



Hinckley & Bosworth  
Borough Council

**Medium Term  
Financial Strategy  
2023/24-2027/28  
Technical Document**

## **1. MEDIUM TERM FINANCIAL STRATEGY 2023/24-2027/28**

1.1. The purpose of the Medium Term Financial Strategy (MTFS) is to:

- Outline how the Council wants to structure and manage its finances and to ensure it fits with and supports the direction of the council's objectives set out in its Corporate Plan.
- Engage officers and members in "owning" the process by which Council finances are managed.

1.2. The MTFS has been prepared taking into account the Corporate Plan and should be read in conjunction with the Capital Programme, General Fund and HRA budgets, which are presented separately.

## **2. Executive Summary**

2.1 The MTFS is fundamental to securing the key ambitions and objectives of the Council's Corporate Plan. The MTFS refresh 2023/24-2027/28 sets the framework for continuing to deliver high quality local services to residents and businesses but comes at a very uncertain time due to the lack of a clear longer term financial settlement from Government.

2.2 This MTFS follows on from a difficult year, with Covid and the global economic downturn placing many pressures on the council during 2022/23 but have ended the 2022/23 year with a positive general fund balance but will not achieve our 15% minimum general fund target.

2.3 As Central Government have not issued a clear intent of what will happen in future years, this MTFS has a high level of uncertainty after 2023/24, therefore a range of possible outcomes has been presented over a five-year outlook covering 2023/24 to 2027/28. It is based on information from ongoing government consultation, internal assessment and from our advisors. This lack of a longer term settlement means the forecast is not definitive and covers potential areas of change in funding and indicates a significant risk to sources of income that have been a core part of HBBC's financing in the past.

2.4 The single most significant risk to the council's finances is the potential business rates reset as part of the much-delayed fair funding review. This is made worse by the major changes to the New Homes Bonus scheme since 2016/17 and the lack of clarity on its replacement post 2023/24.

## Appendix 1

- 2.5 There is no clear indication on any transitional arrangements (Damping), in the financial settlement. However, it seems unlikely that Government would leave multiple councils to face immediate financial failure and will give some transitional support. The MTFS assumption is for some help to be provided. This is a key and potentially high-risk assumption, which if incorrect, would mean significant financial pressure could occur much earlier in the MTFS period.
- 2.6 The previous administration took difficult decisions in the face of uncertainty at a time of high inflation and pressure on residents in the borough. This has ensured that initial pressures are addressed but have balanced that with taking actions that are proportionate with the high level of uncertainty of having only a one-year financial settlement. In summary these actions are:
- a £5 increase in Council Tax for 2023/24-2027/28 (which is expected to still leave us in the bottom fifteen lowest charging District Councils)
  - a £2.5 increase in Garden Waste, to £37.50 in 2023/24 (Still the lowest of the six charging councils in Leicestershire)
  - To continue invest in the future the local area with an ambitious £8m investment in the Local Enterprise Zone
  - No recurring supplementary requests for the period of the MTFS, unless unavoidable.
- 2.7 Without these actions the savings noted in this report would have been significantly higher and occurred at an earlier period. These actions will enable the council to be in a better position to manage the pressures faced. This was a key governance aim in the light of such a high level of short-term uncertainty due to a lack of a longer-term settlement being provide by central government.
- 2.8 The summary below gives the overall High level MTFS position in terms of three potential scenarios, Expected, Worst and Best. The Expected case gives the most likely position based on current information, with the Best and Worst used for information to give a potential range should things go better or worse than expected. The forecasts indicate a significant reduction is expected in reserves at the end of the five-year MTFS. Any action taken to reduce costs or generate new income before then will be beneficial. It should also be noted that there is an agreement to release some of the funds that have accumulated in the Leicestershire business rates pool, this could benefit HBBC by £1.1m to £2.1m. This has been included in the MTFS and used as part of the reserve's calculation, but £1m of it is still not confirmed.

## Appendix 1

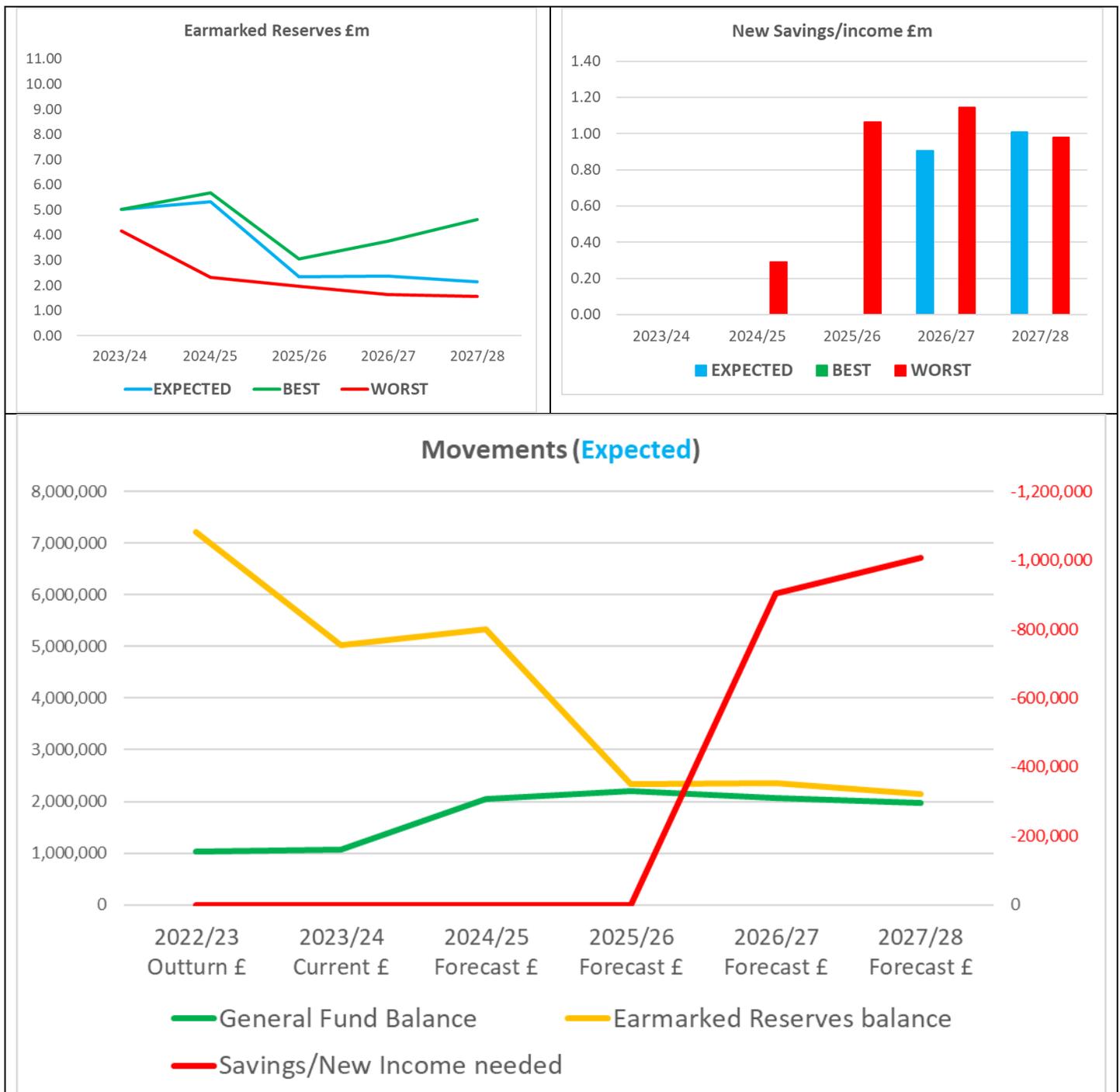
| <b>EXPECTED (FINANCIAL FORECAST)</b>   | <b>2023/24<br/>Forecast<br/>£m</b> | <b>2024/25<br/>Forecast<br/>£m</b> | <b>2025/26<br/>Forecast<br/>£m</b> | <b>2026/27<br/>Forecast<br/>£m</b> | <b>2027/28<br/>Forecast<br/>£m</b> |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Net Service Expenditure                | 13.45                              | 16.50                              | 13.84                              | 16.39                              | 15.73                              |
| Budget movements                       | 3.05                               | -2.66                              | 2.55                               | 0.25                               | 0.57                               |
| Savings needed                         | 0.00                               | 0.00                               | 0.00                               | -0.90                              | -1.01                              |
| <b>NET Borough Budget Requirement</b>  | 16.50                              | 13.84                              | 16.39                              | 15.73                              | 15.29                              |
| Reserves movements                     | -3.59                              | -1.21                              | -1.82                              | -1.76                              | -2.00                              |
| General fund gain loss                 | 0.04                               | 0.98                               | 0.17                               | -0.14                              | -0.10                              |
| <b>Net Budget Forecast</b>             | 12.95                              | 13.61                              | 14.74                              | 13.84                              | 13.19                              |
| <b>General Fund Balance</b>            | 1.06                               | 2.04                               | 2.21                               | 2.08                               | 1.98                               |
| <b>Earmarked Reserves balance</b>      | 5.02                               | 5.33                               | 2.34                               | 2.37                               | 2.15                               |
| GF performance against 15% target      | 8.2%                               | 15.0%                              | 15.0%                              | 15.0%                              | 15.0%                              |
| <b>Damping income 5% loss adjusted</b> | <b>0.00</b>                        | <b>0.00</b>                        | <b>0.00</b>                        | <b>4.05</b>                        | <b>3.69</b>                        |

| <b>BEST (FINANCIAL FORECAST)</b>       | <b>2023/24<br/>Forecast<br/>£m</b> | <b>2024/25<br/>Forecast<br/>£m</b> | <b>2025/26<br/>Forecast<br/>£m</b> | <b>2026/27<br/>Forecast<br/>£m</b> | <b>2027/28<br/>Forecast<br/>£m</b> |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Net Service Expenditure                | 13.45                              | 16.50                              | 13.64                              | 16.04                              | 16.32                              |
| Budget movements                       | 3.05                               | -2.86                              | 2.40                               | 0.28                               | 0.46                               |
| Savings needed                         | 0.00                               | 0.00                               | 0.00                               | 0.00                               | 0.00                               |
| <b>NET Borough Budget Requirement</b>  | 16.50                              | 13.64                              | 16.04                              | 16.32                              | 16.78                              |
| Reserves movements                     | -3.59                              | -0.97                              | -1.42                              | -1.07                              | -1.00                              |
| General fund gain loss                 | 0.04                               | 0.99                               | 0.17                               | 0.08                               | 0.08                               |
| <b>Net Budget Forecast</b>             | 12.95                              | 13.66                              | 14.79                              | 15.34                              | 15.86                              |
| <b>General Fund Balance</b>            | <b>1.06</b>                        | <b>2.05</b>                        | <b>2.22</b>                        | <b>2.30</b>                        | <b>2.38</b>                        |
| <b>Earmarked Reserves balance</b>      | <b>5.02</b>                        | <b>5.69</b>                        | <b>3.05</b>                        | <b>3.76</b>                        | <b>4.62</b>                        |
| GF performance against 15% target      | 8.2%                               | 15.0%                              | 15.0%                              | 15.0%                              | 15.0%                              |
| <b>Damping income 5% loss adjusted</b> | <b>0.00</b>                        | <b>0.00</b>                        | <b>0.00</b>                        | <b>0.00</b>                        | <b>0.00</b>                        |

| <b>WORST (FINANCIAL FORECAST)</b>      | <b>2023/24<br/>Forecast<br/>£m</b> | <b>2024/25<br/>Forecast<br/>£m</b> | <b>2025/26<br/>Forecast<br/>£m</b> | <b>2026/27<br/>Forecast<br/>£m</b> | <b>2027/28<br/>Forecast<br/>£m</b> |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Net Service Expenditure                | 13.45                              | 16.50                              | 13.81                              | 15.27                              | 14.42                              |
| Budget movements                       | 3.05                               | -2.40                              | 2.52                               | 0.30                               | 0.52                               |
| Savings needed                         | 0.00                               | -0.29                              | -1.07                              | -1.15                              | -0.98                              |
| <b>NET Borough Budget Requirement</b>  | 16.50                              | 13.81                              | 15.27                              | 14.42                              | 13.96                              |
| Reserves movements                     | -3.75                              | -1.25                              | -2.13                              | -1.93                              | -2.06                              |
| General fund gain loss                 | 0.20                               | 1.31                               | -0.13                              | -0.09                              | -0.09                              |
| <b>Net Budget Forecast</b>             | 12.95                              | 13.86                              | 13.00                              | 12.39                              | 11.82                              |
| <b>General Fund Balance</b>            | <b>0.77</b>                        | <b>2.08</b>                        | <b>1.95</b>                        | <b>1.86</b>                        | <b>1.77</b>                        |
| <b>Earmarked Reserves balance</b>      | <b>4.17</b>                        | <b>2.32</b>                        | <b>1.96</b>                        | <b>1.64</b>                        | <b>1.56</b>                        |
| GF performance against 15% target      | 6.0%                               | 15.0%                              | 15.0%                              | 15.0%                              | 15.0%                              |
| <b>Damping income 5% loss adjusted</b> | <b>0.00</b>                        | <b>0.00</b>                        | <b>3.19</b>                        | <b>2.93</b>                        | <b>2.07</b>                        |

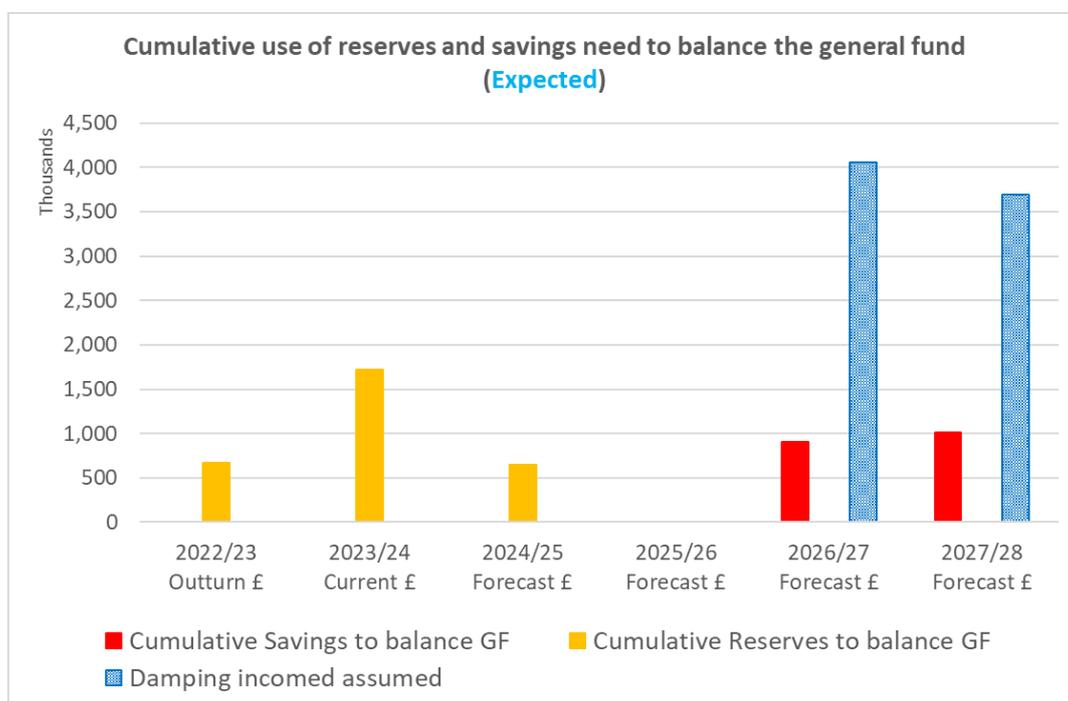
## Appendix 1

2.9 The graphs below indicate the level of earmarked reserves and saving, or new income needed, in each scenario. Although the Worst and Expected case have a similar use of reserves, the Worst case is showing the need for higher levels of savings or new income generation. The bottom Graph shows the overall movements on the general fund, earmarked reserves (linked to left axis) and savings or new income needed (linked to right axis) for the Expected position from the end of 2022/23.



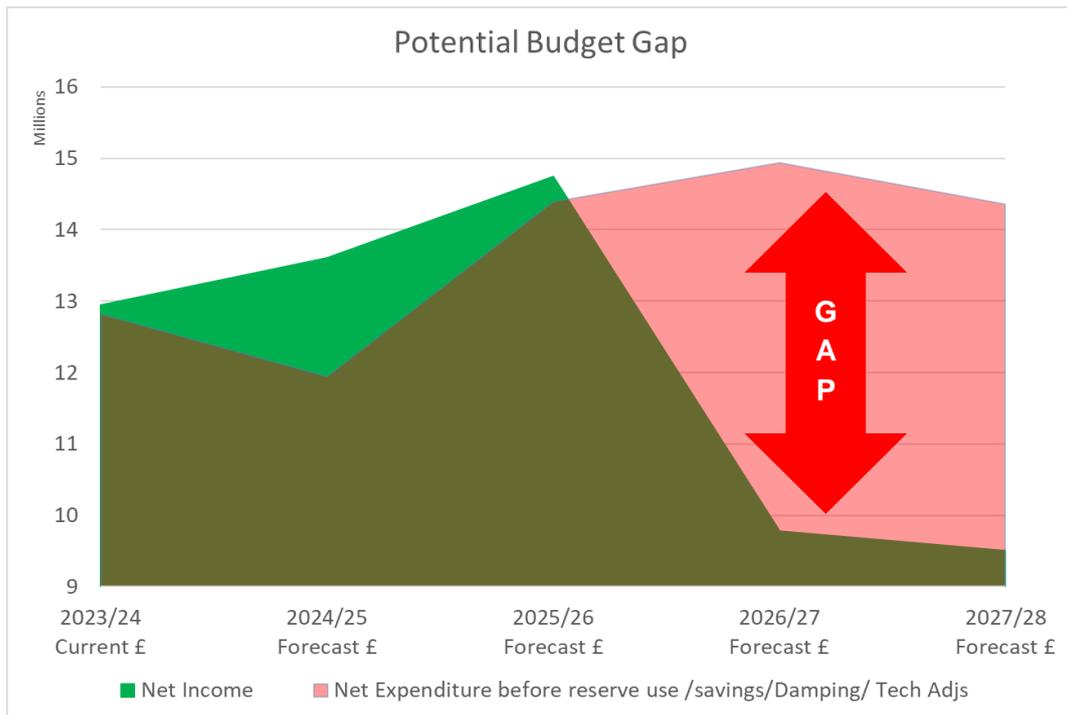
## Appendix 1

2.10 In order to maintain a 15% general fund balance (being 15% of the net budget position for the end of 2024/25) the MTFS is based on using a total of just over £3m of reserves to balance expenditure not covered by income by the end of 2024/25, and then will need to find cumulative savings (or new income) of £1.9m by the end of 2027/28. This will need a detailed plan to be developed and in place by December 2025 to enable the following years budget to be approved as being balanced as reserves will not be able to fill the gap in the budget if the Expected position is as forecast. This position also assumes that Government will provide up to £7.7m of “damping” support in 2027/27 and 2027/28 should there be a reset. There is no guarantee that any support will be as high as this This will be kept under review in future MTFS reports.

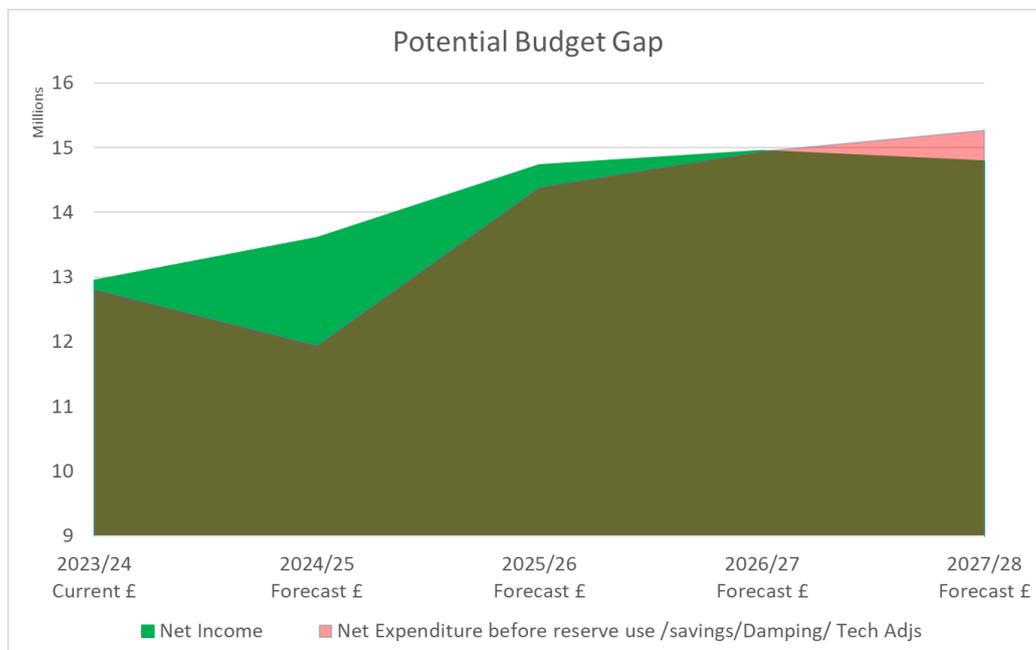


2.11 As noted the impact of the business rates reset is a key risk. The Graphs below give the budget Gap if there is a reset, which is hoped to be closed by £1.9m of savings or new income and £7.7m of transitional support (damping) provided by Government. The details of these savings or new income are yet to be identified and the transitional support may not be as high as indicated as Government have given no details on such support.

## Appendix 1



2.12 If the business rates reset occurs after the MTFS period, then the budget gap is no longer a significant issue as no savings/new income or transitional damping is required during the MTFS period. A small pressure is growing at the end of the MTFS in this case.



## Appendix 1

2.13 The 2023/24 is under pressure compared to the budgeted position, but this is being managed via use of earmarked reserve and allowing the general fund to go below the agreed target for 2023/24. The Table below gives the net movements.

| EXPECTED (FINANCIAL FORECAST)         | 2023/24 Budget £ | 2023/24 August Position £ | Variance £      |
|---------------------------------------|------------------|---------------------------|-----------------|
| Net Service Expenditure               | 13,447,604       | 13,447,604                | 0               |
| Budget movements                      | 2,228,916        | 3,049,546                 | 820,630         |
| Savings needed                        | 0                | 0                         | 0               |
| <b>NET Borough Budget Requirement</b> | 15,676,520       | 16,497,150                | 820,630         |
| Reserves movements                    | -3,318,832       | -3,589,275                | -270,443        |
| General fund gain loss                | 227,961          | 38,460                    | -189,501        |
| <b>Net Budget Forecast</b>            | 12,585,649       | 12,946,335                | 360,686         |
| <b>General Fund Balance</b>           | <b>1,369,955</b> | <b>1,062,416</b>          | <b>-307,538</b> |
| GF performance against 15% target     | 10.9%            | 8.2%                      | -2.7%           |

2.14 The 2023/24 has budget movements of £820,630, the majority of this comes from adverse variance on planning (£413,000) and an increase in homelessness costs (£370,000). The pressure on planning is made up of :

- Anticipated agency costs £100,000
- A shortfall on budgeted income £125,000
- Planning enforcement action £50,000, and
- Estimated impact of planning appeals £155,000.

The income may pick up as historically larger applications have tended towards the end of the year.

2.15 A higher level of reserves have been released to prevent the general fund falling too far, and some general fund balance has been used as well. In particular the Waste Management Reserve (£375,000) has been released earlier than anticipated in the MTFS cycle. Fortunately, S31 Grant from Government to compensate the Council for continue help to businesses is £360,000 higher than originally budgeted due to continuing to keep the rates multiplier frozen at 2020 levels.

### **3. BACKGROUND**

- 3.1 This MTFS update sets out the council's financial position for the current year 2023/24 and then onto 2027/28, giving a total five-year outlook.
- 3.2 This update to the MTFS comes at a time of significant uncertainty and potential change, which will have an effect on public sector finances. We are currently on the third year of one-year settlements which makes longer term forecasting more difficult and uncertain. The fair funding review and business rates reset has still not been finalised, with 2026/27 now being the period expected, but it could be as early as 2025/26. There is also ongoing uncertainty and economic pressures in the economy following the Covid pandemic, Brexit, and continuing conflict in the Ukraine.
- 3.3 The current one-year settlement gives little indication of longer-term Government thinking, as Covid and global economic pressures have understandably, been dominating the attention of central government. Financial predictions in uncertain times, means that the information provided should be interpreted with care by members and may change significantly when the next financial settlement is announced. However, it is good governance to make risk-based forecasts and ensure preparations are made, even if not eventually needed, to ensure financial suitability is maintained.

#### **Core Spending Power (CSP)**

- 3.4 Government have stated that settlement represents real terms increase of more than 3% from last year on average Core Spending Power (CSP) HBBC's CSP is £9.5m in total for 2022/23. Our net funding requirement, to cover the shortfall between other income sources and service costs is £13.4m (Inc Special Expenses). This is covered by the CPS funds and £4.1m of business rates growth, mainly generated by the recent national rates revaluation exercise and the compensation from Government for the freezing of the business rates multiplier cap. However, much of the increase in CSP is from expected council tax increases being at the maximum allowed. A feature of recent settlements is that a greater burden appears to be placed on the local taxpayer, despite Government announcing increases in the settlement.
- 3.5 A review of our Core funding allocations since 2016/17 demonstrates this change, The amount of Core Funding has fallen, mainly as NHB which was £2.9m in 2016/17 and £0.58m in 2023/24, but there has been a transfer of expectation from central grant funding to local taxation. The Council Tax figure they use is the notional maximum, not what is charged by the Council. Business Rates Growth is not included in core funding but has covered most

of the shortfall in recent years. A reset is expected in the next few years, the Expected MTFS profile uses 2026/27, which is likely to remove most of this growth.

| <b>Table 1</b>  |                |                |                |                |                |                |                |                |     |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----|
|   | 2016/17        | 2017/18        | 2018/19        | 2019/20        | 2021/22        | 2021/22        | 2022/23        | 2023/24        |     |
| <b>Core Funding</b>                                     |                |                |                |                |                |                |                |                |     |
| <b>Non-CTax</b>   | <b>£m</b>      |     |
| Baseline Rates  | 3.6            | 3.2            | 2.9            | 2.6            | 2.7            | 2.7            | 2.7            | 2.9            |     |
| Rate rise compensation                                  | 0              | 0              | 0.1            | 0.1            | 0.1            | 0.1            | 0.3            | 0.5            |     |
| NHB   | 2.9            | 2.8            | 2.6            | 2.3            | 1.6            | 0.9            | 0.5            | 0.6            |     |
| Lower Tier Grant  |                |                |                |                |                | 0.4            | 0.2            | 0.2            |     |
| Services Grant  |                |                |                |                |                |                |                | 0.2            | 0.1 |
| <b>Sub-total non-CTax funding</b>                       | <b>6.5</b>     | <b>6</b>       | <b>5.6</b>     | <b>5</b>       | <b>4.4</b>     | <b>4.1</b>     | <b>3.9</b>     | <b>4.2</b>     |     |
| <b>CTax £m</b>  | 4.3            | 4.6            | 4.8            | 5.1            | 5.3            | 5.4            | 5.6            | 5.9            |     |
| <b>Total</b>  | <b>10.8</b>    | <b>10.6</b>    | <b>10.4</b>    | <b>10.1</b>    | <b>9.7</b>     | <b>9.5</b>     | <b>9.5</b>     | <b>10.1</b>    |     |
| Non-CTax  | 60%            | 57%            | 54%            | 50%            | 45%            | 43%            | 41%            | 42%            |     |
| CTax  | 40%            | 43%            | 46%            | 50%            | 55%            | 57%            | 59%            | 58%            |     |
| <b>Core Funding</b>                                     | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2020/21</b> | <b>2021/22</b> | <b>2021/22</b> | <b>2022/23</b> | <b>2023/24</b> |     |
| <b>Business Rates Growth (Not incl in Core Funding)</b> | <b>0.5</b>     | <b>0.51</b>    | <b>0.92</b>    | <b>1.19</b>    | <b>1.78</b>    | <b>1.64</b>    | <b>2.6</b>     | <b>4.1</b>     |     |

### CSP Longer term view and key MTFS elements

- 3.6 Looking forward over the MTFS period of 2023/24 -2027/28 the key financial pressures come from the loss of NHB and the fair funding review that brings with it a business rates reset. It is now expected that as part of the fair funding review, that the baseline funding from business rates will be recalibrated, taking affect from 2026/27 (Originally planned for 2023/24). If this is a full reset, then much of the accumulated growth could be lost, via an amendment to the tariff. This could happen as early as 2025/26 but is considered unlikely in the light of the timing of a general election and the legislative timeframe required to make the changes in the first year of a new government.
- 3.7 This MTFS covers the current year (2023/24) plus the next four years, giving a view of the five years 2023/24-2027/28. There are three scenarios presented, an Expected case for planning purposes, and a Best case and Worst case profile to inform members of potential outlying possibilities. In all cases the major change to our position is going to be the from the fair funding review that brings with it a business rates reset. This is a key risk as our

business rates growth for 2023/24 is £4m and is expected to grow further, before a reset which may lead to this element of funding being significantly reduced or lost altogether.

## Expected MTFS comparisons

### Business Rates

- 3.8 The Expected MTFS uses a reset of the baseline business rates in 2026/27 that would leave some income growth, this is because it assumes the reset Tariff will be based on the 2025/26 year. Although a business rates reset could be as early as 2025/26, this is now considered unlikely following the potential timing of the next general election as the legislative timeframe needed following the introduction of a new government. The reset may be delayed again so the Best case has no business rates reset in the MTFS period.
- 3.9 If the Business rates reset is based on a later year, then it may mean more rates are lost on a recurring basis after that date. Hence there is some risk to this assumption. The table below gives the expected growth following the baseline reset, compared to the Best and Worst case. The way to assess the impact of the reset is not the year-on-year movement, but the loss of annual income on a recurring basis compared to the pre-reset financial year. In the Expected case it falls by £4m in 2026/27. This is a recurring loss of income which creates a gap in our funding on an ongoing basis.

| Retained Business rates                      | 2024/25    | 2025/26            | 2026/27            | 2027/28            |
|--|------------|--------------------|--------------------|--------------------|
| Expected ( <b>Reset 2026/27</b> )            | £7,237,071 | £8,196,341         | £3,186,978         | £3,249,435         |
| Worst ( <b>Reset 2025/26</b> )               | £7,577,097 | £3,680,316         | £3,540,879         | £3,575,647         |
| Best (No <b>Reset until after 2027/28</b> )  | £7,237,071 | £8,196,341         | £8,352,098         | £8,530,094         |
| Fall /Increase in income compared to 2022/23 | 2024/25    | 2025/26<br>Loss    | 2026/27<br>Loss    | 2027/28<br>Loss    |
| Expected                                     |            | £959,270           | <b>-£4,050,093</b> | <b>-£3,987,636</b> |
| Worst  |            | <b>-£3,896,781</b> | <b>-£4,036,218</b> | <b>-£4,001,451</b> |
| Best   |            | £959,270           | £1,115,027         | £1,293,023         |

- 3.10 There is currently significant growth in the retained element of business rates, however much of this is caused by the recent rates revaluation exercise and compensation Government are providing for not increasing the business rate multiplier to support businesses, referred to as the multiplier cap compensation adjustment. There is also growth estimated for new business of £7m in the MTFS. If these estimates prove to be too high, then further savings/new income may be required. The Calculation of Growth also

## Appendix 1

includes the notion that growth below 20% of Base Line Funding (BFL is currently £2,7m) will not be subject to a levy post rate reset. If this assumption is incorrect, then further savings/new income or new income will be needed. Other assumptions could be no levy at all, or a levy on any growth no matter how small. The table below has the expected Levy. The zero years indicate we have lost so much growth we do not have the funds to create the need to pay a Levy. If there was a Levy on all Growth, then we would lose about £0.4m to £0.6m of income compared to the table below.

| <b>Levy assumptions</b>   | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> | <b>Total</b> |
|---|----------------|----------------|----------------|----------------|--------------|
| No levy unless growth over 20% of BFL after Reset                   |                |                |                |                |              |
| <b>Expected (Reset in 2026/27)</b>                                  | £2,558,991     | £3,153,556     | £0             | £0             | £5,712,547   |
| <b>Best No reset in MTFS period</b>                                 | £2,558,991     | £3,153,556     | £3,215,986     | £3,279,664     | £12,208,198  |
| <b>Worst Reset in 2025/26</b>                                       | £2,787,120     | £0             | £0             | £0             | £2,787,120   |
| <b>Retained Growth if a 20% Levy threshold in place after reset</b> | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> | <b>Total</b> |
| <b>Expected</b>   | £4,541,041     | £5,446,391     | £382,029       | £388,387       | £10,757,848  |
| <b>Best</b>   | £4,541,041     | £5,446,391     | £5,547,149     | £5,669,046     | £21,203,627  |
| <b>Worst</b>  | £4,881,068     | £930,366       | £763,430       | £770,422       | £7,345,285   |

3.11 The multiplier is meant to increase by inflation (RPI since 2016/17 and CPI from 2023/24). For 2023/24 an inflated multiplier would have been 57.7 pence and is forecast to be 61.13 pence in 2024/25. For HBBC this compensation has increased from £142,000 in 2020/21 to an expected £1.5m in 2024/25. Government pays the compensation in full, and it is not subject to Levy payments. If Government removes the compensation cap support, the levy will be charged, and we would lose 50% of this funding.

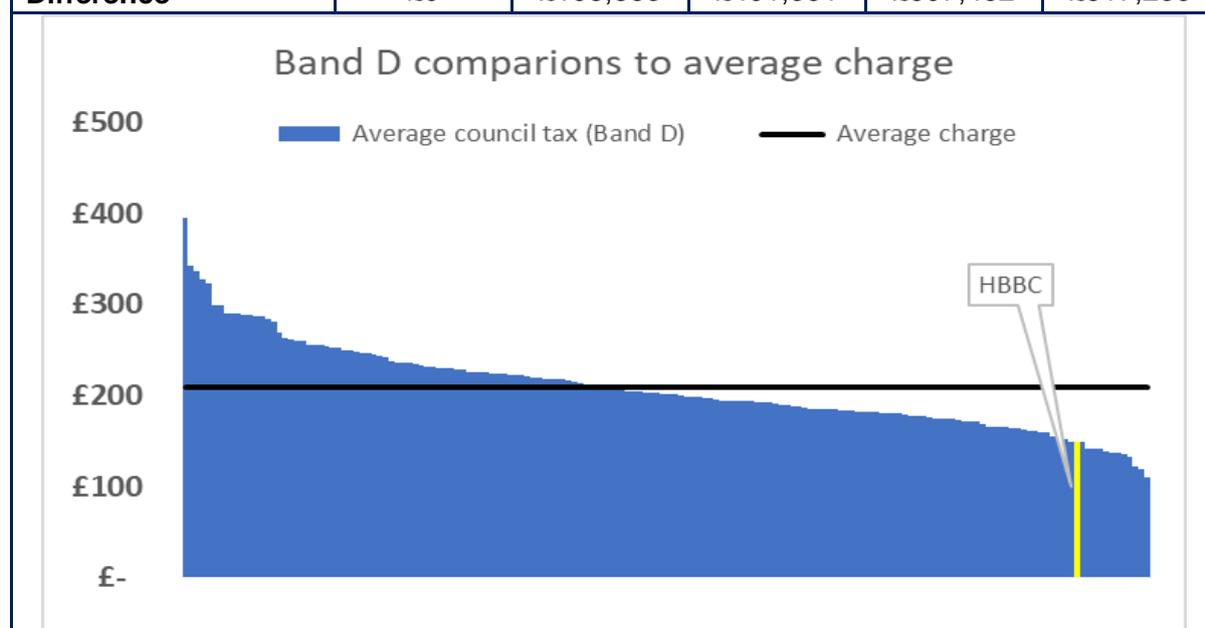
### Council Tax

3.12 No major changes were made by Government in relation to Council Tax in the financial settlement, with District Councils being able to increase Tax by 2% or £5. The MTFS for all the scenarios has assumed that £5 will be charged in each of the five years modelled. The graph gives the comparison of the Band D charge for HBBC to other districts for 2023/24

3.13 The table below gives the level of Council Tax (excluding Special Expenses) expected, with a comparison to a zero increment in all years post 2023/24. If Council Tax was not increased for four years, then a £0.8m shortfall is

expected to arise. The Graph is HBBC’s Council Tax charge for 2022/23 compared to other district council and the average charge across England.

| Council Tax                              | 2023/24    | 2024/25    | 2025/26    | 2026/27    | 2027/28    |
|--|------------|------------|------------|------------|------------|
| Council Tax £5 increases (Expected)      | £5,907,829 | £6,159,957 | £6,416,149 | £6,676,459 | £6,940,939 |
| Council Tax (£0 increases after 2023/24) | £5,907,829 | £5,961,074 | £6,014,798 | £6,069,007 | £6,123,704 |
| <b>Difference</b>                        | £0         | £198,883   | £401,351   | £607,452   | £817,235   |



3.14 There is a risk to this assumption, as the Government may not retain the £5 option, or only apply the 2% increase in Council Tax after 2023/24, which would result in the loss of income.

3.15 HBBC have consistently been committed to a high level of efficiency, which means we remain in the bottom 15 out of 190 district councils for the level of council tax charged in 2022/23, which is expected to remain the same for 2023/24. HBBC are also the lowest out of the seven Leicestershire District Councils.

### New Homes Bonus

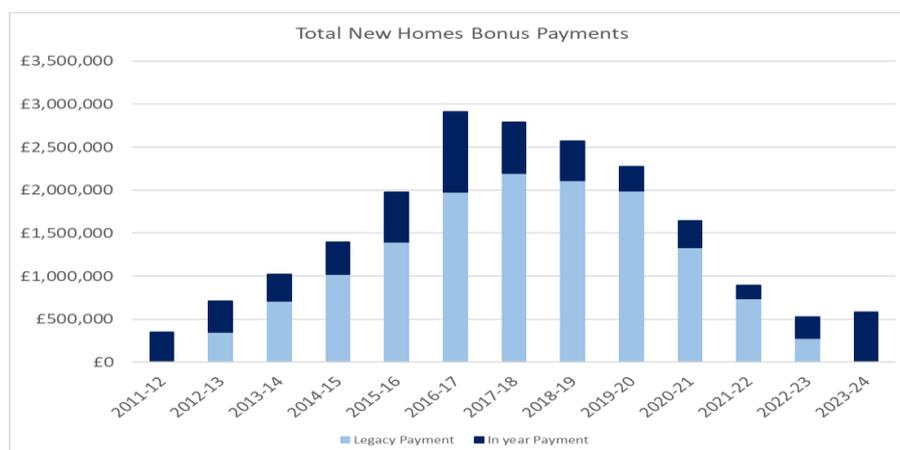
3.16 The Financial settlement noted there will be new rounds of New Homes Bonus (NHB) payments in 2023-24. Although, as with last year, these will not attract new legacy payments. The Government still plans to reform the New Homes Bonus (NHB) scheme having consulted in February to April 2021. Therefore, any inclusion of amounts for a replacement NHB are highly subjective and may be incorrect. For forecasting it is assumed the current

## Appendix 1

NHB calculations, which do not include legacy payments, will continue until there is a fair funding review and business rates reset. The profile below gives the position forecast for each scenario.

| NHB/Replacement for NHB | 2023/24  | 2024/25  | 2025/26  | 2026/27  | 2027/28  | Total      |
|-------------------------|----------|----------|----------|----------|----------|------------|
| Expected                | £581,966 | £524,266 | £450,863 | £590,174 | £0       | £2,147,269 |
| Best                    | £581,996 | £524,266 | £450,863 | £590,174 | £679,696 | £2,826,995 |
| Worst                   | £581,996 | £524,266 | £450,863 | £0       | £0       | £1,557,126 |

3.17 For the MTFs profiles years showing zero above the LGA have noted that the Government announced for 2022/23 that it will repurpose the 2022/23 Lower Tier Services Grant and include elements of the expired New Homes Bonus legacy payments it had budgeted for to make payments to ensure that all councils will see at least a 3 per cent increase in their Core Spending Power. This may be a mechanism to replace the lost NHB, but no details are known yet. It is hoped the 2024/25 financial settlement (due December 2024) will make clear the government's intentions. The figures above are therefore a high-risk assumption as there is no government information available. The Table below gives the historical income received by HBBC from NHB, and its significant decline since 2016/17, which has reduced the revenue available to the council to fund services.



## UK Shared Prosperity Fund

3.18 The UK Shared Prosperity Fund is to be shared out to every place in the UK recognising that even the most affluent parts of the country contain pockets of deprivation and need support. The Fund is worth £2.6 billion over the period to 2024-25. It is intended to help people access opportunity in places in need and for people in disadvantaged groups.

## Appendix 1

- 3.19 The Fund will make available a mixture of both revenue and capital funding in the allocations given. This funding will be allocated by formula to invest in local priority projects to support local communities, businesses, and people. To access their allocation, each place will have to set out measurable outcomes they are looking to deliver, and what interventions they are choosing to prioritise in an investment plan submitted for Government approval.
- 3.20 Our Allocation is £2.6m, which must be split between revenue and capital. We are allowed a 4% administration charge, which should give some support to the General fund. The table below gives the details, and the same information has been used for all scenarios.

| Funding (£)      | 2022 23 | 2023 24 | 2024 25   | Total     |
|------------------|---------|---------|-----------|-----------|
| UKSPF Allocation | 315,535 | 631,071 | 1,653,405 | 2,600,011 |

### Levelling Up award - Twycross Zoo

- 3.21 The Government announced a £4.8 billion Levelling Up Fund for investing in infrastructure in 2021, and the Council acting as host for this scheme run in partnership with Twycross Zoo secured funding of £19.9m under “Round 1” of the Levelling up funding available. The fund is for a transformational multi-million-pound major new Natural Science and Conservation Centre at Twycross Zoo.
- 3.22 The Natural Science and Conservation Centre is set to make a significant contribution to the midlands economy and particularly boost the £80 million that tourists already spend every year in the Hinckley and Bosworth area. As well as attracting visitors to its new orangutan facility attraction, the centre will be able to host educational programmes and events for universities and schools alongside conference facilities.
- 3.23 For the MTFs HBBC are not allowed under the terms of the award to make a net gain, but costs are recovered making the project cost neutral. Our costs are estimated as about £100,000-£150,000 a year, but only actual costs will be charged to the scheme. The scheme is currently expected to be operational by the end of 2025.

### Lower Tier Support grant, 3% Guarantee Grant, and 2022/23 Services Grant

- 3.24 Lower Tier Services Grant was introduced in the local government finance settlement 2021/22 for local authorities with responsibility for lower tier services, with a second allocation made in 2022/23. The government is also

clear that this funding would not be continuing. For 2023/24 this grant has been stopped, but a new 3% funding guarantee grant has been provided. This is meant to ensure Core funding before Council Tax decisions increases by at least 3%

- 3.25 Government introduced a 2022/23 Services Grant s worth £179,153, for 2023/24 this has fallen to £105,106. This is because there will no longer be an increase in National Insurance Contributions, therefore the government will not be compensating local government for these contributions from 2023-24. The MTFs assumption is that these funding stream will continue until there is a business rates reset as noted below.

| Expected     | 2023/24         | 2024/25         | 2025/26         | 2026/27         | Total             |
|--------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| 3% Guarantee | £211,460        | £215,689        | £220,003        | £0              | £647,153          |
| Services     | £105,106        | £107,208        | £109,352        | £0              | £321,665          |
| <b>Total</b> | <b>£316,566</b> | <b>£322,897</b> | <b>£329,355</b> | <b>£0</b>       | <b>£968,818</b>   |
| Best         | 2023/24         | 2024/25         | 2025/26         | 2026/27         | Total             |
| 3% Guarantee | £211,460        | £215,689        | £220,003        | £224,403        | £871,556          |
| Services     | £105,106        | £107,208        | £109,352        | £111,539        | £433,204          |
| <b>Total</b> | <b>£316,566</b> | <b>£322,897</b> | <b>£329,355</b> | <b>£335,942</b> | <b>£1,304,761</b> |
| Worst        | 2023/24         | 2024/25         | 2025/26         | 2026/27         | Total             |
| 3% Guarantee | £211,460        | £215,689        | £0              | £0              | £427,150          |
| Services     | £105,106        | £107,208        | £0              | £0              | £212,314          |
| <b>Total</b> | <b>£316,566</b> | <b>£322,897</b> | <b>£0</b>       | <b>£0</b>       | <b>£639,463</b>   |

### Damping (Transitional support to councils)

- 3.26 There is no clear indication or information on any transitional arrangements, often referred to as Damping, in the financial settlement. However, the Department for Levelling Up, Housing and Communities have made general statements in consultation papers and other documents on transitional support. Our advisors have suggested a potential Damping around an allowed 5% fall in an overall income year on year until actual income meets the lower level of funding provided without this support. However, they advise caution with this assumption as no Government information is available.
- 3.27 If we were to use a “5% fall” calculation and assume this may be available for all scenarios, it would look like the table below. The inclusion of this assumption in MTFs forecasts leaves a high risk due to the high level of estimation uncertainty in this assumption. However, it seems reasonable to assume central government would offer some support to cope with the reduction. Amounts less than the figures indicated in the table below, would mean the forecast for savings/new income required would need to increase.

| Damping  | 2024/25 | 2025/26    | 2026/27    | 2027/28    | Total      |
|----------|---------|------------|------------|------------|------------|
| Expected | £0      | £0         | £4,053,858 | £3,688,678 | £7,742,536 |
| Best     | £0      | £0         | £0         | £0         | £0         |
| Worst    | £0      | £3,192,499 | £2,930,971 | £2,073,505 | £8,196,975 |

### Collection Fund Gains and Losses

3.28 Collection fund gains and losses are where income is lower than forecast for Business Rates and Council Tax. The table below gives the figures used for the forecast scenarios, using the NNDR1 return for the 2023/24 figures. There remains a risk that the actuals will be higher or lower than any of the scenarios presented.

| Collection fund Surplus/(deficit) | 2024/25   | 2025/26    | 2026/27    | 2027/28    | Total      |
|-----------------------------------|-----------|------------|------------|------------|------------|
| Expected                          | (£59,396) | (£60,000)  | (£60,000)  | (£60,000)  | (£239,396) |
| Best                              | (£59,396) | (£10,000)  | (£10,000)  | (£10,000)  | (£89,396)  |
| Worst                             | (£59,396) | (£145,000) | (£145,000) | (£145,000) | (£494,396) |

### Non-Core Spending MTFs elements (income and expenditure)

#### Block C the Crescent.

3.29 Block C at the Crescent Development has most of the units let, but there are two remaining units which are currently being marketed with some negotiations currently on-going.

3.30 For the MTFs review the expectations are as noted below, the only difference being on how quickly the remaining two units can be brought into rental.

| Block C rental | 2023/24  | 2024/25  | 2025/26  | 2026/27  | 2027/28  | Total      |
|----------------|----------|----------|----------|----------|----------|------------|
| Expected       | £306,771 | £340,200 | £406,051 | £431,267 | £431,267 | £1,915,556 |
| Best           | £306,771 | £389,254 | £431,267 | £431,267 | £431,267 | £1,989,825 |
| Worst          | £306,771 | £340,200 | £356,998 | £356,998 | £406,051 | £1,767,018 |

3.31 The Expected net position is estimated on the table below. It is based on the original cost of Block C of £4.7m and including incentives given.

| Block C rental (Expected ) | 2023/24   | 2024/25   | 2025/26   | 2026/27   | 2027/28   |
|----------------------------|-----------|-----------|-----------|-----------|-----------|
| Income                     | £306,771  | £340,200  | £406,051  | £431,267  | £431,267  |
| MRP                        | -£135,333 | -£135,333 | -£135,333 | -£135,333 | -£135,333 |
| Interest                   | -£120,176 | -£120,176 | -£120,176 | -£120,176 | -£120,176 |

## Appendix 1

| <b>Block C rental (Expected )</b>       | <b>2023/24</b> | <b>2024/25</b> | <b>2025/26</b>  | <b>2026/27</b>  | <b>2027/28</b>  |
|---|----------------|----------------|-----------------|-----------------|-----------------|
| Running costs (estimate at 10% of rent) | -£30,677       | -£34,020       | -£40,605        | -£43,127        | -£43,127        |
| <b>Net</b>                              | <b>£20,585</b> | <b>£50,671</b> | <b>£109,937</b> | <b>£132,631</b> | <b>£132,631</b> |
| Yield % (net)                           | 0.44%          | 1.08%          | 2.34%           | 2.83%           | 2.83%           |

*Note: when units are empty, HBBC is liable for business rates, which have not been included in the table above. The charges are Unit C1 (10 the Crescent) £25,472 & Unit C2 (8 the Crescent) is £26,368*

### Other General fund Rentals

3.32 For other rentals the same forecast has been used for all scenarios as the information is less susceptible to variations in forecast. The expected income is given in the table below.

| <b>Other General fund rental properties</b> | <b>2023/24</b>   | <b>2024/25</b>   | <b>2025/26</b>   | <b>2026/27</b>   | <b>2027/28</b>   |
|---|------------------|------------------|------------------|------------------|------------------|
| Industrial units                            | 735,179          | 742,531          | 749,956          | 757,456          | 765,030          |
| Miscellaneous Properties                    | 70,000           | 70,700           | 71,407           | 72,114           | 72,114           |
| Atkins                                      | 217,554          | 219,730          | 221,927          | 224,146          | 226,388          |
| Atkins Room Hire                            | 16,000           | 16,000           | 16,000           | 16,000           | 16,000           |
| Hub   | 249,286          | 476,028          | 477,789          | 479,567          | 481,362          |
| <b>Total</b>                                | <b>1,288,019</b> | <b>1,524,989</b> | <b>1,537,079</b> | <b>1,549,282</b> | <b>1,560,894</b> |

### Car parking income

3.33 The Council operates sixteen pay and display car parks in Hinckley and one in Market Bosworth along with several other car parks which are free / permit holders only across the Borough.

3.34 Car park fee income had fallen by £130,000 due to the Covid Pandemic. However, it is expected that demand will increase, but may not go back fully to pre-pandemic levels. The table below gives scenarios over the Expected, Best and Worst case forecasts. The Worst case is that there will be no recovery as habits have permanently changed as people work from home and travel less.

| <b>Car park income</b> | <b>2023/24</b> | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> | <b>Total</b> |
|------------------------|----------------|----------------|----------------|----------------|----------------|--------------|
| <b>Expected</b>        | £544,760       | £609,760       | £642,260       | £642,260       | £642,260       | £3,081,300   |
| <b>Best</b>            | £544,760       | £674,760       | £674,760       | £674,760       | £674,760       | £3,243,800   |
| <b>Worst</b>           | £544,760       | £544,760       | £544,760       | £544,760       | £544,760       | £2,723,800   |

3.35 To improve performance consideration would need to be given to increasing the car parking fees. The table below give the comparison to Fee in 2011/12 to 2023/24 in terms of if RPi inflation increments had been applied each year. On average we are about 45% lower than would have bene in the case if

## Appendix 1

inflation increments had been applied, which means that potentially about £0.2m to £0.3m less income is being generated. Also, members may want to consider how not increasing car parking fees fits strategically with the climate emergency ambitions of the Council in encouraging a more planned use of cars to travel into the to the area.

| Car Park Fees (Examples)       | 2011/12 | Fee if increased by RPI | 2023/24 | Difference £ | Difference % |
|--------------------------------|---------|-------------------------|---------|--------------|--------------|
| Short Stay Up to 1 hour        | £0.70   | £1.05                   | £0.60   | -£0.45       | -75%         |
| Over 1 hour, up to 2 hours     | £1.20   | £1.80                   | £1.20   | -£0.60       | -50%         |
| Over 2 hours, up to 3 hours    | £1.50   | £2.25                   | £2.00   | -£0.25       | -13%         |
| Over 3 hours and up to 4 hours | £2.60   | £3.90                   | £3.00   | -£0.90       | -30%         |
| Over 4 hours                   | £4.80   | £7.21                   | £6.00   | -£1.21       | -20%         |
| Long Stay up to 5 hours        | £1.30   | £1.95                   | £1.30   | -£0.65       | -50%         |
| Over 5 hours                   | £2.40   | £3.60                   | £2.60   | -£1.00       | -39%         |
| Season Tickets                 | £375.00 | £562.90                 | £375.00 | -£187.90     | -50%         |
| Per half year                  | £200.00 | £300.22                 | £200.00 | -£100.22     | -50%         |
| Per quarter                    | £110.00 | £165.12                 | £110.00 | -£55.12      | -50%         |
| Per month                      | £40.00  | £60.04                  | £40.00  | -£20.04      | -50%         |

### Garden Waste

3.36 The general fund budget report in February 2022 noted the overall cost of the service as in the table below, which shows the overall service is forecast to cost more than it brings in in terms of garden waste fees at a charge of less than £45. The service now has just under 33,200 subscribers, and the table assumes no change in numbers, with an expectation for forecasting of a 2% increase on costs.

3.37 The Expected, Worst, and Best case scenarios for the MTFs period are provided below, based on different fee levels. It is assumed for forecasting the Expected case that costs increased by 4% in 2023/24 and then 2% each year after, to cover staff costs. With inflation as of March 2023, as measured by RPI being 8.2% (CPI was 6.2% in February 2022), that may be an overly optimistic assumption in the short term.

|                                 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---------------------------------|---------|---------|---------|---------|---------|
| Garden Waste Fee per subscriber | £       | £       | £       | £       | £       |
| <b>Expected</b>                 | 37.5    | 42.5    | 47.5    | 47.5    | 47.5    |
| <b>Worst</b>                    | 37.5    | 37.5    | 37.5    | 37.5    | 37.5    |
| <b>Best</b>                     | 37.5    | 45      | 50      | 55      | 55      |

| Income          | £         | £         | £         | £         | £         |
|-----------------|-----------|-----------|-----------|-----------|-----------|
| <b>Expected</b> | 1,207,500 | 1,347,250 | 1,347,250 | 1,347,250 | 1,347,250 |
| <b>Worst</b>    | 1,207,500 | 1,207,500 | 1,207,500 | 1,207,500 | 1,207,500 |
| <b>Best</b>     | 1,207,500 | 1,426,500 | 1,560,000 | 1,716,000 | 1,716,000 |
| <b>Cost</b>     |           |           |           |           |           |
| <b>Expected</b> | 1,550,996 | 1,582,016 | 1,613,656 | 1,645,929 | 1,678,848 |
| <b>Worst</b>    | 1,550,996 | 1,597,526 | 1,645,451 | 1,694,815 | 1,745,659 |
| <b>Best</b>     | 1,550,996 | 1,566,506 | 1,597,836 | 1,629,792 | 1,662,388 |
| <b>Net</b>      |           |           |           |           |           |
| <b>Expected</b> | -343,496  | -234,766  | -266,406  | -298,679  | -331,598  |
| <b>Worst</b>    | -343,496  | -390,026  | -437,951  | -487,315  | -538,159  |
| <b>Best</b>     | -343,496  | -140,006  | -37,836   | 86,208    | 53,612    |

| Garden Waste<br>Cumulative Benefit<br>to GF of Fee<br>increase | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|--|---------|---------|---------|---------|---------|
|  | £       | £       | £       | £       | £       |
| <b>Expected</b>  | 63,000  | 202,750 | 202,750 | 202,750 | 202,750 |
| <b>Best</b>  | 63,000  | 63,000  | 63,000  | 63,000  | 63,000  |
| <b>Worst</b>   | 63,000  | 282,000 | 415,500 | 415,500 | 415,500 |

3.38 As can be seen from the tables above the service overall makes a loss for fees under £55.

3.39 Universal free garden waste collections are still being considered by Government, and it is currently assumed that any loss of income will be compensated for, but there are no details of how this will work or if all lost income will be covered by any proposed scheme. Therefore there is a potential risk that not all costs will be covered, and some may fall on the Council.

### Separate Food waste and Dry Recycling changes

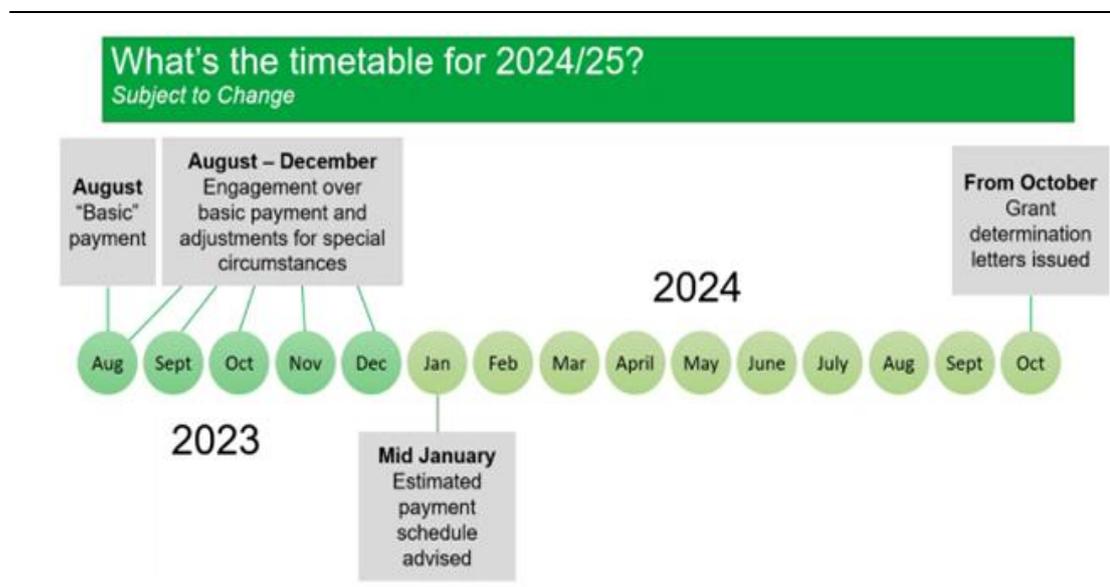
3.40 The Environment Act 2021, which comes fully into effect on 1 April this year, introduces changes to waste collection which means that food waste must be collected separately from other household waste at least once a week.

3.341 Government Ministers noted in 2021 that as well as a free garden waste collections for every home have noted that Householders want more frequent recycling collections. Regular food and garden waste collections will ensure that they can get rid of their rubbish faster, at no additional cost to them. It is

also hoped that the separation of food waste will reduce the volume of residual waste, which may give the opportunity to take action to reduce costs, such as moving to three weekly collection or can reducing the bin size. This will also encourage better use of the food waste service.

- 3.42 The Government will also set out plans to make recycling easier with a clear list of materials that all local authorities and waste firms must collect from homes and businesses, specifically plastic, paper and card, glass, metal, and food waste, as well as garden waste for households. This means there will be separate recycling collections (each type of recycling being collected in a separate box / bag) rather than the fully comingled one bin service we have currently. This is likely to increase costs significantly.
- 3.43 Additional funding and support has been promised for councils for their recycling collections, partly through our reform of the packaging sector which will see firms covering the full net cost of managing their packaging waste. This means council taxpayers will not have to foot the bill.
- 3.44 Our current understanding is that we will need to have a separate food waste collection for all households by 31 March 2026, but this will be a ministerial decision, and may change.
- 3.45 No funding will be allocated to Waste Disposal Authorities in relation to food waste, which means Leicestershire County Council will not get any funding as the assumption is they will have savings/new income from the disposal contracts. It is not clear if this assumption is correct or if it will have any impact on their position, and potentially any budget saving they may have to make and pass onto collection authorities.
- 3.46 It has been stated that there is £295m for capital costs, to be allocated to waste collection authorities, which is now expected in 2023/24. However, we have no information on the amount and when it will be paid. This has not been included in the budget as the details are unknown.
- 3.47 Revenue implications are less clear, it is expected that there will be funding provide in 2024/25 during the transition period and then on-going revenue costs from 2025/26 will be supported, but we do not have the full details.
- 3.48 There has been no further details on how the dry recycling collections will change under the introduction of the Extended Producer Responsibility (EPR) or how the funding will be derived. This will be made clear as part of the DEFRA consultation response on consistent collections. The date of publication is noted as being soon, but no date has been given. This leaves the council with a short time span of two years, with no details available. The

income we will get is unclear, but the timetable below was shared by the Department for Levelling Up, Housing and Communities and indicates when payments are expected to be made.



3.49 Full Potential costs are summarised in the table below which gives the estimated spend on capital spend and revenue costs. Also, as many councils will be introducing changes at the same time, the spike in demand may well increase prices even further. The Council would have extreme difficulty in maintaining its current level of services and level of staff employed with this level of general fund pressure if not covered by Government funding. For the purposes of forecasting the Best case assume the costs of waste charges will be neutral as fully funded, the Expected case assumes £250,000 falls on HBBC, with the Worst having a pressure of £500,000 from 2025/26 onwards. These are estimates as no clear information is available from Government.

|  | Revenue Cost | Capital Cost |
|--|--------------|--------------|
|  | £000         | £000         |
| <b>Service</b>   |              |              |
| <b>Weekly Separate collection of food waste</b>                                |              |              |
| New weekly food waste collection   | 1,126        |              |
| One off capital cost caddy / bin purchase/Liners                               |              | 480          |
| Other implantation costs (storage replacement bins, communications admin etc.) | 75           |              |
| <b>Collecting garden waste (Free of Charge)</b>                                |              |              |

Appendix 1

|  |              |            |
|--|--------------|------------|
| Estimated Loss of income per annum                                       | 1,200`       |            |
| Cost increase if demand is 20% more due to free service                  | 315          |            |
| Additional garden bin delivery for current non-subscribers (If 20% more) |              | 192        |
| <b>Separating dry recycling materials</b>                                |              |            |
| <b>Total</b>   | <b>2,716</b> | <b>572</b> |

3.50 The above does not include the running costs of a new depot site for waste services that will be required to expand the current facilities. This is not currently expected to be covered by Government support. It is also unclear if ongoing running costs will be covered fully, so the Expected case has £250,000 not covered, and the Worst has £500,000 not covered. The table below gives estimated costs, these are likely to change once Government issues clear information on the proposed funding basis. Dry Recycling changes are expected to have a neutral impact currently, but this may change.

| <b>Food Waste (New Depot costs)</b>                                 | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> | <b>Total</b> |
|---|----------------|----------------|----------------|----------------|--------------|
| <b>Expected</b>   | £0             | £337,534       | £427,013       | £430,961       | £1,195,507   |
| <b>Best</b>   | £0             | £337,534       | £427,013       | £430,961       | £1,195,507   |
| <b>Worst</b>  | £0             | £337,534       | £427,013       | £430,961       | £1,195,507   |
| <b>Food Waste (Running costs not covered by Government funding)</b> | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> | <b>Total</b> |
| <b>Expected</b>   | £0             | £0             | £250,000       | £250,000       | £750,000     |
| <b>Best</b>   | £0             | £0             | £0             | £0             | £0           |
| <b>Worst</b>  | £0             | £500,000       | £500,000       | £500,000       | £1,500,000   |
| <b>Food Waste Total</b>   | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> | <b>Total</b> |
| <b>Expected</b>   | £0             | £337,534       | £677,013       | £680,961       | £1,945,507   |
| <b>Best</b>   | £0             | £337,534       | £427,013       | £430,961       | £1,195,507   |
| <b>Worst</b>  | £0             | £837,534       | £927,013       | £930,961       | £2,695,507   |

3.51 There are other pressures on the waste service due to the need to replace the vehicle fleet. The table below captures these pressures that are included for all scenarios.

| Revenue costs of vehicles     | 2024/25        | 2025/26        | 2026/27        | 2027/28        | Total            |
|-------------------------------|----------------|----------------|----------------|----------------|------------------|
|                               | £              | £              | £              | £              | £                |
| Waste Fleet replacement (HGV) | 0              | 242,567        | 242,567        | 242,567        | 727,701          |
| Light fleet replacement       | 128,000        | 128,000        | 128,000        | 128,000        | 512,000          |
| <b>Total</b>                  | <b>128,000</b> | <b>370,567</b> | <b>370,567</b> | <b>370,567</b> | <b>1,239,701</b> |

### The Crematorium

3.52 The Crematorium currently had a current budget of £8.4m but was subject to continuing delays on the site due to problematic water conditions, which has increased the costs. The Contractor completed site inspections at the end of March 2023, and has provided a design solution. Unfortunately, the design solution was not financially viable at a total cost to HBBC of £16.2m, requiring external debt of £12.1m. This would have led to losses as indicated in the table below.

| Year (BEST CASE)                  | 1 to 5             | 6 to 10            | 11 to 20           | Total              |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Final Return</b>               | <b>-£2,021,362</b> | <b>-£1,904,079</b> | <b>-£3,445,174</b> | <b>-£7,370,615</b> |
| <b>Loss to GF in first year =</b> | <b>-£413,668</b>   |                    |                    |                    |

3.53 The contractor was informed of the decision to not continue with them in July to prevent further costs being incurred. This decision, means that the £2.1m of costs incurred will need to be written off. This will be covered by the £1.5m of reserves set aside for the crematorium, the remainder falling on the general fund in 2023/24.

3.54 Other options are being pursued to see if an alternative construction partner can be obtained to provide the crematorium at an affordable price. This may be possible, and this will be put to members for a decision when more information is available. The Worst case plan assumes this will not be possible. The Best case assumes that an alternative will be possible, and the Expected has £3m of reserves set aside and expected to be used in 2024/25 if an alternative contractor can make the Crematorium financially viable, however no income from the crematorium has been included at this stage.

### The Leisure Centre

3.55 The council receives an annual management fee for the provision of the Leisure Centre contract. This income has already been allowed for within the MTFs and is the same in all scenarios as it is fixed by contract. The annual fee income for the next five years is summarised in the table below. This may change dependent upon the inflation rate as the fee is indexed by RPI each year.

| Leisure Centre | 2023/24<br>£ | 2024/25<br>£ | 2025/26<br>£ | 2026/27<br>£ | 2027/28<br>£ |
|----------------|--------------|--------------|--------------|--------------|--------------|
| All scenarios  | 1,043,877    | 1,173,929    | 1,135,758    | 1,151,658    | 1,231,306    |

### The Enterprise Zone MIRA investment

3.56 The Council working with the LLEP has taken the initiative to invest up to £8.1m across a range of projects at the MIRA Enterprise Zone including activities that fit with the Council's commitment to acting on climate change and reducing carbon emissions. The investment covers:

- the provision of a low carbon innovation hub.
- electric vehicle and hydrogen research and Development facilities,
- additional infrastructure, with new road and bridge construction to open new research and development plots on the site.

3.57 In early April 2022 the agreement to proceed was signed. The first £4.2m has already been provided to the LLEP who are managing the day-to-day release of funds to MIRA as they incur costs. The next instalment from HBBC to the LLEP was on the 14 April 2023 for £3.55m. This is a total funding position of £7.75m. To provide this forward funding a PWLB loan of £7m was taken out at the time of the first loan at an interest rate of £2.5%. Current rates are about £4.5%. This decision saved HBBC approximately £1.1m of interest costs over the life of the scheme. This investment generates a £3.1m return in additional business rates we can retain over a 17-year period. The Table below gives the net return over the MTFS period for all scenarios, with the total to the end of the scheme also included.

| EZ net position           | 2023/24<br>£   | 2024/25<br>£   | 2025/26<br>£   | 2026/27<br>£   | 2027/28<br>£   | 2028 2038<br>£   |
|---------------------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Additional Rates          | 818,314        | 818,314        | 818,314        | 818,314        | 818,314        | 7,739,842        |
| MRP and Interest          | 448,413        | 675,349        | 665,133        | 654,658        | 643,919        | 6,022,245        |
| <b>Net gain</b>           | <b>369,901</b> | <b>142,965</b> | <b>153,181</b> | <b>163,656</b> | <b>174,395</b> | <b>1,717,598</b> |
| EZ net position (Updated) | 2023/24<br>£   | 2024/25<br>£   | 2025/26<br>£   | 2026/27<br>£   | 2027/28<br>£   | 2028 2038<br>£   |
| Additional Rates          | 442,414        | 1,194,214      | 818,314        | 818,314        | 818,314        | 7,739,842        |
| MRP and Interest          | 448,413        | 675,349        | 665,133        | 654,658        | 643,919        | 6,022,245        |
| <b>Net gain</b>           | <b>-5,999</b>  | <b>518,865</b> | <b>153,181</b> | <b>163,656</b> | <b>174,395</b> | <b>1,717,598</b> |

3.58 The net position was as forecast prior to the completion of the NNDR1 at the end of January 2023. The NNDR 1 return noted that based on current information there is insufficient rates growth in place to cover the returned

needed and is just short of the costs incurred by HBBC. It has been agreed this can be recovered from growth that is forecast in MIRA development plan in 2024/25. This is a timing change as opposed to a loss of income overall.

- 3.59 There is a risk that if MIRA do not deliver the growth in rates, they have projected the scheme would fail. However, based on legal advice we have an agreement with MIRA that includes a bank guarantee that protects the council. If enough growth is not generated over three years to meet the expected return required, the Council can use its Bank Guarantee to recall the amount of investment made. This will recover all cash invested but does not include lost gains. HBBC would still have to service the loan taken out of £7m if this should occur. At this stage it is not felt that this will be needed.

### The Subsidiary Company

- 3.60 The Council has a dormant company that is currently being considered for investment opportunities. There are no current schemes.

### Share of business rates pool surplus

- 3.61 There are on-going discussions in relation to the level of surplus held within the business rates pooling arrangements in place across the Leicestershire area. It is now highly likely that there is a potential for a net £2.1m to be distributed to HBBC to be used for economic priorities. For the year 2020/21 and 2021/22 contributions it has been confirmed that £1.1m will be paid to HBBC. It is expected that a further £1m will be paid in relation to 2022/23 to 2023/24 in the 2024/25 financial year, but this is yet to be confirmed. What will happen to pool shares post 2023/24 is still to be decided. It is also likely that there will be an expectation this is used for economic priorities. These amounts have been included in the MTFs scenarios as being paid into an Economic Priorities Reserve (See table below). Other than the Worst case it is assume the reserve will be used to fund the costs of an alternative contractor costs on the crematorium project. The Worst case assumes it will be used on other capital projects. However, any use will be subject to member approval.

| Economic priorities reserve | 2024/25        | 2025/26        | 2026/27        | 2027/28        |
|-----------------------------|----------------|----------------|----------------|----------------|
| <b>B/F</b>                  |                |                |                |                |
| <b>Expected</b>             | £1,100,474     | £2,100,474     | £0             | £0             |
| <b>Best</b>                 | £1,100,474     | £2,100,474     | £0             | £0             |
| <b>Worst</b>                | £1,100,474     | £2,100,474     | £0             | £0             |
| <b>(Year of use)</b>        | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> |
| <b>Expected</b>             |                | (£2,100,474)   |                |                |
| <b>Best</b>                 |                | (£1,100,474)   |                |                |

## Appendix 1

|  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| <b>Worst</b>                                 |                | (£2,100,474)   |                |                |
| <b>Economic priorities reserve (Balance)</b> | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> |
| <b>Expected</b>                              | £1,100,474     | £0             | £0             | £0             |
| <b>Best</b>                                  | £1,100,474     | £1,000,000     | £1,000,000     | £1,000,000     |

## Payroll

3.62 Staff costs are one of the single highest costs items for the Council as staff are key to delivering high quality services. For 2022/23 a £1925 pay increase was agreed after an extended national negotiation. The increase for 2023/24 has been set as 5% for the pay increments and spinal pay point increases. However, since the budget was set an offer has been paid form employers, the main elements being:

- an increase of £1,925 (pro rata for part-time employees) on all pay points 2 to 43 inclusive.
- an increase of 3.88 per cent on all pay points above the maximum of the pay spine but graded below deputy chief officer.
- Chief Officer roles 3.50 per cent on basic salary.

This offer is higher than the 5% allowed for in the budget but has not been accepted by the unions so there is a risk of a higher settlement being agreed in due course. The table has the revised position but note that the offer was rejected, and a higher settlement may be agreed.

| <b>Pay pressure on GF</b>             | <b>2023/24</b> | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Gross pay</b>                      | <b>£</b>       | <b>£</b>       | <b>£</b>       | <b>£</b>       | <b>£</b>       |
| <b>Expected (Employers offer)</b>     | 13,925,910     | 14,309,004     | 14,650,020     | 14,977,387     | 15,291,914     |
| <b>Best (Original budget)</b>         | 13,774,180     | 14,153,100     | 14,490,400     | 14,814,200     | 15,125,300     |
| <b>Worst 2% above employers offer</b> | 14,182,734     | 14,182,734     | 14,182,734     | 14,182,734     | 14,182,734     |
| <b>(Increase from prior year)</b>     | <b>£</b>       | <b>£</b>       | <b>£</b>       | <b>£</b>       | <b>£</b>       |
| <b>Expected</b>                       | 914,227        | 383,094        | 341,016        | 327,367        | 314,527        |
| <b>Best</b>                           | 762,497        | 378,920        | 337,300        | 323,800        | 311,100        |
| <b>Worst</b>                          | 1,171,051      | 390,159        | 347,305        | 333,404        | 320,328        |

### Inflation on contracts and on income from fees

3.63 The assumptions used for general increases in fees and charges, not for where there is a known increase above the rates used, is based on inflation of 4% for Expected, 2% Best and 6% Worst, followed by 2% per year thereafter as an average for the life of the MTFs. The table below gives the net impact. Note, due to the net impact of this assumption on both costs and fees, there is marginal difference between the forecasts. This assumes members would feel comfortable increasing fees at the same rate contractual costs are increasing, which is often linked to the CPI or RPI rate.

| Inflation pressures   | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|-----------------------|---------|---------|---------|---------|---------|
| <b>Costs</b>          | £       | £       | £       | £       | £       |
| <b>Expected</b>       | 136,747 | 139,482 | 142,272 | 145,117 | 148,020 |
| <b>Best</b>           | 134,118 | 136,800 | 139,536 | 142,327 | 145,173 |
| <b>Worst</b>          | 139,377 | 142,165 | 145,008 | 147,908 | 150,866 |
| <b>income</b>         | £       | £       | £       | £       | £       |
| <b>Expected</b>       | -83,414 | -86,751 | -88,486 | -90,256 | -92,061 |
| <b>Best</b>           | -83,414 | -85,083 | -86,784 | -88,520 | -90,290 |
| <b>Worst</b>          | -87,544 | -89,295 | -91,081 | -92,902 | -94,760 |
| <b>Net difference</b> | £       | £       | £       | £       | £       |
| <b>Expected</b>       | 53,333  | 52,731  | 53,786  | 54,862  | 55,959  |
| <b>Best</b>           | 50,703  | 51,717  | 52,752  | 53,807  | 54,883  |
| <b>Worst</b>          | 51,833  | 52,870  | 53,927  | 55,006  | 56,106  |

### Climate change and Biodiversity

3.64 The Council has a vision to work towards making Hinckley & Bosworth Borough Council carbon neutral by 2030 (direct council emissions) and to ensure that the borough is net zero by 2050. The Council has done well in attracting funding to address specific climate change issues, which has been included in the MTFs where HBBC is the sole beneficiary. The Table below give the main sources of funding.

| External Funding                    | Amount Received/Bid For | Used For                            | Owner/Host of fund |
|-------------------------------------|-------------------------|-------------------------------------|--------------------|
| 2023-2025 UK Shared Prosperity Fund | £330,000                | Six climate change related projects | HBBC               |

Appendix 1

|   |  |  |                                      |
|---|--|--|--------------------------------------|
| Social Housing Decarbonisation Fund 23/25 | £1.42 million<br>(Bid has been sent-<br>awaiting funding<br>allocation decision)                 | Retrofit of 100 HBBC<br>owned properties   | HBBC                                 |
| 2023- Business Rat Pool funding           | £2.27 million<br><b>countywide</b>   | Electric vehicle<br>charge points and<br>four community<br>electric pool cars<br>across the county       | Green Living<br>Partnership<br>(HDC) |
| LAD 3 and HUG 1<br>funding 22/23          | £770,000   | Retrofit of private<br>housing stock<br>currently being<br>delivered fifty-two<br>properties in pipeline | Green Living<br>Partnership<br>(LCC) |
| Better care<br>Funding 22/23              | £150,000   | Retrofit of private<br>housing stock<br>currently being<br>delivered                                     | Green Living<br>Partnership<br>(LCC) |
| HUG 2 funding<br>23/24                    | £1.13 million  | Retrofit of private<br>housing stock not<br>yet commenced  | Green Living<br>Partnership<br>(LCC) |
| 2023- Fast<br>Followers Funding<br>23/25  | £282,000<br><b>countywide</b><br>(Bid has been sent-<br>awaiting funding<br>allocation decision) | The Green Living<br>Leicestershire Virtual<br>Team and Advisory<br>Service                               | Green Living<br>Partnership<br>(O&W) |

3.65 There is more to be done with a need to have resources set side to address the priorities of the Council. This MTFs under the Expected scenario will increase funding to support the council's net zero target and make tackling the climate emergency one of its main priorities, by moving £250,000 to the Environmental Action Reserve in 20223/24 and a further £250,000 in 2024/25 to support the priorities in the table below. A further £200,000 of the Waste Management Reserve can also be used to support specific waste initiatives.

|  |  |   |
|--|--|---|
| <br><b>Buildings and land use</b> | <br><b>Travel</b> | <br><b>Community</b> |
| We will seek to use our land for carbon reduction and ensure our buildings are energy efficient.                     | We will work to decarbonise travel across the council and borough.                                   | We will work with the community to lead change and increase climate change engagement                     |

## Appendix 1

|   |   |  |
|---|---|--|
| <br><b>Waste</b> | <br><b>Economy</b> | <br><b>Nature</b> |
| We will ensure we waste less as a borough and stop dependence on single use plastic.              | We will maximise financial opportunities to support climate change work.                            | We will protect and improve Leicestershire's biodiversity and environment.                           |

The amounts that can be set aside to assist with the climate change priorities are given in the table below for the three MFS scenarios.

|                              | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28   |
|------------------------------|---------|---------|---------|---------|-----------|
| Environmental Action Reserve | £       | £       | £       | £       | £         |
| <b>Expected</b>              | 200,000 | 0       | 0       | 0       | 200,000   |
| <b>Best</b>                  | 200,000 | 300,000 | 350,000 | 300,000 | 1,640,000 |
| <b>Worst</b>                 | 0       | 0       | 0       | 0       | 0         |

3.66 The Budget has also allowed for moving to use some electric vehicles and the use of Biodiesel to improve emission levels of CO<sub>2</sub> as part of the Council response to the declared climate change emergency. The costs associated with the use of Biodiesel above conventional diesel are noted in the table below. This will reduce the direct CO<sub>2</sub> emissions of the Council by about 219 tones, which is about 8% in just this one change.

|                               | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Total   |
|-------------------------------|---------|---------|---------|---------|---------|---------|
| Biodiesel cost impact on MTFS | £       | £       | £       | £       | £       | £       |
| <b>All scenarios</b>          | 37,239  | 37,984  | 38,743  | 39,518  | 40,309  | 193,793 |

3.67 The Climate Change Strategy is being updated to create a single Climate Change and Biodiversity. However, the budget of the council already includes key actions on Biodiversity, which include:

- Not using any peat and ensuing annual bedding plants are grown using peat free compost.
- Significantly reducing the number of pesticides we use on our open spaces.
- Upkeep of our two Green Flag parks
- Managing Burbage common for wildlife to encourage wildflowers and maintain this beautiful grassland habitat.
- Employing a tree officer to look after our tree stock and woodlands.
- Planting more than 120 extra heavy standard trees across our sites.

## Other items

3.68 The following items have been included in all MTFS scenarios:

| <b>Budget movements</b>          | <b>2023/24</b> | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Local Plan                       | -£139,200      | -£131,601      | £89,202        | £142,899       |                |
| Appeals costs                    | -£120,000      |                |                |                |                |
| Collection Fund year 2           | -£1,724,767    |                |                |                |                |
| LCC Pension Lump Sum             | -£180,270      | £105,037       | £107,138       | £109,281       | £111,467       |
| Capital Financing (MRP increase) | £17,617        | £71,125        | £10,120        | £10,120        |                |
| Interest                         | -£25,000       | -£25,000       | -£25,000       | -£25,000       |                |

3.69 The figures above are the net changes in the budget. The Collection fund change is in relation to collection fund smoothing due to accounting requirements on cash funding from government to fund retail reliefs given to local businesses. There is a corresponding movement in reserves which means there is no impact on the general fund. Members should note that the MTFS does not allow for the Local plan reserve or Enforcement and Appeals reserve to be replenished. Therefore future costs, as yet not known, will fall on the General fund.

## Changes to reserves

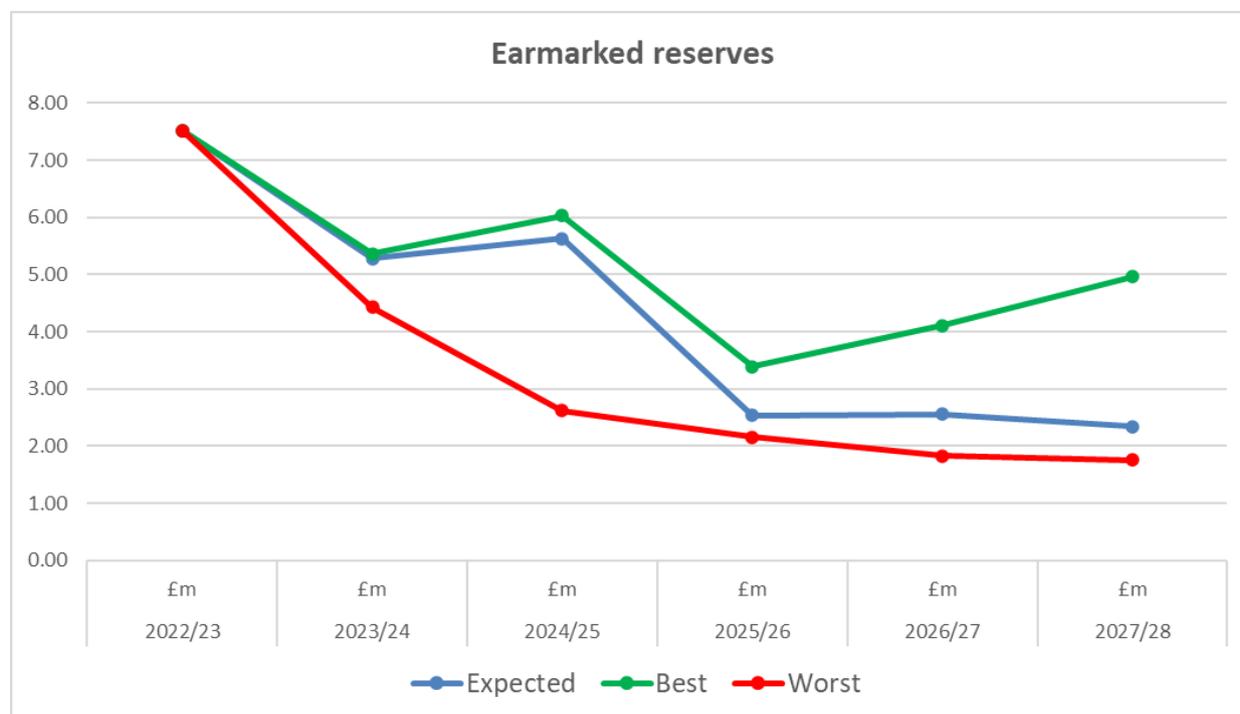
3.70 The appendix gives the overall balances by year of the MTFS for each Reserve, for detail see appendix 2. The key reserves used in terms of financial support to the general fund are the Business Rates Equalisation Reserve and the Financial support reserve. The reduction shows that in the Expected case of £2.36m of these earmarked reserves that they are used to support the general fund position, which indicates we are spending more than we have coming in.

| Reserve use                   | Closing Balance 31 March 2023 | Closing Balance 31 March 2024 | Closing Balance 31 March 2025 | Closing Balance 31 March 2026 | Closing Balance 31 March 2027 | Closing Balance 31 March 2028 |
|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expected                      |                               |                               |                               |                               |                               |                               |
| Business Rates Equalisation   | 2,560,780                     | 1,903,000                     | 1,250,000                     | 1,370,000                     | 1,370,000                     | 1,396,000                     |
| Financial support             | 415,000                       | 0                             | 0                             | 0                             | 0                             | 0                             |
| Other Earmarked reserves used | 650,000                       |                               |                               |                               |                               |                               |
| <b>Total</b>                  | <b>3,625,780</b>              | <b>1,903,000</b>              | <b>1,250,000</b>              | <b>1,370,000</b>              | <b>1,370,000</b>              | <b>1,396,000</b>              |

## Appendix 1

| Best                          |                  |                  |                  |                  |                  |                  |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Business Rates                | 2,560,780        | 1,903,000        | 1,253,000        | 1,500,000        | 2,000,000        | 2,000,000        |
| Equalisation                  |                  |                  |                  |                  |                  |                  |
| Financial support             | 415,000          | 0                | 0                | 0                | 0                | 0                |
| Other Earmarked reserves used | 650,000          |                  |                  |                  |                  |                  |
| <b>Total</b>                  | <b>3,625,780</b> | <b>1,903,000</b> | <b>1,253,000</b> | <b>1,500,000</b> | <b>2,000,000</b> | <b>2,000,000</b> |
| Worst                         |                  |                  |                  |                  |                  |                  |
| Business Rates                | 2,560,780        | 1,250,000        | 1,250,000        | 1,250,000        | 1,250,000        | 1,250,000        |
| Equalisation                  |                  |                  |                  |                  |                  |                  |
| Financial support             | 415,000          | 0                | 0                | 0                | 0                | 0                |
| Other Earmarked reserves used | 650,000          |                  |                  |                  |                  |                  |
| <b>Total</b>                  | <b>3,625,780</b> | <b>1,250,000</b> | <b>1,250,000</b> | <b>1,250,000</b> | <b>1,250,000</b> | <b>1,250,000</b> |

| Earmarked Reserves total balances | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|-----------------------------------|---------|---------|---------|---------|---------|---------|
|                                   | £m      | £m      | £m      | £m      | £m      | £m      |
| <b>Expected</b>                   | 7.52    | 5.28    | 5.63    | 2.54    | 2.56    | 2.34    |
| <b>Best</b>                       | 7.52    | 5.36    | 6.03    | 3.39    | 4.10    | 4.96    |
| <b>Worst</b>                      | 7.52    | 4.43    | 2.62    | 2.16    | 1.83    | 1.76    |
| <b>Expected</b>                   | 100%    | 70%     | 75%     | 34%     | 34%     | 31%     |
| <b>Best</b>                       | 100%    | 71%     | 80%     | 45%     | 55%     | 66%     |
| <b>Worst</b>                      | 100%    | 59%     | 35%     | 29%     | 24%     | 23%     |



## Key Risk summary

3.71 An MTFS is based on a set of key assumptions, these cover costs and income projections. The key ones have been noted in the report for the Expected MTFS position, the main ones are reviewed below:

- That the Government will push ahead with a business rates reset, which has not been done for over 10 years,
- The Fair Funding review and business rates reset will eventually impact on MTFS and this could lead to material savings/new income plans being needed in 2026/27 or as early as 2025/26 which are yet to be scoped and finalised.
- That “Damping” funding will be provided by government in some form, this is a high-risk assumption as no exact details have been provided.
- NHB will not be replaced with a scheme as generous as that provided previously or be stopped before the fair funding review.
- There will be no recurring budget supplementary increments agreed over the MTFS period that are not matched by savings/new income. If this is not possible it will increase the savings/new income required.
- The Expected and Best case assumes the Crematorium will deliver at 874 cremations a year from its first day of operation, if an alternative contractor can be obtained at an affordable build cost, and HMRC will not consider build costs to be subject to VAT of approximately £2m.
- That pay increases at a rate much lower than CPI for 2023/24, if it does not significant costs will be added to the MTFS forecast.
- The most uncertain risk is the lack of any clear indication of a longer-term financial settlement from government, which may change the forecasts given significantly.

### **Other Factors**

4.1. In addition to those risks relating to financing detailed above, this MTFS highlights several other key factors that will impact on the financial position of this Council over the MTFS period. These include, but are not limited to:

### **Capital Programme –**

- 4.2. The council’s capital investment plans are outlined annually in the Capital Programme (the “Programme”) which is approved at the same time as the revenue budget.
- 4.3. Although capital expenditure is clearly separated from revenue spend within the council’s budget, the use of capital resources has an impact on revenue in the following ways: -

## Appendix 1

- The use of capital resources will result in a corresponding reduction in investment income.
- Any borrowing will incur interest payments and minimum revenue provision which is charged as a “cost” to the Council’s revenue budget.
- The creation of new assets will require running costs that will have to be funded from revenue sources.

### **Local external pressures**

- 4.4. The County Council are looking for savings and renegotiating many agreements. LCC are discussing their rental agreement in the Hinckley Hub. The position is not far enough in those discussions to confirm the impact, but any loss of rental income will lead to further savings being needed.
- 4.5. LCC have withdrawn funding from all Leicestershire billing authorities (i.e., the seven district councils) to support the administration of the Localisation of Council Tax Support schemes (LCTS) and to the Discretionary Discount Funds administered by the billing authorities. The district council will try to continue this funding, but the amount may vary in future years.

### **Income and Expenditure Levels**

- 4.6. A considerable proportion of council expenditure is financed from income from fees and charges. A number of these income streams are extremely volatile and depend on external factors such as take up, demand and local economic conditions. The most significant and sensitive changes in income levels include:
- Planning fees - This income stream is highly dependent on both the housing and commercial market and therefore large “windfalls” often occur in times of prosperity, but during an economic downturn this income may decline significantly. In addition, the council can incur significant costs for appeals against decisions taken by Planning Committee.
- 4.7. In addition to this, the following general assumptions used on expenditure used for forecasts: may prove to be over optimistic in a period of rising inflation and cost of living pressures.
- 5% base rate for 2023/24

## Appendix 1

- Retail Price Index of 4% for 2023/24 and 2% for the life of the MTFS, which due to the current cost of living pressures and higher than normal inflation may prove to be incorrect.

## Appendix 2- Detailed MTFS movements

| <b>FINANCIAL FORECAST</b>                           | <b>2023/24</b>    | <b>2024/25</b>    | <b>2025/26</b>    | <b>2026/27</b>    | <b>2027/28</b>    |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Expected MTFS</b>                                | Current year      | Forecast          | Forecast          | Forecast          | Forecast          |
|   | £                 | £                 | £                 | £                 | £                 |
| Net Service Expenditure                             | 13,447,604        | 16,497,150        | 13,902,789        | 16,345,126        | 15,993,691        |
| <b><i>Budget movements</i></b>                      | 3,953,684         | -1,172,459        | 1,290,589         | 595,992           | 318,324           |
| Collection Fund Adjustment (2)                      | -1,724,767        | 0                 | 0                 | 0                 | 0                 |
| <b>Savings/New income needed</b>                    | 0                 | 0                 | 0                 | -904,000          | -1,008,000        |
| <b>NET Borough Budget Requirement</b>               | <b>15,676,520</b> | <b>15,324,691</b> | <b>15,193,379</b> | <b>16,037,119</b> | <b>15,304,015</b> |
| Pension adjustments                                 | -1,958,190        | -1,958,190        | -1,958,190        | -1,958,190        | -1,958,190        |
| Contribution to Reserves                            | 1,340,474         | 4,025,000         | 199,000           | 25,000            | 26,000            |
| Contribution from Reserves                          | -2,266,183        | -3,342,691        | -17,500           | -87,000           | -87,000           |
| Transfer from / to unapplied grants                 | -567,760          | 0                 | 0                 | 0                 | 0                 |
| Contribution to/(from) Balances                     | 38,460            | 978,321           | 170,287           | -135,242          | -96,950           |
| <b>NET BUDGET/FORECAST EXPENDITURE</b>              | <b>12,263,321</b> | <b>15,027,131</b> | <b>13,586,976</b> | <b>13,881,687</b> | <b>13,187,875</b> |
| <b><i>Performance against target</i></b>            | 8.21%             | 15.00%            | 15.00%            | 15.00%            | 15.00%            |
| <b>Sources of Funding</b>                           |                   |                   |                   |                   |                   |
| Damping income 5% loss adjusted                     | 0                 | 0                 | 0                 | 4,053,858         | 3,688,678         |
| National Non-Domestic Rates                         | 2,696,030         | 2,696,030         | 2,749,950         | 2,804,949         | 2,861,048         |
| National Non-Domestic Rates retained above baseline | 4,075,000         | 4,541,041         | 5,446,391         | 382,029           | 388,387           |
| RSG   | 191,867           | 203,379           | 207,446           | 211,595           | 215,827           |
| Lower Tier Support Grant/Funding Guarantee          | 211,460           | 215,689           | 220,003           | 0                 | 0                 |
| Services Grant                                      | 105,106           | 107,208           | 109,352           | 0                 | 0                 |
| Collection fund Deficit NNDR                        | -93,355           | -95,000           | -95,000           | -95,000           | -95,000           |
| New Homes Bonus                                     | 581,966           | 524,266           | 450,863           | 590,174           | 0                 |

Appendix 1

|   |                   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Collection Fund Surplus - CTax  | 33,959            | 35,000            | 35,000            | 35,000            | 35,000            |
| Council Tax Income  | 5,144,303         | 5,377,616         | 5,614,717         | 5,855,655         | 6,100,479         |
|   | <b>12,946,335</b> | <b>13,605,229</b> | <b>14,738,723</b> | <b>13,838,259</b> | <b>13,194,419</b> |
| Estimated Tax base  | 39,421            | 39,777            | 40,135            | 40,497            | 40,862            |
| <b>Estimated Band D Council Tax</b>   | £130.50           | £135.20           | £139.90           | £144.60           | £149.30           |
| <b>Year on Year Increase in Council Tax</b>                                 |                   |                   |                   |                   |                   |
| <b>(i) Amount</b>   | £5.00             | £4.70             | £4.70             | £4.70             | £4.70             |
| <b>(ii) Percentage</b>  | 3.98%             | 3.60%             | 3.48%             | 3.36%             | 3.25%             |
| <b>SPECIAL EXPENSES</b>   |                   |                   |                   |                   |                   |
| <b>NET BUDGET/FORECAST EXPENDITURE-Special Expenses</b>                     | £755,570          | £763,526          | £782,341          | £801,432          | £820,804          |
| Estimated Taxbase   | 39,421            | 39,777            | 40,135            | 40,497            | 40,862            |
| <b>Special Expenses Council Tax (As part of average Band D calculation)</b> | £19.37            | £19.67            | £19.97            | £20.27            | £20.57            |
| <b>Year on Year Increase in Council Tax</b>                                 | £0.00             | £0.30             | £0.30             | £0.30             | £0.30             |
|   |                   |                   |                   |                   |                   |
| <b>Total Council Wide Net Budget Requirement</b>                            | <b>13,709,861</b> | <b>14,387,570</b> | <b>15,540,155</b> | <b>14,659,063</b> | <b>14,034,879</b> |
| Taxbase   | 39,421            | 39,777            | 40,135            | 40,497            | 40,862            |
| <b>Council Wide Council Tax</b>   | £149.86           | £154.86           | £159.86           | £164.86           | £169.86           |
| <b>Percentage Increase</b>  | 3.45%             | 3.34%             | 3.23%             | 3.13%             | 3.03%             |
| <b>Year on Year Increase in Council Tax</b>                                 | £5.00             | £5.00             | £5.00             | £5.00             | £5.00             |

## Appendix 1

### Appendix 3- Reserves

| Reserves (All Figures are in £000)  | Expected | 31 March 2024 | 31 March 2025 | 31 March 2026 | 31 March 2027 | 31 March 2028 | Best | 31 March 2024 | 31 March 2025 | 31 March 2026 | 31 March 2027 | 31 March 2028 | Worst | 31 March 2024 | 31 March 2025 | 31 March 2026 | 31 March 2027 | 31 March 2028 |
|-------------------------------------|----------|---------------|---------------|---------------|---------------|---------------|------|---------------|---------------|---------------|---------------|---------------|-------|---------------|---------------|---------------|---------------|---------------|
| Special Expenses Reserve            |          | -342          | 342           | 342           | 342           | 342           |      | 342           | 342           | 342           | 342           | 342           |       | 342           | 342           | 342           | 342           | 342           |
| Local Plan Procedure                |          | -418          | 203           | 185           | 185           | 185           |      | 418           | 203           | 185           | 185           | 185           |       | 418           | 203           | 185           | 185           | 185           |
| Business Rates Equalisation Reserve |          | -1,903        | 1,250         | 1,250         | 1,250         | 1,250         |      | 1,903         | 1,337         | 1,560         | 1,760         | 1,840         |       | 1,250         | 1,250         | 1,250         | 1,250         | 1,250         |
| Financial support reserve           |          | 0             | 0             | 0             | 0             | 0             |      | 0             | 0             | 476           | 1,082         | 1,132         |       | 0             | 0             | 0             | 0             | 0             |
| Economic Priorities Reserve         |          | -1,100        | 0             | 0             | 0             | 0             |      | 1,100         | 0             | 0             | 0             | 0             |       | 1,100         | 0             | 0             | 0             | 0             |
| Year End Carry Forwards Revenue     |          | -138          | 0             | 0             | 0             | 0             |      | 138           | 138           | 138           | 138           | 138           |       | 138           | 0             | 0             | 0             | 0             |
| Waste Management Reserve            |          | -237          | 0             | 174           | 87            | 0             |      | 237           | 0             | 0             | 0             | 439           |       | 237           | 36            | 18            | 0             | 0             |
| Asset Management Reserve            |          | -200          | 0             | 0             | 0             | 0             |      | 200           | 0             | 0             | 0             | 0             |       | 200           | 0             | 0             | 0             | 0             |
| Election Reserve                    |          | -25           | 50            | 75            | 100           | 25            |      | 25            | 50            | 75            | 100           | 24            |       | 25            | 50            | 75            | 101           | 25            |
| Grounds Maintenance                 |          | -30           | 30            | 30            | 30            | 30            |      | 30            | 30            | 30            | 30            | 30            |       | 30            | 30            | 30            | 30            | 30            |
| Enforcement and Planning Appeals    |          | -60           | 60            | 60            | 60            | 60            |      | 60            | 60            | 60            | 60            | 60            |       | 60            | 60            | 60            | 60            | 60            |
| Building Maintenance costs          |          | -588          | 470           | 353           | 176           | 0             |      | 588           | 470           | 294           | 118           | 118           |       | 588           | 470           | 294           | 118           | 118           |
| Developing Communities Fund         |          | -120          | 0             | 0             | 0             | 0             |      | 120           | 120           | 120           | 120           | 120           |       | 120           | 120           | 120           | 120           | 120           |
| Environmental Action Reserve        |          | -200          | 200           | 200           | 200           | 200           |      | 200           | 600           | 950           | 1,250         | 2,000         |       | 0             | 0             | 0             | 0             | 0             |
| Crematorium Reserve                 |          | 0             | 3,000         | 0             | 0             | 0             |      | 0             | 3,000         | 0             | 0             | 0             |       | 0             | 0             | 0             | -176          | -176          |
| <b>Total</b>                        |          | <b>-5,361</b> | <b>5,606</b>  | <b>2,669</b>  | <b>2,431</b>  | <b>2,093</b>  |      | <b>5,361</b>  | <b>6,350</b>  | <b>4,230</b>  | <b>5,184</b>  | <b>6,427</b>  |       | <b>4,508</b>  | <b>2,561</b>  | <b>2,374</b>  | <b>2,029</b>  | <b>1,953</b>  |
| Net of Special Expenses             |          | -5,018        | 5,263         | 2,327         | 2,089         | 1,750         |      | 5,018         | 6,008         | 3,888         | 4,842         | 6,085         |       | 4,165         | 2,219         | 2,032         | 1,687         | 1,611         |

#### Crematorium Reserve

For the Expected and Best a reserve of £3m will be set up in 2025 and used in 2026 for the Expected case and in 2025 in the Best case if an alternative contractor can make the crematorium project economically viable. £1m of this reserve is still to be confirmed as a receipt from the business rates pool and will not be received until 2024/25 at the earliest.

For the Worst Case, the Economic priorities reserve will rise to £2.1m but is expected to be used in 2025 for other priorities. These decisions will be subject to separate member decision.

# Appendix 1

## Expected Case Detail

| Expected Case                       | Closing Balance 31<br>March 2023 | capital exp  | to reven     | from revenue   | Closing Balance 31<br>March 2024 | capital exp | to reven     | from revenue   | Closing Balance 31<br>March 2025 | capital exp  | to reven   | from revenue | Closing Balance 31<br>March 2026 | capital exp | to reven | from revenue | Closing Balance 31<br>March 2027 | capital exp | to reven   | from revenue | Closing Balance 31<br>March 2028 |         |
|-------------------------------------|----------------------------------|--------------|--------------|----------------|----------------------------------|-------------|--------------|----------------|----------------------------------|--------------|------------|--------------|----------------------------------|-------------|----------|--------------|----------------------------------|-------------|------------|--------------|----------------------------------|---------|
|                                     | £000                             | £000         | £000         | £000           | £000                             | £000        | £000         | £000           | £000                             | £000         | £000       | £000         | £000                             | £000        | £000     | £000         | £000                             | £000        | £000       | £000         | £000                             |         |
| Special Expenses Reserve            | (309)                            | 126          | 32           | (110)          | (262)                            | 41          | 0            | (79)           | (300)                            | 105          | 0          | 0            | (196)                            | 0           | 0        | 0            | (196)                            | 0           | 0          | 0            | (196)                            |         |
| Local Plan Procedure                | (658)                            | 0            | 241          | 0              | (418)                            | 0           | 91           | 0              | (326)                            | 0            | 191        | 0            | (135)                            | 0           | 0        | 0            | (135)                            | 0           | 0          | 0            | (135)                            |         |
| Business Rates Equalisation Reserve | (2,561)                          | 0            | 658          | 0              | (1,903)                          | 0           | 653          | 0              | (1,250)                          | 0            | 0          | (120)        | (1,370)                          | 0           | 0        | 0            | (1,370)                          | 0           | 0          | 0            | (26)                             | (1,396) |
| Financial support reserve           | (415)                            | 0            | 415          | 0              | 0                                | 0           | 0            | 0              | 0                                | 0            | 0          | 0            | 0                                | 0           | 0        | 0            | 0                                | 0           | 0          | 0            | 0                                | 0       |
| Economic Priorities Reserve         | 0                                | 0            | 0            | (1,100)        | (1,100)                          | 0           | 2,100        | (1,000)        | 0                                | 0            | 0          | 0            | 0                                | 0           | 0        | 0            | 0                                | 0           | 0          | 0            | 0                                | 0       |
| Year End Carry Forwards Revenue     | (138)                            | 0            | 0            | 0              | (138)                            | 0           | 138          | 0              | 0                                | 0            | 0          | 0            | 0                                | 0           | 0        | 0            | 0                                | 0           | 0          | 0            | 0                                | 0       |
| Maint Fund - Green Towers           | (50)                             | 0            | 50           | 0              | 0                                | 0           | 0            | 0              | 0                                | 0            | 0          | 0            | 0                                | 0           | 0        | 0            | 0                                | 0           | 0          | 0            | 0                                | 0       |
| ICT Reserve                         | (15)                             | 30           | 0            | (15)           | (0)                              | 0           | 0            | 0              | (0)                              | 0            | 0          | 0            | (0)                              | 0           | 0        | 0            | (0)                              | 0           | 0          | 0            | 0                                | (0)     |
| Waste Management Reserve            | (252)                            | 15           | 0            | 0              | (237)                            | 0           | 237          | 0              | (0)                              | 0            | 0          | (181)        | (181)                            | 0           | 0        | (173)        | (354)                            | 0           | 0          | 0            | (6)                              | (360)   |
| Asset Management Reserve            | (400)                            | 200          | 0            | 0              | (200)                            | 200         | 0            | 0              | (0)                              | 0            | 0          | 0            | (0)                              | 0           | 0        | 0            | (0)                              | 0           | 0          | 0            | 0                                | (0)     |
| Election Reserve                    | (50)                             | 0            | 50           | (25)           | (25)                             | 0           | 0            | (25)           | (50)                             | 0            | 0          | (25)         | (75)                             | 0           | 0        | (25)         | (100)                            | 0           | 101        | (26)         | (25)                             |         |
| Grounds Maintenance                 | (30)                             | 0            | 0            | 0              | (30)                             | 0           | 0            | 0              | (30)                             | 0            | 0          | 0            | (30)                             | 0           | 0        | 0            | (30)                             | 0           | 0          | 0            | 0                                | (30)    |
| Enforcement and Planning Appeals    | (180)                            | 0            | 120          | 0              | (60)                             | 0           | 60           | 0              | 0                                | 0            | 0          | 0            | 0                                | 0           | 0        | 0            | 0                                | 0           | 0          | 0            | 0                                | 0       |
| Building Maintenance costs          | (588)                            | 0            | 0            | 0              | (588)                            | 118         | 0            | 0              | (470)                            | 118          | 0          | 0            | (353)                            | 176         | 0        | 0            | (176)                            | 176         | 0          | 0            | 0                                | 0       |
| Hinckley Community Development Fund | (350)                            | 0            | 350          | 0              | 0                                | 0           | 0            | 0              | 0                                | 0            | 0          | 0            | 0                                | 0           | 0        | 0            | 0                                | 0           | 0          | 0            | 0                                | 0       |
| Enterprise Zone - Covid             | (296)                            | 296          | 0            | 0              | 0                                | 0           | 0            | 0              | 0                                | 0            | 0          | 0            | 0                                | 0           | 0        | 0            | 0                                | 0           | 0          | 0            | 0                                | 0       |
| S31 Ctax Hardship Support           | (43)                             | 0            | 43           | 0              | 0                                | 0           | 0            | 0              | 0                                | 0            | 0          | 0            | 0                                | 0           | 0        | 0            | 0                                | 0           | 0          | 0            | 0                                | 0       |
| Developing Communities Fund         | (702)                            | 280          | 300          | 0              | (122)                            | 122         | 0            | 0              | 0                                | 0            | 0          | 0            | 0                                | 0           | 0        | 0            | 0                                | 0           | 0          | 0            | 0                                | 0       |
| Environmental Action Reserve        | (40)                             | 0            | 40           | (200)          | (200)                            | 0           | 0            | 0              | (200)                            | 0            | 0          | 0            | (200)                            | 0           | 0        | 0            | (200)                            | 0           | 0          | 0            | 0                                | (200)   |
| Crematorium Reserve                 | (443)                            | 443          | 0            | 0              | 0                                | 0           | 0            | (3,000)        | (3,000)                          | 3,000        | 0          | 0            | 0                                | 0           | 0        | 0            | 0                                | 0           | 0          | 0            | 0                                | 0       |
| <b>Total</b>                        | <b>(7,520)</b>                   | <b>1,389</b> | <b>2,298</b> | <b>(1,450)</b> | <b>(5,283)</b>                   | <b>480</b>  | <b>3,279</b> | <b>(4,104)</b> | <b>(5,627)</b>                   | <b>3,222</b> | <b>191</b> | <b>(326)</b> | <b>(2,539)</b>                   | <b>176</b>  | <b>0</b> | <b>(198)</b> | <b>(2,561)</b>                   | <b>176</b>  | <b>101</b> | <b>(58)</b>  | <b>(2,341)</b>                   |         |
| Net of Special Expenses             | (7,210)                          | 1,264        | 2,266        | (1,340)        | (5,021)                          | 440         | 3,279        | (4,025)        | (5,327)                          | 3,118        | 191        | (326)        | (2,344)                          | 176         | 0        | (198)        | (2,365)                          | 176         | 101        | (58)         | (2,146)                          |         |

#### **Appendix 4 - Strategic Financial Objectives**

- The Council should allocate resources to services in line with the Corporate Aims and Ambitions
- Ensure regular monitoring of actual spend against budget to assess outcomes and inform the Performance Management Framework
- The Council must search for new sources of funding to support its activities and maximise opportunities from emerging economic initiatives such as City Deals and Local Growth Funds
- To review the scale of fees and charges at least annually
- To optimise the financial return on assets and ensure capital receipts are obtained where appropriate opportunities arise.
- Capital expenditure is properly appraised.
- When funding the Capital Programme, all funding options are considered.
- To review levels and purpose of Reserves and Balances
- To maintain sustainable Council Tax increases
- To increase efficiency savings and generate funding through shared services and collaborative working.