

Blaby District Council **Strategy**

**Medium Term Financial Strategy**

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\*Approved by and 'approval date' are in relation to the most recent version.

<b>Review History</b>			
<b>Version*</b>	<b>Reviewed By (Job Title)</b>	<b>Review Completion Date</b>	<b>Brief Description of Changes (add 'no changes required' if applicable)</b>
02	Executive Director (S151 Officer)	TBC	Financial assumptions changed to update MTFS

\*Version number remains the same if no significant changes are made upon review.

## Document Definition / Approval & Review

### Defining the document type and how it is approved and reviewed

The MTFS is reviewed and updated annually by Cabinet and Council as part of the Council's budget setting process.

## Scope

### To what and to whom this strategy applies

This Strategy provides a financial forecast of the Council's financial position for the years up to and including 2030/31. It includes revenues and costs associated with all services and provides an illustration of the Council's financial wellbeing and is applicable to all those customers, businesses and partners within the District.

## Terms & Definitions

Definition of any acronyms, jargon, or terms that might have multiple meanings.

Term	Definition

# Medium Term Financial Strategy

The Medium-Term Financial Strategy (MTFS) is the Council's key financial planning document.

The MTFS supports the '**Blaby District Plan**' which is our most important document clearly setting out our vision, values and strategic themes for the next four years.

The current MTFS document contains a financial forecast which is updated each year to reflect the changes to funding. This update has been extended to include the years up to 2030/31 to ensure the Council continues to consider the financial picture with a longer-term strategic view and understand the financial resources available.

The future funding envelope beyond 2026/27 now has some stability in that a three-year Settlement has been provided, however, given the sudden change in approach regarding the Business Rate compensation in the Final Settlement by MHCLG there is concern around the certainty of funding within years 2 and 3 of the Final Settlement. The forthcoming Local Government Reform (LGR) and the costs associated with the transition (£30m in the North, City, Couth Proposal) also raise concern that the latter years of the MTFS may not be a true reflection of the Council's financial position. Consequently, there is a high degree of risk and uncertainty around future funding estimates within the MTFS in 2029 onwards.

Whilst the future funding levels are uncertain, it is not unrealistic to assume there will continue to be funding reductions or higher demand placed upon the Council. It is important that the Council understands the potential future funding gaps and the estimates included attempt to illustrate possible financial impacts of the changes.

For this latest update of the MTFS, the provisional budget for 2026/27 has been used as the baseline for projecting the future budget requirement. However, priorities and services may have to be revised to ensure the Council remains financially sustainable.

The updated MTFS Summary will form part of the General Fund Budget Proposal report to be considered at Council in February 2026. In past years, a high-level outline plan has been provided to illustrate how the future budget gaps may be met should they arise. Given the forthcoming LGR, some of the organisational savings included in this plan may be delayed, and gaps planned to be funded from reserves as per the North City South proposal. For this reason, a revised plan will be developed when a decision is made by the government as to which proposal is to be taken forward in order that the plan aligns with the implementation of that proposal.

The MTFS Summary takes no account of the changes that may take place because of the Local Government Reform but assumes Blaby continues as an entity into future years.

## Section 2 – Financial Summary

# Financial Summary

<b>Forecast Net Revenue Expenditure</b>						
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£	£	£	£	£	£
<b>Portfolio:</b>						
Finance, People & Transformation	6,550,741	6,667,226	6,823,435	6,986,995	7,155,044	7,327,701
Housing, Community Safety & Environmental Services	3,884,140	2,995,956	3,050,330	3,077,471	3,196,618	3,319,213
Health, Community and Economic Development Leader	513,622	(25,648)	(16,663)	(7,211)	2,732	13,184
Neighbourhood Services & Assets	3,257,590	3,908,012	3,999,217	3,393,079	3,489,674	3,589,095
Planning and Strategic Growth	2,694,044	3,107,365	3,592,996	3,925,093	4,262,651	4,605,849
	1,280,920	1,243,149	1,286,072	1,330,401	1,376,189	1,423,474
<b>Net Direct Expenditure - Portfolio</b>	<b>18,181,058</b>	<b>17,896,059</b>	<b>18,735,387</b>	<b>18,705,828</b>	<b>19,482,908</b>	<b>20,278,516</b>
RCCO	261,210	178,430	54,500	124,500	124,500	54,500
Minimum Revenue Provision	789,016	1,340,480	1,396,893	1,595,517	1,683,448	1,927,453
Voluntary Revenue Provision	250,000	0	0	0	250,000	200,000
Appropriations & Accounting Adjustments	(1,076,799)	315,552	(16,004)	(39,310)	(589,951)	(589,951)
Contribution to/(from) Earmarked Reserves	(2,765,265)	(498,905)	(1,244,711)	(524,810)	(471,463)	(412,178)
<b>Net Revenue Expenditure</b>	<b>15,639,220</b>	<b>19,231,616</b>	<b>18,926,066</b>	<b>19,861,725</b>	<b>20,479,442</b>	<b>21,458,339</b>
<b>Funding Envelope</b>						
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£	£	£	£	£	£
Income from Business Rates	(6,065,285)	(1,051,929)	(260,651)	(182,440)	(185,563)	(189,009)
Contribution to/(from) Business Rates Reserves	2,555,687	(505,738)	(870,612)	(870,613)	(870,613)	(870,613)
S31 Grant - Business Rates Compensation	(3,082,002)	(2,431,498)	(2,471,459)	(2,512,076)	(2,553,361)	(2,595,324)
Revenue Support Grant	(95,767)	(6,484,520)	(4,843,590)	(3,150,659)	(3,103,436)	(3,055,437)
Funding Floor	(1,573,114)	0	0	0	0	0
New Homes Bonus Grant	(426,048)	0	0	0	0	0
Transitional Funding	0	(321,867)	(1,653,615)	(3,035,049)	0	0
Adjustment Support Grant	0	(1,382,660)	0	0	0	0
	(8,686,529)	(12,178,212)	(10,099,927)	(9,750,837)	(6,712,973)	(6,710,384)
Council Tax Deficit	42,056	7,468	0	0	0	0
Council Tax	(6,754,058)	(7,006,913)	(7,251,959)	(7,508,006)	(7,775,605)	(8,054,341)
<b>Funding Envelope</b>	<b>(15,398,531)</b>	<b>(19,177,657)</b>	<b>(17,351,886)</b>	<b>(17,258,843)</b>	<b>(14,488,578)</b>	<b>(14,764,725)</b>
<b>Post-damping Funding Gap/(Surplus)</b>	<b>240,689</b>	<b>53,959</b>	<b>1,574,180</b>	<b>2,602,881</b>	<b>5,990,864</b>	<b>6,693,615</b>
<b>Continued Transitional Grant Funding</b>					(3,035,049)	(3,035,049)
<b>Revised Gap Should Transitional Funding Continue</b>	<b>240,689</b>	<b>53,959</b>	<b>1,574,180</b>	<b>2,602,881</b>	<b>2,955,815</b>	<b>3,658,566</b>

## Forecast Assumptions

Set out below is a commentary relating to the key assumptions that have been made in drafting the future financial forecast.

### **Net Direct Expenditure**

Net Direct Expenditure budgets have been compiled by rolling forward the 2026/27 draft budget numbers and applying inflationary factors where appropriate to the elements. Key areas of note are:

- Establishment – assumes a 3% increase to cover the annual pay award, increments and increases in national insurance and pension contributions.
- Other costs – increases in line with contractual arrangements or by reference to appropriate inflationary factors, dependent upon the nature of the expenditure.
- Fees and charges – non-statutory income budgets have been increased by inflation and with a view to achieving full cost recovery.

### **RCCO**

Revenue Contributions towards Capital Outlay – this is where revenue expenditure (including earmarked reserves) is used to finance capital expenditure.

### **Minimum Revenue Provision (MRP)**

MRP is a proxy for depreciation used in local government finance. It is charged on any capital expenditure funded through borrowing, over a period commensurate with the estimated life of the asset. Much of the current MRP relates to the purchase of fleet vehicles, investment in our leisure facilities, and historic disabled facilities grants. The increase in MRP from 2026/27 reflects the impact of new expected borrowing to fund our 5-year Capital Programme.

### **Voluntary Revenue Provision (VRP)**

VRP is in addition to MRP and is applied to smooth the impact of introducing the Council's new MRP policy.

### **Contributions to/(from) Earmarked Reserves**

This represents the release of reserves to support one-off expenditure items, brought forward budget or spend to save initiatives.

### **Net Revenue Expenditure**

The Council's forecast net expenditure position prior to the application of balances, government grants and council tax.

### **Income from Business Rates**

Income from Business Rates has been reset in 2026/27. As a result it is forecast that levels reduce from 2025/26 levels going forward as historic growth is removed.

### **S31 Grant – Business Rates Compensation**

The amount of business rates collectable is reduced by various reliefs that have been introduced by the government, for example, to freeze the business rate multiplier. This results in a loss of income to the Council, which is usually compensated by the government through Section 31 grant.

### **Revenue Support Grant**

This is the grant through which the majoring of government funding is now provided.

### **Funding Floor Grant**

Discontinued in 2026/27

### **New Homes Bonus**

Discontinued in 2026/27

### **Transitional Funding**

Introduced in 2026/27 as part of the changes brought in with the Fair Funding Review and Business Rate Baseline Reset. This forms the damping mechanism to protect Council's from the cliff edge of funding changes. As the Revenue Support Grant is forecast to reduce during the term of the 3-year Settlement the transitional funding increases.

### **Council Tax Deficit**

The amount by which council tax due in the previous year, falls short of the expected sum collectable.

### **Adjustment Support Grant**

This is a one-off grant announced in the Final Settlement to ensure no Council sees a reduction in Core Spending Power in 2026/27 compared to the Draft Settlement published in December 2025.

### **Council Tax**

The expected amount of revenue receivable from Council Taxpayers, assuming an increase of 2.99% on Band D council tax each year and an assumed increase in the tax base to reflect new build.

### **Release of Reserves**

A programmed utilisation of reserves has been included within the MTFS Summary as detailed in the table below.

	2026/27	2027/28	2028/29	2029/30	2030/31
NNDR Income Reserve	(505,738)	(870,612)	(870,613)	(870,613)	(870,613)
Contractual Losses Support Reserve	(63,750)	(63,750)	(63,750)	0	0
Business Rate Pool Reserve	(326,855)	(336,661)	(346,760)	(357,163)	(367,878)
Blaby Plan Priorities Reserve	(54,500)	(754,500)	(124,500)	(124,500)	(54,500)
Property Fund Reserve	10,200	10,200	10,200	10,200	10,200
District Election	0	(100,000)	0	0	0
Homeless Reserve	(64,000)	0	0	0	0
<b>Total</b>	<b>(1,004,643)</b>	<b>(2,115,323)</b>	<b>(1,395,423)</b>	<b>(1,342,076)</b>	<b>(1,282,791)</b>

Note:

- NNDR Income reserve continues to release income over the course of the MTFs
- Contractual losses reserve is released in line with the Leisure Contract term.
- Business Rate Pool Reserve continues to fund the Economic Development Service
- An additional £700k has been included to be provided from reserves in 2027/28 to support LGR. An additional £70k has been provided in years 2028/29 and 2029/30 from the Blaby Plan Priorities Reserve to support the expenditure on end user device.

## Financial Risks

- **Business Rates Retention Reform**

The Business Rates Retention Reform incorporating the Rebased of the Business Rate Baseline has been introduced from April 2026. Whilst the 3-year Settlement has protected 95% of the income historically generated through growth and the Business Rate Pool, it is unknown as to what extent this will be retained from 2029/30 onwards. It is evident from the increase in the Transitional Funding line (up to £3.03m in 2028/29) that considerable damping protection is being applied and unclear as to how this will be viewed in future Settlement periods.

- **Fair Funding Review**

The 3-year Settlement has incorporated changes from the Fair Funding Review from April 2026. Whilst Blaby hasn't fared well from the review the manner in which Business Rate Income has been treated within the Settlement has somewhat masked the detrimental impact. Future risk is associated with how the Transitional Funding will be viewed in future Settlement periods.

- **County Council Funding Reductions.** The County Council has openly illustrated the level of funding cuts that they will be required to make over the coming years. Whilst we can plan to mitigate any obvious impacts of this, some are more subtle and the increased demand that results from this is difficult to quantify financially. This is a considerable risk to which we will put financial values to as and when we are in a position to do so.

- **New Demands from Residents.** We have seen a considerable increase in homelessness costs and whilst allowance has been made in the budget for additional expenditure there is the potential for costs to continue to increase. Blaby has an ageing population which brings with it challenges such as dealing with dementia and issues such as loneliness. What role Blaby will play in our community to combat these challenges and what different demand this drives for services that are needed have not yet been identified. However, we have taken opportunity to reduce such

costs by taking advantage of funding initiatives to support such demand e.g. the investment in properties to utilise for temporary homelessness using both the Local Authority Housing Fund and the Council investing itself.

- **Funding Associated with Food Waste Implementation.** The Council is required to implement the collection of food waste by April 2026. Funding has been provided within the Settlement; however, it is not specifically identified. Officers have modelled the costs of providing this service, however until the service 'goes live' and demand levels from residents are understood, there is a risk costs could exceed those budgeted.
- **Defra Funding: Extended Producer Responsibility for Packaging.** Funding of £1.6m has been included in 2026/27 budget figures 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. Whilst this funding is expected to be ongoing, it is uncertain whether it will be taken into consideration when the Fair Funding Review is completed. At the moment this falls outside of the Core Spending Power calculation. The amount received may also be impacted in future years as schemes for consumers to deposit items of recycling in return for cash are introduced. If this reduces the tonnage collected by Blaby DC the Defra funding will reduce and the operation will be required to downscale accordingly, otherwise this provides a further financial risk to the Council. The MTFs has modelled for a reduction of 20% in EPR from 2027/28 and a 10% reduction in the years following. Comments made by MHCLG have raised concerns as to the longevity of this funding stream.
- **Local Government Reform.** Provision has been made in the 2026/27 budget for £700k of expenditure in preparation for LGR and a further £700k has been forecast in the MTFs to be released from reserves in the following year. These are provisional sums and currently there is no agreement between authorities in Leicestershire as to how transition costs might be shared to form the new unitary authorities. As such, there is a risk that Blaby's share of transition costs is greater than the amounts allowed for.
- **Rate of Change from Government.** In recent months we have seen considerable changes to national policy and strategy that impact key areas within the Council. Some of these changes bring additional responsibilities and demand for the Council and it will be of utmost importance that officers keep up to speed with the changes to ensure the implications are fully understood.

## Plan to Close Future Financial Gaps

The MTFS provides an estimate of the future expenditure of the Council and also the funding envelope in which the Council will be required to operate to produce a balanced budget. The ‘Settlement’ provides funding for a three-year period however, the latter years and the impact of LGR does mean there is a high degree of uncertainty around the estimates within the MTFS in years 2029 onwards.

The MTFS suggests that there will be a budget gap of £2.6m in 2028/29 which could rise to £6.7m in 2030/31 if all transitional funding is lost.

The Council has for some years operated an ongoing initiative to close the financial gaps that have been predicted within the MTFS and continues to do so. Investment has been made in resource to drive the transformation agenda and the adopted Transformation Strategy ‘Transforming Blaby Together’ includes the Council’s commitment to embrace new technology, deliver affordable and efficient services in addition to embracing business-like thinking to seek new and innovative ways of maximising income. In the coming year we will revise the Transformation Roadmap which will provide clear shared direction for how we modernise our services. It is through these initiatives and investment in ICT that plans have been made to close the future gaps. However, there now has to be consideration of whether it is appropriate to progress with some of these plans in light of LGR. A revised plan will therefore be developed when a decision is made by the government as to which proposal is to be taken forward in order that it aligns with the implementation of that proposal.

The current plan to close the gap is detailed below for information:

### FINANCIAL PLAN TO ADDRESS BUDGET GAP

	2026/27 £	2027/28 £	2028/29 £	2029/30 £	2030/31 £
Budget Gap	53,959	1,574,180	2,602,881	5,990,864	6,693,615
Transitional funding	0	0	0	(3,035,049)	(3,035,049)
Budget Gap if transitional funding retained in later years	53,959	1,574,180	2,602,881	2,955,815	3,658,566
<u>Measures to close funding gap:</u>					
Transformational Savings		(341,885)	(352,142)	(362,706)	(373,587)
Closing the Gap Initiatives		(227,000)	(308,210)	(316,856)	(325,762)
Prioritisation and Rationalisation				(1,508,787)	(1,554,051)
<b>Residual Budget Gap</b>	<b>53,959</b>	<b>1,005,295</b>	<b>1,942,530</b>	<b>767,465</b>	<b>1,405,166</b>

The Council recognises that, should the introduction of plans for LGR be delayed or for some reason not go ahead, then significant prioritisation and rationalisation will be required in order to meet the significant budget gaps. The lack of certainty of these budget gaps materialising and the potential for a change of approach does, however, suggest that activating such plans might be premature. The Council

will therefore not implement such plans until more certainty is gained but will continue to consider future options to close the gaps and monitor the funding situation on an ongoing basis.

**Section 6 – Carbon Neutral / Net Zero Benefits – Demonstrate how your strategy will contribute to the councils objective to be carbon neutral by 2030.**

This strategy itself has no environmental impact, although officers are required to consider environmental impacts of initiatives throughout their operations and costs included in the financial section will include those contributing to the Council's carbon neutral objectives. Should further funding be required for environmental initiatives, these will be brought for consideration within independent reports to Cabinet and Council and the financial implications updated in future reiterations of the MTFS.