

Appendix E

Medium Term Financial Strategy

The Medium-Term Financial Strategy (MTFS) is the Council's key financial planning document.

The MTFS supports the '**Blaby District Plan**' which is our most important document clearly setting out our vision, values and strategic themes for the next four years.

The current MTFS document contains a financial forecast which is updated each year to reflect the changes to funding. This update has been extended to include the years up to 2029/30 to ensure the Council continues to consider the financial picture with a longer-term strategic view and understand the financial resources available.

The future funding envelope beyond 2025/26 remains more uncertain than in previous years with changes being brought in at pace by the government and potential changes with the Fair Funding Review; the reset of the Business Rates baseline, both of which are now expected to take effect from 2026/27, and the White Paper on Devolution and Local Government Reform recently published. As a consequence there is a high degree of risk and uncertainty around the future funding estimates within the MTFS which have been put together. The estimates take into account any information that can be gained from the national picture and documents within the public domain on this subject.

Whilst the future funding levels are uncertain it is not unrealistic to assume there will continue to be funding reductions or higher demand placed upon the Council. It is important that the Council understands the potential future funding gaps and the estimates included attempt to illustrate possible financial impacts of the changes.

For this latest update of the MTFS, the provisional budget for 2025/26 has been used as the baseline for projecting the future budget requirement. However, priorities and services may have to be revised to ensure the Council remains financially sustainable.

The updated MTFS Summary will form part of the General Fund Budget Proposal report to be considered at Council in February 2025. Alongside this will be a high level outline plan to illustrate how the future budget gaps may be met should they arise.

The MTFS Summary takes no account of the changes that may take place as a consequence of the White Paper on Devolution and Local Government Reform recently published.

Financial Summary

Forecast Net Revenue Expenditure						
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£	£	£	£	£	£
Portfolio:						
Finance, People & Performance	3,473,600	3,740,117	3,871,461	3,996,182	4,124,380	4,256,158
Housing, Community Safety & Environmental Services	2,688,845	2,447,342	2,536,461	2,628,190	2,722,606	2,819,792
Health, Leisure, Climate and Economic Development	781,658	7,208	40,862	75,614	111,495	148,545
Leader	2,594,890	2,635,151	2,710,298	2,787,641	2,867,245	2,949,189
Neighbourhood Services & Assets	4,022,818	3,194,122	3,349,791	3,510,400	3,676,093	3,847,049
Planning, Transformation and ICT	3,073,267	2,575,055	2,651,112	2,729,444	2,810,125	2,893,231
Net Direct Expenditure - Portfolio	16,635,078	14,598,996	15,159,985	15,727,471	16,311,944	16,913,964
RCCO	254,126	54,500	54,500	54,500	54,500	54,500
Minimum Revenue Provision	748,865	977,852	977,852	977,852	977,852	977,852
Voluntary Revenue Provision	300,000	250,000	250,000	250,000	250,000	250,000
Appropriations & Accounting Adjustments	(637,291)	(106,410)	10,590	10,590	10,590	10,590
Contribution to/(from) Earmarked Reserves	(2,043,363)	(486,470)	(543,867)	(652,379)	(561,062)	(506,168)
Net Revenue Expenditure	15,257,415	15,288,468	15,909,060	16,368,034	17,043,824	17,700,738
Funding Envelope						
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£	£	£	£	£	£
Income from Business Rates	(3,762,727)	(5,429,170)	(1,606,786)	(1,673,159)	(1,745,352)	(1,819,053)
Contribution from Business Rates Reserves	305,340	1,894,178	(1,050,000)	(1,050,000)	(1,050,000)	(1,050,000)
S31 Grant - Business Rates Compensation	(3,142,613)	(3,065,008)	(1,276,280)	(1,315,486)	(1,349,898)	(1,394,036)
Revenue Support Grant	(79,550)	(95,767)	(95,767)	(95,767)	(95,767)	(95,767)
Funding Guarantee	(2,245,863)	0	0	0	0	0
Funding Floor	0	(1,573,114)	(1,573,114)	(1,573,114)	(1,573,114)	(1,573,114)
Services Grant	(15,571)	0	0	0	0	0
New Homes Bonus Grant	(14,280)	(426,048)	0	0	0	0
	(8,955,264)	(8,694,929)	(5,601,947)	(5,707,526)	(5,814,131)	(5,931,970)
Council Tax Deficit	87,887	87,887	0	0	0	0
Council Tax	(6,526,402)	(6,754,058)	(6,996,129)	(7,267,299)	(7,548,431)	(7,839,877)
Funding Envelope	(15,393,779)	(15,361,100)	(12,598,076)	(12,974,825)	(13,362,562)	(13,771,847)
Funding Gap/(Surplus)	(136,364)	(72,632)	3,310,984	3,393,209	3,681,262	3,928,891
Damping			(1,994,969)	(888,568)		
Adjusted Funding Gap/(Surplus)	(136,364)	(72,632)	1,316,015	2,504,641	3,681,262	3,928,891

Forecast Assumptions

Set out below is a commentary relating to the key assumptions that have been made in drafting the future financial forecast.

Net Direct Expenditure

Net Direct Expenditure budgets have been compiled by rolling forward the 2025/26 draft budget numbers and applying inflationary factors where appropriate to the elements. Key areas of note are:

- Establishment – assumes a 3% increase to cover the annual pay award, increments and increases in national insurance and pension contributions.
- Other costs – increases in line with contractual arrangements or by reference to appropriate inflationary factors, dependent upon the nature of the expenditure.
- Fees and charges – non-statutory income budgets have been increased by inflation and with a view to achieving full cost recovery.

RCCO

Revenue Contributions towards Capital Outlay – this is where revenue expenditure (including earmarked reserves) is used to finance capital expenditure.

Minimum Revenue Provision (MRP)

MRP is a proxy for depreciation used in local government finance. It is charged on any capital expenditure funded through borrowing, over a period commensurate with the estimated life of the asset. Much of the current MRP relates to the purchase of fleet vehicles, investment in our leisure facilities, and historic disabled facilities grants. The increase in MRP from 2025/26 reflects the impact of new expected borrowing to fund our 5-year Capital Programme.

Voluntary Revenue Provision (VRP)

VRP is in addition to MRP and is applied to smooth the impact of introducing the Council's new MRP policy.

Contributions to/(from) Earmarked Reserves

This represents the release of reserves to support one-off expenditure items, brought forward budget or spend to save initiatives.

Net Revenue Expenditure

The Council's forecast net expenditure position prior to the application of balances, government grants and council tax.

Income from Business Rates

The Council retains 40% of the net rates collectable from businesses. However, it is also required to pay a tariff to government from its share, as well as a levy payment to the Leicestershire Business Rates Pool based on any growth above the baseline. Blaby has benefitted from considerable growth since the current Business Rates Retention Scheme was introduced in April 2013. The MTFS anticipates a reset of the business rates baseline in 2026/27 and this is likely to have a major impact on the amount of business rates that Blaby will have to support its budget. There remains a

great deal of uncertainty over the precise impact, given we are unclear at what level the base-line will be set. The impact will be considerable and the likelihood of the reset actually taking place in 2026/27 seems more certain.

S31 Grant – Business Rates Compensation

The amount of business rates collectable is reduced by various reliefs that have been introduced by the government, for example, to freeze the business rate multiplier. This results in a loss of income to the Council, which is usually compensated by the government through Section 31 grant.

Funding Guarantee

The 3% Funding Guarantee was introduced in 2023/24 and ensured that no authority had a Core Spending Power increase of no less than 3%. This has been replaced in 2025/26 with the Funding Floor grant but the same principles of the 3% do not apply.

Services Grant

Discontinued in 2025/26.

New Homes Bonus

New Homes Bonus has again been extended by a further year based on the existing distribution mechanism. Blaby's settlement is based on housing growth up to October 2024.

Council Tax Deficit

The amount by which council tax due in the previous year, falls short of the expected sum collectable.

Council Tax

The expected amount of revenue receivable from Council Taxpayers, assuming an increase of 2.99% on Band D council tax each year and an assumed increase in the tax base to reflect new build.

Damping

An assumption has been built into the MTFS in anticipation that the government will introduce some form of damping mechanism to smooth the impact of the expected reduction in funding. Until the Fair Funding review is complete and the government has made a decision in relation to the business rate baseline reset, the full extent of this impact poses a significant risk.

Release of Reserves

A programmed utilisation of reserves has been included within the MTFS Summary as detailed in the table below.

Earmarked Reserve	2025/26	2026/27	2027/28	2028/29	2029/30
NNDR Income Reserve	1,894,178	(1,050,000)	(1,050,000)	(1,050,000)	(1,050,000)
Contractual Losses Support Reserve	(63,750)	(63,750)	(63,750)	(63,750)	0
Business Rate Pool Reserve	(413,220)	(425,617)	(434,129)	(442,812)	(451,668)
Blaby Plan Priorities Reserve	(54,500)	(54,500)	(54,500)	(54,500)	(54,500)
Property Fund Reserve	45,000	0	0	0	0
District Election			(100,000)		

Financial Risks

- **New Homes Bonus (NHB)** When the New Homes Bonus commenced it was a non-ring fenced grant introduced to encourage the building of new housing. This, in effect, was top sliced from the existing funding streams for local government and therefore has provided an alternative source of funding as the core grant has been reduced. In the early years Blaby was in the position to support local housing schemes with some of the New Homes Bonus. However, in recent years it has been necessary to include the NHB as a source of funding to underpin the budget requirement.

NHB is expected to be removed from the settlement from 2026/27 onwards and it is uncertain as to whether it will be replaced with any other form of grant to encourage house building.

- **Business Rates Retention Reform**

The latest information suggests that this will take effect in the year 2026/27 at the same time as the result of the Fair Funding Review is expected to be implemented.

A full reset of the Business Rates Baseline will cause the Council to lose the benefit of any significant growth that has been generated in recent years. This element of the changes to Business Rates provides a substantial risk to the Council which results in growth being lost. The financial impact of this is illustrated by the considerable financial gap from 2026/27 onwards.

Blaby will benefit from any future growth in Business Rates, however quantifying the benefit is not yet possible.

- **Fair Funding Review**

It is expected that this will take effect in the year 2026/27. Whilst the historic consultation detailed considerations that may be being taken into account it is not possible to assess how Blaby District will be impacted by this change. How future changes are softened through a 'damping process' will be key as to how Blaby's financial position may change.

- **County Council Funding Reductions.** The County Council has openly illustrated the level of funding cuts that they will be required to make over the coming years. Whilst we can plan to mitigate any obvious impacts of this, some are more subtle and the increased demand that results from this is difficult to quantify financially. This is a considerable risk to which we will put financial values to as and when we are in a position to do so.

- **New Demands from Residents.** Blaby has an ageing population which brings with it challenges such as dealing with dementia and issues such as loneliness. We have also seen considerable increase in homelessness costs and the cost of living crisis may also drive further demands. What role Blaby will play in our community to combat these challenges and what different demand this drives for services that are needed have not yet been identified. However, we have taken opportunity to reduce such costs by taking advantage of funding initiatives to support such demand e.g. the investment in properties to utilise for temporary homelessness using the Local Authority Housing Fund.
- **Funding Associated with Food Waste Implementation.** The Council is required to implement the collection of food waste by April 2026. Revenue funding is expected to be provided to compensate the Council for the additional costs arising. Whilst the Council have modelled the costs to date no confirmation has been received regarding the revenue funding that will be provided to support this. If the funding is insufficient to meet the costs additional costs the Council will be required to find additional funds to deliver the service.
- **Defra Funding :Extended Producer Responsibility for Packaging.** Funding of £913k has been included in 2025/26 budget figures from Defra relating to the Extended Producer Responsibility for Packaging. This is based on the Council's recycling collections and tonnages and passes the cost of collection onto those who produce the packaging. Whilst this funding is expected to be ongoing, it is uncertain as to whether it will be taken into consideration when the Fair Funding Review is completed. At the moment this falls outside of the Core Spending Power calculation. The amount received may also be impacted in future years as schemes for consumers to deposit items of recycling in return for cash are introduced. If this reduces the tonnage collected by Blaby DC the Defra funding will reduce and the operation will be required to downscale accordingly, otherwise this provides a further financial risk to the Council.