



Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Scrutiny Commission	26 October 2023
Council	28 November 2023

Wards affected: All wards

Medium Term Financial Strategy 2023/24-2027/28

Report of Head of Finance (Section 151 Officer)

1. Purpose of report

- 1.1 To seek Council's approval for the 2023/24-2027/28 Medium Term Financial Strategy (MTFS) attached to this report. This comprises the current year 2022/23 and a three-year outlook.
- 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 were presented separately in February 2022.

2. Recommendation

- 2.1 That the Council approve the updated Medium Term Financial Strategy (MTFS) update for 2023/24-2027/28.

3. Background to the report

- 3.1 The purpose of the MTFS is to:
 - Structure and manage the Council's finances to support and deliver the council's objectives.
 - Inform decision on expenditure and savings/new income to sustain Council services.
 - Engage officers and members in "owning" the process by which Council finances are managed.

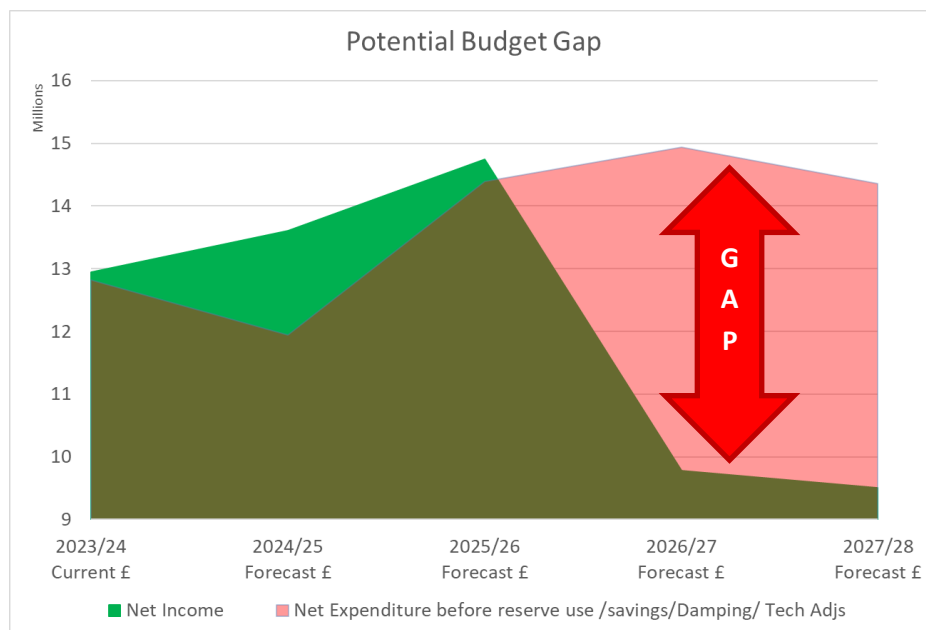
Summary MTFS information

3.2 The MTFS update (Full details are in the attached MTFS document at Appendix A) covers the assumptions used and risks considered. A summary of the overall MTFS excluding Special Expenses is given in the table below for three MTFS scenarios, which cover the:

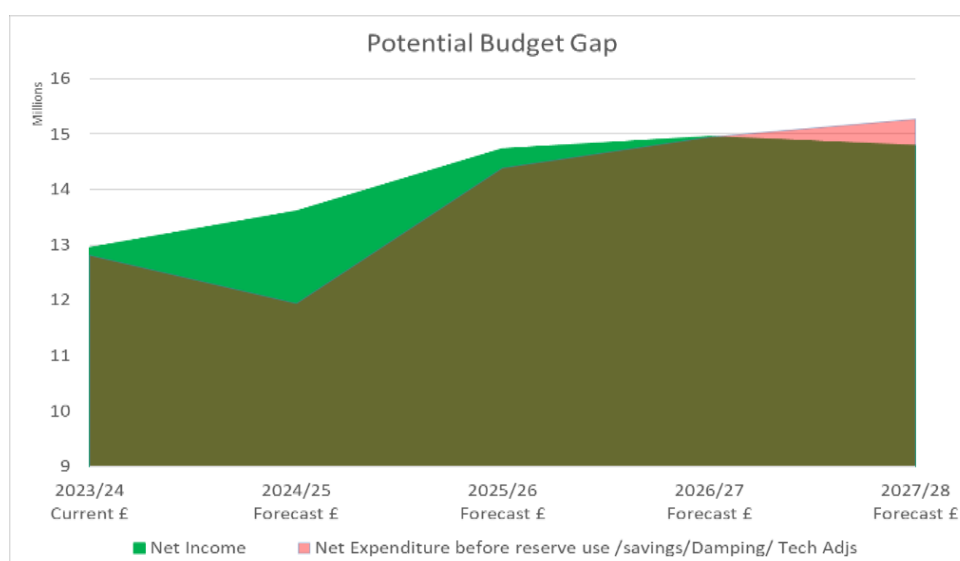
- Expected Case – which is the most likely, but still has challenges and risks, with a key assumption being the business rates reset will be in 2026/27.
- Best Case – This has beneficial but unconfirmed assumptions, with a key assumption being the business rates reset will be after 2027/28.
- Worst Case – Takes a more pessimistic view, with less funding and with a key assumption being the business rates reset will be in 2025/26.

EXPECTED	2023/24	2024/25	2025/26	2026/27	2027/28
	Current Year	Forecast	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
Budget requirement	16.50	13.84	16.39	16.64	16.30
Income (NNDR, Ctax, etc)	12.95	13.61	14.74	13.84	13.19
Difference	3.55	0.23	1.65	2.80	3.11
Covered by:					
Reserve movements	3.55	0.23	1.65	1.90	2.10
Savings required				0.90	1.01
	3.55	0.23	1.65	2.80	3.11
BEST	2023/24	2024/25	2025/26	2026/27	2027/28
Budget requirement	16.50	13.64	16.04	16.32	16.78
Income (NNDR, Ctax, etc)	12.95	13.66	14.79	15.34	15.86
Difference	3.55	-0.01	1.25	0.98	0.92
Covered by:					
Reserve movements	3.55	-0.01	1.25	0.98	0.92
Savings required	0.00	0.00	0.00	0.00	0.00
	3.55	-0.01	1.25	0.98	0.92
WORST	2023/24	2024/25	2025/26	2026/27	2027/28
Budget requirement	16.50	14.10	16.33	15.56	14.94
Income (NNDR, Ctax, etc)	12.95	13.86	13.00	12.39	11.82
Difference	3.55	0.24	3.33	3.17	3.12
Covered by:					
Reserve movements	3.55	-0.05	2.26	2.02	2.15
Savings required	0.00	0.29	1.07	1.15	0.98
	3.55	0.24	3.33	3.17	3.12

- 3.3 The expected version is the MTFS that will be used for forward budgetary planning purposes. The Graph below gives the potential Budget Gap this indicates, but this is based on a full business rates reset in 2026/27.

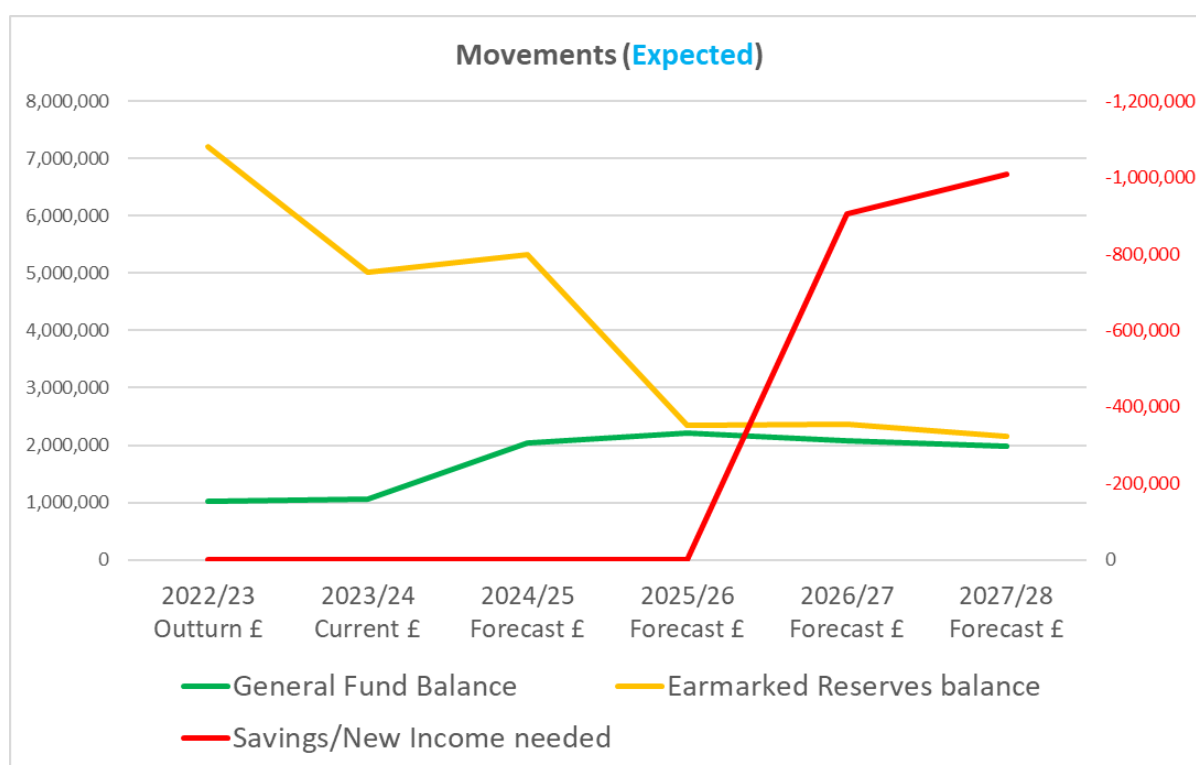


- 3.4 The budget gap is hoped to be closed by £1.9m of savings/new income and £7.7m of transitional support (damping) provided by Government. The details of these savings/new income are yet to be identified and the transitional support may not be as high as indicated as Government have given no details on such support.
- 3.5 If the business rates reset occurs after the MTFS period, then the budget gap is no longer a significant issue as no savings/new income or transitional damping is required during the MTFS period.



- 3.6 The graph below gives the overall summary for savings or new income needed, Earmarked reserves used and the general fund position. The

savings/new income information relates to the right hand axis in red numerals, which is a cumulative saving and new income of £1.9m, assuming we get £7.7m of transitional relief.



In year 2023/24 pressures

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

EXPECTED (FINANCIAL FORECAST)	2023/24 Budget £	2023/24 August Position £	Variance £
Net Budget Pressures	15,676,520	16,497,150	820,630
Reserves movements	-3,318,832	-3,589,275	-270,443
General fund gain loss	227,961	38,460	-189,501
GF performance against 15% target	10.9%	8.2%	-2.7%

- 3.8 The 2023/24 has budget movements of £820,630, the majority of this comes from adverse variance on planning (£413,000) and an increase in homelessness costs (£370,000). A higher level of reserves has been released to prevent the general fund falling too far. Fortunately, S31 Grant from Government to compensate the Council is £360,000 higher than originally budgeted.

Key Assumptions and Risk summary

3.4 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 pay increases at a rate much lower than CPI for 2023/24 and 2024/25, if it does not significant costs will be added to the MTFS forecast. Based on the final 2023/24 pay settlement has recently been announced, this is an increased risk for 2024/25 as inflation continues to be high and may influence the level of increase on national settlements linked to the minimum living wage in particular.
- a £5 increase in Council Tax for all years for 2023/24-2027/28 (which is expected to still leave us in the bottom 15 lowest charging District Councils)
- a £5 increase in Garden Waste, to £42.50 in 2024/25, and a further £5 increase in 2025/26 (Still the lowest of the six charging councils in Leicestershire)
- The £8m investment in the Local Enterprise Zone will deliver the growth in rates expected to cover the forward funding agreement position.
- That the Government will push ahead with a business rates reset, which has not been done for over 10 years,
- The Fair Funding review and business rates reset will eventually impact on MTFS and this could lead to material savings/new income plans being needed in 2026/27 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 after the fair funding review.
- There will be no recurring budget supplementary increments agreed over the MTFS period that are not matched by savings/new income. If this is not possible it will increase the savings/new income required, unless totally unavoidable for legal reasons.
- One off Supplementaries will not be given unless matched by savings/new income, unless totally unavoidable for legal reasons.
- The Expected case assumes the Crematorium will deliver at 874 cremations a year from its first day of operation, if an alternative contractor can be obtained at an affordable build cost, and HMRC will not consider build costs to be subject to VAT of approximately £2m. but there will be no contribution to the general fund during the MTFS period.
- 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.

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

4.1 Report is to be taken in open session.

5. Financial implications [AW]

5.1 In the body of the report

6. Legal implications [MR]

6.1 The MTFS provides the foundations to allow the Council to meet its statutory obligations in accordance with Section 32 of the Local Government Finance Act 1992 and section 25 of the Local Government Act 2003. The Council has a statutory requirement to set a budget for each financial year and approve the MTFS, including a three-year capital programme.

7. Corporate Plan implications

7.1 A robust MTFS is required to ensure that resources are effectively allocated to ensure delivery of all the aims, outcomes and targets included in the Council's Corporate Plan.

8. Consultation

8.1 All members of the Strategic Leadership Team have been consulted in preparing this Strategy.

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.

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	A budget strategy is produced to ensure that the objectives of the budget exercise are known throughout the organisation. The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance. Sufficient levels of reserves and balances have been maintained to ensure financial resilience	A Wilson

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 The stewardship of the financial resources of the council underpins all policy actions to address the council's objectives in ensuring it manages its resources to ensure climate considerations are achieved in accordance with the corporate plan. The MTFS has schemes that will directly increase our level of CO2 emissions.

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: Corporate Plan, Capital Programme, General Fund and HRA budgets and Treasury report

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