



Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Scrutiny Commission & Finance & Performance Scrutiny
Council

5 February 2026
20 February 2026

Wards affected: All wards

2026/27 GENERAL FUND BUDGET

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

1.0 Purpose of report

- 1.1 To seek approval of the 2026/27 General Fund Revenue Budget and to note the pressures set out in the report.

2.0 Recommendation

- 2.1 That Members approve the following:
- a) The General Fund budget for 2025/26 and 2026/27 shown in section 3.5-3.8.
 - b) The Special Expenses area budget for 2025/26 and 2026/27 shown in section 3.10 and 3.11
 - c) The proposed movement in General Fund balances and Earmarked Reserves for 2025/26 and 2026/27 shown in section 3.20 of this report and appendix 1.
- 2.2 Members note the material use of reserves to balance the general fund position, due to costs being higher than the income generated or government funding received by the council.

3.0 Background to the report

- 3.1 The budget is being put together at a time of uncertainty due to the fair funding review, business rates reset and Local Government Reorganisation. The 2026/27 financial settlement is on a new basis, which makes year on year comparison more complex than prior years. This is because 2026/27 has seen significant changes to how the council is funded. The council's overall core government settlement, as calculated by MHCLG, is a fall of 3.4%

(£619,000), whilst CPI inflation is about 3.2%, so a real terms decrease of £1.2m.

- 3.2 The 2026/27 government calculation has used a new basis to the way in which Core Spending Power funding has been calculated. This 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 £000	Provisional Settlement 2026/27 £000	Difference £000
Business rate BLF	£2,854	£2,735	-£120
RSG	£242	£7,003	£6,762
Business Rates growth	£4,557	£0	-£4,557
Council tax requirement excluding parish precepts¹	£6,393	£6,676	£283
New Homes Bonus	£526	£0	-£526
Employer National Insurance Contributions Grant	£127	£0	-£127
Domestic Abuse Safe Accommodation Grant	£36	£0	-£36
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%

*about £1m was paid from the pool to HBBC in 2025/26.

- 3.3 This increase in direct funding of £2m only partially covers the food waste costs of £1.45m, increases in temporary accommodation costs £0.5m and other pressures, such as other pay increases of over £1.25m. Also, note that the national insurance increases of £127,000 introduced in 2025/26 that were

funded are no longer included in the settlement. It also ignores that £1m of funding was already being received by HBBC as pool distributions in 2025/26.

The key objectives for the General Fund Revenue budget for 2026/27 can be summarised as follows:

- To align expenditure on services to the council's Corporate Plan.
- To provide for reductions in government grant funding for 2026/27 and plan for future years.
- To encourage identification of savings and income generation opportunities across the council.
- To take decisions which will maintain acceptable and viable levels of general fund balances and reserves to make provisions for known future funding and expenditure pressures.
- To maintain an acceptable and viable level of balances in the Special Expenses Area.
- To ensure that the council has acceptable level of reserves for future pressures and development opportunities.

3.4 The general fund revenue budget has been prepared taking into consideration the capital programme and housing revenue account (HRA) budgets. The capital and HRA budgets are presented separately but should be read in conjunction with this report.

3.5 Members should note the increased pressure on 2026/27 financial years and the need to use £2,733,000 of earmarked reserves to balance the general fund position at its target level of 15% of the net revenue budget. This equates to around 50% of all estimated general fund reserve balances held at the start of the financial year.

Budget Summary

3.6 Local authorities continue to face financial pressures even with this revised settlement with cost inflation pressures being over and above what can be collected from local taxpayers. The key factors causing the pressure in the budget position are common to many councils nationally as noted above. These are primarily the increased costs of temporary accommodation and higher pay cost settlements over the last two years., and food waste being introduced. These pressures have not been fully covered by increased funding from government

3.7 The original budget for the financial year 2025/26, along with the revised budget position for 2025/26 and the proposed budget for 2026/27, are set out below.

For the 2025/26 estimated outturn, the estimated net service expenditure is higher at £1.2m compared to the original budget. The major variations are summarised below:

- £1.180m Carry forward of expenditure from prior year agreed at Council in September 2025
- £0.700m Net additional Temporary Accommodation Costs additional in year budget approvals
- £(0.250m) Net additional planning income
- £(0.250m) Additional Trade Waste income and Fuel Savings
- £(0.337m) Additional Extended Producer Responsibility packing income set aside to fund recycling costs
- £0.211m Net salary pressure from pay awards
- £0.265m Additional agency costs (Primarily Legal)
- (£0.129m) Tara House and appeals cost savings

3.8 This has been covered in the September quarterly outturn report to the Finance & Performance Scrutiny Committee.

3.9 In 2026/27 service expenditure has increased to £19.4m from £17.0m. This is an increase of £2.4m. The large movements are summarised below. Other movements are summarised in tables 2 and 3.

After allowing for net contributions from reserves of £2.73m there will be transfers of £0.35m to balances. This results in an overall transfer from reserves and balances of £2.4m.

Table 1	Original Estimate 2025/26	Revised Estimate 2025/26	Original Estimate 2026/27
Corporate & Street Scenes Services	8,940,179	9,028,488	9,117,220
Community Services & Development Services	8,072,614	9,177,807	10,214,321
Growth Not on the Ledger			
Total service expenditure (Net)	17,012,793	18,206,295	19,358,541
Less:			
Special Expenses	-874,240	-882,240	-843,910
Capital Accounting Adjustment	-823,853	-823,853	-645,378
Net external interest (received)/paid	633,104	383,104	949,656
IAS19 Adjustment/ Pensions	-1,610,720	-1,540,720	71,000
Transfer to (from) Unapplied Grants Reserve	-27,840	-1,065,904	-27,840
Carry forwards from prior year	0	-141,998	
Transfer to reserves	260,000	260,000	525,000
Transfer from reserves	-743,292	-743,292	-3,226,194
Transfer to/(from) balances	314,921	489,481	350,176
HBBC Budget Requirement	14,140,873	14,140,873	16,476,406

3.10 Major variations between the 2025/26 Original Estimate and the 2026-27 Original Estimate are detailed below as well as service and contractual changes 2026/27.

Table 2: Major variations over £50,000	Expenditure /Pressures £000s	Income/ Savings £000s
Accounting changes - Pensions and capital charges that are reversed blow the line		-1859
General Fund Properties	990	-990
Additional Welfare Support Capacity	67	
Additional Homelessness Pressure	452	
Fuel Savings		-120
Additional Trade Waste income		-111
Garden Waste income		-144
Extended Producer responsibility (offsets in year recycling costs)		-367
Pension Savings		-530
Additional Planning income		-175
Additional Capacity Democratic Services	52	
General inflation pressure	55	
UKSPF	694	-694
National Insurance contribution funding stopped	127	
Trade Waste income		
Estates cost reduced		-70
Noise Abatement saving		-90
NHS rental income		-95
Capital financing	490	
Other Pension		-71
ICT costs (AI investment and Licences)	67	
Other small changes (Less than £50k)	148	
Contractual and service changes (table 3)	4995	
Total	8137	-5316

Table 3: Service and Contractual changes 2026/27	£000
Homelessness grant now part of RSG	540
LLEP Pooled distribution arrangements now finished	1000
Part yr impact of waste round (already allowed for)	135
Utility and insurance cost increases	108
Additional Legal Agency costs	150
Pay Pressure (Excluding Food Waste Staff)	1191
New Food Waste Costs (Including Pay costs)	1451
Waste fleet costs part year impact of vehicle replacement	245

Special Expense Area

- 3.11 This represents the cost of parks and cemeteries in the non-parished area of Hinckley. Whilst the cost will only fall on the residents of this area, the net expenditure is built into the service totals above and must be included in the council's overall budget requirement for council tax purposes.
- 3.12 The proposed budgets for the special expenses area have been compiled in accordance with an overall increase in the borough council tax base of 0.46%. Details of the council tax base are included in the council tax report. Due to the adequacy of balances for special expenses, the £5 increase in council tax will be allocated to the wider borough budget.

Table 4	Estimate 2025/26	Revised Estimate 2025/26	Original Estimate 2026/27
	£	£	£
Expenditure	874,240	882,240	878,555
Transfer to/(from) balances	-62,275	-73,522	-66,231
Transfer to/(from) reserves	12,550	11,900	11,900
S106 Contributions	-47,150	-43,253	-43,253
Budget Requirement	777,365	777,365	780,971

- 3.13 Balances in the Special Expenses Area (SEA) are estimated as follows:

Table 5	£
Balance on 1st April 2025	230,333
Transfer to/(from) Balances 2025/26	(73,522)
Transfer to/(from) Balances 2026/27	(66,231)
Estimated Balance on 31st March 2027	90,580

Total Council Budget for 2026/27

- 3.14 The total overall budget for 2026/27 in the direct control of the council is therefore:

Table 6	Original Estimate 2025/26	Revised Estimate 2025/26	Original Estimate 2026/27
	£	£	£
HBBC Budget Requirement	14,140,873	14,140,873	16,476,406

Special Expenses Budget Requirement	777,365	777,365	780,971
Total Budget Requirement	14,918,238	14,918,238	17,257,377

Forecast Budget 2026/27 – assumptions and process

- 3.15 The original budget for 2026/27 has, in accordance with the council's financial procedures, been revised during the year to take account of approved supplementary budgets and virements.
- 3.16 The budget has been created with clear links to the council's strategic and service objectives. These objectives are set out in the member approved Corporate Plan, which is agreed by Council to enable projects to be prioritised including investments included in the Capital Programme. Although the Capital Programme is the subject of a separate report, it is important to note that there are links between capital and revenue (e.g. interest from capital receipts, interest on borrowing, staffing costs etc.)
- 3.17 In order to drive efficiency savings within the cost of supplies and services, a rate of 0% has been applied to non-contract related expenditure. An average rate of 2.5% has been used for 2026/27 on costs and 3.1% for income. The application of a 0% rate for non-contracted expenditure is aimed at increasing saving on running costs as much as possible.
- 3.18 The salaries and wages budget is the most significant element of the revenue budget. For pay costs, the 2026/27 estimates have been based on the latest pension valuation, and an average forecast pay settlement of 3.2%. The council operates a disciplined process of challenging recruitment and filling of posts and therefore a salary saving rate of 5% (General Fund and HRA) has been applied to posts to reflect the savings which will result from this challenge.

In addition to the growths listed above; the following items have been included in the service budgets: -

Table 7 Other pressures and savings 2026/27	Costs £000	Description
MRP	152	Revenue cost of Capital financing via borrowing.
MRP EZ Loan	11	Revenue cost of financing EZ Loan

Interest	317	Impact of additional borrowing costs, drop in interest rates and a reduction in balances
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- 3.19 The Leicestershire Pension Fund is re-valued in accordance with statutory requirements. There is currently an actuarial deficit (i.e. the assets of the fund were less than those required to meet the long-term liabilities in terms of benefits due to members). Whilst action is needed to remedy this position, the timescales involved mean that there is sufficient time to recover the position in a phased manner over several years and valuations. An employer's contribution rate of 22.2% will be used with an additional 1% being included for ill health retirement insurance.
- 3.20 The projected movement of the general fund balances is detailed in the table below and indicates that balances forecast as 31 March 2027 around the 15% target for the general fund balance. However, overall earmarked reserves are being used to ensure a balanced budget position. Final movements in balances for 2025/26 will be confirmed at year end and considered as part of future review of reserves.

Table 8	Total	General Fund	Special Expenses
	£'000	£'000	£'000
Balances at 1 April 2025	1,918	1,688	230
Amount Taken to /(from) Balances 2025/26	359	433	-74
Balances at 31 March 2026	2,277	2,121	156
Amount Taken to/(from)Balances 2026/27	284	350	-66
Balances at 31 March 2027	2,561	2,471	90
Net Budget Requirement	17,257	16,476	781
Minimum Balance requirement (15%)	2,588	2,471	117
Surplus Balance	-27	0	-27

Earmarked Reserves

- 3.21 Appendix 1 provides a summary of earmarked General Fund reserves together with estimated movements. The tables below summarise the changes required to ensure spend commitments are met and funds are set aside for future pressures.

Table 10 Reserve	Transfer to Revenue 2026/27	Transfer from Revenue 2026/27	Use
Local Plan Procedure	£1,975		Re-profiling of expenditure for use on local plan
Special Expenses Reserve	£33,100	-£45,000	Free Parking in 2024/25
Economic Priority Reserve	£2,384,500	-£500,000	To Support General Fund Budget Position
Election Reserve		-£25,000	Set aside funds for next Election
Year End Carry Forwards	£15,420		Write out balance on reserve
ICT	£124,000		One yr funding for ICT improvements
Asset Management	£100,000		To Support General Fund Budget Position
Enforcement and Appeals	£50,000		Part fund in year revenue costs
Developing Communities Fund	£235,813		write out reserve to support general fund
Environmental Improvement Reserve	£50,000		Reserve used to support general fund
Enterprise Zone - Covid	£214,486		
Local Government Reform	£50,000		write out reserve to support general fund
TOTAL	£3,259,294	-£570,000	

- 3.22 Based on these calculations, it is estimated that the council will hold £5.7 million in earmarked reserves as at 31 March 2026 and £2.9 million at 31 March 2027. This amount excludes any “unapplied grants and contributions” which are treated as earmarked reserves in accordance with accounting regulations but relate to specific grants where conditions have not yet been met.

Local Government Finance Settlement

- 3.23 The council’s budgets are highly sensitive to changes in the finance settlement and government policy. Funding announced in the 2026/27 Local Government Finance Settlement (provisional), as detailed at the beginning of this report.

The Business Rates Growth figure is based on the NNDR1 which is finalised on the 31 January 2026. This is based on the latest available information on rateable values and reliefs. The total position as per MMHCLG is noted below

Hinckley and Bosworth Core Funding	2025/26 CPS £000	Provisional Settlement 2026/27 £000	Difference £000
Total as per MHCLG settlement	£18,141	£17,521	(£619)

3.24 The following points should be noted:

- The reset of business rates is allowed for in the 2026/27 settlement.
- From 2026/27 non-earmarked government funding has been consolidated within RSG. Therefore the funding for food waste is not separately identified and other previously separate grants are now within the RSG settlement or the transitional relief figures. Some other grants, although separately listed, are now part of the settlement and not provided as a separate grant, such as temporary accommodation funding of £573,000 are now including in the settlement.

Other changes are noted as:

- New Homes Bonus now ended
- Increases in national insurance contributions now ended
- Funding floor now ended
- The baseline business rate funding is reduced
- The business rate tariff has increased by £7m removing all business rates growth
- The dampening figures is an allowance for councils that have lost out financially as a result of business rates reset. The figures are based on a 95% safety margin to ensure that the net loss is not greater than 5% based on central government calculated core spending power.

Business Rates Retention and Pooling

3.25 The council's NNDR1 form forecasts the level of business rates expected to be collected by the council in year, after considering discounts, collection rates and appeals estimates. The retained business rates of this council are subject to a tariff, which the government have increased from £12.1m to £19.2m 2026/27.

3.26 The reset of the business rates retention scheme for 2026/27 will see revised target baseline funding amounts for each authority, with HBBC's baseline reduced by £120,000, and increased tariffs for many that will mean all past growth will be removed. With no growth, there is no levy to pay and therefore no financial advantage made from pooling. Therefore for 2026/27 the Leicestershire business rate pool will be closed. 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.

- 3.27 The NNDR1 form which sets out the final budgeted position for this council will be approved by the S151 officer on the 31 January 2026.
- 3.28 The accuracy of these forecasts will be monitored on a regular basis and will be validated only at year end as part of the completion of the NNDR3 form.
- 3.29 Budgeting for business rates is difficult, given the level of volatility in the market and delays in processing of appeals and applications for relief. Ongoing monitoring will be performed of the position in year and reported to the Finance and Performance Committee quarterly. Significant levels of appeals have been lodged with the Valuation Office Agency (VOA), which if successful would have a significant impact on the council.

Council Tax

- 3.30 For 2026/27 the financial settlement offered the ability to councils that have been prudent in council tax increments and find themselves in the bottom quartile for the level of council tax charged, to level a £5 increase. The general fund budget is based on a £5 average Band D increase, with no increase specific allocation of this to the special expenses area.

Summary of the overall 2026/27 budget position

- 3.31 The budget proposed for 2026/27 is achieving 15.0% general fund balance excluding special expenses (15% including SEA) in relation to net expenditure against a target of 15% (£2.471m).
- 3.32 Earmarked reserves are expected to reduce from £5.8m to £2.7m by 31 March 2027. The general fund balance is forecast to be £2.12m by 31 March 2027. Therefore, the council can achieve its financial targets for 2026/27. However, given the significant changes in Local Government Financing, the 2026/27 budget should be viewed considering business rate reset in 2027/28.
- 3.33 The 2026/27 budget should be read in conjunction with the council's Fees and Charges book for 2026/27, which is also agreed by council. This document reflects the annual review of all council income streams and any variations in charging regimes. Major fee changes are summarised in the Fees and Charges report.

Assurance Statement of the Council's Section 151 Officer (Head of Finance and Resources)

- 3.34 The Section 151 officer has a statutory duty to report under Section 25 of the Local Government Act 2003 to report on the robustness of the estimates made within the budget and the adequacy of the financial reserves. The following assurance can be given:

- In relation to the 2026/27 General Fund Revenue budget, I have examined the budget proposals, and I believe that, whilst the spending and service delivery proposals are challenging, they are nevertheless achievable given, good management, and the sound monitoring of performance and budgets.
- I am satisfied that sufficient management processes exist within the Council to deliver this budget and to identify and deal with any problems which may arise unexpectedly during the 2025/26 year.
- The key process risks in making the above statement are growing pressure on pay costs and temporary accommodation. Although steps have been taken to manage these risks the risk still remains if demand continues to increase.
- The commencement of the new food waste service results in additional costs of circa £1.5m on the general fund budget. Although an allowance has been made within the central government settlement for this, it is not an earmarked amount so a risk remains that funding for this will be based on future public sector settlement amounts.
- There are currently no LGR costs included in the 2026/27 budget, with no current expectations for such costs to occur. Should there be any costs for LGR then they will need to be agreed as a separate supplementary budget by members.
- My statement is conditional upon the agreement of an updated Medium Term Financial Strategy being agreed by council to ensure that the required target of 15% minimum balance for general fund can be maintained for 2026/27, it may need to fall to 10% in 2027/28, but the council can set a balanced position with a sufficient general fund balance in the medium term.

4.0 Exemptions in accordance with the Access to Information procedure rules

4.1 Report taken in open session.

5.0 Financial implications [IB]

5.1 Contained in the body of the report.

6.0 Legal implications

6.1 Section 25 of the Local Government Act (2003) requires the Section 151 officer to report on the robustness of the estimates made within the budget and the adequacy of the financial reserves.

7.0 Corporate Plan implications

- 7.1 A robust General Fund Budget 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.

8.0 Consultation

- 8.1 None

9.0 Risk implications

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

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.

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

Risk Description	Mitigating Actions	Owner
That the Council has insufficient resources to meet its aspirations and cannot set a balanced budget	A budget is produced to ensure that the objectives of the budget exercise are known throughout the organisation.	Strategic Leadership Team
That decisions made for 2026/27 are made in isolation from the Medium-Term Financial Strategy and the pressures set out in that strategy.	The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance.	Strategic Leadership Team
That the MTFS has no robust and costed plan to ensure sustainability, resulting in public criticism on value for money from the internal and external auditors	Decisions are made which provide costed reassurance that sufficient levels of reserves and balances are maintained to ensure financial resilience over the period of the MTFS	Council

10.0 Knowing your community – equality and rural implications.

- 10.1 This budget ensures that value for money services can be delivered to all residents and communities within the Borough.

11.0 Climate implications

- 11.1 There are no direct implications arising from this report. However, financial planning is a key tool for delivering the corporate priorities of the council. Included in those priorities are the climate change considerations for services. The budget decisions made by members in relation to issues such as council tax, fees, and charges, and in the longer-term asset investment directly affect the council's abilities to invest in climate change priorities. The financial pressure on the council will mean it become increasingly difficult to meet its carbon emergency targets by 2030.
- 11.2 The council currently wish to reduce the carbon emissions by a range of key initiatives as set out in the adopted Climate Change Strategy, including the program of installing electric charging points to car parks and increase biodiversity through management of our green spaces. The council also has funds ringfenced to support voluntary and community sector organisations and consider environmental impact as key criteria of where these funds are used.
- 11.3 The pressure that is in the budget poses risks for all the council's activities, including these areas.

12.0 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: None

Contact officer: Ilyas Bham, Accountancy Manager x5924

Executive member: Cllr K Lynch

Appendix 1 - General Fund Earmarked Reserves

	Closing Balance 31st March 2025	Capital Expenditu re Budget	To Revenue Revised Budget	From Revenue Revised Budget	Closing Balance 31st March 2026	Capital Expenditu re Budget	To Revenue Orig Budget	From Revenue Orig Budget	Closing Balance 31st March 2027
Special Expenses Reserve	(294,400)	58,076	33,100	(45,000)	(248,224)	48,740	33,100	(45,000)	(211,384)
Local Plan Procedure	(204,267)		202,292		(1,975)		1,975		0
Business Rates Equalisation Reserve	(1,250,000)				(1,250,000)				(1,250,000)
Year End Carry Forwards	(157,418)		141,998		(15,420)		15,420		0
ICT Reserve	(161,929)				(161,929)		124,000		(37,929)
Asset Management Reserve	(274,258)				(274,258)		100,000		(174,258)
Election Reserve	(50,000)			(25,000)	(75,000)			(25,000)	(100,000)
Grounds Maintenance	(30,000)				(30,000)				(30,000)
Enforcement & Planning Appeals	(100,000)		50,000	(135,000)	(185,000)		50,000		(135,000)
Building Maintenance costs	(491,769)	100,000			(391,769)	100,000			(291,769)
Developing Communities Fund	(235,813)				(235,813)		235,813		0
Environmental Improvement Reserve	(150,000)		50,000		(100,000)		50,000		(50,000)
Enterprise Zone - Covid	(214,486)				(214,486)		214,486		0
LGR	0		50,000	(100,000)	(50,000)		50,000		0
Economic Priorities Reserve	(2,829,291)		391,000	(81,000)	(2,519,291)		2,384,500	(500,000)	(634,791)
Total	(6,443,631)	158,076	918,390	(386,000)	(5,753,165)	148,740	3,259,294	(570,000)	(2,915,131)
Total Excluding Special Expenses	(6,149,231)	100,000	885,290	(341,000)	(5,504,941)	100,000	3,226,194	(525,000)	(2,703,747)