Explanatory Note on Recovery Grant Uplift

1. The government has announced a £440 million uplift to the Recovery Grant, targeted towards upper tier councils in receipt of Recovery Grant with a less than 17% funding increase over the period 2025-26 to 2028-29. This will take the total funding allocated via the Recovery Grant and Recovery Grant Guarantee to £2.6 billion over the multi-year Settlement. This uplift further underlines the government's commitment to support the communities that were most impacted by historic funding cuts.

Eligibility for Recovery Grant Uplift

2. Eligibility for Recovery Grant Uplift is determined as:

   - Any upper tier authority in receipt of Recovery Grant in 2025-26 whose increase in final settlement Core Spending Power between 2025-26 and 2028-29 was less than 17% before Recovery Grant Uplift.

3. The Recovery Grant uplift is subject to caps. The uplift cannot increase the Core Spending Power change of an authority over the period above 17%, and an authority with an increase over the period of 14% at the time of provisional Local Government Finance Settlement cannot receive more than £10m in total over the years 2026-27 to 2028-29.

Calculation of allocations prior to caps

4. The value of Recovery Grant Uplift will be £115m in 2026-27, £150m in 2027-28 and £175m in 2028-29.

5. This funding is first distributed to eligible authorities in proportion to their share of 2025-26 Recovery Grant:

$$Recovery\ Grant\ Uplift_{2026-27}^{uncapped} = 115,000,000 * \frac{Recovery\ Grant_{2025-26}^{LA}}{Recovery\ Grant_{2025-26}^{Eligible\ LAs\ total}}$$

$$Recovery\ Grant\ Uplift_{2027-28}^{uncapped} = 150,000,000 * \frac{Recovery\ Grant_{2025-26}^{LA}}{Recovery\ Grant_{2025-26}^{Eligible\ LAs\ total}}$$

$$Recovery\ Grant\ Uplift_{2028-29}^{uncapped} = 175,000,000 * \frac{Recovery\ Grant_{2025-26}^{LA}}{Recovery\ Grant_{2025-26}^{Eligible\ LAs\ total}}$$

Application of 17% cap

6. After the first stage of calculations, some authorities get a Recovery Grant Uplift that would increase their 2025-26 to 2028-29 Core Spending Power increases above 17%. For these authorities, their Recovery Grant Uplift is limited to an amount that sees their final settlement post Recovery Grant Uplift CSP increase by 17%:

$$Recovery\ Grant\ Uplift_{2028-29}^{capped\ at\ 17\%} =$$

$$Core\ Spending\ Power_{2025-26} * 1.17 - Core\ Spending\ Power_{2028-29}^{pre-RG\ uplift}$$

Application of £10m cap

7. A further cap applies to the following authorities:

- Any authority whose provisional settlement Core Spending Power increased by more than 14% between 2025-26 and 2028-29 and whose total Recovery Grant Uplift over 2026-27, 2027-28 and 2028-29 would otherwise exceed £10m.

8. For these authorities, their Recovery Grant Uplift will be limited to £10m proportionate to their pre-capped allocations in each year:

$$Recovery\ Grant\ Uplift_{2028-29}^{capped\ at\ 17\%\ and\ £10m} =$$

$$Recovery\ Grant\ Uplift_{2028-29}^{capped\ at\ 17\%} * \frac{10,000,000}{Total\ Recovery\ Grant\ Uplift_{2026-27\ to\ 2028-29}^{capped\ at\ 17\%}}$$

Allocating funding freed up by caps

9. Capping at 17% in 2028-29 and then £10m over the three years frees up £17m in 2026-17, £22m in 2027-28 and £46m in 2028-29 to be recycled. This funding is allocated to the following eligible authorities:

- Any authority with a Core Spending Power increase between 2025-26 and 2028-29 of less than 14% at provisional local Government Finance Settlement whose Recovery Grant Uplift is not already capped at £10m between 2025-26 and 2028-29[1].

10. This funding is allocated to eligible authorities in proportion to their share of 2025-26 Recovery Grant:

$$Recovery\ Grant\ Uplift_{2026-27}^{after\ recycling} =$$

$$17,000,000 * \frac{Recovery\ Grant_{2025-26}^{LA}}{Recovery\ Grant_{2025-26}^{Recycled\ LAs\ total}} + Recovery\ Grant\ Uplift_{2026-27}^{capped\ at\ 17\%\ and\ £10m}$$

$$Recovery\ Grant\ Uplift_{2027-28}^{after\ recyling} =$$

$$22,000,000 * \frac{Recovery\ Grant_{2025-26}^{LA}}{Recovery\ Grant_{2025-26}^{Recycled\ LAs\ total}} + Recovery\ Grant\ Uplift_{2027-28}^{capped\ at\ 17\%\ and\ £10m}$$

$$Recovery\ Grant\ Uplift_{2028-29}^{after\ recycling} =$$

$$46,000,000 * \frac{Recovery\ Grant_{2025-26}^{LA}}{Recovery\ Grant_{2025-26}^{Recycled\ LAs\ total}} + Recovery\ Grant\ Uplift_{2028-29}^{capped\ at\ 17\%\ and\ £10m}$$

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[1] The figures for amounts freed up by the caps given in this document are rounded to the nearest million.