

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 during this spending period.
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 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.
 - For 2018-19 and 2019-20 a Section 31 grant to compensate local authorities for the reduced business rates income as a consequence of switching the uprating of the business rates multiplier to CPI in 2018-19, rather than 2020-21 as was previously planned.
 - The council tax requirement (excluding parish precepts). Council Tax figures for 2016-17 and 2017-18 reflect data from the respective Council Tax Levels in England statistical releases. For 2018-19 to 2019-20, the figures have been estimated by:
 - applying each local authority's average annual growth in the council tax base between 2013-14 and 2017-18
 - assuming that local authorities increase their Band D council tax in line with the 3% referendum limit throughout the period to 2019-20.
 - The potential additional council tax available from the adult social care council tax flexibility. For 2016-17 and 2017-18, these figures are based on actual

take-up of the adult social care flexibilities. For 2018-19 to 2019-20, this has been estimated by assuming authorities set the Adult Social Care precept to the maximum allowable level, given their past decisions.

- From 2016-17 onwards, the potential additional council tax available from a £5 cash principle for all districts and from 2018-19 onwards a £12 cash principle for police authorities (including the police element of the GLA). For 2016-17 and 2017-18, these figures are based on actual take-up of the £5 principle. For 2018-19 to 2019-20, this has been estimated by assuming all district councils will increase their Band D council tax by whichever is the greater of £5 or 3%, and that the GLA will increase their police precept by the greater of £12 or 3%.
- The Improved Better Care Fund. This represents a total of £1,115 million in 2017-18, £1,499 million in 2018-19 and £1,837 million in 2019-20. The £2 billion additional funding announced at Budget 2017 is included in this total. For details of how this money was allocated between local authorities see the explanatory note, published at the link below:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/598252/EN_FINAL.pdf
- The 2017-18 Adult Social Care Support Grant. This distributes £241m according to the adult social care relative needs formula so that all authorities with responsibility for social care receive a share of this funding.
- 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 2015-16 to 2018-19 the figures are final allocations.
 - For 2019-20, we calculate each authority's legacy payments and subtract the total of these from the £900m pot to calculate the size of the 2019-20 in-year payment. This total in-year payment is split between authorities based on their share of the total legacy payments. These allocations are for illustrative purposes and the final payments for these years will depend on the actual number of houses delivered by councils and as such are likely to change.
- New Homes Bonus returned funding. For 2016-17 and 2017-18 any unclaimed New Homes Bonus funding is returned to local authorities based on their share of 2013-14 adjusted Start-up Funding Allowance. In 2018-19, New Homes Bonus allocations exceed the £938 funding so there is no returned funding. Returned funding is assumed to be zero in 2019-20.

- Rural Services Delivery Grant. This provides £80.5 million in 2016/17 and £65 million a year thereafter. The 2018-19 funding has been increased by £15m from its previous level of £50m. 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.

Core Spending Power: Visible Lines

5. In order to maintain the visibility of a number of named elements of funding within the local government finance settlement we have published a visible lines table.
6. We are protecting the visibility of these items in order to signal the priority we attach to these issues and encourage local prioritisation.
7. Local government is transitioning away from a world where councils were dependent on central government grants and towards greater self-sufficiency. To reflect this change to the source of local government funding these visible lines are shown at a national and local level within local authority Core Spending Power.