

Spending Power calculation

The provisional 2021/22 local government finance settlement (LGFS)

1. The provisional LGFS 2021/22 was published on 17 December 2020. Some individual grant allocations have yet to be confirmed (and are estimated) and all figures may be adjusted as part of the final LGFS due in January 2021. The key Hammersmith & Fulham figures are set out in Table 1 and Table 2.

Table 1 – Un-ringfenced government funding

Confirmed allocations	2020/21 £000s	2021/22 £000s
Revenue support grant	17,410	17,506
New homes bonus grant	6,863	5,274
Social care support grant	5,956	7,994
One-off local council tax support grant	0	1,355
Other general grants	4,740	6,149
Total	34,969	38,278
Grant increase – cash		3,310
Grant increase – cash terms %		9.4%

Table 2 - Ringfenced funding allocations

	2020/21 £000s	2021/22 £000s
Public Health	22,077	22,077
Improved Better Care Fund/ Winter Pressures	9,732	9,732
Homelessness Prevention (like for like basis)	3,373	3,774
Other	232	184
	35,414	35,767

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.

2021/22 spending power

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 & Fulham increase is below the London and national average increase.

Table 3 – Government spending power calculation

	2020/21	2021/22
Hammersmith & Fulham	+5.9%	+4.0%
London Average ¹	+6.3%	+4.3%
National	+6.1%	+4.5%

5. The government spending power calculation:
- Takes no account of inflation or increased demand and demographic pressures.
 - Assumes that authorities will increase council tax by 2% and levy the adult social care precept at 3%.
 - 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 Hammersmith & Fulham may be £4.6m³ lower.
- 6 As set out in Table 4 when account is taken of the above factors the local spending power reduction for Hammersmith & Fulham is estimated at 4.4%.

Table 4 – Hammersmith & Fulham spending power reduction

	£m
Government Spending Power calculation 2020/21	168.1
Government Spending Power calculation 2021/22	174.8
Less:	
Business rates below funding baseline	(4.6)
Inflation provision	(4.4)
Increase in demographic pressure/ Covid-19 impact	(5.1)
Adjusted Hammersmith & Fulham Spending Power calculation 2020/21	160.7
Adjusted reduction (4.4%)	(7.4)

¹ Estimated figure from the Local Government Association.

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

³ Subject to completion of the 2021/22 NNDR1 business rates return in January 2021.