

To Members of the Scrutiny of the Administration's Budget Proposals

Cllr. Geoff Welsh (Chairman)
Cllr. Roy Denney (Vice- Chairman)
Cllr. Sam Maxwell (Vice-Chairman)

Cllr. Shabbir Aslam
Cllr. Shane Blackwell
Cllr. Lee Breckon
Cllr. Nick Brown
Cllr. Cheryl Cashmore
Cllr. Nick Chapman
Cllr. David Clements
Cllr. Adrian Clifford
Cllr. Stuart Coar

Cllr. Alex DeWinter
Cllr. David Findlay
Cllr. Janet Forey
Cllr. David Freer
Cllr. Deanne Freer
Cllr. Chris Frost
Cllr. Paul Hartshorn
Cllr. Iain Hewson
Cllr. Mark Jackson
Cllr. Trevor Matthews
Cllr. Christine Merrill

Cllr. Phil Moitt
Cllr. Mat Mortel
Cllr. Antony Moseley
Cllr. Michael O'Hare
Cllr. Louise Richardson
Cllr. Tracey Shepherd
Cllr. Mike Shirley
Cllr. Kirsteen Thomson
Cllr. Bev Welsh
Cllr. Jane Wolfe

Dear Councillor,

A meeting of the **SCRUTINY OF THE ADMINISTRATION'S BUDGET PROPOSALS** will be held via Zoom on **WEDNESDAY, 19 JANUARY 2022 at 5.30 p.m.** Please find attached a number of supplemental items that are required for the meeting and are in addition to the agenda and report pack that has already been circulated.

Yours faithfully



Louisa Horton
Monitoring Officer

SUPPLEMENTAL ITEMS

2. Consider notes of the previous meeting (Pages 3 - 10)
3. 2022/23 Draft Portfolio Budget Proposals (Pages 11 - 12)
 - 5 Year Capital Programme



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SCRUTINY OF THE ADMINISTRATION'S BUDGET PROPOSALS

Minutes of a meeting held at the Council Offices, Narborough

WEDNESDAY, 12 JANUARY 2022

Present:-

Cllr. Geoff Welsh (Chairman)
Cllr. Roy Denney (Vice-Chairman)
Cllr. Sam Maxwell (Vice-Chairman)

Cllr. Shane Blackwell	Cllr. David Freer	Cllr. Michael O'Hare
Cllr. Nick Brown	Cllr. Deanne Freer	Cllr. Louise Richardson
Cllr. Cheryl Cashmore	Cllr. Chris Frost	Cllr. Tracey Shepherd
Cllr. Nick Chapman	Cllr. Paul Hartshorn	Cllr. Mike Shirley
Cllr. Adrian Clifford	Cllr. Iain Hewson	Cllr. Kirsteen Thomson
Cllr. Stuart Coar	Cllr. Mark Jackson	Cllr. Bev Welsh
Cllr. Alex DeWinter	Cllr. Trevor Matthews	Cllr. Jane Wolfe
Cllr. David Findlay	Cllr. Phil Moitt	
Cllr. Janet Forey	Cllr. Mat Mortel	

Officers present:-

Julia Smith	- Chief Executive
Sarah Pennelli	- Strategic Director - S.151 Officer
John Richardson	- Strategic Director
Louisa Horton	- Monitoring Officer
Nick Brown	- Strategic Finance Manager
Sandeep Tiensa	- Senior Democratic Services & Scrutiny Officer
Nicole Cramp	- Democratic & Scrutiny Services Officer
Katie Saunders	- Democratic & Scrutiny Services Officer

Also in attendance:-

Cllr. Terry Richardson, Cllr. Maggie Wright, Cllr. Sharon Coe, Cllr. Nigel Grundy,
Cllr. Les Phillimore, Cllr. Ben Taylor
Ian Fifield – Fifield Training

Apologies:-

Cllr. Shabbir Aslam, Cllr. Lee Breckon and Cllr. Antony Moseley

1. **BUDGET CONTEXT SETTING AND OVERVIEW**

The Chairman welcomed Members and Officers to the meeting and invited the Strategic Director (Section 151 Officer) to present her report.

Key Points:

Impact of the Settlement December 2021

Key elements of the Statement that impact on the budget position for 2022/23 are:

- Confirmation of settlement figures for 2022/23. It was hoped that a three year settlement would be received but only one year was confirmed.
- Continuation of New Homes Bonus
- Council Tax increase thresholds
- Any changes to Business Rate Baseline
- Information relating to additional funding streams

Alongside the Settlement the government also published a technical consultation paper on the provisional local government finance settlement 2022/23.

Funding the Budget

The impact of the pandemic continues to impact on some of the Council's revenue streams and is reflected in income levels for some service areas. Income from services is netted off against the costs within the net budget requirement so is not shown in the funding figures.

This reflects:

- Redistributed NNDR has decreased by £466k from 2021/22 to 2022/23. Whilst we have seen units at Fosse Park West opening, we have a considerable number of empty units and uncertainty around rateable values which have contributed to this decrease.
- COVID Emergency Funding – none assumed for 2022/23.
- COVID Sales Fees & Charges Compensation – none assumed for 2022/23.
- New Homes Bonus (NHB) Grant has reduced by £586k. It was expected that NHB would be significantly reduced in 2022/23, however this was less significant with the payment of another one year only NHB payment of £240k.
- Lower Tier Services grant – a one off grant to compensate Councils to ensure core spending power has not reduced.
- Services Grant – A distribution of £1.5bn additional funding – distributed utilising the 2013/14 funding formula and has favoured more deprived areas – a mechanism for levelling up.

- Council Tax precept has increased by £42k. This is before any increase is applied but reflects the increase in the tax base (increase in properties) in the district. It should be noted that the increase in the taxbase is lower due to reduced build rates in 2022/23 that haven't recovered to pre-Covid levels.

Business Rates:

It has been especially difficult to forecast the growth within the budget figures in 2022/23. This is due to:

- New properties within Fosse Park West not being officially rated by the Valuation Office (VO) and estimates have been included.
- Estimating empty properties for Fosse Park West
- The ever present risk that appeals put forward by businesses may impact unfavourably on the amount of income that Blaby is able to release.

Blaby use advice from experts to understand the appeals that have been put forward and to make a provision for these appeals. Increasing the provision will reduce the amount of business rate income that can be retained.

New Homes Bonus

The Council has continued to generate New Homes Bonus (NHB) from the increase in houses built in the district. Since 2013/14 the New Homes Bonus has been used to underpin the budget requirement as government funding has reduced. In 2022/23 an amount of £1.0m is being utilised to fund services; a reduction of £586k.

Initially NHB earned was paid for a period of 6 years and then in 2018/19 this was reduced to a further 4 years. Since 2020/21 the government have only paid NHB earned for one year and payments of NHB have been expected to be phased out. Within the NHB of 2022/23 is £781k of legacy NHB. It is the last year that the Council will benefit from this legacy funding.

Surprisingly in 2022/23 a one year payment of £240k was received. This one off amount is significantly lower than historic years, given the impact Covid-19 continues to have on the build figures within the District.

The future of NHB is very uncertain and poses a considerable future financial risk for the Council. There has been little mention of the future of NHB in the Fair Funding review discussions.

Lower Tier Services Grant

Members will have seen from the Funding Table in the agenda that the council has received a Lower Tier Services Grant of £912k. This is a new grant that was first paid in 2021/22. It is principally designed to ensure that no

authority's core spending power is lower in 2022/23 than it was for 2021-22. Distribution of this grant has been heavily weighted towards District Councils with large NHB reductions. There is no suggestion that this grant will continue in future years.

Service Grant

Also included in the funding table is a Service Grant of £154k. This is a new grant and is the mechanism used to distribute an element of the £1.5bn additional funding to Local Government that was announced in the Spending Review 2022/23. Whilst 40% of this was allocated to fund social care, an amount of £822m was distributed to all authorities through the Service Grant. An out of date funding formula from 2013/14 was used to determine the allocation which appears to have favoured areas of deprivation and has been a mechanism for levelling up.

This grant is expected to be rolled into the funding reforms of 2023/24.

Budget Gap

The budget gap arising for the 2022/23 Financial Year is **£1.35M**.

Options open to the Council to meet the funding gap:

Council Tax Increase

There has been more of an expectation nationally that Council's will increase Council Tax as a mechanism for closing the financial gap.

For 2022/23 the threshold for Council Tax increases for "core" Band D Council Tax has remained unchanged with local authorities able to increase their Council Tax by up to 2% (1.99%). An additional amount of £118k would be generated with a 1.99% increase which equates to an increase of £3.45 per annum; £176.77 for a Band D equivalent property.

District Councils may however raise Council Tax by £5 without triggering a referendum. This is an option that has been included for the purpose of reducing the gap, given it is larger (2.88%) than the 1.99% increase. This option would generate an additional £171k; £178.32 for a Band D equivalent property.

For Shire County Councils increases for 'core' Band D Council Tax has also been retained with an increase of up to 2% being allowed.

It is important to also note that within the Settlement those Authorities with responsibility for Adult Social Care, such as Leicestershire County Council, retain the additional flexibility to increase their current Council Tax referendum threshold by up to 1% on top of the core principle for an Adult Social Care precept.

The Leicestershire County Council proportion of the total Council Tax charge forms approx. 70% of the total charge (based on 2021/22).

Police and Crime Commissioners are able to increase their Council Tax precept by £10 and Fire & Rescue Authorities are limited to a referendum principle of 2% but those in the lower quartile (including LFRS) can increase by £5.

Should all preceptors decide to increase Council Tax at the maximum levels (with Parish Councils increasing by the average amount based on 2021/22) the total annual increase on a band D property would be approximately £63.

Cumulative Impact of Council Tax Increases

For a three year period from 2011 the Council chose not to increase Council Tax but instead to be compensated with a Council Tax Freeze grant which the Council no longer benefit from. Had Council Tax been increased during that three year period the Council Tax income would today be higher by £704k.

Release of NNDR Reserve

Council holds a NNDR reserve which the Council put in place to smooth the income caused by the fluctuations on income levels and the unpredictability of business rate appeals. This is income earned by the Council through business rates which has not yet been released to fund budget expenditure. It is proposed to release £500k of this reserve into the budget for the 2022/23. The reserve will therefore reduce to £1.20M

Increase in Vacancy Savings Provision

Included within the budget is an allowance for vacancies occurring throughout the course of the year. This is an estimate of how much the Council will underspend due to posts not being filled in a timely manner. While we do often fill vacant posts temporarily, we have been seeing an underspend net of temporary staff costs of almost £300k. In our initial budget an allowance of £100k provision had been budgeted. We are therefore proposing to increase this provision by a further £100k so reducing the establishment budget by a further £100k. Note that the Council will not delay employment of staff to keep within this vacancy savings provision should we be in a position to fill the posts.

Removal of Trade Waste Concession to Schools and Charities

Currently the Council provides Trade waste services to schools and charities free of charge. It is proposed to introduce charges to this sector which will increase income to the Council by £110k.

Further increase of Green Waste Charges

Consideration is being given to increase the Garden Waste charges by £3.80 (240 litre bin) to £41.70 and similarly an increase of £2.56 (140 litre bin) to £28.16. This would generate an additional £80k in income to the Council and increase the garden waste charges to be mid-range when compared with other Leicestershire authorities.

Cease Publication of the Contact Magazine

During COVID we have ceased to publish the Contact Magazine and we have been successful in communicating with our residents through other means. It is therefore being considered to cease publication of the magazine which will generate a saving of £27k.

Total Budget Requirement and remaining Budget Gap

The proposed General Fund Revenue Account Net Budget Requirement for 2022/23 is **£13.04m**. The comparable Net Budget Requirement for 2021/22 that was approved in February 2020 was **£13.2m**. It should be noted that the 2021/22 budget included extended costs associated with the pandemic and funding associated with those costs.

After taking into account the proposed measures to reduce the funding gap the adjusted gap is now **£360k**, which is at a level that may be met with a contribution from General Fund Balances.

Further Cost Pressures:

Huncote Leisure Centre Site:

The Council has had to respond to a major incident concerning landfill gas on the site of the Huncote Leisure Centre. As such a reserve of £500k has been set aside to deal with the emergency situation. Currently revenue costs associated with this incident currently stand at £60k. Capital funds committed for works to install monitoring equipment are currently £180k.

At this time none of these costs or ongoing costs are included within the budget of 2022/23. As the work is completed assessment will be made as to what ongoing action is required and costs that may be required to include in the budget.

ICT costs:

In December 2010 Blaby DC delegated responsibility for the ICT service to Hinckley & Bosworth Borough Council (HBBC) who outsourced the delivery to Sopra Steria. The contract with Sopra Steria ceased to exist from 31 December 2021 and the service has been brought back in house for HBBC to manage directly. As a result of this, there is an extension to costs of the

ICT service in 2022/23 and beyond. A briefing note accompanies this report at Appendix F in the agenda to provide detail regarding this matter.

2. 2022-2023 DRAFT PORTFOLIO BUDGET PROPOSALS)

The Chairman welcomed Ian Fifield who then opened discussion to develop lines of questioning relating to the 2022/23 draft Budget Proposals.

Preliminary lines of questioning were identified for submission to Portfolio Holders prior to the next Scrutiny Budget meeting on Wednesday 19 January 2022 for their response.

The Chairman explained that any supplemental questions could still be submitted by Members before or at the next meeting.

3. DATE OF NEXT MEETING

- 19 January 2022.

THE MEETING CONCLUDED AT 7.26 P.M.

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FIVE YEAR CAPITAL PROGRAMME 2022/23 - 2026/27

Project	Planned Capital Expenditure					
	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Total £
<u>Corporate Aims & Objectives</u>						
Disabled Facilities Grants	660,000	660,000	660,000	660,000	660,000	3,300,000
Capital Grants Programme	54,500	54,500	54,500	54,500	54,500	272,500
Blaby Town Centre Toilets	100,000	0	0	0	0	100,000
Walk & Ride Blaby	180,000	0	0	0	0	180,000
Major Refurbishment of Leisure Centres	150,000	0	175,292	0	0	325,292
Sub-total Corporate Aims & Objectives	1,144,500	714,500	889,792	714,500	714,500	4,177,792
<u>Asset Management Planning</u>						
Council Offices	250,000	0	0	0	0	250,000
CCTV Cameras	40,000	0	0	0	0	40,000
Corporate IT Projects	153,000	0	0	282,000	118,000	553,000
Fleet Vehicle Replacement Programme & Equipment	547,000	1,690,000	2,100,000	368,000	155,000	4,860,000
Improvement Works to Strategic Parks & Open Spaces	222,000	164,000	86,000	0	0	472,000
Environmental Services	10,000	0	40,000	0	0	50,000
Replacement/Upgrade of Service Specific IT Systems	20,000	0	242,000	0	564,000	826,000
Sub-total Asset Management Planning	1,242,000	1,854,000	2,468,000	650,000	837,000	7,051,000
Other Capital Schemes	16,000	0	0	0	0	16,000
Asset Management Group Contingency	50,000	50,000	50,000	50,000	50,000	250,000
TOTAL CAPITAL EXPENDITURE	2,452,500	2,618,500	3,407,792	1,414,500	1,601,500	11,494,792

	Planned Capital Resources					
	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	Total £
<u>Financed by:</u>						
Borrowing	1,168,500	1,658,500	2,425,792	250,000	682,000	6,184,792
Capital Receipts	524,000	250,000	250,000	418,000	205,000	1,647,000
Capital Grants	660,000	660,000	660,000	660,000	660,000	3,300,000
Direct Revenue Funding	100,000	0	0	0	0	100,000
I.T. Reserve Fund	0	0	0	32,000	0	32,000
Blaby Plan Priorities Reserve	0	50,000	72,000	54,500	54,500	231,000
TOTAL CAPITAL FINANCING	2,452,500	2,618,500	3,407,792	1,414,500	1,601,500	11,494,792

	Additional Revenue Costs				
	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
MRP in respect of pre 2022/23 Borrowing	1,173,162	1,173,162	1,173,162	1,173,162	1,173,162
MRP falling out	0	(52,259)	(99,066)	(128,667)	(170,508)
MRP in respect of new schemes	0	170,250	487,750	938,015	996,515
Estimated MRP at year end	1,173,162	1,291,153	1,561,846	1,982,510	1,999,169
Movement in MRP in year	0	117,991	388,684	809,348	826,007
Estimated Interest Payable in year	10,517	36,789	82,867	116,315	119,440
Additional Revenue Cost compared to 2021/22 Base	10,517	154,780	471,551	925,663	945,447

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