

Rt Hon Steve Reed OBE MP

*Secretary of State for Housing,
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By email: steve.reed.mp@parliament.uk

Dear Secretary of State,

Adverse Finance Settlement impact and request to delay implementation of Food Waste Collections until after LGR.

As Leader of Melton Borough Council, I must urgently bring to your attention, and seek your support to address, the significant challenges arising from the outcome of the provisional finance settlement - particularly the impact on small, rural, district councils like ourselves; impacted by the treatment of the 'resources adjustment' where a council has parishes and a special expense account. I also wish to highlight the shortfall and lack of transparency of funding made available for food waste collection services within the settlement. The impact of these issues is putting the financial sustainability of this council at serious risk and will impact our ability to both implement food waste collections, and make a positive and effective transition through local government reorganisation.

Melton Borough Council is committed to implementing Government Policy and supporting action to reduce waste, protect our environment and mitigate the impacts of climate change. We are a small but well-run rural district council, and take our responsibilities for service delivery and prudent financial management seriously. Despite the financial challenge, and in line with reviews previously conducted by the LGA, and indicators issued by CIPFA, we have over recent years taken action to increase our financial resilience. Our increasing resilience and delivery of value for money have been recognised by our external auditors; as noted in their most recent [Interim Annual Report](#) presented to our Audit and Standards Committee in November 2025.

As you would expect, the Council has been proactively preparing to implement a food waste service and has placed orders for food caddies and new waste collection vehicles in anticipation of commencing collections. We have previously expressed our significant concerns to government departments about insufficient capital funding to purchase food waste vehicles - the outcome of which being that our capital receipts are now almost exhausted as a result of having to fund the 40% shortfall. Nevertheless, we have continued to develop plans in good faith, and have relied upon the repeated assurance from

Government that any new burdens will be fully funded, in line with the principles of the 'New Burdens Doctrine'.

Throughout our decision-making processes and communications, we have repeatedly and prudently been clear that implementation of this service must not undermine our financial sustainability. In revenue terms, the cost of implementing food waste collections for a full year in Melton is c. £800k, which doesn't include making provision for the future replacement of vehicles. This represents c. 9% of the council's total net revenue general fund budget, and so any shortfall in funding would place a considerable and likely unsustainable burden on our resources. Given the financial risks involved, the council could not therefore initiate formal negotiations or formal procurement processes necessary to vary the contract with our waste provider until the funding position was confirmed. With this delayed until the settlement, it meant meeting the April 2026 implementation date became impossible; a frustration previously expressed to colleagues at DEFRA by ourselves and the other districts in Leicestershire. This, coupled with supply chain pressures preventing delivery of our vehicles until the latter part of 2026, means the earliest we could practically implement food waste collections is January 2027.

The position has now though fundamentally changed and worsened since the provisional settlement was announced. Setting aside the lack of transparency regarding any new burdens funding for a moment, the total amount of funding provided to date is insufficient for the Council to meet all its statutory obligations, including rolling out food waste collections, whilst concurrently contributing positively and effectively to LGR transition and implementation. Melton has been identified as one of the most negatively impacted councils in the country from the provisional settlement.

The key issues with the provisional settlement in relation to Melton's finance are as follow:

- The fair funding assessment sees a 47.45% reduction over the 2025/26 baseline with only 95% of Core Spending Power (CSP) protected. The Rural Services Network analysis shows we are one of the hardest hit districts in terms of its reduction in CSP and level of government funding.
- Whilst 95% of 2025/26 CSP is protected this effectively means no funding has been allocated to fund the roll out of food waste collections.
- The resource adjustment assumes 11% of notional council tax is relevant to district councils. Melton's percentage is lower than this due to parishes and special expenses. Therefore, the settlement assumed an inflated level of council tax retention we do not benefit from. This will get worse over time as upper tier authorities can raise council tax at a higher level than districts.
- The treatment of business rates pooling gains in the settlement has disproportionately protected councils historically benefiting from high growth in their areas - creating a perverse position where funding inequalities are exacerbated and enabling those 'high growth' authorities to mitigate the lack of direct funding for food waste collections, whereas Melton with its previous modest growth cannot.

- Despite action to increase our financial resilience, the proportion of unallocated reserves we hold as a percentage of net service expenditure, at 10.2%, remains far lower than other shire districts, and comparator authorities; and therefore is insufficient to fund the roll out of food waste or bridge any deficits prior to LGR.

The position being experienced by Melton Borough Council as a result of the finance settlement is a perfect storm with previous reductions in funding from the cessation of Rural Services Delivery Grant, the inclusion of a resource adjustment into the formulae and now the introduction of a high cost statutory responsibility for which no additional funding has been received. It is an unacceptable outcome for any council and its taxpayers, and particularly for one that has managed its finances carefully to avoid financial crises.

The cumulative impact of this situation is that it now places the council at significant risk of being unable to meet all its statutory obligations; particularly in rolling out food waste collections, whilst concurrently supporting the organisation through and funding LGR transition in a positive and constructive way. Uncertainty regarding the timetable for LGR implementation exposes the council to medium term risks which ultimately would mean that if food waste collections were rolled out now, the council's un-ringfenced reserves would be exhausted during 2028/29; significantly undermining organisational stability immediately prior to any new unitary councils being established.

As a prudent organisation, the Council's Cabinet has already commissioned further analysis of scenarios, savings options and service reductions that could be deployed, depending on when LGR is implemented and whether food waste is rolled out in part or in full. In reality though, without additional funding, any roll out of food waste is likely to have a devastating impact on other vital services and the integrity of the organisation, at a time when the Council must continue to play a positive and constructive role in LGR transition and maintain the confidence and trust of its communities.

Accordingly, on behalf of Melton Borough Council, I therefore request the following:

1. That the impact of the provisional finance settlement, fair funding assessment, resource adjustment, and treatment of business rates be reviewed and mitigated as part of the final settlement, and that Melton benefit from 100% protection, like the vast majority of other local authorities.
2. That the council be given permission to delay implementation of food waste collections until at least April 2028, or until such time as LGR is implemented, enabling more cost effective and shared arrangements to be developed, and greater economies of scale be secured, as part of future local government structures, or
3. Confirmation that the new burdens for introducing food waste collections will be fully funded, and clarity on the total amount of funding which will be provided to Melton as a consequence, outside of the settlement if necessary.

My Chief Executive and s151 Officer have already made contact with relevant colleagues within MHCLG to discuss the issues and options surrounding this in more detail and I would welcome your support in securing a positive outcome to these discussions.

I look forward to hearing from you.

Yours sincerely

A handwritten signature in black ink that reads "Pip Allnatt". The signature is written in a cursive, flowing style.

Cllr Pip Allnatt

Leader of the Council