

Blaby District Council

Cabinet Executive

Date of Meeting	24 February 2025
Title of Report	General Fund Budget Proposals 2025/26 This is a Key Decision and is on the Forward Plan.
Lead Member	Cllr. Maggie Wright - Finance, People & Performance (Deputy Leader)
Report Author	Executive Director (Section 151 Officer)
Strategic Themes	All Themes: Enabling communities and supporting vulnerable residents; Enhancing and maintaining our natural and built environment; Growing and supporting our economy; Keeping you safe and healthy; Ambitious and well managed Council, valuing our people

1. What is this report about?

- 1.1 The report sets out the Council's General Fund budget proposals for the forthcoming financial year. This includes details of the financial settlement that will support service delivery, and a high-level summary of planned expenditure by portfolio. The Council holds a number of reserves that it can draw upon to fund future expenditure. The level of reserves is noted within this report, along with an update of the Medium-Term Financial Strategy (MTFS) and comments of the Executive Director (S151 Officer) for the purposes of the requirements of Section 25 and 26 of the Local Government Act 2003.

2. Recommendation(s) to Cabinet Executive and Council

- 2.1 To have regard to the comments of the Executive Director (Section 151 Officer) in paragraph 4.7 in respect of the requirements of the Local Government Finance Act 2003.
- 2.2 To approve the 2025/26 General Fund Revenue Account net expenditure budget of **£15.407m**.
- 2.3 That Council approve the increase of the General Fund Reserve level held to 45% of the net budgeted revenue expenditure.
- 2.4 That delegated authority is given to the S151 Officer in consultation with the Portfolio Holder to make minor amendments to the Budget should it be necessary.

3. Reason for Decisions Recommended

- 3.1 It is a requirement for the Cabinet Executive and Council to take into account the requirements of the Local Government Finance Act 2003 in relation to the robustness of the budget and the adequacy of reserves.
- 3.2 Cabinet and Council are required to consider and approve the General Fund Revenue Account budget proposals in order to set the budget and Council Tax for the forthcoming financial year.
- 3.3 It is appropriate to review the General Fund Balance upper limit parameters given the financial uncertainty and the Council's reserve levels.
- 3.4 Minor amendments to the budget may become necessary prior to the commencement of the year in April, it is therefore appropriate to give delegated authority to allow these to be reflected in the budget.

4. Matters to consider

4.1 Background

The Council formulates an annual budget based on our best estimates of income and expenditure for the forthcoming financial year. Officers monitor actual income and expenditure against the budget during the year, and quarterly progress reports are presented to Cabinet Executive, highlighting any significant variances against the budget.

Alongside the annual budget, the Medium-Term Financial Strategy (MTFS) provides a forecast of the Council's revenue position up to a period of five years into the future.

Perhaps the most significant strand to the budget setting process is the Local Government Finance Settlement, which sets out the amount of Government funding that will be made available to support the Council's budget for the forthcoming year, and the amount by which we are permitted to raise council tax.

Members will be aware that the settlement funding assessment for 2025/26 was announced on 18th December 2024. As has been the case in recent years, only a single year settlement was released.

The Final Local Government Settlement was received on 3rd February 2025. No further funding was provided to Blaby District Council within the Final Settlement however certainty was provided on the National Insurance Compensation figure which was £104k rather than the £117k allowed for initially in the budget.

A single year settlement makes it difficult to gauge the level of funding in future financial years, given the forthcoming Local Authority Funding Reforms and

also the impact that the White Paper in Devolution and Local Government Reform may have.

There remains a great deal of uncertainty over how changes to Business Rates Retention and the Funding and Local Government Reform will impact on our financial position. The Funding Reforms are now expected to be implemented in 2026/27. The updated MTFS, at Appendix C, therefore, assumes that the Business Rates Baseline will be re-based from 1st April 2026, and this is expected to lead to the loss of any growth in business rates that have accumulated since 2013/14.

It is too early in the process to understand the impact the Local Government Reforms (LGR) will have on the financial position of the Council and therefore the proposed budget for 2025/26 and the MTFS has not modelled any of this impact.

It is however expected that the Council will incur additional costs relating to the development of LGR proposals and costs associated with delivering Local Government Reform. These points should be taken into consideration when setting Council Tax and reviewing reserve levels.

4.2 Proposed Budget

The General Fund Revenue Account net expenditure budget of **£15.407m** has been prepared by:

- Including an estimate of the costs associated with the annual pay settlement which is yet to be agreed by the National Joint Council for Local Government.
- Incorporating increases in employer's pension in line with the triannual review.
- Including changes in external funding.
- Updating both income and expenditure forecasts to reflect inflationary pressures and any review of charges, particularly in respect of some of our key income streams.
- Utilising earmarked reserves where applicable to do so to support services to continue to be delivered.
- Estimating the amount of business rates receivable based on properties on the rating list, entitlement to various reliefs, expected growth, and the likelihood of appeals.

Contingent events such as planning appeals are not included within the budget requirement, but expenditure will be funded from balances if it is necessary.

Funding the Budget Requirement

Service expenditure is presented net of fees and charges, and other specific grant income, to arrive at the net budget requirement of £15.407m.

The net budget requirement is met through a combination of council tax, business rates, and government grants.

Council Tax – proposals for Council Tax are included in a separate report on this agenda. The budget proposals include an assumption that the Band D Council Tax is increased by 2.99%; an increase of £5.66 per annum in 2025/26. Applying this to the Council Tax Base of 34,672.75 Band D equivalents, generates estimated Council Tax income of £6,754,058 in 2025/26.

Business Rates – during the pandemic income from Business Rates was significantly impacted, mainly due to the expanded retail relief introduced by the Government to support businesses that were affected by the lockdown, but also in terms of an increase in empty properties, reduced growth, and an increase in the number of appeals against rating assessments. However, this position was mitigated by the receipt of Section 31 Grant paid by the Government in compensation for expanded retail relief losses and other similar measures.

Whilst the impact of the pandemic has reduced now, there are still several measures in place to support businesses, including small business rate relief, retail and hospitality relief, and the freezing of the rate multiplier for small businesses. All these factors combine to reduce the amount of business rates collectable, although Section 31 compensation is still in place to mitigate the impact.

Appeals submitted by businesses seeking a reduction in their rateable value, still represents a risk to the business rates base. A provision is in place against which successful appeals can be offset, and this has been factored into the forecast of business rates receivable in 2025/26 and beyond.

At the time when Scrutiny was presented with the draft budget proposals, Members were advised that income from Business Rates had increased, with the Valuation Office rating one particular property in the district higher than expected. This has resulted in extending the Business Rate income but the backdated element being of a one-off nature. Further work has been undertaken to refine the budget estimates in line with completion of the statutory NNDR1 return, and this has enabled us to retain the estimated business rates receivable at £6.6m with a contribution of £1.6m made to the NNDR Income Reserve.

New Homes Bonus Grant – New Homes Bonus Grant has again been extended for a further year with £426k to be received in 2025/26. As the New Homes Grant has increased in 2025/26 so other grants have reduced. The future of New Homes Bonus continues to be uncertain, and no provision has been built into the MTFS from 2026/27 onwards.

Funding Floor Grant – This replaces the Funding Guarantee Grant. Blaby has been allocated £1.573M, a decrease from the £2.246M Funding Guarantee Grant of 2024/25. The reduced amount is reflective of both the increase in New Homes Bonus received in 2025/26 and the fact that Blaby is

able to raise an additional £190k if choosing to raise Council Tax by the maximum 2.99%.

Defra Funding: Extended Producer Responsibility for Packaging

It should be noted that funding of £913k will be received in 2025/26 from Defra relating to the Extended Producer Responsibility for Packaging. This is based on the Council's recycling collections and tonnages and passes the cost of collection onto those who produce the packaging. This funding has therefore considerably reduced the cost to the Council of providing the recycling collection to residents and contributes to the reduction in the expected Net Budget Requirement for 2025/26. The Government have excluded the Defra Funding from the calculation of Core Spending Power in 2025/26.

Balances and Reserves

The adequacy of the Councils balances and reserves are essential factors to be taken into consideration when preparing the annual budgets. The Council maintains a General Fund working balance and a number of specific earmarked reserves and provisions to meet liabilities.

In 2025/26 it is proposed that the Council makes a contribution of £531,470 **from** earmarked reserves to support the budget as follows:

- £54,500 from the Blaby District Plan reserve to support the Capital Grant Scheme.
- £63,750 from the Contractual Losses Support Fund to support the income from leisure contracts.
- £413,220 released from the Business Rate Pool Reserve to support the expenditure incurred to support Economic Development of the District.

It should also be noted that additional contributions **to** earmarked reserves are to be made as follows:

- £45,000 is to be made to the Property Fund Reserve. This reflects income that is expected to be received from the investment in the property fund.
- £1,649,329 is to be made to the NNDR Income Reserve to support the budget of 2026/27 onwards when the Business Rate Baseline is expected to be reset.

In 2025/26 it is proposed that the Council also makes a contribution to the General Fund Balance of £111,639.

Information relating to specific Balances and Reserves are set out below:

General Fund Balance

The Council's General Fund balance plays an important part in maintaining the financial stability of the authority primarily by:-

- Meeting unforeseen additional expenditure and reductions in income during the course of the financial year.

- Meeting the cost of one-off items of expenditure.
- Supporting the stability of the Council's finances by providing a source of funding in times of uncertainty.

In 2025/26 an amount of **£112k** is proposed to be contributed to the General Fund after contributions have been made from earmarked reserves to support the budget. This is on the basis that Cabinet Executive and Council approve the Council Tax increase that is the subject of the following report.

It should be noted that no allowance has been made for the costs of LGR in the 2025/26 proposed budget. Additional costs are expected to be forthcoming as officers become involved in the proposal development and progress towards the new authority arrangements. For this reason, it is expected that there will be a requirement to draw on reserves during the forthcoming year over above the position reported in the appendices.

The estimated balance of the General Fund at 31st March 2026 would, therefore, be **£6.733m** representing **43.7%** of the proposed net revenue budget for 2025/26. This is above the current limit within the Council's policy to hold no higher than 35% of the proposed relevant annual net revenue budget and as indicated to Cabinet in the Financial Performance Report 2023/24, considered on 24th June 2024, it is necessary to review this upper limit. It is therefore proposed that the Council's policy with regard to the upper limit held in the General Fund be increased to 45%. Whilst the reserves have increased in recent years, Blaby's usable reserve levels sit within the third quartile when compared with other districts. This, along with the forecast budget gaps illustrated in the MTFS suggest increasing reserve levels at this time is an advantage if able to do so.

NNDR Income Reserve

Since 2015/16 the Council has recognised and released income generated from the growth in Business Rates to support the budget.

Officers monitor Business Rates throughout the year and although appeals and unpredictability of growth rates and empty properties make it difficult to forecast the outturn position, the Council has continued to benefit from seeing growth within the District. It is anticipated that the NNDR income reserve will have a balance of **£1.794m** by 31st March 2025 increasing to £3.443m by 31st March 2026.

Other Earmarked Reserves

Appendix B gives details of the expected movement on earmarked reserves in 2024/25 and 2025/26. If any planned expenditure for 2024/25, backed by contributions from earmarked reserves, does not take place before 31st March 2025, consideration will be given to carrying the budget forward to 2025/26. In such cases the funding will remain in the earmarked reserve until required.

Medium Term Financial Strategy

The MTFS financial assumptions have been updated to reflect the recent Settlement and to take account of the anticipated reduction in future funding and the consequential risks that the Council faces in future financial years. A summary of the MTFS appears at Appendix C. The MTFS gives an indication of our future financial position based on the limited information we currently have regarding the changes to Business Rates and the introduction of Local Authority Funding Reforms, both of which are expected to be implemented for the 2026/27 financial year.

The main assumption contained within the MTFS is that rebasing will take place from 2026/27 based upon the level of collectable Business Rates in 2025/26. This will effectively remove any growth attained between 2013/14 and 2025/26 by increasing the tariff payable to Government out of Blaby's share of the collectable rates.

This is expected to lead to a budget deficit of around £1.1M in 2026/27 after damping. Once again, there is no certainty that the Government will introduce any form of damping, but it is thought likely that they will, in order to smooth the impact of the loss in funding across more than one financial year. The MTFS at Appendix C builds in an assumption that the loss in funding will be limited to 5% of the funding level for 2026/27. However, this is just one possibility and is by no means guaranteed.

The future of New Homes Bonus is very uncertain, and we await to hear if there will be a continuation of New Homes Bonus Grant in the future or if anything will replace it. For the purposes of the MTFS no New Homes Grant Funding has been assumed for 2026/27 onwards.

Funding of £913k has been included in 2025/26 budget figures from Defra relating to the Extended Producer Responsibility for Packaging. Whilst this funding is expected to be ongoing, it is uncertain as to whether it will be taken into consideration when the Fair Funding Review is completed.

The future funding envelope beyond 2025/26 remains more uncertain than in previous years with changes being brought in at pace by the government. In addition to the Local Authority Finance Reforms, already mentioned, the White Paper on Devolution and Local Government Reform recently published brings further changes, the financial impacts of which we are unable to forecast at this time. As a consequence the MTFS Summary at Appendix C takes no account of these potential changes.

4.3 Relevant Consultations

Cabinet Executive Members, Senior Leadership Team and the Service Managers have all been consulted in the preparation of budget proposals for the forthcoming year. The Scrutiny Commission has also had opportunity to challenge and understand the budget process and outcome.

4.4 Significant Issues

Local Government Act 2003 – Budget Calculations and Revenue Reserves

The Council's Section 151 Officer is required to report to Members about the robustness of the budget proposals and to comment on the adequacy of the reserves.

This provision is designed to strengthen the financial reporting requirements of local government and to reduce the risk of authorities getting themselves into financial difficulty. The reason for this is that there is no prospect, under normal circumstances, of levying a supplementary Council Tax once a Council sets its level of tax for the forthcoming year.

Robustness of Budget Proposals

The preparation of the 2025/26 budget has been undertaken in accordance with best practice, including individually costing each establishment post and examining each cost centre budget line against current year and prior year performance. This has produced a tight, tailored budget which will require careful monitoring throughout the forthcoming financial year. Capital charges have been calculated in accordance with the Accounting Code of Practice and the Council's policies in relation to depreciation and the Minimum Revenue Provision.

Those specific grants known of at the time of preparation are included in the budget and the declared level, where Ministers have already confirmed the arrangements for 2025/26. Where this is not the case a similar level to that received in 2024/25 has been used for ongoing grants. Where there is uncertainty, no provision has been assumed.

No specific provision has been incorporated into the proposed revenue budgets for 2025/26 for future potential redundancy or employment tribunal costs. It is proposed that any such costs be met from the Council's balances as and when required.

Adequacy of Major Reserves and Balances

Appendix B of this report sets out in detail the Council's overall position in relation to its reserves and balances.

The Council's proposals to utilise some of these reserves throughout the year illustrate how a structured approach is being taken to balance sustainable service delivery with financial prudence.

For the purposes of the requirements of Section 25 and 26 of the Local Government Act 2003, the Executive Director (S151) considers that the estimates for 2025/26 are robust and the proposed levels of balances and reserve are adequate. This has been considered giving regard to CIPFA's Resilience Index and also taking advice utilising external expertise analysing the Council's reserve levels and trends in utilisation of reserves.

Given the uncertainty that the Local Authority Funding Review and particularly the Business Rate Reform presents in future years there is a question as to whether the reserves are sufficient to underpin future financial pressures. This will be something that will be monitored by the Executive Director (S151) and brought to Council's attention as soon as information allows. As a matter of course, the reserves position is reported to Cabinet Executive on a quarterly basis. For the 2025/26 financial year the proposed level of balances and reserves are considered to be robust and adequate.

- 4.5 In preparing this report, the author has considered issues related to Human Rights, Legal Matters, Human Resources, Equalities, Public Health Inequalities and there are no areas of concern.

5. Environmental impact

- 5.1 No Net Zero and Climate Impact Assessment (NZCIA) is required for this report, although officers are required to consider environmental impacts of initiatives throughout their operations and carry out a NZCIA. Should further funding be required for environmental initiatives, these will be brought for consideration within independent reports and the financial implications considered at the time of bringing these reports before Cabinet and Council.

6. What will it cost and are there opportunities for savings?

- 6.1 The financial implications are included in the main body of the report, appendices and also documented in the papers provided to the Scrutiny Commission during January 2025.

7. What are the risks and how can they be reduced?

- 7.1 The risks to the Council in 2025/26 and future years are detailed in the Medium Term Financial Narrative document at Appendix C.

8. Other options considered

- 8.1 No other options have been considered – The Council is required to set its budgetary requirement and for the Council to consider the opinion of the Executive Director (S151 Officer) as to the robustness of the proposed budget and the levels of reserves and balances being adequate.

9. Appendix

- 9.1 Appendix A – Summary of Net Expenditure and Budget Requirement
- 9.2 Appendix B – Analysis of Reserves
- 9.3 Appendix C – Medium Term Financial Strategy (MTFS) including Plan to Close Future financial Gaps

10. Background paper(s)

- 10.1 Establishment 2024/25 and 2025/26 Report to Cabinet Executive - 13th January 2025.
Detailed budget working papers held by Financial Services.
Reports provided to the Scrutiny Commission Meetings of 15th and 22nd January 2025.

11. Report author's contact details

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