

Spending Power Reduction

The Forecast 2020/21 Local Government Finance Settlement (LGFS)

1. The provisional LGFS 2020/21 was published in December 2019 however some individual grant allocations and the final settlement have yet to be confirmed. In the absence of confirmed figures H&F, in collaboration with London Councils, has used the provisional settlement figures and forecast the potential grant allocations based on national control totals issued as part of the September Spending Review 2019 announcement. These estimates will be updated when information is available. The key H&F figures are summarised in Table 1 and Table 2.

Table 1 – Unringfenced Government Funding

	2019/20	2020/21
Confirmed Allocations	£000s	£000s
Revenue Support Grant ¹	17,131	17,410
New Homes Bonus Grant	6,997	6,775
Social Care Support Grant	1,569	5,956
Other General Grants	4,935	4,058
Total	30,632	34,199
Grant Increase – cash		3,567
Grant Increase – cash terms %		11.6%

Table 2 - Ring-fenced Funding Allocations

	2019/20	2020/21
	£000s	£000s
Public Health Grant	21,189	21,791
Improved Better Care Fund/Winter Pressures	9,732	9,732
Flexible Homelessness Support Grant	2,805	2,805
Other	242	242
	33,968	34,570

2. The government place restrictions on how Public Health Grant and Better Care Funds are used. These grants are allocated to Departmental Budgets before the calculation of the Council budget requirement.

2020/21 Spending Power

¹ In 2019/20 the RSG was receivable as part of business rates. It is shown within Table 1 to enable a like for like comparison

- 3 In the settlement announcement the government state their view of the change in local authority spending power. As well as government funding this includes their assumption on what local authorities will collect through council tax and business rates. The figures are set out in Table 3. The H&F increase is below the London and national average increase.

Table 3 – Government Spending Power Calculation.

	2019/20	2020/21
H & F	+2.0%	+5.9%
London Average ²	+2.3%	+6.3%
National	+2.8%	+6.1%

5. The Government spending power calculation:
- Takes no account of inflation or demographic pressures.
 - Assumes that authorities will increase council tax by 2% and levy the adult social care precept at 2%.
 - Assumes that authorities will collect business rates in line with their funding baseline.³ Due to the impact of rate appeals the sum receivable by H&F will be £4.6m⁴ lower.
- 6 As set out in Table 4 when account is taken of the above factors the local spending power reduction for H&F is estimated at 3.8%.

Table 4 – LBHF Spending Power Reduction

	£m
Government Spending Power Calculation 2019/20	158.7
Government Spending Power Calculation 2020/21	168.1
Less:	
Business rates below funding baseline	(4.6)
Inflation Provision	(4.4)
Increase in Demographic Pressure	(6.4)
Adjusted LBHF Spending Power Calculation 2020/21	152.7
Adjusted Reduction	(6.0)

² Estimated figure from the Local Government Association

³ This figure is the net business rates the government expect LBHF to retain after payment of a tariff to the government.

⁴ Subject to completion of the 2020/21 NNDR1 business rates return to Government in January