

SCRUTINY OF THE ADMINISTRATION'S BUDGET PROPOSALS

Minutes of a meeting held at the Council Offices, Narborough

WEDNESDAY, 10 JANUARY 2024

Present:-

Cllr. Nick Brown (Chairman)
Cllr. Roy Denney (Vice-Chairman)

Cllr. Shabbir Aslam	Cllr. Susan Findlay	Cllr. Mike Shirley
Cllr. Royston Bayliss	Cllr. Janet Forey	Cllr. Roger Stead
Cllr. Lee Breckon JP	Cllr. Helen Gambardella	Cllr. Bob Waterton
Cllr. Cheryl Cashmore	Cllr. Paul Hartshorn	Cllr. Bev Welsh
Cllr. Nick Chapman	Cllr. Mark Jackson	Cllr. Jane Wolfe
Cllr. Adrian Clifford	Cllr. Antony Moseley	Cllr. Neil Wright
Cllr. Luke Cousin	Cllr. Ande Savage	
Cllr. Tony Deakin	Cllr. Tracey Shepherd	

Officers present:-

Sarah Pennelli	- Executive Director - S.151 Officer
Nick Brown	- Finance Group Manager
Katie Hollis	- Accountancy Services Manager
Katie Brooman	- Elections and Governance Manager
Sandeep Tiensa	- Senior Democratic Services & Scrutiny Officer
Isaac Thomas	- Democracy Support Officer
Nicole Cramp	- Democratic & Scrutiny Services Officer

Also in attendance as observers:-

Cabinet Executive Members: Cllr Terry Richardson, Cllr. Maggie Wright, Cllr. Nigel Grundy, Cllr. Les Phillimore, Cllr. Ben Taylor.

Apologies:-

Cllr. Stuart Coar, Cllr. Hannah Gill, Cllr. Dillan Shikotra and Cllr. Matt Tomeo

1. DISCLOSURES OF INTEREST

No disclosures were received.

2. 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.

Key elements of the Statement that impact on the budget position for 2024/25 are:

- Confirmation of settlement figures for 2024/25, which were expected to align with those suggested in the 2023/24 Settlement
- 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 2024/25.

As such the funding position for 2024/25 is a one year settlement only.

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 2026/27. These changes will not therefore directly impact on the budget for 2024/25 but the MTFS at Appendix E of the report 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 2024/25 is £15.767M. The comparable Net Budget Requirement for 2023/24 that was approved in February 2023 was £14.665M. It should be noted that since that time the Council has experienced considerable increased costs but also some increases in income (investment income specifically) and the current budget requirement for the 2023/24 financial year is expected to require a contribution from reserves of £154k, which is similar to the £166k included in the original budget.

Budget Gap 2024/25

The Settlement continues the series of increases in Core Spending Power for Local Government that started in 2020/21. Much of the increase continues to

be directed towards the Upper Tier Authorities to fund social care. Blaby has continued to benefit from the Funding Guarantee Grant which ensures 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, lost over a number of years, and has contributed significantly (£2.136m) to minimise the funding gap for 2024/25.

When taking into account the Settlement the funding gap for 2024/25 is £981k.

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 £120k.

This is detailed as follows:

- Redistributed NNDR has been forecast at the moment to remain static. This may change as we are in the process of assessing the NNDR income which has become more complex following a number of recent changes to how the multiplier is applied across different sizes of business. Unlike previous years there has been little growth to include and increase the Business Rate income. Included in these figures is currently a release of £287k from the Business Rate Reserve.
- Revenue Support Grant £80k – 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 other than a small increase.
- Services Grant – reduced from £90k to £14k.
- Funding Guarantee – £2.136m awarded to Blaby to ensure each authority has an increase in core spending power of at least 3% this is an increase of £605k. In Blaby's case the increase in this grant is reflective of and compensating for the decline in New Homes Bonus funding and the reduction in Services Grant.
- New Homes Bonus (NHB) Grant £14k – a reduction of £416k. This reflects the fact that the Council have not exceeded the base line for NHB to be awarded for growth in housing this year but have benefitted only from affordable properties being built.
- Council Tax precept has increased by £25k. 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 2024/25. This is due to:

- New properties not being officially rated by the Valuation Office (VO) and estimates have been included.
- Estimating an allowance for the number of empty business properties that may arise.

- 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 changes to Business Rates in the Settlement we are still awaiting the full impact of this to be reflected in the NNDR1 to give certainty of the figures. The NNDR1 will be completed by the end of January.

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 2024/25 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 2024/25 an amount of only £14k is being utilised to fund services; a reduction of £416k.

This is reflective of the decline in new properties coming on board and the Council not exceeding the baseline threshold of 0.4% increase in new properties in the Council's tax base.

The Council has benefitted from the increase in affordable housing that has been delivered; an increase of 51 units at £350 NHB funding, of which Blaby is able to retain 80%.

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). At the height of NHB Funding Blaby utilised £2.9m funding within the 2019/20 Budget.

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 was expected that a decision would be made on the future of NHB funding before the 2024/25 Settlement, however no detail has been forthcoming.

Funding Guarantee Grant

A new grant introduced in 2023/24 to ensure every authority had an increase in Core Spending Power (CSP) of at least 3%. 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 £2.14m for 2024/25. This reflects the lost NHB legacy payments and lower build numbers that were forecast to reduce Blaby's funding from 2022/23 to 2024/25.

Service Grant

Also included in the funding table is a Service Grant of £14k reduced from £90k.

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. Although operating in the same way as in 2023/24 the overall amount distributed across local government has reduced from £483m to £77m.

Addressing the Budget Gap

The budget gap arising for the 2024/25 Financial Year is £981k.

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. 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 remained static for District Council's in 2024/25.

For 2024/25 the threshold for Council Tax increases for "core" Band D Council Tax remains static 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 £189k which equates to an increase of £5.49 per annum. The Council Tax charge for Blaby would therefore be £189.14 for a Band D equivalent property.

The option to increase Council Tax by £5 generates £173k; marginally less than the 2.99% increase. The Council Tax charge for Blaby would therefore be £188.65 for a Band D equivalent property.

For Shire County Councils threshold increases for 'core' Band D Council Tax has also remained unchanged, with an increase of up to 2.99% 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 2023/24).

Police and Crime Commissioners are able to increase their Council Tax precept by £13 and Fire & Rescue Authorities are limited to a referendum principle of 2.99%. The additional flexibility of increasing by £5 has been removed this year for Fire & Rescue Authorities.

There is no council tax referendum limit for either mayoral combined authorities or town and parish councils. Should all preceptors decide to increase Council Tax at the maximum levels (with Parish Councils increasing by the average amount based on 2023/24) the total annual increase on a band D property would be approximately £77.

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 chose 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 £753k.

3. 2024-2025 DRAFT PORTFOLIO BUDGET PROPOSALS

Preliminary lines of questioning were identified for submission to Portfolio Holders prior to the next Scrutiny Budget meeting on Wednesday 17 January 2024 for their response.

4. DATE OF NEXT MEETING

- 17 January 2024

THE MEETING CONCLUDED AT 7.44 P.M.