



## Hinckley & Bosworth Borough Council

### Forward timetable of consultation and decision making

Scrutiny Commission and Finance & Performance	5 February 2026
Council	19 February 2026
Wards affected:	All wards

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### Medium Term Financial Strategy (MTFS) 2025/26 - 2027/28

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

#### 1. Purpose of report

- 1.1 To update members on the MTFS position for 2025/26-2027/28 in the context of significant change for local government, both in terms of its funding basis and structure from local government reorganisation.

#### 2. Recommendation

2.1 That Members:

- i) Note the impacts arising from the governments fair funding review and finance settlement on the council's three-year MTFS 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.
- 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.

#### 3. Background to the report

- 3.1. The MTFS sets the financial framework for delivering the Council's Corporate Plan through to the transition to unitary status in 2028. The MTFS aims to

ensure financial sustainability, robust planning, and the ongoing delivery of priority services. The update is being made in the context of significant changes and challenges due to government funding reforms, a business rates reset in 2026/27, and local government reorganisation (LGR) by 2028.

3.2. The key financial pressures in the MTFS arising from the recent government settlement and other key impacts are noted below:

- Business Rates Reset (2026/27): The Council will lose all of its £4.6m retained business rates growth, a major risk to financial stability.
- National pay settlements and new posts for food waste have increased payroll costs sharply (from £15.6m in 2025/26 £17.7m in 2026/27).
- Temporary accommodation costs have increased, the budget was increased to £2.1m in 2025/26 and is almost £1.5m in 2026/27, but government funding is only £0.57m.
- Structural Deficit: Income and government funding does not cover expenditure, requiring significant use of reserves to balance the budget over the MTFS period. This is due to a history of the financial settlements not fully covering costs pressures, which has not been corrected for by the fair funding review.
- Government Finance Settlement - The overall impact arising from the government's fair funding review is mixed but the overriding impact is negative. Whilst the settlement has directed more resources to the council of around £2m to help cover pressures and the introduction of national waste requirements, the implementation of food waste costs alone are £1.45m. Our £1.5m temporary accommodation costs are also not being met by government support (only £573,000 are funded) and other pay pressures are adding about £1.3m.
- Overall, growths and pressures exceed savings and new income by £2.8m for 2026/27.

3.3. Key risks that may change the MTFS position:

- Government have noted in their consultation on the settlement in 2026-27 that final allocations for 2027-28 and 2028-29 will be confirmed in their respective years. Which means the amounts noted could change and be less or more than we have been notified of in this settlement.
- At the time of writing it is understood that the business rates reset also may make changes to the level of growth held in enterprise zones, with government potentially taking a share of the growth. HBBC have a forward funding agreement that depends on the previous method of business rates retention in EZ areas. The change could lead to losses on the arrangement. Further analysis will be needed once the revised position is fully clarified. Representations have been made to government officials to seek to address this risk.
- Assumptions have been made on cost increases, the largest being for pay costs that have not yet been nationally agreed. If costs increase at a higher rate than expected, then further pressure will occur and the MTFS will need to be updated, when known.

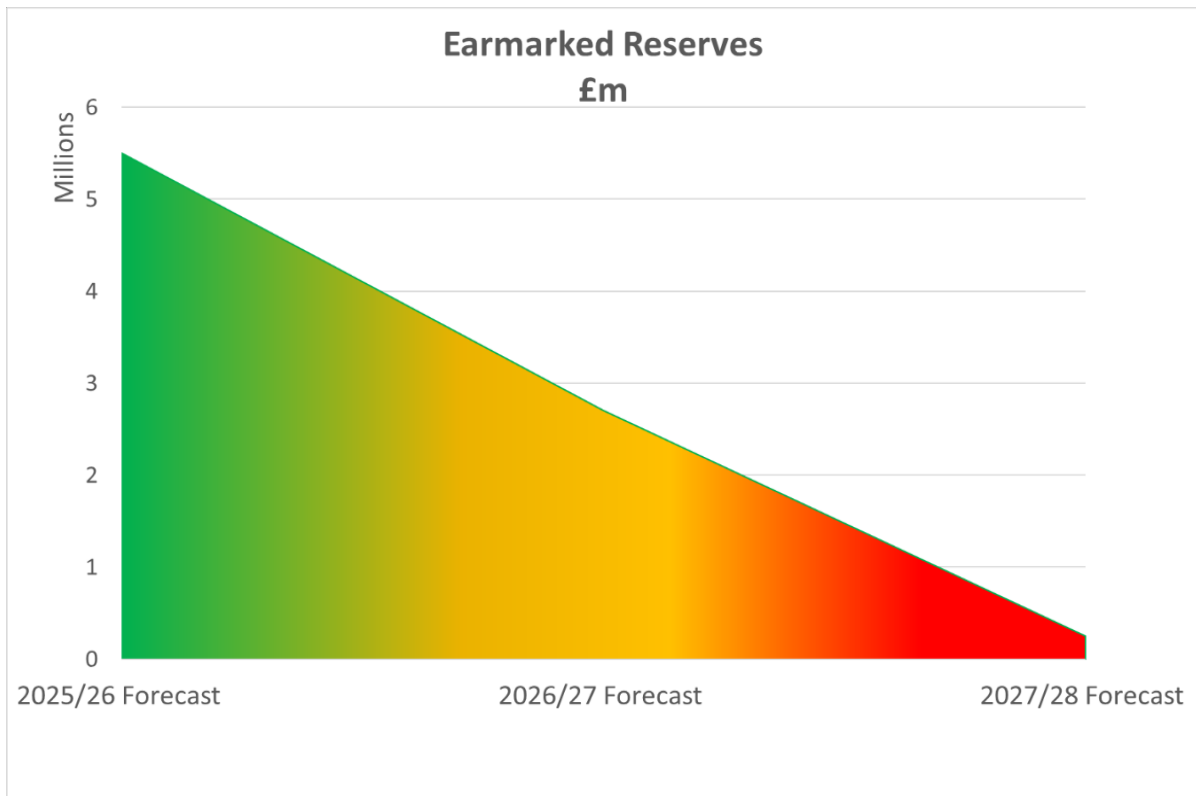
- Any savings or costs referred to do not include local government reorganisation costs, which could be significant for all authorities in Leicestershire and Rutland.
- 3.4. Government is providing transitional relief and increased RSG funding for some of the new pressures, but this is not sufficient to cover all costs which are increasing at a higher rate than can be covered by this support. This means expenditure is higher than income and to balance the MTFS all earmarked reserves will be used by the 31 March 2028.
- 3.5. The MTFS 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. The council is taking proactive steps, but the risks remain high, and ongoing monitoring and adaptation will be essential. The council is already taking proactive steps, such as investing £5m in general fund housing to ease temporary accommodation pressures, but the risks remain high and ongoing monitoring and adaptation will be essential. To put the overall context of pressures faced for 2026/27, there are, after adjustments, £5.9m of pressures, with reduction in costs, savings and new income actioned of £2.3m.
- 3.6. This MTFS is being updated to reflect changes announced by national government in relation to the fair funding review and business rate reset, as well as its intention for LGR by 2028/29, and is being prepared at a time of very high levels of uncertainty, due to the government's ambitions to deliver change in a relatively short period:
- a fair funding review for 2026/27, this will not be repeated during the MTFS period, but the annual settlement will be subject consultation which may lead to changes,
  - a business rates reset for 2026/27, which will 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.
- 3.7. The MTFS is forecast to 2027/28 on the basis that HBBC will continue for that period, even though the financial settlement covers a three year period to the end of 2028/29. Based on the assumptions in the report, the council will be able to set a balanced budget for 2026/27 and 2027/28. If, for any reason, LGR is delayed, then a balanced budget for 2028/29 will likely not be possible for 2028/29. This also appears to be the picture for other Leicestershire authorities. Due to the LGR timeline the MTFS only covers the current year, plus a two-year forecast.
- 3.8. The MTFS summary is provided in the table below, which can be delivered without savings or new income at a 15% of net expenditure target for 2026/27 and to not fall below 10% for 2027/28, with an LGR reserve of £250,000. All councils are required to set a balanced budget and confirm that reserves held are adequate.

EXPECTED (FINANCIAL FORECAST)	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
Net Service Expenditure	14,333,957	15,947,803	18,784,264	19,638,313
Budget movements	2,524,348	2,836,461	854,049	800,890
Savings/New income needed	0	0	0	0
<b>NET Borough Budget Requirement</b>	16,858,305	18,784,264	19,638,313	20,439,203
Pension Adjustment	-1,610,720	71,000	71,000	71,000
Reserves movements	-511,132	-2,729,034	-2,353,747	0
General fund gain / loss	314,921	350,176	-667,190	-3,888,344
<b>Net Budget Forecast</b>	15,051,375	16,476,406	16,688,376	16,621,858
<b>General Fund Balance</b>	2,120,930	2,471,657	1,804,467	-2,083,877
<b>Earmarked Reserves</b>	5,504,941	2,703,747	250,000	250,000
GF performance	14.1%	15.0%	10.8%	-12.5%

## The Budget Gap

- 3.9. To close the budget gap and achieve a 15% target for the General Fund for 2026/27 and at least 10% for 2027/28, the use of reserves would be required, as set out in the table below. This would reduce the borough's earmarked reserves to £250,000 to resource a LGR reserve, and the special expenses balance of £175,000 remaining as a separate amount. This fall in reserves is noted in the table and graph below.

EXPECTED (FINANCIAL FORECAST)	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
<b>Budget Gap</b>	196,211	2,912,825	5,136,037	7,640,616
<b>Damping Provided</b>	0	-533,966	-2,115,101	-3,752,272
<b>Unfunded Budget Gap</b>	196,211	2,378,859	3,020,936	3,888,344
<b>Savings/New Income to balance GF</b>	0	0	0	0
<b>Use of Reserves</b>	-511,132	-2,729,034	-2,353,747	0
<b>Contribution to / from General Fund</b>	314,921	350,176	-667,190	
<b>Gap not covered</b>				-3,888,344
<b>GF 15% Target performance</b>	15%	15%	11%	-13%
<b>Total Earmarked reserves</b>	5,753,166	2,915,131	424,544	424,544
<b>Net of Special Expenses</b>	5,504,941	2,703,747	250,000	250,000



### The Core Spending Power Financial Settlement (CSP)

- 3.10. 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 2026/27 settlement will be less in this year for HBBC than the prior year, by up to 5%. However, the basis for covering core spending power funding has been rebased by government to include amounts the council would previously have paid to the Leicestershire business pool of £2.6m. Therefore, whilst the amount paid directly to HBBC has increased by £2m, after adjustment for the levy there is a reduction on funding to the local area as per the table below, which is as 3.4% calculated by MHCLG.

Hinckley and Bosworth Core Funding	2025/26 CPS £000	Provisional Settlement 2026/27 £000	Difference £000
<b>Business rate BLF</b>	£2,854	£2,735	<b>-£120</b>
RSG	£242	£7,003	£6,762
Business Rates growth	£4,557	£0	<b>-£4,557</b>
Council tax requirement excluding parish precepts <sup>1</sup>	£6,393	£6,676	£283
New Homes Bonus	£526	£0	<b>-£526</b>
Employer National Insurance Contributions Grant	£127	£0	<b>-£127</b>
Domestic Abuse Safe Accommodation Grant	£36	£0	<b>-£36</b>

Hinckley and Bosworth Core Funding	2025/26 CPS £000	Provisional Settlement 2026/27 £000	Difference £000
Homelessness, Rough Sleeping and Domestic Abuse	£540	£573	£33
Funding Floor	£240	£0	-£240
Damping	£0	£534	£534
Core Spending Power as provided in 2025/26	£15,516	£17,521	£2,005
Pool Levy kept locally*	£2,752	0	0
Less Employer National Insurance Contributions Grant	-£127	0	0
Total as per MHCLG settlement	£18,141	£17,521	-£619£
Year on year fall			-3.4%

- 3.11 There is an increase in direct funding being used to help partially cover the food waste costs of £1.45m, increases in temporary accommodation costs £0.5m and other pressures, such as national pay increases of over £1.25m, not including pay costs that are already included in the food waste increase. Also, of note is that the national insurance increases of £127,000 introduced in 2025/26 that were funded are no longer included in the settlement. The actual movement year on year in terms of its impact on HBBC needs some further consideration, as the local business rates pool returned about £1m for HBBC to use, which is now lost to us as funding, and was not factored into the new settlement.

#### 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 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	<p>A budget strategy is produced to ensure that the objectives of the budget exercise are known throughout the organisation.</p> <p>The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance.</p> <p>Sufficient levels of reserves and balances have been maintained to ensure financial resilience based on current expectations</p>	A Wilson
<p>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</p> <p>The Council is highly likely to transfer a deficit position to any new unitary authority in place from 1 April 2028.</p>	<p>The Council will engage with in relation to the financial position of the council MHCLG to assess if there is further support available.</p> <p>A plan of potential action will be developed for if needed should savings and new income be required</p> <p>A review of the potential for the use capital flexibilities if needed.</p>	<p>S151 Officer / SLT</p> <p>SLT</p> <p>SLT</p>

## **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

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

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Executive member: Cllr K. Lynch

## Appendix 1 Reserve Balances

Expected case reserves movements detail.

Reserves (Expected) Amounts in £000	31 March 2025	Capital	To Revenue	From Revenue	31 March 2026	Capital	To Revenue	From Revenue	31 March 2027	Capital	To Revenue	From Revenue	31 March 2028
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	2,361	500	658	0	-658	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
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	0	0	0	0	0	0
Environmental Action Reserve	150	0	-50	0	100	0	-50	0	50	0	-50	0	0
Total	5,910	-158	-776	386	5,361	-149	2,882	570	2,901	-149	2,622	45	175
Net of Special Expenses	5,615	-100	-743	341	5,113	-100	2,849	525	2,689	-100	2,589	0	0