Appendix 1

Hinckley & Bosworth
Borough Council

Medium Term Financial Strategy 2024/25-2027/28

Technical Document

1. INTRODUCTION

1.1. The Medium-Term Financial Strategy (MTFS) provides a strategic framework and approach to achieving long-term financial sustainability of Hinckley and Bosworth Borough Council. Its aim it to ensure the ongoing delivery of key elements of the Council's Corporate Plan 2024 – 2028. The focus of the MTFS is to ensure the finances and delivery of the Corporate Plan is robust and uses methodical planning.

1.2. The forecasting used sets out the Council's likely Medium-Term Financial Plan alongside other potential scenarios that could occur but are less likely. This follows Government announcements in relation to a fair funding review and business rates reset in 2026/27, and its aims for the reorganisation of local government. There are also other economic issues, and local priorities and factors that have been considered. This leads to effective financial management and enables the Council to respond to pressures and changes.

1.3. This MTFS therefore represents good practice giving insights into possible risks at a time of considerable funding and economic pressure for Local Government. It has been developed via consultation with the Executive Members of the Council, the Strategic Leadership Team and Extended Leadership Team and information provided by our professional advisors.

1.4. The key objectives of the MTFS are to:

- Provide financial parameters within which budget and service planning should take place over the life of this strategy;
- Ensure the Council meets its commitment to deliver a balanced budget on an ongoing basis and that the Council's long term financial health and viability remain sound;
- Focus the allocation of resources so that priority service areas and Corporate Plan goals are achieved;
- Maximise the use of resources available to the Council;
- Ensure our Reserves Policy is aligned with our financial duties and ambitions;
- Enable the Council to respond to external pressures, particularly funding reforms;
- Highlight and assess financial risks and put mitigating controls in place;
- Ensure the Council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available.

1.5. The MTFS 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 2024/25-2027/28 sets the framework for continuing to deliver high quality local services to residents and businesses but comes at a very uncertain time due to the lack of a clear longer term financial settlement from Government.

2.2. This MTFS is being updated to reflect changes announced following a change in national Government at the last election and is being prepared at a time of very high levels of uncertainty on the future direction for local government due to the Government's announcement that it intends to complete the following ambitions in a relatively short period:

- the lack of a clear longer term financial settlement from Government as a one year financial settlement has been issued again
- a fair funding review for 2026/27
- a business rates Reset by 2026/27, which could see the Council losing almost all its £4.6 retained business rates growth
- local government reorganisation (LGR) in this MTFS period, and
- devolution for local Government in England during this MTFS period.

Despite these uncertainties, the expected MTFS is forecast to 2027/28 on the basis that HBBC will continue for that period. A move toward local government reorganisation announced by Government indicates the creation of unitary authorities for all areas of England may change the basis of the forecast should an earlier or later date for completion of the move to unitary status be agreed. There will also be, and action needed to manage the finances during such a transition. Once more details are known, an update to the MTFS will be required.

2.3. The MTFS is based on achieving a 15% minimum general fund target as a share of the net budget requirement over the life of the MTFS. This means the 15% gives the council a buffer in case of unexpected pressures of around £2m before a deficit occurs. Councils are not allowed to have deficit budgets and when there are high levels of uncertainty, as we are currently in, this buffer is needed to ensure the council remains in financial balance.

2.4. Even before the potential changes of LGR and a business rates reset, there were two key factors causing the pressure in the budget position that are common to many councils nationally. These are the increased costs of temporary accommodation and higher pay cost settlements over the last two years. This can be seen in the pressures noted below:

- In 2021/22 the general fund payroll budget was £11.2m, by 2025/26 the current forecast is £14.9m.
- In 2021/22 the temporary accommodation budget was as £0.2m, but the current budget is £1.1m

2.5. Neither has been covered by increased funding from Government, and direct funding has been falling since 2016/17. It has only been the significant growth in business rates that has protected the general fund position, which is why a reset that removes this growth would be significantly damaging to the Council's finances. To add some context, the Government provided £6.5m in funding for 2016/17 by Government, if it had kept pace with CPI inflation would be worth £8.7m in Dec 2024.

2.6. The timing of a business rates reset or changes to the way business rates are levied is a key part of the uncertainties in government intentions as the exact details have not been provided, just the intention to push ahead with the reset in 2026/27 in order to "fundamentally improve the way we fund councils and direct funding to where it is most needed, based on an up-to-date assessment of need and local resources." This is forecast to lead to a loss of £4m of business rates growth from 2026/27, which will be covered by £3.7m of hoped for transitional relief in 2026/27 falling to £2.7m the following year.

2.7. Central Government have not issued all the details what will happen in future years, however, the Local Government Policy Paper issued in November 2024 noted that 2025/26 will be the final year that the following grants will be provided:

- Minimum Funding Guarantee (MFG) (Currently ~ £0.5m).
- New Homes Bonus (NHB) (Currently ~ £0.5m). NHB will be continued into 2025-26 but abolished in 2026-27.
- Lower Services Grant (Currently ~ £20k)

2.8. On the positive side, they have noted they will not charge negative RSG following a reset, and the Waste Packaging Reforms have provided £1m of extra income for 2025/26, but this may be consolidated into our CSP in later years. Consultation on the business rates reset is expected to be launched in early 2025 to allow a multi-year settlement to be provided for the financial settlement for 2026/27 to 2027/28 in December 2025. This lack of a longer term settlement means the forecast is not definitive and covers potential areas of change in funding. It also indicates a significant risk to sources of income that have been a core part of HBBC's financing in the past. However, all current indications are that District Councils are not going to get any further significant increase is Government funding.

2.9. In particular, the updated MTFS notes that the Council, even should the reset not proceed, has an underlying structural deficit, meaning the income it has coming in does not cover its expenditure needs, which is not sustainable. The reset makes this position much worse, and a detailed plan of action covering how new income and savings of £2.7.in 2027/28 will be needed to be generated to cover the budget gap and avoid the council entering a deficit position which could lead to having to issue a S114 recommendation. This level of savings would require a transformational approach to service delivery, that may require the use of capital flexibilities regulations, which allows capital receipts to be used for certain restructuring costs. This requires notification of the need and reasons to the Ministry of Housing, Communities and Local Government (MHCLG) to agree a capital receipts direction. The guidance makes it clear that council cannot borrow to meet these costs and treat as capital. However, the LGR process may change this outlook if any additional new burdens funding is provided to assist with the changes needed

2.10. Although 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; it is not the only driver of pressures on the Council. Other existing costs, particularly pay costs and homelessness, have been increasing at a higher rate than income. Therefore the financial pressure is already occurring irrespective of any future business rates reset. This led to the Council having to use £1m of reserves in 2023/24 to support the general fund. For 2025/26 it is expected that this support will fall to less than £0.1m due to the one off benefit of the new waste packaging reform income, before reaching £2m in 2026/27.

2.11. There is no clear indication on any transitional arrangements (Damping), in the financial settlement should a business reset be actioned during the MTFS period. However, it seems unlikely that Government would leave multiple councils to face immediate financial failure and not offer some transitional support. The MTFS assumption is for some help to be provided, but that this will only help with any loss of income due to the change in the income stream from business rate changes, and not with cost pressures from pay settlements, the full impact of homelessness costs or inaction to increase income form available sources open to the council. The level of damping included in this MTFS is a key and potentially high-risk assumption, which if incorrect, would mean significantly higher levels of financial pressure could occur in the MTFS period.

2.12. The current administration will face difficult decisions in the face of uncertainty at a time of high inflation and pressure on residents in the borough. Districts would have to be financially viable to offer an alternative option local reorganisation of councils as proposed by Government. Some key decisions already taken are:

- a £5 increase in Council Tax for 2023/24-2027/28 (which is expected to still leave us in the bottom fifteen lowest charging District Councils)
- a £5 increase in Garden Waste in 2025/26 to £47.50 in 2023/24
- To continue invest to in the future the local area with an ambitious £8m investment in the Local Enterprise Zone
- No recurring supplementary requests for the period of the MTFS not matched by savings, unless legally unavoidable.

2.13. Without these actions the savings noted in this report would be significantly higher and occur at an earlier period. These actions will enable the council to be in a better position to manage the pressures faced. The remaining levels of new income and savings is a key governance aim in the light of the announcement made by Government.

2.14. The summary below gives the overall High level MTFS position in terms of three potential scenarios:

- No reset (Unlikely, but indicated there would still be a deficit),
- a Reset in 2026/27 (Expected) and
- a reset in 2027/28 (Possible if consultation leads to delay).

The no reset case is to show the position that would have occurred if there was no business rates reset should Government decide to leave this issue until after LGR is complete, which is currently considered unlikely. There is a high risk of a reset in 2026/27 following the recent Government announcements, so this this is now the most likely year of reset. The other alternative is if the reset were to occur in 2027/28, following feedback from consultation to allow longer to consider the potential impact and response needed.

2.15. All the forecasts indicate a significant reduction is expected in reserves at the end of the four-year MTFS update. Any action taken to reduce costs or generate new income before then will be beneficial. It should also be noted that there is an agreement to release some of the funds that have accumulated in the Leicestershire business rates pool, this is anticipated to create a reserve of £3.1m by the end of 2024/25. This has been included in the MTFS and is expected to be fully used in supporting the general fund as opposed to investment in new projects or assets. This is needed to ensure the budget is balanced over the MTFS period and give time for identifying new income and costs savings for 2027/28 if needed, which will depend on the speed of the LGR process.

2.16. All scenarios note that HBBC has a net budget requirement that is higher than the amount we get from Business Rates, Council Tax and other government funding. This gap must be covered from reserves, or from new income and savings. The expected case involves significant use of our earmarked reserves to support the general fund. This is spending our short-term reserves to cover longer term costs. This reliance on reserves will continue even if there is no change to our government funding. Unfortunately we cannot continue like this indefinitely and there are only two ways to address the problem, which is via increased income and cutting costs which will reduce the level of services provided.

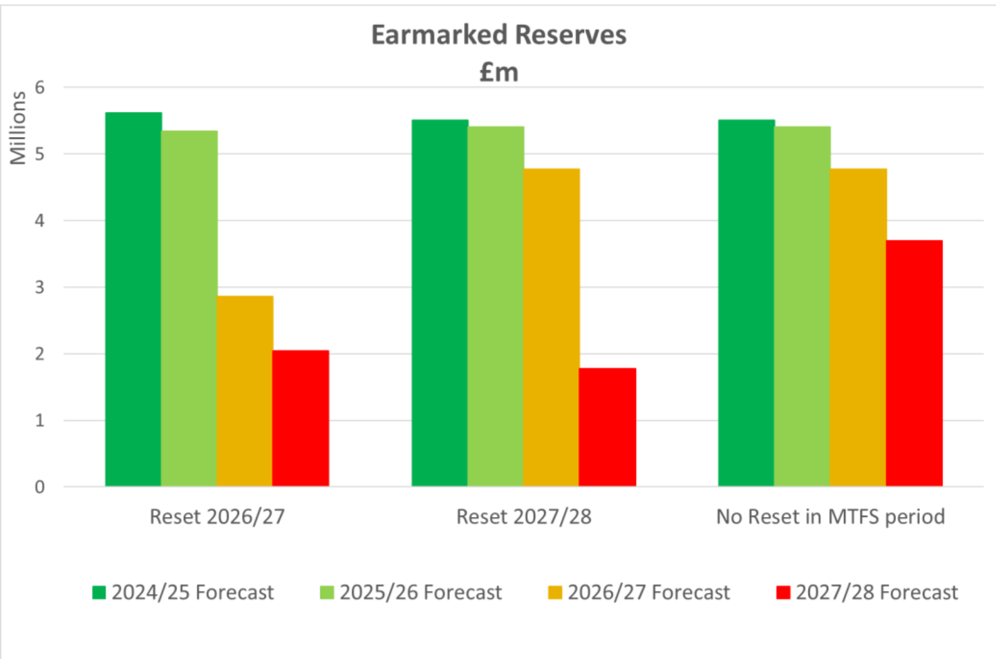
2.17. For the purpose of financial planning, the MTFS with a reset of 2026/27 needs to be used as it is the most likely position. This scenario gives saving or new income required of £2.66 in 2027/28,£2.16m in 2027/28.

MTFS with Reset 2026/27 (Expected)	**2024/25 current year £m**	**2025/26 Forecast £m**	**2026/27 Forecast £m**	**2027/28 Forecast £m**
Net Service Expenditure	15.68	14.33	15.96	17.62
Budget movements	0.50	1.63	1.66	0.33
Savings needed	0.00	0.00	0.00	-2.66
NET Borough Budget Requirement	16.18	15.96	17.62	15.29
Reserves movements	-2.97	-1.82	-3.99	-2.33
General fund gain loss	0.75	0.37	-0.16	-0.09
Net Budget Forecast	13.96	14.51	13.47	12.87
General Fund Balance	1.81	2.17	2.17	1.93
Earmarked Reserves balance	5.62	-0.10	-0.34	0.16
GF performance against 15% target	13%	15%	15%	15%
Damping income 5% loss adjusted	0.00	0.00	3.72	2.80
MTFS with Reset 2027/28 (If reset delayed)	**2024/25 current year £m**	**2025/26 Forecast £m**	**2026/27 Forecast £m**	**2027/28 Forecast £m**
Net Service Expenditure	15.68	14.33	15.76	16.59
Budget movements	0.50	1.43	0.83	1.37
Savings needed	0.00	0.00	0.00	-0.47
NET Borough Budget Requirement	16.18	15.76	16.59	17.49
Reserves movements	-2.97	-1.64	-2.14	-4.40
General fund gain loss	0.75	0.37	-0.01	0.01
Net Budget Forecast	13.96	14.48	14.44	13.10
General Fund Balance	1.81	2.17	2.17	2.17
Earmarked Reserves balance	5.51	-0.10	-0.30	0.30
GF performance against 15% target	13%	15%	15%	15%

Damping income 5% loss adjusted	0.00	0.00	0.00	3.04
MTFS No Reset (Highley Unlikely)	**2024/25 current year £m**	**2025/26 Forecast £m**	**2026/27 Forecast £m**	**2027/28 Forecast £m**
Net Service Expenditure	15.68	14.33	15.76	16.59
Budget movements	0.50	1.43	0.83	0.37
Savings needed	0.00	0.00	0.00	0.00
NET Borough Budget Requirement	16.18	15.76	16.59	16.97
Reserves movements	-2.97	-1.64	-2.14	-2.48
General fund gain loss	0.75	0.37	-0.01	0.01
Net Budget Forecast	13.96	14.48	14.44	14.49
General Fund Balance	1.81	2.17	2.17	2.17
Earmarked Reserves balance	5.51	5.40	4.77	3.70
GF performance against 15% target	13%	15%	15%	15%
Damping income 5% loss adjusted	0.00	0.00	0.00	0.00

Changes to reserves

2.18. The graph below indicates the level of earmarked reserves used in each scenario by showing the remaining balance for each year, showing those with a business rates reset have a very similar profile of use of reserves, with even the no reset outlook needing to use reserves to balance the general fund as well. Together this indicates that although the reset increases the pressure to identify new income and savings, there is an underlying shortfall already in place. Hence the need for high levels of reserve use to balance the general fund position at its agreed level of 15% of net budget requirement.



2.19. Appendix 3 gives the overall reserves and the detail for each reserve balance by year of the MTFS for each scenario. The expected case is based on a reset in 2026/27.

2.20. As noted, the impact of the business rates reset is a key risk and leaves a significant budget gap. The table below give the budget gap if there is a reset in 2026/27. The details of the savings or new income noted above are being identified as options to deliver a balance position and remove the gap.

2.21. In order to maintain a 15% general fund balance (being 15% of the net budget position for the end of any given financial year excluding Special Expenses) the MTFS is based on using a reserves total of just over £4.7m to balance expenditure not covered by income by the end of 2027/28, and will also need to find cumulative savings (or new income) of £4.6m by the end of 2027/28 if there is a reset as expected in 2026/27 (Details in Table below).

EXPECTED (Budget Gap)	2024/25 Current Yr	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
Net Income	£13,959,028	£14,512,879	£9,753,116	£10,075,463
Net Expenditure before reserve use /savings/Damping	**£14,551,027**	**£14,349,284**	**£16,005,533**	**£16,338,874**
Net Income	-£591,999	£163,595	-£6,252,417	-£6,263,411
Covered by				
Reserves use	**£1,343,008**	**£207,132**	**£2,376,000**	**£719,141**
Contribution to/from General Fund Bal	**-£751,009**	**-£370,727**	**£155,740**	**£90,242**
Savings	**£0**	**£0**	**£0**	**£2,657,850**
Damping incomed assumed	**£0**	**£0**	**£3,720,678**	**£2,796,177**
Total	**£591,999**	**-£163,595**	**£6,252,417**	**£6,263,411**

Transitional Relief (Damping)

2.22 If there is a reset in 2026/27 it is assumed there will be transitional relief (Damping) as noted in the Local Government Policy Paper issued in November 2024. There is no detail available on the level of damping support, so it has been assumed that it will allow for 5% of income to be lost in relation to the prior year total of Business Rates Baseline, Business Rates Growth and Council Tax plus and other Core Spending Power Grants, such as the minimum funding Guarantee. This is a high risk assumption as it could be lower than this to enable higher levels of re-distribution of income as desired in the Government's Policy.

Damping	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
Reset 2026/27	0	0	3,720,678	2,796,177
Reset 2027/28	0	0	0	3,042,243
No Reset in MTFS period	**0**	**0**	**0**	**0**

2.23 Although the position of no reset is indicating no need for savings; this does not mean there is not a shortfall of income to cover costs. The Budget Gap in the case of no reset is being covered by reserves.

3. BACKGROUND

3.1 This MTFS update sets out the council's financial position for the current year 2024/25 and then onto 2027/28, giving a total four-year outlook.

3.2 For the MTFS, the 2025/26 year is based on a one-year financial settlement from Government, with an expectation it will be followed by multi-period settlement expected to cover the years 2026/27 to 2027/28. Therefore there is still a high level of uncertainty in longer-term Government thinking. However, there have been some clear statements in its Local government Policy Statement issued in November 2024, which indicated they intend to do a business rate reset in 2026/27 as part of carrying through on the previous government pledges to have a fair funding review and target income to those that most need it. Consultation is being launched soon on what this means. Reference to transitional support was also included in the statement.

3.3 Other changes announced by government are listed below.

- Core Spending Power (CSP) will increase by 3.2% in real terms, but this includes our £5 Council Tax increases. However, for HBBC this turned out to be just 0.004% (£474).
- Revenue Support Grant will increase in line with the Consumer Price Index (CPI) (1.7%), for HBBC that is about £3,500.
- Baseline Funding Level on Business rates (BFL) will be uplifted in line with the increase in the standard business rates multiplier), for HBBC that is about £50,000.
- Under-indexing (of the small business rates multiplier) will be funded through the cap compensation grants, worth about £0.8m-£0.9m for HBBC, this to end in 2026/27 on reset.

- Council Tax Band D thresholds increase as we expected for shire districts allowing increases of the higher of 2.99% or £5
- Minimum Funding Guarantee (MFG) to continue for 2025/26 only then stop, worth £0.5m to HBBC
- Services Grant to continue for 2025/26 only then stop, worth about £20,000 to HBBC
- New Homes Bonus (NHB) will be continued into 2025-26 but abolished in 2026-27, worth about £0.5m to HBBC.
- A new Funding Floor Grant introduced to ensure CPS does not fall below the prior year levels, worth £240,000 to HBBC, it is unclear if this will be continued but the expectation is that it will be until the business rates reset.

3.4 Additional income of £1.1bn from the Extended Producer Responsibility for packaging (pEPR), is being distributed nationally, our share is £1,063,000, but there are estimated costs of implementation of £250,000. This is introduced from 2025/26, with an allowance for 10% reduction as waste generated is reduced in response to the charges levied.

3.5 Funding for local authorities for the increase in employers' National Insurance Contributions for the direct costs affecting local authorities has been announced, so the increase of £0.3m was expected to be met from this funding, but the government allocation formula only provides about £65,000 to the Council.

Core Spending Power (CSP)

3.6 CSP is the funding from Government and Council Tax that should normally balance the budget without need to use reserves. Government had stated that the 2025/26 settlement represents real terms increase of more than 3.2% from last year on the average Core Spending Power (CSP) for local authorities. However, as noted above CSP allocations for 2025/26 indicate that HBBC have not benefitted from a 3.2% increase. The figures below are per the provisional settlement award and have an overall increase £474 (0.4%).

CSP Funding	2024/25	2025/26	% increase
Settlement Funding Assessment	3,025,725	3,095,874	2.3%
Compensation for under-indexing the business rates multiplier	536,627	560,257	4.4%

Council tax requirement excluding parish precepts1	6,161,968	6,392,953	3.7%
New Homes Bonus	493,397	526,141	6.6%
Funding Guarantee	546,179		**Removed**
Services Grant	18,144		**Removed**
Domestic Abuse Safe Accommodation Grant6	35,188	35,662	1.3%
Funding Floor		240,434	**New**
Grants other	33,619	0	**Removed**
Core Spending Power	10,850,847	10,851,321	0.004%

3.7 Funding allocations outside the CSP have increased for Homelessness and in relation to waste packaging (see table below). Our Homelessness costs are about £1.2m in total.

Non- CSP Funding	2024/25	2025/26
Homelessness Grant	364,164	540,085
Waste Packaging Reform (new)	n/a	£1,063,00

3.8 Our net funding requirement is the amount that needs to be covered by the CSP funds and business rates growth. Where these funds are not enough and a budget gap occurs, then it must be closed with reserves if available and then for the longer term via savings and new income achieved. However, much of the increase from council tax has been lost due to other CSP funding from Government being reduced. 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.

3.9 A review of our Core funding allocations since 2016/17 demonstrates this change¸ The amount of Core Funding has fallen, mainly due to a reduction in New Homes Bonus which was £2.9m in 2016/17 and £0.53m in 2025/26, but there has been a transfer of expectation from central grant funding to local taxation.

3.10 The Council Tax figure they use is the notional maximum, not what is charged by the Council. Business Rates Growth is not included in core funding but has covered most of the shortfall in recent years. A reset is expected in the MTFS in 2026/27 following Government announcements, which is expected to remove most of this growth from £4.8 to £0.9m or less.

Core Funding	2016 /17 £m	2017 /18 £m	2018 /19 £m	2019 /20 £m	2020 /21 £m	2021 /22 £m	2022 /23 £m	2023 /24 £m	2024 /25 £m	2025 /26 £m
Government Funding	6.5	6.0	5.6	5.0	4.4	4.1	3.8	4.2	4.7	4.4
Council Tax	4.3	4.6	4.8	5.1	5.3	5.4	5.7	5.9	6.2	6.4
Total £m	10.8	10.6	10.4	10.1	9.7	9.5	9.5	10.1	10.8	10.8
Government Funding %	61%	57%	53%	50%	46%	43%	41%	42%	43%	41%
Council Tax %	39%	43%	47%	50%	54%	57%	59%	58%	57%	59%
Business Rates Growth *	0.5	0.5	0.9	1.2	1.8	1.6	2.6	4.1	4.4	4.8

**Not included in Core Funding)*

CSP Longer term view and key MTFS elements

3.11 Looking forward over the MTFS period of 2024/25 -2027/28 the key financial pressures come from the fair funding review that brings with it a business rates reset. It is now expected that as part of the fair funding review, that the baseline funding from business rates will be recalibrated, taking affect from 2026/27. If this is a full reset, then much of the accumulated growth could be lost via an amendment to the tariff from its current £12.1m to an estimated £17.6m.

3.12 This MTFS covers the current year (2024/25) plus the next three years as LGR announcements indicate that as a reasonable timeframe in which HBBC may still be an independent district council, giving a view of the four years 2024/25-2027/28, and has three scenarios presented, an Expected case (Reset in 2026/27) for planning purposes, and a Delayed Reset to 2027/28 and a No Reset MTFS. The Expected case is based on announcements from Government in their Local Government Policy and Devolution Paper. The other two are not considered likely, and changes are subject to consultation.

3.13 In all cases there is a shortfall of income to cover expenditure that requires reserves to close the gap, but both the Expected Case and the Delayed Reset case are made much worse by the loss of business rates growth due to the reset of rates under a fair funding review

MTFS comparisons

Business Rates

3.14 The Expected MTFS uses a reset of the baseline business rates in 2026/27 that would leave some income growth, this is because it assumes the reset Tariff will be based on the 2024/25 year inflated for multiplier changes in 2025/26 year. This assumption is based on the timing of the reset being needed before the final position for the 2025/26 year is available. If the Government use the 2025/26 as the base year for the reset, then a higher level of growth will be lost. There is consultation being completed in 2025, so in theory the reset may be delayed again so the best case has no business rates reset in the MTFS period.

3.15 If the Business rates reset is based on a later year, 2027/28, then it may mean more rates are lost on a recurring basis after that date as the Tariff adjustment would be higher.

Retained Rates Estimate	2024/25	2025/26	2026/27	2027/28	Total
No reset in MTFS period (Growth)	£4,351,944	£4,812,007	£4,927,633	£5,029,890	£19,121,474
Reset in 2026/27 (Growth)	£4,351,944	£4,812,007	£913,363	£935,307	£11,012,621
Reset Delayed t0 2027/28 (Growth)	£4,351,944	£4,812,007	£4,927,633	£689,241	£14,780,825
Lost Growth Vs no reset	£0	£0	-£4,014,270	-£4,094,583	-£8,108,853
Lost Growth Vs no reset	£0	£0	£0	-£4,340,649	-£4,340,649

3.16 Included in Business Rate Growth calculation is the Small Business Rate multiplier increasing by inflation (CPI from 2023/24). For 2025/26 an inflated multiplier would have been 64.9 pence and is forecast to be 55.5 pence in 2025/26. For HBBC this compensation has increased from £142,000 in 2020/21 to an expected £1.8m in 2025/26. If Government removes the compensation cap support, the levy will be charged, and we would lose 50% of this funding.

Council Tax

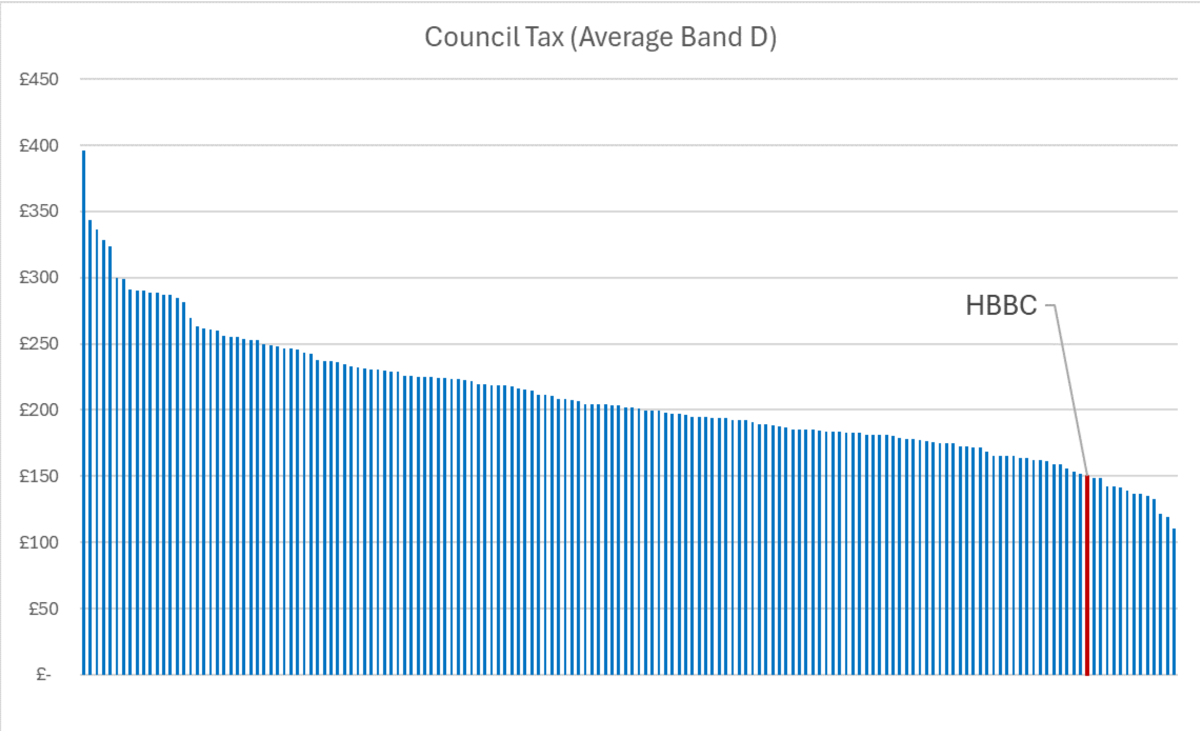
3.17 No major changes were made by Government in relation to Council Tax in the financial settlement, with District Councils being able to increase Tax by 3% or £5. All the scenarios in the MTFS have assumed that £5 will be charged in each of the years modelled. For 2025/26 to 2027/28, the increase of £5 will all go to the Borough, but this may need to be reviewed if the special expenses needs support as its reserves are used.

3.18 The table below gives the level of Council Tax (including Special Expenses) expected, with a £5 increase each year compared to a zero increase. Overall the Council would be £0.5m better off. HBBC are in the lower quartile of Band D charge rates for Council Tax. For 2024/25 our charge was £154.87, compared to an average of £215.14.

Council Tax	2024/25	2025/26	2026/27	2027/28	2027/28
Council Tax £5 increases (Expected)	£6,161,724	£6,415,722	£6,660,118	£6,907,465	£7,157,791
(£0 increases after 2024/25)	£6,161,724	£6,360,664	£6,559,604	£6,758,544	£6,957,484
Difference	£0	£55,057	£100,513	£148,920	£200,306

3.19 There is a risk to this assumption, as the Government may not retain the £5 option in later years , which would result in the loss of income.

3.20 HBBC have consistently been committed to a high level of efficiency, which means we remain in the bottom 15 out of 164 district councils for the level of council tax charged, which is expected to remain the same for 2025/26. HBBC are also the lowest out of the seven Leicestershire District Councils.



New Homes Bonus

3.21 The Financial settlement included £526,141 for New Homes Bonus (NHB) payments in 2025/26. Although, as with last year, these will not attract new legacy payments. The Government have confirmed that 2025/26 will be the final year of NHB. Therefore, no amounts have been included for NHB in future years which corresponds with the guidance given by our advisors on the direction of funding announcements made by Government. It is felt that the Waste Packaging reform income will be used to replace this loss, so 2025/26 represents a one off gain of having both NHB and the waste packaging reform income. However, the waste Packaging reform income is not part of our CSP allocation and will reduce as producers take action to reduce the amount of waste they produce.

Minimum Guarantee Grant, Services Grant, Funding Floor and National Insurance Contribution funding

Included in CSP	**2024/25**	**2025/26**	Change
Services Grant	18,144	0	-18,144
Funding Guarantee	546,179	0	-546,179
Funding floor		240,434	240,434
Core Spending Power	**564,323**	**240,434**	-323,889

3.22 In 2022/23, Government introduced Services Grant worth £179,153, for 2023/24 this has fallen to £105,106, then £18,144, and has now been abolished. This was partially because under the last government it was intended for increases in National Insurance Contributions which were no longer needed as increases were not being made.

3.23 The New Government when elected announced increases to the levels of National Insurance Contributions to meet budget requirement needs. This was set out in the Government Autumn Statement with the announcement that Government have set aside funding to support the public sector with the additional cost of employer national insurance contributions. On 18 December, the government confirmed £515 million in support for local authorities in England to mitigate the additional impact of the increase in employer National Insurance Contributions (NICs) on their budgets.

3.27 For HBBC the impact of the increase is £300,000 in round terms. The Government compensation formula now provides for how this will be covered. Unfortunately the allocation does not cover all this costs, as it only provides £65,000 of this increase. This leaves an impact of £235,000 to fall on the local council tax payer.

3.28 The Minimum Funding Guarantee has been removed and was worth £546,179 in 2024/25. It has been replaced with the Funding Floor Grant of £240,434. Therefore a reduction in funding.

Damping (Transitional support to councils)

3.26 There is no clear indication or information on any transitional arrangements, often referred to as Damping, in the financial settlement. However, the Government's November announcement in the Local Government Policy Paper made general statements that transitional support would be provided. Our advisors have suggested a potential Damping around an allowed 5% fall in an overall income year on year until actual income meets the lower level of funding provided without this support. However, they advise caution with this assumption as no Government information is available.

3.27 If we were to use a "5% fall" calculation and assume this may be available for all scenarios, it would look like the table below. The inclusion of this assumption in MTFS forecasts leaves a high risk due to the high level of estimation uncertainty in this assumption. However, it seems reasonable to assume central government would comply with their November policy announcement and offer some support to cope with the reduction. Amounts less than the figures indicated in the table below, would mean the forecast for savings/new income required would need to increase. The table below gives the forecast used, and the impact for the expected case should 90% support, instead of 95% support be provided by Government.

Damping (as forecast 95% level)	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
Reset 2026/27	0	0	3,720,678	2,796,177
Reset 2027/28	0	0	0	3,042,243
No Reset in MTFS period	**0**	**0**	**0**	**0**
Damping Expected case comparison	**2024/25**	**2025/26**	**2026/27**	**2027/28**
Reset in 2026/27 (Expected) 95% level	£0	£0	£3,720,678	£2,796,177
Reset in 2026/27 (Expected) 90% level	£0	£0	£2,998,974	£0
Lost support	**£0**	**£0**	**-£721,704**	**-£2,796,177**

3.28 The reasons that damping would be required is that the business rates reset would be achieved by increasing the Tariff we pay to government on the business rates we generate. Business rates in the table below illustrate how this will work, the Tariff increases £5.5m in 2026/27. The reasons there is some growth left is because the assumption used is that the Government will use the indexed 2024/25 NNDR 3 return data as the 2025/26 data will not be available in time. If the information from the NNDR 1 return for 2025/26 is used if available in time, the Tariff could be higher at about £18m. If 2027/28 was the year of reset then that would be the year of change with an even higher tariff, and if there was no reset the tariff would just move with inflation on the 2025/26 level.

Expected forecast	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
NON-DOMESTIC RATING INCOME	**44,247**	**46,164**	**49,547**	**50,560**	**51,618**
Less Share allocations					
Central Government share (50%)	-22,123	-23,082	-24,774	-25,280	-25,809
County Council share (9%)	-3,982	-4,155	-4,459	-4,550	-4,646
Fire Authority Share (1%)	-442	-462	-495	-506	-516
District Authority share (40%)	**17,699**	**18,466**	**19,819**	**20,224**	**20,647**
Add S31 grant income to cover mandated reliefs	4,085	4,268	2,507	2,556	2,606
Less Tariff	**-11,929**	**-12,069**	**-17,588**	**-17,940**	**-18,299**
Less the Levey paid to the local BR pool	-2,682	-2,999	-913	-935	-963
Retained Rates Income	**7,173**	**7,666**	**3,825**	**3,905**	**3,992**
Made up of					
Baseline Funding Level	2,821	2,854	2,911	2,970	3,029
Growth	4,352	4,812	913	935	963

Non-Core Spending MTFS elements (income and expenditure)

Block C (The Crescent) and other rentals.

3.29 For all MTFS scenarios the expectations are as noted below.

Rentals	2025/26	2026/27	2027/28	2027/28	Total
Block C (Crescent)	264,765	317,193	358,899	368,899	£1,309,756

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

Block C rental (Expected)	2025/26	2026/27	2027/28	2027/28	Total
Income	£264,765	£317,193	£358,899	£368,899	£1,309,756
MRP	-£135,333	-£135,333	-£135,333	-£135,333	-£541,332
Interest	-£120,176	-£120,176	-£120,176	-£120,176	-£480,704

Running costs (estimate at 10% of rent)	-£30,677	-£34,020	-£40,605	-£43,127	-£148,429
Net	**-£21,421**	**£27,664**	**£62,785**	**£70,263**	**£132,631**
Yield % (net)	-0.46%	0.59%	1.34%	1.50%	2.83%

Note: when units are empty, HBBC is liable for business rates, which have not been included in the table above.

3.31 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.

Other General fund rental properties	2025/26	2026/27	2027/28	2027/28	Total
Industrial units	749,956	757,456	765,030	772,681	£3,045,122
Miscellaneous Properties	71,407	71,407	72,114	72,114	£287,042
Atkins	217,554	221,927	224,146	226,388	£890,015
Atkins Room Hire	16,000	16,000	16,000	16,000	£64,000
Hub	404,668	520,749	522,527	524,322	£1,972,266
Total	1,459,586	1,587,538	1,599,817	1,611,505	£6,258,446

Car parking income

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

3.33 The table below gives the income used for all scenarios.

	2024/25	2025/26	2026/27	2027/28	2027/28	Total
Car park income	£569,760	£599,760	£611,755	£623,990	£636,470	£3,041,736

3.34 To improve income performance consideration would need to be given to increasing the car parking fees. The table below give the comparison to Fee in 2011/12 to 2024/25 in terms of if RPI inflation increments had been applied each year. If inflation increments had been applied, it would mean that potentially about £0.2m to £0.3m less income is being generated.

Car Park Fees (Examples)	2011/12	Fee if increased by RPI would be as below by 2024/25	2024/25	Difference £	Difference %
Short Stay Up to 1 hour	£0.70	£1.10	£0.60	-£0.50	-83%

Car Park Fees (Examples)	2011/12	Fee if increased by RPI would be as below by 2024/25	2024/25	Difference £	Difference %
Over 1 hour, up to 2 hours	£1.20	£1.90	£1.20	-£0.70	-56%
Over 2 hours, up to 3 hours	£1.50	£2.35	£2.00	-£0.35	-17%
Over 3 hours and up to 4 hours	£2.60	£4.20	£3.00	-£1.10	-36%
Over 4 hours	£4.80	£7.50	£6.00	-£1.50	-25%
Long Stay up to 5 hours	£1.30	£2.00	£1.30	-£0.70	-56%
Over 5 hours	£2.40	£3.75	£2.60	-£1.15	-44%
Season Tickets	£375.00	£587.10	£375.00	-£212.10	-57%
Per half year	£200.00	£313.10	£200.00	-£113.10	-57%
Per quarter	£110.00	£172.20	£110.00	-£62.20	-57%
Per month	£40.00	£62.60	£40.00	-£22.60	-57%

Garden Waste

3.35 The general fund budget income from Garden waste is £1.4m and the service now has 32,200 subscribers. The MTFS for all scenarios has an increase for 2025/26 of £5 which estimates an extra £127,750 of income will be generated. No other increases are included, but the table gives the estimated impact of how income would increase in terms of increased fees.

Garden Waste	Subscribers remaining	Total	Additional income towards Funding Gap
£62.50	29,400	£1,837,500	£469,000
£57.50	30,100	£1,730,750	£362,250
£52.50	30,800	£1,617,000	£248,500
£47.50	31,500	£1,496,250	£127,750
£42.50	32,200	£1,368,500	As now

Waste Service pressures and new income

Waste Packaging Reform (Extended Producer Responsibility for packaging)

3.36 The Government announced its allocations for 2025/26 for the Extended Producer Responsibility for packaging (EPR). EPR is a policy tool to reduce the environmental impact of packaging. It aims to hold producers accountable for their packaging throughout its whole life cycle. Producers must also cover the cost of collecting and recycling their packaging. This encourages the use of minimised, easier-to-recycle and reusable packaging. As the Council collects the packaging, we will be given income to cover the costs of this. For 2025/26 the income is £1,063,000. The table below gives the estimated changes over time due to producers reducing the level of packaging used by10% per year. This may be included in the CSP funding after 2025/26, which may lower the amount given as CSP is not always increased as expected as noted above for 2025/26 HBBC's CSP only increased by £474.

	2024/25	2025/26	2026/27	2027/28	2027/28
EPR for packaging - income		1,063,000	956,700	861,030	774,927

3.37 The government may change the basis of the allocations in future years, or producers may respond faster to reduce production, all of which will impact on the level of income we get. Therefore the forecast has some risk in its estimate and the income may end up being lower than anticipated in future years.

Waste Fleet (non-food))

3.38 The current HGV fleet is operated for refuse collection, waste transfer, street cleansing and road sweeping and all vehicles are on contract hire until 31/8/25. Contract hire includes both the lease of the vehicle and the ongoing maintenance. Government has mandated all local authorities need to provide a separate weekly food waste collection for all households from 31 March 2026. As agreed at the Council meeting on 1 October 2024, the new vehicle contract will be based on an 8-year lease term compared against the current 7-year term. This increase in term is in line with current standard practice in the industry and will still ensure that vehicles remain fit for purpose across the term of the contract. Since the previous fleet was taken on, hire costs have increased, which is reflected in the impact on the annual lease costs as noted below. The annual change is summarised in the table below and will be a pressure on the general fund .

Current financing charge	New financing charge	Current Maintenance	New Maintenance	Additional requirement
£448,781	£713,788	£246,951	£402,560	£420,616

Budget profile of change in costs	2025/26	2026/27	2027/28	2027/28
Waste Fleet replacement (HGV)	175,100	420,000	420,000	420,000

Food Waste Collection Vehicles

Separate Food waste

3.39 The Environment Act 2021, introduces changes to waste collections. A separate weekly food waste collection must be introduced for all households by 31 March 2026. The new weekly food waste collection for households will be treated by government as a new burden and therefore government has committed to covering the costs of its introduction.

3.40 The cost of these will primary be grant funded. Capital grant funding of £1,182,585 has been received from Defra for the purchase of food waste vehicles and collection containers (bins). From this £859.368 has been set aside for the vehicle purchase cost. This should fund the purchase of 8 Vehicles. Currently it is estimated that 9 vehicles will be required. For the 9th vehicle the annual leasing cost will be £18,410 per annum and an annual maintenance cost of around £16,000 per annum.

3.42 Transitional funding was expected to be announced by the end of 2024 However, although New Burdens funding is expected to cover reasonable transitional costs, DEFRA have not defined what these will be and have not yet provided an indication of the relevant amounts. To avoid any uncertainty, no funding has been included in the costs outlined below and any funding that is received will be used to offset these costs.

	2024/25	2025/26	2026/27	2027/28	2027/28
Food Collection Revenue costs	0	124,000	89,230	91,906	94,663

3.43 It is also hoped that the separation of food waste will reduce the volume of residual waste, which may give the opportunity to take action to reduce costs, such as moving to three weekly residual waste collection or by reducing the bin size. This would require the approval of council to be put in place but could help reduce the cost of collection significantly.

Other Waste pressures

3.44 The new food waste collections, and housing growth mean the current Jubilee depot is insufficient in size. An additional depot has therefore been sourced and whilst Defra have indicated they will provide some funding it does not include the running costs of a new depot site for waste services that will be required to expand the current facilities. The first two years costs are lower due to rent free periods negotiated.

3.45 The increase in demands on the waste service from all of the changes and the increase in housing growth has meant a new round is needed to meet requirements.

	2024/25	2025/26	2026/27	2027/28	2027/28
New Depot costs	0	230,010	234,230	298,117	334,467
Extra Waste Round	0	139,200	274,000	274,000	274,000

3.46 In 2024/25 the light vehicle fleet was replaced which added a pressure of £128,000 to the general fund budget.

UK Shared Prosperity Fund

3.47 The UK Shared Prosperity Fund is 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 for the years 2022/23 to 2024/25 was £2.6 billion in total. The Council received £2,600,011 over the period to 2024-25. For the next round of UKSPF for 2025/26, HBBC's allocation is £850,583 (Capital- £157,045/Revenue- £693,539). Projects will continue to be funded in the Council priority areas.

Levelling Up award - Twycross Zoo

3.48 The Government announced a £4.8 billion Levelling Up Fund for investing in infrastructure in 2021, and the Council (acting as host for this scheme run in partnership with Twycross Zoo) secured funding of £17.9m under "Round 1" of the Levelling up funding available. The fund is for a transformational multi-million-pound major new Natural Science and Conservation Centre at Twycross Zoo. The overall £22.7m project is expected to be complete by the end of 2025/26 and open to the public shortly afterward.

3.49 The Natural Science and Conservation Centre is set to make a significant contribution to the midlands economy and particularly boost the £80 million that tourists already spend every year in the Hinckley and Bosworth area. As well as attracting visitors to its new orangutan facility attraction, the centre will be able to host educational programmes and events for universities and schools alongside conference facilities.

3.50 For the MTFS, HBBC are not allowed under the terms of the award to make a net gain, but costs are recovered making the project cost neutral. Our costs are estimated at about £100,000-£150,000 a year, but only actual costs will be charged to the scheme.

Collection Fund Gains and Losses

3.51 Collection fund gains and losses are where income is higher or lower than forecast for Business Rates on the NNDR 1 return and when Council Tax collected is higher or lower than expected. Due to the way the accounting regulations work, the gain or loss is recognised in the year following its creation for NNDR. Therefore a gain in 2024/25 will be recognised in 2025/26. The table below gives the figures used for the forecast scenarios, using the forecast gain for 2025/26 based on the 2024/25 in year monitoring, followed by the average position over the prior 5 years to give an expected position. This could be incorrect as there have been years with losses in the past or higher gains, therefore the is a risk based assumption and could change based on the level of appeals, empty properties or new business coming to the area.

Collection Fund Surplus	2025/26	2026/27	2027/28	2027/28	Total
Business Rates	150,000	27,175	27,175	27,175	£281,524
Council Tax	22,000	27,943	27,943	27,943	£105,829

The Crematorium

3.52 The Crematorium Project has moved to seeking a Commercial partner, so that we benefit from a fixed fee per cremation, and have a maximum capital exposure of £4m, with the partner supplying the rest of any capital needed. This will last for a 25 year lease, at which time the building would revert to HBBC ownership. Over 25 years it is estimated to generate £15m of income, but in the first few years it has a smaller return.

	2026/27 £000'	2027/28 £000'	2027/28 £000'	Total £000'
Partnership fixed fee	-£21	£2	£27	£8

The Leisure Centre

3.53 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 four years is summarised in the table below. This may change dependent upon the inflation rate as the fee is indexed by RPI in March of each year.

Leisure Centre	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2027/28 £	Total £
All scenarios	1,173,929	1,135,758	1,151,658	1,231,306	1,256,737	5,949,387

The Enterprise Zone MIRA investment

3.54 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.

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

EZ net position	2025/26 £	2026/27 £	2027/28 £	2027/28 £	Total £
Additional Rates	818,314	818,314	818,314	818,314	3,273,256
MRP and Interest	675,349	665,133	654,658	643,919	2,639,059
Net gain	**142,965**	**153,181**	**163,656**	**174,395**	**634,197**

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

The Subsidiary Company

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

Share of business rates pool surplus

3.58 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. For the 4 years ending in 2023/24 it was agreed to redistribute amounts from the levy paid to the pool amongst the pool partners based on thirds, one third each to Leicestershire County Council, the City Council and District to divide between themselves.

3.59 The sharing of thirds has been confirmed to continue in principle for 2024/25 and 2025/26, subject to the final signing of the agreement, but negotiations are ongoing for this to continue past 2025/26. However, there are alternative views on how the fund could be split between the interested parties.

3.60 The agreement has not yet been signed, so there is the potential for changes to be made. However, should there be a business rates reset, the is likely to be no levy that can be shared on as the growth will have fallen to too low a level. Therefore this income is not expected to continue in the 2026/27 as this is when the Government intend to do a reset. For the scenario of a reset in 2027/28, it is forecast to continue into 2026/27, and if there were no reset to continue for the duration of the MTFS.

3.61 These amounts have been included in the MTFS scenarios as being paid into an Economic Priorities Reserve (See table below), which will be used as needed to support the general fund position to enable time to identify new income and savings needed to close the budget gap and set a balanced position. As well as the Economic Priorities Reserve, other reserves, mainly the Business rates Equalisation reserve have also been sued to support the General fund.

Economic priorities reserve	2024/25	2025/26	2026/27	2027/28
Expected (Reset in 2026/27)	£3,082,141	£3,045,141	£719,141	£0
Delayed Reset to 2027/28	£3,082,141	£2,970,941	£2,239,941	£0
No reset in MTFS period	£3,082,141	£3,220,941	£2,739,359	£1,920,619
Amount added/used to support GF	**2024/25**	**2025/26**	**2026/27**	**2027/28**
Expected (Reset in 2026/27)		-£37,000	-£2,326,000	-£719,141
Delayed Reset to 2027/28		-£111,200	-£731,000	-£2,239,941
No reset in MTFS period		£138,800	-£481,582	-£818,740

Business Rates Equalisation Reserve	2024/25	2025/26	2026/27	2027/28
All Scenarios	£1,903,000	£1,250,000	£1,250,000	£1,250,000
Amount used to support GF	**2024/25**	**2025/26**	**2026/27**	**2027/28**

All Scenarios	[redacted]	-£653,000	£0	£0

Payroll

3.62 Staff costs are one of the single highest costs items for the Council as staff are key to delivering high quality services. For 2025/26 it is assumed there will be a 2% pay increment, plus increases due to staff moving to higher spinal points as required under contract. The pay settlement for 2025/26 is not yet known, therefore this could be more if a higher pay award is negotiated nationally. This will be updated in the next MTFS refresh when further information is known. If the settlement was 1% higher for 2025/26, the this would add about £0.7m to the pay costs over the life of the MTFS.

Pay pressure on GF	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**Total**
Gross pay	**£**	**£**	**£**	**£**	**£**
All Scenarios	14,769,990	14,931,160	15,229,783	15,534,379	60,465,312
(Increase from prior year)	**£**	**£**	**£**	**£**	**£**
All Scenarios	1,005,915	161,170	298,623	304,596	1,770,304
Other NIC change/Staff changes pressures		309,000			309,000
Total	1,005,915	470,170	298,623	304,596	2,079,304

Inflation on contracts and on income from fees

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

Inflation pressures	**2024/25**	**2025/26**	**2026/27**	**2027/28**
Costs	**£**	**£**	**£**	**£**
All Scenarios	160,300	142,272	145,117	148,020
income	**£**	**£**	**£**	**£**
All Scenarios	-85,000	-88,486	-90,256	-92,061
Net difference	**£**	**£**	**£**	**£**
All Scenarios	75,300	53,786	54,862	55,959

Climate change and Biodiversity

Buildings and land use	**Travel**	**Community**
We will seek to use our land for carbon reduction and ensure our buildings are energy efficient.	We will work to decarbonise travel across the council and borough.	We will work with the community to lead change and increase climate change engagement
Waste	**Economy**	**Nature**
We will ensure we waste less as a borough and stop dependence on single use plastic.	We will maximise financial opportunities to support climate change work.	We will protect and improve Leicestershire's biodiversity and environment.

3.64 The Council has a vision to work towards making Hinckley & Bosworth Borough Council carbon neutral by 2030 (direct council emissions) and to ensure that the borough is net zero by 2050. As part of our Climate Change and Biodiversity Strategy we need to invest toward our aims of:

- Working towards the decarbonisation of all council buildings by 2030
- Promote the use of renewable energy/energy reduction and investigate opportunities for carbon capture and storage

3.65 There are some new initiatives in the MTFS to show our commitments to these improvement in efficiency, which will reduce Co2 and lead to savings to the general fund from 2026/27. The table below gives estimated costs and potential savings. These have been included in the capital programme to develop a fully costs business case for members to approve at a later date.

Building	Work needed	KWh per annum	CO2 reduction Tonnes	Investment	Savings per year
Atkins Building	Solar Retro fit to Roof	200,000	2,532	£268,000	£50,079
Jubilee Depot	Solar Retro fit to Roof	369,950	4,684	£453,000	£104,083
Depot Unit	Solar Retro fit to Roof	310,200	3,927	£390,000	£87,272

3.66 The HRA is also investing in reducing Co2 as part of its decarbonisation programme as detailed below.

	2024.25 £000	2025.26 £000	2026.27 £000	2027.28 £000	2028.29 £000
Decarbonisation work	1,971	1,707	1,772	1,750	1,874

3.67 The table below give the main sources of funding and activities already in place from prior years

External Funding	Amount Received/Bid For	Used For	Owner/Host of fund
2023- Business Rate Pool funding	£2.27 million **countywide**	Electric vehicle charge points and four community electric pool cars across the county	Green Living Partnership (HDC)
HUG 2 funding 23/24	£1.13 million	Retrofit of private housing stock not yet commenced	Green Living Partnership (LCC)

3.68 The Climate Change and Biodiversity Strategy is in place and the budget of the council already has key actions on Biodiversity, which include:

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

Other items

3.69 The following items have been included in all MTFS scenarios as net pressures on the budget or areas of savings or new income:

Budget movements	**2025/26**	**2026/27**	**2027/28**	**Total**
Interest	300,300	30,030	0	330,330
Capital Financing (MRP increase)	150,595	65,132	-61,132	154,595
Noise Abatement Notice	90,000	-90,000	0	0
Local Plan	85,992	136,908	-139,000	83,900
Increase in Building Control Partnership costs	77,000			77,000
NHS income	76,900	-104,050	-2,304	-29,454
Leisure Centre income	64,758	-15,900	-79,648	-30,790
New Line trad waste FOOD	60,000	-20,000	-40,000	0
Leisure Centre Utility clause	-50,000	0	0	-50,000
Additional Planning income	-80,000	-35,000		-115,000
Homelessness One off Grant £125k for 2024/25	-175,000	75,000		-100,000
Homelessness		-200,000		-200,000
Total	600,545	-157,880	-322,084	120,581

3.70 The figures above are the net changes in the budget. Members should note that the MTFS does not allow for the Local plan reserve or Enforcement and Appeals reserve to be replenished. Therefore future costs, not currently known, will fall on the General fund.

Key Risk summary

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

- That pay increases are as most 2% plus spinal point increases for 2025/26 and, then 2.7% for each year of the MTFS forecast.
- The £800,000 share of retained rates from the pool with be retained in each year there is not a business rates reset and the current sharing mechanism between the County Council, The City Council and district will remain in place. This may not occur as the County want to review the split.
- a £5 increase in Council Tax for all years for 2023/24-2027/28 (which is expected to still leave us in the bottom fifteen lowest charging District Councils)
- a £5 increase in the garden waste charge will be action in 2025/26 as agreed by Council in the last MTFS update.
- The £8m investment in the Local Enterprise Zone will deliver the growth in rates expected to cover the forward funding agreement position.

- The business rates reset will be in 2026/27 and Government will offer transitional relief at least as much as has been included in the MTFS models. The level of transitional relief is not known and could be lower than modelled leading to a high level of risk for this assumption.
- The Fair Funding review and business rates reset will eventually impact on MTFS and this could lead to material savings/new income plans being needed in 2026/27, 2027/28 and 2027/28.
- That "Damping" funding will be provided by government in some form, this is a high-risk assumption as no exact details have been provided. The calculation assumes no more than a 5% loss of income will fall on Council from one year to the next and is based on information from our advisors.
- There will be no recurring budget supplementary increments agreed over the MTFS period that are not matched by savings/new income. If this is not possible it will increase the savings/new income required, unless unavoidable for legal reasons. This has not been achieved in prior years.
- One off Supplementaries will not be given unless matched by savings/new income, unless unavoidable for legal reasons. This has not been achieved in prior years.
- The most uncertain risk is the lack of any clear indication of a longer-term financial settlement from government, which may change the forecasts given significantly.
- MCHLG have written to Council recently to note that," Ministers will expect councils to have taken all reasonable action at a local level and that requests for support will be agreed on an exceptional basis, and usually through a capitalization directive, not additional income. The only change offered is that such borrowing will now not be at a 1% premium above normal PWLB rates. Therefore, failure to achieve the saving required will lead to the risk of a S114 recommendation being needed at some point in the future.

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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 or financial stewardship of this Council over the MTFS period. These include, but are not limited to:

- **Devolution**

4.2 The Government White Paper on English Devolution, published in December 2024, as well as other recent Government announcements and decisions. Whilst the White Paper itself does not have direct financial implications on the authority, it does potentially lead to substantial change, including the potential abolition of Hinckley and Bosworth Borough Council itself, which could include substantial cost in terms of preparing its smooth merger into a new unitary council.

4.3 The two most distinct and impactful elements of the White Paper focused on:

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- Devolution Deals – Strategic Authorities and Directly-Elected Mayors
- Local Government Reform – i.e. merging districts, counties and small unitary councils into new, bigger unitaries, which has already been covered in this report.

4.4 The Government's clearly stated and unequivocal policy objective is for everywhere in England to have a Mayoral Strategic Authority (and to mature into an Established Mayoral Strategic Authority), again on page 28 of the White Paper stating:

Our ambition remains for all parts of England to ultimately have a Mayoral (and eventually Established Mayoral) Strategic Authority.

4.5 Leicestershire County Council (LCC) has requested the Government to postpone the elections planned for May this year until May 2026. They are hoping the Government agrees to postpone elections as they believe reorganisation of local government is needed to unlock or enable devolution.

4.6 LCC note that once a new structure of unitary local government has been agreed for the area the intention would be to have a mayoral combined authority. The Government have made clear that they wish to have all areas of England covered by a mayor and all two-tier local government reorganised by the end of this parliament. LCC's proposal is for a unitary City Council with extended boundaries and a unitary council for the surrounding Leicestershire. This would mean the abolition of all the districts in the area.

4.7 This has not been agreed as the preferred position by the district councils in Leicestershire who have proposed that if change must come, there are credible alternatives which would deliver a more balanced and sensible approach to reorganisation, would better meet government's aspirations, have a much stronger local consensus, and gain far greater support from our communities. However, should the proposal to delay the elections be agreed by government, unitary status could be as early as 1 April 2027.

- **Capital Programme –**

4.8. 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.

4.9. 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**

4.10. The County Council are looking for savings and renegotiating many agreements. LCC are discussing wanting to change the redistribution split of the pool contributions. This MTFS assumes the current thirds will be maintained. If it is not a higher level of savings/new income will be needed., but any loss of rental income will lead to further savings being needed.

4.11. 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 and lead to pressure on the General fund.

- **Income and Expenditure Levels**

4.12. A considerable proportion of council expenditure is financed from income from fees and charges. A number of these income streams are extremely volatile and depend on external factors such as take up, demand and local economic conditions. The most significant and sensitive changes in income levels include:

- Planning fees - This income stream is highly dependent on both the housing and commercial market and therefore large “windfalls” often occur in times of prosperity, but during an economic downturn this income may decline significantly. In addition, the council can incur significant costs for appeals against decisions taken by Planning Committee.

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Appendix 2- Detailed MTFS movements

2024/25- 2027/28	2024/25	2025/26	2026/27	2027/28
FINANCIAL FORECAST	31-Mar	31-Mar	31-Mar	31-Mar
Expected MTFS	**Current year**	**Forecast**	**Forecast Rebase**	**Forecast**
	£	**£**	**£**	**£**
Net Service Expenditure	15,676,520	14,333,957	15,960,004	17,616,253
Budget changes (net)	-1,342,563	1,506,047	1,656,250	333,340
Variances forecast	1,843,290	120,000		
Savings needed		**0**	**0**	**-2,657,850**
NET Borough Budget Requirement	**16,177,247**	**15,960,004**	**17,616,253**	**15,291,744**
Pension adjustments	-1,626,220	-1,610,720	-1,610,720	-1,610,720
Contribution to Reserves	945,000	160,000	25,000	0
Collection fund reserve		0	0	0
Contribution from Reserves	-1,859,518	-339,292	-2,401,000	-719,141
Transfer from / to unapplied grants	-209,191	-27,840		
Additional contributions to/from reserves C/Fs	-219,299			
Contribution to/(from) Balances	751,009	370,727	-155,740	-90,242
NET BUDGET/FORECAST EXPENDITURE	**13,959,028**	**14,512,879**	**13,473,794**	**12,871,640**
Performance against target	**12.94%**	**15.00%**	**15.00%**	**15.00%**
			REBASE Year	

2024/25- 2027/28	2024/25	2025/26	2026/27	2027/28
		Forecast	Forecast	Forecast
		£	£	£
	13,959,028	**14,512,879**	**13,473,794**	**12,871,640**
	0	0	3,720,678	2,796,177
National Non Domestic Rates	2,821,150	2,854,270	2,911,355	2,969,582
National Non Domestic Rates retained above baseline	4,351,944	4,812,007	913,363	935,307
RSG	204,575	241,604	0	0
Funding Floor	0	240,434		
Minimum Funding Guarantee	546,179	0	0	0
2022/23 Services Grant	18,144	0		
Collection fund Deficit NNDR	80,037	150,000	17,175	17,175
New Homes Bonus	493,397	526,141		
Collection Fund Surplus - Ctax	52,506	50,000	33,543	33,543
Council Tax Income	5,391,096	5,638,422	5,877,681	6,119,856
Estimated Tax base	39,788	40,132	40,398	40,665
Estimated Band D Council Tax	**£135.50**	**£140.50**	**£145.50**	**£150.50**
Year on Year Increase in Council Tax				
(i) Amount	**£5.00**	**£5.00**	**£5.00**	**£5.00**
('ii) Percentage	**3.83%**	**3.69%**	**3.56%**	**3.44%**
	2024/25	**2025/26**	**2026/27**	**2027/28**
SPECIAL EXPENSES				
Net Budget Requirement B/Fwd	763,526	770,629	777,299	782,437
	0			

2024/25- 2027/28	2024/25	2025/26	2026/27	2027/28
Increase in CTax	7,102	6,670	5,138	5,172
	0			
NET BUDGET/FORECAST EXPENDITURE-Special Expenses	**770,629**	**777,299**	**782,437**	**787,609**
Estimated Taxbase	39,788	40,132	40,398	40,665
Special Expenses Council Tax	**£19.37**	**£19.37**	**£19.37**	**£19.37**
Year on year increase in Special Expenses Council Tax	**£0.00**			
(I) Amount	**£0.00**	**£0.00**	**£0.00**	**£0.00**
(ii) Percentage	0.00%	0.00%	0.00%	0.00%
Total Net Budget Requirement	14,729,656	15,290,178	14,256,231	13,659,249
Taxbase	39,788.00	40,132.40	40,397.70	40,664.70
Council Wide Council Tax Ave Band D	£154.86	£159.86	£164.86	£169.86
Percentage Increase	3.34%	3.23%	3.13%	3.03%
	£5.00	£5.00	£5.00	£5.00

Appendix 3- Reserves

Reserves (All Figures are in £000)	Expected	31/03/2025	31/03/2026	31/03/2027	30/03/2028	30/03/2029	No Reset	31 March 2025	31 March 2026	31 March 2027	30 March 2028	30 March 2029	Reset 2027/28	31 March 2025	31 March 2026	31 March 2027	30 March 2028	30 March 2029
Special Expenses Reserve		250	183	166	166	166		250	183	166	166	166		250	183	166	166	166
Local Plan Procedure		204	2	2	2	2		204	2	2	2	2		204	2	2	2	2
Business Rates Equalisation Reserve		1,250	1,250	1,250	1,250	1,250		1,250	1,250	1,250	1,250	1,250		1,250	1,250	1,250	1,250	1,250
Financial support reserve		0	0	0	0	0		0	0	0	0	0		0	0	0	0	0
Economic Priorities Reserve		3,082	3,045	719	0	0		3,082	2,971	2,240	1,170	0		3,082	3,221	2,739	0	0
Asset Management Reserve		120	120	120	120	120		120	120	120	120	120		120	120	120	120	120
Election Reserve		50	75	100	100	100		50	75	100	24	49		50	75	100	24	49
Grounds Maintenance		30	30	30	30	30		30	30	30	30	30		30	30	30	30	30
Enforcement and Planning Appeals		10	95	70	70	70		10	95	70	45	20		10	95	70	45	20
Building Maintenance costs		488	388	288	188	188		488	388	288	188	88		488	388	288	188	88
Developing Communities Fund		236	236	236	236	236		122	122	122	122	122		122	122	122	122	122
Environmental Action Reserve		150	100	50	50	50		150	100	50	0	0		150	100	50	0	0
Total		**5,870**	**5,524**	**3,031**	**2,212**	**2,212**		**5,756**	**5,336**	**4,438**	**3,118**	**1,847**		**5,756**	**5,586**	**4,938**	**1,947**	**1,847**
Net of Special Expenses		5,620	5,341	2,865	2,046	2,046		5,507	5,153	4,272	2,952	1,681		5,507	5,403	4,771	1,781	1,681

Economic Priorities Reserve

For all scenarios this reserve will be used to support the GF as income does not cover costs

Appendix 1

Expected Case Reserves Detail

Reserves (Expected) Ammounts in	31 March 2025	Capial	To Revenue	From Revenue	31 March 2026	Capial	To Revenue	From Revenue	31 March 2027	Capial	To Revenue	From Revenue	31 March 2028
Special Expenses Reserve	**250**	-80	-32	45	**183**	-17	0	0	**166**	0	0	0	**166**
Local Plan Procedure	**204**	0	-202	0	**2**	0	0	0	**2**	0	0	0	**2**
Business Rates Equalisation Reserve	**1,250**	0	0	0	**1,250**	0	0	0	**1,250**	0	0	0	**1,250**
Economic Priorities Reserve	**3,082**	0	-37	0	**3,045**	0	-2,326	0	**719**	0	-719	0	**0**
Asset Management Reserve	**120**	0	0	0	**120**	0	0	0	**120**	0	0	0	**120**
Election Reserve	**50**	0	0	25	**75**	0	0	25	**100**	0	0	0	**100**
Grounds Maintenance	**30**	0	0	0	**30**	0	0	0	**30**	0	0	0	**30**
Enforcement and Planning Appeals	**95**	0	-25	0	**70**	0	0	0	**70**	0	0	0	**70**
Building Maintenance costs	**388**	-100	0	0	**288**	-100	0	0	**188**	0	0	0	**188**
Developing Communities Fund	**236**	0	0	0	**236**	0	0	0	**236**	0	0	0	**236**
Environmental Action Reserve	**100**	0	-50	0	**50**	0	0	0	**50**	0	0	0	**50**
Total	**5,805**	-180	-347	70	**5,349**	-117	-2,326	25	**2,931**	0	-719	0	**2,212**
Net of Special Expenses	**5,555**	-100	-314	25	**5,166**	-100	-2,326	25	**2,765**	0	-719	0	**2,046**

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
- 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.