

## **Section Two – Government Funding**

### Provisional Local Government Funding Settlement 2022-23

1. The provisional settlement sets out the level of funding assessed by Central Government for councils (the Settlement Funding Assessment – SFA) and is made up of two elements – Revenue Support Grant (RSG) and Business Rates Retention. Since 2018-19, the Business Rates retention element of the assessment increases each year in line with the Consumer Price Index (CPI) inflation measure, with the RSG element effectively used to bring the funding received by councils to the level assessed by Central Government. From 2018-19 onwards Gravesham has not been in receipt of RSG.
2. On 16 December 2021 the Provisional Local Government Finance Settlement for 2022-23 was announced by The Department for Levelling Up, Housing and Communities and Local Government (DLUHC). As like last year the provisional settlement is for one year only, with the future funding of local government remaining unknown. Other local government funding reforms that were planned for introduction from April 2021 (including the Fair Funding Review and reforms to the current Business Rates Retention System) have been put on hold.
3. The total level of funding for the council in 2022-23, compared to the previous five-year settlement period are shown below:

| <b>Settlement Funding Assessment</b>            | <b>2017-18 Final Settlement<br/>£m</b> | <b>2018-19 Final Settlement<br/>£m</b> | <b>2019-20 Final Settlement<br/>£m</b> | <b>2020-21 Final Settlement<br/>£m</b> | <b>2021-22 Final Settlement<br/>£m</b> | <b>2022-23 Provisional Settlement<br/>£m</b> |
|---|--|--|--|--|--|--|
| Revenue Support Grant (RSG)                     | 590,150                                | --                                     | --                                     | --                                     | --                                     | --   |
| Business Rates Retention Baseline Funding Level | 2,768,740                              | 3,048,190                              | 2,917,280                              | 2,964,810                              | 2,964,810                              | 2,964,810                                    |
| <b>Settlement Funding Assessment</b>            | <b>3,358,890</b>                       | <b>3,048,190</b>                       | <b>2,917,280</b>                       | <b>2,964,810</b>                       | <b>2,964,810</b>                       | <b>2,964,810</b>                             |
| £ Change (to Prev. Yr)                          | .                                      | - 310,700                              | - 130,910                              | 47,530                                 | -                                      | -  |
| Change %  | .                                      | -9.3%                                  | -4.3%                                  | 1.6%                                   | 0.0%                                   | 0.0%   |
| Cumulative change %                             | .                                      | -9.3%                                  | -13.1%                                 | -11.7%                                 | -11.7%                                 | -11.7%                                       |

4. The SFA reflects an inflationary increase of 0% in the Business Rates Retention Baseline Funding Level, albeit the council is compensated for this through a corresponding increase in a separate grant received by the council. It is to note that there has been no change in SFA from the previous financial year.
5. The Lower Tier Services Grant which was introduced last year will continue into 2022-23. Indications are that Gravesham will receive £132,990 from this grant.
6. The provisional settlement introduced for 2022-23 only a Services Grant intended to recognise the vital services delivered by local government. For Gravesham, the provisional settlement indicated that this grant would be £204,390.
7. The provisional settlement also confirmed that government would be eliminating negative RSG amounts in 2022-23. For Gravesham, this was budgeted at £243,710 that the council was expecting to lose by way of a reduction to its business rates retention baseline funding level.

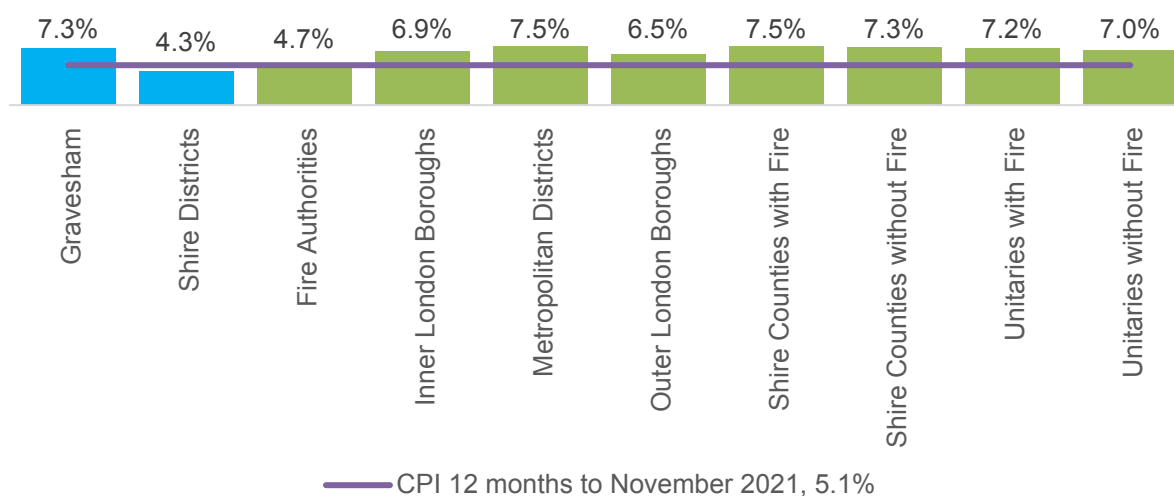
### COVID-19 Funding

8. During 2021-22 Local Government played a critical role in the national response to the COVID-19 Pandemic. Central Government had put in place various schemes to help compensate for some of the financial losses that Councils have incurred. The provisional settlement has not included any announcements that the council would continue to receive support from Central Government during 2022-23 as a result of the COVID-19 Pandemic.

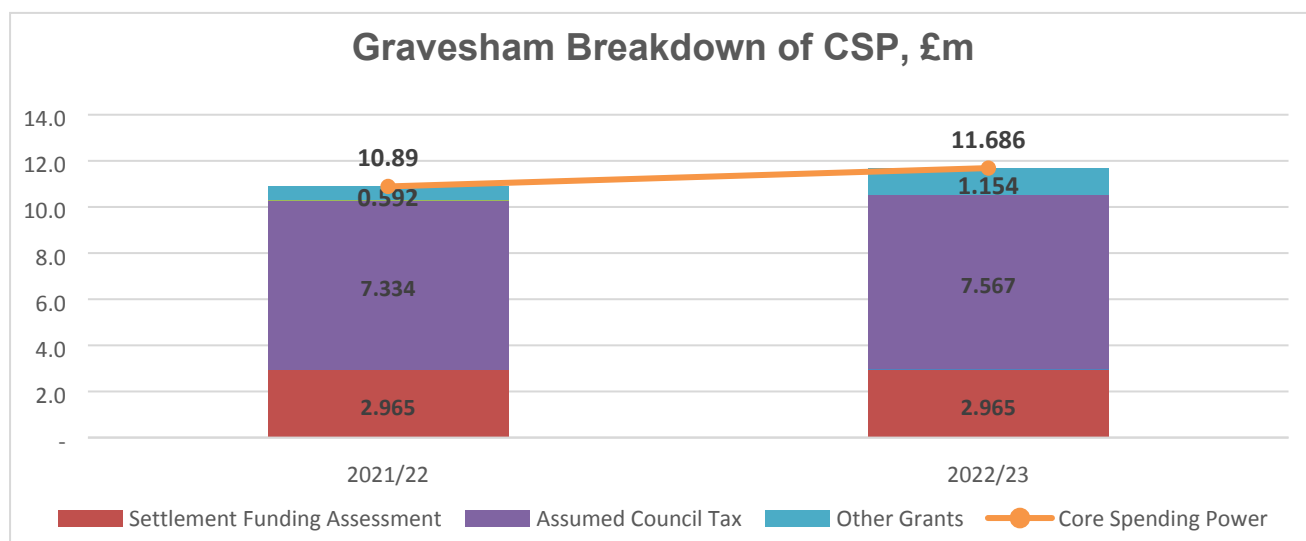
### Core Spending Power

9. Core Spending Power is the headline figure used by DLUHC (Department for Levelling Up, Housing and Communities) to represent the core revenue funding available for local authority services, including estimates of Council Tax and locally retained business rates.
10. At a headline level, the Spending Review indicates a 7.3% increase in cash terms in Core Spending Power for Gravesham in 2022-23 compared to 2021-22. It is, however, important to recognise that Shire Districts will only see a cumulative change in Core Spending Power of 4.3%.

### Change in CSP by Authority Type



Gravesham Borough Council – Assumed Core Spending Power 2021-22 and 2022-23

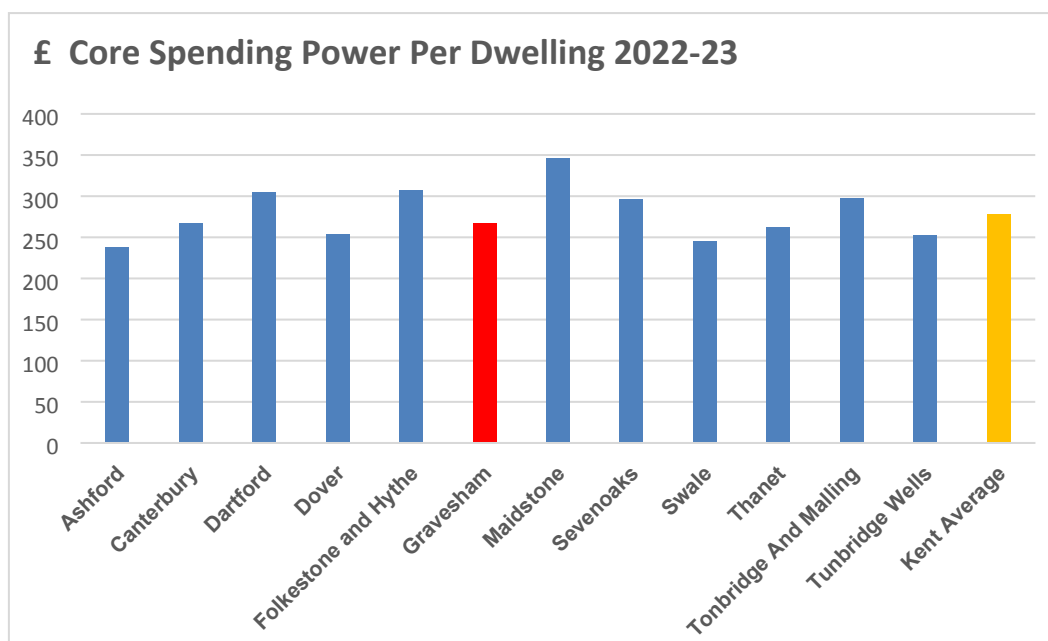


13. The information above assumes:

- **No increase in SFA** - as set out in the table at paragraphs 2 and 3 of this appendix.
- **Growth in council tax receipts of 3.18%** - growth in the council tax base for 2022-23 is based on average annual growth between 2017-18 and 2021-22 (assumed at 0.8%) and that the council will increase their Band D Council Tax in line with the referendum limit of 2% or £5, whichever the higher.
- **Increase in other grants of 95%** in comparison to last year - this includes New Homes Bonus, the Lower Tier Services Grant and the 2022-23 Services Grant.

14. It should be noted that the Core Spending Power calculation takes no account of any increased spending pressures the council may face in 2022-23.

15. The Kent view of assumed Core Spending Power per dwelling for individual district authorities is shown in the graph overleaf.



16. In 2022-23 Gravesham will have the sixth lowest level of assumed spending power per dwelling at £267. This is an assumed increase of c7.3% (£19 per dwelling) compared to the equivalent Core Spending Power measure in 2021-22.

#### New Homes Bonus Scheme

17. The New Homes Bonus (NHB) Scheme commenced in April 2011 and was intended to reward councils for supporting the local delivery of additional homes. Funding for the scheme is provided through top slicing the RSG available for local authorities, with payment amounts based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is a further payment made for providing affordable homes.
18. From 2018-19 the design of the scheme was changed to enable it to become a cash-limited scheme, with annual allocations being paid for four years (rather than six) and introduced a national baseline of 0.4% below which annual allocations would not be made. The scheme was further adapted in early 2020, whereby allocations for 2020-21 would be payable in-year only. This approach was also followed in 2021-22.
19. The provisional settlement set out government's intention to make a further round of payments under the scheme in 2022-23 which will, again, be for one-year only.
20. Under the scheme the council has secured indicative NHB funding for 2022-23 of £573,150. This is above the level of funding that was previously in the MTFP due to there being 339 net additional homes delivered in the borough (172 net additional homes above the 0.4% national baseline of 167 net additional homes expected). Allocations continue to be as un-ring-fenced grant, thus enabling the council to maintain its policy of taking NHB Funding directly into Working Balances.

### Business Rates Retention Scheme

21. The Business Rates Retention Scheme was introduced by government to incentivise councils to deliver growth through encouraging business development and new business set-up. Under the scheme, the government has determined a baseline level of funding to be retained by the council from business rates (shown in the table at paragraph three above). If business rates increase, then the Council will receive a proportion of the increased rates due.
22. In order to maximise the level of business rates retained locally, the council has been part of the Kent Business Rates Pool since 2015-16 and it has been confirmed that the Pool will continue to operate in 2022-23. The pool is a partnership between Kent County Council and most of the Kent Districts. The establishment of the pool delivers the benefit of enabling the levies on business rates growth payable by the districts to be offset by the tariff payable by the County Council and Kent Fire, thus enabling more business rates income to be retained locally. There is, however, the risk associated with the pool that should a council's business rates decline to a level below their respective safety net level, it will receive no national support to reduce its losses. In recognition of this, the pool agreement distributes any levy saved between the council, the County Council and a Growth Fund in equal shares and a small percentage to fund a safety net provision.
23. The budgeted costs for being part of the Kent Business Rates pool during 2022-23 are £509,830. If the council was not part of the pooling arrangement then a sum of £1,274,550 would be payable to Central Government.