



**Performance & Corporate Services Overview &
Scrutiny Committee
Friday, 9 December 2022**

ADDENDA

5. Budget Proposals 2023/24 to 2025/26 (Pages 1 - 6)

Report of the Director of Finance.

The Committee is invited to consider the implications of the updates to funding and inflation assumptions set out in this addendum.

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Divisions Affected – All

Performance & Corporate Services Overview and Scrutiny Committee

9 December 2022

Budget Proposals 2023/24 to 2025/26 Addendum – Implications of the Chancellor’s Autumn Statement

Director of Finance

RECOMMENDATION

- 1. The Performance & Corporate Services Overview and Scrutiny Committee is invited to consider the implications of the updates to funding and inflation assumptions set out in this addendum.**

Introduction

2. The Chancellor’s Autumn Statement on 17 November 2022 included economic forecasts from the Office for Budget Responsibility and set out the UK’s medium term spending plans. This addendum sets out implications for the council that will need to be considered later in the Budget & Business Planning process.
3. It is anticipated that the Government will announce individual local authority funding allocations on 21 December 2022 as part of the Provisional Local Government Finance Settlement with a policy paper expected to be published in early December.
4. The updated funding position and any changes to the proposals will be shared with Performance and Corporate Services Overview and Scrutiny Committee in January 2023. The final settlement is expected to be received in early February 2023.

Overview

5. There is additional funding in the short term but inflation will increase costs further. Local government is likely to need to make deeper savings from 2025/26 onwards because of constraints on funding growth.

Changes announced on 17 November 2022

Council Tax Referendum Limit

6. The Government's Spending Review 2021 set out that the council tax referendum limit was expected to remain at 2.0% throughout the three-year Spending Review period to 2024/25. It also set out that local authorities could meet pressures in adult social care by raising council tax by up to an additional 1.0% per annum through an additional precept in 2022/23, 2023/24 and 2024/25.
7. The current Medium-term Financial Strategy (MTFS) assumes core council tax increases of 1.99% each year plus a further 1.00% adult social care precept in each of 2023/24 and 2024/25.
8. The Autumn Statement set out that the referendum limit for increases in core council tax will be increased to 3% per year from April 2023. In addition, local authorities with social care responsibilities will be able to increase the adult social care precept by up to 2% per year.
9. The impact of the changes compared to the Spending Review 2021 is summarised below:

	2023/24	2024/25	2025/26
Core Council Tax Increase (current MTFS)	1.99%	1.99%	1.99%
Additional Core Council Tax Increase *	1.00%	1.00%	?
Maximum Core Council Tax Increase	2.99%	2.99%	?
Adult Social Care Precept - SR2021 (current MTFS)	1.00%	1.00%	
Additional Adult Social Care Precept *	1.00%	1.00%	?
Maximum Adult Social Care Precept Increase	2.00%	2.00%	?
Total Council Tax increase in current MTFS	2.99%	2.99%	1.99%
Maximum Council Tax increase following Autumn Statement	4.99%	4.99%	?
Planned increase in current MTFS			
Band D Council Tax	£1,700.99	£1,751.85	£1,786.71
Increase from previous year	£49.38	£50.86	£34.86
Maximum increase following Autumn Statement			
Band D Council Tax	£1,734.03	£1,820.55	£1,856.78
Increase from previous year	£82.42	£86.53	£36.23

(* OBR forecasts assume a continuation of increases in Council Tax income at 4.99% in 2025/26 but DLUHC have only set out figures to 2024/25)

10. Each 1% increase in council tax compared to the current plan would generate on-going council tax funding of around £4.4m.

Inflation and the National Living Wage

11. The Office for Budget Responsibility forecasts CPI inflation to be 9.1% in 2022 and 7.4% in 2023 before falling back to 0.6% from 2024 and returning to closer to the 2% target over the longer run.
12. The government will increase the National Living Wage for individuals aged 23 and over from £9.50 to £10.42 an hour (9.7%) from 1 April 2023. This is higher than the amount previously consulted upon.
13. The impact of the increase in the National Living Wage and higher inflation more generally is expected to increase costs further. Updates to the budget proposals reflecting these changes will be shared in January 2023.

Social Care Reforms

14. The national rollout of social care financing reforms will be delayed from October 2023 to October 2025. Funding for implementation will be maintained within local government to enable local authorities to address adult social care pressures and allocated via the Local Government Financial Settlement through the Social Care Grant. Some elements of the previously announced reforms like a new assurance regime, overseen by the Care Quality Commission (CQC), will still take effect in April 2023: authorities will need to invest to be prepared for these changes.
15. The Health & Social Care Levy was announced to be withdrawn in the government's fiscal statement on 22 September 2022. National funding totals will be adjusted to remove funding for the additional employer cost from April 2023.

Business Rates

16. The Government had already announced a delay to the Fair Funding Review until 2025 at the earliest. There was no further update on this in the Autumn Statement.
17. The Settlement Funding Assessment for the council will be shared as part of the Provisional Local Government Settlement.

Grant Funding Updates

18. Spending Review 2021 control (cash) totals will be protected for 2023/24 and 2024/25 (so there will be a roll forward of funding from 2022/23). The current proposals assume that the Services Grant and New Homes Bonus cease in 2022/23 so further information is needed to confirm if the council will receive further funding through either of these grants.

19. From 2025/26 onwards there will be a 1% increase in real terms. After taking account of protected budgets including, for example, defence, Official Development Assistance (ODA) and the pension triple-lock, there will be a real terms reduction in funding for local government.

Adult Social Care

20. £0.6Bn to tackle bed blocking will be distributed through the Better Care Fund in 2023/24 and £1.0Bn in 2024/25. This funding will be split 50:50 between the NHS and Local Government.

21. A further £0.4Bn in 2023/24 and £0.7Bn in 2024/25 will be distributed through a grant ringfenced for adult social care which will also help to support hospital discharge.

22. Combined, this is an additional £0.7Bn of new settlement funding in 2023/24 and £1.2Bn in 2024/25.

Funding Source	National Funding 2023/24	National Funding 2024/25	Purpose
Better Care Fund (50% for Local Government to be allocated through the improved Better Care Fund (iBCF) & 50% NHS)	£0.6Bn	£1.0Bn	Needs to be used in line with Better Care Fund requirements. May overlap with proposed saving 24AD10 but further information is awaited.
Adult Social Care Ringfenced Grant	£0.4Bn	£0.7Bn	Assumed to be ringfenced to support discharges from hospital
Total Funding for Adult Social Care	£0.7Bn	£1.2Bn	

Social Care

23. £1.3bn in 2023/24 and £1.9bn in 2024/25 will be distributed to local authorities through the Social Care Grant for adult and children’s social care. This is repurposed funding that was expected to be used to support the cost of adult social care reform.

Household Support Fund

24. The Household Support Fund will continue for a further 12 months with an additional £1bn of funding, administered via local authorities.

Lorna Baxter, Director of Finance

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November 2022

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