

Briefing Note for Overview and Scrutiny Committee
12 January 2021

Provisional Local Government Finance Settlement 2021-22

1. The Local Government Finance Settlement (LGFS) is the annual determination of funding to local government from central government. The Secretary of State for Housing, Communities and Local Government announced the Provisional LGFS on 17 December 2020.
2. The 2021-22 local government finance settlement is for one year only and is based on the Spending Review 2020 funding levels.
3. The provisional settlement confirmed the council tax referendum principles for 2021-22. As previously announced, the council tax referendum limit will be 2% for local authorities, with social care authorities allowed a 3% social care precept.
4. The LGFS details the Settlement Funding Assessment (SFA) for 2021-22 together with other grant funding included within Core Spending Power (CSP).
5. Core Spending Power is the Government's measure of the core components of local government funding and includes the SFA, New Homes Bonus, Improved Better Care Fund, Social Care Grant as well as assumed income from council tax.
6. Table 1 below shows the councils Core Spending Power for 2021-22 and the change from 2020-21. Whilst the Government headline is that Core Spending Power (CSP) increased nationally by 4.5%, more than 85 per cent of the potential core funding increase is dependent on councils increasing council tax:

Table 1 - Core Spending Power (£m)

	2020-21 £m	2021-22 £m	Change £m	Change %
Settlement Funding Assessment	152.317	152.519	0.202	
New Homes Bonus	14.359	8.201	-6.157	
Improved Better Care Fund	17.323	17.323	0.000	
Social Care Grant	10.015	13.199	3.184	
SFA multiplier compensation	4.644	6.037	1.393	
Lower Tier Services Grant	0.000	1.264	1.264	
Government Funding	198.657	198.543	-0.114	-0.1%
Council Tax yield assuming 4.99% increase	117.849	123.024	5.175	4.4%
Core Spending Power	316.506	321.567	5.061	1.6%

7. As illustrated, the council's core government funding before council tax will be £0.114m lower in 2021-22 than 2020-21.
8. Assuming council tax increases in line with government guidance, core spending power will increase by 1.6% (national average 4.5%).

9. As set out at the Spending Review, the Secretary of State also re-announced a number of other funds available to local authorities, including the UK Shared Prosperity Fund, Levelling Up Fund, the Troubled Families Programme, Domestic Abuse Bill implementation and additional funding to tackle homelessness and rough sleeping.
10. The Spending Review confirmed that schools budget nationally will increase by 4.6% in 2021-22, that high needs funding to support children with Special Educational Needs and Disabilities (SEND) will increase by up to 10% and that there will be additional funding for early years education to increase the hourly rate paid to childcare providers for the Government's free hours offer.
11. The Secretary of State also provided further detail on the Covid-19 funding package for 2021-22 announced at the Spending Review:
 - A further tranche of unringfenced grant in 2021-22 to meet expenditure pressures; Southwark's share is estimated at £11.5m, to be paid in April 2021;
 - A continuation of the Sales, Fees and Charges compensation scheme for the first three months of 2021-22
 - An unringfenced grant to support welfare schemes for the vulnerable and households least able to afford council tax payments in 2021/22, the Council's indicative allocation being £3.1m; and
 - The scope of the guarantee to compensate for 75 per cent of irrecoverable business rates and council tax losses in 2020-21.
12. The Provisional Settlement did not provide any further detail on the planned reforms to local government funding (the Fair Funding Review) or future business rate retention arrangements beyond 2021-22. In his statement to the House of Commons, the Secretary of State stated that the Government will work with the sector *'to seek a new consensus for broader reforms to local government finance, including the Fair Funding Review and the business rates reset, and will ensure that councils are set on a long-term trajectory of sustainable growth and fair resources'*.