

SCRUTINY OF THE ADMINISTRATION'S BUDGET PROPOSALS

Minutes of a meeting held at the Council Offices, Narborough

WEDNESDAY, 11 JANUARY 2023

Present:-

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

Cllr. Shabbir Aslam	Cllr. Janet Forey	Cllr. Mat Mortel
Cllr. Shane Blackwell	Cllr. Chris Frost	Cllr. Louise Richardson
Cllr. Lee Breckon JP	Cllr. Paul Hartshorn	Cllr. Mike Shirley
Cllr. Nick Brown	Cllr. Iain Hewson	Cllr. Bev Welsh
Cllr. Nick Chapman	Cllr. Mark Jackson	Cllr. Jane Wolfe
Cllr. Adrian Clifford	Cllr. Trevor Matthews	
Cllr. David Findlay	Cllr. Christine Merrill	

Officers present:-

Sarah Pennelli	- Strategic Director - S.151 Officer
Nick Brown	- Finance Group Manager
Sandeep Tiensa	- Senior Democratic Services & Scrutiny Officer
Isaac Thomas	- Democracy Support Officer
Nicole Cramp	- Democratic & Scrutiny Services Officer

Also in attendance as observers:-

Julia Smith – Chief Executive
John Richardson – Executive Director
Lisa Boland – Service Transformation Group Manager

Apologies:-

Cllr. Sam Maxwell, Cllr. Cheryl Cashmore, Cllr. Stuart Coar, Cllr. Antony Moseley,
Cllr. Michael O'Hare, Cllr. Tracey Shepherd and Cllr. Kirsteen Thomson

1. **BUDGET CONTEXT SETTING AND OVERVIEW**

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

Impact of the Settlement December 2022

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 for a two year settlement but certainty was only given for the funding relating to one year.
- 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 2023/24.

As such the funding position for 2023/24 is very much a one year settlement, although there does seem to be suggestions that some elements of the settlement may continue to be in place for 2024/25, although there is no certainty of the levels and continuation of some funding streams.

There is still substantial uncertainty surrounding how changes to Business Rate Retention and the Fair Funding Review will impact on Blaby in future years.

Members will recall that these changes were originally proposed to be put in place for 2020/21. It is now expected that these changes will not be brought in until 2025/26. These changes will not therefore directly impact on the budget for 2023/24 but the MTFS at the end of this paper illustrates the impact this may have on the Council's finances in future years. It is with the future funding gaps that may arise from these changes that the Council needs to consider as we work towards the Council continuing to be financially sustainable into the future.

Budget Gap 2023/24

The Settlement was the best in cash terms that local government has received in more than a decade with much of the increase directed towards the Upper Tier Authorities to fund social care.

Blaby however, benefitted from a new grant created to ensure that every authority has an increase in core spending power of at least 3%. It is this grant that has compensated for the forecast loss of New Homes Bonus funding and has contributed significantly (£1.5m) to minimise the funding gap

for 2023/24.

When taking into account the Settlement the funding gap for 2023/24 has reduced to just £104k.

Funding the Budget

The S.151 officer presented sources of funding, and the table in the report illustrated that the Council's funding has increased by £1.7m.

This is detailed as follows:

- Redistributed NNDR has increased by £1.54M, a number of factors have contributed to this, including the growth of Fosse Park West, appeals being settled and valuations being clarified for new properties at Fosse Park West.
- Revenue Support Grant £74k – two grants (Council Tax Admin Grant & Family Annex grant) that in the past were provided directly and not part of the settlement have now been badged as RSG. This therefore represents no change in funding.
- Lower Tier Services grant – was a one-off grant to compensate Councils to ensure core spending power had not reduced – now replaced for 2023/24
- Services Grant – reduced from £154k to £87k
- Funding Guarantee – £1.5m to ensure each authority has an increase in core spending power of at least 3%.
- New Homes Bonus (NHB) Grant £461k – a reduction of £559k. This is reflective of an increase in new homes built compared to last year, but a reduction in NHB with the legacy payment no longer being paid.
- Council Tax precept has increased by £22k. This is before any increase is applied but reflects the increase in the tax base (increase in properties) in the district.

Business Rates

It continues to be difficult to forecast the growth within the budget figures in 2023/24. 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.
- The ever-present risk that appeals put forward by businesses may impact unfavourably on the amount of income that Blaby is able to release.
- With the revaluation of Business Rates as of April 2023/24 we are still awaiting the full impact of this to be reflected in the NNDR1 to give certainty of the figures.

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 2023/24 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. In 2023/24 an amount of £461k is being utilised to fund services; a reduction of £559k.

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. 2022/23 was the last year that Blaby benefitted from a NHB legacy payment (£781k).

In 2022/23 a one year payment of £240k was received – this was low due to the impact Covid-19 continued to have on the build figures within the District. The increase to £461k for 2023/24 reflects the continued increase in build numbers.

The future of NHB continues to be 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 and it is expected that a decision will be made on the future of NHB funding before the 2024/25 Settlement.

Funding Guarantee Grant

A new grant introduced this year to ensure every authority has an increase in Core Spending Power (CSP) of at least 3%. This has been funded from the discontinuation of the Lower Tier Services Grant and the reduction in the payment nationally of New Homes Bonus. Blaby has been allocated £1.5m for 2023/24. This reflects the lost NHB legacy payments that were forecast to reduce Blaby's funding both in 2022/23 and 2023/24.

Lower Tier Services Grant

This grant, first paid in 2021/22 has now been discontinued/replaced. It was principally designed to ensure that no authority's core spending power was reduced. Distribution of this grant was heavily weighted towards District Councils with large NHB reductions which is why Blaby benefitted greatly from this grant in previous years.

Service Grant

Also included in the funding table is a Service Grant of £87k reduced from £154k. This was a new grant in 2022/23 and was the mechanism used to distribute an element of the £1.5bn additional funding to Local Government that was announced in the Spending Review of 2022/23.

Addressing the Budget Gap

The budget gap arising for the 2023/24 Financial Year is £104k.

Options open to the Council to meet the funding gap:

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 year however, the calculation of the 3% Funding Guarantee Grant has not assumed that each Council will increase the Council Tax levels. Council Tax increase threshold limits have, however been increased.

For 2023/24 the threshold for Council Tax increases for "core" Band D Council Tax has been increased with local authorities able to increase their Council Tax by up to 3% (2.99%) or £5 without triggering a referendum.

An increase of 2.99% would generate an additional amount of £183k which equates to an increase of £5.33 per annum. The Council Tax charge for Blaby would therefore be £183.65 for a Band D equivalent property. The option to increase Council Tax by £5 generates £172k; marginally less than the 2.99% increase. The Council Tax charge for Blaby would therefore be £183.32 for a Band D equivalent property.

For Shire County Councils threshold increases for 'core' Band D Council Tax has also been increased, with an increase of up to 3% 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 2% 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 2022/23). Police and Crime Commissioners are able to increase their Council Tax precept by £15 and Fire & Rescue Authorities are limited to a referendum principle of 3% or £5 if that is higher. Should all preceptors decide to increase Council Tax at the maximum levels (with Parish Councils increasing by the average amount based on 2022/23) the total annual increase on a band D property would be approximately £100.

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 £728k.

Should Council decide to increase Council Tax by the 2.99% maximum increase the budget will be balanced in 2023/24 with a small surplus of £79k.

2. 2023-2024 DRAFT PORTFOLIO BUDGET PROPOSALS

Preliminary lines of questioning were identified for submission to Portfolio Holders prior to the next Scrutiny Budget meeting on Wednesday 18 January 2023 for their response.

3. DATE OF NEXT MEETING

- 18 January 2023

THE MEETING CONCLUDED AT 7.16 P.M.