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Hinckley & Bosworth
Borough Council

Bill Cullen MBA (ISM), BA(Hons) MRTPI
Chief Executive

Date: 13 February 2026

To: All Members of Council

Dear Councillor,

Please see attached supplementary documents for the meeting of the **COUNCIL** on **THURSDAY, 19 FEBRUARY 2026** at **6.30 pm**.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'R Owen'.

Rebecca Owen
Democratic Services Manager

11(a) Medium term financial strategy (Pages 1 - 18)

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Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Council 19 February 2026

Wards affected: All wards

Medium Term Financial Strategy (MTFS) 2025/26 - 2027/28 and General Fund 2026/27 supplementary paper

Report of Assistant Director Finance & Audit (Section 151 Officer)

1. Purpose of report

- 1.1 To update members on late changes made by MHCLG to the 2026/27 Financial Settlement and the impact this has had on the MTFS position for 2025/26-2027/28 and General Fund report for 2026/27.

2. Recommendation

2.1 That Members:

- i) Note the revised impacts arising from the government's fair funding review and finance settlement on the council's three-year MTFS position and the 2026/27 General Fund reported position.
- ii) Agree the update to the Medium-Term Financial Strategy (MTFS) for 2025/26-2027/28, in particular the level of reserves used, and any potential need for savings and new income required between 2026/27 to 2027/28.
- iii) Agree the use of earmarked reserves to support the General Fund position required over the life of the MTFS (appendix 1).
- iv) Agree that all supplementary requests above £10,000 for the period of the MTFS will be tightly managed and not be agreed if not matched by savings, unless legally unavoidable or required to ensure greater costs are not incurred.
- v) Note the savings and additional income secured for 2026/27 set out in appendix 2.
- vi) That Members note a fully revised MTFS based on these agreed changes will be drafted.

3. Background to the report

- 3.1. MHCLG convened a meeting on the afternoon of 9 February 2026 to inform district councils of late changes to the Final Settlement for 2026/27 to 2028/29. The actual exact details of the Final Settlement were not released until much later that day which was too late to fully model the impacts before the Council budget reports needed to be sent out. Unlike other years, the changes are material to the forecast position provided and to the detriment of HBBC.
- 3.2. The changes were in relation to the finding of the Institute of Fiscal Studies, which noted that some districts had been overly compensated for the benefits of income that was paid by them in prior years into business rate pools. For 2026/27 an allowance of about £2.6m had been allocated to HBBC, on the basis that it would have paid a levy to the pool of about this amount in prior years and obtained the same level of benefits back in return. Therefore 100% was allocated back to districts. This was challenged, as pool benefits are shared with County Councils as part of the pool agreement, and therefore the benefit has now been downgraded to 50% of the above allowance of £2.6m being paid to HBBC and the other 50% being allocated to the County Council.
- 3.3. This change is from 2026/27, but to protect the 2026/27 settlement, a one-off grant has been given to cover the reduction. This means the reduction will commence in 2027/28. Although the technical argument may be correct, it fails to take into accounts additional costs being incurred by districts for Government requirements, such as the separate collection of food waste. The change for 2026/27 is however, a small increase as noted below, followed by significant reductions in funding for 2027/28 and 2028/29.

Summary of Changes

- 3.4. The change to the provisional and final settlement are noted in the table below, in detail for 2026/27 and then in summary for the whole of the three year settlement to 2028/29.

Hinckley and Bosworth Core Funding	Provisional Settlement 2026/27	Final Settlement 2026/27	Difference
Business rate BLF	£2,734,617	£2,734,617	£0
RSG	£7,003,253	£6,063,977	-£939,277
Council tax requirement excluding parish precepts	£6,676,177	£6,676,177	£0
Homelessness, Rough Sleeping and Domestic Abuse	£573,188	£647,342	£74,155
Damping	£533,966	£160,772	-£373,195
Adjustment support		£1,312,472	£1,312,472
Core Spending Power	£17,521,202	£17,595,356	£74,155

- 3.5. The high-level key financial changes are noted below and include the 2028/29 information to highlight the full impact of the changes over the MTFS period.

Hinckley and Bosworth Core Funding	2026/27	2027/28	2028/29	Total;
Provisional Settlement	£17,521,202	£17,521,202	£17,611,310	£52,653,714
Final	£17,595,356	£16,354,689	£16,425,136	£50,375,181
Gain/Loss	£74,155	-£1,166,513	-£1,186,175	-£2,278,533

- 3.6. It can be seen there is a small benefit in 2026/27, which is not carried forward into 2027/28 and 2028/29, and the position is worse for the last two years of the settlement period. If the new unitary (or HBBC if LGR is delayed a year) wants to achieve a 10% general fund target, it would have to make savings or generate new income of £4.6m. The tables below compare the provisional settlement to the final settlement, with difference separately identified.

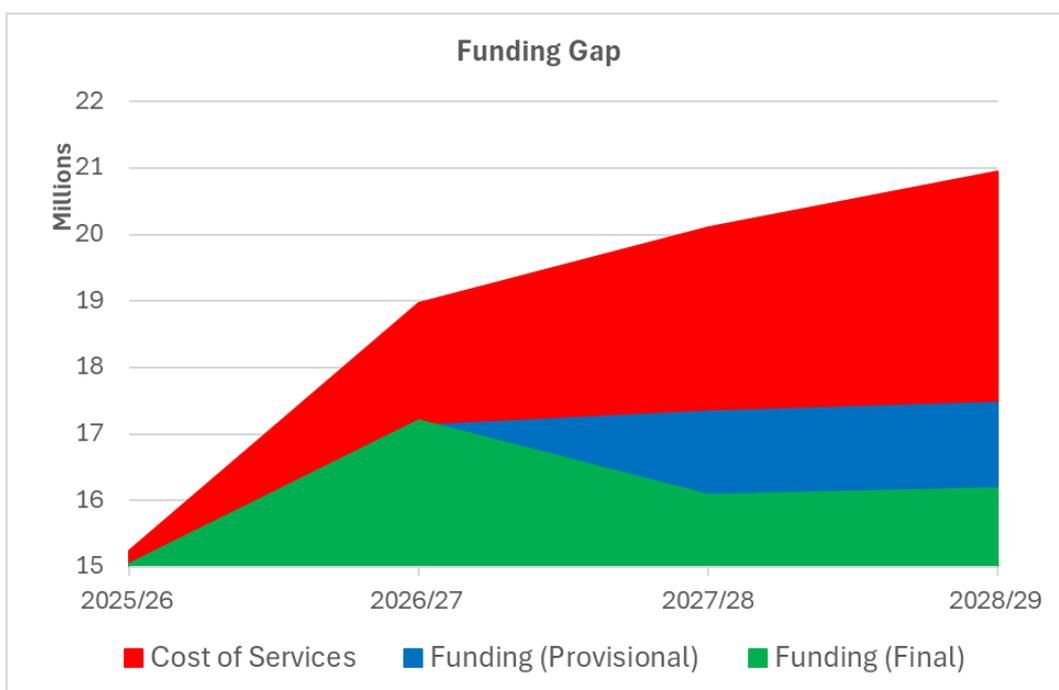
EXPECTED (Provisional Settlement as reported)	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
Net Service Expenditure	14,333,957	15,947,803	18,843,993	20,035,699
Budget movements	2,524,348	2,896,190	1,141,706	848,577
Savings/New income needed	0	0	0	-2,624,000
NET Borough Budget Requirement	16,858,305	18,843,993	19,985,699	18,260,275
Pension Accounting Adjustment	-1,610,720	71,000	71,000	71,000
Reserves movements	-511,132	-2,233,534	-2,849,247	0
General fund gain / loss	314,921	448,235	32,010	-855,661
Net Budget Forecast	15,051,375	17,129,694	17,339,461	17,475,614
General Fund Balance	2,120,930	2,569,716	2,601,726	1,746,065
Earmarked Reserves balance	5,504,941	3,199,247	250,000	250,000
GF performance against 15% target	14.10%	15.00%	15.00%	10.0%

EXPECTED (Final Settlement, replaces reported position)	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
Net Service Expenditure	14,333,957	15,947,803	18,893,993	19,846,699
Budget movements	2,524,348	2,946,190	1,141,706	848,577
Savings/New income needed	0	0	-189,000	-4,589,000
NET Borough Budget Requirement	16,858,305	18,893,993	19,846,699	16,106,275
Pension Accounting Adjustment	-1,610,720	71,000	71,000	71,000
Reserves movements	-511,132	-2,220,534	-2,862,247	0

EXPECTED (Final Settlement, replaces reported position)	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
General fund gain / loss	314,921	459,390	-972,612	9,060
Net Budget Forecast	15,051,375	17,203,849	16,082,840	16,186,335
General Fund Balance	2,120,930	2,580,871	1,608,259	1,617,319
Earmarked Reserves balance	5,504,941	3,212,247	250,000	250,000
GF performance against 15% target	14.10%	15.00%	10.00%	10.0%

EXPECTED (Key Difference)	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
Savings/New income needed	0	0	-189000	-1,965,000
General Fund Balance	0	11,155	-993,467	-128,746
GF performance against 15% target	0.00%	0.00%	-5.00%	0.0%

- 3.7. The funding deficit has worsened in comparison to the provisional position previously reported due to the final settlement making material changes, which means we have a wider budget gap to close. The budget gap can be closed on a one off basis by reserves but will eventually require new income or savings to be fully closed.
- 3.8. The graph below shows the budget gap before the use of reserves, new income or savings. HBBC will be able to have a balanced budget for 2026/27 and 2027/28 based on the current forecast assumptions, but this would not be possible in 2028/29 if LGR was delayed. Although there is no current indication LGR will be delayed, the new unitary would have to make savings of £4.6m to achieve a 10% General fund position on the HBBC services transferred to it, or at least £3m if it merely wanted to breakeven.
- 3.9. A deficit position was forecast to be inherited by the unitary body in the LGR submission at a combined value of £95 million from the combined range of councils including LCC. This has already been incorporated into the financial modelling for the District Council led LGR submission and there is a 10 year plan for the new Unitary to bring finances into balance. These late government changes aimed at directing funding to larger urban areas will however undoubtedly add additional pressures for the new unitaries. This leaves the main risks for HBBC of LGR being delayed or further unforeseen income cuts or cost pressures.



Changes in Earmarked and General Fund balances

3.10. Government is providing transitional relief and increased RSG funding for some of the new pressures, but this is not sufficient to cover all costs which are increasing at a higher rate than can be covered by the support. This means expenditure is higher than income and to balance the MTFs almost all earmarked reserves will be used by the 31 March 2028, with just £250,000 in an LGR reserve, and £175,000 in special expenses (appendix 1 replaces the previous position reported). The table below has a summary of changes to the profiled use of Earmarked Reserves, which are relatively minor.

Earmarked Reserve use changes	31 March 2026 Balance	From Revenue	31 March 2027 Balance	To Revenue	31 March 2028 Balance
Economic Priorities Reserve	0	-200	63	-63	0

3.11. The changes in the general fund balance over the MTFs between the reported provisional position and the final settlement are noted in the table below (not including savings or new income for 2028/29).

	2025/26	2026/27	2027/28	2028/29
GF Bal (Reported)	£2,121,481	£2,569,716	£2,601,726	-£877,935
Target- performance	15.00%	15.00%	15.00%	-5.03%
GF Bal (Amended)	£2,121,481	£2,580,871	£1,608,259	-£2,971,681
Target- performance	15.00%	15.00%	10.00%	-18.38%
Difference	£0	£11,155	-£993,467	-£2,093,746

Adequacy of funding (Particularly Food waste Collection)

3.12. MTF5 highlights a period of significant financial challenge for Hinckley and Bosworth Borough Council, and from the above it can be seen the settlement funding does not meet our costs. However, there have been specific increases on costs due to Government requirements for the separation of food waste, which is costing HBBC £1.45m a year. Members have been rightly concerned as to whether this extra cost is being funded based on MHCLG announcements. The Local Government Finance Policy Statement 2026-27 to 2028-29 (Published 20 November 2025) notes:

“The government remains committed to supporting local authorities to deliver weekly food waste collections. Ongoing funding was allocated through the Spending Review and will be provided through the Settlement, rather than as a separate new burdens grant. This funding is included within the overall uplift to local government confirmed at the Spending Review, and will be provided to local authorities through the Settlement. This approach reflects the government’s wider commitment, set out in the Fair Funding Review 2.0, to simplify the local government funding system by consolidating revenue funding across service areas and reducing the number of individual grants.”

3.13. The Table below would suggest that food waste is not fully funded from 2027/28 onwards.

Hinckley and Bosworth Core Funding	Expected 2026/27 Settlement Calculation based MHCLG statement £m	2026/27 Actuals £m	2027/28 Actuals £m	2028/29 Actuals £m
Core Spending Power (as notified in 2025/26)	£10.98			
Business Rates Growth in 2025/26	£4.50			
Homelessness, Rough Sleeping and Domestic Abuse as in 2025/26	£0.54			
Our Food waste Costs expected to be funded	£1.45			
Expected settlement for 2026/27 if food waste funded/ Provisional settlement 20267-2028/29	£17.47	£17.52	£17.52	£17.61
Difference	£0.13	£0.07	-£1.17	-£1.19
Final Settlement	£17.60	£17.60	£16.35	£16.43
Food waste costs funded		Yes	No	No

General Fund report – Key changes

3.14. The table below gives the key changes to the previously reported position in the general fund.

Changes due to the Final Settlement	Original Estimate 2026/27	Original Estimate Revised 2026/27	Changes
Corporate & Street Scene Services	9,081,260	9,081,260	0
Community Services & Development Services	10,387,010	10,387,010	0
Total service expenditure (Net)	19,468,270	19,468,270	0
Less:			0
Special Expenses	-878,555	-878,555	0
Capital Accounting Adjustment	-645,378	-645,378	0
Net external interest (received)/paid	949,656	949,656	0
IAS19 Adjustment/ Pensions	71,000	71,000	0
Transfer to (from) Unapplied Grants Reserve	-27,840	-27,840	0
Transfer to reserves	475,000	275,000	-200,000
Transfer from reserves	-2,730,694	-2,467,694	263,000
Transfer to/(from) balances	448,234	459,390	11,156
HBBC Budget Requirement	17,129,693	17,203,849	74,156

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

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 report.

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 based on current expectations	A Wilson
That the Council has insufficient resources to set a balanced budget over the MTFS period due to lack of sufficient reserves and government funding to cover potential increased future pressures from areas such as LGR and temporary accommodation, or other requirements	The Council will engage with in relation to the financial position of the council MHCLG to assess if there is further support available. A plan of potential action will be developed for if needed should savings and new income be required A review of the potential for the use capital flexibilities if needed.	S151 Officer / SLT SLT SLT
The Council is highly likely to transfer a deficit position to any new unitary authority in place from 1 April 2028.		

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

Contact officer: Ashley Wilson

Executive member: Cllr K Lynch

Appendix 1 Reserve Balances

Detail of expected reserves movements.

Reserves	31 March 2025			31 March 2026			31 March 2027			31 March 2028			
	Capital	To Revenue	From Revenue										
Special Expenses Reserve	294	-58	-33	45	248	-49	-33	45	211	-49	-33	45	175
Local Plan Procedure	204	0	-202	0	2	0	-2	0	0	0	0	0	0
Business Rates Equalisation Reserve	1,250	0	0	0	1,250	0	0	0	1,250	0	1,250	0	0
Economic Priorities Reserve	2,829	0	-391	81	2,519	0	1,626	0	893	0	-893	0	0
Year End Carry Forwards Revenue	157	0	-142	0	15	0	-15	0	0	0	0	0	0
ICT Reserve	162	0	0	0	162	0	-124	0	38	0	-38	0	0
Asset Management Reserve	274	0	0	0	274	0	-100	0	174	0	-174	0	0
Election Reserve	50	0	0	25	75	0	0	25	100	0	-100	0	0
Grounds Maintenance	30	0	0	0	30	0	0	0	30	0	-30	0	0
Enforcement and Planning Appeals	100	0	-50	135	185	0	-50	0	135	0	-135	0	0
Building Maintenance costs	492	-100	0	0	392	-100	0	0	292	-100	-192	0	0
Enterprise Zone - Covid	214	0	0	0	214	0	-214	0	0	0	0	0	0
Developing Communities Fund	236	0	0	0	236	0	-236	0	0	0	0	0	0
LGR Reserve	0	0	-50	100	50	0	-50	250	250	0	0	0	250
Environmental Action Reserve	150	0	-50	0	100	0	-50	0	50	0	-50	0	0
Total	6,444	-158	-918	386	5,753	-149	2,501	320	3,424	-149	2,895	45	425
Net of Special Expenses	6,149	-100	-885	341	5,505	-100	2,468	275	3,212	-100	2,862	0	250

Income and Savings Plan

This year the MTFs is being prepared at a time of very high levels of uncertainty due to the Government's actions over a relatively short period of 2025/26 to 2027/28: Indeed Government only notified us of significant changes to the financial settlement just days before the scheduled budget meeting. Those changes are material to the forecast position provided only in late December and are to the detriment of HBBC

Other factors include:

- a fair funding review for 2026/27
- a business rates reset for 2026/27, which means the Council is losing all of its £4.6 retained business rates growth
- local government reorganisation (LGR) in this MTFs by 1 April 2028, and
- devolution for local Government in England during this MTFs period.

The MTFs therefore highlights a period of significant financial challenge for Hinckley and Bosworth Borough Council. The business rates reset, declining government support, and rising costs mean that reserves will be heavily used. A deficit position (as at the end of this MTFs period) has already been incorporated into the financial modelling for the District led LGR submission and there is a 10 year plan for the new Unitary to bring finances into balance.

The council is taking proactive steps, in face of the pressures faced for 2026/27, with reduction in costs, savings and new income already identified of £2.1m. We have also invested in properties to reduce homelessness accommodation costs by up to £0.6m.

The details of these savings or new income are listed in the table below

Service Area	£
Fuel savings	£117,470
Efficiencies in Estates & Asset Management	£70,000
Parks & Open Spaces additional income	£16,000
Target increase in income for trade waste service	£130,000
Commercial rental savings	£34,770
NHS rental income & Service fee	£122,581
Planning Fees Income Target increase	£175,000
Garden Waste Income increase	£143,750
Reduction in demand for legal costs associated with noise abatement	£90,000
Fees & Charges Inflationary increases	£90,256
Leisure Centre Management fee	£16,450
Car parking – increase in income	£11,995
Commercial estates increase in income	£16,898
Planning Appeals cost reduction	£40,000
Election costs reduction	£17,860
EPR Packaging income	£367,000
Pension contribution savings	£575,000
Pension amendments	£71,000
Total	£2,106,030

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**SUMMARY MEDIUM TERM
FINANCIAL STRATEGY (MTFS)
Refresh for 2025/26 – 2027/28**



What is the purpose of the MTFS?

Our MTFS is fundamental to securing the key ambitions and objectives of the council's Corporate Plan.

Its purpose is to:

- structure and manage the council's finances to support and deliver objectives,
- inform decisions on expenditure, savings and new income to sustain council services,
- engage officers and members in "owning" the process by which council finances are managed.

Background

This year the MTFS is being prepared at a time of very high levels of uncertainty due to the Government's actions over a relatively short period of 2025/26 to 2027/28: Indeed Government only notified us of significant changes to the financial settlement just days before the scheduled budget meeting. Those changes are material to the forecast position provided only in late December and are to the detriment of HBBC.

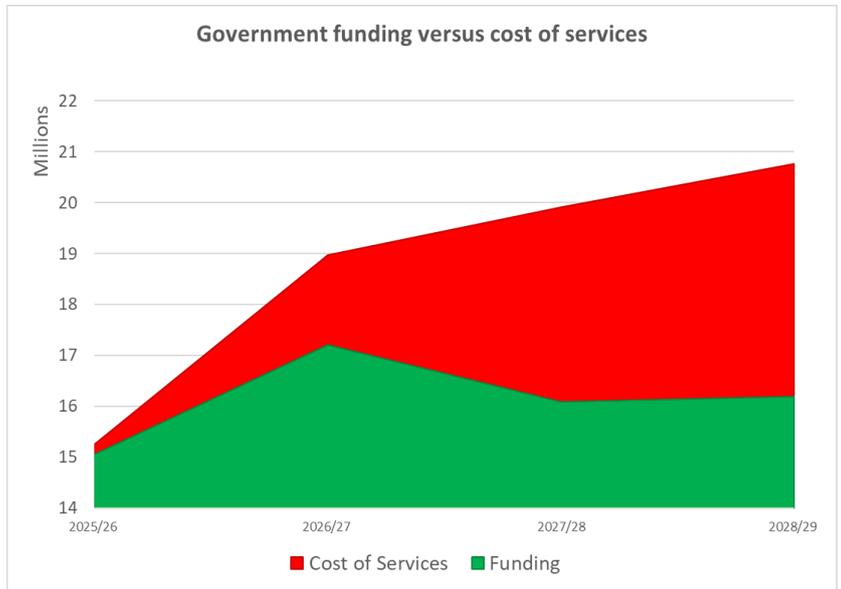
Other factors include:

- a fair funding review for 2026/27
- a business rates reset by 2026/27, which means the Council is losing all of its £4.6 retained business rates growth,
- local government reorganisation (LGR) in this MTFS by 1 April 2028, and
- devolution for local Government in England during this MTFS period.

The MTFS therefore highlights a period of significant financial challenge for Hinckley and Bosworth Borough Council. The business rates reset, declining government support, and rising costs mean that reserves will be heavily used. A deficit position (as at the end of this MTFS period) has already been incorporated into the financial modelling for the District led LGR submission and there is a 10 year plan for the new Unitary to bring finances into balance.

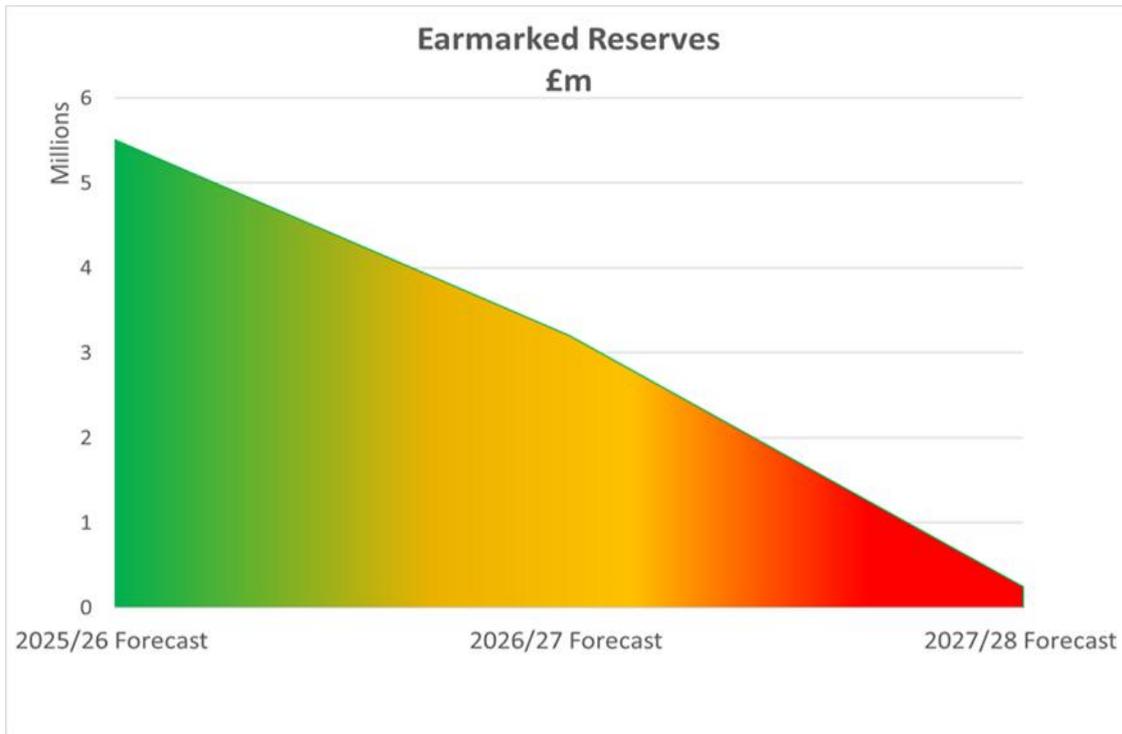
The council is taking proactive steps, in face of the pressures faced for 2026/27, with reduction in costs, savings and new income already identified of £2.1m.

Our core support from Government has also fallen considerably since 2016/17 as seen in the Core Spending Power (CSP) over the years. For 2026/27 government have confirmed our settlement funding is £0.6m less than 2025/26, but our costs are increasing by almost £6.4m, with pressures for food waste and temporary accommodation being a significant element of that increase. The government have issued a final three year settlement, which has a fall in funding of £1.2m in 2027/28, so does not cover the costs of providing the services needed by our local residents.



A balanced budget

To balance our budget and reduce the impact of the lack of funding, the Council will use its earmarked reserves as much as possible to avoid cuts in service, but this will cause a significant reduction in our resources as can be seen in the graph below.



The Council will make representation to government to see if further support can be given.

The key factors causing the pressure in the budget position are common to many councils nationally. These are primarily the separation of food waste £1.5m, the increased costs of temporary accommodation, with costs being about £1m higher than government funds, and to cover rising costs that are increasing faster than inflation due to the ongoing cost of living pressures. These pressures have not been fully covered by funding from Government for the period of the MTFS.

What this means for the future

We have a net budget requirement higher than the amount received from Government, business rates, council tax and other government funding. It does not appear that further funding will be made available, but we will challenge government to offer more support to our residents. The Government White Paper on English Devolution, published in December 2024, has led to wide scale local government reorganisation meaning that Hinckley and Bosworth Borough Council will be merged into a larger unitary council on the 1 April 2028. A reserve of £0.25m has been set aside in the MTFS to help deal with any costs that may be incurred due to the reorganisation. The Council will try to preserve services for the duration of its existence as part of this LGR process.

The MTFS will need to be reviewed if the government makes further announcements in relation to their plans for devolution and Local Government Reorganisation.



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