

Appendix A

2024/25 Budget Overview 10th January 2024

Impact of the Settlement December 2023

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 2024/25 (referred to as 'the Statement' in this paper). The Settlement was announced on the 18th December 2023.

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 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** before taking measures to close this gap which are put forward later within this appendix.

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 economic climate continues to impact on some of the Council's revenue streams and is reflected in income levels for some service areas.

Sources of funding are as follows: -

	Approved Budget 2023/24 £	Working Budget 2023/24 £	Base Budget 2024/25 £	Variance Compared to Approved Budget
Income from Business Rates	(1,749,109)	(1,724,322)	(3,435,400)	1,686,291
Contribution from Business Rates Reserves	(1,955,656)	(2,277,333)	(287,423)	(1,668,233)
S31 Grant - Business Rates Compensation	(2,587,873)	(2,290,983)	(2,577,177)	(10,696)
Revenue Support Grant	(74,608)	(74,608)	(79,550)	4,942
Lower Tier Services Grant			0	0
Services Grant	(90,200)	(90,200)	(14,193)	(76,007)
Funding Guarantee	(1,530,635)	(1,530,635)	(2,135,789)	605,154
New Homes Bonus Grant	(430,029)	(430,029)	(14,280)	(415,749)
	(8,418,110)	(8,418,110)	(8,543,812)	125,702
Council Tax Deficit	64,864	64,864	94,927	(30,063)
Council Tax	(6,311,930)	(6,311,930)	(6,336,927)	24,997
Funding Envelope	(14,665,176)	(14,665,176)	(14,785,812)	120,636

The table above illustrates that the Council's funding has remained fairly static, only increasing by £120k (£286k if you take into account the fact that the contribution from the Business Rate reserve has reduced from £453k down to £287k).

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

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 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.

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 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**.

Officers anticipating a budget gap have sought opportunities to reduce costs or ensure income from fees and charges reflect 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.

A number of options to reduce this gap further are included below.

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 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.

Utilisation of Business Rate Pool Monies

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 now in receipt of distributed Pool monies for the years 2020/21 and 2021/22; an amount of **£1m**. It has long been the intention that an element of these funds should support the activity that the Council funds to support the Economic Development of the District through the Economic Development Team. The budget for this department is approx. **£300k** and therefore it is suggested to utilise an element of the Business Rate Pool monies to support this expenditure this year and potentially in the future.

Funds from the Business Rate Pool are anticipated to continue to be distributed under this mechanism up to and including the year 2024/25.

Increase in Vacancy Savings Provision

Included within the budget is an allowance for vacancies occurring throughout the course of the year. This is an estimate of how much the Council will underspend due to posts not being filled in a timely manner. While we do often fill vacant posts temporarily, we have been seeing an underspend net of temporary staff costs of almost £300k. In our initial budget an allowance of £200k provision had been budgeted. We are therefore proposing to increase this provision by a further £50k so reducing the establishment budget by a further **£50k**. Note that the Council will not delay employment of staff to keep within this vacancy savings provision should we be in a position to fill the posts.

Impact of proposed measures to close the budget gap:

Budget Gap	£981,146
Increase in Council Tax by 2.99%	£189,475
Utilisation of Business Rate Pool for ED	£300,000
Increase in Vacancy Savings Provision	£50,000
Remaining Budget Gap to be funded from Reserves	£441,671

How the Budget has been formulated

The budget figures shown in the appendices providing more detail by portfolio are put together jointly by Finance officers working with service managers across the Council.

The substantial part of the costs is the establishment budget, i.e. the costs of employing staff which are then put alongside any other expenditure costs of running the service.

Where income is generated within a portfolio, officers have considered whether charges reflect the costs of delivering that service and if they are able to increase these charges. Inflationary increases will be applied where applicable.

It is important to note that some cases charges are set nationally and we are unable to alter the income received.

The income is netted off against the costs within each portfolio to give the net direct expenditure by each service area and each portfolio in total.

Each of the portfolio budget appendices highlight the capital expenditure for each portfolio and what it relates to. Where borrowing is required to fund the capital costs have been included within the budget for interest. MRP charges will be built in from the year after delivery of the capital project. The full Capital Programme will be detailed within the Report to Council in February, detailing the forecast programme for a 5 year period.

General Assumptions within Budget Requirement

- The establishment budget allows for an increase of 3% in establishment costs for 2024/25 within the services. An additional provision (£164k) equating to a further 1% increase has been made centrally to provide further prudence.

The budget proposals for 2024/25 take into account the cost of employers' national insurance and pension contributions, contractual increments, and the Apprenticeship Levy. (More detail relating to this point is included within the report "Establishment 2023/24 2024/25" to be presented to Cabinet Executive on 15th January 2024).

- 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	2023/24	2023/24	2024/25
	Approved	Revised	Proposed
	Budget	Estimate	Budget
	£	£	£
Finance, People & Performance	3,188,022	2,694,058	3,042,180
Housing, Community & Environmental Services	1,978,956	3,262,288	2,286,511
Health & Wellbeing, Community Engagement & Business Support	399,359	2,038,035	47,946
Leader	1,619,061	1,835,478	1,799,347
Neighbourhood Services & Assets	3,221,948	3,583,276	3,646,324
Planning Delivery, Enforcement & Corporate Transformation	3,565,377	4,196,255	3,649,565
	13,972,723	17,609,390	14,471,873
Net Recharges	0	0	0
Employee Benefits Accruals	0	0	0
Capital Charges	0	0	0
IAS19 Adjustments	0	0	0
	13,972,723	17,609,390	14,471,873
Revenue Contributions towards Capital Expenditure	100,000	200,729	94,315
Minimum Revenue Provision	478,077	484,445	748,865
Voluntary Revenue Provision	250,000	300,000	300,000
Other Appropriations & Accounting Adjustments	271,400	(867,990)	201,220
Net Total Expenditure	15,072,200	17,726,574	15,816,273
Contribution to/(from) Earmarked Reserves	(241,017)	(2,906,912)	(49,315)
Contribution to/(from) General Fund Balances	(166,007)	(154,486)	
Net Budget Requirement	14,665,176	14,665,176	15,766,958
Income from Business Rates	(1,749,109)	(1,724,322)	(3,435,400)
Contributions from Business Rates Reserves	(1,955,656)	(2,277,333)	(287,423)
S31 Grant - Business Rates Compensation	(2,587,873)	(2,290,983)	(2,577,177)
Revenue Support Grant	(74,608)	(74,608)	(79,550)
New Homes Bonus Grant	(430,029)	(430,029)	(14,280)
Funding Guarantee	(1,530,635)	(1,530,635)	(2,135,789)
Services Grant	(90,200)	(90,200)	(14,193)
Council Tax (Surplus)/Deficit	64,864	64,864	94,927
Council Tax Demand on Collection Fund	(6,311,930)	(6,311,930)	(6,336,927)
Funding Envelope	(14,665,176)	(14,665,176)	(14,785,812)
Funding Gap/(Surplus)			981,146