

Details of Core Grants within Local Government Finance Settlement

The Council is in receipt of a mix of general un-ringfenced grants which can be used in any way the Council decides to discharge its functions (core grants) and specific grants which must be spent according to government priorities. Given the uncertainty of future settlements beyond 2022-23 assumptions will have to be included in the Medium Term Financial Plan for future years. There are risks associated with this approach as the government may decide to change its priorities and reduce or cease funding through a grant or reallocate service specific grants into more general funding with a changed distribution.

A) Revenue Support Grant

Revenue Support Grant (RSG) is a central government grant given to local authorities from the centrally retained share of business rates which can be used to finance revenue expenditure on any service. The amount of Revenue Support Grant to be provided to authorities is established through the Local Government Finance Settlement using the relevant funding formulae; the revision of these formulae (along with the redistribution of the locally retained share of business rates) is the focus of the (deferred) Fair Funding review process.

KCC's RSG has decreased from circa £161m in 2015-16 to circa £9.6m in 2020-21 with only small inflationary uplifts since then.

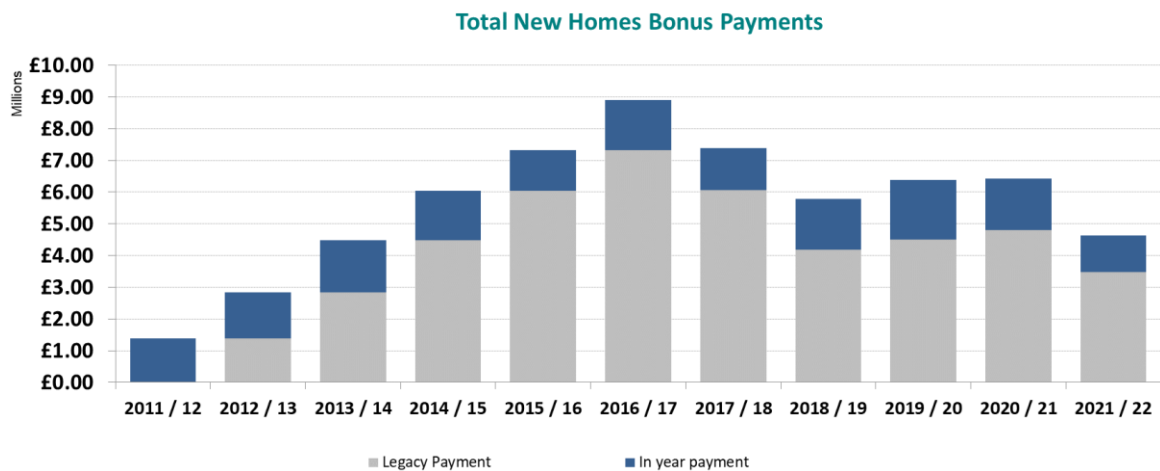
B) New Homes Bonus

The New Homes Bonus (NHB) scheme was introduced in 2011-12 to help tackle the national housing shortage. The scheme was designed to reward those authorities that increased their housing stock either through new build or by bringing empty properties back into use. The grant is un-ringfenced.

Initially the NHB grant increased each year as the grant provided an incentive for six years by adding an additional in year growth to the previous year's legacy amount. This saw the grant peak in value in 2016-17. From 2017-18 the grant was reformed with the incentive reduced to four years in stages over two years by removing the earliest two year's legacy payments and adding in year additional growth.

A further reform was introduced in 2020-21 which saw the additional in year growth added as a one-off (i.e. not included in the subsequent year's legacy) with oldest year's legacy removed. This meant three years' worth of legacy payments in that year and one in year's growth. The same system was used in 2021-22 with one-off allocation of in year growth and two years' worth of legacy payment. For 2022-23 the grant represents the one year's remaining legacy and no additional in year amount. For 2023-24 it is assumed the grant ceases as the last legacy year is removed.

The graph below depicts the legacy and growth elements over the lifetime of NHB



C) Improved Better Care Fund

The Better Care Fund (BCF) was introduced in the 2013-14 spending review. The fund is a pooled budget, bringing together local authority and NHS funding to create a national pot designed to integrate care and health services.

In addition to this, an Improved Better Care Fund (IBCF) was announced in the 2016-17 budget to support local authorities to deal with the growing health and social care pressures during the period 2017-20. The grant is allocated according to relative needs formula for social care with an equalisation adjustment to reflect the adult social care council tax precept. The allocations increased each year between 2017-18 to 2020-21. The subsequent spending reviews and local government settlements have seen the grant rolled forward at the same value in cash terms as 2020-21 (£48.5m). The grant for 2022-23 includes a 3% inflationary uplift as part of the additional resources for adult social care within the settlement.

D) Social Care Grant

The current social care support grant was first introduced in 2019-20 following the announcement in the Chancellor's 2019-20 budget of an additional £410m for adult and children's social services. KCC's allocation for 2019-20 was £10.5m based on a formula using the adult social care relative needs formula with an equalisation adjustment to reflect the adult social care council tax precept.

An additional £1bn was added to the 2020-21 settlement taking the total for social care support grant to £1.41bn. The same formula as 2019-20 was used based on using the adult social care relative needs formula with an equalisation adjustment to reflect the adult social care council tax precept. KCC's allocation was £34.4m. The government believes there is not a single bespoke needs formula that can be used to model relative needs for both adult and children's social care, therefore the existing Adult Social Care Relative Needs Formula was used to distribute this Social Care Support Grant funding.

The 2021-22 settlement included a further £300m taking the total social care support grant to £1.71bn. The same formula was used again providing KCC with an additional £4.7m, increasing the total grant value for 2021-22 to £ 39.1m.

The 2021-22 grant has been rolled forward into the 2022-23 provisional settlement. An additional £556.4m has been added to the grant and allocated to individual authorities using the existing Adults RNF (KCC share £14.3m). A further £80m added has been allocated to reflect the 1% adult social care council tax precept (KCC share £1.0m). Combined with the rollover from 2021-22 KCC's total social care support grant for 2022-23 is £54.5m, an increase of £15.3m on 2021-22.

The total increase in the Social Care Support Grant (£636.4m) together with the uplift in the IBCF (£62.8m) is part of £700m increase in social care funding within the settlement plus the additional adult social care council tax precept.

E) Services Grant

This is a new one-off grant for 2022-23. The Services Grant amounts to £822 million within the 2022-23 provisional settlement. This grant is distributed through the existing formula for assessed relative need across the sector, using 2013-14 shares of Settlement Funding Assessment (SFA). The government says that the new grant will provide funding to all tiers of local government in recognition of the vital services, including social care, delivered at every level of local government. It includes funding for local government costs for the increase in employer National Insurance Contributions.

The grant is not ring-fenced. The Government intends this to be a one-off grant for 2022-23 and to work closely with local government on how to best use this funding from 2023-24 onwards. This funding would be excluded from any proposed baseline for transitional support as a result of any potential future system changes.

KCC's share of this grant for 2022-23 is £13.0m.

F) Market Sustainability and Fair Cost of Care Fund

This is a new grant for 2022-23. In total £162m out of the £3.6bn over 3 years has been made available in 2022-23. The grant is allocated using the existing the Adults RNF and will be subject to separate conditions set by government. KCC's share of this grant for 2022-23 is £4.2m.