

# APPENDIX A

## Delivering a Sustainable Medium-Term Budget 2021 to 2025 – Spending Review and Provisional Settlement Update

### 1. Introduction

- 1.1** The Chancellor of the Exchequer, Rishi Sunak, announced the one-year Spending Review 2020 on Wednesday 25 November 2020. The Spending Review contains a large number of measures in response to the financial impacts of the COVID-19 pandemic that relate to local government. The purpose of this report is to provide an update on some of these developments and their impact on the council's key budget assumptions following receipt of our Provisional Local Government Finance Settlement in December 2020.

### 2 COVID-19 FUNDING

#### 2.1 COVID-19 Support Funding

COVID-19 support funding in respect of local authority expenditure pressures has been extended to cover quarter 1 of 2021 to 2022. Nationally, £1.55 billion has been allocated to fund this. West Suffolk's allocation is £0.872 million and has been ringfenced in a COVID reserves to fund the costs associated with the response and recovery of COVID-19 during the 2021 to 2022 financial year.

#### 2.2 Sales, Fees, and Charges Lost Income Reimbursement Scheme

This scheme involves a 5 per cent deductible rate, whereby councils will pay the first 5 per cent of all lost planned sales, fees and charges income, with the Government compensating them for 75 pence in every pound of loss thereafter. The purpose of the 5 per cent deductible is to account for an acceptable level of volatility, whilst shielding authorities from the bulk of losses.

In 2020 to 2021, it is currently estimated that the council will receive around £3.7 million in compensation under this scheme. The scheme is now being extended into the first quarter of 2021 to 2022. The Government are consulting on the use of an inflated 2020 to 2021 budget as the baseline figure for the 2021 to 2022 scheme. We estimate that the scheme will be worth around £0.2 million for Q1 of 2021 to 2022.

#### 2.3 Leisure Centres

The Department for Culture, Media, and Sport (DCMS) has been continuing to develop a compensation scheme in respect of local authority leisure centres which are operated by third parties, and £100 million has been allocated nationally for this. The national allocation for West Suffolk is £0.39 million for 2020 to 2021 (it is not guaranteed we will get the full allocation, there is an application process to go through) and we are yet to hear if this fund will be extended into 2021 to 2022.

#### 2.4 Homelessness and Rough Sleeping

Nationally, additional funding of £254 million has been announced to reduce homelessness and rough sleeping, although £103 million of this had been previously announced earlier this year in respect of accommodation and substance

misuse support. The provisional allocation for West Suffolk is around £0.656 million for 2021 to 2022.

## **2.5 Regeneration of Towns and Communities**

The Government is supporting the regeneration of towns and communities by targeting further investment including the following:

- A new Levelling Up Fund worth £4 billion for England. This will invest in local infrastructure that has a visible impact on people and their communities and will support economic recovery. This new cross-departmental Fund for England will invest in a broad range of high value local projects up to £20 million, or more by exception, including bypasses and other local road schemes, bus lanes, railway station upgrades, regenerating eyesores, upgrading town centres and community infrastructure, and local arts and culture. It will be open to all local areas in England and prioritise bids to drive growth and regeneration in places in need, those facing particular challenges, and areas that have received less Government investment in recent years. The Spending Review makes available up to £600 million in 2021 to 2022. The Government will publish a prospectus for the fund and launch the first round of competitions in the New Year.
- Supporting the long-term regeneration of 167 towns across England to increase jobs, deliver growth and improve living standards through the Towns Fund.
- Supporting places, such as former industrial areas, deprived towns and coastal communities, by setting out what the UK Shared Prosperity Fund (UKSPF) will invest in and how it will be targeted.
- Delivering 10 Freeports across the UK – at least one in each of England, Scotland, Wales and Northern Ireland – to bring jobs, investment and prosperity to some of the most deprived communities. The programme aims to establish Freeports as national hubs for global trade and investment across the UK, promote regeneration and job creation and create hotbeds for innovation

## **3 COUNCIL TAX AND BUSINESS RATES**

### **3.1 Collection Fund Deficits**

Detailed proposals for changing the accounting treatment of the 2020 to 2021 collection fund deficits have been previously confirmed in Regulations, and Collection Fund deficits will be spread over the next three years, as already reflected in the draft medium-term budgets.

### **3.2 Tax Income Guarantee Scheme**

The Tax Income Guarantee Scheme will fund 75 per cent of unrecoverable losses in both business rates and council tax. The Treasury has estimated that the cost of the scheme will be £762 million (£255 million in each of the next 3 years) which is substantially lower than 75 per cent of the £3.1 billion tax-income losses that have been reported in the returns to MHCLG reported in 2020 to 2021. MHCLG are working on this and there will be some guidance issued on how to assess 'irrecoverable' losses. Defining unrecoverable tax might be difficult, but authorities should be able to budget on the basis that 75 per cent of unrecoverable losses will ultimately be funded and this is reflected in our 2020 to 2021 council tax deficit position.

### **3.3 Council Tax Support**

£670 million additional grant funding has been announced to help councils in respect of council tax support. It is possible that this will provide support to authorities in respect of the impact on council tax bases arising from increased Local Council Tax Reduction Scheme (LCTRS) reliefs. The provisional allocation for West Suffolk is £216,000 for 2021 to 2022. This allocation includes an allowance

for Town and Parish Councils in West Suffolk, calculated to be around £65,000 (of the £211,000). Given this is separately identifiable and that this impact has also been felt by the Town and Parish Councils - as a result of a reduction in the number of properties they can levy their precepts on next year, provision has been made in the 2021 to 2022 budget to pass this £65,000 directly on to our Town and Parish Councils. This has been communicated to Town and Parish Council Clerks.

### **3.4 Council Tax Referendum Limits**

In 2021 to 2022, local authorities will be given greater council tax flexibility. The core referendum threshold will remain at 2 per cent (with district councils able to increase by the higher of £5 or 2 per cent). Police and crime commissioners will be able to increase their precept by £15. Social care authorities will be able to apply a further 3 per cent increase (5 per cent in total). There is no change for district councils and for West Suffolk's harmonisation plans. The medium-term budgets assume no change to the current agreed 4-year Council Tax plan for harmonisation between the predecessor areas of St Edmundsbury and Forest Heath. This assumption is a matter for Council in February 2021.

### **3.5 Business Rates and Business Rates Reliefs**

As previously reported, there will no reset of the Business Rates Retention system and implementation of the Fair Funding Review in 2021 to 2022.

The small business rate multiplier is usually indexed using the September Consumer Price Index (CPI), which was 0.55 per cent in September 2020. However, the Government has announced in SR 2020 that it will freeze the multiplier in 2021 to 2022, and local authorities will be compensated by way of Section 31 grants.

There was no announcement in the Spending Review 2020 about the Expanded Retail Discount supporting retail, hospitality and leisure businesses, although tables in the Spending Review documents confirm that there is no funding for continuing the expanded discount into 2021 to 2022. This does raise concerns about the collection of business rates in 2021 to 2022 as these reliefs have been a significant support in 2020 to 2021, amounting to around an additional £38.938 million in West Suffolk. However, a decision about reliefs will be taken early 2021 to respond to the "evolving challenges presented by COVID-19"

## **4 OTHER DEVELOPMENTS**

### **4.1 New Homes Bonus (NHB)**

There has been considerable uncertainty regarding NHB as the consultation on the future of NHB and potential alternative incentives for the provision of new housing has been postponed. There will now be a one-year only round of NHB funding (year 11), so the total payments of NHB to be received in 2021 to 2022 will be two legacy payments in respect of years 8 and 9, and one payment in respect of year 11. The additional allocation for West Suffolk is £0.641 million for the one-year round, this allocation will be transferred to the Strategic Priorities/Medium Term Financial Strategy Reserve for future utilisation across the medium term plans.

### **4.2 Revenue Support Grant (RSG) and Rural Services Delivery Grant (RSDG)**

The 2020 to 2021 Local Funding Settlement will now effectively roll forward into 2021 to 2022 which means that the council can expect RSG and RSDG of around

£0.2 million and £0.181 million respectively. These grants have been included in the 2021 to 2022 proposed budget.

### **4.3 Public Sector Pay**

The Public Sector pay freeze announced by the Chancellor does not apply directly to local authorities, as the Government has no formal role in the decisions around annual local government pay increases which are developed through negotiations between the LGA and the relevant trade unions. The LGA's calculations around the affordability of pay increases take full account of the financial settlement given overall to local government but this is not the only factor involved. The draft medium-term budgets continue to assume pay awards of 2 per cent for 2021 to 2022 onwards.

### **4.4 Digital Connectivity and Local Government Cyber Security**

Over £260 million has been announced for transformative digital infrastructure programmes, including the Shared Rural Network for 4G coverage, Local Full Fibre Networks, and the 5G Diversification and Testbeds and Trials Programmes, and £1.2 billion has been announced to subsidise the rollout of gigabit-capable broadband, as part of the Government's £5 billion commitment to support rollout to the hardest to reach areas of the UK. The underlying core settlement for local authorities in 2021 to 2022 also includes providing £16 million to support modernisation of local authorities' cyber security systems

### **4.5 Lower Tier Services Grant**

This new grant effectively using £111 million of the New Homes Bonus returned surplus. Its purpose is to help minimise the range of increases in core spending powers, and particularly to ensure that no authority receives a reduction in core spending powers. The provisional allocation for West Suffolk is £0.193 million for 2021 to 2022 as a one-off grant.