



## Place and Resources Scrutiny Committee

**Date:** Friday, 7 January 2022  
**Time:** 10.00 am  
**Venue:** A link to the meeting can be found on the front page of the agenda.

### **Members (Quorum )**

Shane Bartlett (Chairman), Andy Canning (Vice-Chairman), Jon Andrews, Piers Brown, Brian Heatley, Mark Roberts, David Shortell, David Tooke, Bill Trite and Daryl Turner

**Chief Executive:** Matt Prosser, County Hall, Dorchester, Dorset DT1 1XJ

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Meeting Contact 01305 252209 / [lindsey.watson@dorsetcouncil.gov.uk](mailto:lindsey.watson@dorsetcouncil.gov.uk)

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### **Agenda**

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## Addendum to Scrutiny Committees report on budget strategy

### **1. The statement**

- 1.1 On 16 December 2021, the Secretary of State for Levelling Up, Housing and Communities, Michael Gove, provided a [statement](#) to Parliament regarding the provisional local government finance settlement for 2022/23.
- 1.2 The statement set out that “This is a settlement that, at a national level, makes available an additional £3.5 billion to councils, an increase in local authority funding for 2022/23 of over 4% in real terms. This will ensure councils across the country have the resources they need to deliver key services.”
- 1.3 The key to understanding the impact on Councils, however, is very much in the detail. Much of this is still uncertain – and indeed some is still unpublished. So, it is important to be able to clarify what we know so far, what the remaining gaps are and what the risks still associated with those gaps might be.
- 1.4 The consultation on the provisional settlement closes on 13 January 2022. It is also important to remember that much of the funding that comes to local government (pothole funding, public health, schools) does not come from DLUHC and is therefore not included within the settlement.

### **2. National context**

- 2.1 At a national level, the Local Government Departmental Expenditure Limit (DEL) is increasing from £50.392bn in 2021/22 to £53.866bn for 2022/23 an increase of almost 6.9% in cash terms and 4.1% in real terms.
- 2.2 This is the £3.5bn increase that the Secretary of State referred to in his statement, but it is important to remember that not all of this is money comes directly from Government to support local service delivery. Some £1.4bn comes from what Government assumes will be the increase in council tax and adults social care precepts raised locally by Councils in addition to funding provided centrally.

### **3. Increases in the quantum**

- 3.1 Turning to the overall increase, at a national level the figures are set out in the table, below. Further detail on key aspects of some of the specific aspects of the grants follows in the ensuing paragraphs

<b>Illustrative Core Spending Power of Local Government:</b>			
	2021-22	2022-23	Annual increase
	£ millions	£ millions	£ millions
Settlement Funding Assessment	14,809.7	14,882.2	72.5
Compensation for under-indexing the business rates multiplier <sup>1</sup>	650.0	1,025.1	375.0
Council Tax Requirement excluding parish precepts <sup>2,3</sup>	30,326.9	31,728.5	1,401.6
Improved Better Care Fund	2,077.0	2,139.8	62.8
New Homes Bonus	622.3	554.5	-67.8
Rural Services Delivery Grant	85.0	85.0	0.0
Social Care Grant <sup>5</sup>	1,710.0	2,346.4	636.4
Market Sustainability and Fair Cost of Care Fund	0.0	162.0	162.0
Lower Tier Services Grant	111.0	111.0	0.0
2022/23 Services Grant	0.0	822.0	822.0
<b>Core Spending Power</b>	<b>50,392.0</b>	<b>53,856.5</b>	<b>3,464.5</b>

### **4. Settlement funding assessment (SFA)**

- 4.1 SFA is the local share of business rates and revenue support grant (RSG). Members will recall that Dorset Council receives no RSG – in fact our RSG is negative but this is offset by the Government by using the central share of business rates. This anomaly arose as part of the 2015 spending review (SR2015) and the situation has still not been dealt with on a permanent basis.
- 4.2 Dorset Council continues to campaign for elimination of RSG in its current form, at every opportunity and in our consultation responses. The RSG total, distributable to those still receiving it, will increase by 3.1% this year, further highlighting how the inequity in the formula impacts negatively on Dorset Council.
- 4.3 The Government estimates no increase in our local share of business rates but there will be an additional S31 grant for under-indexation of the business rates multiplier.
- 5. Council tax**
- 5.1 At a local level, Government's estimate of how much Dorset Council will collect from council tax is lower than our budget proposal. This is due to growth in the base rather than the % increase. The figures already in the budget are therefore higher than contained in the settlement.
- 6. Improved better care fund (iBCF)**
- 6.1 Nationally there is a cash increase of £62.8m in the iBCF. Locally this inflationary uplift benefits Dorset Council by around £0.4m. The increases in cost associated with this additional grant are already included in the Council's budget estimates.
- 7. New homes bonus**
- 7.1 Despite a year-on-year reduction in the national funding for NHB, Dorset Council's share increased by £2.1m to £3.8m. This increase had been anticipated in the budget proposals that were developed for scrutiny so there is no further funding to account for.
- 8. Rural services delivery grant**
- 8.1 RSDG is maintained at its 2021/22 level which is £2.5m for Dorset Council. This was anticipated in the budget proposals developed for scrutiny.
- 9. Social care grant**
- 9.1 Government has confirmed that there will be an additional £0.7m available for social care in 2022/23. £63m of this comes through the iBCF (see above) with the remaining £636m coming as additional social care grant.
- 9.2 For Dorset this increases funding year-on-year by £4m to £13.3m. The majority of costs associated with this increase in funding have already been built into the budget proposals so this funding will help to reduce the budget gap that this brought about.
- 10. Market sustainability and fair cost of care fund**
- 10.1 The Government outlined at Spending Review 2021 that social care reform funding would be part of Core Spending Power. In 2022/23, this will be the Market Sustainability & Fair Cost of Care Fund worth £162 million. The Government is consulting on the methodology for distribution of this fund, with a preference for the existing adult social care relative needs formula.
- 10.2 The 2022/23 funding is to ensure local authorities prepare their markets for reform and move towards paying providers a fair cost of care, according to local circumstances. Government expects local authorities to carry out activities such as:

- a cost of care exercise to determine sustainable rates and identify how close they are to them
- engage with providers to improve data on operational costs and number of self-funders to better understand the impact of reform on the local market
- strengthen capacity to plan for, and execute, greater market oversight and improved market management to ensure markets are well positioned to deliver reform ambitions; and
- use this additional funding to genuinely increase fee rates, as appropriate to local circumstances.

10.3 The statement makes further funding for this purpose, worth £600 million in 2023/24 and another £600 million in 2024/25, conditional upon the conclusion of the cost of care exercise, a publication of a provisional three-year market sustainability plan on how councils intend to move to a sustainable rate fee and a grant spending report. The Department will make available ongoing support and there will be ongoing monitoring and governance of fund spend that councils must participate in across the three-year period.

10.4 Dorset's share of this £162m national fund is £1.2m but costs are expected to be commensurate, meaning the grant is neutral for the net budget proposals.

## 11. 2022/23 services grant

11.1 In his statement, the Secretary of State acknowledged that "Local government delivers a range of services that are at the core of every community" as he announced a one-off 2022/23 services grant worth £822m. This is being distributed using the settlement funding assessment (SFA) formula and for Dorset this amounts to £3.1m.

11.2 The grant is not ring fenced and Government intends the allocations for 2022/23 to be one-off and will consult on how best to use and distribute the overall quantum from 2023/24 onwards. The grant includes funding for the increase in employer national insurance contributions, which Dorset Council estimates will cost around £1m. We cannot make assumptions about how much of this grant will be added to base funding at this stage.

## 12. Dorset Council core spending power (CSP) changes

12.1 The table below sets out year-on-year changes in the published CSP figures.

<b>Illustrative Core Spending Power of Local Government:</b>				
	2021-22	2022-23	Annual	Compare to
	£ millions	£ millions	increase	Proposals
			£ millions	£ millions
Settlement Funding Assessment	44.3	44.3	0.0	-0.2
Compensation for under-indexing the business rates multiplier <sup>1</sup>	2.3	3.6	1.3	2.0
Council Tax Requirement excluding parish precepts <sup>2,3</sup>	263.9	273.9	9.9	-1.8
Improved Better Care Fund	12.1	12.5	0.4	0.4
New Homes Bonus	1.7	3.8	2.1	0.0
Rural Services Delivery Grant	2.5	2.5	0.0	0.0
Social Care Grant <sup>5</sup>	9.4	13.3	4.0	4.0
Market Sustainability and Fair Cost of Care Fund	0.0	1.2	1.2	1.2
Lower Tier Services Grant	0.4	0.4	0.0	0.0
2022/23 Services Grant	0.0	3.1	3.1	3.0
<b>Core Spending Power</b>	<b>336.6</b>	<b>358.5</b>	<b>21.9</b>	<b>8.6</b>

12.2 As mentioned, our estimates of the council tax yield are (£1.8m) higher than the CSP calculation figures which effectively gives us an increase over our expectations of

around £10.4m. After allowing for a revised growth in the council tax base, our budget gap was £4.1m, leaving around £6.3m.

- 12.3 Of this remainder, Cabinet has indicated that they wish to support an investment in the Housing Team of £0.7m and note that the £1.2m market sustainability fund will require commensurate spend.
- 12.4 After these proposed allocations, it is important that we do not yet allocate any more of this funding as we have yet to work through the fine detail of the proposals to understand how much new expenditure, beyond the current budget proposals, will be needed to satisfy the funding criteria. There is also increasing concern amongst members that inflation is building in the economy and this may result in further pressure on Council budgets, meaning it would be prudent to leave this unallocated amount in the contingency budget for now.

Aidan Dunn

**Executive Director, Corporate Development**

23 December 2021