

## **APPENDIX 3: Briefing Note: Local Government Finance Settlement 2022/23**

### **1.0 EXECUTIVE SUMMARY**

- 1.1 This briefing note outlines the government's announcement and subsequent publications on 16<sup>th</sup> December 2021 concerning the Local Government Finance Settlement 2022/23 and gives an analysis on the impact on Wirral Council's Medium-Term Financial Plan (MTFP), although as noted below all data is provisional at this stage.

### **2.0 BACKGROUND**

- 2.1 On 27<sup>th</sup> October 2021 the government announced The Spending Review, which set out the Government's spending plans for each government department for the next three financial years, including local government and its agenda on "levelling up".

Following this, on 16<sup>th</sup> December 2021 the Local Government Finance Settlement 2022/23 was announced, with impacts on Core Spending Power for 2022/23, Social Care Grant allocations as well as other grant details. The settlement was for a single year only, to give the government time to work with the sector and assess how it will share out resources fairly in future years.

At the same time, a consultation related to the settlement proposals was launched, which runs for 4 weeks and concludes on 13<sup>th</sup> January 2023.

### **3.0 LOCAL GOVERNMENT HEADLINES**

#### **3.1 Core Spending Power**

Core Spending Power is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities (assuming full Council Tax increase) through the Local Government Finance Settlement.

The headline announcement was that an additional £3.5 billion of funding would be "made available" to councils, representing a 4% real terms increase. This includes an additional £1.5 billion of the £1.6 billion announced grant funding and the first of the promised support from Department of Health to support Market Sustainability and Fair Cost of Care.

It was again undertaken that no Council would suffer a cash terms cut in core spending power. The main sources of the funding are:

<b>ENGLAND</b>	<b>2021-22</b>	<b>Provisional 2022-23</b>	<b>Change 22-23</b>	<b>Change 22-23</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>	<b>%</b>
Settlement Funding Assessment	14,809.7	14,882.2	72.5	{
Compensation for under-indexing the business rates multiplier	650.0	1,025.1	375.1	{ 2.9
Council Tax Requirement excluding parish precepts	30,326.9	31,728.5	1,401.6	4.6
Improved Better Care Fund	2,077.0	2,139.8	62.8	3.0
New Homes Bonus	622.3	554.5	-67.8	-10.9
Rural Services Delivery Grant	85.0	85.0	0	0
Social Care Grant <sup>2</sup>	1,710.0	2,346.4	636.4	37.2
2022/23 Services Grant	0	822.0	822.0	0
Market sustainability and Fair Cost of Care	0	162.0	162.0	0
Lower Tiers Services Grant	111.0	111.0	0	0
<b>Core Spending Power</b>	<b>50,391.9</b>	<b>53,856.5</b>	<b>3,464.6</b>	<b>6.9</b>

### 3.2 Council Tax

The Council Tax proposals set out in the Spending Review 2021 in October were confirmed as part of the settlement. The proposal for core Council Tax in 2022/23 is therefore to continue a referendum cap of up to 2%.

There is also the flexibility to add up to a further 1% adult social care precept for authorities providing adult social care services. This can be enhanced by up to 3% of the permitted Social Care Precept increase from 2021-22 where not already utilised.

A £5 flexibility is proposed for district councils, a £10 flexibility is proposed for Police and Crime Commissioners and a flexibility of £5 for the 8 lowest charging fire and rescue authorities. No referendum limit is proposed for Mayoral Combined Authorities in 2022-23 and Government has deferred its decision to impose a referendum limit on Town and Parish Councils.

### 3.3 Improved Better Care Fund

Improved Better Care fund grows by 3% for all upper tier councils.

### 3.4 Social Care Grant

Social Care Grant will increase by £636m from £1,710m to £2,364m in 2022/23. The basis for allocating the additional £636m is as follows:

- £556 million is based on existing formula i.e., distributed using the adult social care relative needs formula.
- £80 million is to equalise the different abilities of councils to raise social care precept.

### 3.5 Lower Tier Services Grant

Introduced in 2021/22, the Lower Tier Services Grant was assumed to be one-off funding for the current financial year only. However, it has been retained for

2022/23 and remains unchanged in cash terms at £111m, although the distribution to Local Authorities has been recalculated.

### **3.6 New Homes Bonus**

The government has decided to maintain the current approach to the NHB payments in 2022/23. There will be no legacy (i.e., second) payment for 2021-22 years' NHB meaning 2022-23 payment therefore consists of 2019-20 legacy and 2022-23 estimate, resulting in a 10.9% reduction in the overall grant.

### **3.7 2022/23 Services Grant**

A new 2022/23 Services Grant was announced giving Local Authorities £822m nationally. This grant is explicitly noted as a one-off grant and will in future likely contribute towards transition funding in the future as the government intended to take steps towards the introduction of Fair Funding in later years.

### **3.8 Public Health Grant**

Information on the Public Health grant is not yet available and is expected in the new year.

### **3.8 Market Sustainability and Fair Cost of Care Fund**

To further support the government's proposals for making specific funding available for social care services, along with Better Care Fund and Social Care Grant, the Department for Health and Social Care's Market Sustainability and Fair Cost of Care Fund is included within Core Spending Power in 2022/23.

Totalling £162m nationally, this fund is to support Local Authorities prepare their markets for reform and move towards paying providers a fair cost of care and is to be allocated using the government's existing Adult Social Care Relative Need Formula, in line with the Social Care Grant.

## **4.0 WIRRAL COUNCIL IMPACT**

### **4.1 Council Tax**

The confirmation of the 2% core referendum principal means an increase in Council Tax income of approximately £3.1m as reported as part of the Medium-Term Financial Strategy (MTFS) at Policy & Resources Committee on 1<sup>st</sup> December 2021.

Similarly, a 1% Council Tax precept for Adult Social Care would generate an additional £1.6m as reported within the MTFS. Both these figures are subject to confirmation of the Council Tax Base figure for 2022/23, which is due to be reported to Policy and Resources in January 2022.

### **4.2 Social Care Grant**

Provisional allocations of the ringfenced Social Care Grant indicate that Wirral will receive £19.8m in 2022/23, which is an increase of £5.2m compared with the 2021/22 budget and the 2022/23 assumption in the MTFS reported to Policy & Resources. Based upon this allocation, the resources have been proportioned across Adults and Children's Services to limit the requirement to make additional savings in those statutory services.

#### 4.3 **Lower Tier Services Grant**

It had previously been assumed that the Lower Tier Services grant was for one year only in 2021/22. However, confirmation of its continuation in 2022/23 means a £0.5m improvement compared with MTFs assumptions.

#### 4.4 **New Homes Bonus**

It had previously been assumed that the New Homes Bonus grant was coming to an end with just a legacy payment of £0.074m due in 2022/23. However, the government has decided to maintain the current approach to the NHB payments in 2022/23. Provisional allocations indicate Wirral will receive £0.4m in 2022/23, an increase of £0.36m against previous assumptions.

#### 4.5 **2022/23 Services Grant**

Provisional allocations indicate Wirral will receive £5.6m from this new grant, which was not included in previous assumptions as a standalone grant. However, as well as providing 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 includes funding for local government costs for the increase in employer National Insurance Contributions which Wirral had previously assumed would be received as a separate grant of £1.4m, meaning the provisional allocation is £4.2m better off against previous assumptions.

#### 4.6 **Market Sustainability and Fair Cost of Care Fund**

Early indications are that Wirral will receive approximately £1.2m for this funding, although any detailed conditions and allocation tables are not expected until early in 2022. This has been allocated to Adult Social Services, pending additional guidance and implications.

#### 4.7 **Business Rates**

The settlement confirmed that the 100% Business Rates Retention pilot that Wirral participates in alongside Liverpool City Region authorities will continue in 2022/23. Although this was already assumed in the MTFs, this is positive news as Wirral benefits by approximately £7m per year as a result of participating in the pilot.

The latest assumptions were that the Business Rates Top-up would remain unchanged from 2021/22 at £53.1m. However, the provisional settlement indicates this will increase to £54.3m, an improvement of £1.2m.

4.8 Included within this increase is a 3% BCF increase of £0.44m to support integrated working across Adults, Children's, Public Health and NHS.

#### 4.9 **Dedicated Schools Grant**

Dedicated Schools Grant (DSG) allocations were also published by the Department for Education (DfE) on 16<sup>th</sup> December 2021. Although this is ringfenced education funding and therefore has no impact on the MTFs, Wirral's indicative allocation for 2022/23 is £313.5m, a £10.9m (3.6%) increase from the current 2021/22 estimate.

- 4.10 In total, the provisional impact on the Wirral MTFS is an improvement of £12.6m. The following table summarises the impact of the provisional Local Government Finance Settlement on Wirral Council's MTFS:

	2021/22 Budget £m	2022/23		
		MTFS assumption (P&R 01/12/21) £m	Provisional settlement £m	MTFS Impact £m
Business Rates Top-Up	-53.10	-53.10	-54.29	-1.19
SC NI levy reimbursement	0.00	-1.44	0.00	-1.44
New Homes Bonus	-0.20	-0.07	-0.44	-0.36
Social Care Grant	-14.60	-14.60	-19.77	-5.17
Lower Tier Funding	-0.50	0.00	-0.51	-0.51
2022/23 Services Grant	0.00	0.00	-5.62	-5.62
Market Sustainability & Fair Cost of Care Fund	0.00	0.00	-1.22	-1.22
<b>Total provisional 2022/23 MTFS impact</b>				<b>-12.62</b>

## 5.0 CONCLUSION

- 5.1 While the settlement brought positive news for Wirral as well as the Local Government sector in general, the data outlined in this briefing note should be treated with caution.
- 5.2 Firstly the settlement is provisional at this stage, and as noted is open to consultation until the 13<sup>th</sup> January 2022. Following the closure of the consultation period the settlement is subject to Parliament approve, and as such the data outlined above is subject to change.
- 5.3 Guidance on Business Rates for 2022/23 is still to be released. The estimated income generated from Business Rates for 2022/23, as well as the related Section 31 Grants for qualifying reliefs, will be analysed in detail in conjunction with the guidance when available. Such estimates have a deadline for completion and submission to Department for Levelling Up, Housing and Communities (DLUHC) of 31<sup>st</sup> January 2022, and as such the impact of Business Rates income on the MTFS is not yet clear.
- 5.4 Similarly, the estimate of the Collection Fund position will impact the 2022/23 budget. This is a statutory process and is based on the latest data available on 15<sup>th</sup> January 2022 and therefore this will not be known until late January.
- 5.5 Finally, while the provisional settlement brings positive news for Wirral Council it is important to remember that, despite the three-year Spending Review period, the government have only impacted a single -year settlement. While the additional resources for 2022/23 are welcomed, they only provide limited and short-term stability while creating uncertainty for longer term financial planning.

