

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 JP
Cllr. Nick Brown
Cllr. Cheryl Cashmore
Cllr. Nick Chapman
Cllr. Adrian Clifford
Cllr. Stuart Coar
Cllr. Alex DeWinter

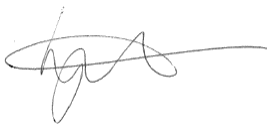
Cllr. David Findlay
Cllr. Janet Forey
Cllr. David Freer
Cllr. Deanne Freer
Cllr. Chris Frost
Cllr. Paul Hartshorn
Cllr. Iain Hewson
Cllr. Mark Jackson
Cllr. Trevor Matthews
Cllr. Christine Merrill
Cllr. Phil Moitt

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 in the Council Chamber - Council Offices, Narborough on **WEDNESDAY, 11 JANUARY 2023** at **5.30 p.m.** for the transaction of the following business and your attendance is requested.

Yours faithfully



Louisa Horton
Corporate Services Group Manager & Monitoring Officer



AGENDA

1. Apologies for Absence
To receive any apologies for absence.
2. Budget Context Setting and Overview (Pages 3 - 22)
To consider the report of the Executive Director (S.151 Officer) (enclosed).
3. 2023-2024 Draft Portfolio Budget Proposals (to follow)
 - a) To consider the proposed 2023-24 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 18 January 2023.
4. Date of next Meeting
 - Wednesday 18 January 2023

Blaby District Council Scrutiny Commission

Date of Meeting 11 January 2023
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 2023/24 Financial year. This includes an update on significant points arising from the Settlement of December 2022 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 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 2022
- Total Budget Requirement for the Authority 2023/24 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 now expected to be implemented in 2025/26, 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.
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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 – 2023/24 Budget Overview 11th 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 (to follow)

9.5 Appendix E – Draft MTFs Financial Summary

9.6 Appendix F – Leaders Portfolio Budget (to follow)

9.7 Appendix G – Finance, People & Performance Portfolio Budget (to follow)

9.8 Appendix H – Health, Wellbeing, Community Engagement & Business Support Portfolio Budget (to follow)

9.9 Appendix I – Neighbourhood Services & Assets Portfolio Budget (to follow)

9.10 Appendix J – Housing, Community & Environmental Services Portfolio Budget (to follow)

9.11 Appendix K - Planning Delivery and Enforcement & Corporate Transformation Portfolio Budget (to follow)

9.12 Appendix L – ICT Briefing Note (to follow)

10. Background paper(s)

None

11. Report author's contact details

Sarah Pennelli Executive Director (S151 Officer)
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Appendix A

2023/24 Budget Overview 11th January 2023

Impact of the Settlement December 2022

Councillors will be aware that the Settlement figures are normally distributed to the Council in December and at the same time the Secretary of State makes his statement on local government funding for 2023/24 (referred to as 'the Statement' in this paper). The Settlement was announced on the 19th 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.

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

Total Budget Requirement

The proposed General Fund Revenue Account Net Budget Requirement for 2023/24 is **£14.682M**. The comparable Net Budget Requirement for 2022/23 that was approved in February 2022 was £12.856M. It should be noted that since that time the Council has experienced considerable increased costs and the current budget requirement for

the 2022/23 financial year is expected to be **£13.647M** which will require an additional contribution from reserves of **£791k**.

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 table below illustrates how the budget is funded and how the grants provided in the Settlement have contributed to reducing the budget gap forecast in the Medium-Term Financial Strategy (MTFS).

Note that revenue income from services is netted off against the costs within the net budget requirement, so is not shown in the funding figures below. 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. We are yet to see if the cost of living impacts on these income streams in the coming year.

Sources of funding are as follows:-

	Approved Budget 2022/23 £	Working Budget 2022/23 £	Base Budget 2023/24 £	Variance Compared to Approved Budget
Income from Business Rates	(390,153)	54,534	(2,571,369)	2,181,216
Contribution from Business Rates Reserves	(2,145,760)	(2,144,241)	(1,502,156)	(643,604)
S31 Grant - Business Rates Compensation	(2,214,888)	(2,661,093)	(2,218,844)	3,956
Revenue Support Grant	0	0	(74,608)	74,608
Lower Tier Services Grant	(867,225)	(867,225)	0	(867,225)
Services Grant	(153,747)	(153,747)	(86,633)	(67,114)
Funding Guarantee	0	0	(1,534,201)	1,534,201
New Homes Bonus Grant	(1,020,820)	(1,020,820)	(461,356)	(559,464)
	(6,792,593)	(6,792,592)	(8,449,167)	1,656,574
Council Tax Deficit	43,211	43,211	0	43,211
Council Tax	(6,106,661)	(6,106,661)	(6,128,681)	22,020
Funding Envelope	(12,856,043)	(12,856,042)	(14,577,848)	1,721,805

The table above illustrates 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

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 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.

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 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. Since 2013/14 the New Homes Bonus has been used to underpin the budget requirement as government funding has reduced. 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**.

Officers anticipating a budget gap looked for opportunities to reduce costs or ensure income from fees and charges reflects the costs to provide the service. These have all been included in the base budget figures that are presented within portfolio reports and contribute to reducing the budget gap to this level.

The budget gap arising is before any Council Tax increase – the financial implications of a Council Tax increase are presented below.

Council Tax Increase

Members will be aware that over recent years there has been more of an expectation nationally that Councils 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**.

General Assumptions within Budget Requirement

- The establishment budget allows for an increase of 3% in establishment costs for 2023/24. This is in addition to the salary increases that were agreed for local authority staff in November 2022 backdated to April 2022.

The budget proposals for 2023/24 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 2022/23 2023/24" presented to Cabinet Executive on 7th November 2022).

- 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.

Financial Budget Summary

BUDGET SUMMARY BY PORTFOLIO

	Approved 2022/23 £	Revised 2022/23 £	Base 2023/24 £
<u>Net Direct Expenditure</u>			
Finance, People & Performance	2,927,303	3,056,858	3,172,104
Housing, Community & Environmental Services	1,914,296	2,578,601	1,978,956
Health & Wellbeing, Community Engagement & Business Support	299,655	1,934,172	402,859
Leader	1,440,676	1,710,310	1,619,061
Neighbourhood Services & Assets	2,554,596	3,107,214	3,175,948
Planning Delivery, Enforcement & Corporate Transformation	2,817,157	3,567,930	3,505,364
Net Direct Expenditure	11,953,683	15,955,085	13,854,292
Revenue Contributions towards Capital Expenditure	100,000	411,066	100,000
Minimum Revenue Provision	1,173,162	389,373	523,737
Voluntary Revenue Provision	0	0	250,000
Other Appropriations & Accounting Adjustments	257,701	117,239	163,800
Net Total Expenditure	13,484,546	16,872,763	14,891,829
Contribution to/(from) Earmarked Reserves	(230,940)	(3,225,468)	(209,690)
Contribution to/(from) General Fund Balances	(397,563)	(791,253)	
Net Budget Requirement	12,856,043	12,856,042	14,682,139
Income from Business Rates	(390,153)	54,534	(2,571,369)
Contributions from Business Rates Reserves	(2,145,760)	(2,144,241)	(1,502,156)
S31 Grant - Business Rates Compensation	(2,214,888)	(2,661,093)	(2,218,844)
Revenue Support Grant	0	0	(74,608)
New Homes Bonus Grant	(1,020,820)	(1,020,820)	(461,356)
Lower Tier Services Grant	(867,225)	(867,225)	0
Services Grant	(153,747)	(153,747)	(86,633)
Funding Guarantee	0	0	(1,534,201)
Council Tax (Surplus)/Deficit	43,211	43,211	0
Council Tax Demand on Collection Fund	(6,106,661)	(6,106,661)	(6,128,681)
Funding Envelope	(12,856,043)	(12,856,042)	(14,577,848)
Funding Gap/(Surplus)			104,291

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ANALYSIS OF RESERVES - REVISED BUDGET 2022/23 & BASE BUDGET 2023/24

Appendix B

	GL Code	Actual 31/03/22 £	Reallocations 2022/23 £	Movement in 2022/23 £	Estimated 31/03/23 £	Movement in 2023/24 £	Estimated 31/03/24 £
Earmarked Reserves							
Leisure Centre Renewals Fund	0001/VBA	(62,361)	0	0	(62,361)	0	(62,361)
IT Reserve Fund	0001/VBB	(255,407)	0	118,000	(137,407)	53,000	(84,407)
Licensing Reserve	0001/VBC	(27,868)	0	0	(27,868)	0	(27,868)
Insurance Reserve Fund	0001/VBD	(100,000)	0	0	(100,000)	0	(100,000)
Blaby District Plan Priorities Reserve	0001/VBJ	(452,667)	0	101,513	(351,154)	47,000	(304,154)
General Fund Reserve	0001/VBK	(1,697,764)	0	88,946	(1,608,818)	0	(1,608,818)
Ongoing Projects Reserve	0001/VBM	(2,923,063)	0	2,868,373	(54,690)	54,690	0
Elections Reserve	0001/VBQ	(121,944)	0	0	(121,944)	100,000	(21,944)
Choice Based Lettings Reserve	0001/VBR	(952)	0	0	(952)	0	(952)
New Home Bonus	0001/VBT	(41,327)	0	10,000	(31,327)	0	(31,327)
COVID Support Reserve	0001/VBU	(700,000)	0	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	(34,654)	0	0	(34,654)	0	(34,654)
Community Rights Reserve	0001/VCB	(48,724)	0	0	(48,724)	0	(48,724)
Council Tax Support Reserve	0001/VCD	(325,000)	0	0	(325,000)	0	(325,000)
Parish New Homes Bonus Reserve	0001/VCE	(881)	0	0	(881)	0	(881)
NNDR Income Reserve	0001/VCF	(1,702,174)	0	(623,958)	(2,326,132)	0	(2,326,132)
Agile Working Reserve	0001/VCG	(162,678)	0	0	(162,678)	0	(162,678)
Local Plan Reserve	0001/VCJ	(483,595)	0	59,661	(423,934)	0	(423,934)
Lottery Reserve	0001/VCK	(21,132)	0	5,855	(15,277)	0	(15,277)
IT System Replacement Reserve	0001/VCL	(54,415)	0	18,120	(36,295)	0	(36,295)
Property Fund Reserve	0001/VCM	(88,462)	0	(45,000)	(133,462)	(45,000)	(178,462)
Tax Income Guarantee Reserve	9999/VCN	0	0	0	0	0	0
S31 Grant Reserve	9999/VCO	(4,270,355)	0	2,768,199	(1,502,156)	1,502,156	0
Huncote Major Incident Reserve	9999/VCP	423,433	(100,000)	0	323,433	0	323,433
Court Fees Income Reserve	9999/VCQ	(31,813)	0	0	(31,813)	0	(31,813)
Total - All Earmarked Reserves		(13,233,803)	(100,000)	5,369,709	(7,964,094)	1,711,846	(6,252,248)
General Fund Balance	9999/ZZA	(4,698,909)	100,000	791,253	(3,807,656)	(78,958)	(3,886,614)

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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 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 2027/28 to ensure the Council continues to consider the financial picture with a longer-term strategic view and understand the financial resources available.

The future funding envelope beyond 2023/24 remains quite uncertain 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 now expected to take effect from 2025/26. The future funding estimates within the MTFS consider 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. 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 2023/24 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	2027/28
	£	£	£	£	£	£
Portfolio:						
Finance, People & Performance	3,056,858	3,172,104	3,422,239	3,537,908	3,639,025	3,715,399
Housing, Community & Environmental Services	2,578,601	1,978,956	2,057,901	2,133,672	2,211,728	2,292,139
Health & Wellbeing, Community Engagement & Business Support Leader	1,934,172	402,859	218,282	319,185	185,433	201,972
Neighbourhood Services & Assets	1,710,310	1,619,061	1,670,404	1,720,471	1,772,041	1,825,157
Planning Delivery, Enforcement & Corporate Transformation	3,107,214	3,175,948	3,299,816	3,434,749	3,568,674	3,707,355
	3,567,930	3,505,364	3,601,788	3,696,198	3,793,443	3,893,609
Net Direct Expenditure - Portfolio	15,955,085	13,854,292	14,270,430	14,842,183	15,170,344	15,635,631
RCCO	411,066	100,000	22,000	32,000	0	0
Minimum Revenue Provision	389,373	523,737	729,043	939,790	1,034,490	1,113,346
Voluntary Revenue Provision	0	250,000	250,000	250,000	250,000	250,000
Appropriations & Accounting Adjustments	117,239	163,800	0	0	0	0
Contribution to/(from) Earmarked Reserves	(3,225,468)	(209,690)	23,000	13,000	45,000	45,000
Net Revenue Expenditure	13,647,295	14,682,139	15,294,473	16,076,973	16,499,834	17,043,977
Funding Envelope						
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£	£	£	£	£	£
Income from Business Rates	54,534	(2,571,369)	(3,603,782)	(1,152,817)	(1,479,307)	(1,502,124)
Contribution from Business Rates Reserves	(2,144,241)	(1,502,156)	0	0	0	0
S31 Grant - Business Rates Compensation	(2,661,093)	(2,218,844)	(2,343,733)	(1,381,793)	(1,029,244)	(1,048,765)
Revenue Support Grant	0	(74,608)	(74,608)	(74,608)	(74,608)	(74,608)
Lower Tier Services Grant	(867,225)	0	0	0	0	0
Services Grant	(153,747)	(86,633)	(86,633)	0	0	0
Funding Guarantee	0	(1,534,201)	(1,534,201)	0	0	0
New Homes Bonus Grant	(1,020,820)	(461,356)	(430,029)	0	0	0
	(6,792,592)	(8,449,167)	(8,072,986)	(2,609,218)	(2,583,159)	(2,625,497)
Council Tax Deficit	43,211	0	0	0	0	0
Council Tax	(6,106,661)	(6,311,930)	(6,538,486)	(6,772,947)	(7,035,645)	(7,307,996)
Funding Envelope	(12,856,042)	(14,761,097)	(14,611,472)	(9,382,165)	(9,618,804)	(9,933,493)
Funding Gap/(Surplus)	791,253	(78,958)	683,001	6,694,808	6,881,030	7,110,484
Damping				(4,498,733)	(3,568,049)	(2,594,017)
Adjusted Funding Gap/(Surplus)	791,253	(78,958)	683,001	2,196,075	3,312,981	4,516,467

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 2023/24 draft budget numbers and applying inflationary factors where appropriate to the elements. Key areas of note are:

- Establishment – assumes a 3% 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 and with a view to achieving full cost recovery.

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 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 2024/25 reflects the impact of new expected borrowing to fund our 5-year Capital Programme.

Voluntary Revenue Provision (VRP)

VRP is in addition to MRP and is applied to smooth the impact of introducing the Council's new MRP policy.

Contributions to/(from) Earmarked Reserves

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

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 benefitted from considerable growth since the current Business Rates Retention Scheme was introduced in April 2013. The MTFS anticipates a reset of the business rates baseline in 2025/26 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 freeze the business rate multiplier. This results in a loss of income to the Council, which is usually 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 because of the phasing out of New Homes Bonus. Initially intended as a one-off grant, it was extended into the 2022/23 settlement but has been replaced in 2023/24.

Services Grant

A new grant introduced in the 2022/23 settlement but continued into 2023/24 in the latest settlement.

New Homes Bonus

New Homes Bonus has again been extended by a further year based on the existing distribution mechanism. Blaby's settlement is based on housing growth up to October 2022. It is likely, but not definite, that the grant will continue in 2024/25 although with a lower pot to be allocated.

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 Taxpayers, assuming an increase of 2.99% on Band D each year and an assumed increase in the tax base to reflect new build.

Damping

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 2023/24 **£0.461m** of NHB has been utilised to fund the budget requirement.

NHB is expected to be removed from the settlement from 2025/26 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 2025/26 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 financial impact of this is illustrated by the considerable financial gap from 2025/26 onwards.

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 2025/26. Whilst the historic consultation detailed considerations that may be 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. We have also seen considerable increase in homelessness costs and the cost of living crisis may also drive further demands. 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.