

Section Two – Government Funding

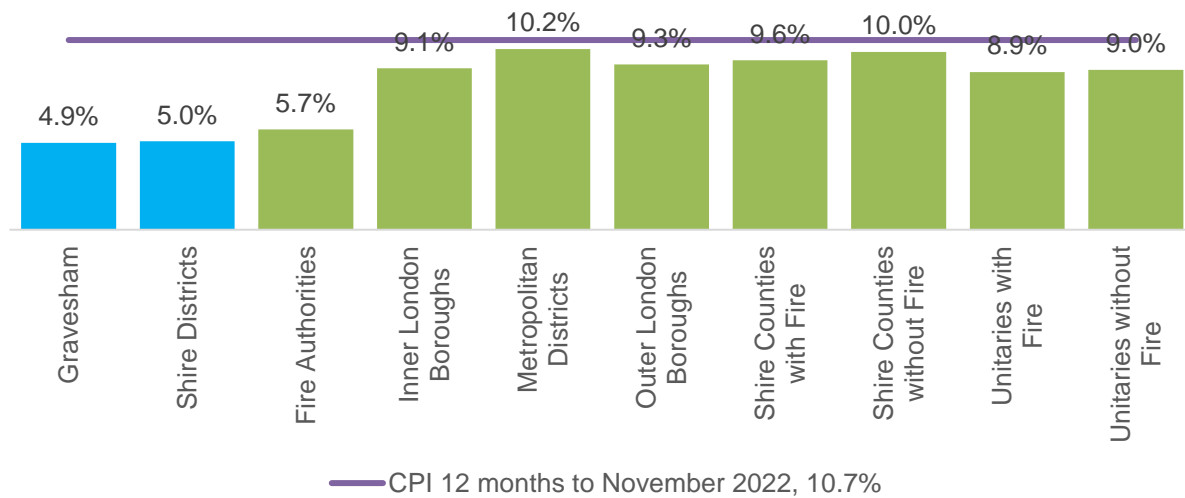
Provisional Local Government Funding Settlement 2023-24

1. On 19 December 2022 the Provisional Local Government Finance Settlement for 2023-24 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, albeit the principles for the 2024-25 local government finance settlement were outlined in the Local Government Finance Policy Statement published on 12 December 2022. 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) continue to be put on hold until after the next Comprehensive Spending Review due to take place in 2025.
2. 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. The slight increases in SFA since 2020-21 have been driven by uplifts in line with inflation, with any effects funded through s31 grants. The Valuation Office Agency (VOA) recently reviewed the Business Rates Retention Scheme and undertook a revaluation exercise (which ensures rateable values are in line with the property market) this means that from 2023 onwards rateable values will increase by an average of 7.3%, however the business rates multiplier will remain at 49.9p.
3. The provisional settlement indicated that for 2023-24 the Services Grant intended to recognise the vital services delivered by local government, would continue. For Gravesham, the provisional settlement suggested that this grant would be £115,170. In addition to this an announcement of a Funding Guarantee Allocation was declared. This is intended to ensure that every local authority will see a minimum increase of 3% in its core spending power. Indicatively this amounts to £272,180 for Gravesham.
4. The provisional settlement also confirmed that government would be eliminating negative RSG amounts in 2023-24. 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.
5. Central Government has announced that there will be two grants already received by the council included in the Revenue Support Grant element of the settlement in 2023-24. These are Family Annexe Grant (currently £2,840) and Local Council Tax Support Administration Subsidy (currently £109,610).

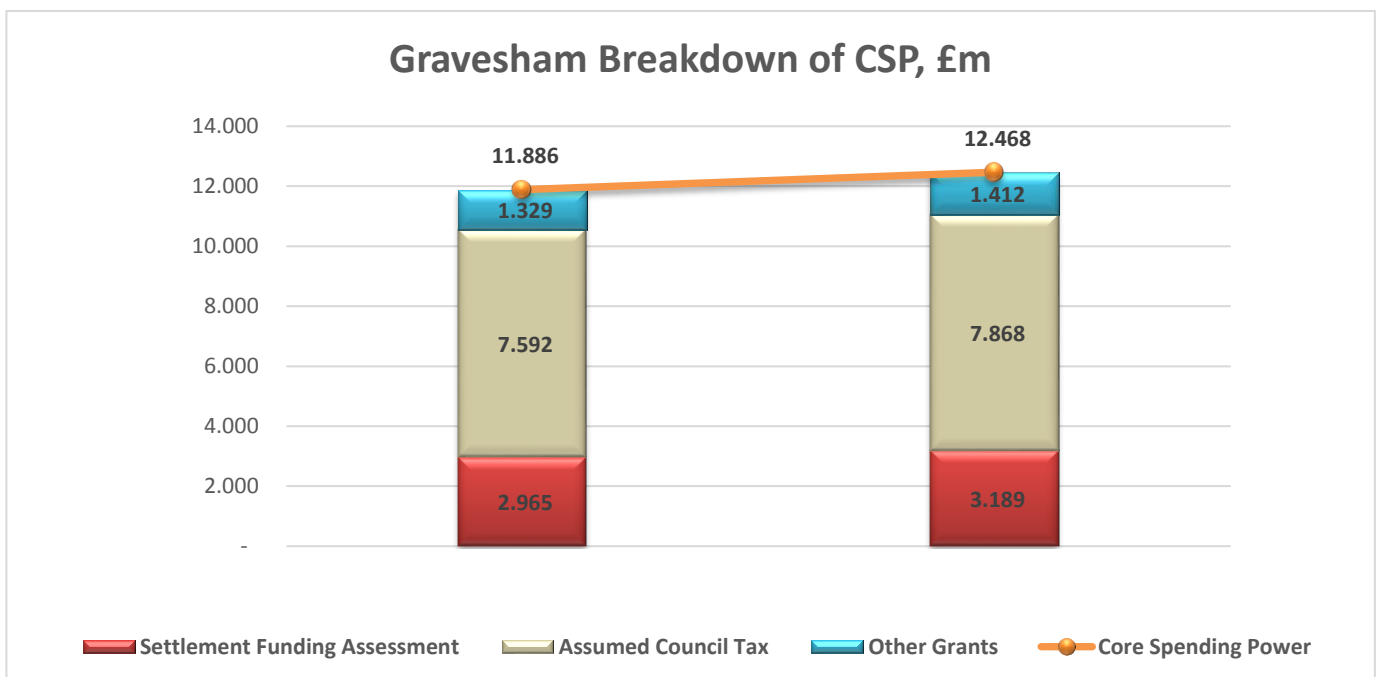
Core Spending Power

6. Core Spending Power is the headline figure used by DLUHC to represent the core revenue funding available for local authority services, including estimates of Council Tax and locally retained business rates.
7. At a headline level, the Spending Review indicates a 4.9% increase in cash terms in Core Spending Power for Gravesham in 2023-24 compared to 2022-23. By comparison Shire Districts, on average, will only see a cumulative change in Core Spending Power of 5% compared to around twice that level of increases in core spending power for other forms of local government, such as County Councils and London Boroughs.

Change in CSP by Authority Type (source LG Futures)



Gravesham Borough Council – Assumed Core Spending Power 2022-23 and 2023-24

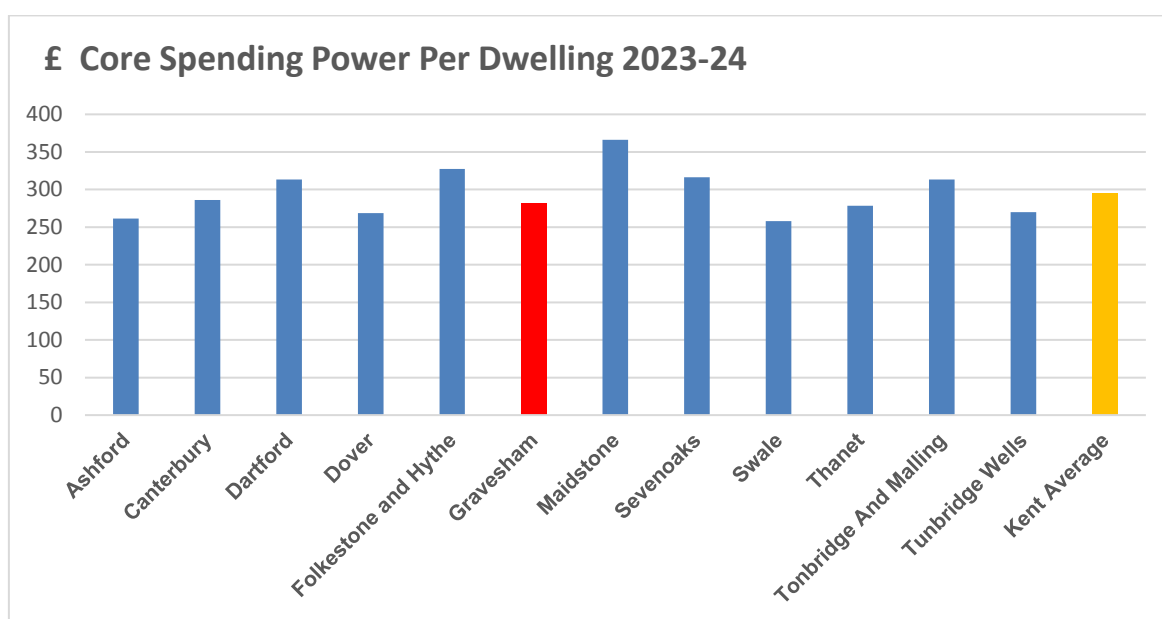


10. The information above assumes

- **An increase in SFA** – this is as a result of both the Family Annexe Grant and the Local Council Tax Support Administration Subsidy Grant now becoming part of RSG (see paragraph 5 above)
- **Growth in council tax receipts of 1.25%** - growth in the council tax base for 2023-24 is based on average annual growth between 2017-18 and 2022-23 and

that the council will increase their Band D Council Tax in line with the referendum limit of 3% or £5, whichever is the higher.

- **Increase in other grants of 6.3%** in comparison to last year - this includes New Homes Bonus, and the grants referenced in paragraphs 3 and 4 above.
9. It should be noted that the Core Spending Power calculation takes no direct account of any increased spending pressures the council may face in 2023-24. The financial challenges faced by the council such as increases in energy, fuel and temporary accommodation costs and lower income levels are expected to continue into 2023/24 and beyond.
 10. The Kent view of assumed Core Spending Power per dwelling for individual district authorities is shown in the graph below.



11. In 2023-24 Gravesham will have the sixth lowest level of assumed spending power per dwelling at £282. This is an assumed increase of £14 per dwelling compared to the equivalent Core Spending Power measure in 2022-23.

New Homes Bonus Scheme

12. 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.
13. 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 and has been thereafter.

14. The provisional settlement set out government's intention to make a further round of payments under the scheme in 2023-24 which will, again, be for one-year only.
15. Under the scheme the council has secured indicative NHB funding for 2023-24 of £500,560. This is above the level of funding that was previously in the MTFP. 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

16. 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. If business rates increase, then the Council will receive a proportion of the increased rates due.
17. 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 2023-24. 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.