

Blaby District Council

Cabinet Executive

Date of Meeting	26 February 2024
Title of Report	General Fund Budget Proposals 2024/25 This is a Key Decision and is on the Forward Plan.
Lead Member	Cllr. Maggie Wright - Finance, People & Performance (Deputy Leader)
Report Author	Executive Director (Section 151 Officer)
Corporate Priority	Medium Term Financial Strategy (MTFS)

1. What is this report about?

- 1.1 The report sets out the Council's General Fund budget proposals for the forthcoming financial year. This includes details of the financial settlement that will support service delivery, and a high-level summary of planned expenditure by portfolio. The Council holds a number of reserves that it can draw upon to fund future expenditure. The level of reserves is noted within this report, along with an update of the Medium-Term Financial Strategy (MTFS).

2. Recommendation(s) to Cabinet Executive and Council

- 2.1 To have regard to the comments of the Executive Director (Section 151 Officer) in paragraph 4.7 in respect of the requirements of the Local Government Finance Act 2003.
- 2.2 To approve the 2024/25 General Fund Revenue Account net expenditure budget of **£15.394m**.
- 2.3 That delegated authority is given to the S151 Officer in consultation with the Portfolio Holder to make amendments to the Budget should it be necessary.

3. Reason for Decisions Recommended

- 3.1 It is a requirement for the Cabinet Executive and Council to take into account the requirements of the Local Government Finance Act 2003 in relation to the robustness of the budget and the adequacy of reserves.
- 3.2 Cabinet and Council are required to consider and approve the General Fund Revenue Account budget proposals in order to set the budget and Council Tax for the forthcoming financial year

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| 3.3 | Delegated authority is sought in order to make any amendments to the Budget should any new information become available following approval by full Council. |
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4. Matters to consider

4.1 Background

The Council formulates an annual budget based on our best estimates of income and expenditure for the forthcoming financial year. Officers monitor actual income and expenditure against the budget during the year, and quarterly progress reports are presented to Cabinet Executive, highlighting any significant variances against the budget.

Alongside the annual budget, the Medium-Term Financial Strategy (MTFS) provides a forecast of the Council's revenue position up to a period of five years into the future.

Perhaps the most significant strand to the budget setting process is the Local Government Finance Settlement, which sets out the amount of Government funding that will be made available to support the Council's budget for the forthcoming year, and the amount by which we are permitted to raise council tax.

Members will be aware that the settlement funding assessment for 2024/25 was announced on 18th December 2023. As has been the case in recent years, only a single year settlement was released.

Unusually additional funding was announced in the Final Local Government Settlement on 5th February 2024. Whilst the majority of this funding was provided to upper tier authorities to support the costs of social care, the Council did benefit from a further £111k compared to the Settlement levels announced in December. As has been the case in recent years, only a single year settlement has been announced.

A single year settlement makes it difficult to gauge the level of funding in future financial years, as a number of the funding streams for 2024/25 are either one-off grants or are funding streams that may end after the next financial year.

On top of this, there remains a great deal of uncertainty over how changes to Business Rates Retention and the Fair Funding Review will impact our financial position. Neither of these measures are expected to be implemented until 2026/27 at the earliest. The updated MTFS, at Appendix C, therefore, assumes that the Business Rates Baseline will be re-based from 1st April 2026, and this is expected to lead to the loss of any growth in business rates that have accumulated since 2013/14.

4.2 Proposed Budget

The General Fund Revenue Account net expenditure budget of **£15.394m** has been prepared by:

- Including an estimate of the costs associated with the annual pay settlement which is yet to be agreed by the National Joint Council for Local Government.
- Incorporating increases in employer's pension in line with the triannual review.
- Including changes in external funding.
- Updating both income and expenditure forecasts to reflect inflationary pressures and any review of charges, particularly in respect of some of our key income streams.
- Utilising earmarked reserves where applicable to do so to support services to continue to be delivered.
- Estimating the amount of business rates receivable based on properties on the rating list, entitlement to various reliefs, expected growth, and the likelihood of appeals.

Contingent events such as planning appeals are not included within the budget requirement, but expenditure will be funded from balances if it is necessary.

Funding the Budget Requirement

Service expenditure is presented net of fees and charges, and other specific grant income, to arrive at the net budget requirement of £15.394m.

The net budget requirement is met through a combination of council tax, business rates, and government grants.

Council Tax – proposals for Council Tax are included in a separate report on this agenda. The budget proposals include an assumption that the Band D Council Tax is increased by 2.99%; an increase of £5.49 per annum in 2024/25. Applying this to the Council Tax Base of 34,504.83 Band D equivalents, generates estimated Council Tax income of £6,526,402 in 2024/25.

Business Rates – during the pandemic income from Business Rates was significantly impacted, mainly due to the expanded retail relief introduced by the Government to support businesses that were affected by the lockdown, but also in terms of an increase in empty properties, reduced growth, and an increase in the number of appeals against rating assessments. However, this position was mitigated by the receipt of Section 31 Grant paid by the Government in compensation for expanded retail relief losses and other similar measures. Furthermore, local authorities were permitted to spread the impact of the unusual deficit arising from these measures across three years from 2021/22 to 2023/24.

Whilst the impact of the pandemic has reduced now, there are still several measures in place to support businesses, including small business rate relief, retail and hospitality relief, and the freezing of the rate multiplier for small businesses. All these factors combine to reduce the amount of business rates

collectable, although Section 31 compensation is still in place to mitigate the impact.

Appeals submitted by businesses seeking a reduction in their rateable value, still represents a risk to the business rates base. A provision is in place against which successful appeals can be offset, and this has been factored into the forecast of business rates receivable in 2024/25 and beyond.

At the time when Scrutiny was presented with the draft budget proposals, Members were advised that income from Business Rates was expected to remain broadly the same as in 2023/24, around £6.3m. Further work has been undertaken to refine the budget estimates in line with completion of the statutory NNDR1 return, and this has enabled us to increase the estimated business rates receivable to £6.6m, including a contribution of £0.3m from the NNDR Income Reserve. This increase has been achieved by reducing the allowance for empty property relief, and the amount set aside to cover appeals, both in line with latest information available and actual data from the last financial year.

New Homes Bonus Grant – New Homes Bonus Grant has again been extended for a further year but has reduced considerably compared with the current financial year. As a result, we will receive just £14,280 in 2024/25 (a reduction of almost £416,000 compared to 2023/24). This reflects the decline in new properties coming on stream in the last 12 months. The future of New Homes Bonus continues to be uncertain, and no provision has been built into the MTFs from 2025/26 onwards.

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%. This has been funded from the discontinuation of the Lower Tier Services Grant and the reduction in the payment nationally of New Homes Bonus. At the end of January, the Department for Levelling Up, Housing and Communities (DLUHC) announced an additional £600m funding for local government. Although the majority of this (£500m) is directed at social care, the remaining £100m included an increase in the funding guarantee from 3% to 4%. The final settlement included an additional £111,000 for Blaby, taking the total receivable to £2.246m in 2024/25.

Services Grant – the Council has received £15,571 as part of the final settlement, a slight increase compared to the figure reported as part of the budget scrutiny process in January.

Balances and Reserves

The adequacy of the Councils balances and reserves are essential factors to be taken into consideration when preparing the annual budgets. The Council maintains a General Fund working balance and a number of specific earmarked reserves and provisions to meet liabilities.

In 2024/25 it is proposed that the Council makes a contribution from the General Fund Balance of £464k to support the budget and contributions from earmarked reserves are proposed to be utilised as follows:

- £54,500 from the Blaby District Plan reserve to support the Capital Grant Scheme.
- £39,815 from the IT Reserve Fund to support capital schemes.
- £300,000 released from the Business Rate Pool Reserve to support the expenditure incurred to support Economic Development of the District.
- £290,204 from the NNDR Income Reserve that is being utilised to support the overall Business Rates income stream in 2024/25.

It should also be noted that an additional £45,000 is to be made to the Property Fund Reserve. This reflects income that is expected to be received from the investment in the property fund. Since investment was made none of the income has been utilised within the Council's budget, but instead is being placed in a reserve to mitigate against any potential reductions in value which may have to be recognised by the Council in the future.

Information relating to specific Balances and Reserves are set out below:

General Fund Balance

The Council's General Fund balance plays an important part in maintaining the financial stability of the authority primarily by:-

- Meeting unforeseen additional expenditure and reductions in income during the course of the financial year.
- Meeting the cost of one-off items of expenditure.
- Supporting the stability of the Council's finances by providing a source of funding in times of uncertainty.

In 2024/25 there is a requirement to make a contribution of **£463k** from the General Fund to support expenditure. This is on the basis that Cabinet Executive and Council approve the Council Tax increase that is the subject of the following report and that Council have approved the recommendations in the exempt report to be discussed at the Council meeting of the 27th February.

The estimated balance at 31st March 2025 would, therefore, be **£4.719m** representing **30.7%** of the proposed net revenue budget for 2024/25. This is below the current limit within the Council's policy to hold no higher than 35% of the proposed relevant annual net revenue budget.

NNDR Income Reserve

Since 2015/16 the Council has recognised and released income generated from the growth in Business Rates to support the budget.

Officers monitor Business Rates throughout the year and although appeals and unpredictability of growth rates and empty properties make it difficult to

forecast the outturn position, the Council has continued to benefit from seeing growth within the District. It is anticipated that the NNDR income reserve will have a balance of **£1.698m** by 31st March 2024 reducing to £1.409m by 31st March 2025.

S31 Grant Reserve

The balance on this reserve represents compensation received in 2020/21 towards expanded retail relief granted to businesses as part of the Government's response to COVID-19. The Government passed legislation allowing local authorities to spread any Business Rates deficit at 31st March 2021 over 3 financial years. The final year of the release of this reserve falls within 2023/24 with the remaining balance of £1.516m being released to leave a balance of **zero** on this reserve at 31st March 2024.

Huncote Major Incident Reserve

As part of the Council's response to the major incident at the Huncote Leisure Centre site, in relation to landfill gas, the Council approved that **£0.700m** be set aside towards the cost of remedial works. The expenditure on this initiative has continued to be expended over the years since the incident into the current financial year. The majority of the works have now been completed, with some of those works being capital in nature. Consideration is being given as to whether it would be more beneficial to borrow to fund the capital element of works, and thus spread the cost over a number of years rather than take a one-off hit on reserves up front. In this regard, it is expected that the accounting treatment of this expenditure is reported at the year end and the reserve position correctly reflected.

Other Earmarked Reserves

Appendix B gives details of the expected movement on earmarked reserves in 2023/24 and 2024/25. If any planned expenditure for 2023/24, backed by contributions from earmarked reserves, does not take place before 31st March 2024, consideration will be given to carrying the budget forward to 2024/25. In such cases the funding will remain in the earmarked reserve until required.

Medium Term Financial Strategy

The MTFS financial assumptions have been updated to reflect the recent Settlement and to take account of the anticipated reduction in future funding and the consequential risks that the Council faces in future financial years. A summary of the MTFS appears at Appendix C. The MTFS gives an indication of our future financial position based on the limited information we currently have regarding the changes to Business Rates and the introduction of Fairer Funding, both of which are unlikely to be implemented before 1st April 2026/27.

The main assumption contained within the MTFS is that rebasing will take place from 2026/27, based upon the level of collectable Business Rates in 2024/25. This will effectively remove any growth attained between 2013/14 and 2024/25 by increasing the tariff payable to Government out of Blaby's share of the collectable rates.

This is expected to lead to a budget deficit of around £2.276M in 2026/27 after damping. Once again, there is no certainty that the Government will introduce any form of damping, but it is thought likely that they will, in order to smooth the impact of the loss in funding across more than one financial year. The MTFS at Appendix C builds in an assumption that the loss in funding will be limited to 5% of the funding level for 2026/27. However, this is just one possibility and is by no means guaranteed.

The future of New Homes Bonus is very uncertain, and we await to hear if there will be a continuation of New Homes Bonus Grant in the future or if anything will replace it. For the purposes of the MTFS no New Homes Grant Funding has been assumed for 2025/26 onwards given that the Council has failed to generate any substantial New Homes Bonus this year and this income stream is expected to be discontinued in the years that follow.

4.3 Relevant Consultations

Cabinet Executive Members, Senior Leadership Team and the Service Managers have all been consulted in the preparation of budget proposals for the forthcoming year. The Scrutiny Commission has also had opportunity to challenge and understand the budget process and outcome.

4.4 Significant Issues

Local Government Act 2003 – Budget Calculations and Revenue Reserves

The Council's Section 151 Officer is required to report to Members about the robustness of the budget proposals and to comment on the adequacy of the reserves.

This provision is designed to strengthen the financial reporting requirements of local government and to reduce the risk of authorities getting themselves into financial difficulty. The reason for this is that there is no prospect, under normal circumstances, of levying a supplementary Council Tax once a Council sets its level of tax for the forthcoming year.

Robustness of Budget Proposals

The preparation of the 2024/25 budget has been undertaken in accordance with best practice, including individually costing each establishment post and examining each cost centre budget line against current year and prior year performance. This has produced a tight, tailored budget which will require careful monitoring throughout the forthcoming financial year. Capital charges have been calculated in accordance with the Accounting Code of Practice and

the Council's policies in relation to depreciation and the Minimum Revenue Provision.

Those specific grants known of at the time of preparation are included in the budget and the declared level, where Ministers have already confirmed the arrangements for 2024/25. Where this is not the case a similar level to that received in 2024/25 has been used for ongoing grants. Where there is uncertainty, no provision has been assumed.

No specific provision has been incorporated into the proposed revenue budgets for 2024/25 for future potential redundancy or employment tribunal costs. It is proposed that any such costs be met from the Council's balances as and when required.

Adequacy of Major Reserves and Balances

Appendix B of this report sets out in detail the Council's overall position in relation to its reserves and balances.

The Council's proposals to utilise some of these reserves throughout the year illustrate how a structured approach is being taken to balance sustainable service delivery with financial prudence.

For the purposes of the requirements of Section 25 and 26 of the Local Government Act 2003, the Executive Director (S151) considers that the estimates for 2024/25 are robust and the proposed levels of balances and reserve are adequate. This has been considered giving regard to CIPFA's Resilience Index and also taking advice utilising external expertise analysing the Council's reserve levels and trends in utilisation of reserves.

Given the uncertainty that the Fair Funding Review and particularly the Business Rate Reform and changes to New Homes Bonus presents in future years there is a question as to whether the reserves are sufficient to underpin future financial pressures. This will be something that will be monitored by the Executive Director (S151) and brought to Council's attention as soon as information allows. As a matter of course, the reserves position is reported to Cabinet Executive on a quarterly basis. Based on the Council's 2022/23 Unaudited Accounts, usable revenue reserves (including earmarked reserves) at 31st March 2023 sit at 102.89% of the 2024/25 budgeted net revenue expenditure. Whilst this puts Blaby at the lower end of the scale in terms of its level of usable revenue reserves, for the 2023/24 financial year the proposed level of balances and reserves are considered to be robust and adequate.

5. What will it cost and are there opportunities for savings?

- 5.1 The financial implications are included in the main body of the report, appendices and also documented in the papers provided to the Scrutiny Commission during January 2024.

6. What are the risks and how can they be reduced?

- 6.1 The risks to the Council in 2024/25 and future years are detailed in the Medium Term Financial Narrative document at Appendix C.

7. Other options considered

- 7.1 None – The Council is required to set its budgetary requirement and for the Council to consider the opinion of the Executive Director (S151 Officer) as to the robustness of the proposed budget and the levels of reserves and balances being adequate.

8. Environmental impact

- 8.1 This report itself has no environmental impact, although officers are required to consider environmental impacts of initiatives throughout their operations. Should further funding be required for environmental initiatives, these will be brought for consideration within independent reports and the financial implications considered at the time of bringing these reports before Cabinet and Council.

9. Other significant issues

- 9.1 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.
- 9.2 Significant issues relating to legal matters concerned with the finances of the Council have been addressed at paragraph 4.4.

10. Appendix

- 10.1 Appendix A – Summary of Net Expenditure and Budget Requirement
- 10.2 Appendix B – Analysis of Reserves
- 10.3 Appendix C – Medium Term Financial Strategy (MTFS)

11. Background paper(s)

- 11.1 Establishment 2023/24 and 2024/25 Report to Cabinet Executive - 15th January 2024.

Detailed budget working papers held by Financial Services.

Reports provided to the Scrutiny Commission Meetings of 10th and 17th January 2024.

12. Report author's contact details

Sarah Pennelli Executive Director (S151 Officer)

Sarah.Pennelli@Blaby.gov.uk 0116 272 7650