



Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Scrutiny Commission 12 December 2024

Wards affected: All Wards

BUDGET STRATEGY 2025/2026

Report of Head of Finance

1. Purpose of report

1.1 To present the Budget Strategy for 2025/2026.

2. Recommendation

2.1 That the Budget Strategy for 2025/2026 be noted.

3. Background to the report

3.1 This Budget Strategy (the Strategy) is presented during significant pressures in local government finance especially for shire districts. The chancellor announced a core spending power increase nationally of 3.2% (£1.3bn) in real terms, including council tax increases. Of this £600m is earmarked for social care, and £270m will be for indexation of the Settlement Funding Assessment (SFA) which is positive but is unlikely to keep up costs increases. There may be further funding of about £200m for National Insurance Contributions but further details are needed.

3.2 In 2016/17 government funding was 60% of our net budget requirements, it is now about 40%, with Council Tax now being the largest share of how HBBC's net budget requirement is financed.

Core Funding	2016/ 17	2017/ 18	2018/ 19	2019/ 20	2020/ 21	2021/ 22	2022/ 23	2023/ 24	2024/ 25
Government Funding	6.5	6	5.6	5	4.4	4.1	3.9	4.2	4.4
Council Tax	4.3	4.6	4.8	5.1	5.3	5.4	5.6	5.9	6.1
Total	10.8	10.6	10.4	10.1	9.7	9.5	9.5	10.1	10.6

3.3 After taking inflation into account this means that local government funding has reduced in real terms over the past 10 or so years.

3.4 For this Council, the key pressures are summarised below:

- reduced funding provided by Central Government compared to historical levels due to national pressures on the economy. The details for the level of the 2025/26 funding will not be known until the Provisional Settlement has been provided, expected mid-December 2024. It is expected to be a one-year settlement. Income at risk in the settlement includes.
 - Revenue Support Grant (RSG) is currently estimated at £207,446. (In 2016/17 this was £1.26m).
 - New Homes Bonus (NHB) is currently estimated at £450,863, which may be the final year of this award (In 2016/17 this was £2.9m).
 - Lower Tier Funding Support £220,003
 - Services Grant £109,352
- The national pay award agreed for 2024/25 is £1,290 for spinal column points 2 to 42 or 2.5 per cent on spinal column point 44 and above. For 2025/26 an estimate of 2% has been included which is the government inflation target, with spinal point increments on top of this.
- It should be noted that this Council is in the lower quartile of district Council Tax levels. Since 2016/17 MHCLG has allowed an average £5 increase in Council Tax. A £5 increase will be included for 2025/26 and are already allowed for in the government's core spending assessment and is in line with previous MTFS assumptions. There may be the potential to increase further if this limit is relaxed, which can be considered once details are known as part of the financial settlement.
- The Business Rate Baseline reset date is still yet to be confirmed but is not expected in the 2025/26 financial year. The MTFS will provide further details on this when drafted. A full reset in future will remove all or most of any business rates growth before the rest base year. Such growth currently provides £4.3m of income to the council. Some changes to the business rate multiplier are being introduced for 2025/26 years, which may impact S31 grant compensation from the Government and reduce income, but the details are not yet available to assess this risk.
- Other pressures will include fluctuations in the level of Business Rates that will be retainable by the Council in light of high levels of appeals, potential bad debts due to the economic downturn and the impact of growth or shrinkage of the business base in the council area.
- Dampening and tapering in relation to the fair funding review. The current details of how, or if, dampening and tapering support will be provided when a fair funding review and business rates reset is completed is not currently known. This is not expected in the year 2025/26.

3.2 When members set the council tax for 2025/26, the Council's section 151 officer has a duty under Part II of the Local Government Act to report on the robustness of the Budget and the adequacy of reserves in providing quality services. This Strategy provides the framework for the next financial year. In view of the changes in funding mentioned above, additional work will be required to ensure that robust sustainable balances can be maintained in future. If this Statement cannot be made at any time a S114 recommendation will be issued. This is not expected to be needed for the 2025/26 year.

Income Generation/Fees and Charges

3.3 All fees and charges are reviewed on an annual basis and are published separately in the Council's Fees and Charges book, as approved with the budget. Whilst a dedicated charging strategy is not in place, a number of principles are followed when considering fees and charges.

3.4 In general terms, all applicable services should be charged for unless there is a valid reason for an exception to be made. These exemptions include, but are not limited to:

- Instances where the administrative cost of levying and recovering the charge would outweigh any potential income.
- Where policy has been passed to fund the service from Council Tax or other dedicated funding streams (e.g., grants)
- Circumstances where charging would significantly deter demand.
- Where statute dictates that charges cannot be made

3.5 When setting scales of charges, the following factors are taken into consideration:

- Statutory obligations
- Policy decisions
- Inflation and relevant indices
- Local market research and competition, including consideration of market distortion (where relevant)
- The impact of price changes on activity level or demand
- Levels of subsidy (where appropriate)
- The need to avoid any exploitation of customers who have no option but to use the Council's services.
- Cost recovery. This should be considered with the recognition that, taking one year with another, the income from charges should not exceed the cost of provision.
- The financial position of the Council and the need to generate income to remain solvent.

2025/2026 Budget Assumptions

3.6 The following assumptions will be used for the purpose of setting the 2025/2026 Budget:

Factor	Assumption
Basis of budget	The 2025/2026 base budget is to be based on the 2024/2025 original budget. All one-off items in the 2024/2025 original budget will be removed and full year effects of part year budget changes included.
Growths	<p>Consideration will be given to requests where additional resources are required to cover additional expenditure arising from additional statutory requirements or changes in the economic climate. Requests will need to be supported by both the relevant SLT members and must be accompanied by an explanation as to why the costs cannot be met from existing resources.</p> <p>Where pressures have arising due to ending funding, officers should look to include a corresponding reduction in expenditure.</p> <p>It is already known that increased homelessness/temp accommodation costs will continue to be a pressure.</p>
Savings/additional income – officer targets	All officer targets included in the MTFS detailed will be built into the Budget.
Council Tax	The national guidance on allowable Council tax increase is not yet released, but for 2025/26 it was to be 2% or £5 which ever was the higher. This cap may be increased.
Pay increase	Average Pay Increase award assumed at 2% plus increments (pending any changes in national negotiations),
National Insurance	HMRC rate above employees earning £9,100 is currently 13.8. This is changing to 15% in earnings above £5,000. This is expected to be funded by an extra grant. The details of the grant will be finalized as part of the financial settlement.
Employers Pension Contributions	An Employers Contribution rate is based on the triannual valuation. For 25/26 This will remain at 21.9%. The lump sum element is increasing from £727,000 to £752,000.
Vacancy Factor	A net salary/vacancy saving of 5% will be applied (5% in previous years). This will be across all service areas except for senior management posts.
Supplies and Services – Non-contract	Zero percent increase
Supplies and Services – Contract	It is anticipated that the average rate of inflation of 2% will be added to the Council's payments. As such inflation will be applied to contractual costs. Where budget holders have knowledge of price rises that differ, adjustments can be made to these budgets to reflect actual price changes.

Fees and Charges	Inflation of 2% will be applied to all fees and charges where permissible. HRA rent will be set as September CPI plus inflation in line with government guidance. As agreed by Council in the MTFS update in November 2023, a £5 increase will be made on Garden Waste collection charges
Investment income/expenditure	The Bank of England base rate is currently 4.75%. Most economists are of the opinion that the base rate will reduce to around 3.5 % in early January 2026. The potential impacts of the UK budget and US elections mean this may change. A rate of 4% has been assumed for 2025/26.

4. Exemptions in accordance with the Access to Information procedure rules

4.1 Report taken in open session.

5. Financial implications [IB]

5.1 Contained in the body of the report

6. Legal implications

6.1 None

7. Corporate Plan implications

7.1 The Budget supports all aims of the Corporate Plan

8. Consultation

8.1 All budget holders and members of Executive and the Scrutiny will be consulted in the Budget setting process.

9. Risk implications

9.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

9.2 It is not possible to eliminate or manage all risks all the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively. It is not possible to eliminate or manage all risks all the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively

9.3 The following significant risks associated with these report / decisions were identified from this assessment:

Management of significant (Net Red) risks		
Risk description	Mitigating actions	Owner
That the Council has insufficient resources to meet its aspirations and cannot set a balanced budget That decisions made for 2021/22 are used to inform the Medium Term Financial Strategy and the pressures set out in that strategy.	A budget strategy is produced to ensure that the objectives of the budget exercise are known throughout the organisation.	Strategic Leadership Board
That the MTFS has no robust and costed plan to ensure sustainability, resulting in public criticism on value for money from the internal and external auditors	The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance.	Strategic Leadership Board
	Decisions are made which provide costed reassurance that sufficient levels of reserves and balances are maintained to ensure financial resilience over the period of the MTFS	Council

10. Knowing your community – equality and rural implications

10.1 The budget process will impact on all areas of the Borough and all groups within the population.

11. Climate implications

11.1 There are no direct implications arising from this report

12. Corporate implications

12.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Procurement implications
- Human Resources implications
- Planning implications
- Data Protection implications
- Voluntary Sector

Background papers: None

Contact officer: Ashley Wilson

Executive member: Cllr K Lynch