

## Section Two – Government Funding

### 1. Provisional Local Government Finance Settlement 2024-25

1.1. The Local Government Finance Settlement is the annual determination of funding to local government. The settlement is issued initially as a provisional settlement and is then subsequently approved by the House of Commons.

1.2. On 18 December 2023 the Provisional Local Government Finance Settlement for 2024-25 was announced by the Department for Levelling Up, Housing and Communities and Local Government (DLUHC). As has been the case for the last five years, the provisional settlement is for one year only.

1.3. The main headlines announced were:

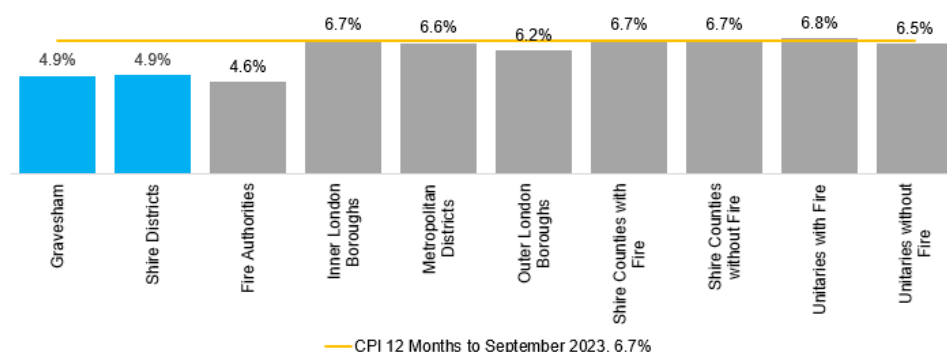
- **Settlement Funding Assessment** – The September CPI figure of 6.7% has been applied to increase the total funding amount for local government within the business rates retention scheme and Revenue Support Grant.
- **Council Tax** – As previously announced, the council tax referendum limit will be 3% for local authorities, with social care authorities (within Kent, these being Kent County Council and Medway Council) allowed an additional 2% precept to be directed to social care. The provisional settlement confirmed that districts will be allowed to apply the higher of the referendum limit or £5.
- **Local Government Funding Reform** – No announcements were made regarding funding reform.

### 2. Core Spending Power

2.1. Core Spending Power is the headline figure used by DLUHC to represent the core revenue funding available to a local authority to fund services. It incorporates SFA, estimates of Council Tax income and other grants that are announced as part of the settlement.

2.2. At a headline level, the Spending Review indicates a 4.9% increase in cash terms in Core Spending Power for Gravesham in 2024-25 compared to 2023-24. This is in line with the increase experienced by other Shire Districts but falls significantly below the level of increase experienced by other Authority types, with the exception of Fire Authorities. Shire Districts receiving a lower increase in Core Spending Power than other authority types has occurred in the last four settlements.

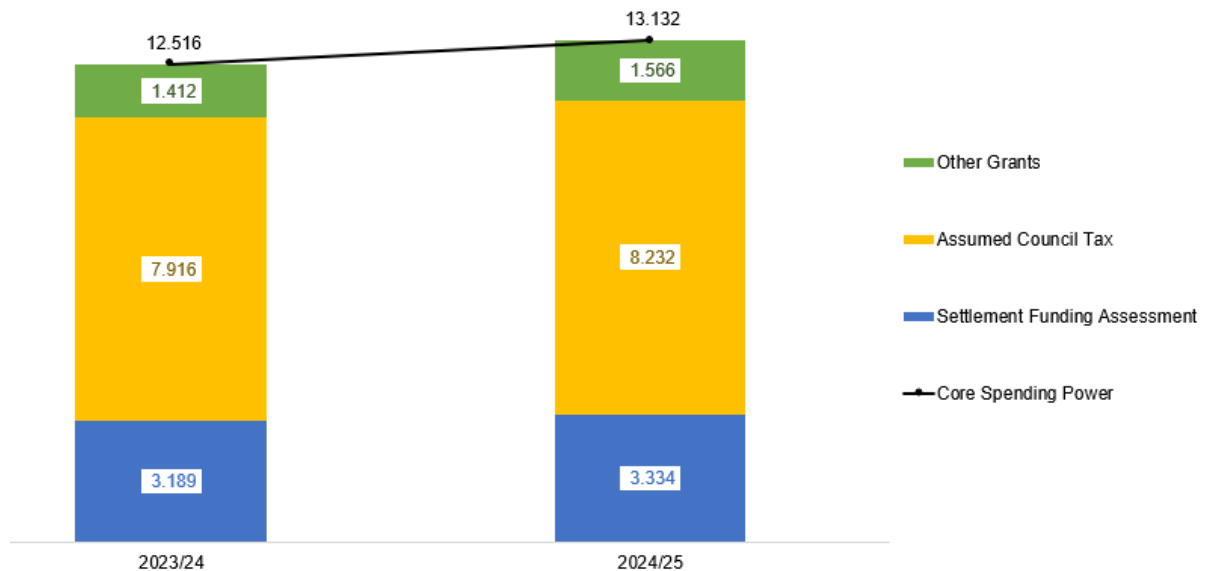
Chart 1 - Change in CSP by Authority Type



Source: LG Futures

2.3. A breakdown of CSP is shown in the chart below:

Chart Two - Gravesham Borough Council – Core Spending Power breakdown - 2023-24 and 2024-25



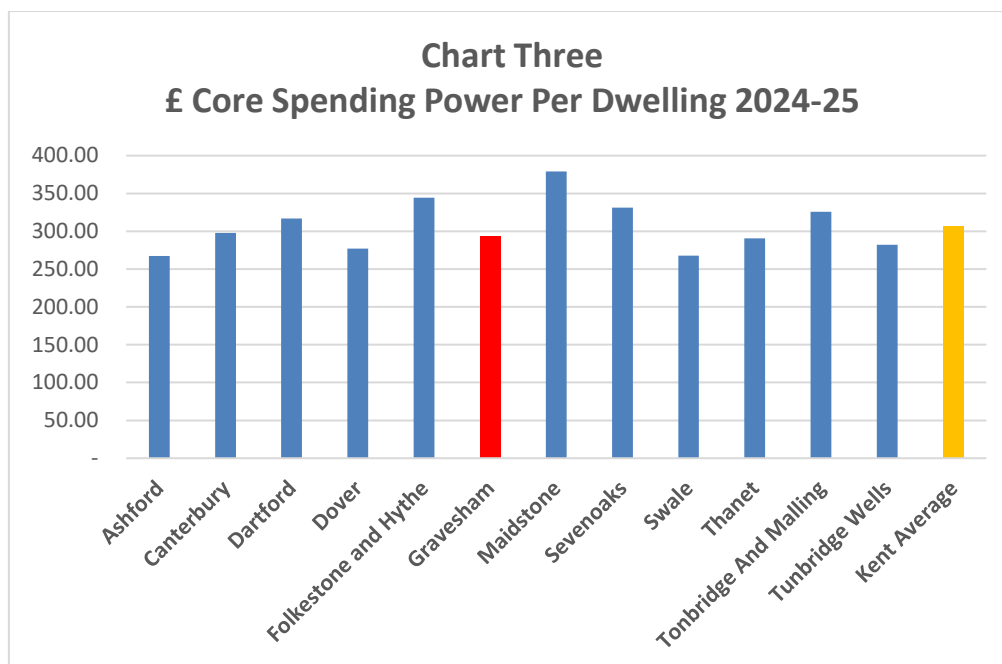
Source: LG Futures

2.4. The information above assumes:

- **An inflationary increase in SFA**
- **Growth in council tax receipts of 3.99%** - constituted of growth in the council tax base for 2024-25 of 1.00% (based on average annual growth between 2017-18 and 2023-24) and the assumption that the council will increase its element of Band D Council Tax by 2.99%, in line with the referendum limit of 3% or £5, whichever is the higher.
- **Increase in other grants of 11%** in comparison to last year - this includes New Homes Bonus and the grants referenced in further paragraphs within this Appendix.

2.5. It should be noted that the Core Spending Power calculation takes no direct account of any increased spending pressures the council may face in 2024-25. 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 2024-25 and beyond.

2.6. The Kent view of assumed Core Spending Power per dwelling for individual district authorities is shown in the next chart.



Source: CSP information table 24-25

[https://assets.publishing.service.gov.uk/media/6580320195bf65000d71918e/CSP\\_information\\_table\\_2024-25.xlsx](https://assets.publishing.service.gov.uk/media/6580320195bf65000d71918e/CSP_information_table_2024-25.xlsx)

- 2.7. In 2024-25 Gravesham will have the sixth lowest level of assumed spending power per dwelling at £294. This is an assumed increase of £12 per dwelling compared to the equivalent Core Spending Power measure in 2023-24.
- 2.8. Further details on the different elements of Core Spending Power is provided in the sections below:

### **Settlement Funding Assessment**

- 2.9. **Revenue Support Grant (RSG)** – Revenue Support Grant Allocations have been uplifted in line with the Consumer Price Index (CPI) inflationary measure as of September 2023 (6.7%). For Gravesham, RSG has increased to £120,450 in 2024-25 from £112,450 in 2023-24.
- 2.10. **Business Rates Baseline** - Since 2018/19, the September CPI inflation figure has been the basis of determining the annual increase to the business rates multiplier; previously, the RPI figure was used. In order that this change remained revenue neutral for local government (i.e. it received RPI and not CPI funding increases), there has been a compensating increase to S31 grant payments. This compensation is not shown within the Settlement Funding Assessment but is allocated as an additional line on the Core Spending Power figures.
- 2.11. For the purposes of Financial Planning, the Medium Term Financial Plan reflects total Business Rates Income it is anticipated that the council will receive under the Business Rates Retention Scheme. The Scheme was introduced in 2013-14 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 which is included in the SFA. If business rates increase above the baseline, then the council will receive a proportion of the additional rates generated.

- 2.12. 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 2024-25. 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.
- 2.13. The budgeted costs for being part of the Kent Business Rates pool during 2024-25 are £502,470. Additionally, a sum of £367,570 is budgeted to be transferred to the council's NNDR Growth Fund Reserve as a result of these arrangements, which can then be drawn down for appropriate project expenditure. If the council was not part of the pooling arrangement, then a sum of £1,262,380 would be payable to DLUHC.
- 2.14. The Non-Domestic Rating Act 2023 received Royal Assent in October 2023 and will come into force on 1 April 2024. The Act will see the annual indexation of business rates based on Consumer Price Index (CPI) rather than Retail Price Index (RPI) from 1 April 2024 and a decoupling of the standard multiplier and small business multiplier, meaning that each multiplier can be individually set. For 2024-25 the uplift in the standard multiplier will be 6.7%, the September CPI figure, raising the multiplier from 51.2p to 54.6p. The small business rate multiplier will be frozen at 49.9p. The provisional settlement indicated that council's will be fully compensated for the freezing of the business rate multiplier through a S31 Grant, meaning that there is no expected financial loss to the council of the Government's policy decision.

### 3. Other Grants

- 3.1. **New Homes Bonus Scheme** - 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.
- 3.2. 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 from 2020-21 have only been payable for one year.
- 3.3. The provisional settlement set out government's intention to make a further round of payments under the scheme in 2024-25 which will, again, be for one-year only.
- 3.4. Under the scheme the council has secured indicative NHB funding for 2024-25 of £475,800. This is above the £350,000 funding that had previously been assumed in the Medium Term Financial Plan for 2024-25.

- 3.5. In previous years the council's policy has been to take NHB funding directly into Working Balances, so that it could be available to support future spending plans. In 2024-25, this funding will be applied in year to meet the spending plans and budget requirement for the year.
- 3.6. **SFA Multiplier Compensation** – this grant is intended to compensate authorities where decisions are taken by Government to under-index business rates and ensure that such decisions are revenue neutral for local government. Payments of this grant have been in place since 2018/19 and the compensation amount estimated for 2024-25 (£618k) includes funding for previous years caps on inflationary increases.
- 3.7. **Services Grant** – this grant is intended to recognise the vital services provided by local government and is determined based upon the resources DLUHC has remaining after decisions on all other grants. The value of this grant has significantly diminished from that available at a national level for 2023-24, likely due to sums being allocated instead to increases in Social Care Grant, inflationary increases in RSG and increases to Funding Guarantee. For Gravesham, the grant is expected to be £18,870 (was £115,170 in 2023-24).
- 3.8. **Funding Guarantee** – the Funding Guarantee is intended to provide a funding floor for all local authorities, so that no local authority will see an increase in core spending power lower than 3%, before taking into account council tax level decisions and changes to funding from rolled in grants. The minimum 3% increase is at the same level as 2023/24. Indicatively this grant amounts to £471,940 for Gravesham in 2024-25 (was £272,180 in 2023-24).