

SCRUTINY OF THE ADMINISTRATION'S BUDGET PROPOSALS

Invitation and Agenda to all Members

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

Cllr. Roy Denney
Cllr. Sam Maxwell
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 Members,


A meeting of the **SCRUTINY OF THE ADMINISTRATION'S BUDGET PROPOSALS** will be held via Zoom on **WEDNESDAY, 12 JANUARY 2022** at **5.30 p.m.**

Public Access to the meeting:

The meeting will be live streamed on YouTube to allow all other members of the public to watch the meeting. A link to the live stream will be added to the Blaby District Council Website [HERE](#) a few minutes before the meeting starts.

Alternatively anyone with a YouTube account can also [subscribe to the channel](#), where the live stream will appear in the subscription feed.

Yours faithfully



Louisa Horton
Monitoring Officer



AGENDA

1. Apologies for Absence
To receive any apologies for absence.
2. Budget Context Setting and Overview (Pages 3 - 26)
To consider the report of the Strategic Director (Section 151 Officer) (enclosed).
3. 2022-2023 Draft Portfolio Budget Proposals (to follow)
 - a) To consider the proposed 2022-23 budget and spending plans for each Portfolio area.
 - b) Prepare lines of questioning for a written response from Portfolio Holders in advance of the next Scrutiny Budget meeting on Wednesday 19 January 2022.
4. Date of next Meeting
 - Wednesday 19 January 2022

**Blaby District Council
Scrutiny Commission**

Date of Meeting 12 January 2022
Title of Report **Budget Context Setting and Overview**
Report Author Strategic Director (Section 151 Officer)

1. What is this report about?

- 1.1 This is an information report which gives Members an overview of the budget proposals for 2022/23 Financial year. This includes an update on significant points arising from the Settlement of December 2021 issued by the Department of Levelling Up, Housing and Communities and also a projection of the Council's funding position into future years.

2. Recommendation(s) to Scrutiny Commission

- 2.1 That Scrutiny Commission considers the information contained within the reports and comments on the budget process and arrangements for the scrutiny of the budget proposals.

3. Reason for Decision(s) Recommended

- 3.1 To inform and seek Scrutiny Commissions comments on the proposals.

4. Matters to consider

4.1 Background

The purpose of this first budget session is to give Members a view of the following:

- Impact of the Settlement December 2021
- Total Budget Requirement for the Authority 2022/23 financial year
- Funding the Budget
- Budget Gap
- Options included to meet the funding gap
- General Budget Assumptions
- Impact on the Medium Term Financial Strategy (MTFS) financial summary including Future Business Rates and Fairer Funding position

4.2 Proposal(s)

This information is presented in documents within the appendices and are provided to inform Scrutiny to understand and scrutinise the budget prior to Council considering the budget proposals at February Council. It is important to note that this budget is in draft format and may change prior to the February

meeting should additional information becoming available.

4.3 Relevant Consultations

Officers from Finance and all services have worked closely together to compile the draft budget.

4.4 Significant Issues

None.

5. What will it cost and are there opportunities for savings?

5.1 Detailed budgets for each portfolio are included within the appendices, as are the overall budget costs and funding levels.

6. What are the risks and how can they be reduced?

6.1

Current Risk	Actions to reduce the risks
Reductions in the Government Grant Settlement.	The Council has historically taken a prudent approach in forecasting its core grant funding for the MTFS and modelled scenarios based on information currently available. The Council has general fund balances available that can be used in the short to medium term to help address funding gaps.
Withdrawal of external funding.	External funding has only been built into the base budget where it has been confirmed by external partners. Officers continue to work with partners to minimise the impact of funding cuts on services.
Change to the Business Rate Retention Scheme and the Fair Funding Review.	Changes to Business Rate Retention and funding levels are expected to be implemented in 2022/23, but it is unknown as to the extent of the changes. The draft MTFS attempts to forecast the impact of this potential change. As further technical consultation papers are released officers will attempt to understand how the changes may impact Blaby. Officers will respond to any consultation papers and if required, lobby the DLUHC should there be concern regarding the changes.

7. Other options considered

- 7.1 None. It is necessary for Members to understand the financial context in which the budget is set and the detail of the budget.

8. Other significant issues

- 8.1 In preparing this report, the author has considered issues related to Human Rights, Legal Matters, Human Resources, Equalities, Public Health Inequalities, and Climate Local and there are no areas of concern.

9. Appendix

- 9.1 Appendix A – 2022/23 Budget Overview 12th January
- 9.2 Appendix B – Analysis of Reserves
- 9.3 Appendix C – Schedule of External Funding (to follow)
- 9.4 Appendix D – Establishment Trend information
- 9.5 Appendix E – Draft MTFFS Financial Summary
- 9.6 Appendix F – ICT Briefing Note (to follow)
- 9.7 Appendix G – Leaders Portfolio Budget (to follow)
- 9.8 Appendix H – Finance, People & Performance Portfolio Budget (to follow)
- 9.9 Appendix I – Health, Wellbeing, Community Engagement & Business Support Portfolio Budget (to follow)
- 9.10 Appendix J – Neighbourhood Services & Assets Portfolio Budget (to follow)
- 9.11 Appendix K – Housing, Community & Environmental Services Portfolio Budget (to follow)
- 9.12 Appendix L - Planning Delivery and Enforcement & Corporate Transformation Portfolio Budget (to follow)

10. Background paper(s)

None

11. Report author's contact details

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Appendix A

2022/23 Budget Overview 12th January 2022

Impact of the Settlement December 2021

Councillors will be aware that the Settlement figures are normally distributed to the Council in mid December and at the same time the Secretary of State makes his statement on local government funding for 2022/23 (referred to as 'the Statement' in this paper). The Settlement was announced on the 16th 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.

As such the funding position for 2022/23 is very much a one year settlement and it is difficult to make assumptions from it as to the level of funding in future financial years, as a number of the funding streams are one-off grants or are funding streams that may disappear.

There is still substantial uncertainty surrounding how changes to Business Rate Retention and the Fair Funding Review will impact on Blaby. Members will recall that these changes were originally proposed to be put in place for 2020/21.

These changes will not therefore directly impact on the budget for 2022/23 but the MTFs at the end of this paper illustrates the impact this may have on the Council's finances in future years. Officers will be monitoring the situation throughout the forthcoming year and inform Members as any impact on future funding is understood.

Throughout this document reference is made to the Settlement Statement within the relevant section to provide information to Members.

Budget Gap

On receipt of the Settlement it became clear that the Council were facing a significant budget gap of **£1.35M** for the 2022/23 Financial Year. This has arisen as a result of increased costs but also reductions in funding and income levels.

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.

The table below illustrates how the budget is funded and how the Council's reliance on certain income streams has impacted on the magnitude of the budget gap.

Sources of funding are as follows:-

	Approved Budget 2021/22	Working Budget 2021/22	Base Budget 2022/23	Variance Compared to Approved Budget
	£	£	£	£
Income from Business Rates	5,364,853	7,413,500	1,367,158	3,997,695
Contributions from Business Rates Reserves	(8,841,432)	(8,621,563)	(2,159,762)	(6,681,670)
S31 Grant - Business Rates Compensation	(1,058,322)	(3,417,893)	(3,275,451)	2,217,129
COVID-19 Emergency Funding	(411,883)	(411,883)	0	(411,883)
COVID-19 Sales, Fees & Charges Compensation	(54,200)	(54,200)	0	(54,200)
New Homes Bonus Grant	(1,607,070)	(1,607,070)	(1,020,820)	(586,250)
Lower Tier Services Grant	(786,461)	(786,461)	(911,919)	125,458
Services Grant	0	0	(153,747)	153,747
Council Tax (Surplus)/Deficit	73,302	73,302	72,774	528
Council Tax Demand on Collection Fund	(5,888,787)	(5,888,778)	(5,931,016)	42,229
Funding Envelope	(13,210,000)	(13,301,046)	(12,012,783)	(1,197,217)

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

Since the Localisation of Business Rates in 2013/14 local authorities have been in a position to benefit from a proportion of growth in business rates and Blaby has, like most councils, needed to release this growth to support the budget.

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.

Councillors will be aware that the mechanism for the distribution of business rates was expected to be changed in 2021/22 but has been delayed further. This does not impact on 2022/23 financial year but will be a consideration for future years.

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 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.

Addressing the Budget Gap

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

Given the significance of this gap measures have been taken to include options open to the Council within the portfolio reports presented to you during the Scrutiny sessions. These are detailed below and illustrate how the gap can be reduced.

Council Tax Increase

Members will be aware that over recent years there has been more of an expectation nationally that Council's will increase Council Tax as a mechanism for closing the financial gap. This continues to be reflected in 'the Statement'.

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

It is important to understand the cumulative impact of not increasing Council Tax. 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

Members will be aware that the 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.

General Assumptions within Budget Requirement

- The establishment budget allows for an increase of 2% in establishment costs for 2022/23. This is in addition to a 2% allowance allowed for in 2021/22 budget which, as of yet, has not been finalised.

The budget proposals for 2022/23 take into account the cost of employers' national insurance and pension contributions, contractual increments, and the Apprenticeship Levy. (More detail relating to this point was included within the report "Establishment 2021/22 22/23" presented to Cabinet Executive on 8th November 2021). Allowance has been made for the additional Health and Social Care levy of 1.25% within the national insurance contributions.

- Planning appeals are not included within the budget requirement but expenditure will be funded from balances if it is necessary.
- Portfolio figures are shown before any recharges from department to department in order that the spending service is scrutinised rather than the method of apportionment across departments.

Further Cost Pressures

Huncote Leisure Centre Site: Members will be aware that 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, which is detailed in Appendix B as the Huncote Major Incident Reserve.

At the time of writing this report 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. This will be highlighted in the final budget report to be considered by Council in February.

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 to provide detail regarding this matter.

Financial Budget Summary

BUDGET SUMMARY BY PORTFOLIO

	Approved 2021/22 £	Working 2021/22 £	Base 2022/23 £
<u>Net Direct Expenditure</u>			
Finance, People & Performance	2,209,515	2,321,103	2,308,060
Housing, Community & Environmental Services	2,333,370	3,128,357	2,535,039
Health & Wellbeing, Community Engagement & Business Support Leader	330,345	933,605	350,345
Neighbourhood Services & Assets	1,408,236	1,500,503	1,440,676
Planning Delivery, Enforcement & Corporate Transformation	2,767,032	3,207,425	2,817,157
Net Direct Expenditure	11,757,924	13,902,333	12,001,373
Revenue Contributions towards Capital Expenditure	215,000	824,814	100,000
Minimum Revenue Provision	1,327,964	1,145,597	1,173,162
Provision for Loss of Income due to COVID-19	458,200	2,600	0
Unallocated COVID-19 Emergency Funding	411,883	345,633	0
Net Total Expenditure	14,170,971	16,220,977	13,274,535
Contribution to/(from) Earmarked Reserves	(312,430)	(2,785,119)	(230,940)
Contribution to/(from) General Fund Balances	(648,541)	(134,812)	
Net Budget Requirement	13,210,000	13,301,046	13,043,595
Income from Business Rates	5,364,853	7,413,500	1,367,158
Contributions from Business Rates Reserves	(8,841,432)	(8,621,563)	(2,659,762)
S31 Grant - Business Rates Compensation	(1,058,322)	(3,417,893)	(3,275,451)
COVID-19 Emergency Funding	(411,883)	(411,883)	0
COVID-19 Sales, Fees & Charges Compensation	(54,200)	(54,200)	0
New Homes Bonus Grant	(1,607,070)	(1,607,070)	(1,020,820)
Lower Tier Services Grant	(786,461)	(786,461)	(911,919)
Services Grant	0	0	(153,747)
Council Tax (Surplus)/Deficit	73,302	73,302	72,774
Council Tax Demand on Collection Fund	(5,888,787)	(5,888,778)	(6,102,119)
Funding Envelope	(13,210,000)	(13,301,046)	(12,683,886)
Funding Gap/(Surplus)			359,709

ANALYSIS OF RESERVES - REVISED BUDGET 2021/22 & BASE BUDGET 2022/23

Appendix B

	GL Code	Estimated 31/03/21 £	Reallocations 2021/22 £	Movement in 2021/22 £	Estimated 31/03/22 £	Movement in 2022/23 £	Estimated 31/03/23 £
Earmarked Reserves							
Leisure Centre Renewals Fund	0001/VBA	(79,364)	0	0	(79,364)	0	(79,364)
IT Reserve Fund	0001/VBB	(128,018)	(140,000)	137,118	(130,900)	0	(130,900)
Licensing Reserve	0001/VBC	(27,869)	0	0	(27,869)	0	(27,869)
Insurance Reserve Fund	0001/VBD	(100,000)	0	0	(100,000)	0	(100,000)
Blaby District Plan Priorities Reserve	0001/VBJ	(563,607)	(200,000)	451,739	(311,868)	0	(311,868)
General Fund Reserve	0001/VBK	(1,697,764)	0	100,000	(1,597,764)	50,000	(1,547,764)
Ongoing Projects Reserve	0001/VBM	(2,179,548)	0	1,953,608	(225,940)	225,940	0
Elections Reserve	0001/VBQ	(92,463)	0	0	(92,463)	0	(92,463)
Choice Based Lettings Reserve	0001/VBR	(952)	0	0	(952)	0	(952)
New Home Bonus	0001/VBT	(41,327)	0	28,049	(13,278)	0	(13,278)
COVID Support Reserve	0001/VBU	0	(700,000)	0	(700,000)	0	(700,000)
Economic Development Reserve	0001/VBX	(50,000)	0	0	(50,000)	0	(50,000)
ERIE Sinking Fund	0001/VCA	(41,717)	0	0	(41,717)	0	(41,717)
Community Rights Reserve	0001/VCB	(48,724)	0	0	(48,724)	0	(48,724)
Council Tax Support Reserve	0001/VCD	(250,000)	0	0	(250,000)	0	(250,000)
Parish New Homes Bonus Reserve	0001/VCE	(881)	0	0	(881)	0	(881)
NNDR Income Reserve	0001/VCF	(1,702,174)	0	0	(1,702,174)	500,000	(1,202,174)
Agile Working Reserve	0001/VCG	(94,678)	(100,000)	32,000	(162,678)	0	(162,678)
Local Plan Reserve	0001/VCJ	(483,595)	0	0	(483,595)	0	(483,595)
Lottery Reserve	0001/VCK	(20,712)	0	5,435	(15,277)	0	(15,277)
IT System Replacement Reserve	0001/VCL	(71,315)	0	35,020	(36,295)	0	(36,295)
Property Fund Reserve	0001/VCM	(50,656)	0	(45,000)	(95,656)	(45,000)	(140,656)
Tax Income Guarantee Reserve	9999/VCN	(1,379,730)	0	1,379,730	0	0	0
S31 Grant Reserve	9999/VCO	(9,488,745)	0	7,328,983	(2,159,762)	2,159,762	0
Huncote Major Incident Reserve	n/a	0	(500,000)	0	(500,000)	0	(500,000)
Total - All Earmarked Reserves		(18,593,839)	(1,640,000)	11,406,682	(8,827,157)	2,890,702	(5,936,455)
General Fund Balance	9999/ZZA	(5,214,677)	1,640,000	134,812	(3,439,865)	359,709	(3,080,156)

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MOVEMENT IN ESTABLISHMENT HEADCOUNT

Service	No. of FTEs 2020/21 Budget	Movem ent in FTEs 2020/2 1 to 2021/2 2	No. of FTEs 2021/2 2 Budget	Movem ent in FTEs 2021/2 2 to 2022/2 3	No. of FTEs 2022/2 3 Budget	Notes
LEADER						
CHIEF EXECUTIVE & DIRECTORS	3.00	0.00	3.00	0.00	3.00	
PA TEAM	2.43	0.00	2.43	0.00	2.43	
DEMOCRATIC SERVICES & GOVERNANCE	5.84	-0.95	4.89	0.00	4.89	
INFORMATION MANAGEMNT	2.32	0.00	2.32	0.00	2.32	
ELECTORAL SERVICES	2.67	0.00	2.67	0.00	2.67	
LAND CHARGES	5.81	0.00	5.81	0.00	5.81	
CORPORATE HEALTH & SAFETY	1.00	0.00	1.00	0.00	1.00	
NEIGHBOURHOOD SERVICES & ASSETS						
NEIGHBOURHOOD SERVICES GROUP MANAGER	1.00	0.00	1.00	0.00	1.00	
NEIGHBOURHOOD SERVICES MGMT & ADMIN	4.61	0.00	4.61	0.00	4.61	
CLEANSING	11.00	0.00	11.00	-0.20	10.80	
REFUSE & RECYCLING	44.00	0.00	44.00	0.00	44.00	
VEHICLE MAINTENANCE	4.00	1.00	5.00	0.00	5.00	
OPEN SPACES & GROUNDS MAINTENANCE	9.00	2.00	11.00	0.00	11.00	
PROPERTY SERVICES	4.00	-2.00	2.00	0.00	2.00	
COUNCIL OFFICES/CLEANERS/CARETAKERS	2.00	0.00	2.00	0.00	2.00	
FINANCE, PEOPLE & PERFORMANCE						
FINANCE	10.44	0.14	10.58	0.92	11.50	Restructure approved January 2021.
INCOME & COLLECTIONS	8.00	-2.00	6.00	0.00	6.00	
CORPORATE PERFORMANCE	5.42	0.00	5.42	0.00	5.42	
HR & TRAINING	6.16	0.00	6.16	0.11	6.27	1 post reduced hours, 1 part time post added.
HOUSING, COMMUNITY & ENVIRONMENTAL SERVICES						
COMMUNITY SERVICES GROUP MANAGER	1.50	0.00	1.50	0.00	1.50	
HOUSING SERVICES	8.50	3.50	12.00	1.00	13.00	Grant funded apprentice post added.
COMMUNITY SERVICES	7.48	1.00	8.48	-1.00	7.48	End of fixed term contract
REVENUES & BENEFITS	25.69	-1.59	24.10	0.46	24.56	Includes fixed term post
CHILDRENS SERVICES	2.11	0.00	2.11	0.00	2.11	
ENVIRONMENTAL SERVICES	10.97	-1.50	9.47	0.73	10.20	Includes fixed term post
ENVIRONMENTAL HEALTH	10.56	0.00	10.56	0.00	10.56	
AIR QUALITY CONTROL	0.00	0.00	0.00	1.61	1.61	2 x fixed term posts - funded by Defra Grant
PLANNING DELIVERY & ENFORCEMENT & CORPORATE TRANSFORMATION						
PLANNING GROUP MANAGER	1.00	0.00	1.00	0.00	1.00	
STRATEGIC GROWTH TEAM	4.86	-1.00	3.86	-3.00	0.86	Posts transferred to Garden Village and Lubbesthorpe Major Schemes.
PLANNING DELIVERY	13.61	0.00	13.61	-0.96	12.65	Secondment to Rail Freight Hub project
PLANNING ENFORCEMENT	4.81	0.00	4.81	0.00	4.81	
PLANNING ADMINISTRATION	1.00	0.00	1.00	0.00	1.00	
DEVELOPMENT STRATEGY	7.94	-2.44	5.50	0.00	5.50	
WHETSTONE GARDEN VILLAGE	0.00	2.00	2.00	1.00	3.00	
RAIL FREIGHT HUB TEAM	0.00	0.00	0.00	0.50	0.50	
NEW LUBBESTHORPE	0.00	0.00	0.00	2.00	2.00	
CORPORATE SERVICES GROUP MANAGER	1.91	0.00	1.91	0.00	1.91	
CUSTOMER SERVICES	14.89	0.00	14.89	0.00	14.89	
COMMUNICATIONS	2.54	3.00	5.54	0.00	5.54	
HEALTH, WELLBEING, COMMUNITY ENGAGEMENT & BUSINESS SUPPORT						
REGULATORY & LEISURE SERVICES GRP MGR	1.61	0.00	1.61	0.00	1.61	
LIGHTBULB CENTRAL HUB	5.82	0.00	5.82	-0.27	5.55	
LIGHTBULB LOCALITY TEAMS	15.76	1.20	16.96	0.10	17.06	
HOSPITAL HOUSING ENABLER TEAM	7.00	0.00	7.00	-1.00	6.00	End of fixed term contract
HOUSING OCCUPATIONAL THERAPIST	0.00	0.00	0.00	0.81	0.81	Funded via top-sliced Disabled Facilities Grant agreed by Better Care Fund.
LCC OCCUPATIONAL THERAPIST	0.00	0.00	0.00	1.00	1.00	Funded via top-sliced Disabled Facilities Grant agreed by Better Care Fund.
BUILDING CONTROL	11.61	3.00	14.61	2.00	16.61	Move to delegated service not yet reflected here.
HEALTH & RECREATION	1.81	0.19	2.00	0.00	2.00	
SOCIAL PRESCRIBING	0.00	2.39	2.39	0.19	2.58	Partly funded by Primary Care Trusts
LEISURE DEVELOPMENT - SPORTS	1.00	0.00	1.00	0.00	1.00	
A PLACE TO GROW	0.45	0.00	0.45	0.08	0.53	
COVID 19 CONTAIN FUNDING	0.00	0.00	0.00	1.54	1.54	2 x fixed term posts funded from Contain Outbreak Management Fund
CORPORATE HEALTH IMPROVEMENTS	2.00	-1.19	0.81	0.00	0.81	
SPORT & PHYSICAL ACTIVITY	2.57	-2.57	0.00	1.00	1.00	Externally funded Graduate post added.
TOURISM	1.00	0.00	1.00	0.00	1.00	
COMMUNITY DEVELOPMENT AND PARTNERSHIPS	5.93	0.00	5.93	0.19	6.12	
ECONOMIC DEVELOPMENT	0.00	2.44	2.44	-0.83	1.61	End of fixed term contract
TOTALS	308.63	6.62	315.25	7.98	323.23	

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Appendix E

Medium Term Financial Strategy

The Medium Term Financial Strategy (MTFS) is the Council's key financial planning document.

The MTFS forms part of the '**Blaby District Plan**' which brings together the Council's Community Plan, the Corporate Plan, the MTFS and the People Strategy.

The current MTFS document contains a financial forecast which is updated each year to reflect the changes to funding. This update has been extended to include the years up to 2026/27 to ensure the Council continues to consider the financial picture with a longer term strategic view and have an understanding of the financial resources available.

The future funding envelope extending after 2022/23 has little degree of certainty given there are changes to funding in future years with the Fair Funding Review and the anticipated reset of the Business Rates baseline, both of which are expected to take effect from 2023/24. The future funding estimates within the MTFS take into account any information that can be gained from the national picture and documents within the public domain on this subject, although there is a high degree of risk and uncertainty around these.

Whilst the future funding levels are uncertain it is not unrealistic to assume there will continue to be funding reductions or higher demand placed upon the Council. With this in mind it is important that the Council understands the potential future funding gaps and scenarios have been included to illustrate possible financial impacts of the changes.

For this latest update of the MTFS, the provisional budget for 2022/23 has been used as the baseline for projecting the future budget requirement. However, priorities and services may have to be revised to ensure the Council remains financially sustainable.

Financial Summary

Forecast Net Revenue Expenditure					
	2022/23	2023/24	2024/25	2025/26	2026/27
	£	£	£	£	£
Portfolio:					
Finance, People & Performance	2,308,060	2,376,355	2,416,479	2,422,278	2,436,864
Housing, Community & Environmental Services	2,535,039	2,578,248	2,636,903	2,696,792	2,757,900
Health & Wellbeing, Community Engagement & Business Support Leader	350,345	478,563	327,116	333,716	366,487
Neighbourhood Services & Assets	1,440,676	1,473,112	1,506,000	1,539,565	1,574,460
Planning Delivery, Enforcement & Corporate Transformation	2,550,096	2,529,910	2,591,439	2,654,320	2,718,579
	2,817,157	3,077,777	3,094,449	3,112,578	3,184,105
Net Direct Expenditure - Portfolio	12,001,373	12,513,965	12,572,386	12,759,249	13,038,395
RCCO	100,000	0	0	0	0
Minimum Revenue Provision	1,173,162	1,284,153	1,554,846	1,935,510	1,889,669
Appropriations & Accounting Adjustments	0	0	0	0	0
Contribution to/(from) Earmarked Reserves	(230,940)	(5,000)	(21,000)	(41,500)	(9,500)
Total Net Expenditure	13,043,595	13,793,118	14,106,232	14,653,259	14,918,564
Additions/Savings:					
Net Revenue Expenditure	13,043,595	13,793,118	14,106,232	14,653,259	14,918,564
Funding Envelope					
	2022/23	2023/24	2024/25	2025/26	2026/27
	£	£	£	£	£
Income from Business Rates	1,367,158	1,125,746	301,743	293,662	324,111
Contribution from Business Rates Reserves	(2,659,762)	0	0	0	0
S31 Grant - Business Rates Compensation	(3,275,451)	(3,118,513)	(3,176,763)	(3,242,900)	(3,304,969)
Lower Tier Services Grant	(911,919)	0	0	0	0
Services Grant	(153,747)	0	0	0	0
New Homes Bonus Grant	(1,020,820)	0	0	0	0
	(6,654,541)	(1,992,767)	(2,875,020)	(2,949,238)	(2,980,858)
Council Tax Deficit	72,774	55,423	0	0	0
Council Tax	(6,102,119)	(6,328,218)	(6,557,317)	(6,789,415)	(7,024,514)
Funding Envelope	(12,683,886)	(8,265,562)	(9,432,337)	(9,738,653)	(10,005,372)
Funding Gap/(Surplus)	359,709	5,527,556	4,673,895	4,914,606	4,913,192
Sensitivity Analysis					
	2022/23	2023/24	2024/25	2025/26	2026/27
	£	£	£	£	£
Funding Gap/(Surplus) from above	359,709	5,527,556	4,673,895	4,914,606	4,913,192
Damping	0	(3,784,129)	(2,014,869)	0	0
Adjusted Funding Gap/(Surplus)	359,709	1,743,427	2,659,026	4,914,606	4,913,192

Forecast Assumptions

Set out below is a commentary relating to the key assumptions that have been made in drafting the future financial forecast.

Net Direct Expenditure

Net Direct Expenditure budgets have been compiled by rolling forward the 2022/23 draft budget numbers and applying inflationary factors where appropriate to the elements. Key areas of note are:

- Establishment – assumes a 2% increase to cover the annual pay award, increments and increases in national insurance and pension contributions.
- Other costs – increases in line with contractual arrangements or by reference to appropriate inflationary factors, dependent upon the nature of the expenditure.
- Fees and charges – non-statutory income budgets have been increased by inflation in line with the Spending Review in October 2021.

RCCO

Revenue Contributions towards Capital Outlay – this is where revenue expenditure (including earmarked reserves) is used to finance capital expenditure.

Minimum Revenue Provision (MRP)

MRP is a proxy for depreciation used in local government finance. It is charged on any capital expenditure funded through borrowing, over a period of time commensurate with the estimated life of the asset. Much of the current MRP relates to the purchase of fleet vehicles, investment in our leisure facilities, and historic disabled facilities grants. The increase in MRP from 2023/24 reflects the impact of new expected borrowing to fund our 5 year Capital Programme, including the potential additional cost of moving to electric refuse vehicles.

Contributions to/(from Earmarked Reserves

This represents the release of reserves to support one-off expenditure items or spend to save initiatives.

Additions/Savings

Any new known, growth in expenditure or potential savings not yet built into the budget.

Net Revenue Expenditure

The Council's forecast net expenditure position prior to the application of balances, government grants and council tax.

Income from Business Rates

The Council retains 40% of the net rates collectable from businesses. However, it is also required to pay a tariff to government from its share, as well as a levy payment to the Leicestershire Business Rates Pool based on any growth above the baseline. Blaby has benefited from considerable growth since the current Business Rates Retention Scheme was introduced in April 2013, in particular from the major redevelopment of Fosse Park. The MTFs anticipates a reset of the business rates baseline in 2023/24 and this is likely to have a major impact on the amount of business rates that Blaby will have to support its budget. However, there remains a great deal of uncertainty over the precise impact.

S31 Grant – Business Rates Compensation

The amount of business rates collectable is reduced by various reliefs that have been introduced by the government, for example, to reduce the impact of COVID-19 on businesses. This results in a loss of income to the Council, which is compensated by the government through Section 31 grant.

Lower Tier Services Grant

Introduced by government as part of the 2021/22 financial settlement to offset the reduction in funding that many authorities were feeling as a result of the phasing out of New Homes Bonus. Initially intended as a one-off grant, it has been extended into the 2022/23 settlement.

Services Grant

A new, one-off grant included in the 2022/23 settlement. The Services Grant has been distributed by reference to 2013/14 deprivation indices, resulting in a relatively low grant to Blaby.

New Homes Bonus

New Homes Bonus has been extended by one further year based on the existing distribution mechanism. Blaby's settlement includes a one year only grant relating to housing growth up to October 2021, together with legacy funding that will fall out in 2023/24.

Council Tax Deficit

The amount by which council tax due in the previous year, falls short of the expected sum collectable. The government introduced new legislation in 2020/21 enabling local authorities to spread any unusual deficit arising from the pandemic across three years.

Council Tax

The expected amount of revenue receivable from Council Tax payers, assuming a £5 increase on Band D and an assumed increase in the tax base to reflect new build.

Sensitivity Analysis

An assumption has been built into the MTFs in anticipation that the government will introduce some form of damping mechanism to smooth the impact of the expected reduction in funding. Until the Fair Funding review is complete and the government has made a decision in relation to the business rate baseline reset, the full extent of this impact poses a significant risk.

Financial Risks

- **New Homes Bonus (NHB)** When the New Homes Bonus commenced it was a non-ring fenced grant introduced to encourage the building of new housing. This, in effect, was top sliced from the existing funding streams for local government and therefore has provided an alternative source of funding as the core grant has been reduced. In the early years Blaby was in the position to support local housing schemes with some of the New Homes Bonus. However, in recent years it has been necessary to include the NHB as a source of funding to underpin the budget requirement.

In 2022/23 **£1.021m** of NHB has been utilised to fund the budget requirement.

NHB is expected to be removed from the settlement from 2023/24 onwards and, as yet, there is no indication from government that it will be replaced. If it is replaced, there is a strong likelihood that any new grant will be more weighted towards upper tier authorities.

- **Business Rates Retention Reform**

The recent Statement suggests that this will take effect in the year 2023/24 at the same time as the result of the Fair Funding Review is expected to be implemented.

The overriding question will be how this additional retention locally will be distributed between Districts and County Councils given the financial pressures being experienced by County Councils because of Social Care costs. In addition, it is suggested that there will be a full Business Rate Baseline reset. If there is a full reset of the Baseline the Council may lose the benefit of any significant growth that has been generated in recent years. This element of the changes to Business Rates provides a substantial risk to the Council which could result in growth being lost. The potential impact of this change is shown in the sensitivity section of the Financial Summary.

Blaby will benefit from any future growth in Business Rates, however quantifying the benefit is not yet possible.

- **Fair Funding Review**

It is expected that this will take effect in the year 2023/24. Whilst the consultation details considerations that are being taken into account it is not possible to assess how Blaby District will be impacted by this change. How

future changes are softened through a 'damping process' will be key as to how Blaby's financial position may change.

- **County Council Funding Reductions.** The County Council has openly illustrated the level of funding cuts that they will be required to make over the coming years. Whilst we can plan to mitigate any obvious impacts of this, some are more subtle and the increased demand that results from this is difficult to quantify financially. This is a considerable risk to which we will put financial values to as and when we are in a position to do so.
- **New Demands from Residents.** Blaby has an ageing population which brings with it challenges such as dealing with dementia and issues such as loneliness. What role Blaby will play in our community to combat these challenges and what different demand this drives for services that are needed have not yet been identified.

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