

Revenue Spending Power – Explanatory Note

Introduction

1. Local Authority Revenue Spending Power figures have been published since 2011-12 as the key measure of revenue available to local authorities. Revenue Spending Power aggregates the resources that councils have available to support services for local citizens.

Calculation of the 2015-16 Spending Power

2. The revenue spending power in 2015-16 is derived from the sum of the following components:-
 - The Council Tax Requirement figures for 2015-16 (excluding parish precepts). The figures have been estimated by assuming the historic growth rate in local authority tax bases continues next year and that there are no increases in Council Tax levels.
 - Settlement Funding Assessment figures from the Provisional Local Government Finance Settlement Consultation.
 - Specific grants in 2015-16 as listed in the tables that accompany this note for which grant totals and individual allocations are available at the time of the 2015-16 Provisional Settlement.
 - New Homes Bonus allocations for 2015-16. In London, boroughs will pool a proportion of their 2015-16 Bonus allocation to the London Enterprise Panel, the local enterprise partnership for London. Pooled funds will be spent in borough areas in support of London Growth Deal priorities.
 - Revenue funding of £3.46bn in the new Better Care Fund (not the capital elements). This is a pooled budget designed to enable local places to integrate health and care services that are currently commissioned by the NHS and local authorities. Better Care Fund grant is funded within NHS Budgets and supplemented by additional local contributions. It is included in Spending Power because local authorities and Clinical Commissioning Groups jointly agree through Health and Wellbeing Boards how the funding will be spent across health and care services.

Funding included in England total but not area totals

3. The following funds were recently announced by the Department for Communities and Local Government:
 - £89.35m Transformation Challenge Awards
 - £16.02m Counter Fraud Fund
 - £9.63m (£9.74m including the GLA) Fire Transformation Fund revenue element

4. The majority of this funding has been awarded to local partnerships to enable transformation of local service provision and tackling fraud. To reflect their impact on the total resources available for local authorities in 2015-16 in a transparent way, the published tables include figures for England as a whole both with and without these 'partnership funds'. They are not included in figures for individual local authorities, since lead local authorities will each receive money to run projects with a number of partners including other local authorities and other organisations.

Adjusting figures for change between years to take account of policy change

5. The general principle is that if new funding is introduced along with a new burden or duty, the figure for the previous year used in comparison is adjusted upwards so that the size of any increase more realistically reflects extra resources available. In calculating the 2015-16 Spending Power figures the Government has looked to ensure that comparisons with the previous year are on a 'like-for-like' basis in line with a well established methodology used in the past.
6. From April 2015, significant changes to the funding of health and social care were introduced, with policy changes creating new burdens for local authorities, including the transition to capped care costs and deferred payments. There have also been changes associated with the Single Fraud Investigation Service, as responsibility for Housing Benefit fraud investigation moves from local authorities to the Department for Work and Pensions from 2014. To ensure that we are making a fair comparison between years, we have adjusted 2014-15 spending power to include relevant like-for-like adjustments. This does not affect the published 2014-15 spending power figure.
7. The adjustments are:
 - £285m for the early assessment for the cap and deferred payment agreements;
 - £135m for the new care policies associated with the Care Bill;
 - £430m to reflect the funding linked to Carers and reablement included in the Better Care Fund;
 - £9.3m for the reduction in burdens associated with the Single Fraud Investigation Service.
8. The allocations for early assessments for the cap and for deferred payment agreements have been allocated using new methodologies developed by the Review of Adult Social Care Relative Needs Formulae (PSSRU / LG Futures), as consulted on in Summer 2014.
9. The funding in the Better Care Fund for carers breaks, reablement and costs associated with the Care Bill will be distributed according to the CCG

formula. In making a like-for-like adjustment to the 2014/15 figures we have used the same formula.

What funds are excluded from the Spending Power calculations?

10. Spending Power does not include all the sources of finance available to local authorities. There are a number of reasons why some sources of funding have not been included. These are:

No confirmed allocations for local authorities available:

11. Grants for which it is not yet possible to provide a firm allocation have been excluded. This includes funds where allocations for each place still have to be negotiated, for example £200m for extending the Troubled Families programme in 2015-16.
12. Similarly, Education Services Grant for 2015-16 has been excluded because the allocations are provisional, being based on pupil numbers that will vary in-year as maintained schools convert to become academies.

Funding is capital and not revenue resource:

13. No capital funding has been included in these Spending Power calculations. We have also excluded grants to meet the revenue costs of financing Private Finance Initiative (PFI) projects because the project-specific nature of this funding makes year on year comparisons misleading. Any changes in this grant simply reflect PFI projects rather than changes to spending power.
14. Other available income available to local authorities, such as sales, fees and charges are also excluded. This is because actual figures for 2015-16 are not available.

Efficiency Support Grant

15. The Government has decided to offer more protection to councils against large reductions in spending power – no council will see a reduction of more than 6.4% in overall spending power through the Efficiency Support Grant (an increased level of protection on 2014-15's limit of 6.9%). This will provide additional support to councils most affected by reductions in spending power to support long term changes to bring costs down whilst continuing to deliver the services that their local citizens expect.
16. Full details of the Spending Power calculations and information for each local authority can be found on the Gov.uk website.