

SCRUTINY OF THE ADMINISTRATION'S BUDGET PROPOSALS

Minutes of a meeting held at the Council Offices, Narborough

WEDNESDAY, 15 JANUARY 2025

Present:-

Cllr. Nick Brown (Chairman)
Cllr. Neil Wright (Vice-Chairman)

Cllr. Shabbir Aslam	Cllr. Janet Forey	Cllr. Roger Stead
Cllr. Royston Bayliss	Cllr. Richard Holdridge	Cllr. Bev Welsh
Cllr. Luke Cousin	Cllr. Mark Jackson	Cllr. Jane Wolfe
Cllr. Tony Deakin	Cllr. Antony Moseley	
Cllr. Roy Denney	Cllr. Tracey Shepherd	

Officers present:-

Julia Smith	- Chief Executive
Sarah Pennelli	- Executive Director - S.151 Officer
Katie Brooman	- Elections and Governance Manager
Sandeep Tiensa	- Senior Democratic Services & Scrutiny Officer
Nicole Cramp	- Democratic & Scrutiny Services Officer

Also in attendance as observers:-

Marc Greenwood (Executive Director - Place), Lisa Boland (ICT & Transformation Group Manager) and Jonathan Hodge (Planning & Strategic Growth Group Manager)

Apologies:-

Cllr. Lee Breckon JP, Cllr. Adrian Clifford, Cllr. Stuart Coar, Cllr. Susan Findlay, Cllr. Helen Gambardella, Cllr. Hannah Gill, Cllr. Paul Hartshorn, Cllr. Dillan Shikotra, Cllr. Mike Shirley, Cllr. Matt Tomeo and Cllr. Bob Waterton

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 2025/26 are:

- Confirmation of provisional settlement figures for 2025/26, which were expected to align with those suggested in the 2024/25 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 2025/26, and also on the Local Authority Funding Reforms Objectives and Principles.

A Policy Statement (28 November 2024) had already announced the key principles that ministers applied in the provisional settlement.

The funding position for 2025/26 is a one-year settlement only.

The Provisional Settlement delivered larger increases in funding than were expected for the sector, however Ministers have made efforts to direct grant funding to authorities with higher levels of deprivation and less ability to generate income from Council Tax.

Within the Settlement a Recovery Grant of £600m was made available for distribution and this has been targeted at high need authorities. Blaby has received none of this grant funding. Other areas of increased funding prioritise Social Care and Children's preventative services both of which are upper tier functions and have not benefitted Blaby.

Within the Settlement there is also a scaling back of the Minimum Funding Guarantee and as a result of all of the above, Blaby's Government Funded Core Spending Power has actually decreased from that of 2024/25.

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 recalled that these changes were originally proposed to be put in place for 2020/21. It now seems certain that the Government will now implement its reforms in 2026/27 and are looking to address the 'unfairness' of the existing system and are proposing to utilise the same principles put forward by the previous government in 2018. A consultation paper has been published regarding the reforms and whilst it suggests that many of the same

building blocks of the 2018 Consultation will be present, there is also suggestion that Ministers may depart from that Consultation particularly in how funding should be prioritised and distributed.

Whilst these changes will not therefore directly impact on the budget for 2025/26 the MTFs 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.

Total Budget Requirement

The proposed draft General Fund Revenue Account Net Budget Requirement for 2025/26 is £15.775M. The comparable Net Budget Requirement for 2024/25 that was approved in February 2024 was £16.2M.

It should be noted that funding of £913k will be received in 2025/26 from Defra relating to the Extended Producer Responsibility for Packaging. This is based on the Council's recycling collections and tonnages and passes the cost of collection onto those who produce the packaging. This funding has therefore considerably reduced the cost to the Council of providing the recycling collection to residents and contributes to the reduction in Net Budget Requirement for 2025/26.

The Government have excluded the Defra Funding from the calculation of Core Spending Power in 2025/26.

Budget Gap 2025/26

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 but additional funding has been provided for those authorities where there are high levels of need/deprivation.

When taking into account the Settlement the funding gap for 2025/26 before any utilisation of reserves is £610k before planned utilisation of reserves.

Funding the Budget

The S.151 officer presented sources of funding, and the table in the report illustrated that the Council's funding has remained fairly static, decreasing by £229k. It reflects a position comparable with funding in 2024/25 if an increase in Council Tax is also taken into account.

This is detailed as follows:

- Redistributed NNDR has been forecast at the moment to remain static with a positive out turn position that is being clarified currently. 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. There has been some growth this year with the prison coming on line and a number of appeals being finalised. Included in these figures is currently a contribution to the Business Rate Reserve of £1.89m. This is following a number of years where contributions from the Business Rate Reserve have been taken and assists in providing against the Business Rate Reset which is now expected to be brought in 2026/27.

- Revenue Support Grant £96k – represents no change in funding other than a small increase.
- Services Grant – No longer provided; reduced from £16k.
- Funding Guarantee – No longer provided - Replaced with Funding Floor Grant. £2.246m awarded in 2024/25 to Blaby. Designed to ensure each authority has an increase in core spending power of at least 3% in previous years.
- Funding Floor Grant – Awarded £1.573m. Reduction compared to Funding Guarantee awarded in 2024/25 takes into account an increase in funding for 2025/26 for New Homes Bonus and Council Tax raising ability which is now included in Core Spending Power calculations.
- New Homes Bonus (NHB) Grant £426k – an increase of £412k.
- Council Tax precept has increased by £32k. 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 2025/26. 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.

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. Many of the appeals that had been provided for previously have now been finalised. Valuations have also been finalised on new properties such as the Fosse Way Prison. As such we've seen additional growth which has been

reflected in the contribution to the Business Rate Reserve. Some of this income is of a one-off nature and will not continue to be retained by Blaby after the Baseline Reset. We are continuing to finalise these figures prior to the budget setting in February. The resetting of the Business Rate Baseline is expected to be brought in for 2026/27, it is therefore proposed to transfer the increased Business Rate Income to the Business Rate Reserve to support the budget in 2026/27 onwards.

The resetting of the Business Rate Baseline and the Business Rate Reforms are expected to come into force in 2026/27. This does not impact on 2025/26 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 2025/26 an amount of only £426k is being utilised to fund services.

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 Government have now committed to ending NHB in 2026/27. There is expected to be a consultation paper specifically around a replacement for the NHB in the first half of 2025.

Funding Guarantee Grant - Discontinued

Introduced in 2023/24 to ensure every authority had an increase in Core Spending Power (CSP) of at least 3%. Blaby was allocated £2.14m for 2024/25.

Funding Floor Grant

A replacement for the Funding Guarantee Grant introduced in 2025/26. Blaby has been allocated £1.573m. The reduced amount is reflective of the both the increase in NHB received in 2025/26 and the fact that Blaby is able to raise £190k if choosing to raise Council Tax by the maximum 2.99%.

Service Grant – Discontinued

Blaby was allocated £16k in 2024/25.

Planned Utilisation of Reserve and Closing the Budget Gap

The budget gap arising for the 2025/26 Financial Year is £610k before any planned contributions are made from reserves.

Contribution to Property Fund Reserve

Income of £45k expected from the Property Fund Investment is proposed to be placed in the Property Fund Reserve to build up a reserve to provide for any devaluation of the Property Fund itself that may have to be recognised in the income and Expenditure account.

Contribution from Contractual Losses Support Fund

As part of the support following the COVID pandemic funding was provided to compensate for reduced income from leisure contracts. It was necessary for Blaby to renegotiate the management fee in the contract arrangements with the leisure provider which spanned the remaining contract length. The proposed, planned release of this reserve over the remaining contract length is £63,750 per annum.

Contribution from Blaby Plan Priorities Reserve

Proposed contribution from the Blaby Plan Priorities Reserve to support the Capital Grants Programme of £54,500. This reserve was provided to allow for future funding of initiatives that meet the priorities set out in the Blaby District Plan.

Contribution from Business Rate Pool Reserve

The Council, along with Leicestershire County Council, Leicester City Council, all Leicestershire District Councils and Leicester, Leicestershire, and Rutland Fire Authority since 2015/16 Pooled Business Rates under the Rates Retention Scheme. This has allowed additional monies raised through Business rates to be retained in the sub-region. The monies retained under the agreement have historically been distributed by the LLEP with applications submitted to fund projects to support economic growth and infrastructure connected to this as per the terms of the pooling agreement.

In recent years however, the distribution of the pooled monies has been revised to distribute across the participating Council's on an agreed basis with Pool members utilising their allocation to support "economic health and vibrancy of our communities".

The Council is in receipt of distributed Pool monies for the years 2020/21 to 2022/23; an amount of £1.8m. In the 2024/25 budget these funds supported the activity to support the Economic Development of the District through the funding of the Economic Development Team; an amount of £300k. Further

investment is proposed in the Economic Development team and it is propose to utilise an element of the Business Rate Pool monies to support the department this year and in the future. An amount of £413k is proposed to be utilised from the Business Rate Pool Reserve for 2025/26.

Funds from the Business Rate Pool are anticipated to continue to be distributed under this mechanism up to and including the year 2024/25. It is anticipated that the Business Rate Base-line Reset and the Business Rate Reforms may cause the Pool to be disbanded.

Council Tax Increase

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 the calculation of the Council's Core Spending Power has assumed that each Council will increase the Council Tax levels. Council Tax increase threshold limits have remained static for District Council's in 2025/26.

An increase of 2.99% would generate an additional amount of £196k which equates to an increase of £5.66 per annum. The Council Tax charge for Blaby would therefore be £194.79 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 £194.14 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 2024/25).

Police and Crime Commissioners are able to increase their Council Tax precept by £14 and Fire & Rescue Authorities are limited to a referendum principle of no more than £5.

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 £781k.

3. LEADER'S PORTFOLIO STATEMENT

The Chairman, Cllr. Nick Brown welcomed the Leader Cllr. Terry Richardson and the Chief Executive to the meeting. The Leader provided Members with the latest update on Local Government Reorganisation and Devolution.

4. 2025-2026 DRAFT PORTFOLIO BUDGET PROPOSALS

Preliminary lines of questioning were identified for submission to Portfolio Holders prior to the next Scrutiny Budget meeting on Wednesday 22 January 2025 for their response.

5. DATE OF NEXT MEETING

- Wednesday 22 January 2025.

THE MEETING CONCLUDED AT 7.30 P.M.