding levels, with a £2.2bn increase from this year to the next.
- 3.13 A new Levelling Up Fund worth £4 billion will be launched for England, to invest in local infrastructure with “a visible impact on people and their communities” and to support the economic recovery from Covid-19. Bids that aim to regenerate parts of the country that have received relatively little government investment in recent years will be prioritised. Details about how and when this fund can be accessed have not been released.
- 3.14 Head of Terms have been published for a Shared Prosperity Fund, averaging £1.5 billion per year, with further details expected in Spring 2020. Additional monies will also be provided for pilot programmes in 2021/22. Details about how and when this fund can be accessed have not been released.
- 3.15 Central government will also provide £254m of additional funding to tackle homelessness and rough sleeping, to pay for accommodation, substance abuse and frontline support services.

Impact on Wirral Funding

- 3.16 The Spending Review was issued on 17 December 2020. It should be noted that areas of the spending review which relate to Covid funding or compensation schemes are subject to changes in the environment, and as such, an estimate has been made, where possible, as to the financial impact for Wirral in 2021/22.

Business Rates

- 3.17 The Top Up Grant is £0.16m less than the original assumption.

Council Tax

- 3.18 Wirral's Medium Term Financial Plan (MTFP) assumed a 1.99% standard increase in Council Tax. Assuming the Council approves the full 2.99% adult social care precept, Wirral Council will benefit from £4.4m additional funding in 2021/22.

Other Funding

- 3.19 Wirral has benefited by £0.08m from the extension of the New Homes Bonus grant.
- 3.20 In 2020/21, Wirral received £11.3m in social care grant, this is increasing by £2.4m to £14.6m and is expected to alleviate new pressures.
- 3.21 It was originally assumed that Council Tax and business rates losses in 2020/21 resulting from the Covid-19 pandemic would amount to £10.6m and would be recovered over 3 years (£4.0m in FY 2021/22). The national compensation scheme looks to mitigate this in 2021/22 by 75%, which may reduce the pressure by £3m to £1m, however this is an estimate only as clarification has been sought on the technical guidance that has been issued, which may affect the sum.
- 3.22 The extension of the Sales Fees and Charges compensation scheme to June 2021 has reduced the income pressures by £1.6m from £9.3m to £7.7m.
- 3.23 We will receive an additional grant of £0.5m for Lower Tier Services. The application of this is still under advisement. This will be used to fund one-off pressures at household recycling sites, and is fully committed.

Impact of Other National Announcements

- 3.24 Additional Covid-19 funding was announced (Tranche 5), valued at £10m. This will be required to meet ongoing financial pressures created by the Covid-19 pandemic.
- 3.25 The Local Council Tax Support scheme has been extended, which supports the most financially vulnerable residents during the impact of the Covid-19 pandemic, with discounts provided to Council Tax bills for those eligible. The value of Wirral Council's grant is £3.9m for 2021/22.
- 3.26 Public Health grant increased by 0.7%. This is ringfenced to public health activity.
- 3.27 Schools were allocated £300.7m after deductions for direct funding of high needs places. This is ringfenced to dedicated schools grant (DSG) Schools and further information will be reviewed at Schools Forum in January 2021.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The increase in core spending power noted in the government's spending review is reliant on Wirral Council approving the 2% increase to Council Tax and the 3% social care precept as part of the budget setting process.

4.2 In addition to the financial implications outlined in section 3, the spending review has an impact on other significant financial items:

- A. Capitalisation Directive: Wirral Council is engaged in discussion with MHCLG regarding the value required of the capitalisation directive. As stated in the report that went to P&R in December 2020, many benefits arising from the Spending review would reduce the value of the ensuing borrowing. The savings requirements outlined in the Budget consultation are unaffected.
- B. Medium Term Financial Plan: The social care precept had been accounted for, as an estimate, as part of budget consultation proposals. Additional social care grant monies has been earmarked specifically to offset any additional social care pressures in 2021/22.

4.3 The financial impact of the spending review will be incorporated in future budget setting papers as part of the Council's decision-making process.

5.0 LEGAL IMPLICATIONS

5.1 Under the Local Government Finance Act 1988, the Council has a legal duty to balance its budget and under section 114 of the Act the Chief Finance (Section 151) Officer has a personal duty to make a report to all Members of the Council, if it appears to them 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.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are no implications arising directly from this report.

7.0 RELEVANT RISKS

7.1 The Council's ability to close the funding gap is highly dependent on the accuracy of assumptions used for Government funding and levies from other bodies. The spending review announcement reduces the risk by reducing uncertainty, however there are items which are strongly influenced by changes to the environment or insufficient clarity has been provided, and as such, some reliance on assumptions is necessary, and the risk this poses, remains.

7.2 As the Local Government Finance Settlement only covers one year, the uncertainty around future funding over the MTFP period remains high.

7.3 Failure to secure the Capitalisation directive or other government support may result in the formal issue of a S114 notice.

8.0 ENGAGEMENT/CONSULTATION

8.1 There is no requirement for consultation on the specific matter, however the impact of the spending review is widely communicated with stakeholders through the budget process.

- 8.2 National Government have a duty to consult with Local Authorities. A response to this consultation is currently being prepared on behalf of Wirral Council and Liverpool City Region, although it should be noted that there's no legal obligation to respond. The deadline for the submission is 16 January 2021.

9.0 EQUALITY IMPLICATIONS

- 9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity. This report has no impact for equality implications at this stage.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 No direct implications. The content and/or recommendations contained within this report are expected to have no impact on emissions of Greenhouse Gases.

REPORT AUTHOR: **Vikki Gregorich**
(Vikki Gregorich)
telephone:
email: vikkigregorich@wirral.gov.uk

APPENDICES

BACKGROUND PAPERS

Local Government Association Provisional Local Government Settlement Briefing
(https://www.local.gov.uk/sites/default/files/documents/LGA%20On%20the%20Day%20briefing%20Provisional%20LG%20Finance%20Settlement%202122_0.pdf)

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Policy & Resources Committee	7 October 2020
Council	19 October 2020
Policy & Resources Committee	18 December 2020