

Spending Power Reduction

The Provisional 2019/20 Local Government Finance Settlement (LGFS)

1. The key Hammersmith and Fulham figures from the settlement are summarised in Table 1 and Table 2.

Table 1 – Unringfenced Government Funding

	2018/19	2019/20
Confirmed Allocations	£'000s	£'000s
Revenue Support Grant ¹	23,427	17,131
New Homes Bonus Grant	6,747	6,997
Other Unringfenced Grants	3,968	6,555
Total	34,142	30,683
Grant fall - cash		-3,459
Grant fall – cash terms %		-10.1%

Table 2 - Ring-fenced Funding Allocations

	2018/19	2019/20
	£000s	£'000s
Public Health Grant	21,764	21,189
Improved Better Care Fund	7,055	8,814
Flexible Homelessness Support Grant	3,381	2,805
Other	1,165	1,160
	33,365	33,968

- 2 The government place restrictions on how Public Health Grant and better care funding are used. These grants are allocated to Departmental Budgets before the calculation of the Council budget requirement.

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- 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 Hammersmith and Fulham increase is below the London and national average.

¹ In 2018/19 the RSG is receivable as part of business rates. It is shown within Table 1 to enable a like for like comparison

Table 3 – Government Spending Power Calculation.

	2018/19	2019/20
LBHF	-0.7%	+2.0%
London Average	+1.0%	+2.3%
National	+1.8%	+2.8%

5. The Government spending power calculation is questionable:
- It takes no account of inflation or demographic pressures.
 - It assumes that authorities will increase council tax by 3%. Hammersmith and Fulham will increase Council Tax by inflation-linked 2.7%.
 - It assumes that authorities will collect business rates in line with their funding baseline.² Due to the impact of rate appeals the sum receivable by LBHF will be £3.9m lower.
- 6 As set out in Table 4 when account is taken of the above factors the local spending power reduction for Hammersmith and Fulham is estimated at 6%.

Table 4 – LBHF Spending Power Reduction

	£'m
Government Spending Power Calculation 2018/19	156.2
Government Spending Power Calculation 2019/20	159.4
Less:	
2.7% inflation-based Council Tax increase. This is 0.3% lower than the government assumed above inflation increase of 3%	0.2
Business rates below funding baseline	3.9
Inflation Provision	3.0
Increase in Demographic Pressure	5.4
Adjusted LBHF Spending Power Calculation 2019/20	146.9
Adjusted Reduction	-6.0%

² This figure is the net business rates the government expect LBHF to retain after payment of of a tariff to the government.