



FINANCE WITH VISION

## Funding Insight 2020

# What about Countdown to Funding Reform?

## Our 'lead in' programme of events

- **June 2018** Resetting your MTFP 2019/20 to 2021/22
- **October 2018** Managing financial risk and resilience
- **January 2019** Settlement 2019/20 and the road ahead
- **June 2019** Funding reform and SR19: Preparing your MTFP 2020/21 to 2022/23
- **September 2019** Budgeting for 2020/21 – responding to the final consultation and managing the uncertainties
- **November 2019** Baseline funding and the impact of transitional arrangements
- **January 2020** Settlement 2020/21: Understanding your new funding streams and the implications arising
- **April 2020** Funding reform: what next and managing medium term uncertainty – building an MTFP fit for the new funding system



A new timetable of support to run from January 2020 but is dependent on clarity on timetable of activity and progress

# Outline for the briefing today

- Update on Funding
  - SR19 and Settlement 2020/21
  - Funding Reform
  - Other developments
- Update on funding resilience trends
- MTFP – LG Futures assumptions

# Update on Funding

# Spending Round 2019

## General

- 2020/21 funding only, new Spending Review to be held in 2020
- Resource Departmental Expenditure Limits (DEL) increase from £330.8bn to £352.3bn, representing growth of 4.1%, remaining within the current fiscal rules
- Top priorities
  - Health & Social Care. Real terms 3.1% increase for NHS; additional £1bn for adult and children's social care plus 2% SC precept 20/21
  - Education & Skills. Schools' budget up by £2.6bn in 20/21, inclusive of £700m for children and young people with special educational needs
  - Tackling Crime. A 6.3% real terms increase in Home Office funding
  - Brexit. Confirms £2bn of core funding for Brexit in 2019/20, continued into 2020/21
  - So no real terms decrease for any department with a real terms increase for most

# Spending Round 2019

## Local government

- Core Spending Power – real terms 4.3% increase (cash 6.3%)
- Social Care Funding (£1bn) and extended Social Care precept – £1.5bn extra in total
- Public Health – announced at CPI plus 1% (by Public Health England), so 2.7%
- Education – £700m in for high-needs funding, an increase of 11% on 19/20
- Council tax – increase confirmed at 2% threshold in subsequent briefing
- Other:
  - £54m to help reduce homelessness and rough sleeping, to add to the funding already provided in 19/20
  - £24m of additional funding for the Building Safety Programme
  - Confirmation of £241m for the Towns Fund to support regeneration of high streets / town centres

# Settlement 20/21 technical consultation

## Main points arising

- Indicative individual authority allocations for additional £1bn of social care funding
- Negative RSG to be funded by MHCLG
- Funding to continue at 19/20 levels (with individual authority allocations unchanged) for the Winter Pressures Grant (£240m), Social Care Support Grant (£410m) and Rural Services Delivery Grant (£81m)
- Improved Better Care Fund funding will continue at 19/20 levels (£1,837m) and use same methodology to allocate the funding with Winter Pressures Grant rolled in
- NHB Funding of £900m
- Core council tax referendum principle of up to 2% (question on £5, if greater, for districts); Adult social care precept of 2%
- Settlement Funding Assessment (SFA) increased by CPI at 1.7%
- Timing of Provisional Settlement - December

# Settlement 20/21 technical consultation

## Some key details

- CPI added to Baseline Need (and therefore Tariff and Top Up) and remaining RSG allocations
- Council tax - Shire Districts: nearly 90% would generate more with £5 flexibility, highly probable support for continuation of this flexibility
- Social Care Grant funding allocations will now be £1,410m with £850m of additional money (so total £1,260m) RNF based and £150m to equalise funding from extra Social Care Precept – no ringfencing or restrictions
- IBCF funding – £240m of Winter Pressures Grant rolled in to iBCF but allocated in line with the existing Adult Social Care Relative Needs Formula, and no-ringfencing in 20/21 of Winter Pressures element
- Better Care Fund the NHS contribution will increase by 3.4% in real terms
- NHB funding there should £267.7m available for 20/21 “in year” so either bumper year, deadweight reduced or returned NHB funding in 20/21
- With no legacy payment for annual 20/21 then 21/22 could be 2 or 3 years and potentially 22/23 could be 1 or 2 years total NHB grant



# Settlement 20/21 technical consultation

## Outstanding questions

- Council tax £5 for districts?
- What future for NHB – what to forecast at for medium term?
- What happens to the funding for NHB?
- Levy Account distributions – will there be any and at what levels in 19/20/21?
- What social care funding in baseline for 20/21 at 21/22 funding reform?
- Negative RSG – what will happen with this in medium term?

# Latest on funding reform

- Timing
  - Now introduction at April 2021
- Steering Group: 1 October meeting
  - Children's Social Care
  - Area Cost Adjustment
  - Alternative Model
- System Design Working Group: 21 August and 24 October meetings:
  - Draft lists at revaluation
  - Adjustment factors and reliefs in new BRR system
  - Growth and Collection Fund in new system
  - Baselines for alternative model
- What next and implications?

## Steering Group: Children's Social Care main messages

- Draft formula will be subject to an academic peer review
- Model represents most robust approach available for children's services, but is complex and based on data which is highly sensitive
- Objective analysis should, where appropriate, provide an opportunity for experts in local government to sense check the results
- May involve sharing drivers of need for social care interventions for each identified characteristic, plus extent to which they increase the odds of needing those interventions, but some limitations given sensitivity of the individual child-level data
- Doesn't allow authorities to replicate needs shares, but it will provide an indication of what is driving need for individual authorities
- Plan to publish the full technical report and consider the most appropriate point at which to formally consult on the outputs of the formula

# Steering Group: Alternative Model main messages

- “Growth baseline”
  - Adjusted for RV changes backdated to start of the list
  - Not adjusted for RV changes not backdated to start of list
  - At revaluation would be recalculated
  - Possibility of two sets of growth calculations for RV changes made at Revaluation
- S31 payments will need to be factored into growth calculation
- Levy and safety net timing to work much as now
- More work on
  - Accounting for collection fund surpluses and deficits
  - Illustrations of the safety net and levy under various options
  - More about VOA data and publication
  - Changes not in the baseline
  - More about software requirements
  - Transition – both in theory and practice
  - Designated areas and renewable energy in the AM

# Steering Group: Area Cost Adjustment main messages

- Fully worked through version published for meetings
- Shows a draft Foundation and service specific ACA
- Views on MHCLG interpretation of SAR data (set out in Annex 1), the approach to weights and any additional evidence asked for at group
- Yet to be subject to formal consultation

# System Design Working Group

## Changing date of draft list

- Potentially to end December before Revaluation i.e. December 2020
- Remember BRR theoretically unaffected by Revaluation via adjustments
- Continuation of current model – per 2017 process
- Under alternative model – no adjustments needed

## Growth and the Collection Fund under new BRR system

- Impact of appeals stripped out
- Growth between NNDR1 and NNDR3 would result in C/F surplus
- This surplus would match growth calculation (where all other things equal)
- So where C/F balance different to growth calculation then the risk lies with government
- Government will need to build an amount into system at outset to offset this

# System Design Working Group

## Reliefs, Adjustment Factors (AF) and growth in new BRR system

- What is the adjustment factor (AF) – to translate GRP into NRP
- Why necessary – to more practically measure growth in new BRR system
- Proxy would take into account all reliefs deducted
- The AF can only be an approximation
- National AF would promote equal gain from growth in same size of property
- Local AF promotes more tailored approach
- Fixed vs variable AF – more stability, certainty and simplicity
- Government prefers national and fixed AF

# System Design Working Group

## How might national and fixed AF impact individual authority?

- Where individual AF recalculated yearly would give higher level of growth for local authorities:
  - Where reliefs as a proportion of their gross rates payable is lower compared to the national level
  - Where reliefs as a proportion of their gross rates payable is lower in any following year compared to the first year of the scheme
- National AF recalculated yearly would give higher level of growth for local authorities:
  - Where the individual AF is lower than the national factor, because their reliefs as a proportion of gross rates payable is higher than the national level.
  - If national level of reliefs is lower in any following year compared to the first year of the scheme.
- Reversed where growth is negative



# System Design Working Group

## Baselines for alternative model for measuring growth – conclusions:

- Use of either a ‘lagged’ or ‘non-lagged’ system
- Could run a lagged system using either the NNDR or VOA variants of “measuring growth”
- Under the NNDR variant, growth in 2021-22 would be “zero”
- An unlagged system could most easily be run by using the VOA variant of “measuring growth
- That the NNDR variant of measuring growth would be very complex in an unlagged system (if it was practical at all)
- The VOA variant of measuring growth in an unlagged system, would be simplest to operate if the adjustment factor were calculated at an individual authority level
- Setting the adjustment factor at a national level, might mean having to bring forward the return date of the NNDR1

# What next and implications for funding reform

## Process and planning

- Lack of timetable means difficult to plan for when councils will know what
- SR 2020 and timing of it critical to reform and timing of information
- New BRR system and FFR still subject to piecemeal clarifications through various group papers – when will we see the whole system?

## Funding impact

- With added funding in the system 20/21, potential for greater gain / loss under new system is increases – design of transition all the more critical
- Relationship of extra funding 20/21 to growth from business rates at the Reset from 21/22
- Continuance of NHB after SR20 looks increasingly unlikely (so just legacy payments to unwind) – relationship to transition framework

# Other developments

- Queen's Speech
  - To bring forward substantive proposals to fix the crisis in social care: but no specific timetable
  - Publishing a White Paper setting out a government strategy for continued local economic growth and increased productivity across the country
- IFS Green Budget
  - Given the stated policies of both main parties, it looks likely that austerity for public service spending is over for now
  - Return to significant real spending increases could be short-lived
  - A possible return to austerity could well follow a mini spending boom
- Remember CLG/LGA groups

<https://www.local.gov.uk/topics/finance-and-business-rates/business-rates-retention>

# Update on funding resilience trends

# Reminder – why and what?

## Why review your funding resilience?

- How resilient are your sources of funding to ensure sudden and potentially large (additional) reductions to expenditure are not needed
- In advance of the funding reform 2021, to inform whether the reforms are likely to pose significant threat to critical funding
- SR20 – how much of a threat will the outcomes be and how great are the uncertainties it is bringing for your funding?

## What will an assessment provide you with?

- Identification of which of the many sources of funding are the most important to your authority
- Highlights to you the strengths in your sources of funding or whether there are underlying weaknesses that might require your attention
- Provide some comparative benchmarking to your assessment of resilience, showing whether you are ‘coping’ better or worse than other authorities

# Practicalities of assessing funding resilience?

- Practical impact of assessment
  - Identification of level of funding risk
  - Possible adjustment to reserves strategy
  - Impact on financial strategy (e.g. decision on council tax or fees and charges)
  - Influences medium term financial plans (e.g. levels of service delivery)
- Resource Planning Hub provides substantive source of data, information and analysis to support assessment
- Critical is your local context and knowledge

More likely medium term stability (but not guaranteed)

Greatest level of local determination (usually)

### Council tax

Most stable  
Most able to influence  
But - recession prone  
But – referendum limits

### Grants

Most reliant on gov't intervention  
Little ability to influence  
Subject to each SR  
Can be announced overnight

## Levels of local reserves

### Fees and charges

Least subject to gov't interference  
Mainly supports service expenditure  
Service based dependence

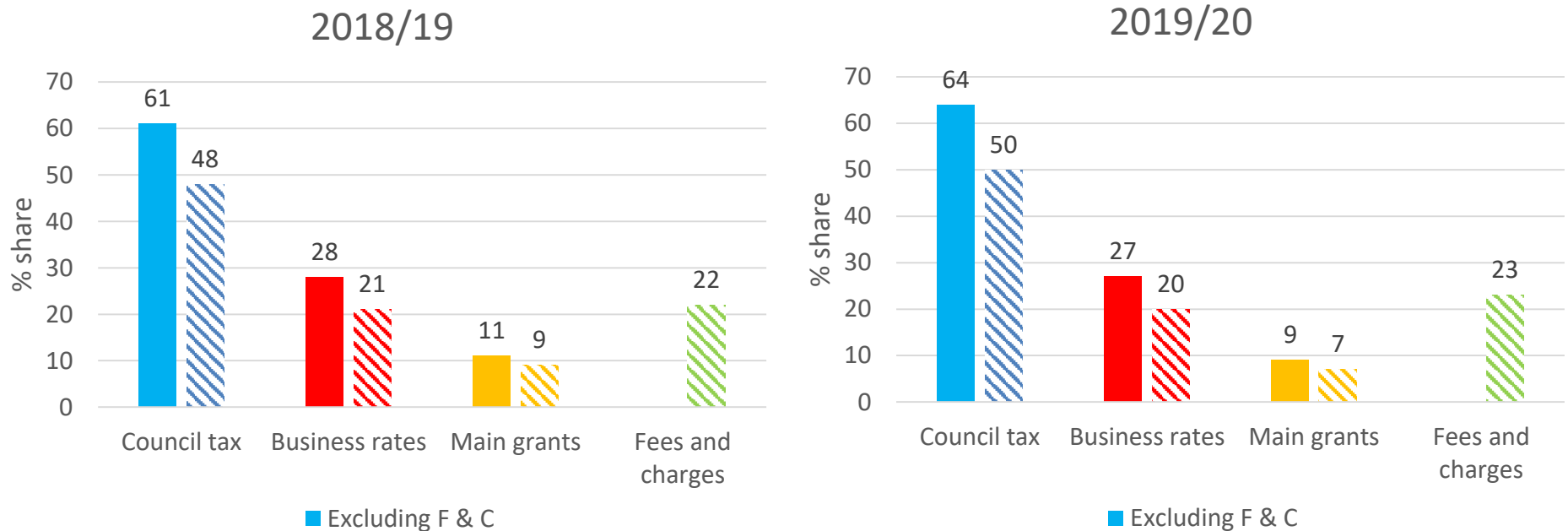
Most significant level of dependency on gov't

Highest level of local volatility likely

### Business rates

Least stable (except when it is)  
Highly dependent on baseline set  
Framework heavily influences gains  
Appeals highly influential

# The national balance of funding - changes



- Continuation of trends in 19/20
- Council tax increasingly sizable proportion (high 76%, low 6%)
- Fees and charges continuing relative growth (high 84%, low 6%)
- So 73% now subject to local decision making (high 96%, low 45%)



# Council tax

- Council tax levels
  - What decisions have been taken in the past about increasing council tax?
  - What is the policy for future increases in council tax?
- Budgeted taxbase
  - What have the budgeted taxbase increases been since 2013/14?
  - How much of the increase relates to one-off vs property increases?
  - How much does the budgeted taxbase understate the taxbase as defined by CTB1?
- Council tax support (CTS)
  - Is there a policy on offering less than 100% CTS?
  - How big a decline over time and in the last year has there been in number of working age and pensioner claimants?
  - What is the balance between working and pensioner age claimants?

# Council tax

- Collection rates and arrears
  - How high is the collection rate relative to national and type averages?
  - Has the collection rate been getting better or worse in recent years?
  - Are levels of arrears increasing / decreasing and how does this compare?
- Collection Fund balances
  - Are there large Collection Fund balances?
  - Are these consistent, being distributed and are they budgeted for?

## Council tax metrics

	Eng %	ILB %	OLB %	MBC %	UA %	SD %	SC %
Level increases (10/11)	21	16	16	22	22	12	22
Taxbase increase (13/14)	11	18	14	12	11	10	10
CTB1 change	0.8	0.4	0.9	0.3	0.8	1.0	1.0
CTS decline (3 years to 18/19)	Eng (Pensioner) -13.3; Eng (Working Age) -7.6, Eng split 40/60						
Collection increase (since 12/13)	-0.4	0.4	0.2	-0.9	-0.5	-0.2	-0.2
Arrears increases (since 12/13)	36	16	16	36	50	48	48

## Council tax – possible positive indicators

- Having a high proportion of funding relates to council tax compared to national (50%) and authority type
- There is a local policy supportive of council tax increases
- Taxbase increases consistently arise and are founded mostly on increases in property numbers
- CTS claimants – higher relative proportions of pensioner claimants and levels of reductions among working age have been significant since April 2013 and are continuing
- Levels of arrears are stable and not increasing significantly
- There is a steady increase to and/or a high relative collection rate
- No Collection Fund surpluses are arising or where they do arise, they are consistent, distributed and budgeted for

# Business Rates

- Growth
  - Has there been growth in the number of hereditaments and has the growth consistent over time?
  - Has there been a growth in rateable value after adjusting the base each year for the impact of checks, challenges and appeals?
- Volatility including appeals
  - How much does rates retained income vary over time – is it predictable or unpredictable?
  - How much of the volatility has been driven by appeals against the 2010 List?

# Business Rates

- Size of provisions
  - What is the current balance on provisions for both the 2010 and 2017 List? How does this compare to the current levels of appeals outstanding?
  - How do current levels of provisions and checks, challenges and appeals compare to those in the past for the authority?
  - How do current levels on both 2010 and 2017 lists compare with other councils?
  - How does this compare to past levels of volatility?
- Collection rates
  - How high is the collection rate relative to national and type averages?
  - Has the collection rate been getting better or worse since business rates retention was introduced
- Taxbase composition
  - What are the sectoral splits of the taxbase and from this how much relates to retail?

## Business Rates metrics

	Eng %	ILB %	OLB %	MBC %	UA %	SD %	SC %
Growth since 12/13*	9.8	9.3	9.3	9.7	9.9	10	10
Repayments 2017	4.5	5.6	3.5	4.4	4.3	4.2	4.2
Collection increase (since 12/13)	0.6	0.2	0.9	0.9	0.8	0.3	0.3
Retail risk #	26						

\* All London  
# England only

## Business Rates – possible positive indicators

- Low proportion of funding relates to Business Rates relative to Council tax compared to national (20%) and authority type
- Variability has been low, income is predictable (at a level above Baseline) so trends are easy to identify and project forward with confidence
- Number of Appeals and related provisions for the 2010 List are much reduced
- High levels of provisions for the pre-2017 list that are high relative to levels of Appeals o/s
- Steady increase to and / or a high collection rate
- Budgeting is below actual income and this has allowed a sizeable equalisation reserve to be established
- Low reliance on one or a few large properties with track record of Appeals or reduction / closure and
- Low relative reliance on retail businesses



# Government grants

- Settlement 2019/20
  - Which government grants is the authority most dependent upon?
  - What reliance is there on additional annual allocations and how much relates to legacy payments?
  - How will levels of RSG, and for some negative RSG, be affected by recalculations of funding for individual local authorities through the Fair Funding Review?
  - Which additional grants will be rolled into the move towards 75% BRR and how will they be distributed - through the current distribution mechanism or through a new formula within the Fair Funding Review?
  - In particular this could have a significant impact on levels of 'social care' funding and might also, if and when it is rolled in, impact upon funding for Public Health

# Government grants – possible positive indicators

- Low proportion of funding relative to other sources of income at the end of 20/21 and/or Spending Review 2020
- Lower reliance on NHB relative to other grants i.e. currently NHB more susceptible to reductions at SR19 and potentially Spending Review 2020
- NHB annual grant includes sizable annual payments for most recent year (i.e. less dependent on legacy payments) – the legacy payment are most susceptible to reduction or removal

# Fees & charges

- Income relative to total revenue expenditure
  - How high is fees and charges income relative to the total expenditure in the services where the income arises?
  - Has this relative level been increasing or decreasing over time?
  - How do the trends in the authority compare to other local authorities?
- Growth
  - How much has income from fees and charges increased over time – is it relatively high compared to other councils?
  - Has growth kept pace with the growth in council tax income - is the council becoming more or less relatively dependent on council tax or fees and charges income?

# Fees & charges

- Trends & volatility
  - How much does income from fees and charges vary over time – is it predictable or unpredictable?
  - Has volatility been greater or lesser in the most recent years?
- Local policy
  - Does policy clearly establish what happens when income goes down or up and are these movements managed within service accounts?
  - Does policy clearly set out how increase in the levels of fees and charges should be determined?
  - Is there a clear policy on how much the council relies on levels of income from fees and charges relative to other sources of income, in particular council tax?

## Fees and charges metrics

	Eng %	ILB %	OLB %	MBC %	UA %	SD %	SC %
Increase in contribution 10/11 – 18/19 *	2	3	3	1	4	7	1
Ratio to CTR 13/14 – 18/19	-6	-1	-21	-12	-3	2	-4
Increase in total income 11/12 – 18/19	19	37	28	-1	37	0	12

\* All London only

## Fees & charges – possible positive indicators

- What is the right level of share in the balance of funding locally? There is no right answer although what the local policy on charging in particular relative to council tax and other sources of income will help determine what share is considered appropriate. Nationally in 2019/20 it is 23%
- Fees and charges are consistently increased relative to levels of total service expenditure
- There are consistent trends and low levels of volatility on the levels of fees and charges income in particular in those services where dependency relative to total service expenditure is high
- There is a policy on fees and charges income and this is consistently applied and adhered to across the council

# Reserves – some questions

- Has there been a long term decline or increase since the start of austerity? What has been the change in the last 12 months? Has there been significant volatility in movements?
- What has been the trend on projected vs actual levels of reserves at year end?
- How do local trends on the size and volatility of reserves compare to others across local government and relative to Net Revenue Expenditure?
- How does the earmarked reserves to manage funding volatility compare to actual volatility? How does unallocated reserves compare to levels of overall funding volatility?

# Reserves metrics

	Eng %	Lon %	MBC %	UA %	SD %	SC %
Earmarked – 17/18 to 18/19	6	8	0	7	5	9
Earmarked – 11/12 to 18/19	49	30	52	60	100	28
Unallocated – 17/18 to 18/19	0	-9	1	2	-4	10
Unallocated – 11/12 to 18/19	8	1	11	9	11	8



## Reserves – possible positive indicators

- Significant increases in the level of earmarked and / or unallocated reserves over the long and/ or short term
- Higher levels of reserves relative to NRE compared to other local authorities
- Low levels of volatility on levels of reserve from year to year
- Longer and shorter term trends are for increased levels of reserves and for low volatility in year end levels of reserves

# Resource Planning Hub

- Brand new funding resilience section including:
  - Introduction and background
  - Balance of funding
  - Four revenue sources
  - Reserves
- Signposts and supports local assessment
- 16 current tools linked to the assessments
- 5 further tools being developed
- Note: there are at least 6 other tools available across the Hub not linked directly to funding resilience

# MTRR planning – LG Futures

# MTFP - Overview

Barriers to effective  
MTFP

Forthcoming  
Challenges

Making  
Assumptions

Quantifying  
potential variances

# Medium Term Financial Planning

- What are the barriers to effectively projecting your MTFP resources?

## Nationally

- **Amount** of Funding available
- **Methodology** changes altering your share
- **Complexity** of funding streams
- **Policy decisions** (CT referendum limit / future of funding streams)

## Locally

- Council Tax Rate (**local policy**) / Taxbase change (**data**)
- Business Rates / Fees & Changes **Income volatility**
- Business Rates appeals - **external decisions**
- Business Rates **complexity** (S31 grants)

# Challenges Faced 2020/21

## Background

- Low risks around funding amounts, methodology and complexity
- SR19 provided more details than usual
- Settlement technical consultation also provided further details
- No changes to key areas (75%, Reset, Fair Funding Review)
- No Pilot Status bids

## Remaining Issues

- Uncertainty over NHB
- Business Rates Retention Volatility
- Pooling interaction
- Implications of previous Pilot status
- Possibly - council tax rate increase
- Specific local issues

# Challenges Faced 2021/22 Onwards

## Background

- Spending Review 2020 (amount)
- Full Reset of BRR (amount / methodology)
- Possible new BRR system (methodology / complexity)
- Nationalised BRR appeals (methodology)
- 75% BRR (complexity)
- Fair Funding Review (methodology)
- Uncertainty of NHB (methodology)
- Specific Grant uncertainty (amount)
- Transition (methodology)
- Political uncertainty (amount / methodology)



What is the point in trying then?

# Business Rates (1)

## 75% BRR

- Should see no changes to **funding**
- Once introduced, funding (including streams rolled in) should increase by CPI
- Do not know tier splits – but potentially lower growth / volatility going forward

## New BRR system / Nationalised appeals

- Perhaps more likely now the delay to the full reset
- Can coincide with revaluation 2021
- Will **feel complex**, but the outcomes should be less than now
- But outcome should be **reduced volatility** / less work
- Authorities should be closer to Baseline Need
- Actual growth / decline more relevant than now



## Business Rates (2)

### Full Reset

- Whilst this may not be perceived as good news, it should be for some authorities in terms of **amount**
- Local government currently collecting £1.5bn more than Baseline Need - not shown in Core Spending Power (as shows SFA only). Full reset expected to result in funding increase by £1.5bn, with authorities NNDR Baseline adjusted to reflect what they should be collecting
- Authorities should therefore expect to see an increase in Need / Grants (and therefore reduced Tariffs / increased Top Ups)
- Funding from the scheme for 21/22 should be in line with Baseline Need (adjusted) for the average authority. However, there will always be winners and losers (but perhaps not as many as in 13/14)

### So what does that mean for your MTFP?

- Forecast Baseline Need (based on 20/21 levels plus CPI)
- Forecast share of growth added to Baseline Need / Specific Grants

# Business Rates – Typical District

- Using LG Futures MTRR, the following shows how the full reset should (if done correctly) alter an authorities funding.....

	2019/20	2020/21	
	£m	£m	
Original NNDR1 Forecast	16.5	16.8	← (NNDR Income + S31 Grant) + CPI
Small Business Rate Relief Grant	1.4	1.4	
Discretionary reliefs funded through S31 grant	0.9	0.9	
<b>Equals BRR income for the safety net / levy purposes</b>	<b>18.8</b>	<b>19.1</b>	
Plus Changes to Baseline Need following the Reset			← Tariff + CPI
Plus Top Up / (Tariff)	(13.0)	(13.2)	
<b>Equals pre-levy / Safety net Income</b>	<b>5.7</b>	<b>5.8</b>	
Less Levy on growth above RPI	(1.1)	(1.1)	← Levy
Plus Safety Net payment	-	-	
<b>Equals post levy / Safety Net BRR income</b>	<b>4.7</b>	<b>4.8</b>	
Plus Total Forecast Actual S31 Payments - NNDR1/3	0.6	0.6	← S31 Multiplier + Pooling Gains
Plus Adjustment - Multiplier cap - Top Up / Tariff	(0.4)	(0.4)	
Plus Pooling	0.6	0.7	
Plus Pilot Changes	-	-	
Plus Renewable Energy income	-	-	
<b>Equals Forecast Resources</b>	<b>5.5</b>	<b>5.6</b>	
Annual % change		1.6%	

# Business Rates – Typical District

	2019/20	2020/21	2021/22
	£m	£m	£m
Original NNDR1 Forecast	16.5	16.8	17.2
Small Business Rate Relief Grant	1.4	1.4	
Discretionary reliefs funded through S31 grant	0.9	0.9	
<b>Equals BRR income for the safety net / levy purposes</b>	<b>18.8</b>	<b>19.1</b>	<b>17.2</b>
Plus Changes to Baseline Need following the Reset			0.2
Plus Top Up / (Tariff)	(13.0)	(13.2)	(13.4)
<b>Equals pre-levy / Safety net Income</b>	<b>5.7</b>	<b>5.8</b>	<b>4.0</b>
Less Levy on growth above RPI	(1.1)	(1.1)	-
Plus Safety Net payment	-	-	-
<b>Equals post levy / Safety Net BRR income</b>	<b>4.7</b>	<b>4.8</b>	<b>4.0</b>
Plus Total Forecast Actual S31 Payments - NNDR1/3	0.6	0.6	n/a
Plus Adjustment - Multiplier cap - Top Up / Tariff	(0.4)	(0.4)	n/a
Plus Pooling	0.6	0.7	n/a
Plus Pilot Changes	-	-	n/a
Plus Renewable Energy income	-	-	-
<b>Equals Forecast Resources</b>	<b>5.5</b>	<b>5.6</b>	<b>4.0</b>
Annual % change		1.6%	-29.3%

NNDR Income +  
CPI – New NNDR  
Baseline

No S31 Grants

Increase in  
Baseline Need

Tariff adjusted so  
NNDR Income  
minus Tariff =  
Baseline Need

# Business Rates – Typical District

	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
Original NNDR1 Forecast	16.5	16.8	17.2	17.5	17.8
Small Business Rate Relief Grant	1.4	1.4			
Discretionary reliefs funded through S31 grant	0.9	0.9			
<b>Equals BRR income for the safety net / levy purposes</b>	<b>18.8</b>	<b>19.1</b>	<b>17.2</b>	<b>17.5</b>	<b>17.8</b>
Plus Changes to Baseline Need following the Reset			0.2	0.2	0.3
Plus Top Up / (Tariff)	(13.0)	(13.2)	(13.4)	(13.7)	(13.9)
<b>Equals pre-levy / Safety net Income</b>	<b>5.7</b>	<b>5.8</b>	<b>4.0</b>	<b>4.0</b>	<b>4.1</b>
Less Levy on growth above RPI	(1.1)	(1.1)	-	-	-
Plus Safety Net payment	-	-	-	-	-
<b>Equals post levy / Safety Net BRR income</b>	<b>4.7</b>	<b>4.8</b>	<b>4.0</b>	<b>4.0</b>	<b>4.1</b>
Plus Total Forecast Actual S31 Payments - NNDR1/3	0.6	0.6	n/a	n/a	n/a
Plus Adjustment - Multiplier cap - Top Up / Tariff	(0.4)	(0.4)	n/a	n/a	n/a
Plus Pooling	0.6	0.7	n/a	n/a	n/a
Plus Pilot Changes	-	-	n/a	n/a	n/a
Plus Renewable Energy income	-	-	-	-	-
<b>Equals Forecast Resources</b>	<b>5.5</b>	<b>5.6</b>	<b>4.0</b>	<b>4.0</b>	<b>4.1</b>
Annual % change		1.6%	-29.3%	2.3%	2.3%

	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
Baseline Need (old)	3.6	3.7	3.7	3.8	3.9
Change to Baseline Need	-	-	0.2	0.2	0.3
<b>Baseline Need</b>	<b>3.6</b>	<b>3.7</b>	<b>4.0</b>	<b>4.0</b>	<b>4.1</b>
Resources Received	5.5	5.6	4.0	4.0	4.1
<b>Variance</b>	<b>1.9</b>	<b>1.9</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Business Rates – Typical LA gaining

	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
Original NNDR1 Forecast	15.2	15.5	15.8	16.1	16.4
Small Business Rate Relief Grant	1.0	1.0			
Discretionary reliefs funded through S31 grant	0.5	0.5			
<b>Equals BRR income for the safety net / levy purposes</b>	<b>16.7</b>	<b>17.0</b>	<b>15.8</b>	<b>16.1</b>	<b>16.4</b>
Plus Changes to Baseline Need following the Reset			2.1	2.3	2.5
Plus Top Up / (Tariff)	10.4	10.5	13.3	13.5	13.8
<b>Equals pre-levy / Safety net Income</b>	<b>27.0</b>	<b>27.5</b>	<b>31.2</b>	<b>31.9</b>	<b>32.7</b>
Less Levy on growth above RPI	-	-	-	-	-
Plus Safety Net payment	-	-	-	-	-
<b>Equals post levy / Safety Net BRR income</b>	<b>27.0</b>	<b>27.5</b>	<b>31.2</b>	<b>31.9</b>	<b>32.7</b>
Plus Total Forecast Actual S31 Payments - NNDR1/3	0.5	0.5	n/a	n/a	n/a
Plus Adjustment - Multiplier cap - Top Up / Tariff	0.3	0.3	n/a	n/a	n/a
Plus Pooling	-	-	n/a	n/a	n/a
Plus Pilot Changes	-	-	n/a	n/a	n/a
Plus Renewable Energy income	-	-	-	-	-
<b>Equals Forecast Resources</b>	<b>27.9</b>	<b>28.4</b>	<b>31.2</b>	<b>31.9</b>	<b>32.7</b>
Annual % change		1.6%	9.9%	2.4%	2.4%

	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
Baseline Need (old)	28.0	28.5	29.1	29.6	30.2
Change to Baseline Need	-	-	2.1	2.3	2.5
Baseline Need	28.0	28.5	31.2	31.9	32.7
Resources Received	27.9	28.4	31.2	31.9	32.7
<b>Variance</b>	<b>(0.1)</b>	<b>(0.1)</b>	-	-	-

# Spending Review 2020

- Funding beyond 20/21 will be based on Spending Round 2020. A forecast therefore has to be made on the implications of this event (prior to the work on it or knowing the Politics of the government in 2020)
- Based on SR19, it would suggest that a CPI increase in funding would be not be unrealistic for future years. This would also allow government to avoid having to offset CPI growth in the business rates multiplier (and therefore Baseline Need); which would be difficult without RSG
- To temper what may be seen as too high a projection, the released funding from NHB (see next slide) has not been included within other funding streams

# New Homes Bonus

- The details of 20/21 NHB allocations (£900m funding, no legacy on 20/21 in year allocation), does suggest future changes to the scheme will take place. Lack of legacy payments for 20/21 could be seen as means of letting scheme end quicker (potentially by 22/23); freeing up resources for either a replacement scheme or for general funding
- At present our assumption is that beyond 20/21 legacy payments will only be paid with no new allocations. The funding then released by this approach has been split 50:50 between general funding and used to offset CPI increases in Baseline Need.

New Homes Bonus (£m)	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
2016/17 allocation	0.428				
2017/18 allocation	0.234	0.234			
2018/19 allocation	0.092	0.092	0.092		
2019/20 allocation	0.401	0.401	0.401	0.401	
2020/21 forecast allocation		0.270			
2021/22 forecast allocation					
<b>Total Allocation</b>	<b>1.155</b>	<b>0.998</b>	<b>0.493</b>	<b>0.401</b>	<b>0.000</b>
Plus NHB Returned Funding		0.010			
<b>Equals NHB Funding (£m)</b>	<b>1.155</b>	<b>1.008</b>	<b>0.493</b>	<b>0.401</b>	<b>0.000</b>

Individual LA forecast

Plus NHB Returned Funding  


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# Fair Funding Review (FFR)

- There is insufficient information available to predict winners / losers from the FFR. In addition, any material changes are likely to be damped, thereby reducing their immediate impact
- Furthermore, likely changes from FFR (aside from outliers) unlikely to be to same scale as Reset or changing NHB arrangement for district councils or those with already low levels of need (and therefore likely a higher proportion of funding from council tax).
- **Our default forecast for the review is therefore no funding change from FFR, but with upper and lower scenarios reflecting potential gains or losses in the range of -6% to +4% (phased in over three years)**



# Fair Funding Review – Prior Years' Transition

- Historically transition has been focused on the main grant element of funding i.e. Revenue Support Grant / Formula Grant. This saw a floor which authorities could not be reduced below (in a given year) and was funded within each tier via scaling those authorities above the floor by a %
- However, there has been no unwinding of the losses or gains since the amounts were locked in for the 13/14 settlement. The extent to which these gains or losses will be realised is subject to methodology changes (for 21/22 onwards), data changes since 13/14 and new transitional arrangements
- Therefore, unless an authority has a material variance, which it feels will still be seen in the 21/22 arrangements, this is perhaps an area which is not factored in

# Fair Funding Review – Negative RSG

- Due to the nature of the funding reduction at SR15 not all authorities received the same level of reduction. Those with ability to raise greater proportion of resources locally had higher level of reduction. This reduction took into account tax rate and tax base
- Due to the split in funding between Baseline Need and RSG, it meant some authorities RSG went negative. In order to avoid negative RSG, the government has put additional resources in (£153m in 19/20).
- For 21/22, Baseline Need will be altered to reflect number of changes, one of which will be the successor to the resources block. This will take into account taxbase (but not rate). Authorities with higher than average taxbase would see reduction in funding (to reflect more can be raised locally). Of course, this could be offset by increases in population that increase relative need also
- Authorities with lower than average tax rates and higher than average taxbases also need to be mindful of this issue

## Specific Grants

- For those authorities that still receive specific grants (RSG / RSDG for districts and the social care related grants for others), 20/21 amounts are already known (subject to the consultation)
- For 21/22 onwards, if grants are rolled into Baseline Need (likely, given the need for Baseline Need to equal at least 75% of Business Rates income nationally), they will increase by CPI each year going forward
- Question remains as to whether the grants are to be rolled in however i.e. are they time limited or now part of the overall funding picture. We are forecasting all continue and be added into Baseline Need
- However, in forecasting how the additional £1.5bn BRR growth was to be added to Baseline Need, we have forecast that £1bn will be used to allow the social care grants to continue in future years

# Core Spending Power Transition

- In addition (or potentially instead of) transition around the FFR there has been discussion of need for wider transitional arrangements – scope of these remains undefined (there is tool on the LGA website concerning this)
- Potentially these arrangements could cover the Core Spending Power. This would allow the inclusion of NHB which some would favour, but also council tax (and the ability to offset changes locally)
- More difficult to see is the inclusion of business rates growth (prior to the reset) due to the delay in this data and it not being included in the CSP figures before (i.e. always just shown SFA)
- If it is accepted that transition is for those with larger gains or losses, it is possible to ignore this aspect on the basis that (i) existing projection should not see large change (other than BRR growth), (ii) NHB is being forecast to be removed, slowly and (iii) if it does apply, it should move an outlier back to a more mainstream forecast

## How wrong can you be?

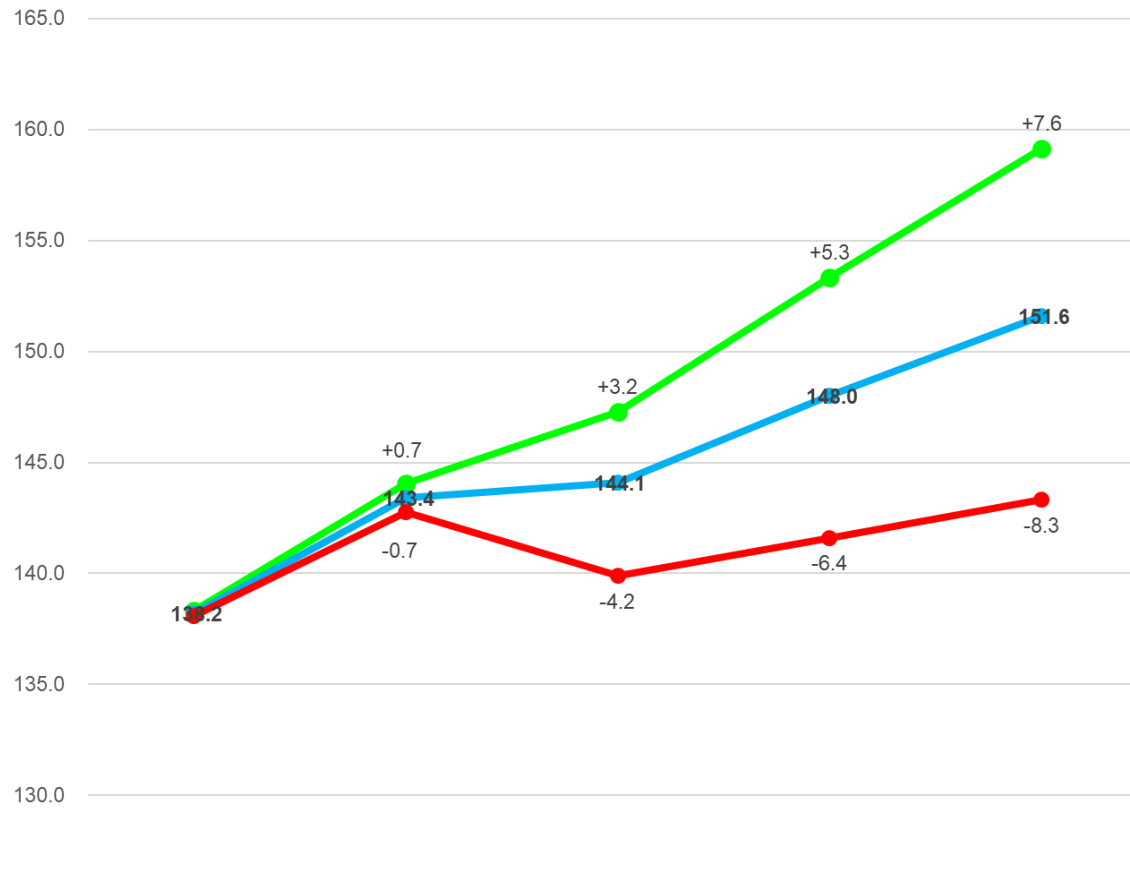
- Upper & lower scenarios provide limits, based on altering your assumptions. However, these unlikely to be reached, as these do not take into account offsetting links between assumptions e.g. lower funding would be unlikely to be coupled with lower council tax referendum limits
- The table overleaf shows a summary of the assumptions we are using and how these have been adjusted for lower and upper scenarios
- The graph then shows the upper and lower limits (which should not be expected to be reached) based on those scenarios
- What is reassuring is variances to the central forecast for most authorities is quite narrow, despite the uncertainty that exists around **amount**, **methodology** and **complexity**

# Central, Lower & Upper Projections

	Lower	Central	Upper
SR20	-1.0%	CPI less 50% of NHB	+1%
Reset	-3.0%	0.0%	+2%
Fair Funding review	-3.0%	0.0%	+2%
NHB	all lost	legacy only	
CT Base	-0.6%	1.6%	+0.6%
CT Rate	-1.0%	2.0%	
Business Rates Income	-0.5%	0.0%	,+0.5%

# Central, Lower & Upper Projections

Central, upper and lower estimates £m



	2019/20	2020/21	2021/22	2022/23	2023/24
Upper Forecast	138.3	144.0	147.3	153.3	159.2
Best Estimate	138.2	143.4	144.1	148.0	151.6
Lower Forecast	138.1	142.7	139.9	141.6	143.3



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