



Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Scrutiny Commission 18 December 2025

Wards affected: All Wards

BUDGET STRATEGY 2026/2027

Report of Head of Finance

1. Purpose of report

1.1 To set out the Budget Strategy for 2026/2027.

2. Recommendation

2.1 That Scrutiny notes the Budget Strategy for 2026/2027.

3. Background to the report

3.1 This Budget Strategy (the Strategy) is presented during significant pressures in local government finance especially for shire districts. The 2026/27 financial year is the year government has indicated will be the year of business rates reset and changes from a fair funding review. MHCLG have already contacted the Council to let them know they will be worse off from the reset by at least 5%-7% (£0.7m -£1m) in comparison to the 2025/26 settlement plus business rates growth.

3.2 For 2026/27 the Council is likely to spend more than it is getting in form all income sources, so it is not self-sufficient over the medium-term in respect of income being equal to its expenditure. This will mean we will need to use reserves to balance the general fund to its agreed target. This is not the first year of needing to do this as it occurred in 2024/25 and 2025/26. However, at the time of setting this budget strategy it is reasonable to conclude that in respect of its total resource including reserves availability, other than in an extreme scenario, the Council can meet its financial commitments for 2026/27. This statement will be updated when the budget for 2026/27 is finalised in February 2026.

- 3.3 In 2016/17 government funding was 60% of our net budget requirements, this had reduced to 42% by 2025/26, with local tax taxation now being the largest share of how HBBC's net budget requirement is financed (Table 1 below). Between 2016/17 and 2025/26 Core Funding from Government has reduced by £2m. Council Tax funding has increased by £2.1million. This means overall funding has not kept pace with inflation. To add some context, the £6.5m provided for 2016/17 by Government, if it had kept pace with CPI inflation would be worth £8.7m in 2025/26 and if increased by RPI it would be £9.6m. We got £4.4m from Government which is just about 50% of the CPI increased equivalent.

Table : Funding	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Government Funding	6.5	6	5.6	5	4.4	4.1	3.8	4.2	4.7	4.5
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	10.9
Business Rates Growth (Not incl in Core Funding)	0.5	0.5	0.9	1.2	1.8	1.6	2.6	4.1	4.4	4.6
Government Funding %	61%	57%	53%	50%	46%	43%	41%	42%	43%	42%
Council Tax %	39%	43%	47%	50%	54%	57%	59%	58%	57%	58%

- 3.4 For this Council, the key pressures expected for 2026/27 are summarised below:

- reduced funding provided by Central Government in real terms due to the fair funding review and business rates of £0.7m-£1m.
- the national pay award estimate made for 2026/27 is 3.2% based on past settlements, which will give about £0.5m-£0.6m extra costs.
- increased pressure from homelessness demand will increase the budget need; therefore, the budget will be increased by £0.5m, which assumes savings of £0.4m will be achieved for 2026/27 on 2025/26 spend.
- It should be noted that this Council has at present still in the lower quartile of district Council Tax levels. Since 2016/17 MHCLG has allowed an average £5 increase in Council Tax for Council's in the lowest Council tax quartile. Therefore a £5 increase will be included for 2026/27, which is allowed for in the government's core spending assessment and is in line with previous MTFS assumptions.

- 3.5 When members set the council tax for 2026/27, the Council's section 151 officer has a duty under Part II of the Local Government Act to report on the robustness of the Budget and the adequacy of reserves in providing quality services. This Strategy provides the framework for the next financial year. In view of the changes in funding mentioned above, additional work will be required to ensure that robust sustainable balances can be maintained in

future. If this Statement cannot be made at any time a S114 recommendation will be issued.

Income Generation/Fees and Charges

- 3.3 All fees and charges are reviewed on an annual basis and are published separately in the Council's Fees and Charges book, as approved by the Executive. Whilst a dedicated charging strategy is not in place, a number of principals are followed when considering fees and charges.
- 3.4 In general terms, all applicable services should be charged for unless there is a valid reason for an exception to be made. These exemptions include, but are not limited to:
- Instances where the administrative cost of levying and recovering the charge would outweigh any potential income.
 - Where policy has been passed to fund the service from Council Tax or other dedicated funding streams (e.g., grants)
 - Circumstances where charging would significantly deter demand.
 - Where statute dictates that charges cannot be made
- 3.5 When setting scales of charges, the following factors are taken into consideration:
- Statutory obligations
 - Policy decisions
 - Inflation and relevant indices
 - Local market research and competition, including consideration of market distortion (where relevant)
 - The impact of price changes on activity level or demand
 - Levels of subsidy (where appropriate)
 - The need to avoid any exploitation of customers who have no option but to use the Council's services.
 - Cost recovery. This should be considered with recognition that, taking one year with another, the income from charges should not exceed the cost of provision.
 - The financial position of the Council and the need to generate income to remain solvent.

2026/2027 Budget Assumptions

- 3.6 The following assumptions will be used for the purpose of setting the 2026/27 Budget, as directed by the Executive:

Factor	Assumption
Basis of budget	The 2026/2027 budget is to be based on the 2025/2026 original budget. All one-off items in the 2025/2026's original budget will be removed and full year effects of part year budget changes included.

Factor	Assumption
Growths	Consideration will be given to requests where additional resources are required to cover additional expenditure arising from additional statutory requirements or changes in the economic climate. Requests will need to be supported by both the relevant SLT member and S151 Officer and must be accompanied by an explanation as to why the costs cannot be met from existing resources. Where pressures have arising due to ending of funding, officers should look to include a corresponding reduction in expenditure.
Savings/additional income – officer targets	All targets included in the MTFS detailed will be built into the Budget.
Additional income – member decisions	A range of options on income will be proposed by SLT for inclusion in the budget and MTFS. However, it should be noted that inflation is a key consideration.
Car Park Fees	Car park fees to be frozen for a further year to support local businesses
Garden Waste	A £5 increase in Garden waste from £47.50 to £52.5 in 2026/27
Council Tax	The national guidance on allowable Council tax increase is not yet released, but the cap for 2025/26 was 3% or £5 whichever was the higher. It is expected to be kept the same for 2026/27, so an increase of £5 is expected. This cap may be increased.
Pay increase	Average Pay Increase award assumed at 3.2% plus increments (pending any changes in national negotiations). This is based on the 2025/26 increment.
National Insurance	HMRC rate for employees earning £5,000 or more is currently 15%. This is not expected to change and was part-funded in 2025/26. to be funded from extra grant. The details of the grant, if still available, will be finalised as part of the financial settlement.
Employers Pension Contributions	The Employers Contribution rate is based on the triannual valuation. For 2026/27 a reduction is expected of 6%, which would save approximately £0.5m as an estimate, but final details will not be known until late November 2025. For now, a saving is 6% is being included in the budget.
Vacancy Factor	A net salary/vacancy saving of 5% will be applied (5% in previous years). This will be across all service areas except for senior management posts.
Supplies and Services – Non-contract	Zero percent increase
Supplies and Services – Contract	It is anticipated that the average rate of inflation of 2.5% will be added to the Council's payments. As such inflation will be applied to contractual costs. Where budget holders have knowledge of price rises that differ, adjustments can be made to these budgets to reflect actual price changes.

Factor	Assumption
Fees and Charges	Inflation will be applied to all fees and charges where permissible. HRA rent will be set at September CPI plus inflation in line with government guidance
Investment income/expenditure	The Bank of England base rate is currently 4%. Rates are expected to fall over the next 18 months. Therefore, a rate of 3.5% has been assumed for 2026/27.

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

4.1 Report taken in open session.

5. Financial implications [IB]

5.1 Contained in the body of the report

6. Legal implications [MR]

6.1 None

7. Corporate Plan implications

7.1 The Budget supports all aims of the Corporate Plan

8. Consultation

8.1 All budget holders and members of Executive, Scrutiny and Finance, Audit and Performance Committee will be consulted in the Budget setting process.

9. Risk implications

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

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

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

Management of significant (Net Red) risks

Risk description	Mitigating actions	Owner
That the MTFS must show a balanced budget for each year of the forecast.	A budget strategy is produced to ensure that the objectives of the budget exercise are known throughout the organisation.	Strategic Leadership Team
Ongoing reductions in core funding increase the risk that it will lead to failure to deliver balanced MTFS	Regular sessions with SLT to develop income and savings plans will be needed.	
	Savings & new income will be identified for 27/28 as part of the MTFS update in February 2026.	Council

10. Knowing your community – equality and rural implications

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

11. Climate implications

- 11.1 There are no direct implications arising from this report.

12. Corporate implications

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

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

Background papers: None
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