

Blaby District Council

Cabinet Executive

Date of Meeting	23 February 2026
Title of Report	General Fund Budget Proposals 2026/27 This is not a Key Decision and is on the Forward Plan
Lead Member	Cllr. Cheryl Cashmore - Finance, People and Transformation (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 2026/27 General Fund Revenue Account net expenditure budget of **£19.2m**.
- 2.3 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 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 2026/27 was announced on 18th December 2025. This year a multi-year settlement was announced covering a period of 3 years from 2026/27 to 2028/29.

The Final Local Government Settlement was received on 9th February 2026. Following consultation responses to the Draft Settlement, the Ministry for Housing Communities and Local Government (MHCLG) have identified an error in their approach to the treatment of compensating authorities for lost income from growth in Business Rates and Income from the Business Rate Pools. The Final Settlement has therefore been adjusted to reflect this change. MHCLG have ensured that no authority will receive a reduction in Core Spending Power compared to the Draft Settlement released in December and will receive an Adjustment Support Grant.

Blaby has received an Adjustment Support Grant of £1.383m. There is no commitment that this grant will continue beyond 2026/27 and the Final

Settlement shows this grant being for one year only, as a result the gaps in the MTFS for years after 2026/27 have increased.

Whilst it is positive that a three-year settlement has been released, the announcement of the Final Local Government Settlement on the 9th February has left doubt as to whether the 2nd and 3rd years of the Settlement can be relied upon and whether these figures will remain unchanged. This concern, along with the lack of understanding as to how LGR will be funded, add considerable uncertainty. Some allowance has been made in the MTFS for some LGR related expenditure however it is expected that the Council will incur further additional costs relating to the transition to the new unitary authority. This point 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 **£19.2m** 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 a reduction 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 £19.232m.

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 £5.82 per annum in 2026/27. Applying this to the Council Tax Base of 34,926.5 Band D

equivalents, generates estimated Council Tax income of £7,006,913 in 2026/27.

Business Rates – A number of changes to the Business Rate Retention Scheme will be implemented in 2026-27: baseline reset, 2026 Revaluation, and new multipliers (there will be 5 multipliers in total).

The most significant of these to Blaby District Council is the baseline reset which allows government to redistribute retained rates income in line with relative need and resources.

All Local Authorities have been assigned new Business Rates Baselines, Baseline Funding Levels and top-up or tariffs.

The baseline reset has considerably reduced the amount of Business Rate income retained by Blaby District Council reducing the income to £3.5m before releasing £506k from the NNDR Income Reserve. This is a reduction from 2025/26 levels of £5.6m.

Alongside the 2026 reset there is also a business rates revaluation. Revaluations reassess the valuation of non-domestic properties to reflect changes in the property market, resulting in increases or decreases to ratepayer bills. Assuming no other changes, at the local authority level overall bills will increase or fall depending upon whether RVs in that area have increased above or below the national average.

An adjustment is made to each local authority's top-up or tariff to ensure that, as far as practicable, a local authority's retained rates income is unaffected by the revaluation.

At the time when Scrutiny was presented with the draft budget proposals, Members were advised that work was still continuing on the NNDR1 return, which details the Business Rate income for the forthcoming year. Having now carried out the detailed work on the NNDR1 we can confirm that a slightly higher income level from Business Rates has been calculated and it is proposed that a contribution of £505,738 be taken from the NNDR Income reserve to support the budget.

Revenue Support Grant

This is the grant through which the majority of the government funding is provided to Blaby District Council. In 2025/26 this grant was £96k and has increased to £6.48m in 2026/27 (£7.4m in the draft Settlement). It is through this grant that government have made allowance for the reduction of income from the Business Rate Reset and loss from Business Rate Pool monies.

Transitional Funding (Damping)

Awarded £322k in 2026/27 (£320k in the draft Settlement). This increases over the 3-year Settlement period as RSG reduces.

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. For 2026/27 this grant is £1.382m, there is no commitment to extend the payment of this grant beyond the first year of the Settlement.

Defra Funding: Extended Producer Responsibility for Packaging

It should be noted that funding of £1.5m has been 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 contributed to the reduction in the Net Budget Requirement for 2025/26. The Government have excluded the Defra Funding from the calculation of Core Spending Power in 2026/27 and an amount of £1.6m has been included in the 2026/27 budget which has been offset against the costs of collection. Comments made by MHCLG have raised concerns as to the longevity of this funding stream.

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 2026/27 it is proposed that the Council makes a contribution of £1,004,643 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.
- £64,000 from the Homelessness Reserve to support the implementation of the purchase of housing.
- £326,855 released from the Business Rate Pool Reserve to support the expenditure incurred to support Economic Development of the District.
- £505,738 from the NNDR Income Reserve to support the budget and increase income realised from Business Rates.

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

- £10,200 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. The reserve has been built to provide for any losses having to be recognised should the override end.

In 2026/27 it is proposed that the Council also makes a contribution from the General Fund Balance of £53,959 to support the budget.

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 2026/27 an amount of **£54k** is proposed to be contributed from 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 an allowance of £700k has been made for the costs of LGR in the 2026/27 proposed budget. Additional costs are expected to be forthcoming relating to the transition to the new unitary authority. For this reason, it is expected that there will be a requirement to draw on reserves during the future years that may be over above the allowance reported in the appendices.

The estimated balance of the General Fund at 31st March 2027 would, therefore, be **£6.95m** representing **36.2%** of the proposed net revenue budget for 2026/27. This sits within the Council's policy with regard to the upper limit held in the General Fund which is 45%. Whilst the reserves have increased in recent years, Blaby's usable reserve levels are not excessive in comparison to other District Councils or nearest neighbours. As the Council's net budget requirement has increased with additional demands for services such as homelessness and costs of new services such as food waste the ratio between reserves and Net Budget Requirement has fallen considerably.

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. With the resetting of the baseline, the Council will no longer benefit from seeing growth within the District.

It is anticipated that the NNDR income reserve will have a balance of **£3.828m** by 31st March 2026 reducing to £3.063m by 31st March 2027 as £505,738 is released to support the budget.

Other Earmarked Reserves

Appendix B gives details of the expected movement on earmarked reserves in 2025/26 and 2026/27. If any planned expenditure for 2025/26, backed by contributions from earmarked reserves, does not take place before 31st March 2026, consideration will be given to carrying the budget forward to 2026/27. In such cases the funding will remain in the earmarked reserve until required.

Medium Term Financial Strategy (MTFS)

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. The MTFS appears at Appendix C. The MTFS gives an indication of our future financial position based on the information we currently have regarding the 3-year Settlement.

The forthcoming Local Government Reform (LGR) adds uncertainty as to how LGR will be funded and will impact on the Council's financial position. Some allowance has been made in the MTFS for some LGR related expenditure however it is expected that the Council will incur additional costs relating to the transition to the new unitary authority. Given the sudden change in approach regarding the Business Rate compensation in the Final Settlement by MHCLG there is also concern around the certainty of funding within years 2 and 3 of the Final Settlement.

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

The MTFS shows the position for the next 5 years, however the funding levels beyond the years of the Settlement are unknown. The transitional funding in 2028/29 is £ 3.04m, should transitional funding continue to be included the financial gap in year 2030/31 increases to £3.7m, if transitional funding were to cease this gap would increase to £6.7m.

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.

Budget Consultation has also taken place collecting views from residents regarding budget proposals. A summary of the results from this consultation is included at Appendix D for reference.

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 2026/27 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 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 2026/27. Where this is not the case a similar level to that received in 2025/26 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 2026/27 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 2026/27 are robust and the proposed levels of balances and

reserves 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 as to how the costs of implementation of LGR are to be funded and the continuing costs of demand-led services, such as homeless, 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 2026/27 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 2026.

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

- 7.1 The risks to the Council in 2026/27 and future years are detailed in the Medium-Term Financial Strategy 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
- 9.4 Appendix D – Summary of results received from Budget Consultation (To Follow)

10. Background paper(s)

- 10.1 Establishment 2025/26 and 2026/27 Report to Cabinet Executive - 12th January 2026.

Detailed budget working papers held by Financial Services.

Reports provided to the Scrutiny Commission Meetings of 14th and 21st January 2026.

11. Report author's contact details

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