

## Appendix A

### 2026/27 Budget Overview 14<sup>th</sup> January 2026

#### Impact of the Settlement December 2025

Councillors will be aware that the Settlement figures are normally distributed to the Council in December and at the same time the Secretary of State makes their statement on local government funding for 2026/27 (referred to as 'the Statement' in this paper). The provisional Settlement was announced on the 18<sup>th</sup> December 2025.

Key elements of the Statement that impact on the budget position for 2026/27 are:

- Confirmation of provisional settlement figures for 2026/27, 2027/28 and 2028/29 i.e. a three-year settlement was provided.
- Confirmation that New Homes Bonus was discontinued
- Council Tax increase thresholds
- Changes to Business Rate Baseline
- Information relating to additional funding streams.

Alongside the Settlement the government also published a technical consultation paper on:

- The Provisional Local Government Finance Settlement 2026/27 (open until 14<sup>th</sup> January)

A Policy Statement (20th November 2024) had already announced the key principles that ministers applied in the provisional settlement, however some elements, particularly the re-setting of the business rate baseline, were not fully understood until the Settlement was released.

The funding position for 2026/27 provides Settlement information spanning 3 years.

The Settlement will result in considerable redistribution of funding between authorities. The funding distribution was last updated in 2013-14 and no update has taken place of key datasets until now. The Relative Needs Formulas have seen major changes and many grants have either been rolled into the Settlement Funding Assessment or into one of four Consolidated Grants. Alongside this there has been a Full Baseline Reset for Business Rates.

Whilst there has been redistribution of funding through the formula to those authorities with higher needs, the inclusion of business rate growth and business rate pooling income has perhaps lessened the impact of redistribution for Blaby, as these income streams have been protected to some extent.

## **Total Budget Requirement**

The proposed draft General Fund Revenue Account Net Budget Requirement for 2026/27 is **£19.731M**. The comparable Net Budget Requirement for 2025/26 that was approved in February 2025 was **£15.407M**.

It should be noted that significant increases in budget have been included within the budget requirement for 2026/27. These include:

- The additional expenditure for the delivery of the Food Waste Service from April 2026. An amount of £750k has been included. Whilst the Council were expecting 'New Burdens Funding' to be provided for this additional service requirement, the funding has been included within the Settlement and is not separately identifiable.
- An additional £500k has been included within the housing budget to allow for expenditure on homelessness in line with the current demand being experienced. This addition will allow the Council to accommodate those in need rather than fall outside of the statutory timeframes for cases to be accommodated within B&B accommodation and also run preventative initiatives.
- A provision of £700k included in the budget to be utilised to prepare for and facilitate actions arising from the Local Government Reform.

It should also be noted that additional funding streams or cost reductions have been included within the budget as follows:

- Funding of £1.6m will be received in 2026/27 from Defra relating to the Extended Producer Responsibility for Packaging (EPR). 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. An amount of £913k was included in the budget in 2025/26 which was the first year of the EPR payment.
- Reduction in pension contributions of £825k.

The Government have excluded the EPR from the calculation of Core Spending Power in 2026/27 and are also aware that Councils are seeing reductions in the pension contributions. Both were suggested by officers at MHCLG to mitigate the impact of the funding reductions over the period of the three-year Settlement.

## **Budget Gap 2026/27**

After taking into account the Settlement against the draft budget, the funding gap for 2026/27 is **£1.522m** before planned utilisation of reserves which are presented later within this appendix.

## Funding the Budget

The table below illustrates how the budget is funded and how the grants provided in the Settlement have contributed to producing the budget gap forecast.

Note that revenue income from services is netted off against the costs within the net budget requirement, so is not shown in the funding figures below.

Sources of funding are as follows: -

	2025/26 Approved Budget £	2025/26 Revised Estimate £	2026/27 Proposed Budget £	Variance Compared to Approved Budget
Income from Business Rates	(5,510,635)	(5,933,121)	(2,303,193)	(3,207,442)
Contributions (from)/ To Business Rates Reserves	1,649,329	2,395,987	0	1,649,329
S31 Grant - Business Rates Compensation	(2,738,694)	(3,054,466)	(920,274)	(1,818,420)
Revenue Support Grant	(95,767)	(95,767)	(7,474,028)	7,378,261
New Homes Bonus Grant	(426,048)	(426,048)	0	(426,048)
Funding Guarantee	0	0	0	0
Funding Floor	(1,573,114)	(1,573,114)	0	(1,573,114)
Services Grant	0	0	0	0
Damping/ Transitional Funding	0	0	(715,020)	715,020
Sub Total	(8,694,929)	(8,686,529)	(11,412,515)	2,717,586
Council Tax (Surplus)/Deficit	42,056	42,056	7,468	34,588
Council Tax Demand on Collection Fund	(6,754,058)	(6,754,058)	(6,803,487)	49,429
<b>Funding Envelope</b>	<b>(15,406,931)</b>	<b>(15,398,531)</b>	<b>(18,208,534)</b>	<b>2,801,603</b>

The table above illustrates that the Council's overall funding has increased despite the Core Spending Power decreasing. This is due mainly to the Council being compensated for the Business Rate Baseline reset over and above the income that feeds directly from Business Rates. Both elements of the historic growth and Business Rate Pool income from the levy have been protected and are now included in the Revenue Support Grant. Funding has also been included to introduce the Food Waste Service from April 2026.

The funding is detailed further as follows:

- Redistributed NNDR has been forecast at the moment to reduce significantly due to the resetting of the baseline. Moving from £6.6m down to £3.2m. This is before any release of the Business Rate Reserve. Whilst this reduction is shown within the Business Rate funding lines a compensatory entry is included within the Revenue Support Grant which provides a 95% income protection floor.
- Revenue Support Grant (RSG) increased to £7.4m from £96k – now the grant through which the majority of government funding is provided.
- Funding Floor Grant – no longer provided. Awarded £1.573m in 2025/26.
- New Homes Bonus (NHB) Grant – no longer provided. Awarded £426k in 2025/26.
- Transitional Funding (Damping) – Awarded £715k in 2026/27. This increases as RSG reduces over the three-year Settlement.

- Council Tax precept has increased by £49k. This is before any increase is applied but reflects the increase in the tax base (increase in properties) in the district.

### **Planned Utilisation of Reserve and Closing the Budget Gap**

The budget gap arising for the 2026/27 Financial Year is **£1.522m** before any planned contributions are made from reserves.

Officers anticipating a budget gap have sought opportunities to reduce costs or ensure income from fees and charges reflect the costs to provide the service. These have all been included in the base budget figures that are presented within portfolio reports and contribute to reducing the budget gap to this level.

The proposed planned utilisation of reserves and the resulting gap/surplus is detailed below.

Note: the budget gap arising is before any Council Tax increase – the financial implications of a Council Tax increase are presented below.

#### **Contribution to Property Fund Reserve**

Income of **£10k** expected from the Property Fund Investment is proposed to be placed in the Property Fund Reserve to continue to build up a reserve to provide for any devaluation of the Property Fund itself that may have to be recognised in the Income and Expenditure account.

#### **Contribution from Contractual Losses Support Fund**

As part of the support following the COVID pandemic funding was provided to compensate for reduced income from leisure contracts. It was necessary for Blaby to renegotiate the management fee in the contract arrangements with the leisure provider which spanned the remaining contract length. The proposed, planned release of this reserve over the remaining contract length is **£63,750** per annum.

#### **Contribution from Blaby Plan Priorities Reserve**

Proposed contribution from the Blaby Plan Priorities Reserve to support the Capital Grants Programme of **£54,500**. This reserve was provided to allow for future funding of initiatives that meet the priorities set out in the Blaby District Plan.

#### **Contribution from Business Rate Pool Reserve**

The Council, along with Leicestershire County Council, Leicester City Council, all Leicestershire District Councils and Leicester, Leicestershire, and Rutland Fire Authority since 2015/16 Pooled Business Rates under the Rates Retention Scheme. This has allowed additional monies raised through Business rates to be retained in the sub-region. The monies retained under the agreement have historically been

distributed by the LLEP with applications submitted to fund projects to support economic growth and infrastructure connected to this as per the terms of the pooling agreement.

In recent years however, the distribution of the pooled monies has been revised to distribute across the participating Council's on an agreed basis with Pool members utilising their allocation to support "economic health and vibrancy of our communities".

The Council is in receipt **£3.72m** of distributed Pool monies since 2020/21. Since 2024/25 these funds have supported the activity of the Economic Development of the District through the funding of the Economic Development Team. The Economic Development team continues to provide support to our local businesses, and it is proposed to utilise an element of the Business Rate Pool monies to support the department this year and in the future. An amount of **£327k** is proposed to be utilised from the Business Rate Pool Reserve for 2026/27.

Funds from the Business Rate Pool are anticipated to continue to be distributed under this mechanism up to and including the year 2025/26, however the resetting of the baseline has made the S151 Officers across Leicestershire reconsider the decision to stay in the Business Rate Pool from 2026/27.

Between 2013/14 and 2025/26, business rates pooling arrangements have delivered positive outcomes across England. Local authorities collectively retained a greater share of business rates growth by reducing the levy that would otherwise have been payable to central government. This approach enabled participating authorities to benefit from local economic growth and strengthen financial resilience.

However, the reset of the Business Rates Retention Scheme in 2026/27 has introduced revised baseline targets for each authority. These targets have been uplifted to reflect actual collections, effectively removing any growth from the system. As a result, there will be no levy payable and, consequently, no financial advantage from pooling arrangements.

It is therefore anticipated that business rates pools will not operate in England from 2026/27 onwards. This position is supported by external advisors and aligns with expectations from the Ministry of Housing, Communities and Local Government.

It is expected therefore that, under delegated authority the Executive Director (S151 Officer) will agree with the S151 officers across Leicestershire to dissolve the Business Rate Pool at a meeting held on the 8<sup>th</sup> January 2026.

### Contribution from NNDR Income Reserve

Since the Localisation of Business Rates in 2013/14 local authorities have been in a position to benefit from a proportion of growth in business rates and Blaby has, like most councils, needed to release this growth to support the budget. The NNDR Income Reserve has been used to even out the Business Rate Income over the years. Contributions have been made to the reserve in years when Business Rate growth has outperformed expectations and funds have been drawn from the reserve when there has been a need to do so to support the budget.

It continues to be difficult to forecast the Business Rate income. This is due to:

- New properties not being officially rated by the Valuation Office (VO) and estimates having to be included.
- Estimating an allowance for the number of empty business properties that may arise.
- The ever-present risk that appeals put forward by businesses may impact unfavourably on the amount of income that Blaby is able to release.
- Changes to the multipliers used within the Business Rates
- With the changes to Business Rates in the Settlement we are still awaiting the full impact of this to be reflected in the NNDR1 to give certainty of the figures. The NNDR1 will be completed by the end of January.

We are continuing to finalise these figures prior to the budget setting in February however, as in previous years, we have planned for a release from the NNDR Reserve of **£765,698** to support the budget and to release the income that has been built within the reserve over the period of the MTFS.

#### Contribution from Homelessness Reserve

A planned release of this reserve was put forward as part of the funding to support the implementation of the purchase of housing as a measure to tackle our homelessness cases rising. It is proposed therefore to release **£64k** as planned.

#### Council Tax Increase

Members will be aware that over recent years there has been more of an expectation nationally that Council's will increase Council Tax as a mechanism for closing the financial gap. The calculation of the Council's Core Spending Power has again assumed that each Council will increase the Council Tax levels to the maximum amount. Council Tax increase threshold limits have remained static for District Council's in 2026/27.

For 2026/27 the threshold for Council Tax increases for "core" Band D Council Tax remains static with local authorities able to increase their Council Tax by up to 3% (2.99%) or £5 without triggering a referendum.

An increase of 2.99% would generate an additional amount of **£203k** which equates to an increase of £5.82 per annum. The Council Tax charge for Blaby would therefore be £200.62 for a Band D equivalent property.

The option to increase Council Tax by **£5** generates **£175k**; marginally less than the 2.99% increase. The Council Tax charge for Blaby would therefore be £199.79 for a Band D equivalent property.

For Shire County Councils threshold increases for 'core' Band D Council Tax has also remained unchanged, with an increase of up to 2.99% being allowed.

It is important to also note that within the Settlement those Authorities with responsibility for Adult Social Care, such as Leicestershire County Council, retain the additional flexibility to increase their current Council Tax referendum threshold by up to 2% on top of the core principle for an Adult Social Care precept.

The Leicestershire County Council proportion of the total Council Tax charge forms approx. 70% of the total charge (based on 2025/26).

Police and Crime Commissioners are able to increase their Council Tax precept by £15 and Fire & Rescue Authorities are limited to a referendum principle of no more than £5.

There is no council tax referendum limit for either mayoral combined authorities or town and parish councils.

Should all preceptors decide to increase Council Tax at the maximum levels (with Parish Councils increasing by the average amount based on 2025/26) the total annual increase on a band D property would be approximately £120.

### Cumulative Impact of Council Tax increases

It is important to understand the cumulative impact of not increasing Council Tax. For a three-year period from 2011 the Council chose not to increase Council Tax but instead chose to be compensated with a Council Tax Freeze grant which the Council no longer benefit from. Had Council Tax been increased during that three-year period the Council Tax income would today be higher by £809k.

### **Impact of proposed utilisation of reserves and Council Tax increase to close the budget gap:**

	£
Budget Gap	<b>1,521,987</b>
Contribution to Property Fund Reserve	10,200
Contribution from Leisure Man't Contractual Lossess Support Reserve	(63,750)
Contribution from Business Rate Pool for ED function	(326,855)
Contribution from NNDR Reserve	(765,698)
Contribution from Blaby Priorities Reserve for Capital Grants Programme	(54,500)
Contribution from Homelessness Reserve	(64,000)
Council Tax Increase	(203,426)
	<hr/> (Surplus)/Deficit
	<b>53,958</b>

### How the Budget has been formulated

The budget figures shown in the appendices providing more detail by portfolio are put together jointly by Finance officers working with service managers across the Council.

The substantial part of the costs is the establishment budget, i.e. the costs of employing staff which are then put alongside any other expenditure costs of running the service.

Where income is generated within a portfolio, officers have considered whether charges reflect the costs of delivering that service and if they are able to increase these charges. Inflationary increases will be applied where applicable.

It is important to note that in some cases charges are set nationally and we are unable to alter the income received.

The income is netted off against the costs within each portfolio to give the net direct expenditure by each service area and each portfolio in total.

Each of the portfolio budget appendices highlight the capital expenditure for each portfolio and what it relates to. Where borrowing is required to fund the capital, costs have been included within the budget for interest. MRP charges will be built in from the year after delivery of the capital project. The full Capital Programme will be detailed within the Report to Council in February, detailing the forecast programme for a 5 year period. The proposed Capital Programme was the subject of a Scrutiny Budget Workshop held on the 2<sup>nd</sup> December held in preparation for the budget.

### **General Assumptions within Budget Requirement**

- The establishment budget allows for an increase of 3% in establishment costs for 2026/27 within the services. An additional 1% has been included centrally as a provision should the pay award be greater than the 3%.

The budget proposals for 2026/27 take into account the cost of employers' national insurance and pension contributions, contractual increments, and the Apprenticeship Levy. (More detail relating to the establishment budget is included within the report "Establishment 2025/26 2026/27" to be presented to Cabinet Executive on 12<sup>th</sup> January 2026).

- Planning appeals are not included within the budget requirement, but expenditure will be funded from reserves if it is necessary.
- Portfolio figures are shown before any recharges from department to department in order that the spending service is scrutinised rather than the method of apportionment across departments.

## Financial Budget Summary

<b>Budget Summary by Portfolio</b>	<b>2025/26</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>Approved</b>	<b>Revised</b>	<b>Proposed</b>
	<b>Budget</b>	<b>Estimate</b>	<b>Budget</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Finance People & Transformation	4,886,659	6,550,741	6,667,226
Housing, Community Safety & Environmental Services	2,201,429	3,874,140	2,995,956
Health, Community and Economic Development	196,761	513,622	(25,648)
Leader	2,896,869	3,254,590	3,908,012
Neighbourhood Services & Assets	3,213,411	2,694,044	3,107,365
Planning and Strategic Growth	1,175,504	1,280,920	1,243,149
	<b>14,570,633</b>	<b>18,168,058</b>	<b>17,896,059</b>
	<b>14,570,633</b>	<b>18,168,058</b>	<b>17,896,059</b>
Revenue Contributions towards Capital Expenditure	54,500	261,210	178,430
Minimum Revenue Provision	1,000,318	789,016	1,340,480
Voluntary Revenue Provision	250,000	250,000	0
Other Appropriations & Accounting Adjustments	(93,689)	(1,066,799)	315,552
Net Total Expenditure	<b>15,781,762</b>	<b>18,401,485</b>	<b>19,730,521</b>
Contribution to/(from) Earmarked Reserves	(486,470)	(2,765,265)	
<b>Contribution to/(from) General Fund Balances</b>	<b>111,639</b>	<b>(237,689)</b>	
<b>Net Budget Requirement</b>	<b>15,406,931</b>	<b>15,398,531</b>	<b>19,730,521</b>
Income from Business Rates	(5,510,635)	(5,933,121)	(2,303,193)
Contributions (from)/ To Business Rates Reserves	1,649,329	2,395,987	
S31 Grant - Business Rates Compensation	(2,738,694)	(3,054,466)	(920,274)
Revenue Support Grant	(95,767)	(95,767)	(7,474,028)
New Homes Bonus Grant	(426,048)	(426,048)	0
Funding Guarantee	0	0	0
Funding Floor	(1,573,114)	(1,573,114)	0
Services Grant	0	0	0
Council Tax (Surplus)/Deficit	42,056	42,056	7,468
Council Tax Demand on Collection Fund	(6,754,058)	(6,754,058)	(6,803,487)
Transitional Funding	0	0	(715,020)
<b>Funding Envelope</b>	<b>(15,406,931)</b>	<b>(15,398,531)</b>	<b>(18,208,534)</b>
<b>Funding Gap/(Surplus) before any contributions from reserves or Council Tax Increases</b>			<b>1,521,987</b>