

## Appendix A

### **2023/24 Budget Overview 11<sup>th</sup> 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 19<sup>th</sup> 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
<b>Funding Envelope</b>	<b>(12,856,043)</b>	<b>(12,856,042)</b>	<b>(14,577,848)</b>	<b>1,721,805</b>

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 7<sup>th</sup> 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 £
<b><u>Net Direct Expenditure</u></b>			
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)
<b>Contribution to/(from) General Fund Balances</b>	<b>(397,563)</b>	<b>(791,253)</b>	
<b>Net Budget Requirement</b>	<b>12,856,043</b>	<b>12,856,042</b>	<b>14,682,139</b>
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)
<b>Funding Envelope</b>	<b>(12,856,043)</b>	<b>(12,856,042)</b>	<b>(14,577,848)</b>
<b>Funding Gap/(Surplus)</b>			<b>104,291</b>