

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – TUESDAY, 25 NOVEMBER 2025



Title of Report	MEDIUM TERM FINANCIAL PLAN 2025 - 2028	
Presented by	Cllr K Merrie Portfolio Holder Finance and Corporate <div>PH Briefed <input checked="" type="checkbox"/> Yes</div>	
Background Papers	<u>Fair Funding Review - Cabinet 23 September 2025</u>	Public Report: Yes
	<u>General Fund Budget and Council Tax 2025/26 - Council 20 February 2025</u>	Key Decision: No
Financial Implications	<p>The Medium Term Financial Plan (MTFP) 2025-2028 was approved by Council in February 2025 and highlights the funding gap for the Council over the medium term. This update report describes the financial challenges the Council faces over the next two years and the mitigations that are in place to address the funding gap in relation to the MTFP.</p> <p>This update focuses on the Government's Fair Funding Review which may bring a significant funding gap for the Council. Details of this were reported to Cabinet on 23 September 2025.</p>	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	<p>The Council is legally obliged to set a balanced budget each year. This duty is set out in <i>Section 32 of the Local Government Finance Act 1992</i>, which requires authorities to calculate their budget requirement and ensure it aligns with available resources. Additionally, <i>Section 25 of the Local Government Act 2003</i> mandates that the Chief Finance Officer must report on the robustness of the estimates and the adequacy of reserves before the budget is agreed.</p> <p>The MTFP plays a critical role in this statutory process. It provides the financial framework and strategic foresight necessary to support the Council in delivering a legally compliant, balanced budget. The MTFP ensures that budget-setting decisions are informed by a clear understanding of future pressures, risks, and priorities helping Members to make informed decisions in the period up to setting the final budget for 2026/27.</p>	
	Signed off by the Monitoring Officer: Yes	

Staffing and Corporate Implications	There are no direct staffing and corporate implications.
	Signed off by the Head of Paid Service: Yes
Purpose of Report	To provide Members with details of the risks and challenges over the medium term, outlining the details to support the budget setting process for 2026/27.
Reason for Decision	<p>Under the Finance Procedure Rules, the Section 151 Officer is responsible for reporting to Cabinet in respect of the Medium Term Financial Plan. This report is to enable Cabinet to consider the risks and challenges in relation to the Medium Term Financial Plan 2025- 2028 as part of the budget setting process.</p> <p>Under the Budget and Policy Framework Procedure Rules, Cabinet is responsible for finalising and publishing the draft budget proposals for consultation. This report seeks to delegate that responsibility to the Section 151 Officer in consultation with the Portfolio Holder for Finance to commence the budget consultation period for the Council's budget 2026/27 earlier.</p>
Recommendations	<p>THAT CABINET:</p> <ol style="list-style-type: none"> 1. NOTES THE UPDATE ON THE MEDIUM TERM FINANCIAL PLAN 2025-2028 2. DELEGATES AUTHORITY TO THE SECTION 151 OFFICER IN CONSULTATION WITH THE PORTFOLIO HOLDER FOR FINANCE TO FINALISE AND PUBLISH THE DRAFT BUDGET PROPOSALS FOR CONSULTATION

1.0 BACKGROUND

- 1.1 This report sets out an update of the Medium Term Financial Plan (MTFP) to 2028/29, which has taken place over the summer, with a focus on the potential impact of the Government's consultations in respect of Business Rates Retention and the Fair Funding Review, both of which were published after the Council set its budget and revised MTFP in February 2025. It recognises financial pressures impacting the delivery of services and the ongoing impact on the Council's base costs of inflation.
- 1.2 It is crucial for councils to have a robust medium term financial plan, as this provides a clear framework for navigating financial uncertainties and enables effective resource allocation. Such a plan not only supports prudent financial management, but also ensures decisions are made with a full understanding of the potential risks and opportunities facing the Council.
- 1.3 This report is intended to highlight to Members the financial risks and challenges the Council faces as it moves into its formal period of budget setting for 2026/27.

- 1.4 A detailed version of the MTFP will be published alongside the General Fund Revenue and Capital budgets 2026/27, once the outcomes from the Provisional Finance Settlement are confirmed.

2.0 MEDIUM TERM FINANCIAL PLAN

- 2.1 This update sets out the Council's financial position and outlook for the period 2025 to 2028. It supports the Council's Delivery Plan and provides a framework for how resources will be managed to deliver our priorities. This update highlights the financial challenges the Council faces, including a projected funding gap, and sets the scene for the detailed budget work that will follow for 2026/27.

National Context

Local Government Reorganisation

- 2.2 The Government's Devolution White Paper, published in December 2024, proposes significant changes to local government structures, including merging smaller councils and creating new Strategic Authorities. The Council response, developed with other Leicestershire districts and Rutland, is to propose three new unitary councils. While this could bring savings and efficiencies, there is uncertainty about whether our proposal will be accepted, and reorganisation is not expected until April 2028. For now, our financial planning focuses on the period up to 2027/28, as the future shape of local government remains unclear.

Inflation and Interest Rates

- 2.3 Recent years have seen high inflation, peaking at 11.1% in October 2022, which has put pressure on council budgets. Inflation is now stabilising, with forecasts suggesting a return to the Bank of England's 2% target by 2027–2029. Interest rates have also risen, increasing the cost of borrowing and impacting our ability to fund capital projects. These factors have made financial planning more difficult, but the outlook is improving.

Pay Awards and Workforce

- 2.4 Pay awards have been challenging, with councils needing to balance competitive pay against tight budgets. Recruitment and retention have been difficult, especially in key areas like planning and finance, but there are signs of improvement with more candidates applying and successful recruitment campaigns.

Demand for Services

- 2.5 Demand for council services continues to rise, especially for statutory services like housing support and homelessness prevention. The cost-of-living crisis has increased the need for support, and temporary accommodation costs have risen due to inflation and housing shortages. The Council is also seeing increased demand for neighbourhood services such as waste collection and environmental health.

Government Support

- 2.6 The Household Support Fund has helped the Council provide targeted support to vulnerable households, but the Government plans to move towards a longer-term Crisis Resilience Fund. This will require the Council to adapt its approach to supporting residents in financial hardship.

Local Context

- 2.7 Despite identifying substantial savings in recent years, the Council continues to deliver on its key priorities. Our Transformation Programme is focused on improving services and efficiency, using technology and digital solutions to enhance the customer experience and support staff. We are exploring the use of artificial intelligence to further improve performance.
- 2.8 The Council recognises a funding gap over the medium term and is actively working to identify savings for the 2026/27 budget. The Council's guiding principles are financial stability, focusing resources on priorities, maximising income, and managing risk.

Council Priorities

- 2.9 The Council Delivery Plan sets out priorities including:
- Effective planning services and adoption of a new Local Plan
 - District-wide regeneration projects
 - Supporting local workforce skills and tackling transport connectivity
 - Improving community health and investing in leisure
 - Enhancing housing services through a Housing Improvement Plan
 - Implementing a robust Zero Carbon Policy and Roadmap

Financial Challenges

Funding Pressures

- 2.10 Since 2010, local authorities have faced significant budget cuts. While our district has benefited from strong business rates growth, which has helped fund services, the Council are now seeing increased pressure on housing and homelessness services, recruitment challenges, and rising costs for maintaining public services and infrastructure.

Governance and Devolution

- 2.11 The proposed local government reorganisation and devolution agenda add further complexity and uncertainty to our financial planning. The creation of new councils and strategic authorities could change funding formulas and service delivery models.

Funding Sources

Business Rates

- 2.12 Business rates growth has been a key source of financial stability for the Council. It has used this growth to fund both day-to-day services and its capital programme. However, the planned business rates reset in 2026/27 is likely to reduce the Council's income, and the Fair Funding Review may redistribute resources to other authorities.

Council Tax

- 2.13 Council Tax is another major funding source. The Council has implemented modest increases in recent years, and is assuming a 2.75% rise each year, in line with Government caps. Housing growth in the district is strong, which helps expand the Council's tax base.

Government Grants

- 2.14 Grants such as the New Homes Bonus, Minimum Funding Guarantee, Extended Producer Responsibility payments, and National Insurance Contributions Grant have supported our finances. However, many of these are being reduced or phased out, adding to the uncertainty.

Fees and Charges

- 2.15 Income from fees and charges for council services is an important part of the Council's budget. The Council regularly review these to ensure they are appropriate and competitive.

Housing Revenue Account (HRA)

- 2.16 The HRA is ring-fenced for housing services and cannot subsidise other council services. The HRA Business Plan sets out a 30-year strategy for maintaining and improving the housing stock, with a focus on financial sustainability, resident involvement, and compliance with government rent-setting policies.
- 2.17 Recent updates to the HRA Business Plan include investment in new homes, energy efficiency improvements, and enhanced resident involvement. The budget for 2025/26 includes a 2.7% rent increase and a capital programme focused on repairs, maintenance, and new developments.

General Fund and Reserves

- 2.18 The General Fund covers day-to-day council services. The financial forecasts show a funding gap emerging from 2026/27, driven by reduced grants, business rates reset, and rising costs. The Council maintains both general and earmarked reserves to provide financial stability and support key projects. The adequacy of reserves is assessed annually as part of the budget-setting process.

Capital Programme

- 2.19 The capital programme includes regeneration projects, investment in vehicles and equipment, new construction, and zero carbon initiatives. The programme is managed through a robust governance framework, with strategic use of reserves to fund key projects. However, future investment decisions depend on the outcome of the Fair Funding Review and the Provisional Finance Settlement.
- 2.20 The Council is also assessing the financial implications of meeting net zero carbon targets, which may require significant capital investment and reprioritisation of projects.

Closing the Funding Gap

- 2.21 The Council's transformation programme is central to addressing the funding gap, which is projected to reach £2.6 million by 2028/29. Strategies include:
- Regular budget reviews and housekeeping
 - Increasing Council Tax within Government limits
 - Maximising income from assets and services
 - Efficient allocation of resources
 - Identifying savings across all departments
 - Exploring shared services and joint procurement
 - Consulting with stakeholders on savings proposals
- 2.22 Significant savings have already been delivered in 2024/25 and 2025/26, and work is underway to identify further savings for 2026/27.

Sensitivity Analysis and Risk Management

- 2.23 The Council has used sensitivity analysis to model different financial scenarios, including base, best, and worst cases. The base case shows a funding gap of £578k in 2026/27 and £1.6m in 2027/28. The worst case could see the gap widen to £4.3m in 2026/27 due to reduced funding and increased costs.

2.24 Key risks include:

- Reduction in central government funding
- Unpredictable funding streams
- Economic downturns
- Rising costs and demand for services
- Policy changes and uncertainty
- Transitional costs from local government reorganisation

2.25 Mitigation strategies include diversifying revenue streams, robust financial planning, maintaining adequate reserves, collaboration and shared services, innovation and efficiency, and effective risk management.

Looking Ahead

2.26 The financial outlook for local government remains uncertain, with significant challenges ahead. The Government's commitment to a multi-year financial settlement from 2026/27 is welcome, but the impact of the Fair Funding Review and business rates reset will be significant.

2.27 A detailed plan to address the funding gap and ensure financial sustainability will be prepared as part of the budget setting for 2026/27. This will include further analysis of savings opportunities, income generation, and investment priorities, ensuring that resources are focused on delivering our key priorities and supporting our communities.

2.28 The Council faces considerable financial challenges over the medium term, driven by funding pressures, rising costs, and uncertainty about future government policy. Our transformation programme, prudent financial management, and commitment to innovation and efficiency put us in a strong position to navigate these challenges.

2.29 A detailed plan will be developed as part of the 2026/27 budget setting process, ensuring that we continue to deliver high-quality services, support our residents, and maintain financial stability for the future.

3.0 BUDGET CONSULTATION

3.1 The Council will undertake a comprehensive consultation process with residents and other key stakeholders to support its budget setting for the coming year. Over the next few weeks, a range of proposals will be presented for consideration, and the Council will actively seek views and feedback from the community. This engagement is designed to ensure that Members have access to a range of opinions and insights, enabling them to make well-informed decisions that reflect the priorities and needs of local people.

3.2 Consultation methods will include online surveys and statutory consultation with business ratepayers and trade unions; all aimed at maximising participation and transparency throughout the decision-making process.

3.3 Under the Budget and Policy Framework Procedure Rules, Cabinet is responsible for agreeing and publishing the draft budget proposals for consultation. As the Provisional Finance Settlement is not expected to be announced until mid/late December (as has been the case in previous years), it is challenging to produce draft proposals in time for Cabinet to consider them prior to being published for consultation. It is therefore proposed that Cabinet delegates authority to finalise and publish the draft proposals at the appropriate time. This will enable the consultation period to commence earlier with the relevant information included. Cabinet is already involved in developing the budget proposals by way of Cabinet workshops and the Section 151 Officer would consult the Portfolio Holder prior to publication.

4.0 SUMMARY

- 4.1 The MTFP outlines the Council's financial outlook over the medium term. This update report highlights concerns regarding the provisional finance settlement, which remains uncertain until the Government's Fair Funding Review outcomes are released in December 2025. To inform budget setting, the Council will conduct a comprehensive consultation with residents, business ratepayers, and trade unions using online surveys and statutory mechanisms, aiming to ensure transparency and gather a wide range of views.

Policies and other considerations, as appropriate	
Council Priorities:	A well-run council
Policy Considerations:	Council Delivery Plan 2023-2028 Budget Framework as set out in the Council's Constitution.
Safeguarding:	None.
Equalities/Diversity:	Equality Impact Assessments will be completed where it is relevant to do so in respect of budget proposals.
Customer Impact:	None.
Economic and Social Impact:	None.
Environment, Climate Change and Zero Carbon:	None.
Consultation/Community/Tenant Engagement:	Consultation with residents will be undertaken as part of the Council's budget setting process. This engagement will ensure that the views and priorities of the community are taken into consideration before any final decisions are made.
Risks:	There are key risks to the Council's finances, which are detailed in the Medium Term Financial Plan (MTFP). The MTFP outlines the principal financial risks facing the Council, such as uncertainties regarding government funding, inflationary pressures, unexpected changes in service demand, and the potential impact of economic factors on income streams. The Plan sets out a number of mitigation strategies in helping to safeguard the Council's financial stability and resilience.
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