

RESPONDING TO OUR MEDIUM TERM FINANCIAL PLAN

Report of the Cabinet Member for Resources, Commissioning and Governance

1. SUMMARY/MATTER FOR CONSIDERATION

- 1.1 The purpose of the report is to provide an update on the Council's MTFP 2021/22 to 2022/23 as we continue our approach to responding to the unprecedented uncertainty, volatility and risk within the financial landscape.

2. DEVELOPMENTS SINCE THE DECEMBER MTFP UPDATE

- 2.1 The MTFP presented to the Cabinet meeting on 22 December 2020 showed a revised forecast savings requirement of £8.115m in 2021/22 rising to £26.802m in 2022/23.
- 2.2 Government have made a number of announcements since the MTFP Update presented to the Cabinet Meeting in December. This includes the announcement of the Provisional Local Government Finance Settlement (PLGFS) and further Covid-19 tier restrictions and subsequent national lockdown. As stated previously, these announcements have an impact on the underpinning MTFP assumptions and forecasts. To ensure the Council's 2021/22 Budget and MTFP are set on a robust basis, these forecasts and assumptions need to be retested and where appropriate revised in light of these announcements and further information.
- 2.3 The following paragraphs provide an update on the Council's financial position prior to setting the Council's 2021/22 budget setting and MTFP in February.

Provisional Local Government Finance Settlement

- 2.4 The 2021/22 PLGFS was announced to Parliament by the Housing, Communities and Local Government Secretary, Rt Hon Robert Jenrick MP on 17 December 2020. The announcements made in the PLGFS follow those already made in the Government's 2020 Spending Review in November 2020 and provide further detail on funding allocation methodologies and proposed funding allocations to Local Authorities.
- 2.5 The PLGFS confirmed the Local Government Core Spending Power (CSP) will increase by 4.5% (£2.2bn) as announced by Government in the 2020 Spending Review. This is a real-terms increase in resources and represents the third settlement in a row to increase resources in real terms. However, in calculating CSP, Government assumes that Local Authorities will increase Band D Council Tax by the maximum amount allowable without a referendum i.e. 5% in 2021/22, and that each Local Authority's Council Tax Taxbase has increased in line with their average Taxbase growth since 2016/17. It is noted by commentators¹ that *'87% of the increase in CSP is from council tax increases and is accompanied by relatively low increases in grant funding'* and *'very little of the new grant increases are funded with new money (estimate of only £150m within CSP is actually new*

¹ Pixel Financial Management – Local Government financing and funding advisory service.

funding). Almost all the increases are funded by using the New Homes Bonus (NHB) returned surplus i.e. the balance of the funding remaining nationally having paid the NHB grant to Authorities in 2021/22'.

- 2.6 As in previous years, Council Tax remains a key part of Government's Local Authority funding assessment. On this basis we must be prepared to consider a Council Tax increase as part of the budget setting process. The Cabinet recognises the impact an increase will have on Stockport residents particularly as the impact of the pandemic continues to result in financial hardship for many. Government continues to ask Local Government to rely on Council Tax to fund critical services and has yet to identify alternative methods of core funding for the likes of Adult and Childrens Social Care. Section 3 provides further detail on the Council Tax considerations for 2021/22.
- 2.7 Appendix A provides a detailed note on the PLGFS. Specific announcements impacting Local Government funding are detailed below:

Council Tax Referendum Limits

The PLGFS confirms Local Authorities will be given the ability to increase Council Tax by up to 5% (2% General and 3% Adult Social Care Precept) in 2021/22 before triggering a local referendum. As announced in the 2020 Spending Review, the Council will have the flexibility to defer an element of the Adult Social Care Precept increase to 2022/23.

Whilst the decision on Mayoral Precepts do not directly impact on the Council's MTFP, the level of increase in terms of the impact on the Council's own Council Tax increase and the Stockport Council Tax Taxpayers will need to be considered. Confirmation of both Mayoral Precepts is expected at the end of January. The Mayoral Police and Crime Commissioner Precept referendum limit is set at a maximum £15 increase. The Mayoral General (including Fire) Precept does not have a referendum limit set by Government.

Greater Manchester 100% Business Rates Retention Pilot

In line with the announcement in the 2020 Spending Review, the Council will continue to be part of the Greater Manchester 100% Business Rates Retention Pilot in 2021/22 underpinned by the 'No Detriment' guarantee.

Each year the Council alongside the other Greater Manchester and Cheshire Authorities has to make a decision about the continuation of the Greater Manchester and Cheshire Business Rates Pool. The key risk of the pooling arrangement is the liability to fund safety net payments as a result of Business Rates income losses; if the Pool as a whole hits safety net Government funds each Authorities safety net payment, but if individual Authorities hit safety net (not the Pool as a whole) the other Authorities within the Pool are required to fund the safety net payment. Due to the financial impact of the pandemic on in-year Business Rates collection the risk of Authorities not being able to collect sufficient Business Rates income in 2021/22 and thus requiring a safety net payment (and as a result the other Pool Authorities having to fund this) is increased. For this reason, the Corporate Director – Corporate and Support Services in consultation with the Cabinet Member for Resources, Commissioning and Governance has confirmed the Council's agreement to dissolve the Greater Manchester and Cheshire Business

Rates Pool in 2021/22. Dissolving the Pool does not impact on the continuation of the 100% Pilot in 2021/22.

Adult Social Care Funding

The proposed allocation of the additional £300m social care funding announced in the 2020 Spending Review has been released. This shows the Government's intention to equalise the funding across Local Authorities on the basis of their ability to raise income from the Adult Social Care Precept. On this basis, £240m (75%) of the additional funding has been equalised with the balance allocated based on the Adults Relative Needs Formula (RNF). The Council's proposed funding allocation is £0.826m. Whilst some form of equalisation was expected in the MTFP Update report presented to Cabinet in December, this is a greater amount resulting in an adverse adjustment of £0.374m.

New Homes Bonus (NHB)

The Council will receive £0.058m NHB grant in 2021/22 in relation to the affordable homes' premium element of the grant allocation. This reflects the growth of affordable housing during 2020/21 of 165 affordable homes.

Lower Tier Services Grant

The Council will receive a funding allocation of £0.318m from its settlement funding assessment allocation of this grant to support the costs of lower tier Local Authority responsibilities including homelessness, planning, recycling and refuse collection, and leisure services.

Covid-19 Support Grant

The PLGFS announced the proposed allocation of this funding to Authorities based on the Covid-19 RNF used for the Tranche 3 and 4 funding allocations during 2020/21. The Council's proposed allocation is £7.629m which is a favourable adjustment of £0.096m compared to the MTFP Update forecast in December – this is due to a higher % allocation of the funding based on the Covid-19 RNF. Funding allocations are expected to be paid to Local Authorities in April 2021.

Covid-19 Support for Households

The PLGFS confirmed the £670m of additional grant funding nationally that was initially announced in the 2020 Spending Review. Billing Authorities will receive an allocation in recognition of the lost income as a result of providing local Council Tax support to vulnerable households. Government is seeking views on the proposed allocation methodology and allocations to individual Local Authorities.

Covid-19 Compensation for Local Taxation Income Losses

The PLGFS confirmed the £762m of funding to compensate Local Authorities for 75% of irrecoverable loss of Council Tax and Business Rates revenues in 2020/21 that would otherwise need to be funded through Local Authority budgets in 2021/22 and later years. Government is seeking views on the proposed allocation methodology and allocations to individual Local Authorities.

Covid-19 Sales, Fees and Charges Income Loss Compensation

It is proposed that the income loss compensation scheme used in 2020/21 is continued for the first quarter of 2021/22. The scheme would again feature a 5% deductible rate, whereby losses up to 5% of planned sales, fees and charges income against the chosen baseline (subject to consultation) are funded by Local

Authorities. Government will then compensate for 75p in every pound of relevant income loss thereafter. Government is seeking views on the proposed allocation methodology and allocations to individual Local Authorities.

- 2.8 The table below shows the revised MTFP position including the funding adjustments following the PLGFS. Members are asked to note that the PLGFS is under consultation and is subject to change.

Table 1 – Revised MTFP 2021/22 to 2022/23

	2021/22 £000	2022/23 £000
Cumulative Savings Requirement @ 22 December	8,115	26,802
Provisional Settlement Adjustments		
Covid-19 Support Funding	(96)	0
Adjustment to Additional Adult Social Care Grant	374	374
New Homes Bonus - Affordable Homes Premium	(58)	0
Lower Tier Service Grant	(317)	0
Revised Cumulative Savings Requirement	8,018	27,176

Updating the MTFP Forecasts and Assumptions

- 2.9 As we have already outlined, Local Government budgets are facing significant pressures from the impact of Covid-19 and the likely future impact on Local Government from the economic and fiscal position of the Country. Given the uncertainty, volatility and risk within the financial landscape Finance Officers continue to work with colleagues across the Council to understand and revise the financial scarring impacts of the pandemic. This includes the impact of the tier 4 restrictions and subsequent national lockdown. In addition, as tier restrictions are gradually lifted following the national lockdown, the pace of recovery process will be slowed. As a result, the financial legacy of the pandemic and resulting financial scarring impacts are likely to be evident for a longer period of time than initially expected. For this reason, it is important the MTFP forecasts and assumptions continue to be tested up to the date of setting the Council's 2021/22 Budget and MTFP; so, they are set on a robust and resilient basis.
- 2.10 The key areas being reviewed as part of the Council's 2021/22 budget setting process and MTFP include:

Collection Fund Forecasts – the MTFP forecasts of future Council Tax and Business Rates income continues to be reviewed in light of the ongoing tier restrictions and lockdowns. The financial impact of these restrictions on individuals and businesses in terms of financial hardship, forced business closures and restricted movement of individuals is significant and will likely have an impact on the Collection Fund income that can be forecast to be collected in 2021/22 and 2022/23. A further example of this financial impact is the increasing number of rateable value appeals by businesses in relation to Material Change in Circumstances (MCC) as a result of the pandemic. Again, this could result in reductions to businesses rateable values and as a consequence reduction in Business Rates income that can be collected.

Investment and Development Account Rental Income Forecasts – the continuing closures and restrictions placed on retail, hospitality and leisure is creating difficult operating conditions for affected businesses across the Borough. Despite the Business Rates reliefs and Government's business support grants, for retail particularly, there is an increase in CVA's, store closures and businesses going into administration as a result of the financial impact of the pandemic – most recently Debenhams. In the absence of any further Government support and gradual lifting of restrictions it is likely that this trend will continue, and the financial impact materialise in 2021/22. This impacts on the Council's Investment and Development Account in terms of the rental income and expenditure forecasts.

Ongoing Support Funding of the Council's Leisure Provision – previous MTFP updates assumed that the Council's support funding of its leisure provision would be contained within 2020/21. However, in light of the current national lockdown and expected gradual lifting of restrictions in 2021/22, it is prudent to retest this assumption.

Service Demand/Cost Pressures – spikes in service demand due to the pandemic is resulting in additional costs. This is particularly evident in Children's and Education services where the number of looked after children and need for family support is increasing. In addition, the provision of services such as SEN Transport require new more costly ways of working to ensure services are provided to vulnerable children in a Covid-19 secure way. These costs have become evident as part of the in-year budget monitoring and likely to have a full year impact in 2021/22 if not addressed. As a result, the MTFP forecasts and assumptions linked to service demand increases and cost pressures will need to be retested.

Adult Social Care Fee Setting – dialogue with providers has indicated a need for further funding of costs pressures to support infection control and safe provision of services to vulnerable adults. Officers are in discussions with providers to understand these additional pressures and their ask in terms of care package fees in 2021/22 to support them to deliver essential services to residents in a Covid-19 secure way.

BREXIT – continuing to monitor Government announcements in relation to the completed Brexit trade deal negotiations on 31 December 2020 to understand any financial impact on the Council.

- 2.11 The final position on the Council's MTFP will be provided to the Cabinet meeting on 9 February. This will include the confirmed funding allocation announced in the Local Government Finance Settlement following consultation and an update on the areas outlined above to ensure that the forecasts and assumptions that underpin the MTFP are robust and resilient.

3. 2021/22 COUNCIL TAX

- 3.1 As part of our response to the MTFP, we are also considering the role that local taxation should play in addressing the financial challenge facing the Council. We know that many across our communities are experiencing significant challenges in light of the unprecedented circumstances created by the pandemic. Therefore, it is not a decision that we will take lightly but will do so in terms of protecting service

provision for those that need the Council's support the most as we continue to recover and the need for essential services increases.

- 3.2 As confirmed in the PLGFS, Local Authorities will have the flexibility to increase the Adult Social Care Precept by 3% in 2021/22 (with an option to defer all or an element of the allowable increase to 2022/23). Government expect this flexibility to be used to *'support councils to maintain care services while keeping up with rising demand and recovering from the impact of Covid-19'*. In addition, Local Authorities will also have the flexibility to increase the general element of Council Tax in 2021/22 by 2%. Therefore, a total Council Tax increase (before the Mayoral Precepts) of 4.99% is allowable in 2021/22.
- 3.3 In previous years we have made an early commitment to being transparent about Council Tax increases and our intentions. However, given the unprecedented uncertainty, volatility and risk inherent within the financial landscape, it has been important to understand the national and local financial impact of the pandemic, the Council's financial position and Government's response. As in previous years we have to find the balance to minimise the impact on residents whilst ensuring the Council's future financial sustainability. In doing this we must recognise that a Council Tax increase less than the 5% Council Tax referendum limit set results in forgone income that Government expect the Council to raise. In addition, we also recognise that Adult Social Care grant funding continues to be equalised nationally on the basis of Authorities ability to raise Adult Social Care Precept (i.e. those Authorities which can raise the Precept on their Council Tax receive a lower amount of grant funding) regardless of whether it applies the increase or not.
- 3.4 The table below provides an illustration of the additional Council Tax income generated at different levels of increase and the favourable adjustment this has on the Council's revised 2021/22 savings requirement.

Table 2 – Illustration of Council Tax Increase

	2021/22 Council Tax Income £000	2021/22 Savings Requirement £000
Council Tax Off	0	8,018
Council Tax On - 2%	3,244	4,774
Council Tax On - 3%	4,867	3,151
Council Tax On - 4%	6,489	1,529
Council Tax On - 4.99%	8,095	(77)

- 3.5 The Cabinet's proposed 2021/22 Council Tax increase will be presented to the Cabinet meeting on 9 February as part of the proposed 2021/22 Budget recommended for approval by the Council meeting on 25 February.

4. IDENTIFIED POSITIVE INVESTMENTS

- 4.1 The Cabinet recognises that the use of available one-off resources and reserves for positive investment can have a catalytic impact that will enable and sustain the Borough's response and recovery from Covid-19. On this basis the Cabinet are proposing to use available one-off resources and reserves as part of the 2021/22

Budget with the view that it will provide additional Council support to protecting and recovering the Stockport economy, supporting residents, maintaining and developing the sense of community and providing further financial investment for the Council's Climate Action Strategy.

4.2 The areas of investment identified and being explored are:

- Identified commuted sums to be used to support investment in parks/green spaces to enhance the provision across the Borough. This will include enhancing outdoor play and sports facilities encouraging greater and wider participation within the Borough.
- Use of discretionary business support funding to support wider economic recovery within local and District Centres across the Borough and the Town Centre. This will support businesses to open and recover as Covid-19 restrictions are lifted.
- Use of available one-off resources to provide further funding of the Stockport Local Fund to support community based projects aligned to the Council's Build Back Better recovery process.
- Identified positive investments directed at supporting individuals and communities recovery from the pandemic including:
 - Digital inclusion, financial inclusion, cultural support;
 - Libraries Open plus;
 - Health and Wellbeing – community based works and mental health support;
 - Targeted youth support; and
 - Tackling Climate Change – EV charging points, open spaces.

4.3 In addition, the Cabinet is also aware that one-off resources held in earmarked reserves will need to be realigned to support the Section 151 Officers review of the risks and the adequacy of the Council's General Fund Balance in 2021/22 in light of the financial impact of the pandemic.

5. CONCLUSIONS

5.1 The Council's medium-term financial position is inherently uncertain and volatile given the financial impact of the pandemic and ongoing national lockdown and expected gradual lifting of restrictions during 2021/22. Finance Officers will continue to monitor and update the financial position in light of any further announcements and developments to ensure the Council's 2021/22 Budget and MTFP are set on a robust and resilient basis.

5.2 We will present our proposed 2021/22 Budget at the Cabinet meeting on 9 February prior to recommendation for approval to the Council meeting on 25 February. This will include our proposed Council Tax increase for 2021/22 based on a full and up to date understanding of the Council's future financial position. In addition, we will provide further detail about our proposed investment plans with the aim to provide support to protecting and recovering the Stockport economy,

maintaining and developing the sense of community and providing further financial investment for the Council's Climate Action Strategy.

6. RECOMMENDATIONS

6.1 CRMG are asked to note and comment on the contents of this report.

BACKGROUND PAPERS

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact Jonathan Davies email jonathan.davies@stockport.gov.uk

Appendix 1 – 2021/22 Provisional Local Government Finance Settlement

Introduction and Background

1. The 2021/22 Provisional Local Government Finance Settlement (PLGFS) was announced to Parliament by the Housing, Communities and Local Government Secretary, Rt Hon Robert Jenrick MP on 17 December 2020.
2. The announcements made in the PLGFS follow those already made in the Government's 2020 Spending Review in November and provide further detail on funding allocation methodologies and proposed funding allocations to individual Local Authorities. This note outlines the key announcements made and the impact these have on the Council's 2021/22 to 2022/23 MTFP forecasts and assumptions.
3. The PLGFS confirmed the Local Government Core Spending Power (CSP) will increase by 4.5% (£2.2bn) as announced by Government in the 2020 Spending Review. This is a real-terms increase in resources and represents the third settlement in a row to increase resources in real terms. However, in calculating CSP, Government assumes that Local Authorities will increase Band D Council Tax by the maximum amount allowable i.e. 5% in 2021/22, and that each Local Authority's Council Tax Taxbase has increased in line with their average Taxbase growth since 2016/17. It is noted by commentators that *'87% of the increase in CSP is from council tax increases and is accompanied by relatively low increases in grant funding'* and *'very little of the new grant increases are funded with new money (estimate of only £150m within CSP is actually new funding). Almost all the increases are funded by using the New Homes Bonus (NHB) returned surplus i.e. the balance of the funding remaining nationally having paid the NHB grant to Authorities in 2021/22'*.
4. The MTFP Update report is being presented at the Cabinet meeting on 22 December including an updated financial position for 2021/22 and 2022/23. A revised MTFP Update is provided at the end of this briefing note showing the impact of the PLGFS announcements and proposed funding allocations on the Council's forecast financial position over the medium term period.

Impact of the PLGFS on the Council's MTFP

5. **Council Tax Referendum Limits**

The PLGFS confirms Local Authorities will be given the ability to rise Council Tax by up to 5% (2% General and 3% Adult Social Care Precept) in 2021/22 before triggering a local referendum. As announced in the 2020 Spending Review, the Council will have the flexibility to defer an element of the Adult Social Care Precept increase to 2022/23.

6. **Mayoral Police and Crime Commissioner Precept (PCC)**

Whilst not directly impacting on the Council's MTFP, the PLGFS confirmed that PCC's will have the flexibility to increase their Precept by a maximum of £15 in 2021/22.

7. **Mayoral General Precept (including Fire)**

The PLGFS confirmed that no referendum principles will be set for the Precepts set by Mayoral Combined Authorities in 2021/22.

8. Mayoral Precepts – Impact on Stockport Council Tax Payers

Whilst decision on the Precepts do not directly impact on the Council's MTFP, the level of increase in terms of the impact on the Council's own Council Tax increase and the Stockport Council Tax Taxpayers will need to be considered. Confirmation of both precepts is expected in January 2021.

9. 100% Business Rates Retention Pilot

In line with the announcement in the 2020 Spending Review, the Council will continue to be part of the Greater Manchester 100% Business Rates Retention Pilot in 2021/22 underpinned by the 'No Detriment' guarantee.

10. Adult Social Care Funding

The PLGFS confirmed that the existing Adult Social Care funding would continue in 2021/22. This is assumed within the MTFP Update forecasts.

In addition to the Adult Social Care Precept flexibility, the proposed allocation of the additional £300m social care funding announced in the 2020 Spending Review has been released. This shows the Government's intention to equalise the funding across Local Authorities on the basis of their ability to raise income from the Adult Social Care Precept. On this basis, £240m (75%) of the additional funding has been equalised with the balance allocated based on the Adults Relative Needs Formula (RNF). The Council's proposed funding allocation is £0.826m. Whilst some form of equalisation was expected in the MTFP Update report, this is a greater amount and as a result an adverse adjustment of £0.374m has been included in the revised MTFP at the end of this note.

11. New Homes Bonus (NHB)

The PLGFS confirmed the national baseline for new homes growth will remain at 0.4%. This means where growth exceeds the 0.4% baseline, NHB grant will be paid. In line with future review and reforms to NHB and the one year settlement, the grant will only be paid in 2021/22; no new legacy payments will be paid in 2021/22.

As expected, the Council's housing growth (assessed using the Council's CTB1 Return in October) does not meet the 0.4% baseline for new homes growth. However, the Council will receive £0.058m NHB grant in 2021/22 in relation to the affordable homes' premium element of the grant allocation. This reflects the growth of affordable housing during this financial year of 165 affordable homes. This is included in the revised MTFP at the end of this note.

Government is inviting views on a replacement for NHB to '*understand where housing is most needed and to match where Councils are most ambitious*'. This will form part of the Government's review and reform of NHB in 2021/22.

There is no NHB Returned Surplus in 2021/22. As suggested in the 2020 Spending Review it appears that the surplus has been used to fund the additional social care grant (£150m), the increase in Revenue Support Grant (£13m) and the new Lower-Tier Services grant (£111m).

12. Lower Tier Services Grant

A new £111m Lower Tier Services grant has been announced. Distribution is based on the Local Authorities 2013/14 Settlement Funding Assessment (SFA) - £86m

allocated on this basis, but also includes an element that ensures *‘no council – either upper or lower tier – will have less funding available in 2021/22 than 2020/21’*.

The Council will receive a funding allocation of £0.318m from its SFA allocation to support the costs of lower tier Authority responsibilities including homelessness, planning, recycling and refuse collection, and leisure services. This is included in the revised MTFP at the end of this note.

13. Covid-19 Support

Whilst outside of the core settlement, further certainty has been given on the 2021/22 Covid-19 support announced in the 2020 Spending Review:

Covid-19 Support Grant

The 2020 Spending Review announced an additional £1.55bn of grant funding to be allocated to Local Authorities to meet additional expenditure pressures as a result of Covid-19. The PLGFS announced the proposed allocation of this funding to Authorities based on the Covid-19 RNF used for the Tranche 3 and 4 funding allocations during 2020/21. The Council’s proposed allocation is £7.629m which is a favourable adjustment of £0.096m compared to the MTFP Update forecast – this is due to a higher % allocation of the funding based on the Covid-19 RNF. Funding allocations are expected to be paid to Local Authorities in April 2021.

Covid-19 Support for Households

The PLGFS confirmed the £670m of additional grant funding nationally that was initially announced in the 2020 Spending Review. This funding is intended to help support vulnerable households, so they are able to afford Council Tax payments. Billing Authorities will receive an allocation in recognition of the lost income as a result of providing local Council Tax support to these vulnerable households.

Government is seeking views on the proposed allocation methodology and allocations to individual Local Authorities:

We propose to distribute the funding on the basis of each billing authority’s share of the England level working-age local council tax support caseload, adjusted to reflect the average bill per dwelling in the area. Indicative allocations and a detailed methodology note will be published shortly.

Covid-19 Compensation for Local taxation Income Losses

The PLGFS confirmed the £762m of funding to compensate Local Authorities for 75% of irrecoverable loss of Council Tax and Business Rates revenues in 2020/21 that would otherwise need to be funded through Local Authority budgets in 2021/22 and later years. Assessed funding allocations will be paid until January 2022, although Government are considering whether interim ‘on account payments’ could be made earlier in the year. Income losses in scope are:

Council Tax - losses of Council Tax income in scope of the guarantee will be measured by comparing an Authority’s Council Tax requirement for 2020/21 with its share adjusted ‘Net Collectable Debit’ for 2020/21. This means that the guarantee will predominantly cover expected Council Tax income at the time of budget setting for 2020/21, which did not materialise. Government expects Billing Authorities to

continue appropriate collection and enforcement action for outstanding Council Tax debt, in the usual way.

Business Rates - losses of Business Rates income in scope of the guarantee will be measured by comparing an Authority's estimated 2020/21 Business Rates, as calculated in NNDR1 (budget), with its outturn figures for Business Rates income calculated and certified in NNDR3 (outturn).

Covid-19 Sales, Fees and Charges Income Loss Compensation

It is proposed that the income loss compensation scheme used in 2020/21 is continued for the first quarter of 2021/22. The scheme would again feature a 5% deductible rate, whereby losses up to 5% of planned sales, fees and charges income against the chosen baseline (subject to consultation) are funded by Local Authorities. Government will then compensate for 75p in every pound of relevant income loss thereafter. By maintaining a 5% deductible Government is accounting for an acceptable level of volatility, whilst shielding Local Authorities from the worst losses. The definition of an eligible loss will remain the same as has been used for the current scheme.

Government is seeking views on:

- *The baseline used with the proposal being to use the 2020/21 budgeted income to reflect pre-Covid expected income levels; and*
- *Profiling with the proposal being to use a quarter of the baseline to reflect seasonal variations in income.*

14. Redmond Review

Alongside the Government's response to the Redmond Review, the PLGFS announced funding of £15m to be allocated to Local Authorities to implement the recommendations made. This will support Local Authorities to fund the increased audit fees and new burdens funding to support the production of the Statement of Accounts.

15. Other Announcements

A number of other announcements were made in the PLGFS:

- Further funding has been announced for Rough Sleepers, £750m nationally for 2021/22.
- An additional £165m for the Troubled Families Programme has been announced.
- The approach to the £4bn "levelling up" fund (UK Shared Prosperity Fund) announced in the 2020 Spending Review will be published early next year. Any local area can apply directly, with the focus on town centre regeneration and culture.
- Government will seek to find a new consensus for broader reforms for Local Government (including Fair Funding Formula and Business Rates Retention) when the post-COVID future is clearer.

- Multi-year settlements can be expected from 2022/23 to provide Local Authorities with greater certainty about their funding, but the Government will need to consider the economic circumstances in doing this.

16. Consultations

A consultation on the announcements made in the PLGFS has been released to inform the Final Local Government Finance Settlement (FLGFS) in the new year. This consultation seeks views on proposal for the Local Government finance settlement for 2021/22, in particular from representatives of Local Government.

Revised MTFP Savings Requirement

17. The MTFP Update will be presented to the Cabinet meeting on 22 December. The table below shows the changes to the MTFP position in 2021/22 as a result of the PLGFS announcements:

	MTFP Update 2021/22 £000	PLGFS Adjustments 2021/22 £000
Cumulative Savings Requirement as at October	23,341	34,825
Adjustment to Covid-19 Financial Scarring Impacts		
Increase Costs of Service Provision/Commissioning due to Covid-19 - Temporary Fee Uplift to Support Financial Impact on Care Providers	(800)	(800)
Increase Costs of Service Provision/Commissioning due to Covid-19 - Support increase in NLW as part of the fee uplift	(500)	(1,000)
Collection Fund Income Losses - Q2 Deficit Spreading	(896)	(896)
Collection Fund Income Losses – Forecast Taxbase Per CTB1 Subject to Approval	(200)	(200)
Sales, Fees and Charges Income Losses	TBC	TBC
Commercial Income Losses	TBC	TBC
MTFP Favourable Adjustments		
Better Care Fund Inflationary Uplift	(750)	(750)
Pay Inflation Freeze in 2021/22 – Contingency Budget Reduction	(2,417)	(2,417)
Waste Disposal Levy	(348)	(692)
MTFP Adverse Adjustments		
Demand Pressures including Children's and Education Investment, SEND	1,500	1,500
Microsoft Enterprise Agreement/Continuation of Netcall	290	310
2020 Spending Review Adjustments		
Covid-19 Support Funding*	(7,533)	0
Sales, Fees and Charges Income Loss Compensation*	(494)	0
Additional Social Care Grant*	(1,200)	(1,200)
75% Collection Fund Irrecoverable Losses Support*	(1,878)	(1,878)
MTFP Update Revised Cumulative Savings Requirement	8,115	26,802
PLGFS Adjustments		
Covid-19 Support Funding	(96)	0
Additional Social Care Grant	374	374
New Homes Bonus – Affordable Homes Premium	(58)	0
Lower Tier Service Grant	(317)	0
MTFP Update Revised Cumulative Savings Requirement - Including PLGFS Adjustments	8,018	27,176

18. This results in a net favourable adjustment of £0.097m in 2021/22 (net adverse adjustment £0.316m in 2022/23) resulting in a revised savings requirement of £8.018m in 2021/22 (£27.176m in 2022/23).
19. The forecast for the Collection Fund Irrecoverable Loss support above (highlighted yellow) is subject to further confirmation of the funding methodology. Government have issued a Policy Statement setting out how 2020/21 irrecoverable losses experience in terms of Council Tax and Business Rates collection will be calculated. Finance Officers are working through the detail of these calculations to determine the amount of support funding the Council can expect to receive. It is possible that the forecast support will reduce from that shown above which will adversely impact the above position.
20. In addition, given the uncertainty, volatility and risks of the financial landscape, the MTFP forecasts and assumptions will be continually checked and updated as part of the 2021/22 budget setting process to ensure they remain robust and minimise the impact of risks materialising. This includes:
- Continuing review of the Covid-19 financial scarring impacts and further announcements made by Government including the recovery of sales, fees and charges income losses and commercial income losses;
 - A further review of the expenditure and demand pressures relating to all Cash Limit budgets including Children's and Adults Social Care;
 - A review of additional expenditure pressures linked to inflationary increases impacting on Totally Local Company;
 - A review of additional expenditure pressures particularly relating to inflationary cost increases in the Council's external supply chain;
 - Further dialogue with providers of adult care relating to care package fees to understand step change increases to the fees expected by providers in 2021/22;
 - Further analysis of the in-year position on the Collection Fund including the 100% Business Rates Retention Pilot to assess the ongoing impact of the pandemic on Council Tax and Business Rates income and the impact this will have on the Council's 2021/22 Budget and MTFP; and
 - Continuing to monitor the Government announcements in relation to the ongoing negotiations for a Brexit trade deal between the UK and the EU prior to 31 December to understand the financial impact this will have on the Council.
21. As this is a Provisional Settlement under consultation, the assumptions and forecasts within the revised MTFP presented above remain subject to change. Finance Officers will continue to review the PLGFS supporting documentation to ensure all the impacts on the Council's MTFP are picked up.
22. The consultation period ends on 16 January 2021 with the FLGFS expected to be announced by the end of January. Finance Officers will respond to the consultation as appropriate.
23. In addition, Government is seeking views on its proposed approach to allocating the Covid-19 support announced in the 2020 Spending Review. Responses are required by 14 January 2021.