

CORE SPENDING POWER – EXPLANATORY NOTE

1. The Spending Review set out the expected available revenue for local government spending through to 2019-20, using Office of Budget Responsibility (OBR) estimates. This provides local government with an understanding of the resources available to the whole sector to deliver services over the next four years.
2. We also recognise that understanding the level of revenue likely to be available to each individual local authority through to 2019-20 will assist authorities to plan their service delivery throughout this period.
3. To provide some certainty for the period 2016-17 through to 2019-20, the local authority core spending power figures will set out indicative figures for the potential income from core components that could be available to authorities over those four years.

Calculation of core spending power from 2016-17 through to 2019-20

4. The core spending power figures from 2016-17 through to 2019-20 are derived from the sum of the following core components:
 - For 2016/17 to 2018/19 the Settlement Funding Assessment amounts.
 - For 2019/20 the Modified Settlement Funding Assessment amounts are the Settlement Funding Assessment amounts, as set out in the local government finance settlement, including where necessary tariff and top up adjustments.
 - The council tax requirement (excluding parish precepts). The figures have been estimated by:
 - applying the average annual growth in the council tax base between 2013-14 and 2015-16 throughout the period to 2019-20
 - assuming that local authorities increase their Band D council tax in line with the OBR's forecast for CPI for each year (which is an annual average of 1.75%) throughout the period to 2019-20, rather than the 2% allowed before triggering a referendum.
 - The potential additional council tax available from the adult social care council tax flexibility. This has been estimated by assuming all eligible local authorities take up the adult social care flexibilities announced at the Spending Review in each year to 2019-20.
 - The potential additional council tax available from a £5 cash principle for all districts. This has been estimated by assuming district councils will increase their Band D council tax by whichever is the greater of £5 or 2%.
 - The Improved Better Care Fund. This represents an additional £105 million in 2017-18, £825 million in 2018-19 and £1.5 billion in 2019-20. The final allocation of this funding will be consulted on in 2016. For the purposes of core spending power projections, the methodology adopted is as follows:

1. We calculate the additional funding available to spend on adult social care at a national level, combining the 2% council tax flexibility for adult social care and the additional funding for the improved Better Care Fund.
 2. We then calculate the share of that national amount which each authority with responsibility for social care would receive if it were distributed according to the 2013 adult social care relative needs formula.
 3. We then calculate how much each authority with responsibility for social care could raise from the additional 2% council tax flexibility for adult social care.
 4. The additional funding for the improved Better Care Fund is then allocated in such a way that, when combined with the money which could be raised from the council tax flexibility, each council would receive its share of the combined national amount as calculated in step 2 above.
 5. These allocations are adjusted so that, where an authority could receive more from the additional council tax flexibility for social care than its share of the national amount calculated in step 2, its allocation for the improved Better Care Fund is set to zero rather than a notional negative figure.
 6. The remainder of the allocations are then reduced proportionately, so that the combined totals sum to the national total for additional funding available to spend on adult social care, as calculated in step 1.
- **New Homes Bonus.** The Spending Review set out the overall envelope for New Homes Bonus payments over the period to 2019-20 as being £1.485 billion for 2016-17, reducing to £900 million by 2019-20.
 - For 2016-17, the funding line includes both New Homes Bonus allocations and returned funding.
 - We are consulting on options for changes to the New Homes Bonus in order to sharpen the incentive for delivery of new housing.
 - For 2016-17 the distribution figures are final allocations.
 - For 2017-18 onwards, we use the national totals set at the Spending Review in order to release at least £800 million for the improved Better Care Fund. These are apportioned between local authorities according to local authority shares in 2016-17.
 - **Rural Services Delivery Grant.** This provides £80.5 million in 2016/17, £65 million in 2017/18, £50 million in 2018/19 and £65 million in 2019/20. This funding is distributed to the top-quartile of authorities ranked by super-sparsity, as per the distributional methodology for the Rural Services Delivery Grant indicator in 2015-16.
 - A transitional grant that provides substantial additional funding to ease the pace of central government funding reductions during the most difficult first two years of the settlement. This grant will be worth £150 million in both 2016-17 and 2017-18.