

Spending Power Reduction

The Provisional 2016/17 Local Government Finance Settlement

1. The Provisional Local Government Finance Settlement was released on December 17. The key Hammersmith and Fulham figures are summarised in Table 1 and Table 2.

Table 1 – Unringfenced Government Funding

	2015/16	2016/17
Confirmed Allocations	£'000s	£'000s
Revenue Support Grant	47,791	38,453
New Homes Bonus Grant	4,105	8,096
Other Unringfenced Grants	5,724	2,836
Total	57,620	49,385
Grant fall - cash		-8,235
Grant fall – cash terms %		-14.3%
Grants for New Burdens		
Independent Living Fund		895

- 2 The settlement includes £895,000 for the transfer to local government of the funding for the Independent Living Fund. This is required to meet existing expenditure commitments.

Table 2 - Ring-fenced Funding Allocations

	2015/16	2016/17
	£000s	£'000s
Dedicated Schools Grant	131,775	132,534
Public Health Grant	20,855	tbc
Pooled NHS and LA Better Care Fund	13,148	tbc

- 3 The government place restrictions on how both Dedicated Schools Grant and Public Health Grant are used. The NHS and local authorities must agree locally, through Health and Wellbeing Boards, how Better Care Funds are spent. For now it is not assumed that any of this funding will be available to support the MTFS – it will replace existing health funding or be a new burden. This assumption will continue to be reviewed.

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- 4 As part of the settlement announcement the government state their view of the cut 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 cut is greater than the national average. In part this is because a low proportion of Hammersmith and Fulham funding comes from council tax.

Table 3 – Government Spending Power Calculation.

	2015/16	2016/17
LBHF	-4.5%	-3.1%
London Average	-3.2%	-3.0%
National	-2.0%	-2.8%

5. The Government spending power calculation is questionable:
- It takes no account of inflation or demographic pressures.
 - It assumes that authorities that have social care responsibilities will levy a 2% social care precept. Hammersmith and Fulham will not make this levy.
 - It assumes that authorities will increase council tax in line with inflation (1.3%). Hammersmith and Fulham has a council tax freeze.
 - Government assumptions on business rates income take no account of the impact of business rates appeals.
 - It does not take account of additional unfunded government burdens placed on local authorities
- 6 Taking account of the above factors the local spending power reduction for Hammersmith and Fulham is estimated at 7%