

8 January 2026

## Procurement Thresholds from 1 January 2026

Councils must comply with the full rules of the Procurement Act 2023 where potential contracts have an estimated value (including VAT) of over:

£207,720 (previously £214,904) for goods or services, or

£5,193,000 (previously £5,372,609) for public works (construction).

Where a contract will run for several years, it is the total (not annual) value that matters.

[PPN 023: 2026 Threshold Amounts \(HTML\) - GOV.UK](#)

## Financial Services Compensation Scheme

The protection offered by the FSCS increased to £120,000 from December 2025. Not all councils are covered by the scheme, only “a small local authority with an annual budget of up to EUR 500,000” (about £430,589, using the required 3 July 2025 exchange rate).

Not all deposits are covered. For example, Gilts are backed by the UK Government, money market funds spread their risk by placing deposits with many different banks and non-UK bank deposits are generally covered under a reciprocal agreement.

## Home Working Tax Change

Where a council does not pay staff a home working allowance, employees can currently claim tax relief (worth up to £62 a year for basic rate taxpayers) on their extra household costs. This tax relief will cease to be available for the 2026/27 tax year onwards.

[Income Tax: removal of the tax relief for additional homeworking expenses - GOV.UK](#)

There are no tax changes where councils pay staff a tax-free home working allowance of up to £26 a month.

### **Disclaimer**

This bulletin is only intended as a brief guide and councils should ensure they follow the Regulations and guidance on [www.gov.uk](http://www.gov.uk), seeking professional advice if they are in any doubt. The Parkinson Partnership LLP accepts no liability for any loss arising from situations where councils have not followed the law and guidance.