

11 March 2021

## Local Government Finance update

### Purpose of report

For information.

### Summary

This report provides a summary of the work by the LGA on funding and finance issues, since the previous meeting of the Board on 21 January, including COVID-19 finance issues, the Local Government Finance Settlement, and the 2021 Chancellor's Budget.

### Recommendations

That Members of the Executive Advisory Board note this update.

### Action

Officers will proceed with the delivery of the LGA's work on local government finance, including the Spending Review and the response to, and recovery from, COVID-19.

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## Local Government Finance update

### Introduction

1. This report provides a summary of the work by the LGA on funding and finance issues, since the previous meeting of the Board on 21 January, including work in response to the COVID-19 pandemic, the Local Government Finance Settlement, and the Chancellor's Budget.

### Chancellor's Budget 2021

2. The Budget was delivered by the Chancellor on 3 March. A verbal update of the key announcements will be provided at the meeting. Our [submission](#) to the Budget focused on key topics affecting local government finance.
3. Officers produced an [on the day briefing](#) summarising the key announcements from the Budget.

### Final 2021/22 Local Government Finance Settlement

4. On 4 February the Final Local Government Finance Settlement for 2021/22 was [published](#). There were no major changes compared to the provisional settlement published in December 2020, with the overall increase in Core Spending Power increasing from 4.5 to 4.6 per cent for 2021/22, due to updated data for the New Homes Bonus and a revised council tax referendum limit for the Greater London Authority. More than 85 per cent of the potential core spending power increase next year is dependent on councils increasing council tax by the maximum permitted without a referendum.
5. Allocations of the Public Health Grant for 2021/22 have not yet been announced.
6. The final settlement was debated in Parliament on 10 February. The LGA provided a [briefing](#) for parliamentarians to assist them in this debate.

### New Homes Bonus consultation

7. Alongside the final settlement debate on 10 February, the Government launched a consultation on the [future of the New Homes Bonus](#) (NHB). The consultation sets out options for reform to be implemented from 2022/23 onwards and confirms that while legacy payments committed in previous years will be honoured, the concept will not be reintroduced. The deadline to submit views is 7 April 2021.
8. The consultation seeks views on the reform of existing elements of the NHB, including the Affordable Homes Premium, the 80/20 split between shire districts and county councils, and implementation of changes such as raising the baseline threshold, or

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setting a threshold relative to a local authority's own past performance in respect of housing growth.

9. In addition, the consultation is seeking views on proposed new conditions relating to Modern Methods of Construction, the new Infrastructure Levy, and councils' Local Plans, to incentivise further behaviours as part of the Bonus.
10. The LGA will be responding to the consultation and is engaging with the sector and key stakeholders to inform our response to the proposed reforms. Members of the Resources Board discussed the consultation at their meeting on 2 March.

### **Business Rates Review**

11. On 19 February the Treasury [announced](#) that an interim report on their Review of Business Rates, along with a summary of consultation responses, would be published on 23 March with the final report delayed to Autumn 2021.

### **Capitalisation**

12. On the day of the final settlement debate, the Government announced an extension of the flexibility to use capital receipts to fund transformation projects for a further three years from 2022; further details will be provided by the Government in due course.
13. Alongside the settlement, The Government also published [details](#) of capitalisation directions granted to four local authorities that have requested exceptional financial support during the COVID-19 pandemic. We understand other councils are in continuing discussion with MHCLG about similar arrangements.

### **COVID-19 funding**

#### Financial impact

14. The MHCLG monthly financial monitoring returns continue to be a key instrument in representing the financial impact of COVID-19 on local government. According to the January returns, the total in-year financial pressure projected by councils in 2020/21 due to COVID-19 was estimated to be £10.2 billion (consisting of £7.3 billion of cost pressures and £2.9 billion of non-tax income losses), with a further £2.6 billion of business rates and council tax income losses – these tax losses will impact council budgets in 2021/22.
15. The Public Accounts Committee is [calling for evidence](#) on the evolving financial pressures on local government and support provided by central government in the context of the COVID-19 pandemic. The LGA will respond to this inquiry by the 11 March deadline.

#### 2021/22 COVID-19 funding

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16. Alongside the final settlement debate on 10 February, the Government published a [policy paper](#) on COVID-19 funding in 2021/22 following the [consultation](#) in December. The Government confirmed [allocations](#) of the £670 million of local council tax support will be the indicative amounts set out in the consultation in December, and the extension of the sales, fees, and charges compensation scheme will use 2020/21 budgeted income as a baseline.
17. The policy paper also confirmed how losses in council tax will be measured in the local tax income guarantee scheme for 2020/21, with further details on business rates losses to be made available at a later date. The COVID-19 financial management survey will also continue to be collected.
18. COVID-19 funding in 2021/22 also includes the £1.55 billion for cost pressures; [allocations](#) were published in December.

#### Business Grants

19. On 22 February BEIS wrote to billing authorities to confirm that the Local Restrictions Support Grant to support businesses that were required to close due to the national lockdown announced at the start of 2021 was being extended to 31 March. The top-up Closed Business Lockdown Payment, also announced at the start of January, will not be extended. On 24 February BEIS [published](#) details of grants distributed by billing authorities up to 18 January.

#### **Financial sustainability**

20. The Housing, Communities and Local Government Select Committee is carrying out an inquiry into [Local Authority Financial Sustainability and the Section 114 Regime](#). Resources Board Lead Members approved a [submission](#) to the inquiry and the Chair of the Resources Board gave oral [evidence](#) to the committee on 8 February alongside the Chief Executive of CIPFA.

#### **Green Book**

21. As part of its [review of the 2020 Spending Review](#), the Treasury Select Committee has issued a call for evidence on changes to HM Treasury's Green Book. Resources Board Lead members approved a submission of evidence to this inquiry.
22. While noting that the Green Book process remains centrally driven overall, we welcomed the intention to take a more rounded approach to reflecting on local policies, strategies, and plans. We highlighted that the Green Book should better account for the Government's decarbonisation and net zero ambitions, and the environmental impacts of climate change.

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### **Next steps**

23. Members are asked to note this update.
24. Officers will proceed with the delivery of the LGA's work following the Chancellor's Budget. Officers will continue to work on the response to, and recovery from, COVID-19 as well as wider local government finance matters.

### **Implications for Wales**

25. We are in regular contact with the Welsh LGA and the other local government bodies in the devolved nations to exchange intelligence, ideas and consider joint work.

### **Financial Implications**

26. The work related to COVID-19 has been added to the LGA's core programme of work. This unbudgeted spending will be managed within the overall LGA Group funding position which the LGA Board is monitoring.