



Hinckley & Bosworth
Borough Council

**Medium Term
Financial Strategy
2025/26-2027/28**

Full Basis Document

1. INTRODUCTION

1.1. 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 amid significant changes due to government funding reforms, a business rates reset in 2026/27 and local government reorganisation (LGR) by 2028.

1.2. The key financial pressures in the MTFS are noted below:

- Business Rates Reset (2026/27): The council will lose all its £4.6m retained business rates growth, a major risk to financial stability.
- National pay settlements and new posts for food waste have increased 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.

Government is providing transitional relief and RSG funding for some of the new pressures, but costs are increasing at a higher rate than can be covered by this support. This means almost all the Council's earmarked reserves will be used by 2027/28.

1.3. 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 is also going to 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. Representations to government have been raised on this matter. Further analysis will be needed once the revised position is fully known.
- Assumptions have been made on cost increases, the largest being for national pay award 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 referred to do not include any that might be needed to cover any potential LGR costs, which could be significant.

- 1.4. 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, and there remains a risk substantial new income or savings will be needed to maintain financial stability.

Cost reductions/Savings and new income

- 1.5. The council is already taking proactive steps, such as investing £5m in general fund housing to ease temporary accommodation pressures by £0.6m. There are also other initiatives and new income, such as saving on fuel £0.1m, new trade waste income of £0.1m, garden waste income of £0.15m, Extended Producer responsibility income of £0.4m, planning income of £0.18m and other savings that make a total of £2.3m (Appendix 5).
- 1.6. The forecasting used sets out the Council's likely Medium Term Financial Plan but there could be issues that impact this if costs increase further or government make any changes to the proposed settlement. This MTFS includes the impact of government announcements in relation to a fair funding review and business rates reset in 2026/27, and its aims for local government reorganisation (LGR) as from the 1 April 2028. There are also other economic issues, and local priorities and factors that have been considered. This leads to effective financial management and enables the council to respond to pressures and changes.
- 1.7. The key objectives of the MTFS are to:
- Provide financial parameters within which budget and service planning should take place over the life of this strategy;
 - Ensure the council meets its commitment to deliver a balanced budget on an ongoing basis and that the council's long term financial health and viability remain sound;
 - Focus the allocation of resources so that priority service areas and Corporate Plan goals are achieved;
 - Maximise the use of resources available to the council;
 - Ensure our reserves policy is aligned with our financial duties and ambitions;
 - Enable the council to respond to external pressures, particularly funding reforms;
 - Highlight and assess financial risks and put mitigating controls in place;
 - Ensure the council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available.

- 1.8. The MTFS should be read in conjunction with the Capital Programme, General Fund and HRA budgets, which are presented separately.

2. MTFS Summary

2.1. The MTFS is fundamental to securing the key ambitions and objectives of the council's Corporate Plan. The MTFS refresh 2025/26-2027/28 sets the framework for continuing to deliver high quality local services to residents and businesses but comes at a very uncertain time due to wide range of changes being introduced by government over the MTFS period. This MTFS is being updated to reflect these changes, which include:

- a fair funding review for 2026/27,
- a business rates reset by 2026/27,
- local government reorganisation (LGR) in this MTFS period, and
- devolution for local Government in England during this MTFS period.

The MTFS is forecast to 2027/28 on the basis that HBBC will continue for that period before being merged into a larger unitary council. The Settlement provided is for three years, ending on 31 March 2029. Due to the LGR timeline the MTFS only covers a current year, plus a two-year forecast and does not include 2028/29.

2.2. The MTFS is based on achieving a 15% minimum general fund target as a share of the net budget requirement for 2026/27 with a lower target set for the final year of the MTFS in 2027/28 of at least 10%. This means the 15% enables the council to absorb unexpected pressures of around £2.4m before a deficit occurs for 2026/27. This is changed for the last year of the MTFS where a minimum of no less than 10% of net expenditure on the general fund reserves is maintained. This would mean all earmarked reserves, other than £250,000 for unforeseen LGR costs, are used. This does not include special expenses, which will have reserves of £175,000. Councils are not allowed to have deficit budgets and when there are high levels of uncertainty, as we are currently in, this general fund is needed to ensure the council remains in financial balance.

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

2.3. Even before the potential changes of LGR and a business rates reset, there were two key factors causing the pressure in the budget position that are common to many councils nationally. These are the increased costs of

temporary accommodation and higher national pay cost settlements. This can be seen in the pressures noted below:

- The current 2026/27 forecast is £17.9m, an increase of £2.3m on 2025/26, which includes the impacts arising from food waste staffing of £0.95m.
- The costs for temporary accommodation for 2025/26 had risen to £2.1m, including a £0.9m supplementary agreed in year. Even after actions to reduce pressure the 2026/27 budget will be £1.5m, almost £0.5m higher than the original 2025/26 budget.
- The introduction of food waste has also contributed to increased costs by £1.45m (which includes about £950k of pay costs).

These pressures have been not fully covered by increased funding from Government for 2026/27.

- 2.4. Central government have changed the way Core Spending Power funding is calculated, which means the 2025/26 settlement has been recalculated. For the base year of 2025/26, which was originally a settlement of £15.5m, they have added the amount that would have been paid as a levy contribution to the local Leicestershire Business Rates Pool, leading to a revised settlement for that year of £18.1m. This is used to assess the overall funding the Government want to provide to HBBC in 2026/27 to cover all new pressures. For 2026/27 the settlement has been set at £17.5m, a reduction of £0.6m on this revised basis. However, the movement from the original 2025/26 settlement of £15.5m to the 2026/27 settlement of £17.5m is a £2m increase on the amount government consider as being directly paid to HBBC. This at a time when our unfunded cost pressures for pay, food waste, and temporary accommodation is almost £3.75m.

Hinckley and Bosworth Core Funding	2025/26 CPS + business rates growth Final	Provisional Settlement 2026/27	Difference
Business rate BLF	£2,854,270	£2,734,617	-£119,653
RSG	£241,604	£7,003,253	£6,761,649
Business Rates growth	£4,557,486	£0	-£4,557,486
Council tax	£6,392,953	£6,676,177	£283,224
New Homes Bonus	£526,141	£0	-£526,141
National Insurance Contributions Grant	£127,201	£0	-£127,201
Domestic Abuse Grant	£35,662	£0	-£35,662
Homelessness, Rough Sleeping and Domestic Abuse	£540,000	£573,188	£33,188
Funding Floor	£240,434	£0	-£240,434
Damping (Transitional support)	£0	£533,966	£533,966
Core Spending Power	£15,515,751	£17,521,202	£2,005,450

Hinckley and Bosworth Core Funding	2025/26 CPS + business rates growth Final	Provisional Settlement 2026/27	Difference
Pool Levy kept locally*	£2,752	N/A no levy	0
Less Employer National Insurance Contributions Grant	-£127	0	0
Total as per MHCLG settlement	£18,141	£17,521	-£619£
Other indirect changes			
Tariff on Business Rate	£12,068,872	£19,231,167	7,162,295

- 2.5. This masks the overall negative impacts arising from the government's fair funding review and settlement. Whilst on the face of it, it indicates an increase in direct funding to HBBC of £2m, to help cover the food waste costs of £1.45m, increases in temporary accommodation costs £0.5m, there are other pressures, such as pay increases of over £1.25m, not related to food waste increases. It should also be noted that the tariff has increased to a level whereby HBBC could be in a safety net payments position. The changes to the business rates position across the local area, will mean that the local business rate pool arrangement will not be financially viable and will be closed in 2026/27.
- 2.6. In 2025/26, there was a levy of £2.7m budgeted for, which went to the Leicestershire pool to be used for local investment, of which £1m was returned to HBBC in 2025/26. However, the reset of business rates means there will be no levy to pay to the pool. The settlement has included this pool income as part of HBBC 95% protection for HBBC year on year. This is explained in the table below, which demonstrate locally there is still a fall in funding, even though the amount paid direct to HBBC has increased, which will be used to partly fund increased pressures incurred by HBBC.

Changes to Funding	2025/26	2026/27	Difference
Total direct to HBBC	£15,515,751	£17,521,202	£2,005,450
Pool Levy kept locally	£2,752,037	£0	-£2,752,037
Total all funds	£18,267,788	£17,521,202	-£746,587
Change in total local funding	100%	96%	-4%

- 2.7. As a result of the factors identified above, the updated MTFS notes that the council, has an underlying structural deficit, meaning the income it has coming in does not cover its expenditure needs, which is not sustainable. The reset makes this position much worse, and careful budget management is needed to achieve a balanced budget during the MTFS period. The forecast positions below are possible, unless unforeseen pressures occur, but rely on significant use of earmarked reserves to achieve balance.

The last scenario is if members wish to make an earmarked reserves as a "financial shock" buffer of £1m in 2027/28.

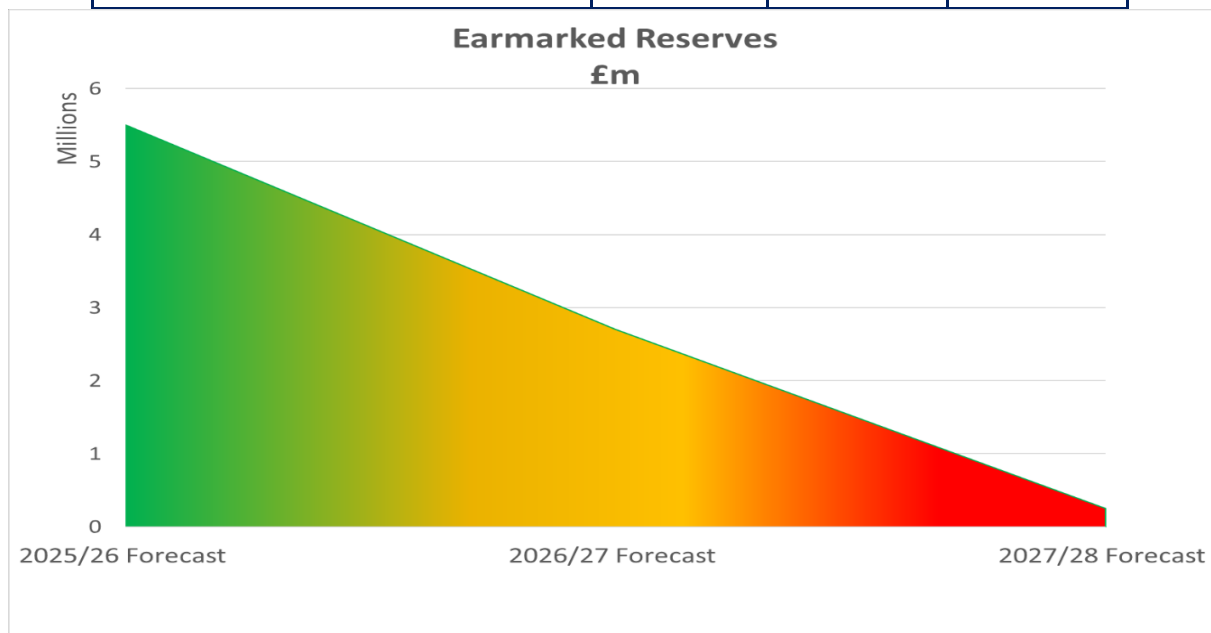
A table of potential savings targets based on the set general fund balance for 2027/28 is noted below.

15% GF target	2025/26	2026/27	2027/28
Savings			-698,789
Target	15.00%	15.00%	15.00%
GF Bal	£2,121,481	£2,471,657	£2,503,256
Earmarked Reserves balance	5,504,941	2,703,747	250,000
Minimum 10% GF	2025/26	2026/27	2027/28
Savings			
Target	15.00%	15.00%	10.81%
GF Bal	£2,121,481	£2,471,657	£1,804,467
Earmarked Reserves balance	5,504,941	2,703,747	250,000
Minimum 10% GF + Earmarked at £1m minimum	2025/26	2026/27	2027/28
Savings			-614,000
Target	15.00%	15.00%	10.00%
GF Bal	£2,121,481	£2,471,657	£1,668,467
Earmarked Reserves balance	5,504,941	2,703,747	1,000,000

- 2.8. There is an underlying budget gap on the general fund for 2026/27 and 2027/28, the following table indicates the use of reserves being used to close the gap. This incorporates almost £2m savings already built in but with no further savings shown that would be needed to fully close the gap. This would fall on the unitary authority if not achieved by HBBC before the 31 March 2028. This would reduce our reserve to zero for the borough with £175,000 remaining for special expenses.

EXPECTED (FINANCIAL FORECAST)	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
Budget Gap	196,211	2,912,825	5,136,037
Damping Provided	0	-533,966	-2,115,101
Unfunded Budget Gap	196,211	2,378,859	3,020,936
Savings/New Income to balance GF	0	0	0
Use of Reserves	-511,132	-2,729,034	-2,353,747
Contribution to / from General Fund	314,921	350,176	-667,190

EXPECTED (FINANCIAL FORECAST)	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
Gap not covered			
GF 15% Target performance	15%	15%	11%



- 2.9. Although the single most significant risk to the council's finances is the business rates reset and funding changes due to the fair funding review; it is not the only driver of pressures on the council. Other existing costs, particularly pay costs and homelessness, have been increasing at a higher rate than income.

Therefore, the financial pressure is already occurring irrespective of any business rates reset. This led to the council having to use £1m of reserves in 2023/24 to support the general fund. For 2025/26 it is expected that this support will fall to less than £0.4m due to the one-off benefit of the new waste packaging reform income, before reaching £2.25m in 2026/27.

- 2.10. The current administration will face difficult decisions in the face of uncertainty at a time of high inflation and pressure on residents in the borough. Some key decisions already taken are:
- a £5 increase in Council Tax for 20226/27-2027/28 (which is expected to still leave us in the bottom fifteen lowest charging District Councils);
 - a £5 increase in Garden Waste in 2026/27 to £52.50, and a further £5 in 2027/28;
 - significant investment in general fund properties of £5m to use for temporary accommodation;

- no recurring supplementary requests for the period of the MTFS not matched by savings, unless legally unavoidable.

2.11. Without these actions the level of savings would be significantly higher and occur at an earlier period. These actions will enable the council to be in a better position to manage the pressures faced. The remaining levels of new income and savings, if desired, is a key governance aim in the light of the announcement made by Government.

2.12. The summary below gives the overall high level MTFS position in terms of three potential scenarios:

- 15% for 2026/27 and a minimum of no less than 10% for 2027/28, with all reserves used (higher risk and will need close budget control)
- 15% general fund target for 2027/28, with savings and all reserves used
- 10% GF target with a £1m earmarked reserve for unforeseen economic pressures (safest, but highest pressure on service delivery)

EXPECTED Minimum GF of 10% (Proposed)	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
Net Service Expenditure	14,333,957	15,947,803	18,784,264
Budget movements	2,524,348	2,836,461	854,049
Savings/New income needed	0	0	0
NET Borough Budget Requirement	16,858,305	18,784,264	19,638,313
Pension Accounting Adjustment	-1,610,720	71,000	71,000
Reserves movements	-511,132	-2,729,034	-2,353,747
General fund gain / loss	314,921	350,176	-667,190
Net Budget Forecast	15,051,375	16,476,406	16,688,376
General Fund Balance	2,120,930	2,471,657	1,804,467
Earmarked Reserves balance	5,504,941	2,703,747	250,000
GF performance against 15% target	14.1%	15.0%	10.8%
15% GF target	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
Net Service Expenditure	14,333,957	15,947,803	18,784,264
Budget movements	2,524,348	2,836,461	854,049
Savings/New income needed	0	0	-698,789
NET Borough Budget Requirement	16,858,305	18,784,264	18,939,523
Pension Accounting Adjustment	-1,610,720	71,000	71,000
Reserves movements	-511,132	-2,729,034	-2,353,747
General fund gain / loss	314,921	350,176	31,599
Net Budget Forecast	15,051,375	16,476,406	16,688,376
General Fund Balance	2,120,930	2,471,657	2,503,256
Earmarked Reserves balance	5,504,941	2,703,747	250,000
GF performance against 15% target	14.1%	15.0%	15.0%

10% GF target +£1m Earmarked Reserve	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
Net Service Expenditure	14,333,957	15,947,803	18,784,264
Budget movements	2,524,348	2,836,461	854,049
Savings/New income needed	0	0	-614,000
NET Borough Budget Requirement	16,858,305	18,784,264	19,024,313
Pension Accounting Adjustment	-1,610,720	71,000	71,000
Reserves movements	-511,132	-2,729,034	-1,603,747
General fund gain / loss	314,921	350,176	-803,190
Net Budget Forecast	15,051,375	16,476,406	16,688,376
General Fund Balance	2,120,930	2,471,657	1,668,467
Earmarked Reserves balance	5,504,941	2,703,747	1,000,000
GF performance against 15% target	14.1%	15.0%	10.0%

- 2.13. All the forecasts indicate a complete use of almost reserves is expected at the end of the MTFS update. Any action taken to reduce costs or generate new income before then will be beneficial.
- 2.14. The business rates reset removes not only business rates growth but any benefit of being in a business rate pool. Between 2013/14 and 2025/26 business rates pools have been successful across the country, as local authorities were able to collect more business rates than the baseline target levels set by government. Local pooling allowed more of this “growth” to be retained locally, as authorities combined rates in a pool, which meant instead of paying a levy to central government it could be retained in a pool locally for reinvestment in key projects.
- 2.15. The reset of the business rates retention scheme for 2026/27 will see revised target baseline funding amounts for each authority and increased tariffs for many that will mean all past growth will be removed, which provided funding of £4.6m for HBBC in 2025/26. With no growth, there is no levy to pay and therefore no financial advantage made from pooling. There is not expected to be many viable business rates pools in England in 2026/27. This position is supported by external advisors and aligns with expectations from MHCLG, who are also expecting almost no pools to continue.
- 2.16. Leicestershire business rates pool released funds back to us which created a reserve of £2.8m by the end of 2024/25. This has been included in the MTFS and is expected to be fully used in supporting the general fund as opposed to investment in new projects or assets. This is needed to help ensure the budget is balanced over the MTFS period and give time for identifying new income and costs savings for 2027/28 if needed.
- 2.17. HBBC has a net budget requirement that is higher than the amount we get from Business Rates, Council Tax and other government funding. This gap must be covered from reserves, or from new income and savings. The expected case involves significant use of our earmarked reserves to support the general fund. This is spending our short-term reserves to cover longer term costs. There are only two ways to address the problem, which is via

increased income and cutting costs which will reduce the level of services provided.

Changes to reserves

- 2.18. The graphs earlier in the report indicate the level of earmarked reserves used by showing the remaining balance for each year. This clearly shows the council is spending at a much higher rate than the income coming in from all sources. The council is having to use reserves to balance the general fund. This use would balance the general fund position at its agreed level of 15% for 2026/27 of the net budget requirement and no less than £10% for £2027/28.
- 2.19. On the 31 March 2026 it is expected there will be £5.8m of earmarked reserves held, but by 2027/28 the only reserves remaining will be a £250,000 LGR reserve and the special expenses balance of £175,000. This indicates the level of shortfall the council is facing in balancing its budget.
- 2.20. Appendix 3 gives the overall reserves and the detail for each reserve balance by year of the MTFS for each scenario.

Transitional Relief (Damping)

- 2.23 The reset in 2026/27 means that the government are providing transitional relief (Damping). The table below gives the damping noted in the provisional settlement.

EXPECTED (FINANCIAL FORECAST)	2026/27 Forecast	2027/28 Forecast
Damping provided	533,966	2,115,101

- 2.24 If further support is needed, then the council can ask for further support under the "exceptional financial support" using capital flexibilities." This is the government framework that allows financially distressed local authorities to fund day-to-day (revenue) costs using borrowing or asset sales (capital funding), which is a departure from normal accounting practices. This temporary assistance helps councils set a balanced budget and avoid insolvency (a 'Section 114' notice).
- 2.25 Key Details
- Mechanism: The support is primarily provided via a "capitalisation direction", which gives a local authority permission to treat specific revenue expenditure as capital expenditure.
 - Purpose: It is intended to manage unmanageable short-term financial pressures, not as a sustainable, long-term funding solution.
 - Conditions: The support is conditional on the council undergoing an implementing a financial improvement plan. This means you need to have taken action to address the overspending before you apply, and it cannot be used to fund "business as usual".

3. Further detailed analysis

3.1 This MTFS update sets out the council's financial position for the current year 2025/26 and then onto 2027/28, giving a total three-year outlook.

3.2 The MTFS for 2026/27 is based on a three-year settlement to 2028/29, which is one year past the creation of new unitaries in the Leicestershire area. This gives a much higher level of certainty in the level of funding available in the medium term.

3.3 Other changes announced by government are listed below:

- Core Spending Power (CSP) will increase by £2m but this includes our £5 Council Tax increases. However, Government have adjusted the basis for calculating the protected core funding to include the business levy that was paid into the pool in prior years.
- Revenue Support Grant will increase from £0.24m to £7m due to the fair funding review.
- Baseline Funding Level on Business rates (BFL) has been reduced as part of the baseline reset by just under £200,000.
- Council Tax Band D thresholds increase as we expected for shire districts allowing increases of the higher of 3% or £5.
- New Homes Bonus (NHB) has been abolished in 2026-27, worth about £0.5m to HBBC.
- A new funding stream for transitional relief has been provided, worth £0.5m in 2026/27 increasing to £2m in 2027/28 as RSG is reduced by £1.9m.
- Note that the combined support funding of RSG and transitional relief will decrease in 2027/28, as per the table below.

Hinckley and Bosworth	2026/27	2027/28
RSG	£7,003,253	£5,095,018
Damping	£533,966	£2,115,101
Total	£7,537,219	£7,210,119
Change year on year	£7,295,615	-£327,100

- Additional income of £1.1bn from the Extended Producer Responsibility for packaging (pEPR), is being distributed nationally, our share is £1,4m, with an allowance for 10% reduction as waste generated is reduced in response to the charges levied.

Core Spending Power (CSP)

3.4 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 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, the amount paid directly to HBBC has increased by £2m, but after adjustment for the levy is seen by Government as a slight reduction on funding to the local area as per the table below.

Hinckley and Bosworth -	2025/26 £000	Provisional Settlement 2026/27 £000	2027/28 £000
Business rate base line	£2,854	£2,735	£2,797
RSG	£242	£7,003	£5,095
Business Rates growth	£4,557	£0	£0
Council tax (Govt Estimate)	£6,393	£6,676	£6,941
New Homes Bonus	£526	£0	£0
Employer National Insurance Grant	£127	£0	£0
Domestic Abuse Safe Accommodation Grant	£36	£0	£0
Homelessness, Rough Sleeping (Domestic Abuse 2026/27)	£540	£573	£663
Funding Floor	£240	£0	£0
Damping	£0	£534	£2,115
Core Spending Power	£15,516	£17,521	£17,611
Adjusted for Pool Levy	£2,625	£0	£0
Core Spending Power (As Revised by Government)	£18,140	£17,521	£17,611

- 3.5 Our net funding requirement is the amount that needs to be covered by the CSP funds and business rates growth. Where these funds are not enough and a budget gap occurs, then it must be closed with reserves if available and then for the longer term via savings and new income achieved. However, much of the increase from council tax has been lost due to other CSP funding being reduced. A feature of recent settlements is that a greater burden appears to be placed on the local taxpayer, despite Government announcing increases in the settlement.

CSP longer term view and key MTFS elements

- 3.6 Looking forward over the MTFS period 2027/28 has significant financial pressures from the fair funding review that brings with it a business rates reset. It is now known that the fair funding review has reset the baseline funding from business rates from 2026/27. This is a full reset with a tariff moving from its current £12.1m to £19.2m. At this level it is highly likely that will prevent growth form being retained by HBBC. As can be seen in the table below the funding for 2027/28 is almost unchanged form 2026/27, but our costs, such as pay and service contracts will continue to increase.

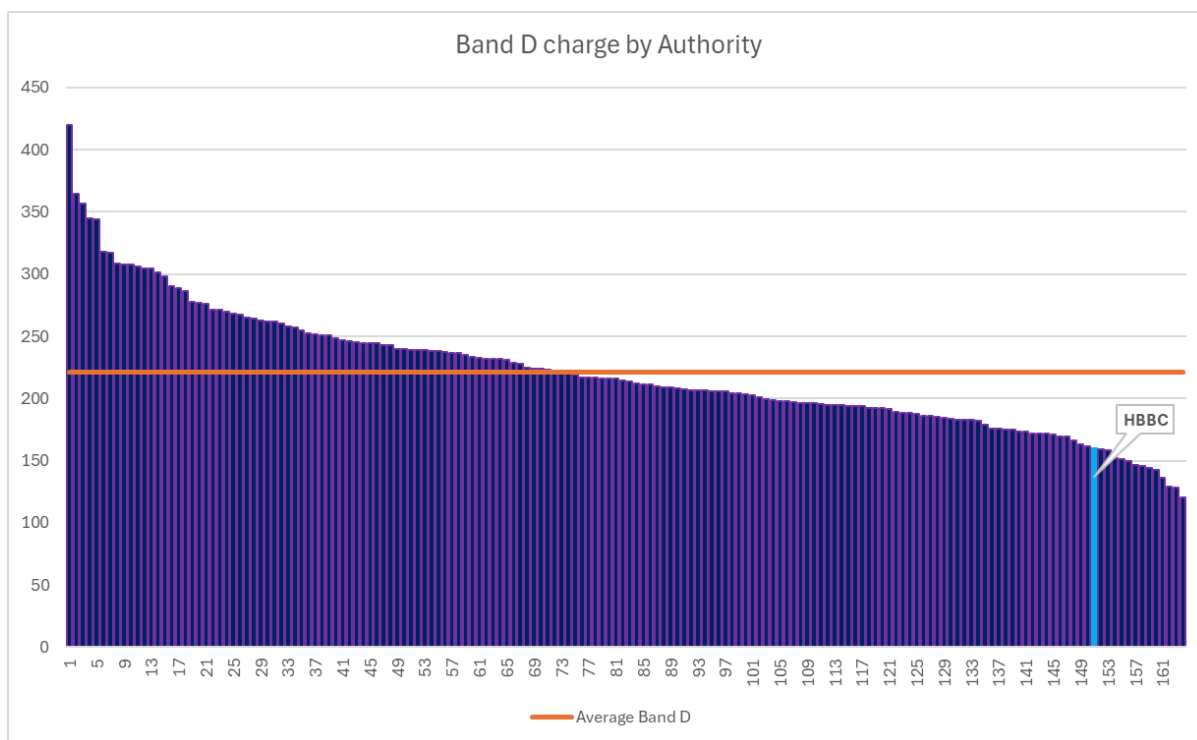
Hinckley and Bosworth - Amounts in £000	2025/26 £000	Provisional Settlement 2026/27	2027/28 £000
Core Spending Power (Revised by Government)	£18,140	£17,521	£17,611
Reduction/Increase year on year		-£619	£90

Council Tax

- 3.7 No major changes were made by government in relation to council tax in the financial settlement, with district councils being able to increase tax by 3% or £5. The MTFS has assumed that £5 will be charged in each of the years modelled. The increase of £5 will all go to the borough, but this may need to be reviewed if the special expense area needs support as its reserves are used.
- 3.8 The table below gives the level of council tax (including special expenses) expected, with a £5 increase each year compared to a zero increase. Overall, the council would be £0.5m better off. HBBC are in the lower quartile of Band D charge rates for council tax. For 2025/26 our charge was £159.86, compared to an average of £221.23. A council on the average Band D rate would be almost £2.5m better off than HBBC in terms of council tax revenue.
- 3.9 Note, although the special expenses element is £19.37 for the purpose of calculating the average Band D per the regulation for the council, the actual charge to council tax payers in the special expense area is just under £69 as the Band D is based on the total number of Band D equivalents but the special expenses charge is paid by the population in the special expenses area only, which is 11,383 Band D equivalents.

	2025/26	2026/27	2027/28
<i>HBBC</i>	£140.50	£145.50	£150.50
<i>Special Expenses</i>	£19.37	£19.37	£19.37
<i>Band D Council tax charge</i>	£159.86	£164.86	£169.86
<i>Averaged Band D Equivalent Dwellings</i>	40,132	40,318	40,585
<i>Estimated Council Tax income</i>	£6.42m	£6.65m	£6,.89m

- 3.10 There is a small risk to this assumption, as the government may not retain the £5 option in later years, which would result in the loss of income.
- 3.11 HBBC have consistently been committed to a high level of efficiency, which means we remain in the bottom 15 out of 164 district councils for the level of council tax charged, which is expected to remain the same for 2025/26. HBBC are also the lowest out of the seven Leicestershire district councils.



Damping (transitional support to councils)

3.12 The multi-year settlement has given some clarity to the way in which support will be given to councils over the next three years, and the support is split between RSG increase and transitional relief (Damping). The table below gives the detailed split provide in the settlement.

Hinckley and Bosworth	2025/26	2026/27	2027/28
RSG	£241,604	£7,003,253	£5,095,018
Damping	£0	£533,966	£2,115,101
Total	£241,604	£7,537,219	£7,210,119
Change year on year		£7,295,615	-£327,100

3.13 As can be seen the funding from RSG increase and the Damping is £7.2m in 2026/27 but reduces in the following years. This amount seems to be significant support, but it is not, the funding will cover losses due to fair funding and business reset changes, but does not cover other pressures, such a pay costs and temporary accommodation pressures. The losses and key pressure are noted below. In addon there will be temporary accommodation costs of above £0.5m and other pay pressure of £1.25m that are not funded.

Core Funding losses	Amount
Business rate Base line Funding	-£119,653
Business Rates growth	-£4,557,486

New Homes Bonus	-£526,141
National Insurance Contributions Grant	-£127,201
Domestic Abuse Grant	-£35,662
Funding Floor	-£240,434
Losses due to Fair funding review and reset	-£5,606,577
Increase in costs for Food Waste	-£1,450,000
Total Pressure	-£7,056,577

Business rates

- 3.14 The timing of a business rates reset or changes to the way business rates are levied in 2026/27 is key to government policy as is stated as being to “fundamentally improve the way we fund councils and direct funding to where it is most needed, based on an up-to-date assessment of need and local resources.”
- 3.15 The reasons that damping and RSG increase required is that the business rates reset would be achieved by increasing the Tariff we pay to government on the business rates we generate. Business rates in the table below illustrate how this will work, the tariff increases by £7.2m 2026/27. The increase will be subject to inflation, which means it is highly likely new growth will not be realised in the MTFS period.

The business rates forecast include £2m of growth for 2026/27 and £2.5m for 2027/28 in the rates collected, but the higher tariff removes the gain from this growth, and the council is in a safety net position, which means throughout the MTFS period there is insufficient rates left over to cover the baseline allocation, and the government fall back on funding the safety net position.

The table below has the details of the forecast.

Expected forecast	2025-26 £000	2026-27 £000	2027-28 £000
NON-DOMESTIC RATING INCOME	£45,939	£49,720	£51,944
Less Share allocations			
Central Government share (50%)	-£22,970	-£24,860	-£25,972
County Council share (9%)	-£4,135	-£4,475	-£4,675
Fire Authority Share (1%)	-£459	-£497	-£519
District Authority share (40%)	£18,376	£19,888	£20,777
Add S31 grant income to cover mandated reliefs	£3,857	£1,549	£1,578
Less Tariff	-£12,069	-£19,231	-£19,616
Less the Levy paid to the local BR pool	-£2,752		
Safety net payment	£0	£529	-£34
Retained Rates Income	£7,412	£2,735	£2,706
Made up of			
Baseline Funding Level	£2,854	£2,735	£2,789
Growth /Loss not covered by Safety net	£4,557	£0	-£84

Non-Core Spending MTFS elements (income and expenditure)

Block C (The Crescent) and other rentals.

- 3.16 The expected net position is estimated on the table below. It is based on the original cost of Block C of £4.7m and includes incentives given.

Block C rental (Expected)	2025/26	2026/27	2027/28
Income	£264,765	£241,540	£303,899
MRP	-£135,333	-£135,333	-£135,333
Interest	-£120,176	-£120,176	-£120,176
Running costs (estimate at 10% of rent)	-£30,677	-£34,020	-£40,605
Net	-£21,421	-£47,989	£7,785
Yield % (net)	-0.46%	-1.02%	0.17%

Note: when units are empty, HBBC is liable for business rates, which have not been included in the table above.

- 3.17 For other rentals the same forecast has been used for all scenarios as the information is less susceptible to variations in forecast. The expected income is given in the table below.

Other General fund rental properties	2025/26	2026/27	2027/28
Industrial units	798,023	804,350	807,256
Miscellaneous properties	116,036	121,040	116,646
Atkins (incl. of room hire)	237,927	231,550	242,388
Hub	380,249	487,404	488,808
Total	1,532,235	1,644,344	1,655,098

Car parking income

- 3.18 The Council operates sixteen pay and display car parks in Hinckley and one in Market Bosworth along with several other car parks which are free / permit holders only across the Borough.

- 3.19 The table below gives the income used for all scenarios.

	2025/26	2026/27	2027/28
Car park income	£599,760	£611,755	£623,990

- 3.20 To improve income performance consideration would need to be given to increasing the car parking fees. The table below give the comparison to fee in 2011/12 to 2024/25 in terms of if RPI inflation increments had been applied each year. If inflation increments had been applied, it would mean that potentially about £0.2m to £0.3m less income is being generated.

Car Park Fees (Examples)	2011/12	Fee if increased by RPI would be as below	2025/26	Difference £	Difference %
Short Stay Up to 1 hour	£0.70	£1.10	£0.60	-£0.50	-83%
Over 1 hour, up to 2 hours	£1.20	£1.90	£1.20	-£0.70	-56%
Over 2 hours, up to 3 hours	£1.50	£2.35	£2.00	-£0.35	-17%
Over 3 hours and up to 4 hours	£2.60	£4.20	£3.00	-£1.10	-36%
Over 4 hours	£4.80	£7.50	£6.00	-£1.50	-25%
Long Stay up to 5 hours	£1.30	£2.00	£1.30	-£0.70	-56%
Over 5 hours	£2.40	£3.75	£2.60	-£1.15	-44%
Season Tickets	£375.00	£587.10	£375.00	-£212.10	-57%
Per half year	£200.00	£313.10	£200.00	-£113.10	-57%
Per quarter	£110.00	£172.20	£110.00	-£62.20	-57%
Per month	£40.00	£62.60	£40.00	-£22.60	-57%

Garden Waste

- 3.21 The general fund budget income from garden waste is £1.4m and the service now has 32,200 subscribers. The MTFs for all scenarios has an increase for 2026/27 of £5 (estimates an extra £143,750), and a further increase of £5 in 2027/28.

Waste Service pressures and new income

Waste Packaging Reform (Extended Producer Responsibility for packaging)

- 3.22 The government announced its allocations for 2025/26 for the Extended Producer Responsibility for packaging (EPR). EPR is a policy tool to reduce the environmental impact of packaging. It aims to hold producers accountable for their packaging throughout its whole life cycle. Producers must also cover the cost of collecting and recycling their packaging. This encourages the use of minimised, easier-to-recycle and reusable packaging. As the council collects the packaging, we will be given income to cover the costs of this.

	2026/27	2027/28
<i>EPR for packaging - income</i>	1,430,000	1,290,000

- 3.23 The government may change the basis of the allocations in future years, or producers may respond faster to reduce production, all of which will impact on the level of income we get. Therefore, the forecast has some risk in its estimate, and the income may end up being lower than anticipated in future years.

Waste Fleet (non-food)

- 3.24 The current HGV fleet is operated for refuse collection, waste transfer, street cleansing and road sweeping and all vehicles are on contract hire until 31/8/25. Contract hire includes both the lease of the vehicle and the ongoing maintenance.

Government has mandated all local authorities need to provide a separate weekly food waste collection for all households from 31 March 2026. As agreed at the council meeting on 1 October 2024, the new vehicle contract will be based on an eight-year lease term compared against the current seven-year term.

This increase in term is in line with current standard practice in the industry and will still ensure that vehicles remain fit for purpose across the term of the contract. Since the previous fleet was taken on, hire costs have increased, which is reflected in the impact on the annual lease costs as noted below. The annual change is summarised in the table below and will be a pressure on the general fund.

Current financing charge	New financing charge	Current Maintenance	New Maintenance	Additional requirement
£448,781	£713,788	£246,951	£402,560	£420,616
<i>Budget profile of change in costs</i>	2025/26	2026/27	2027/28	2028/29
<i>Waste Fleet replacement (HGV) Total cost paid</i>	175,100	420,000	420,000	420,000
<i>Increase in year budget Pressure on GF</i>	175,100	244,900		

Food Waste Collection Vehicles

Separate food waste

- 3.25 The Environment Act 2021, introduces changes to waste collections. A separate weekly food waste collection must be introduced for all households by 31 March 2026. The new weekly food waste collection for households will be treated by government as a new burden and therefore government has committed to covering the costs of its introduction.
- 3.26 The cost of these will primary be grant funded. Capital grant funding of £1,182,585 has been received from Defra for the purchase of food waste vehicles and collection containers (bins). From this £859,368 has been set aside for the vehicle purchase cost. This should fund the purchase of eight vehicles. Currently it is estimated that nine vehicles will be required. For the

ninth vehicle the annual leasing cost will be £18,410 per annum and an annual maintenance cost of around £16,000 per annum.

- 3.27 Annual revenue funding has not been provided as separately identifiable new burdens funding, but the core spending funding has been increased. The government's view is that the increase covers the food waste pressure. The funding is included in the RSG and transitional relief funding covered earlier in the report.
- 3.28 It is also hoped that the separation of food waste will reduce the volume of residual waste, which may give the opportunity to take action to reduce costs, such as moving to three weekly residual waste collection or by reducing the bin size. This would require the approval of council to be put in place but could help reduce the cost of collection significantly. RSG is reducing each year and Damping, although increasing to offset most, but not all, of the reduction in RSG, is only included until the end of 2028/29. Any removal of this support would have to be dealt with by the new unitary authority after that financial year.

Other Waste pressures

- 3.29 The new food waste collections, and housing growth mean the current Jubilee depot is insufficient in size. An additional depot has therefore been sourced and whilst DEFRA have indicated they will provide some funding it does not include the running costs of a new depot site for waste services that will be required to expand the current facilities. The first two years costs are lower due to rent free periods negotiated.
- 3.30 The increase in demands on the waste service from all the changes and the increase in housing growth has meant a new round is needed to meet requirements.

	2024/25	2025/26	2026/27	2027/28
New Depot costs	0	230,010	234,230	298,117
Extra Waste Round	0	139,200	274,000	274,000

UK Shared Prosperity Fund

- 3.31 The UK Shared Prosperity Fund was shared out to every place in the UK recognising that even the most affluent parts of the country contain pockets of deprivation and need support. The Fund for the years 2022/23 to 2024/25 was £2.6 billion in total. The Council received £2,600,011 over the period to 2024/25. For 2025/26, HBBC's allocation was £850,583 (Capital - £157,045/Revenue - £693,539).
- 3.32 The UKSPF (which was originally cast as a replacement for regional funds from the European Union, such as ERDF) will no longer be available after 31 March 2026. Instead UKSPF will be replaced by two funds, the Pride in Place Programme and the new Local Growth Fund with effect from 1 April 2026. HBBC are not direct recipients of either of these funding streams.

Levelling Up Award - Twycross Zoo

- 3.33 The Government announced a £4.8 billion Levelling Up Fund for investing in infrastructure in 2021, and the council (acting as host for this scheme run in partnership with Twycross Zoo) secured funding of £17.9m under “Round 1” of the levelling up funding available. The fund is for a transformational multi-million-pound major new Natural Science and Conservation Centre at Twycross Zoo. The overall £23.8m project is expected to be complete in 2027/28.
- 3.34 The Global Conservation Centre is set to make a significant contribution to the Midlands economy and particularly boost the £80 million that tourists already spend every year in the Hinckley and Bosworth area. As well as attracting visitors to its new orangutan facility attraction, the centre will be able to host educational programmes and events for universities and schools alongside conference facilities.
- 3.35 For the MTFS, HBBC are not allowed under the terms of the award to make a net gain, but costs are recovered making the project cost neutral. Our costs are estimated at about £100,000-£150,000 a year, but only actual costs will be charged to the scheme.

Collection Fund Gains and Losses

- 3.36 Collection fund gains and losses are where income is higher or lower than forecast for business rates on the NNDR 1 return and when council tax collected is higher or lower than expected. Due to the way the accounting regulations work, the gain or loss is recognised in the year following its creation for NNDR. Therefore, a gain in 2024/25 will be recognised in 2025/26. The table below gives the figures used for the forecast scenarios, using the forecast gain for 2025/26 based on the 2024/25 in year monitoring, followed by the average position over the prior five years to give an expected position. This could be incorrect as there have been years with losses in the past or higher gains, therefore there is a risk based assumption and could change based on the level of appeals, empty properties or new business coming to the area.

Collection Fund Surplus/Loss	2025/26	2026/27	2027/28
Business Rates	£32,565.00	-£236,883.00	-£41,427.00
Council Tax	£49,950.00	£22,577.00	£41,678.00

The Leisure Centre

- 3.37 The council receives an annual management fee for the provision of the leisure centre contract. This income has already been allowed for within the MTFS and is the same in all scenarios as it is fixed by contract. The annual

fee income is summarised in the table below. This may change dependent upon the inflation rate as the fee is indexed by RPI in March of each year.

	2025/26	2026/27	2027/28
Mgt Fee	£1,175,031	£1,191,481	£1,273,883

The Enterprise Zone MIRA investment

3.38 The council working with the former LLEP has taken the initiative to invest up to £8.1m across a range of projects at the MIRA Enterprise Zone including activities that fit with the council's commitment to acting on climate change and reducing carbon emissions. The investment covers:

- the provision of a low carbon innovation hub.
- electric vehicle and hydrogen research and Development facilities,
- additional infrastructure, with new road and bridge construction to open new research and development plots on the site.

3.39 In early April 2022 the agreement to proceed was signed. The first £4.2m has already been provided to the LLEP who are managing the day-to-day release of funds to MIRA as they incur costs. The next instalment from HBBC to the LLEP was on the 14 April 2023 for £3.55m. This is a total funding position of £7.75m. To provide this forward funding a PWLB loan of £7m was taken out at the time of the first loan at an interest rate of £2.5%. Current rates are about £4.5%. This decision saved HBBC approximately £1.1m of interest costs over the life of the scheme. This investment generates a £3.1m return in additional business rates we can retain over a 17-year period. The table below gives the net return over the MTFS period for all scenarios.

EZ net position	2025/26 £	2026/27 £	2027/28 £
Additional Rates	818,314	818,314	818,314
MRP and Interest	675,349	665,133	654,658
Net gain	142,965	153,181	163,656

3.40 There is a risk that if MIRA do not deliver the growth in rates they have projected, the scheme would fail. However, based on legal advice we have an agreement with MIRA that includes a bank guarantee that protects the council. If enough growth is not generated over three years to meet the expected return required, the council can use its bank guarantee to recall the amount of investment made. This will recover all cash invested but does not include lost gains. HBBC would still have to service the loan taken out of £7m if this should occur.

3.41 The Government are also changing the basis of how rates retention is calculated in the Enterprise Zone, which could impact on the return we get from the forward funding agreement.

The Subsidiary Company

- 3.42 The Council has a dormant company that is currently being considered for investment opportunities. There are no current schemes.

Share of business rates pool surplus

- 3.43 There are on-going discussions in relation to the level of surplus held within the business rates pooling arrangements in place across the Leicestershire area. HBBC has benefited by about £4m between 2021/22 to 2025/26 from funds being paid direct from the business rates pool to HBBC. In 2025/26 it was £1m in additional income. Due to the 2026/27 reset, this will stop as all growth will be removed via the increase in the tariff payment.
- 3.44 These amounts have been included in the MTFS as being paid into an Economic Priorities Reserve (see table below), which will be used as needed to support the general fund position to enable time to identify new income and savings needed to close the budget gap and set a balanced position. As well as the Economic Priorities Reserve, other reserves, mainly the business rates equalisation reserve have also been used to support the general fund.

Economic priorities reserve	2025/26	2026/27	2027/28
Balance B/F	£2,829,291	£2,519,291	£603,291
Amount used in year to support GF	-£310,000	-£1,916,000	-£603,291
Balance C/F	£2,519,291	£603,291	£0
Business Rates Equalisation Reserve used to Support the GF	2025/26	2026/27	2027/28
Balance	£1,250,000	£1,250,000	£1,250,000
Amount used to support GF	£0	£0	-£1,250,000
Balance C/F	£1,250,000	£1,250,000	£0

Payroll

- 3.45 Staff costs are one of the single highest costs items for the Council as staff are key to delivering high quality services. For the MTFS it is assumed the pay award will be 3.2% in 2026/27 and then 3% thereafter. The pay settlement for 2026/27 is not yet known, therefore this could be more if a higher pay award is negotiated nationally. If the settlement is 1% higher for 2026/27, this would add about £0.5m to the pay costs over the life of the MTFS.

	£	£	£	£	£
Gross pay	15,652,160	17,698,297	18,229,246	18,776,123	70,355,826
Year on year increase		2,046,137	530,949	546,877	3,123,963
Reason for increase		£	£	£	£
Inflation rise		610,434	530,949	546,877	1,688,261
2025/26 budget exceeded forecast		168,500	0	0	168,500

Staff changes (inc Food Waste)		1,267,203	0	0	1,267,203
Total		2,046,137	530,949	546,877	3,123,963

- 3.46 Closely related to pay costs are employer pension contributions. The triennial actuary assessment has led to a 6% savings on the payments made, saving for HBBC are £575,000.

Inflation on contracts and on income from fees

- 3.47 The assumptions used for general increases in fees and charges (not for where there is a known increase above the rates used) is based on inflation of 2% per year thereafter as an average for the life of the MTFS. The table below gives the net impact. Note, due to the net impact of this assumption on both costs and fees, there is marginal difference between the forecasts.

This assumes members would feel comfortable increasing fees at the same rate contractual costs are increasing, which is often linked to the CPI or RPI rate.

Inflation pressures	2025/26	2026/27	2027/28
	£	£	£
Costs	142,272	145,117	148,020
income	-88,486	-90,256	-92,061
Net difference	£	£	£
All Scenarios	53,786	54,862	55,959

Climate change and Biodiversity

 Buildings and land use	 Travel	 Community
We will seek to use our land for carbon reduction and ensure our buildings are energy efficient.	We will work to decarbonise travel across the council and borough.	We will work with the community to lead change and increase climate change engagement
 Waste	 Economy	 Nature
We will ensure we waste less as a borough and stop dependence on single use plastic.	We will maximise financial opportunities to support climate change work.	We will protect and improve Leicestershire's biodiversity and environment.

3.48 The Council has a vision to work towards making Hinckley & Bosworth Borough Council carbon neutral by 2030 (direct council emissions) and to ensure that the borough is net zero by 2050. As part of our Climate Change and Biodiversity Strategy we need to invest toward our aims of:

- Working towards the decarbonisation of all council buildings by 2030
- Promote the use of renewable energy/energy reduction and investigate opportunities for carbon capture and storage.

3.49 There are some new initiatives in the MTFS to show our commitments to these improvements in efficiency, which will reduce Co2 and lead to savings to the general fund from 2026/27. The table below gives estimated costs and potential savings. These have been included in the capital programme to develop a fully costs business case for members to approve at a later date.

Building	Work needed	KWh per annum	CO2 reduction Tonnes	Investment	Savings per year
Atkins Building	Solar Retro fit to Roof	200,000	2,532	£268,000	£50,079
Jubilee Depot	Solar Retro fit to Roof	369,950	4,684	£453,000	£104,083
Depot Unit	Solar Retro fit to Roof	310,200	3,927	£390,000	£87,272

3.50 The HRA is also investing in reducing Co2 as part of its decarbonisation programme as detailed below.

	2025.26 £000	2026.27 £000	2027.28 £000	2028.29 £000
Decarbonisation work	1,707	1,772	1,750	1,874

3.51 The Climate Change and Biodiversity Strategy is in place, and the budget of the council already has key actions on Biodiversity, which include:

- Not using any peat and ensuing annual bedding plants are grown using peat free compost.
- Significantly reducing the number of pesticides we use on our open spaces.
- Upkeep of our two Green Flag parks.
- Managing Burbage common for wildlife to encourage wildflowers and maintain this beautiful grassland habitat.
- Employing a tree officer to look after our tree stock and woodlands.
- Planting more than 120 extra heavy standard trees across our sites.

Other items

3.52 The following are the main items (over £100,000) that have been included in all MTFS scenarios as net pressures on the budget or areas of savings or new income, see appendix 5 for a full list):

Budget movements (net changes)	2026-27	2027-28
<i>Budget movements</i>	Forecast	Forecast
Food waste costs	£1,451,167	
Pay cost increases (all elements, NI, Pensions and increments)- excluding elements in food waste pressure	£1,243,310	£520,584
Distribution from the business rates pool (Lost on Reset)	£1,000,000	
UK Shared Prosperity Fund	£693,539	£0
Homelessness grant now included in core funding	£540,000	
Homelessness Temporary accommodation pressure	£488,000	
Interest on debt	£330,000	£275,000
Waste Fleet replacement (HGV)	£244,900	£0
Homelessness One off Grant in 2025/26	£175,000	
Capital Financing (MRP increase)	£160,000	
Legal costs increase in budget	£150,000	
Allowance for Inflationary increases on services	£145,117	£148,020
Extra Waste Round	£134,800	£0
National insurance funding withdrawn	£127,201	
Fuel savings	-£117,470	

Budget movements (net changes)	2026-27	2027-28
Trade waste income	-£120,000	
Increase Garden waste from £42.50 to £47.50, try for £52.50 in 2025/26, then £57.50 2026/27	-£143,750	-£136,563
Additional Planning income	-£175,000	
EPR for packaging - income	-£367,000	£140,000
Saving of 6% pension contribution	-£575,000	
UK Shared Prosperity Fund	-£693,539	£0
LCC Pension Lump Sum	-£1,610,720	

3.53 The figures above are the net changes in the budget. Members should note that the MTFS does not allow for the local plan reserve or enforcement and appeals reserve to be replenished. Therefore, future costs will fall on the general fund.

Key Risks and assumptions summary

3.54 An MTFS is based on a set of key assumptions, these cover costs and income projections. The key ones have been noted in the report for the expected MTFS position, the main ones are reviewed below:

- A savings and new income plan will be developed for 2027/28 in case required.
- That pay increases are at most 3.2% in 2026/27 and 3% thereafter including spinal point increases for each year of the MTFS forecast.
- A £5 increase in council tax for all years for 2027/28-2027/28 (which is expected to still leave us in the bottom fifteen lowest charging district councils)
- A £5 increase in the garden waste charge will be action in both 2026/27 and 2027/28.
- The £8m investment in the local enterprise zone will deliver the growth in rates expected to cover the forward funding agreement position.
- 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 unavoidable for legal reasons. This has not been achieved in prior years.
- One off supplementaries will not be given unless matched by savings/new income, unless unavoidable for legal reasons. This has not been achieved in prior years.
- MCHLG have written to councils recently to note that Ministers will expect councils to have taken all reasonable action at a local level and that requests for support will be agreed on an exceptional basis, and usually through a capitalization directive, not additional income. Therefore, failure to achieve savings, due to any unseen circumstance, might lead to the risk of a S114 recommendation potentially being needed at some point in the future.

4. Other Factors

- 4.1 In addition to those risks relating to financing detailed above, this MTFS highlights several other key factors that will impact on the financial position or financial stewardship of this Council over the MTFS period. These include, but are not limited to:

Local Government reorganisation

- 4.2 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 merge 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 maybe incurred due to the reorganisation. This is not based on any specific information other than it is prudent to make some provision as other areas have incurred substantial cost in terms of preparing for merger into a new unitary council.
- 4.3 The two most distinct and impactful elements of the White Paper focused on:
- Devolution Deals - Strategic Authorities and Directly Elected Mayors
 - Local Government Reform - i.e. merging districts, counties and small unitary councils into new, bigger unitaries, which has already been covered in this report.
- 4.4 A proposal has been developed collaboratively by the eight Leicestershire district and borough councils and Rutland County Council, sets out a vision for reorganising local government in Leicester, Leicestershire, and Rutland (LLR) into three unitary councils: North, City and South. The aim is to create councils that are large enough to deliver efficient services but close enough to respond to local needs.

Key Design Principles

- a) **Unlocking Devolution:**
The proposal calls for early devolution, establishing a new Mayoral Strategic Authority (MSA) with elections by May 2027, without complex boundary changes.
- b) **Economic Growth, Housing, and Infrastructure:**
The three-unitary model aligns with economic geographies, aiming to unlock over 70 growth sites and deliver £8bn in treasury benefits by 2050. It supports targeted economic corridors and strategic regional links.
- c) **Financial Efficiency and Resilience:**
Each council would serve around 400,000 residents, balancing demand and resources. The model projects annual savings of £44m, with surpluses expected by year five, and a focus on prevention-led redesign to reduce social care demand.
- d) **High-Quality, Prevention-Focused Public Services:**
The approach embeds neighbourhood-level, integrated services, with dynamic Neighbourhood Partnerships involving ward members, parish councils, and service teams.

- e) **Responding to Diverse Communities:**
The model preserves local identities, ceremonial statuses, and civic traditions, ensuring that community voices remain central.
- f) **Democratic Accountability and Community Engagement:**
Built on extensive engagement with residents and stakeholders, the proposal ensures strong local representation and neighbourhood empowerment.

4.5 Financial and Implementation Highlights

- **Savings:** £44m annual efficiency savings, mainly from workforce integration, procurement, and asset rationalisation.
- **Transition Costs:** Estimated at £30m, funded through capital receipts and borrowing.
- **Implementation:** Phased transition from 2026 to 2028, with shadow authorities and a focus on maintaining safe, legal services throughout.

4.6 Community and Stakeholder Support

- 61% of residents support the North, City, South boundaries.
- Strong backing from parish councils and community groups, with concerns addressed regarding local identity and service accessibility.

- 4.7 The North, City, South model is presented as a transformative, evidence-based blueprint for local government in LLR. It promises sustainable finances, empowered communities, and a structure that is both efficient and responsive, ready to meet future challenges and opportunities.

Capital Programme

- 4.8. The council's capital investment plans are outlined annually in the Capital Programme (the "Programme") which is approved at the same time as the revenue budget.
- 4.9. Although capital expenditure is clearly separated from revenue spend within the council's budget, the use of capital resources has an impact on revenue in the following ways:
 - The use of capital resources will result in a corresponding reduction in investment income.
 - Any borrowing will incur interest payments and minimum revenue provision which is charged as a "cost" to the Council's revenue budget.
 - The creation of new assets will require running costs that will have to be funded from revenue sources.

Local external pressures

- 4.10. The County Council are looking for savings and renegotiating many agreements. LCC are discussing wanting to change the redistribution split of the pool contributions. This MTFs assumes the current thirds will be

maintained. If it is not a higher level of savings/new income will be needed., but any loss of rental income will lead to further savings being needed.

- 4.11. LCC have withdrawn funding from all Leicestershire billing authorities (i.e. the seven district councils) to support the administration of the Localisation of Council Tax Support schemes (LCTS) and to the Discretionary Discount Funds administered by the billing authorities. The district council will try to continue this funding, but the amount may vary in future years and lead to pressure on the General fund.

Income and Expenditure Levels

- 4.12. A considerable proportion of council expenditure is financed from income from fees and charges. A number of these income streams are extremely volatile and depend on external factors such as take up, demand and local economic conditions. The most significant and sensitive changes in income levels include:

- Planning fees - this income stream is highly dependent on both the housing and commercial market and therefore large “windfalls” often occur in times of prosperity, but during an economic downturn this income may decline significantly. In addition, the council can incur significant costs for appeals against decisions taken by Planning Committee.

Appendix 2- Detailed MTFS movements

FINANCIAL FORECAST	2025/26	2026/27	2027/28	2028/29
	Latest Position	31-Mar	31-Mar	31-Mar
		£	£	£
Net Service Expenditure	14,333,957	15,947,803	18,784,264	19,638,313
Budget movements	0	0	0	0
Budget changes (net)	41,000	0	0	0
Supplementary/Reversals of one off supplementaries	2,483,348	2,836,461	854,049	800,890
Savings needed	0	0	0	0
NET Borough Budget Requirement	16,858,305	18,760,644	19,614,693	20,415,583
Pension adjustments	-1,610,720	71,000	71,000	71,000
Contribution to Reserves	341,000	341,000	341,000	341,000
Contribution from Reserves	-743,292	-3,226,194	-2,353,747	0
Transfer from / to unapplied grants	-995,904	-27,840	0	0
Additional contributions to/from reserves C/Fs	-141,998	0	0	0
Contribution to/(from) Balances	433,481	350,176	-667,190	-3,888,344
NET BUDGET/FORECAST EXPENDITURE	14,140,873	16,476,406	16,688,376	16,621,858
Performance against target	15.00%	15.00%	12.59%	-10.61%
15% minimum balances	2,121,131	2,471,461	2,503,256	2,493,279
General Fund (Balances)	2,121,481	2,471,657	1,804,467	-2,083,877
Amount above or below minimum balance	350	196	-698,789	-4,577,156
	2025/26	2026/27	2027/28	2028/29
	Forecast	Forecast	Forecast	Forecast

FINANCIAL FORECAST	2025/26	2026/27	2027/28	2028/29
	£	£	£	£
	14,140,873	16,476,406	16,688,376	16,621,858
Damping income 5% loss adjusted	0	533,966	2,115,101	3,752,272
National Non Domestic Rates (Basleline)	2,854,270	2,734,617	2,797,345	2,853,777
Safety net reduction	0	0	-83,679	-213,382
National Non Domestic Rates retained above baseline	4,557,486	0	0	0
RSG	241,604	7,003,253	5,095,018	3,129,111
Funding Floor	240,434	240,434	240,434	240,434
Homelessness	0	573,188	663,297	766,400
Collection fund Deficit NNDR	32,565	-236,883	-41,427	-41,427
New Homes Bonus	526,141	0	0	0
Collection Fund Surplus - Ctax	49,950	2,091	34,849	34,849
Council Tax Income	5,638,422	5,866,173	6,107,874	6,340,258
Council Tax Income is based on:				
Estimated Tax base	40,132	40,319	40,585	40,853
Estimated Band D Council Tax	£140.50	£145.50	£150.50	£155.20
Year on Year Increase in Council Tax				
(i) Amount	£5.00	£5.00	£5.00	£4.70
(ii) Percentage	3.69%	3.56%	3.44%	3.12%
SPECIAL EXPENSES				
Net Budget Requirement B/Fwd	770,629	777,299	780,905	786,067
Increase in CTax	6,670	3,606	5,162	17,452
NET BUDGET/FORECAST EXPENDITURE-Special Expenses	777,299	780,905	786,067	803,519
Estimated Taxbase	40,132	40,319	40,585	40,853
Special Expenses Council Tax	£19.37	£19.37	£19.37	£19.67

FINANCIAL FORECAST	2025/26	2026/27	2027/28	2028/29
(ii) Percentage	0.00%	0.00%	0.00%	1.55%
Total Net Budget Requirement	14,918,172	17,257,311	17,474,443	17,425,377
Taxbase	40,132.40	40,319.00	40,585.00	40,853.00
Council Wide Council Tax	£159.86	£164.86	£169.86	£174.86
Percentage Increase	3.23%	3.13%	3.03%	2.94%
	£5.00	£5.00	£5.00	£5.00

Appendix 3- Reserves

	31 March 2025	31 March 2026	31 March 2027	31 March 2028	31 March 2029
Local Plan Procedure	294,400	248,224	211,384	174,544	174,544
Local Plan Procedure	204,267	1,975	0	0	0
Business Rates Equalisation Reserve	1,250,000	1,250,000	1,250,000	0	0
Economic Priorities Reserve	2,829,291	2,519,291	384,791	0	0
Year End Carry Forwards Revenue	157,418	15,420	0	0	0
ICT Reserve	161,929	161,929	37,929	0	0
Asset Management Reserve	274,258	274,258	174,258	0	0
Election Reserve	50,000	75,000	100,000	0	0
Grounds Maintenance	30,000	30,000	30,000	0	0
Enforcement and Planning Appeals	100,000	185,000	135,000	0	0
Building Maintenance costs	491,769	391,769	291,769	0	0
Enterprise Zone - Covid	214,486	214,486	0	0	0
Developing Communities Fund	235,813	235,813	0	0	0
Enterprise Zone - Covid	0	50,000	250,000	250,000	250,000
Environmental Action Reserve	150,000	100,000	50,000	0	0
Total	6,443,631	5,753,166	2,915,131	424,544	424,544
Net of Special Expenses	6,149,231	5,504,941	2,703,747	250,000	250,000

Expected Case Reserves movements detail.

Reserves	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	-2,385	250	385	0	-385	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	-3,259	570	2,915	-149	-2,387	45	425
Net of Special Expenses	6,149	-100	-885	341	5,505	-100	-3,226	525	2,704	-100	-2,354	0	250

Appendix 4 - Strategic Financial Objectives

- The council should allocate resources to services in line with the Corporate Aims and Ambitions
- Ensure regular monitoring of actual spend against budget to assess outcomes and inform the Performance Management Framework
- The council must search for new sources of funding to support its activities and maximise opportunities from emerging economic initiatives.
- To review the scale of fees and charges at least annually
- To optimise the financial return on assets and ensure capital receipts are obtained where appropriate opportunities arise.
- Capital expenditure is properly appraised.
- When funding the Capital Programme, all funding options are considered.
- To review levels and purpose of reserves and balances
- To maintain sustainable council tax increases
- To increase efficiency savings and generate funding through shared services and collaborative working.

Appendix 5: Pressures and Savings, with adjustment for items that do not impact the general fund.

Major variations over £50,000	Expenditure /Pressures £000s	Income/ Savings £000s	Expenditure /Pressures £000s Adjusted	Income/ Savings £000s Adjusted
Pensions and capital charges that are reversed blow the line		-1859		
General Fund Properties	990	-990		
Additional Welfare Support Capacity	67		67	
Additional Homelessness Pressure	452		452	
Fuel Savings		-120		-120
Additional Trade Waste income		-111		-111
Garden Waste income		-144		-144
Extended Producer responsibility (offsets in year recycling costs)		-367		-367
Pension Savings		-530		-530
Additional Planning income		-175		-175
Additional Capacity Democratic Services	52		52	
General inflation pressure	55		55	
UKSPF	694	-694		
National Insurance contribution funding stopped	127		127	
Trade Waste income				
Estates cost reduced		-70		-70
Noise Abatement saving		-90		-90
NHS rental income		-95		-95
Capital financing	490		490	
Other Pension		-71		
ICT costs (AI investment and Licences)	67		67	
Other small changes (Less than £50k)	148		148	
General fund properties (Reduction in TA budget)				-600
Contractual and service changes (see table below)	4995		4455	

Total	8137	-5316	5913	-2302
--------------	-------------	--------------	-------------	--------------

Service and Contractual changes 2026/27	£000	£000 Adjusted
homelessness grant now part of RSG	540	
LLEP Pooled distribution arrangements now finished	1000	1000
part yr impact of waste round (already allowed for)	135	135
Utility and insurance cost increases	108	108
Additional Legal Agency costs	150	150
Pay Pressure (Excluding Food Waste Staff)	1191	1191
New Food Waste Costs (Including Pay costs)	1451	1451
Waste fleet costs part year impact of vehicle replacement	245	245
homelessness jigsaw grant (one off grant 2526)	175	175