



Hinckley & Bosworth  
Borough Council

**Medium Term  
Financial Strategy  
2022/23-2025/26  
Technical Document**

## **1. MEDIUM TERM FINANCIAL STRATEGY 2022/23-2025/26**

- 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 2022/23-2025/26 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 comes at the end of a difficult year, with Covid placing many pressures on the council during 2021/22, but we are expecting to end the 2021/22 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 been restricted to the current year plus a three-year outlook due to the high level of uncertainty, instead of the normal five-year outlook. Information from ongoing government consultation, and from our advisors, which is not definitive and covers potential areas of change, 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 2022/23.

- 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 would occur much earlier in the MTFS period.
- 2.5 The current administration has taken difficult decisions in the face of uncertainty to ensure that initial pressures are addressed but have balanced that with taking actions that are proportionate and balanced 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 2022/23-2025/26 (which is expected to still leave us in the bottom 15 lowest charging District Councils)
  - a £5 increase in Garden Waste, to £35 in 2022/23 and a further £5 in 2023/24 (Still the lowest of the six charging councils in Leicestershire)
  - To invest in the future the local area with an ambitious £8m investment in the Local Enterprise Zone
  - the Development for a savings plan for 2025/26 of £1.8m if needed,
  - No recurring supplementary requests for the period of the MTFS, unless totally unavoidable.
- 2.3 Without these actions the savings required in the MTFS would have been on the scale of £3m by 2025/26, with savings needed in 2023/24. This would not have been manageable and by taking these decisions now, it is hoped the council will be able 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.
- 2.4 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 action is needed to prepare and develop a £1.8mm savings and new income plan to be ready for 2025/26. Any action taken before then will be beneficial.

## Appendix 1

| <b>EXPECTED</b>  | <b>2022/23</b>           | <b>2023/24</b>       | <b>2024/25</b>       | <b>2025/26</b>       |
|--|--------------------------|----------------------|----------------------|----------------------|
| <b>FINANCIAL FORECAST</b><br>(Includes Damping of £1.75m by 2025/26) | <b>Current Year</b><br>£ | <b>Forecast</b><br>£ | <b>Forecast</b><br>£ | <b>Forecast</b><br>£ |
| Net Service Expenditure  | 15,805,260               | 13,434,982           | 11,185,511           | 11,588,865           |
| Budget movements   | -2,370,278               | -2,249,471           | 403,354              | 425,624              |
| Savings needed   | 0                        | 0                    | 0                    | -1,821,000           |
| <b>NET Borough Budget Requirement</b>                                | 13,434,982               | 11,185,511           | 11,588,865           | 10,193,489           |
| Performance against target   | 12.95%                   | 15.00%               | 15.00%               | 15.00%               |
| Council Tax charge   | £144.86                  | £149.86              | £154.86              | £159.86              |

| <b>BEST</b>   | <b>2022/23</b>           | <b>2023/24</b>       | <b>2024/25</b>       | <b>2025/26</b>       |
|---|--------------------------|----------------------|----------------------|----------------------|
| <b>FINANCIAL FORECAST</b><br>(Includes Damping of £1.5m by 2025/26) | <b>Current Year</b><br>£ | <b>Forecast</b><br>£ | <b>Forecast</b><br>£ | <b>Forecast</b><br>£ |
| Net Service Expenditure   | 15,805,260               | 12,914,644           | 10,579,133           | 10,444,041           |
| Budget movements  | -2,890,616               | -2,335,511           | -135,091             | 703,645              |
| Savings needed  | 0                        | 0                    | 0                    | 0                    |
| <b>NET Borough Budget Requirement</b>                               | 12,914,644               | 10,579,133           | 10,444,041           | 11,147,686           |
| Performance against target  | 12.95%                   | 15.00%               | 15.00%               | 15.00%               |
| Council Tax charge  | £144.86                  | £149.86              | £154.86              | £159.86              |

| <b>WORST</b>  | <b>2022/23</b>           | <b>2023/24</b>       | <b>2024/25</b>       | <b>2025/26</b>       |
|---|--------------------------|----------------------|----------------------|----------------------|
| <b>FINANCIAL FORECAST</b><br>(Includes Damping of £1.7m by 2024/25) | <b>Current Year</b><br>£ | <b>Forecast</b><br>£ | <b>Forecast</b><br>£ | <b>Forecast</b><br>£ |
| Net Service Expenditure   | 15,805,260               | 13,735,794           | 11,809,531           | 9,715,484            |
| Budget movements  | -2,069,466               | -1,035,763           | 444,953              | 401,104              |
| Savings needed  | 0                        | -890,500             | -2,539,000           | -483,500             |
| <b>NET Borough Budget Requirement</b>                               | 13,735,794               | 11,809,531           | 9,715,484            | 9,633,088            |
| Performance against target  | 15.00%                   | 15.00%               | 15.00%               | 15.00%               |
| Council Tax charge  | £144.86                  | £149.86              | £154.86              | £159.86              |

### **3. BACKGROUND**

- 3.1 This MTFS update sets out the council's financial position for the current year 2022/23 and then onto 2025/26, giving a total three-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 entering the third of three one-year settlements, with 2024/25 now being the period expected when the fair funding review and business rates reset will be in force. As yet there is still no definitive detail on what this will mean for district councils. There is also the uncertainty of what will happen to the economy following the Covid pandemic, Brexit, and conflict in the Ukraine.
- 3.3 The current one-year settlement gives little indication of government thinking overall as Covid has, understandably, been dominating the attention of central government currently. Financial predictions are in highly uncertain times, means that the information provided should be interpreted with care by members and may change significantly when the next financial spending review is complete. 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 4.5% 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 £11.9m (Inc Special Expenses). This is covered by the CPS funds and £2.6m of business rates growth. 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 £0.5m in 2022/23, 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 2024/25 which is likely to remove most of this growth.

| <b>Table 1<br/>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> |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Non-CTax                        | £m             | £m             | £m             | £m             | £m             | £m             | £m             |
| Baseline Rates                  | 3.6            | 3.2            | 2.9            | 2.6            | 2.7            | 2.7            | 2.7            |
| Rate rise compensation          | 0.0            | 0.0            | 0.1            | 0.1            | 0.1            | 0.1            | 0.3            |
| NHB                             | 2.9            | 2.8            | 2.6            | 2.3            | 1.6            | 0.9            | 0.5            |
| Lower Tier Grant                |                |                |                |                |                | 0.4            | 0.2            |
| Services Grant                  |                |                |                |                |                |                | 0.2            |
| Sub-total non-CTax funding      | 6.5            | 6              | 5.6            | 5              | 4.4            | 4.1            | 3.9            |
| CTax £m                         | 4.3            | 4.6            | 4.8            | 5.1            | 5.3            | 5.4            | 5.6            |
| <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>     |
| Non-CTax                        | 60%            | 57%            | 54%            | 50%            | 45%            | 43%            | 41%            |
| CTax                            | 40%            | 43%            | 46%            | 50%            | 55%            | 57%            | 59%            |
| <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>Business Rates Growth</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>     |

### CSP Longer term view and key MTFS elements

- 3.6 Looking forward over the MTFS period of 2022/23 -2025/26 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 2024/25 (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.
- 3.7 This MTFS covers the current year plus the next three years, 2022/23 - 2025/26 has 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 loss of New Homes Bonus (NHB) and the fair funding review that brings with it a business rates reset.

### Expected MTFS comparisons

#### Business Rates

- 3.8 The Expected MTFS uses a reset of the baseline business rates that would leave some income growth, this is assuming the reset Tariff will be based on the 2022/23 base year subject to inflation to 2023/24. Although Government

had indicated that the reset may be in 2023/24, it is now unlikely the legislative timeframe is available to do that, so the reset has been forecast in the Expected MTFS for 2024/25 but may be delayed again to 2025/26.

- 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 current 2022/23 financial year. In the expected case it falls by £1.9m in 2024/25. This is a recurring loss of income which creates a gap in our funding on an ongoing basis.

| Retained Business rates                      | 2022/23    | 2023/24     | 2024/25     | 2025/26     |
|--|------------|-------------|-------------|-------------|
| Expected ( <b>Reset 2024/25</b> )            | £4,972,050 | £5,247,914  | £3,010,803  | £3,110,053  |
| Worst ( <b>Reset 2023/24</b> )               | £4,963,463 | £3,499,996  | £3,607,271  | £3,717,450  |
| Best ( <b>Reset 2025/26</b> )                | £5,347,914 | £5,347,914  | £5,762,515  | £3,167,029  |
| Fall /Increase in income compared to 2022/23 | 2022/23    | 2023/24     | 2024/25     | 2025/26     |
| Expected                                     |            | £275,864    | -£1,961,247 | -£1,861,997 |
| Worst  |            | -£1,472,054 | -£1,364,779 | -£1,254,600 |
| Best   |            | £375,864    | £790,465    | -£1,805,021 |

## Council Tax

- 3.9 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 the expected and best scenarios assumes the same rate of increase in the council tax base, with all scenarios having a £5 increase in all years of the MTFS period. Note, the whole of the £5 increase, not just £4.70 is being allocated to the Borough for 2022/23, increasing the share to the Borough by £47,449.26 over the life of the MTFS.
- 3.10 The table below gives the level of Council Tax expected. The worst case has a slightly lower rate of growth in the tax base.

| Table 4<br>Council Tax<br>(Expected and<br>Best case) | 2022/23<br>Current year | 2023/24<br>MTFS Yr 1 | 2024/25<br>MTFS Yr 2 | 2024/25<br>MTFS Yr 3 |
|---|-------------------------|----------------------|----------------------|----------------------|
| Borough   | £4,926,893              | £5,119,767           | £5,352,623           | £5,589,260           |
| Special Expenses                                      | £755,570                | £774,188             | £793,080             | £812,251             |
| Total   | £5,682,463              | £5,893,955           | £6,145,703           | £6,401,511           |

| <b>Council Tax (Worst Case)</b> | <b>2022/23<br/>Current year</b> | <b>2023/24<br/>MTFS Yr 1</b> | <b>2024/25<br/>MTFS Yr 2</b> | <b>2024/25<br/>MTFS Yr 3</b> |
|---------------------------------|---------------------------------|------------------------------|------------------------------|------------------------------|
| Borough                         | £4,926,893                      | £5,112,149                   | £5,336,708                   | £5,564,351                   |
| Special Expenses                | £755,570                        | £773,037                     | £790,725                     | £808,634                     |
| Total                           | £5,682,463                      | £5,885,186                   | £6,127,433                   | £6,372,985                   |
|                                 |                                 |                              |                              |                              |
| <b>Council Tax</b>              | <b>2022/23<br/>Current year</b> | <b>2023/24<br/>MTFS Yr 1</b> | <b>2024/25<br/>MTFS Yr 2</b> | <b>2024/25<br/>MTFS Yr 3</b> |
| Difference                      | £0                              | -£8,769                      | -£18,270                     | -£28,526                     |

- 3.11 There is a risk to this assumption, as the Government may not retain the £5, or only apply the 2% increase in Council Tax after 2022/23, which would result in the loss of income becoming much larger. The table below gives the risk of not applying a £5 increase and applying 2% over the life of the MTFS. There would be a cumulative loss of £0.5m over the MTFS period.

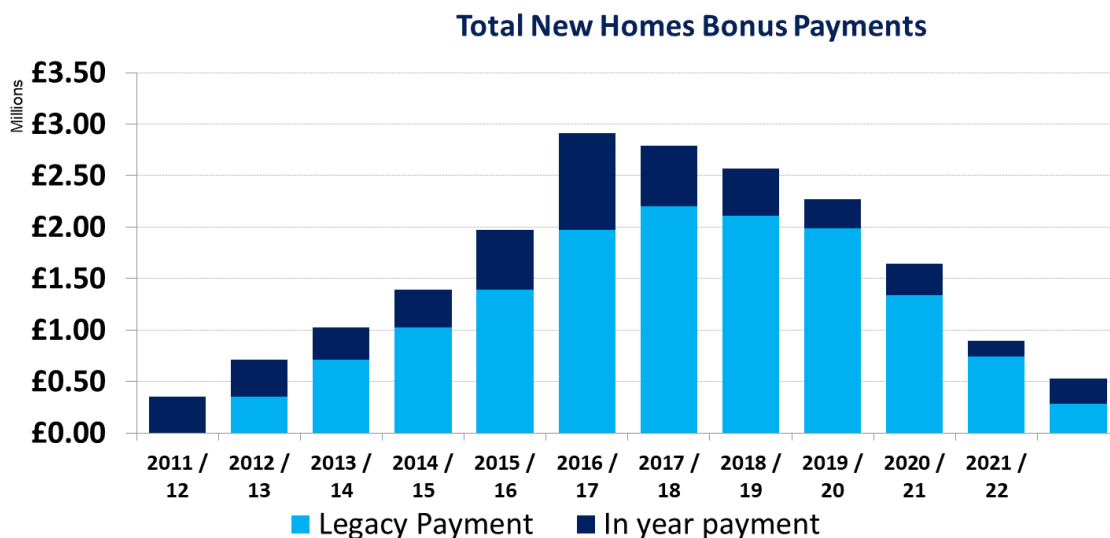
| <b>Table 5<br/>Council Tax (Loss of income)</b> | <b>2022/23<br/>Current year</b> | <b>2023/24<br/>MTFS Yr 1</b> | <b>2024/25<br/>MTFS Yr 2</b> | <b>2024/25<br/>MTFS Yr 3</b> |
|---|---------------------------------|------------------------------|------------------------------|------------------------------|
| Difference                                      | £0                              | -£82,768                     | -£164,726                    | -£245,786                    |

- 3.12 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, and the lowest out of the seven Leicestershire District Councils.

### **New Homes Bonus**

- 3.13 The Financial settlement confirmed that the New Homes Bonus scheme makes its final payment in 2022/23 with no further legacy payments being provided. 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.
- 3.14 For the Expected MTFS profile, a rate of £300,000 has been included in the years 2023/24 to 2025/26. This is based on the rounded average of a single year NHB allocations to HBBC. This is 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.





### UK Shared Prosperity Fund

- 3.16 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.
- 3.17 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.
- 3.18 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      |
| <b>Allowance for our Admin costs 4%</b> | <b>12,621</b> | <b>25,243</b> | <b>66,136</b> | <b>104,000</b> |

## Lower Tier Support grant and 2022/23 Services Grant

- 3.19 Lower Tier Services Grant was introduced in the local government finance settlement 2021 to 2022 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 was a one-off and that no local authority should take this funding floor as guaranteeing similar funding floors in future years, including in future finance reforms (LGC, December 2020).
- 3.20 However, it has been repeated in 2022/23. The amount in 2021/22 was £429,409 and £236,716 in 2022/23. It is assumed in the Expected and Best Case MTFS forecast that this grant this will be repeated, but based on the methodology used, it indicates that it would be just under £40,000. In the Worst Case it is assumed it will not be repeated.
- 3.21 Government introduced a 2022/23 Services Grant worth £822 million for 2022/23 in total. For HBBC it was worth £179,153. Government made it clear that this grant is a one off for 2022/23 and this funding would be excluded from any proposed baseline for transitional. Therefore, it has been treated the same for MTFS scenarios.

## Damping (Transitional support to councils)

- 3.22 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. However, they advise caution with this assumption as no Government information is available.
- 3.23 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 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.

| <b>Table 8<br/>Damping</b> | <b>2023/24</b> | <b>2024/25</b> | <b>2025/26</b> |
|----------------------------|----------------|----------------|----------------|
| Expected                   | £0             | £1,254,783     | £493,435       |
| Worst                      | £1,400,920     | £290,489       | £0             |
| Best                       | £0             | £0             | £1,497,163     |

## Collection Fund Gains and Losses

- 3.24 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; 2022/23 comes from the NNDR 1 return. There remains a risk that the actuals will be higher or lower than any of the scenarios presented.

| <b>Table 9<br/>Collection fund<br/>Surplus/(deficit)</b> | <b>2022/23<br/>£000</b> | <b>2023/24<br/>£000</b> | <b>2024/25<br/>£000</b> | <b>2025/26<br/>£000</b> | <b>Total<br/>£000</b> |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| Worst  | 40                      | -105                    | -105                    | -105                    | -275                  |
| Best   | 40                      | -105                    | -55                     | -55                     | -175                  |
| Expected   | 40                      | 6                       | 6                       | 6                       | 58                    |

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

### Block C the Crescent.

- 3.25 Block C at the Crescent Development has most of the units let, but there are two remaining units which are currently being marketed.
- 3.26 For the MTFS review the expectations are that the Best and Expected will have the same rental profile, due to the history of letting at the Block C, with the worst case being a delay of 18 months in letting the remaining two units. The table below, indicates this is relatively marginal to the income expectations overall with the difference being £85,843 in total.

| <b>Table 10<br/>Block C<br/>rental</b> | <b>2022/23<br/>£</b> | <b>2023/24<br/>£</b> | <b>2024/25<br/>£</b> | <b>2025/26<br/>£</b> | <b>Total<br/>£</b> |
|--|----------------------|----------------------|----------------------|----------------------|--------------------|
| Worst                                  | 306,566              | 306,770              | 376,990              | 431,266              | 1,421,592          |
| Best                                   | 306,566              | 355,824              | 413,780              | 431,266              | 1,507,436          |
| Expected                               | 306,566              | 355,824              | 413,780              | 431,266              | 1,507,436          |

- 3.27 The Expected net position is on the table below.

| <b>Table 11<br/>Block C rental<br/>(Expected net<br/>yield)</b> | <b>2022/23<br/>£</b> | <b>2023/24<br/>£</b> | <b>2024/25<br/>£</b> | <b>2025/26<br/>£</b> |
|---|----------------------|----------------------|----------------------|----------------------|
| Income  | 306,566              | 355,824              | 413,780              | 431,266              |
| MRP   | -135,333             | -135,333             | -135,333             | -135,333             |
| Interest  | -120,176             | -120,176             | -120,176             | -120,176             |

## Appendix 1

|               |        |         |         |         |
|---------------|--------|---------|---------|---------|
| Net           | 51,057 | 100,315 | 158,271 | 175,757 |
| Yield % (net) | 1.3%   | 2.5%    | 3.9%    | 4.3%    |

### Other General fund Rentals

- 3.28 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>Table 12<br/>Other General fund<br/>rental properties</b> | <b>2022/23<br/>£</b> | <b>2023/24<br/>£</b> | <b>2024/25<br/>£</b> | <b>2025/26<br/>£</b> |
|--|----------------------|----------------------|----------------------|----------------------|
| Industrial units   | 727,900              | 735,179              | 742,531              | 749,956              |
| Miscellaneous Properties                                     | 110,000              | 70,000               | 70,700               | 71,407               |
| Atkins   | 215,400              | 217,554              | 219,730              | 221,927              |
| Atkins Room Hire   | 16,000               | 16,000               | 16,000               | 16,000               |
| Hub  | 172,560              | 174,286              | 176,028              | 177,789              |
| <b>Total</b>   | <b>1,241,860</b>     | <b>1,213,019</b>     | <b>1,224,989</b>     | <b>1,237,079</b>     |

### Car parking income

- 3.29 The Council operates 16 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.
- 3.30 For 2021/22 it was reported to members that fee income had fallen by £156,000 due to the Covid Pandemic. However, it is expected that demand will increase to former levels and for the Expected and Best MTFS positions. This may turn out to be optimistic, but it is hoped that demand will return to normal in 2022/23. The Worst case assumes a slower return to normal. The table below gives the overall impact.

| <b>Table 13<br/>Car parking income<br/>(Expected and Best)</b> | <b>2022/23<br/>£</b> | <b>2023/24<br/>£</b> | <b>2024/25<br/>£</b> | <b>2025/26<br/>£</b> |
|--|----------------------|----------------------|----------------------|----------------------|
| <b>Pay and display including<br/>Season ticket income</b>      | 628,250              | 628,250              | 628,250              | 628,250              |
| <b>Car parking income (Worst<br/>case)</b>                     | <b>2022/23<br/>£</b> | <b>2023/24<br/>£</b> | <b>2024/25<br/>£</b> | <b>2025/26<br/>£</b> |
| <b>Pay and display including<br/>Season ticket income</b>      | 564,207              | 596,229              | 628,250              | 628,250              |
| <b>Difference</b>  | <b>-64,043</b>       | <b>-32,021</b>       | 0                    | 0                    |

- 3.31 To improve performance consideration would need to be given to increasing the car parking fees. The last time car parking fee was increased by members was in 2018/19.

### Garden Waste

- 3.32 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 not change in numbers, with an expectation for forecasting of a 2% increase on costs.
- 3.33 The Expected, Worst, and Best case scenarios for the MTFS period are provided below, based on different fee levels. It is assumed for forecasting purposes that costs will increase by 2% a year, to cover staff costs. With inflation as of March 2022, as measured by RPI being 8.2% (CPI was 6.2% in February 2022), that may be a very optimistic assumption in the short term.

| <b>Table 15<br/>Garden Waste –<br/>Fee per subscriber</b> | <b>2022/23<br/>£</b> | <b>2023/24<br/>£</b> | <b>2024/25<br/>£</b> | <b>2025/26<br/>£</b> |
|---|----------------------|----------------------|----------------------|----------------------|
| <b>Expected</b>   | 35                   | 40                   | 40                   | 40                   |
| <b>Worst</b>  | 35                   | 35                   | 35                   | 35                   |
| <b>Best</b>   | 35                   | 40                   | 50                   | 50                   |

| <b>Garden Waste<br/>Income</b> | <b>2022/23<br/>£</b> | <b>2023/24<br/>£</b> | <b>2024/25<br/>£</b> | <b>2025/26<br/>£</b> |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Expected</b>                | 1,162,000            | 1,328,000            | 1,328,000            | 1,328,000            |
| <b>Worst</b>                   | 1,162,000            | 1,162,000            | 1,162,000            | 1,162,000            |
| <b>Best</b>                    | 1,162,000            | 1,328,000            | 1,660,000            | 1,660,000            |
| <b>Cost</b>                    |                      |                      |                      |                      |
| <b>Expected</b>                | 1,491,342            | 1,521,169            | 1,551,592            | 1,582,624            |
| <b>Worst</b>                   | 1,491,342            | 1,521,169            | 1,551,592            | 1,582,624            |
| <b>Best</b>                    | 1,491,342            | 1,521,169            | 1,551,592            | 1,582,624            |
| <b>Net</b>                     |                      |                      |                      |                      |
| <b>Expected</b>                | -329,342             | -193,169             | -223,592             | -254,624             |
| <b>Worst</b>                   | -329,342             | -359,169             | -389,592             | -420,624             |
| <b>Best</b>                    | -329,342             | -193,169             | 108,408              | 77,376               |

| <b>Garden Waste<br/>Benefit to GF of Fee<br/>increase</b> | <b>2022/23<br/>£</b> | <b>2023/24<br/>£</b> | <b>2024/25<br/>£</b> | <b>2025/26<br/>£</b> |
|---|----------------------|----------------------|----------------------|----------------------|
| <b>Expected</b>   | 166,000              | 332,000              | 332,000              | 332,000              |
| <b>Worst</b>  | 166,000              | 166,000              | 166,000              | 166,000              |

|             |         |         |         |         |
|-------------|---------|---------|---------|---------|
| <b>Best</b> | 166,000 | 332,000 | 664,000 | 664,000 |
|-------------|---------|---------|---------|---------|

- 3.34 As can be seen from the tables above the service overall makes a loss for fees under £50, it breaks even at around £45, based on 33,200 subscribers.

### The Crematorium

- 3.35 The Crematorium currently has a budget of £6.9m but is subject to continuing delays on the site due to problematic water conditions, which may increase the costs further. The Contractor is completing site inspections and we are in continual dialogue with the contractor as to how these issues can be resolved. It is currently expected to become operational during the 2022/23 year. Two assumptions used may change due to external factors that relate to costs and date of opening:

- Firstly, as assumption of mid-year has been used for forecasting purposes, for when the site will be fully operational, but this depends on the completion of inspections and build time.
- Secondly, interest rates of 2.7% have been used, but unfortunately, we are in a time of increasing interest rates so this may be higher by the time we need to take on new debt. As of 16 June 2022, interest rates are running at 3.7% on a 30-year loan.

- 3.36 The scenarios as noted in the table below are based on the crematorium being run by a wholly owned company and the Council's cemetery services being included in the transfer of services to the wholly owned company.

- Expected – initial demand 900, delivered on budget of £7.9m
- Best – initial demand 1000, delivered on budget of £7.9m
- Worst – initial demand 800, VAT becomes liable of £1.6m on Build cost.

| Crematorium                   | 2022/23 | 2023/24 | 2024/25  | 2025/26  | 2026/27  |
|-------------------------------|---------|---------|----------|----------|----------|
| Net return                    | £       | £       | £        | £        | £        |
| <b>Expected (Gain)</b>        | 0       | 61,927  | 141,835  | 160,623  | 180,256  |
| <b>Worst (Loss/Gain)</b>      | 0       | -10,166 | -5,233   | 10,561   | 27,083   |
| <b>Best (Gain)</b>            | 0       | 98,233  | 217,328  | 239,110  | 261,855  |
| <b>Difference to expected</b> |         |         |          |          |          |
| <b>Worst</b>                  | 0       | -72,094 | -147,068 | -150,062 | -153,173 |
| <b>Best</b>                   | 0       | 36,306  | 75,493   | 78,487   | 81,599   |

- 3.37 If the cemetery services are not transferred to the company the benefit to the council is reduced and therefore the overall return to the general fund is reduced. This is because of corporation tax implications on the company's performance.

| Crematorium            | 2022/23 | 2023/24 | 2024/25 | 225/26  | 2026/27 |
|------------------------|---------|---------|---------|---------|---------|
| Net return             | £       | £       | £       | £       | £       |
| <b>Expected (Gain)</b> | 0       | 40,493  | 98,110  | 116,024 | 134,765 |
| <b>Worst (Loss)</b>    | 0       | -31,600 | -48,958 | -34,038 | -18,409 |
| <b>Best (Gain)</b>     | 0       | 76,800  | 173,603 | 194,511 | 216,363 |

*Note: the worst-case scenario makes a return from 2028/29*

## The Leisure Centre

- 3.38 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.

| 2022/23         | 2023/24    | 2024/25    | 2025/26    | 2026/27    |
|-----------------|------------|------------|------------|------------|
| <b>£885,000</b> | £1,041,490 | £1,064,122 | £1,031,827 | £1,048,608 |

- 3.39 The 2022/23 fee is slightly lower than originally contracted for due to Covid, but then returns to the agreed management fee in 2023/24. The difference in 2022/23 is relatively low at £35,856.

## The Enterprise Zone MIRA investment

- 3.40 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.
- 3.41 The report to Council in June set out the significant benefits of the investment in creating high skilled jobs and apprenticeship opportunities for local residents; the delivery of a state-of-the-art low carbon innovative hub for the automotive sector; and new infrastructure to support new development that would generate business rates to support loan repayments and investment in the site.
- 3.42 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 on this agreement is on the 14 April 2023 and is currently expected to

be £3.95m. This investment generates a £3.9m return in additional business rates we can retain over the next 17 years. The Table below gives the net return over the MTFS period.

| <b>EZ net position</b> | <b>2022/23</b><br><b>£</b> | <b>2023/24</b><br><b>£</b> | <b>2024/25</b><br><b>£</b> | <b>2025/26</b><br><b>£</b> |
|------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Additional Rates       | 443,297                    | 860,528                    | 860,528                    | 860,528                    |
| MRP and Interest       | 99,972                     | 366,474                    | 624,818                    | 619,456                    |
| <b>Net gain</b>        | <b>343,325</b>             | <b>494,053</b>             | <b>235,710</b>             | <b>241,072</b>             |

- 3.43 The same position has been used for all MTFS scenarios. 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 from not being able to service its debt obligations and would ensure any amounts invested were returned to the Council. At this stage it is not felt that this will be needed.

### **The Subsidiary Company**

- 3.44 The Council has a dormant company that is currently being considered for investment opportunities. There are no current schemes, but it is hoped to achieve a return of 5%-7%. The Best Scenario MTFS has the following included as a rate of return at 7%. For Expected and Worst, no return has been included as there are currently no known projects and more detail would be needed to include figures for budgeting purposes.

|              | <b>2022.23</b> | <b>2023.24</b> | <b>2024.25</b> | <b>2025.26</b> |
|--------------|----------------|----------------|----------------|----------------|
| Investment   | £0             | £1,000,000     | £3,000,000     | £5,000,000     |
| Return at 7% | £0.00          | £70,000.00     | £210,000.00    | £350,000.00    |

### **Share of business rates pool surplus**

- 3.45 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. There is a potential for £500,000 per year for three years to be released for inclusion in revenue, but this is not at a stage to be confirmed. Therefore, this has been included in the Best case scenario only.

### **Payroll**

- 3.46 Staff costs are one of the single highest costs items for the Council as staff are key to delivering high quality services. For 2021/22 a 1.75% pay increase was agreed after an extended national negotiation. This has been used as



guidance for 2022/23, and with other contractual increments, the increase is 2.25% for 2022/23. Note there has been a public announcement by unions that they are asking for an 11.1% pay raise for 2022/23 due to cost-of-living pressures. The outcome of negotiations is unknown, but 11.1% would add about £1m to pay costs

- 3.47 The table below is based on Expected and Best at 2.25%% for 2022/23, followed by 2% increases for expected and 1% for best, the worst has 4% for 2023/24 and then 2% for each year after. An allowance for spinal point increases has also been allowed for of 0.5% in all cases. Note that a 5% vacancy factor each year delivering and efficiency saving of £0.6m for 2022/23 has been included.

| Pay costs              | 2022/23<br>£ | 2023/24<br>£ | 2024/25<br>£ | 2025/26<br>£ |
|------------------------|--------------|--------------|--------------|--------------|
| <b>Expected</b>        | 11,426,974   | 11,682,398   | 11,967,453   | 12,259,463   |
| <b>Worst</b>           | 11,684,080   | 11,976,182   | 12,275,587   | 12,582,477   |
| <b>Best</b>            | 11,426,974   | 11,682,398   | 11,857,634   | 12,035,498   |
| Difference to Expected | 2022/23<br>£ | 2023/24<br>£ | 2024/25<br>£ | 2025/26<br>£ |
| <b>Worst</b>           | 257,106      | 293,784      | 308,134      | 323,014      |
| <b>Best</b>            | 0            | 0            | -109,819     | -223,965     |

### Inflation on contracts and on income from fees

- 3.48 The assumptions used for general increases in fees and charges 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.

| Expected                | 2022/23<br>£ | 2023/24<br>£ | 2024/25<br>£ | 2025/26<br>£ |
|-------------------------|--------------|--------------|--------------|--------------|
| Contract costs          | 131,488      | 136,747      | 139,482      | 142,272      |
| Fees and charges income | -78,600      | -79,380      | -80,180      | -78,600      |
| Total                   | 52,888       | 57,367       | 59,302       | 63,672       |

| Worst                   | 2022/23<br>£ | 2023/24<br>£ | 2024/25<br>£ | 2025/26<br>£ |
|-------------------------|--------------|--------------|--------------|--------------|
| Contract costs          | 131,488      | 139,377      | 142,165      | 145,008      |
| Fees and charges income | -78,600      | -79,380      | -80,180      | -78,600      |

|       |        |        |        |        |
|-------|--------|--------|--------|--------|
| Total | 52,888 | 59,997 | 61,985 | 66,408 |
|-------|--------|--------|--------|--------|

| Best                    | 2022/23<br>£ | 2023/24<br>£ | 2024/25<br>£ | 2025/26<br>£ |
|-------------------------|--------------|--------------|--------------|--------------|
| Contract costs          | 131,488      | 134,118      | 135,459      | 136,813      |
| Fees and charges income | -78,600      | -79,380      | -80,180      | -78,600      |
| Total                   | 52,888       | 54,738       | 55,279       | 58,213       |

### Government initiatives

- 3.49 The Environment Act 2021 may lead to free garden waste collection and separate weekly food waste collection in 2023/24, with changes to segregated dry recycling collections in 2025/26. There was consultation during 2021, and DEFRA have expressed a preference for free garden waste collection. Indication from Government have been that this will be cost neutral on councils, but the details of how any income will be provided to offset any lost fees has not been disclosed.
- 3.50 For the Best and Expected MTFS scenarios, no additional costs have been included, but for the Worst case, an Extra £750,000 of expenditure has been included based on costs not being fully covered, which would need to be further developed should it look like full compensation for losses was not forthcoming from Government.
- 3.51 Full Potential costs are summarised in the table below and are currently estimated at an additional £2.185m falling on the general fund, with a requirement of £3.207m of capital spend. In year one there would also be a one-off revenue cost for transition of up to £0.3m. 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.

|   | Revenue Cost<br>£000 | Capital Cost<br>£000 |
|---|----------------------|----------------------|
| <b>Service</b>                                  |                      |                      |
| <b>Weekly Separate collection of food waste</b> |                      |                      |
| New weekly food waste collection                | 636                  |                      |
| One off caddy cost                              |                      | 1160                 |
| One off capital cost bin purchase               |                      | 1,480                |

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|  |              |              |
|--|--------------|--------------|
| Other implantation costs (storage replacement bins, communications admin etc.) | 100          |              |
| <b>Collecting garden waste (Free of Charge)</b>                                |              |              |
| Estimated Loss of income per annum   | 975          |              |
| Increase in demand due to free service   | 191          |              |
| Additional garden bin delivery for current non-subscribers                     |              | 567          |
| <b>Separating dry recycling materials</b>                                      |              |              |
| Estimate 26% increase on base dry recycling costs                              | 283          |              |
| <b>Total</b>   | <b>2,185</b> | <b>3,207</b> |

3.52 The Consultation did refer to additional New Burdens Support to fund the pressures, but this appeared to cover any implementation costs and capital costs. It is still unclear if ongoing lost income support will be provided.

### Climate change costs

3.53 The full impact of all climate change requirements has not been included in the MTFS and will be covered in separate reports as decisions are needed. However, the Council will need to replace its waste fleet, and consider electric and will introduce Electric vehicle charging points. The potential costs of this maybe significant and we have a relatively small reserve for waste management of £237,000 that can be used to support such changes. Based on a report for the Council by the Energy Saving Trust Report of May 2021 the potential costs difference is below, with finance costs.

|   | <b>Electric</b> | <b>Diesel</b>   | <b>Difference</b> |
|---|-----------------|-----------------|-------------------|
| 19 Vehicles                                       | £6,911,250      | £4,641,429      | -£2,269,821       |
|   |                 |                 |                   |
| Vehicle cost                                      | £415,000        | £180,000        | -£235,000         |
| Residual Value                                    | -£13,250        | -£9,000         | £4,250            |
| QZEV grant funding                                | -£8,000         |                 | £8,000            |
| Residual Value (Battery)                          | -£30,000        |                 | £30,000           |
|   | £363,750        | £171,000        | -£192,750         |
| <b>Annual cost for 10 years (diesels are 7+3)</b> | <b>£363,750</b> | <b>£244,286</b> | <b>-£119,464</b>  |
| Service, Maintenance & Repair Cost                | £159,600        | £228,000        | £68,400           |
| AdBlue (diesel exhaust fluid) Cost                |                 | £3,061          | £3,061            |
| VE Duty + Road User Levy                          |                 | £11,685         | £11,685           |
| Energy/Fuel                                       | £95,135         | £299,746        | £204,611          |

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|                    |                   |                   |                 |
|--------------------|-------------------|-------------------|-----------------|
| MRP                | £691,125          | £464,143          | -£226,982       |
| Interest on debt   | £179,693          | £120,677          | -£59,016        |
| <b>Annual cost</b> | <b>£1,489,303</b> | <b>£1,371,598</b> | <b>£117,705</b> |

- 3.54 Note this is based on data as at May 2021, and may have changed, it is also based on a 19 vehicle 26 tonne fleet over a ten year period but this is sensitive to a range of factors such as the quoted price of the vehicles, the future cost of Euro VII diesel RCVs, future price of diesel fuel, the introduction of a carbon tax, changes to road duty, introduction of road pricing, significant reductions in the off-peak cost of electricity including occasional negative pricing and the use of local private-wire renewable generation. Therefore, is not reliable for MTFS planning purposes until further work is completed
- 3.55 The above does not include the costs of depot changes needed or the costs for the installation of EV charging sites, or the more recent pressures on diesel prices

### Other items

- 3.56 The following items have been included in all MTFS scenarios:

| <b>Budget movements</b>          | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> | <b>2025-26</b> |
|----------------------------------|----------------|----------------|----------------|----------------|
| Local Plan                       | £214,200       | -£264,200      |                |                |
| Collection Fund year 2           | £1,724,767     | -£1,724,767    |                |                |
| LCC Pension Lump Sum             | £106,160       | £107,593       | £105,037       | £107,138       |
| Capital Financing (MRP increase) | £9,291         | £17,617        | £71,125        | £10,120        |
| Interest                         |                | -£25,000       | -£25,000       | -£25,000       |

- 3.57 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.

### Changes to reserves

- 3.58 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 £2m of these earmarked reserves that they are used to

## Appendix 1

support the general fund position, which indicates we are spending more than we have coming in.

| Reserve use       | Closing Balance<br>31 March<br>2022 | Closing Balance<br>31 March<br>2023 | Closing Balance<br>31 March<br>2024 | Closing Balance<br>31 March<br>2025 | Closing Balance<br>31 March<br>2026 |
|-------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Expected</b>   |                                     |                                     |                                     |                                     |                                     |
| Business Rates    |                                     |                                     |                                     |                                     |                                     |
| Equalisation      | 2,361,293                           | 2,092,293                           | 2,092,293                           | 1,649,000                           | 1,250,000                           |
| Financial support | 1,080,000                           | 755,000                             | 728,000                             | 133,000                             | 133,000                             |
| Total             | 3,441,293                           | 2,847,293                           | 2,820,293                           | 1,782,000                           | 1,383,000                           |
| <b>Best</b>       |                                     |                                     |                                     |                                     |                                     |
| Business Rates    |                                     |                                     |                                     |                                     |                                     |
| Equalisation      | 2,361,293                           | 2,355,293                           | 2,355,293                           | 2,337,293                           | 2,337,293                           |
| Financial support | 1,080,000                           | 1,016,000                           | 1,681,000                           | 3,048,000                           | 2,752,000                           |
| Total             | 3,441,293                           | 3,371,293                           | 4,036,293                           | 5,385,293                           | 5,089,293                           |
| <b>Worst</b>      |                                     |                                     |                                     |                                     |                                     |
| Business Rates    |                                     |                                     |                                     |                                     |                                     |
| Equalisation      | 2,361,293                           | 2,324,293                           | 1,250,000                           | 1,250,000                           | 1,250,000                           |
| Financial support | 1,080,000                           | 0                                   | 0                                   | 0                                   | 0                                   |
| Total             | 3,441,293                           | 2,324,293                           | 1,250,000                           | 1,250,000                           | 1,250,000                           |

3.59 The overall earmarked balances are below and show an expected reduction of almost 50% by 31 March 2026

| Earmarked Reserves total balances | 2022<br>£ | 2023<br>£ | 2024<br>£ | 2025<br>£ | 2026<br>£ |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|
| Expected                          | 9,300,842 | 6,362,948 | 6,080,907 | 5,017,614 | 4,869,614 |
| Best                              | 9,300,842 | 6,886,948 | 7,301,907 | 8,680,907 | 8,714,907 |
| Worst                             | 9,300,842 | 6,319,948 | 4,545,614 | 4,575,614 | 4,605,614 |
| Expected                          | 100%      | 68%       | 65%       | 54%       | 52%       |
| Best                              | 100%      | 74%       | 79%       | 93%       | 94%       |
| Worst                             | 100%      | 68%       | 49%       | 49%       | 50%       |

### Key Risk summary

3.60 An MTFS is based on a set of key assumptions, these cover costs and income projections and what they are based on. 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 10 years,
- The Fair Funding review and business rates reset will impact on the 2024/25 year leading to the need to make savings in 2025/26 of £2m 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
- There will be no recurring budget supplementary increments agreed over the MTFS period that are not matched by savings. If this is not possible it will increase the savings required.
- The Crematorium will delivery at 900 cremations a year in from its first day of operation, and HMRC will not consider build costs to be subject to VAT of approximately £1.5m.
- That pay increases at a rate much lower than CPI for 2022/23, 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, 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: -
- 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 in 2023/24
- 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. Central Government have given additional allocations to Councils in Leicestershire for 2021/22 of £4.9m. HBBC share being £80,760.

### **Income and Expenditure Levels**

- 4.6. A significant 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
- 1% base rate for 2022/23
  - Retail Price Index of 4% for 2022/23 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

| FINANCIAL FORECAST                                 | 2022/23    | 2023/24      | 2024/25    | 2025/26    |
|--|------------|--------------|------------|------------|
| Expected MTFS                                      | Forecast   | Current year | Forecast   | Forecast   |
|  | £          | £            | £          | £          |
| Net Service Expenditure                            | 15,805,260 | 13,434,982   | 11,185,511 | 11,588,865 |
| <b>Budget movements</b>                            |            |              |            |            |
| Net growths/Savings                                | 239,060    | -52,450      |            |            |
| Budget changes (net)                               | -628,365   | -472,253     | 403,354    | 425,624    |
| Variances forecast                                 |            |              |            |            |
| Supplementary/Reversals of one off supplementaries | 120,780    |              |            |            |
| Collection Fund Adjustment                         | -3,826,520 |              |            |            |
| Collection Fund Adjustment (2)                     | 1,724,767  | -1,724,767   |            |            |
| <b>Savings needed</b>                              | 0          | 0            | 0          | -1,821,000 |
| <b>NET Borough Budget Requirement</b>              | 13,434,982 | 11,185,511   | 11,588,865 | 10,193,489 |
| Pension adjustments                                | -488,620   | -488,620     | -488,620   | -488,620   |
| Contribution to Reserves                           | 175,990    | 25,000       | 25,000     | 251,000    |
| Transfer to DCF                                    | 0          | 0            | 0          | 0          |
| Contribution from Reserves                         | -2,646,475 | -217,041     | -1,088,293 | -399,000   |
| Transfer from / to unapplied grants                | -55,000    |              |            |            |
| Additional contributions to/from reserves          |            |              |            |            |
| Contribution to/(from) Balances                    | 422,810    | 201,979      | -118,742   | -64,121    |
| <b>NET BUDGET/FORECAST EXPENDITURE</b>             | 10,843,687 | 10,706,829   | 9,918,210  | 9,492,748  |



# Appendix 1

|   |                   |                   |                  |                  |
|---|-------------------|-------------------|------------------|------------------|
| <b>Performance against target</b>                   | 12.95%            | 15.00%            | 15.00%           | 15.00%           |
|   |                   |                   |                  |                  |
| <b>Sources of Funding</b>                           |                   |                   |                  |                  |
| Damping income 5% loss adjusted                     | 0                 | 0                 | 1,254,783        | 493,435          |
| National Non-Domestic Rates                         | 2,687,603         | 2,741,355         | 2,796,182        | 2,852,106        |
| National Non-Domestic Rates retained above baseline | 2,275,860         | 2,606,559         | 264,621          | 307,947          |
| Lower Tier Support Grant                            | 236,716           | 39,149            | 0                | 0                |
| 2022/23 Services Grant                              | 179,153           | 0                 |                  |                  |
| Collection fund Deficit NNDR                        | 8,587             | -100,000          | -50,000          | -50,000          |
| Baseline transitional relief/Dampening              | 0                 | 0                 |                  |                  |
| New Homes Bonus                                     | 528,875           | 300,000           | 300,000          | 300,000          |
| Special Expenses Freeze on CTax                     | 0                 | 0                 | 0                | 0                |
| Collection Fund Surplus - CTax                      | 31,250            | -5,000            | -5,000           | -5,000           |
| Council Tax Income                                  | 4,895,643         | 5,124,767         | 5,357,623        | 5,594,260        |
|   | <b>10,843,687</b> | <b>10,706,829</b> | <b>9,918,210</b> | <b>9,492,748</b> |
|   |                   |                   |                  |                  |
| Estimated Tax base                                  | 39,011            | 39,362            | 39,717           | 40,075           |
| <b>Estimated Band D Council Tax</b>                 | £125.50           | £130.20           | £134.90          | £139.60          |
| <b>Year on Year Increase in Council Tax</b>         |                   |                   |                  |                  |
| <b>(i) Amount</b>                                   | £5.00             | £4.70             | £4.70            | £4.70            |

# Appendix 1

|   |            |            |            |            |
|---|------------|------------|------------|------------|
| <b>(ii) Percentage</b>  | 3.57%      | 3.45%      | 3.34%      | 3.23%      |
|   |            |            |            |            |
| <b>SPECIAL EXPENSES</b>   |            |            |            |            |
| <b>NET BUDGET/FORECAST EXPENDITURE-Special Expenses</b>                     | £755,570   | £774,188   | £793,080   | £812,251   |
| Estimated Taxbase   | 39,011     | 39,362     | 39,717     | 40,075     |
| <b>Special Expenses Council Tax (As part of average Band D calculation)</b> | £19.37     | £19.67     | £19.97     | £20.27     |
| <b>Year on Year Increase in Council Tax</b>                                 | £0.00      | £0.30      | £0.30      | £0.30      |
|   |            |            |            |            |
| <b>Total Council Wide Net Budget Requirement</b>                            | 11,599,257 | 11,481,017 | 10,711,290 | 10,304,998 |
| Taxbase   | 39,011     | 39,362     | 39,717     | 40,075     |
| <b>Council Wide Council Tax</b>   | £144.86    | £149.86    | £154.86    | £159.86    |
| <b>Percentage Increase</b>  | 3.57%      | 3.45%      | 3.34%      | 3.23%      |
| <b>Year on Year Increase in Council Tax</b>                                 | £5.00      | £5.00      | £5.00      | £5.00      |

## Appendix 1

### Appendix 3- Reserves

|                                     | <i>Expected</i> | Closing<br>Balance<br>31 March<br>2022 | Closing<br>Balance<br>31 March<br>2023 | Closing<br>Balance<br>31 March<br>2024 | Closing<br>Balance<br>31 March<br>2025 | Closing<br>Balance<br>31 March<br>2026 | <i>Best</i> | Closing<br>Balance<br>31 March<br>2022 | Closing<br>Balance<br>31 March<br>2023 | Closing<br>Balance<br>31 March<br>2024 | Closing<br>Balance<br>31 March<br>2025 | Closing<br>Balance<br>31 March<br>2026 | <i>Worst</i> | Closing<br>Balance<br>31 March<br>2022 | Closing<br>Balance<br>31 March<br>2023 | Closing<br>Balance<br>31 March<br>2024 | Closing<br>Balance<br>31 March<br>2025 | Closing<br>Balance<br>31 March<br>2026 |
|-------------------------------------|-----------------|--|--|--|--|--|-------------|--|--|--|--|--|--------------|--|--|--|--|--|
| Business Rates Equalisation Reserve |                 | 2,361,293                              | 2,092,293                              | 2,092,293                              | 1,649,000                              | 1,250,000                              |             | 2,361,293                              | 2,355,293                              | 2,355,293                              | 2,337,293                              | 2,337,293                              |              | 2,361,293                              | 2,324,293                              | 1,250,000                              | 1,250,000                              | 1,250,000                              |
| Collection Fund reserve             |                 | 1,890,809                              | 166,041                                | 0                                      | 0                                      | 0                                      |             | 1,890,809                              | 166,041                                | 0                                      | 0                                      | 0                                      |              | 1,890,809                              | 166,041                                | 0                                      | 0                                      | 0                                      |
| Financial support reserve           |                 | 1,080,000                              | 755,000                                | 728,000                                | 133,000                                | 133,000                                |             | 1,080,000                              | 1,016,000                              | 1,681,000                              | 3,048,000                              | 2,752,000                              |              | 1,080,000                              | 0                                      | 0                                      | 0                                      | 0                                      |
| Developing Communities Fund         |                 | 844,328                                | 844,328                                | 844,328                                | 844,328                                | 844,328                                |             | 844,328                                | 844,328                                | 844,328                                | 844,328                                | 844,328                                |              | 844,328                                | 844,328                                | 844,328                                | 844,328                                | 844,328                                |
| Local Plan Procedure                |                 | 623,820                                | 350,112                                | 326,112                                | 326,112                                | 326,112                                |             | 623,820                                | 350,112                                | 326,112                                | 326,112                                | 326,112                                |              | 623,820                                | 350,112                                | 326,112                                | 326,112                                | 326,112                                |
| Building Maintenance costs          |                 | 588,120                                | 588,120                                | 588,120                                | 588,120                                | 588,120                                |             | 588,120                                | 588,120                                | 588,120                                | 588,120                                | 588,120                                |              | 588,120                                | 588,120                                | 588,120                                | 588,120                                | 588,120                                |
| Asset Management Reserve            |                 | 400,000                                | 400,000                                | 400,000                                | 400,000                                | 400,000                                |             | 400,000                                | 400,000                                | 400,000                                | 400,000                                | 400,000                                |              | 400,000                                | 400,000                                | 400,000                                | 400,000                                | 400,000                                |
| Hinckley Community Development Fund |                 | 350,000                                | 350,000                                | 350,000                                | 350,000                                | 350,000                                |             | 350,000                                | 350,000                                | 350,000                                | 350,000                                | 350,000                                |              | 350,000                                | 350,000                                | 350,000                                | 350,000                                | 350,000                                |
| Enterprise Zone - Covid             |                 | 295,911                                | 0                                      | 0                                      | 0                                      | 0                                      |             | 295,911                                | 0                                      | 0                                      | 0                                      | 0                                      |              | 295,911                                | 0                                      | 0                                      | 0                                      | 0                                      |
| Special Expenses Reserve            |                 | 243,749                                | 145,049                                | 85,049                                 | 85,049                                 | 85,049                                 |             | 243,749                                | 145,049                                | 85,049                                 | 85,049                                 | 85,049                                 |              | 243,749                                | 145,049                                | 85,049                                 | 85,049                                 | 85,049                                 |
| Enforcement and Planning Appeals    |                 | 230,000                                | 230,000                                | 230,000                                | 230,000                                | 230,000                                |             | 230,000                                | 230,000                                | 230,000                                | 230,000                                | 230,000                                |              | 230,000                                | 230,000                                | 230,000                                | 230,000                                | 230,000                                |
| Waste Management Reserve            |                 | 130,260                                | 252,000                                | 237,000                                | 237,000                                | 463,000                                |             | 130,260                                | 252,000                                | 237,000                                | 237,000                                | 537,000                                |              | 130,260                                | 252,000                                | 237,000                                | 237,000                                | 237,000                                |
| Environmental Action Reserve        |                 | 60,000                                 | 60,000                                 | 60,000                                 | 60,000                                 | 60,000                                 |             | 60,000                                 | 60,000                                 | 60,000                                 | 60,000                                 | 60,000                                 |              | 60,000                                 | 60,000                                 | 60,000                                 | 60,000                                 | 60,000                                 |
| ICT Reserve                         |                 | 59,750                                 | 0                                      | -15,000                                | -15,000                                | -15,000                                |             | 59,750                                 | 0                                      | -15,000                                | -15,000                                | -15,000                                |              | 59,750                                 | 0                                      | -15,000                                | -15,000                                | -15,000                                |
| Maint Fund - Green Towers           |                 | 45,000                                 | 50,000                                 | 50,000                                 | 0                                      | 0                                      |             | 45,000                                 | 50,000                                 | 55,000                                 | 60,000                                 | 65,000                                 |              | 45,000                                 | 50,000                                 | 55,000                                 | 60,000                                 | 65,000                                 |
| S31 Ctax Hardship Support           |                 | 42,797                                 | 0                                      | 0                                      | 0                                      | 0                                      |             | 42,797                                 | 0                                      | 0                                      | 0                                      | 0                                      |              | 42,797                                 | 0                                      | 0                                      | 0                                      | 0                                      |
| Grounds Maintenance                 |                 | 30,000                                 | 30,000                                 | 30,000                                 | 30,000                                 | 30,000                                 |             | 30,000                                 | 30,000                                 | 30,000                                 | 30,000                                 | 30,000                                 |              | 30,000                                 | 30,000                                 | 30,000                                 | 30,000                                 | 30,000                                 |
| Election Reserve                    |                 | 25,005                                 | 50,005                                 | 75,005                                 | 100,005                                | 125,005                                |             | 25,005                                 | 50,005                                 | 75,005                                 | 100,005                                | 125,005                                |              | 25,005                                 | 50,005                                 | 75,005                                 | 100,005                                | 125,005                                |
|                                     |                 | 9,300,842                              | 6,362,948                              | 6,080,907                              | 5,017,614                              | 4,869,614                              |             | 9,300,842                              | 6,886,948                              | 7,301,907                              | 8,680,907                              | 8,714,907                              |              | 9,300,842                              | 6,319,948                              | 4,545,614                              | 4,575,614                              | 4,605,614                              |

#### **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