

Spending Power calculation

The provisional 2022/23 local government finance settlement (LGFS)

1. The final LGFS 2022/23 was published on 7 February 2022. As part of the settlement the government calculate how much they think local authority spending power has increased.
2. The Hammersmith & Fulham figures that are included in the government spending power calculation are set out in Table 1. As well as government funding this includes their assumption on what local authorities will collect through council tax and business rates.

Table 1 – Government core spending power calculation

Funding within core spending power	2021/22 £000s	2022/23 £000s
General Grants		
Revenue support grant	17,506	18,046
New homes bonus grant	5,274	2,750
Social care support grant	7,994	10,717
Multiplier cap compensation	3,223	6,322,
Market sustainability and fair cost of care	0	620
Lower tier support services grant	872	937
Services grant	0	4,264
Earmarked Grants		
Improved better care fund	9,732	10,026
Total	44,601	53,682
Government assumed council tax (based on 3% increase including 1% adult social care precept)	67,330	70,462
Assumed business rates	61,855	61,855
Total	173,786	185,999
% increase		7.0%

2. The figures set out in Table 2 show that the Hammersmith & Fulham increase is below the London and national average increase.

Table 2 – Government spending power calculation

	2021/22	2022/23
Hammersmith & Fulham	+4%	+7.0%
London average ¹	+4.3%	+7.3%
National average	+4.5%	+7.4%

¹ Estimated figure from the Local Government Association.

5. The government spending power calculation:
- takes no account new funding burdens (the market sustainability and fair cost of care grant)
 - assumes that authorities will increase council tax by 2% and levy the adult social care precept at 1%.
 - 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.
 - assumes that the multiplier cap compensation grant, payable for the government decision not to increase business rates, is funded in line with the business rates baseline. As Hammersmith and Fulham budgets to receive a lower amount of business rates income (the safety net threshold) the actual grant forecast is lower.
- 6 As set out in Table 3 when account is taken of the above factors the local spending power increase for Hammersmith & Fulham is estimated at £4.4m (2.5%). This compares to inflationary pressures of £10m.

Table 3 – Hammersmith & Fulham spending power calculation

	£m
Government Spending Power calculation 2021/22	173.8
Government Spending Power calculation 2022/23	186.0
Less:	
Business rates below funding baseline	(4.6)
Lower multiplier cap compensation grant	(0.5)
New burdens	(0.6)
Assumed council tax increase of 3%	(2.1)
Adjusted Hammersmith & Fulham spending power calculation 2022/23	178.2
Adjusted 2022/23 increase	2.5%

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

³ This is confirmed following completion of the 2022/23 NNDR1 business rates return in January 2022.