

Policy Committee

17 December 2025



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|------------------------------|---|
| Title | Medium Term Financial Strategy 2026/27-2028/29 Update |
| Purpose of the report | To note the report for information |
| Report status | Public report |
| Report author | Darren Carter, Director of Finance |
| Lead Councillor | Councillor Terry, Leader of the Council |
| Corporate priority | Our Foundations |
| Recommendations | <p>That Policy Committee note the Medium Term Financial Strategy (MTFS) Update as set out in the body of this report and the associated appendices, including:</p> <ol style="list-style-type: none">1. The Council's General Fund Budget Requirement of £210.975m for 2026/27 and an assumed increase in the band D Council Tax for the Council of 2.99% plus an additional 2.00% Adult Social Care precept, or £105.66 per annum representing a band D Council Tax of £2,223.18 per annum;2. The current forecast budget gap of £4.449m for 2026/27 which will need to be addressed in order to present a balanced budget to Council in February 2026;3. The proposed savings, efficiencies and increased income, fees and charges for 2026/27 of £8.649m already included within the current gap position as shown in Appendix 2;4. The overall savings, efficiencies and increased income, fees and charges currently proposed within the MTFS of £13.792m;5. The Housing Revenue Account budget for 2026/27 to 2028/29 as set out in Appendix 3, which includes an assumed increase in social dwelling rents of 4.8% for 2026/27;6. The General Fund and Housing Revenue Account Capital Programmes as set out in Appendices 4 and 5 respectively. |

1. Executive Summary

- 1.1 This report provides an update on the development of the Council's Medium Term Financial Strategy (MTFS) 2026/27-2028/29. It includes the forecast impact of announcements made in the Government's Autumn Budget 2025 and the Local Government Finance Policy Statement 2026 to 2027, but at the time of writing, the Provisional Local Government Finance Settlement has not been announced.

The National Context

- 1.2 The Local Government sector's financial challenges are rooted in a sustained period of austerity combined with rapid increases in cost and demand pressures. While funding levels have increased in recent years, the cuts of the 2010s are far from fully reversed.

Core Spending Power remains 16.4% lower in real terms in 2025/26 compared to 2010/11.

- 1.3 Cost and demand pressures are unrelenting, particularly in key demand-led services such as Children's Social Care, Adult Social Care, Homelessness and Home-to-School Transport for children with SEND. Despite budget growth in these areas in recent years, annual spending pressures continually outstrip budgeted resources, leading to annual overspends:
 - In the three years from 2022/23 to 2024/25, the sector had annual average overspends of 5.2% of budgeted spend for Adult Social Care, 14.2% for Children's Social Care, 25.1% for Home-to-School Transport for children with Special Educational Needs and Disabilities (SEND), and 51.9% for Homelessness.
 - Councils' budget data for 2025/26 shows large increases in annual planned spend: 9.0% for Adult Social Care, 10.1% for Children's Social Care, and 38.8% for Homelessness. Nonetheless, data for councils' Quarter 1 spending across these three services indicates that their 2025/26 budgets are already under pressure and that there is clear potential for overspends in line with the previous three years in these services.
- 1.4 Overall, this demonstrates that demand and cost increases are outstripping councils' available resources. Consequently, councils have been balancing their books through measures such as in-year cuts to discretionary service areas and/or drawing on their diminishing reserves. This is not financially sustainable.
- 1.5 It also means that council services are becoming concentrated on a residual body of demand-led services. This reduces councils' service offer to local residents, and limits councils' ability to invest in cost-saving preventative measures or tackle shared local and national objectives such as house building or economic growth.
- 1.6 The financial implications of the sector's financial pressures are clearly demonstrated by the fact that 29 councils required Exceptional Financial Support (EFS) in 2025/26 to set a balanced general fund budget. Almost all of these councils (26) had social care responsibilities. This meant that the sector entered 2025/26 with 1 in 6 social care councils (17%) dependent on a significant one-off relaxation of the financial framework – an agreement that revenue spend could be capitalised and/or council tax rates can be set above the referendum threshold – to set a balanced budget.
- 1.7 The 29 councils with EFS in 2025/26 represent a significant increase on the number (18) in 2024/25. Overall, since its introduction in 2020/21, 42 local authorities have accessed over £5.0 billion through EFS, with many councils using the scheme over multiple years. Arguably this arrangement is no longer exceptional. Instead, the use of borrowing or the application of capital receipts have become normalised as a means for funding councils' day-to-day spend on vital services such as Children's Social Care. This is clearly not a sustainable financial model.
- 1.8 In addition to these general fund pressures, many councils face growing deficits on the high-needs block of their Dedicated Schools Grants (DSG). The LGA has estimated that the sector's deficit will reach £5.0 billion in 2025/26. The announcement that councils can continue to keep these deficits off their main balance sheets until 2028/29 is helpful. But in the absence of a long-term solution, these deficits are still an existential threat for a number of councils.

- 1.9 Furthermore, because these deficits are financed by cash, the sector incurs substantial cash flow costs. These are primarily due to lost interest received but may also include additional interest paid if councils are forced to supplement their cash flow by borrowing. It is estimated that the forecast deficit of £5.0 billion in 2025/26 means councils will lose £200 million in unearned income alone.
- 1.10 The Office for Budget Responsibility's November 2025 Economic and Fiscal Outlook report stated that a key risk to the medium-term fiscal forecast is that local authority borrowing has increased by around £7 billion a year in this forecast compared to March, reflecting recent upward revisions to outturn and financial pressures including from the costs of SEND. The 'statutory override', which allows local authorities to disregard deficits caused by financing SEND provision when meeting their requirement to balance budgets, is due to end in 2027/28. At this point the stock of these deficits is estimated to reach a total of £14 billion, and as a result many local authorities would likely be unable to meet their balanced budget requirement. The Government has not set out how this fiscal risk would be addressed.

Reading Borough Council Context

- 1.11 Reading Borough Council is facing significant financial challenges in line with those being experienced at a national level:
- General Fund revenue adverse variances totalling £19.6m across the last three financial years.
 - A cumulative deficit of £24.9m on the High Needs Block of the Dedicated Schools Grant.
- 1.12 The 2025/26 Quarter 2 Performance & Monitoring report, which appears elsewhere on the agenda, is forecasting an adverse net variance of £3.968m, including a net deficit of £5.424m on Children's Services.
- 1.13 This MTFS Update includes the Council's current working assumptions following the announcements made by Central Government in the Local Government Finance Policy Statement (20 November 2025) and the Autumn Budget (26 November 2025). These assumptions will need to be reviewed once the Provisional Local Government Finance Settlement is published (expected week commencing 15 December 2025).

Key Planning Assumptions

Adult Social Care

- 1.14 There are significant pressures in the social care system. These pressures include an increase in the number of service users, in addition to the number of complex care packages and increasing contract inflation. This updated MTFS includes a provisional increase of £6.092m for Adult Social Care services in 2026/27 to address these pressures.

Children's Social Care

- 1.15 This MTFS update includes a provisional increase of £6.962m in 2026/27, predominantly in respect of placements for Looked After Children due to increases in costs associated with the age profile and complexity of need.

Pay Award

- 1.16 Current assumptions include an increase of 2.4% per annum for 2026/27 with 1.9% for 2027/28 and 2028/29. These assumptions will be reviewed ahead of finalising the 2026/27 budget and 2026/27-2028/29 MTFS report to Council in February 2026.

Grants Rolled into Fair Funding

- 1.17 Fair Funding Reform proposes to consolidate a number of government grants and roll them into the Local Government Finance Settlement. The impact of this on service budgets is a reduction in income budgets, which is offset by an increase in Funding.

Capital Financing

- 1.18 The revenue budget includes the cost of financing the Capital Programme as set out in Appendices 4 and 5. The financial implications will need to be updated once the Housing Revenue Account Capital Programme has been finalised. This is for the reason that costs of external borrowing are allocated between the General Fund and the Housing Revenue Account based on the proportions of the respective Capital Programmes funded by borrowing.

Council Tax

- 1.19 The MTFS currently assumes a general Council Tax increase of 2.99% and an additional Adult Social Care precept of 2.00% across all years of the MTFS period 2026/27-2028/29. This is in line with referendum principles outlined for 2026/27 in the Local Government Finance Policy Statement.
- 1.20 The full year implications of the budget pressures identified in the Quarter 2 report, have been considered and factored into the MTFS assumptions. The increase/(decrease) in budget pressures being faced by the Council across this MTFS period include:

Table 1. Budget Pressures 2026/27 to 2028/29

| Budget Pressures | 2026/27 | 2027/28 | 2028/29 |
|---|---------------|---------------|--------------|
| | £000 | £000 | £000 |
| Adult Social Care, inc. Adult Social Care placements | 6,092 | 6,137 | 4,967 |
| Children's Services, inc. Children's Social Care placements | 6,962 | 1,252 | 800 |
| Pay Award | 2,712 | 2,341 | 2,382 |
| Grants Rolled into Fair Funding | 20,475 | 0 | 0 |
| Other | 5,274 | 9,178 | 488 |
| Total | 41,515 | 18,908 | 8,637 |

- 1.21 The (increase)/decrease in efficiency and invest to save savings currently assumed within the MTFS by Directorate total:

Table 2. Budget Savings 2026/27 to 2028/29

| Budget Savings | 2026/27 | 2027/28 | 2028/29 |
|--|----------------|----------------|----------------|
| | £000 | £000 | £000 |
| Communities & Adult Social Care | (3,381) | (2,615) | (1,039) |
| Children's Services | (2,535) | (501) | (369) |
| Economic Growth & Neighbourhood Services | (1,044) | (224) | (180) |
| Resources | (1,007) | 6 | (32) |
| Chief Executive Services | (55) | (14) | (15) |
| Corporate | 0 | 0 | 0 |
| Total | (8,022) | (3,348) | (1,635) |

- 1.22 The movements in additional income and other grants assumed within the MTFS include:

Table 3. Additional income and Other Grants Movements

| Income and Other Grants | 2026/27 | 2027/28 | 2028/29 |
|--|--------------|-------------|--------------|
| | £000 | £000 | £000 |
| Communities & Adult Social Care | (10) | (5) | 0 |
| Children's Services | 0 | 0 | 0 |
| Economic Growth & Neighbourhood Services | (3,154) | 100 | (43) |
| Resources | (226) | (116) | (96) |
| Chief Executive Services | 0 | 0 | 0 |
| Corporate | 2,763 | 0 | 0 |
| Total | (627) | (21) | (139) |

- 1.23 Changes to Funding anticipated within the MTFS are set out within the following table:

Table 4. Funding Changes

| Funding | 2026/27 | 2027/28 | 2028/29 |
|--|-----------------|-----------------|-----------------|
| | £000 | £000 | £000 |
| Council Tax income, including 4.99% increase | (8,044) | (8,104) | (8,594) |
| Increase in Collection Fund Deficits | 3,813 | (3,265) | 0 |
| Grants Rolled into Fair Funding | (20,475) | 0 | 0 |
| Fair Funding Reform | (3,711) | (1,805) | (1,593) |
| Total | (28,417) | (13,174) | (10,187) |

- 1.24 The net impact of the changes set out above result in a current estimated budget gap for 2026/27 of £4.449m, decreasing to £3.490m for 2028/29.

Table 5. Current Budget Gap

| | 2026/27 | 2027/28 | 2028/29 |
|-------------------|--------------|--------------|--------------|
| | £000 | £000 | £000 |
| Net Expenditure | 210,975 | 226,514 | 233,377 |
| Funding | (206,526) | (219,700) | (229,887) |
| Budget Gap | 4,449 | 6,814 | 3,490 |

- 1.25 The net result is a forecast combined cumulative budget gap of £14.753m over the next three years. This compares to the forecast level of the combined General Fund balance and Budget Stabilisation earmarked reserves of £17.526m as of 31st March 2026. Other earmarked reserves are set aside to fund specific risks, should they materialise, or are ringfenced grants which can only be used for specific purposes.

Summary

- 1.26 As set out above, despite the actions taken to date, the Council still has a significant budget gap across the three years of the MTFS.
- 1.27 A public consultation on this MTFS Update including where future savings would best be focused will be launched on 18th December 2025 and will conclude on 17th January 2026.
- 1.28 Following the conclusion of the consultation period and the announcement of the Provisional Local Government Finance Settlement, a further report will be brought to Policy Committee on 16th February 2026, recommending approval of a balanced budget to Council in order that it can approve its budget and associated Council Tax level for 2026/27 at its meeting on 24th February 2026.
- 1.29 For ease of reading; the remainder of the report is split into four sections:

| | |
|------------------|--------------------------------------|
| Section A | Background and Context |
| Section B | General Fund Revenue Budget |
| Section C | Housing Revenue Account (HRA) Budget |
| Section D | Capital Programme |

Section A Background and Context

2. Background

- 1.30 The Medium Term Financial Strategy makes assumptions about income from Government grants, Council Tax, fees and charges and rents. It facilitates investment in key infrastructure to support transformational changes and improved customer service, thereby underpinning fit for purpose; efficient service delivery and the priorities set out in the Council Plan:

- Promote more equal communities in Reading
- Secure Reading's economic and cultural success
- Deliver a sustainable and healthy environment and reduce Reading's carbon footprint
- Safeguard and support the health and wellbeing of Reading's adults and children
- Ensure Reading Borough Council is fit for the future

3. The Current Economic and Financial Environment

- 1.31 The Council's future financial position, the demand for services and ability to recover previous and/or generate new income streams is significantly affected by the wider economic, political, and financial environment. The following paragraphs set out the more significant factors:

Cost of Living Crisis

- 1.32 Since late 2021, the UK has been experiencing what is referred to as a "cost of living crisis", whereby the cost of everyday essentials like energy and food are rising much faster than average household incomes.
- 1.33 The increase in inflation underpinning the crisis was caused by the combined impact of multiple national and global events:
- Brexit - Slowed economic growth and caused delays at the borders for traded goods due to new import and export rules.
 - The Covid-19 Pandemic - Led to disruption of working practices and global supply chains, whilst surging demands for goods were experienced post-lockdown which also contributed to rising prices.
 - The Russia-Ukraine Conflict - Led to energy price rises and global food shortages.
- 1.34 In addition, in an attempt to control inflation, the Bank of England gradually increased bank rate up to 5.25%, however this has now reduced to 4.0% as of November 2025.
- 1.35 The resulting pressures are impacting on the Council directly through increased costs but also through increased service demand. For example, pressures on the rental and private housing markets are putting more individuals at risk of homelessness, with the number of households living in temporary accommodation in England at an all-time high.

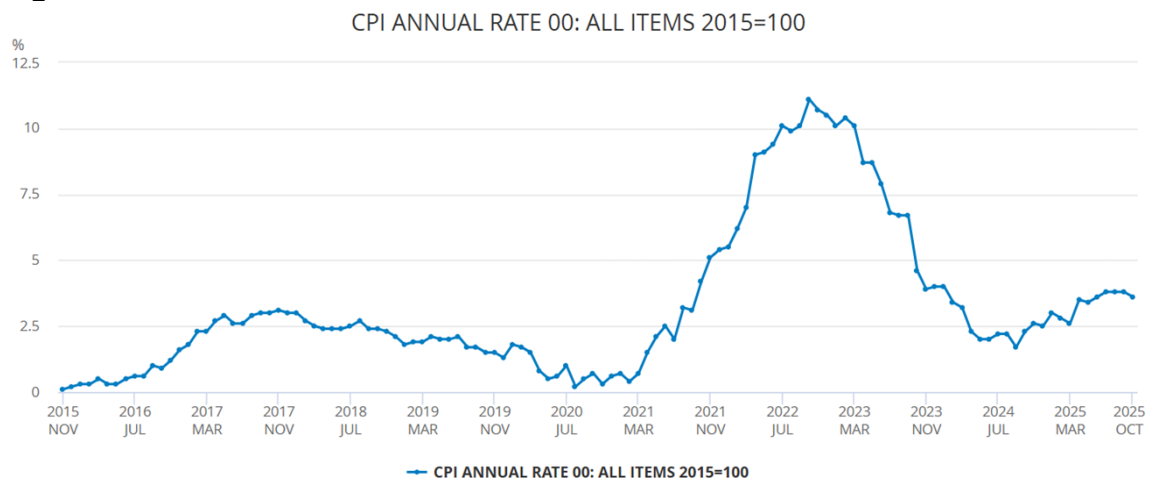
Inflation Expectations

- 1.36 Inflationary pressures on the Council's employee and contractor costs represent a significant annual pressure that needs to be funded. Equally, inflation rates impact on fees and charges, Council Tax capping levels and business rates income through the nationally set Non-Domestic Rates Multiplier.
- 1.37 The annual inflation rate in the United Kingdom as measured by the Consumer Prices Index (CPI) stands at 3.6% as at October 2025, up from 2.3% in October 2024. The

Consumer Prices Index including owner occupiers' housing cost (CPIH) stands at 3.8% as at October 2025, up from 3.2% in October 2024.

- 1.38 Inflation climbed steadily from February 2021 until its peak of 11.1% in October 2022, due to increased demand and limited supply on various products, including gas, oil, and food supplies, following the pandemic restrictions easing and the Ukrainian invasion. The Bank of England gradually increased interest rates to help achieve its target rate of inflation of 2.0%, and so inflation has fallen significantly since then. The increase seen in 2025 owed mostly to increases in food prices and administered prices (prices that are directly set or influenced by decisions from government or regulators). The Bank of England expects inflation to ease to 3% in early 2026 and fall to 2% over the subsequent year.

Figure 1. CPI Annual Rate



Environmental Challenges

- 1.39 The summer of 2025 has been confirmed by climate scientists at the Met Office as the hottest on record for the UK since records began in 1884. Exceptional temperatures were felt across much of the world, exacerbating extreme weather events such as heatwaves, droughts, floods and wildfires.
- 1.40 The Council declared a Climate Emergency in February 2019, with the intention of achieving a carbon neutral Reading by 2030, which will require further financial commitment to achieve.
- 1.41 Reading has cut its carbon emissions by 57% since 2005 and the Council has cut its own carbon footprint by 73.4% since 2008.
- 1.42 Reading is one of only 112 towns and cities in the world to make the most recently published CDP A List – recognised as the gold standard of environmental reporting. It is the fourth successive year Reading has achieved the status which is currently shared with only 23 other UK local authorities. The Council has worked with local partners to make the A List and is calling on all Reading residents, businesses and organisations to work together to help us reach its ambitious target of a net zero Reading by 2030.

Fair Funding Review 2.0

- 1.43 Consultations about changes to how funding is distributed between Local Authorities have been ongoing since 2018. On 20th November 2025 the Ministry of Housing, Communities and Local Government (MHCLG) published its formal response to the Summer 2025 Fair Funding Review (FFR) 2.0.
- 1.44 The Fair Funding consultation set out proposals to: a) Simplify Council funding by reducing the number of grant funding streams and including them in the 'Settlement

Funding Assessment' b) Calculate the share of the national funding that will be allocated to each council c) The transitional arrangements to move to the new funding levels.

Simplification

- 1.45 The government is simplifying more than 30 funding streams, worth nearly £47 billion across the next 3-years. In the updated system, £21.5 billion of this funding will be delivered through four new 'consolidated grants' as part of the multi-year Settlement package, and £25.3 billion will be rolled into the Revenue Support Grant, which is unringfenced funding within the core Settlement.
- 1.46 The previous consultation indicated that the £600m Recovery Grant funding provided to the most deprived authorities in 2025/26 would be rolled Revenue Support Grant in 2026/27 but has now confirmed that it will continue as a separate grant funding stream.
- 1.47 The Local Government Finance Policy Statement 2026/27 to 2028/29 sets out the consolidated grants as follows:
- **Homelessness, Rough Sleeping and Domestic Abuse Grant** (£2.4 billion, or £800m per annum) will be in core spending power and will bring together:
 - £1.1 billion of Homelessness Prevention Grant, distributed using the HPG formula previously consulted on in 2025;
 - Rough Sleeping Funding worth £879 million and distributed using a rough sleeping and single homelessness formula;
 - DA Safe Accommodation Grant already in spending power worth £480 million over the three years.
 - **Children, Families and Youth Grant** (£3.1 billion, or approx. £1 billion per annum) will be partly within core spending power and includes:
 - The current children's social care prevention grant (£809 million);
 - Supporting Families funding within the Children and Families Grant (£760 million);
 - New funding from the transformation fund announced at the 2025 Spending Review (£319 million);
 - Further new investment of £547 million;
 - Holiday, Activities and Food Grant of £623 million;
 - Pupil Premium Plus Post-16 grants, worth £41.5 million.
 - **Public health grant** (£13.45 billion, or approx. £4.5 billion per year) will consolidate:
 - The main public health grant, with existing distribution (around £12.1 billion, or £4bn pa);
 - Drug and Alcohol Treatment and Recovery Improvement Grant (£1 billion, or £330m pa);
 - Local Stop Smoking Services and Support Grant (£210 million, or £70m pa);
 - Swap to Stop scheme funding (£50 million, or £17m pa).
 - **Crisis and Resilience Fund** (£2.5 billion, or approx. £800 million pa), combining:
 - Household support fund;
 - Discretionary Housing Payments.
- 1.48 The full list of grants being rolled into Revenue Support Grant is:
- Current revenue support grant

- Business rates income, reflecting pilot and pooling arrangements and excluding DAs/renewables (more detail in the next section).
- Grants currently in spending power: social care grant, adult social care MSIF, Employer NI contributions, New Homes Bonus, 2025/26 funding floor.
- The remaining balance of the Children and Families Grant, once Supporting Families funding is excluded.
- Other grants currently outside of spending power: temporary accommodation funding within the Homelessness Prevention Grant, virtual school head for children with a social worker and children in Kinship Care grant, Biodiversity Net Gain Planning Requirement, Deprivation of Liberty safeguards funding, Local Government finance data review funding, enforcement of local restriction and volume new burdens grant, enforcement of calorie labelling regulations new burdens grant, Awaab's Law new burdens grant and the social housing new burdens grant.

National Funding Formula

1.49 The stated aim of Fair Funding Review 2.0 is to better align funding with need across the country, updating for the first time in decades the formulas used to calculate local authorities' need for services relative to one another.

1.50 The 9 new formulas are:

Social care formulas:

- Adult social care - older component
- Adult social care - younger component
- Children and Young People's Services

Non-social care formulas:

- Foundation Formula - upper tier
- Foundation Formula - lower tier
- Fire and Rescue
- Highways Maintenance
- Home to School Transport
- Temporary Accommodation

1.51 These 9 formulas will be used to assess the differences in demand between councils, known as 'Relative Needs Formula' (RNF).

1.52 An 'Area Cost Adjustment' will then be applied to each RNF to account for the different costs of delivering services in different places.

1.53 This will give each council a relative 'Needs Share' by weighting each RNF according to the level of national expenditure on that service.

1.54 To account for different Council Tax raising ability, the Government will then multiply each council's tax base by a notional level of Council Tax set at £2,060 for a Band D property in 2026/27.

1.55 The total notional Council Tax for all council's will then be added to the grant and retained business rates available nationally to give the total notional funding available to Local Government.

1.56 The funding will then be allocated according to each Council's 'Needs Share'.

1.57 Finally, the Government will subtract each council's notional Council Tax contribution to give it's 'Settlement Funding Assessment'.

Transitional Protection

- 1.58 The Government view is that the current funding system is unfair and there is a balance to be struck between providing transitional arrangements and moving decisively towards improved and updated allocations which are fairer for everyone. Local authorities whose existing income is furthest above their Fair Funding Assessment will need to accept some losses in income over the multi-year Settlement as this is necessary to ensure funding can be redirected to where it is assessed as needed most.
- 1.59 The transitional arrangements are that:
- The government will move local authorities to their Fair Funding Assessment allocations in increments of one third over the multi-year Settlement.
 - Local authorities which would see their income fall as a result of changes, will be further protected through a range of funding floor levels appropriate to specific groups of authorities' circumstances.

Local Government Finance Policy Statement 2026/27 to 2028/29

- 1.60 On 20th November 2025 MHCLG published a Local Government finance policy statement. Alongside the matters set out in Fair Funding 2.0 this included proposals to:
- **Incentivise house building and local economic growth:** local authorities will benefit from the additional council tax raised for each new house built in their area, over the course of the multi-year period, and will keep the longstanding incentives in the business rates system so that authorities continue to be rewarded for local growth.
 - **Give authorities greater certainty:** by providing the first multi-year Settlement in a decade, so that local authorities can plan for the next 3 years.
 - **Provide support for local authorities that need it:** the government recognises that there will continue to be some authorities that request additional support. There will continue to be a framework in place for supporting those in the most difficult positions.
 - **Focus on prevention:** with the aim of improving outcomes for the most vulnerable residents who rely on the services where demand and costs continue to grow, including social care, by focusing on prevention and early intervention. This includes £2.4 billion invested into children's social care prevention and de-escalation.
 - **Drive public service reform:** work across government to drive a programme of radical public service reform, centred on pooling budgets around service users and breaking through central government siloes, as well as looking for ways to reduce demands on local government to empower them to deliver for communities, including through reviewing the approach to sales, fees and charges, and statutory duties.

Autumn Budget 2025

- 1.61 The Autumn Budget 2025 was delivered by the Chancellor on 26th November 2025. The announcements in this publication included the following matters that are pertinent to the Council's finances and the wider environment in which it operates:
- Revaluations on non-domestic properties will take effect from 1 April 2026.

- For 2026/27, the current two-tier multiplier system will be replaced with five different multipliers. As a result of the 2026 revaluation, the national small business and standard multipliers have fallen by 6.7p and 7.5p respectively. Therefore, in 2026/27, all properties will pay a lower tax rate than they do now, including those on the higher multiplier.

| Multiplier | 2025/26 | 2026/27 | Scope |
|--|----------------|----------------|---|
| Small business Retail Hospitality and Leisure (RHL) multiplier | — | 38.2p | RHL hereditaments with RVs under £51,000 |
| Standard RHL multiplier | — | 43.0p | RHL hereditaments with RVs between £51,000 and £499,999 |
| National small business multiplier | 49.9p | 43.2p | Non-RHL hereditaments with RVs under £51,000 |
| National standard multiplier | 55.5p | 48.0p | Non-RHL hereditaments with RVs between £51,000 and £499,999 |
| High-value multiplier | — | 50.8p | All hereditaments with RVs of £500,000 or above |

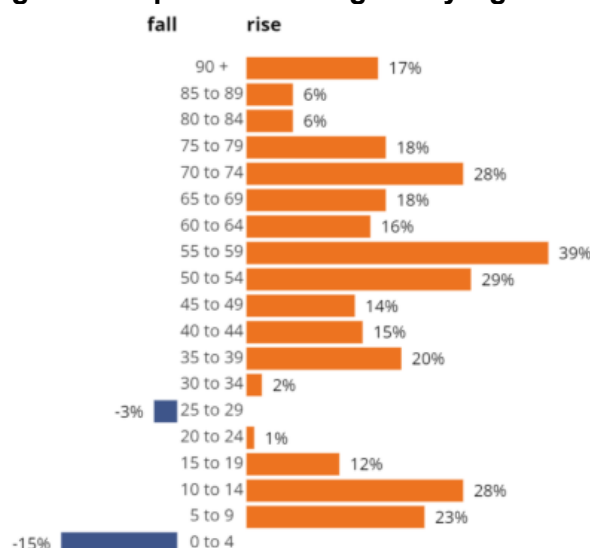
- A 0.5% cut to Department Expenditure Limits will be applied across government budgets in 2028/29, 2029/30 and 2030/31. For Local Government, this applies to local government grant funding only and excludes council tax and business rates. This is therefore equivalent to around 0.1% of Core Spending Power in 2028/29.
- A High Value Council Tax Surcharge in England will be introduced for residential properties worth £2m or more, from April 2028. Local authorities will collect this revenue on behalf of central government and will be fully compensated for the additional costs of administering this new tax. A public consultation on details relating to the surcharge is expected in early 2026.
- Pension contributions above £2,000 made through salary sacrifice will face National Insurance from April 2029, meaning they will be “treated as ordinary employee pension contributions in the tax system”.
- Income tax thresholds and the equivalent National Insurance Contribution thresholds for employees and self-employed individuals will be maintained at their current levels for a further three years from April 2028 to April 2031.
- From 1 April 2026, the National Living Wage will increase by 4.1% to £12.71 per hour. The National Minimum Wage for 18-20 year olds will also increase by 8.5% to £10.85 per hour and for 16-17 year olds and apprentices by 6.0% to £8.00 per hour.
- The Government indicated that it would not expect local authorities to need to fund future special educational needs costs from general funds, once the Statutory Override ends at the end of 2027/28. It will set out further details on its plans to support local authorities with historic and accruing deficits and conditions for accessing such support through the upcoming Local Government Finance Settlement.
- An additional £1.5 billion capital investment will be provided to tackle fuel poverty through the Warm Homes Plan, in addition to the £13.2 billion of funding allocated at Spending Review 2025.

- By 2029/30, over £2 billion annually will be committed for local authorities to repair, renew and fix potholes on their roads.
- £100 million will be allocated to local authorities and public bodies to accelerate installation of charge points where people live and work.

Demographic Forecasts

- 1.62 Demographic growth is one of the key drivers of demand for Council services and, consequently, cost pressures. Whilst general central government funding has seen real terms decreases over the last decade, service demand and demographic pressures have risen.
- 1.63 According to the Office of National Statistics' latest census in 2021, since 2011 Reading's total population has risen by 11.9% to 174,200, one of the highest percentage increases in the South East. In their revised mid-year population estimates for 2024, Reading's population had grown to 182,907, approximately a 5% increase from the census in 2021. Its demographic composition has also been changing, with both older and younger age groups increasing. Residents aged 65+ increased by 17.2%, while those aged under 15 have increased by 8.6%, although this figure has been impacted by a large reduction in children aged 0-4. These changes in demographics are reflected in the increase in demand for Adult and Children's Social Care services set out above.

Figure 2. Population Change % by Age Group in Reading, 2011 to 2021



Unemployment

- 1.64 Around 5,535 people aged 16 and over in Reading were unemployed in the year ending Sept 2025. This is a rate of 4.5%. This was a slight increase compared to the year ending Sept 2024 when the unemployment rate was 4.4%. Across the South East, from the year ending Sept 2025 to the year ending Sept 2024, there was also a slight increase in the unemployment rate from 5.5% to 5.7%.
- 1.65 It is hoped that the comparatively low levels of unemployment will keep the number of Local Council Tax Support Scheme claimants low, thereby maximising the tax base and thus the amount of Council Tax income collectable.

Deprivation

- 1.66 One of the key outcomes for the Council is to improve the well-being of its residents and to address the needs of those most in need. The degree to which assessed need and inequality might be measured is by reference to the national Indices of Deprivation (IoD).

1.67 IoD scores and weightings are based on seven domains of deprivation and are weighted individually to provide an overall Index of Multiple Deprivation (IMD) score. There are also two additional indices as set out below:

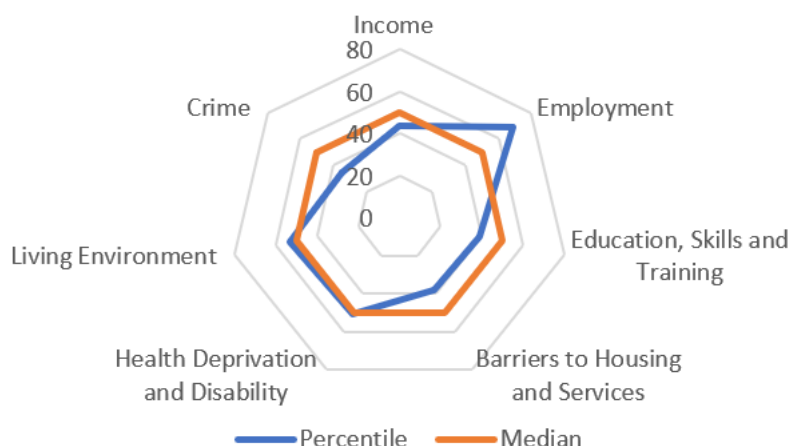
- Income Deprivation (22.5% of the overall index)
- Employment Deprivation (22.5%)
- Education, Skills, and Training Deprivation (13.5%)
- Health Deprivation and Disability (13.5%)
- Crime (9.3%)
- Barriers to Housing and Services (9.3%)
- Living Environment Deprivation (9.3%)
- Index of income deprivation affecting children
- Index of income deprivation affecting older people

1.68 Key headlines, based on the latest 2025 data, are:

- According to the overall IMD, Reading as a whole is ranked the 147th most deprived out of 296 local authorities in the country, which puts Reading on the 49.7th percentile, i.e. very slightly less deprived than the average (50%).
- Deprivation is higher than average for the following domains: Income, Education, Skills and Training, Barriers to Housing and Services, Crime and in particular Income Deprivation Affecting Older People.
- There are now no Lower Super Output Areas (LSOAs) within the most deprived 10% nationally (compared with 5 in 2019). 11 LSOAs are within the 20% most deprived.
- There are LSOAs in the most deprived 5% nationally in terms of the following domains: Education, Skills & Training (including both sub-domains), Crime (none in 2019) and Income Deprivation Affecting Older People. There are also LSOAs in the 5% most deprived in terms of the 'wider barriers' and 'outdoor' sub-domains.
- One LSOA in Church is within the most deprived 1% nationally on the Education, Skills & Training domain.

1.69 The chart below illustrates the 2025 IoD rankings for each of the above seven domains relative to the (median) average across all 296 local authority areas, showing that Reading has a higher deprivation score than the median or is very similar to the median on 6 of the 7 indicators, but is less deprived in terms of employment than the median:

Figure 3. Indices of Deprivation (2025) - domains



Interest Rates

- 1.70 When the 2025/26 Budget and 2025/26-2027/28 MTFS was approved in February 2025, the Bank of England Bank Rate stood at 4.50%. It has subsequently decreased in May 2025 to 4.25% and again in July 2025 to 4.00%. It is expected that interest rates will continue to gradually decrease.
- 1.71 Interest rates impact on both the amount of interest that the Council forecasts it will need to pay in respect of current and forecast future borrowing, as well as the amount of interest income receivable in respect of the levels of forecast investments. As set out in the Council's Borrowing Strategy, the Council is currently attempting to avoid taking any long-term borrowing whilst interest rates remain high ahead of forecast decreases in future years. As a consequence, the Council is currently utilising existing cash balances to fund Capital Programme expenditure and therefore has less cash available to invest in longer term investments that generate higher levels of interest receivable income. The costs avoided by deferring longer term borrowing whilst borrowing rates remain high are greater than the lost investment opportunities. The Borrowing Strategy will be reviewed as part of the 2026/27 Treasury Management Strategy Statement that will be brought forward for consideration and approval in February 2026.
- 1.72 For planning purposes, the Council has assumed that the Bank of England will gradually decrease interest rates from 4.00% to 3.25% by March 2028. The MTFS assumes an average borrowing rate of 3.93% for 2026/27, decreasing to 3.73% and 3.64% in 2027/28 and 2028/29 respectively. These assumptions will be further reviewed prior to the report to Policy Committee in February 2026.

2 Local Government Finance Settlement

- 2.1 At the time of writing, the Provisional Local Government Finance Settlement (PLGFS) for 2026/27 has yet to be announced. Our assumptions around funding levels and changes to the finance system set out in this report are best estimates based on information so far available. Members will be briefed at the meeting should any announcement on the PLGFS be made prior to the December Policy Committee, whilst details of the Final Settlement will be incorporated into the budget report to be presented to Policy Committee in February 2026.
- 2.2 The formal announcement of the 2026/27 PLGFS is expected in mid-December. After a period for consultation, the final settlement will be confirmed in January/February 2026.

3 Current Year Financial Position – as at the end of September 2025

- 3.1 The Council regularly monitors its revenue and capital budgets in order to ensure its financial position remains robust, that expenditure is spent as planned and that income due to the Council is received. Additionally, the monitoring process tracks the delivery of savings proposals and risks of non-delivery which may impact on the overall position and hence need to be mitigated.
- 3.2 The 2025/26 Quarter 2 Performance & Monitoring report, which appears elsewhere on the agenda, is forecasting an adverse net variance of £3.968m, this is despite additional in year savings of £5.574m having been identified in response to pressures identified earlier in the year. The most significant pressure in the Quarter 2 report relates to Children's Services, which is forecasting a variance of £5.424m, which is partially offset by £1.456m of positive net variances across other services.
- 3.3 The Housing Revenue Account is projecting an adverse net variance of £0.197m as at the end of Quarter 2, which results in a forecast drawdown from HRA Reserves of £5.244m rather than the originally budgeted £5.047m.

- 3.4 The General Fund Capital Programme for 2025/26 has an approved budget of £86.500m. The Quarter 2 Financial Monitoring report is proposing changes that would result in a revised General Fund Capital Programme budget for 2025/26 of £76.754m.
- 3.5 The Housing Revenue Account Capital Programme for 2025/26 has an approved budget of £80.933m. The Quarter 2 Financial Monitoring report is proposing changes that would result in a revised HRA Capital Programme budget for 2025/26 of £64.483m.

Section B General Fund Revenue Budget

4 Overall Three-Year Budget Position

- 4.1 In February 2025 the Council agreed an MTFS which balanced in year 1 (2025/26) with a drawdown of £3.945m from earmarked reserves but had a deficit of £10.943m in 2026/27 and a deficit of £11.633m in 2027/28. The Council has reviewed its income and expenditure assumptions across all three years of the MTFS period (2026/27-2028/29) with a view to setting a balanced budget for all three years. However, due to the level of unprecedented demand and the uncertainty of the impact of Fair Funding Reform and the pending Provisional Local Government Finance Settlement, this has not been possible at this stage of the process. Officers are continuing to identify new savings proposals to bring forward for consideration as well as striving to reduce budget pressures relating to demand in order to close the current forecast budget gap.
- 4.2 The most significant impacts within this MTFS update include demand pressures across Children's and Adult Social Care. There remains considerable uncertainty regarding both the severity and the duration of these particular challenges, and a prudent approach has been taken throughout the MTFS refresh process.
- 4.3 As outlined above, the proposals as set out in this report do not result in a balanced budget for 2026/27 or a balanced 2026/27-2028/29 MTFS. The current budget gap is set out in the following table:

Table 7. Current Budget Gap over the MTFS Period 2026/27-2028/29

| | 2026/27 | 2027/28 | 2028/29 | Total |
|--------------------------|----------------|----------------|----------------|--------------|
| | £000 | £000 | £000 | £000 |
| Budget Gap Annual Change | 4,449 | 2,365 | (3,324) | 3,490 |
| Total Budget Gap | 4,449 | 6,814 | 3,490 | 14,753 |

- 4.4 Work is ongoing to refine and clarify planning assumptions and identify additional savings to close the budget gap and allow a balanced budget to be approved in February 2026.
- 4.5 The Council's policy is for the General Fund Balance to be 5% of the Net Budget Requirement. Assuming that the Net Budget Requirement balances with the Net Funding, based on the figures in this report the General Fund Balance would need to be increased from the current 2025/26 balance of £8.905m to £10.326m for 2026/27 rising to £11.494m by 2028/29. This percentage is currently considered to be appropriate in light of the significant uncertainties faced by the Council. This position will be reviewed further within the Chief Finance Officer's Report on the Robustness of the 2026/27 Budget Report, which will be presented to Council along with the final 2026/27 Budget and 2026/27-2028/29 Medium Term Financial Strategy in February 2026.
- 4.6 The position set out in this report relies on achieving service savings and additional income of £13.986m over the three years 2026/27 to 2028/29 as summarised below:

Table 8. General Fund Savings Summary 2026/27 to 2028/29

| | Efficiency Savings | Invest to Save Schemes | Income, Fees & Charges | Total |
|--|--------------------|------------------------|------------------------|-----------------|
| | £000 | £000 | £000 | £000 |
| Communities & Adult Social Care | (7,035) | 0 | (15) | (7,050) |
| Children's Services | (2,034) | (1,371) | 0 | (3,405) |
| Economic Growth & Neighbourhood Services | (1,288) | (160) | (3,097) | (4,545) |
| Resources | (836) | (197) | (438) | (1,471) |
| Chief Executive Services | (84) | 0 | 0 | (84) |
| Service Total | (11,277) | (1,728) | (3,550) | (16,555) |
| Corporate | 0 | 0 | 2,763 | 2,763 |
| Total | (11,277) | (1,728) | (787) | (13,792) |

- 4.7 The updated MTFS proposals include £69.060m of growth (£17.961m pay and other inflationary pressures and £51.099m other budget pressures), as summarised in Appendix 2.
- 4.8 The proposals for 2026/27 include £41.515m of growth (£6.127m pay and other inflationary pressures and £35.388m other budget pressures) and £8.649m of savings (£8.022m efficiencies and invest-to-save initiatives and £0.627m from additional income).
- 4.9 A summary of the current budget gap position across the three-year MTFS period is set out in the table below. Further detail is provided in Appendices 1–2 attached:

Table 9. Directorate and Corporate Budgets – Three-Year Summary

| | 2026/27 £000 | 2027/28 £000 | 2028/29 £000 |
|---|------------------|------------------|------------------|
| Communities and Adult Social Care | 78,804 | 82,321 | 86,249 |
| Children's Services | 63,426 | 64,177 | 64,608 |
| Economic Growth & Neighbourhood Services | 21,599 | 25,017 | 25,282 |
| Resources | 24,634 | 24,598 | 24,470 |
| Chief Executive Services | 1,595 | 1,581 | 1,566 |
| Total Service Expenditure | 190,058 | 197,694 | 202,175 |
| Capital Financing | 18,448 | 19,356 | 19,356 |
| Corporate Contingency | 1,793 | 3,121 | 3,121 |
| Movement to / (from) Reserves | (3,666) | (340) | (340) |
| Other Corporate Budgets | 4,342 | 6,683 | 9,065 |
| Total Corporate Budgets | 20,917 | 28,820 | 31,202 |
| Total Net Budget Requirement | 210,975 | 226,514 | 233,377 |
| Financed by: | | | |
| Council Tax Income | (134,178) | (142,282) | (150,876) |
| Business Rates Local Share | (44,692) | (45,541) | (46,403) |
| Revenue Support Grant | (30,921) | (31,877) | (32,608) |
| One-off Collection Fund (Surplus)/Deficit | 3,265 | 0 | 0 |
| Total Funding | (206,526) | (219,700) | (229,887) |
| Budget (Surplus)/Gap | 4,449 | 6,814 | 3,490 |

5 Value for Money & Efficiency

- 5.1 During the last three financial years, 2022/23, 2023/24 and 2024/25, the Council delivered savings totalling £7.401m, £4.202m and £5.451m respectively. As at the end of September 2025, £3.975m of savings have been delivered in year with a further £3.663m on track to be delivered by the end of the year, against the MTFS target of £11.516m.
- 5.2 Currently the proposals included in this MTFS Update assume delivery of a further £13.005m of savings as well as an ongoing increase to income, other grants, fees and charges of £0.787m, (£8.022m and £0.627m respectively assumed in 2026/27). However, in order to deliver a balanced budget, further savings, depending on the outcome of the Local Government Finance Settlement, will need to be agreed.
- 5.3 Since 2017/18, to support the delivery of efficiencies and ongoing savings, transformation funding has been made available within the Council's Capital Programme funded from Capital Receipts. An updated Flexible Capital Receipts Strategy will be brought forward for approval as part of the 2026/27 Budget and 2026/27-2028/29 Medium Term Financial Strategy in February 2026.

6 Reserve Levels

- 6.1 CIPFA have stated that there should be no imposed limit on the level or nature of balances required to be held by an individual Council. Many authorities are currently struggling to manage their pressures with an increasing number of local authorities issuing s114 notices or requesting exceptional financial support over recent years. In light of previous high-profile failures and funding concerns raised by authorities, CIPFA launched a financial resilience index which uses a basket of indicators to measure individual Local Authorities' financial resilience compared to their comparators.
- 6.2 This index, which is based on the latest published data from Central Government (2023/24), shows that the level of reserves held by Reading Borough Council equated to 36.30% of net revenue expenditure. This placed Reading as the 30th highest among 62 Unitary Authorities.
- 6.3 The Council has shifted towards the "higher risk" end of the scale in terms of the "Change to Reserves" measure as a result of decreasing levels of reserves over the last three years. However, as set out in the main body of the report, this MTFS is forecasting a combined cumulative budget gap of £14.483m over the next three years. This compares to the forecast level of the combined General Fund balance and Budget Stabilisation earmarked reserves of £17.526m as of 31st March 2026. Other earmarked reserves are set aside to fund specific risks, should they materialise, and expenditure funded by ringfenced grants.

7 Planning Assumptions

- 7.1 The following planning assumptions are included within this Medium Term Financial Strategy Update:
- a) **Base Budget** - The starting point for planning is the 2025/26 base budget as agreed by Council in February 2025, adjusted for any approved budget virements;
 - b) **Council Tax Increase** - A 2.99% basic increase and a 2.00% Adult Social Care Precept for each year 2026/27-2028/29;
 - On these assumptions, the standard band D charge would rise by £105.66 to £2,223.18 for a full year in 2026/27;

- The impact on taxpayer bills (before any reduction for discounts) of the Council's proposed increase is a £2.03 per week rise for a band D Council Tax household comprising at least two adults.
 - The majority of properties in Reading are band C and below (approximately 40% of properties are in Band C). Reading's Council Tax increase for a band C property in 2025/26 would be £93.92, an increase of £1.80 per week.
- c) **Council Tax Base** - Increases in the Tax Base for organic growth are currently assumed at 1.58% for 2026/27 and 1.00% across the remaining two years of the MTFS period and will be reviewed and updated as required as part of the Council Tax Base calculation which is reported to Council in January 2025;
- d) **Capital Borrowing Rates** – average borrowing rates of 3.93%, 3.73% and 3.64% have been assumed in respect of financing of the Capital Programme over the next three years respectively. This will need to be reviewed in light of the outcomes of the Bank of England Monetary Policy Committee (MPC) meeting on 18th December 2025 and the resulting interest rate forecasts provided from MUFG Corporate Markets, the Council's Treasury Management advisors;
- e) **Investment Interest** – The Bank Rate set by the Bank of England is currently 4.00% and, for the purposes of forecast interest earnings, this will be reviewed in line with the updated interest rate forecasts following the MPC meeting on 18th December 2025. The Council currently also benefits from:
- **Externally Managed Property Investments** – The Council has £15.000m invested in property funds. The Council makes a return of around 5.22% on a quarterly basis (based on 2025/26 returns); and
 - **Investment Properties** – The Council owns investment properties valued at £57.260m as at 31st March 2025. These properties provide a gross return of 8.17% pa (before capital financing costs).
- f) **Inflation** – CPI is currently at 3.6% as at October 2025. The Bank of England expects inflation to increase to ease to 3% in early 2026 and fall to 2% over the subsequent year.
- g) **Pay Assumptions** – 2.4% per annum has been budgeted for 2026/27 with 1.9% for 2027/28 and 2028/29;
- h) **Pensions** - The triennial valuation of the Pension Fund took place on 31st March 2025. The primary rate is set as 14.8% for the three years of the MTFS period.
- i) **Increases in Fees and Charges** – Changes to fees & charges have been incorporated within the budget proposals where appropriate. A full schedule of fees & charges will be presented as an appendix to the Budget Report in February 2026;
- j) **Capital Financing** – The prudential borrowing costs associated with the proposed Capital Programmes are accommodated within the revenue budgets; and

7.2 The Council's MTFS and General Fund budget projections are set out in Appendices 1 and 2.

8 General Fund Revenue Risk Implications

8.1 The current budget gap must be closed in order to set a legally balanced budget.

- 8.2 Aside from bridging the current budget gap, the main risks to delivering the proposals set out within this report include:
- The ability to contain demand pressures;
 - Adverse interest rate movements;
 - Increased inflationary pressures, including pay award;
 - Delivery of capital receipts to fund the flexible use for transformation purposes and avoid prudential borrowing charges;
 - National SEND reforms;
 - The capacity of Officers to deliver the savings and income projections in line with assumptions.
- 8.3 Additionally, the Council's 2024/25 accounts are still subject to audit which may mean there could be some movement in the assumed baseline level of reserves.

Section C Housing Revenue Account

9 Housing Revenue Account (HRA) Budget

- 9.1 The HRA is a ring-fenced account which deals with the finances of the Council's social housing stock. The HRA budget must avoid a deficit on reserves over the 30-Year HRA Business Plan. Work is currently on-going to review the 30-Year HRA Business Plan and the impact on the budget over the next three years. Any revisions will be reported to Policy Committee at its meeting in February.
- 9.2 Following the abolition of the statutory limit on HRA borrowing known as the debt cap in October 2019, the HRA is able to undertake prudential borrowing to support the creation and acquisition of long-term assets, as long as it is prudent, affordable and sustainable within the context of its overall Business Plan.
- 9.3 The current 30-Year Business Plan allows for £114.375m of new borrowing under the prudential code in 2026/27-2030/31. The 30-Year Business Plan shows that the HRA is able to fund the proposed capital investment which will raise the peak debt in the HRA from £265.180m to £379.555m in 2031/32. However, the 30-Year Business Plan demonstrates that the proposed borrowing is prudent, affordable and sustainable as the HRA has the capacity to repay £330.000m of this in later years and that the projected outstanding debt level at year 30 is forecast to be £49.555m. The updated 30-Year Business Plan includes the impacts of delivering the current Local Authority New Build Programme (as well as unapproved schemes Battle Street, Dee Park and Whitley Wood Community Centre) and the transfer of housing stock into the HRA from Homes for Reading.
- 9.4 A summary of the HRA revenue budget over the three years of the current MTFS plan period is set out below and detailed in Appendix 3.
- 9.5 The Government currently permits rents to be increased by a maximum of CPI + 1%. The CPI figure is taken from the nationally published CPI figure each September for the year preceding the rent increase. The CPI rate for September 2025 was 3.8%, therefore the baseline assumption for 2026/27 rent income is a 4.8% increase.
- 9.6 For future years, the rate has been estimated at 3.0% (CPI + 1%) in all future years, in line with the Bank of England's long term inflation forecast of 2.0%.
- 9.7 Work has been undertaken to model the impact of these rent assumptions on the 30-Year Business Plan along with other income and expenditure assumptions. The modelling includes an assumed level of expenditure to maintain our properties and meet decent homes criteria, create new build properties and invest in low carbon investments in our housing stock to make council homes more energy efficient and reduce energy costs for

tenants over the longer term. Models have also been created to show the impact of rent convergence over 5 and 10 years as well as how increased existing service charges and new service charges would impact the model.

- 9.8 The Housing Revenue Account is not subject to the same statutory annual requirement as the General Fund to make a Minimum Revenue Provision charge to set funds aside to repay debt. It is however required to make provision for the repayment of capital debt over the longer term (broadly over the 30 year life of the HRA Business Plan). The Council's Director of Finance will continue to ensure that the HRA Business Plan provides for the prudent repayment of debt over the longer term and the HRA 30-Year Business Plan currently assumes £330m of debt repayment over the 30 years, beginning in year 14 of the model.
- 9.9 The final 30-Year Business Plan is yet to be agreed. Excluding rent convergence and service charge increases, balances will drop below the minimum balance approved by the Director of Finance (based on 10% of rental values) between 2029/30 and 2034/35 with the lowest point being 2032/33, £8.189m below minimum balance. A further round of modelling will occur after the expected government announcement on rent convergence in November 2025. Options will then be considered to either increase income through rent convergence and/or service charges or to reduce the scope of expenditure to deliver a balanced HRA 30-year programme. For all current models, beyond 2035 when the PFI contract ends and the properties return to the Council the reserve balances are projected to return to current levels and rise beyond. This additional resource would be available in future years for further investment into housing stock beyond the current assumptions built in.

Table 10. Summary HRA Three-Year Revenue Budget

(Opening balance reflects the provisional outturn position, subject to audit)

| | 2026/27 | 2027/28 | 2028/29 |
|------------------------------|-----------------|-----------------|-----------------|
| | £000 | £000 | £000 |
| Total Income | (55,588) | (58,026) | (60,458) |
| Total Expenditure | 58,875 | 61,729 | 65,686 |
| Net (Surplus)/Deficit | 3,287 | 3,703 | 5,228 |
| | | | |
| Opening HRA Balances | (19,187) | (15,900) | (12,197) |
| Net (Surplus)/Deficit | 3,287 | 3,703 | 5,228 |
| Closing HRA Balances | (15,900) | (12,197) | (6,969) |

10 Housing Revenue Account Risk Implications

- 10.1 Many of the risks identified in respect of the General Fund revenue budget (see para 11.1-11.2 inclusive) also have relevance for the Housing Revenue Account. Particular risks that pertain additionally to the HRA include:
- Rent collection levels that may be affected by any downturn in the local economy;
 - Changes to benefits which may impact on rent collection levels;
 - Increases in debt financing costs arising from inflationary cost increases in relation to the new build programme as well as additional unapproved new build schemes included in the current model;
 - Actual property surveys requiring a level of repair and maintenance above that assumed within the budget;
 - Maintenance cost increases due to higher levels of inflation.

Section D Capital Programme

11 Overall Capital Programme

- 11.1 Details of the Capital Programme update for 2026/27 to 2030/31 are set out in Appendix 4 for the General Fund and Appendix 5 for the HRA.
- 11.2 During 2025/26, the Capital Programme Board has continued to review and challenge all Capital Programme schemes in respect of scheme deliverability with project managers; re-forecast spending plans with the aim of ensuring that the budgets match individual scheme delivery profiles, and to address historic profiling issues.
- 11.3 At this stage, other than fully grant funded and rolling programme schemes, only a small number of priority schemes funded by borrowing, developer contributions or capital receipts have been added into the General Fund Capital Programme. These include:
- Investment in bridges, streetlighting and traffic management measures, to ensure the road infrastructure remains fit for purpose.
 - The purchase of vehicles to enable increased recycling.
 - Works to conserve and improve the Town Hall roof.
 - Works to increase the number of SEND school places across the borough.
- 11.4 The HRA Capital Programme includes updates to existing schemes.
- 11.5 Both Capital Programmes will be further reviewed in January, following the Local Government Finance Settlement.

12 Capital Programme Risk Implications

- 12.1 The main risks to the Council's Capital Programme are summarised below:
- Cost overruns would impose additional borrowing costs (and associated financing charges to revenue) if unable to be met from scheme contingencies or other mitigating actions;
 - Slippage in realisation of capital receipts impacts on available financing sources, with the potential to lead to additional capital borrowing. In particular, significant slippage could leave insufficient receipts to fully finance the transformation costs – which impacts pound for pound on the revenue account;
 - Slippage in delivery of spend to save initiatives results in associated revenue savings not being delivered as anticipated; and
 - The cost of delivering the capital projects increases due to inflationary pressures.

13 Budget Next Steps

- 13.1 Statutory and wider consultation based on the budget proposals contained in this report will be undertaken and responses reported back to Policy Committee in February 2026. Similarly, the implications of the Local Government Finance Settlement (when it is announced) and the updated Capital Financing implications will also be reported to the Committee together with updated inflationary and budget pressures as well as additional savings proposals as required.
- 13.2 Policy Committee, at its meeting on 16th February 2026, will be asked to approve a balanced 2026/27 budget and three-year MTFs and recommend its adoption by Council at its meeting on 24th February 2026.

14 Contribution to Strategic Aims

- 14.1 Full details of the Council Plan and the projects which will deliver these priorities are published on the [Council's website](#). These priorities and the Council Plan demonstrate how the Council meets its legal obligation to be efficient, effective, and economical.
- 14.2 Delivery of the Council's budget is essential to ensuring the Council meets its strategic aims and remains financially sustainable going forward.

15 Environmental and Climate Implications

- 15.1 There are no specific environmental and climate implications to report in relation to the recommendations set out in this report.

16 Community Engagement

- 16.1 Budget-related communications and consultations will continue to be a priority over the next three years as we work to identify savings and efficiencies.

17 Equality Implications

- 17.1 The equality duty is relevant to the development of the Budget. This MTFS Update is based on draft financial implications of a number of draft savings and income proposals. Those proposals that will ultimately be included within the 2026/27 Budget and 2026/27-2028/29 MTFS will be subject to equality impact assessments, and these will be developed between now and February 2026.

18 Other Relevant Considerations

- 18.1 There are none.

19 Legal Implications

- 19.1 The Local Government Act 2003 requires that the Authority reviews its Budget throughout the year and takes any action it deems necessary to deal with the situation arising from monitoring. Currently monitoring reports are submitted to Policy Committee quarterly throughout the year.

20 Financial Implications

- 20.1 The financial implications are set out in the body of this report.
- 20.2 The Council must set its budget in accordance with the provisions of the Local Government Finance Act 1992. Approval of a balanced budget each year is a statutory responsibility of the Council. In order to be able to comply with this statutory responsibility and to avoid the potential of needing to issue a s114 notice, the Council will need to address the forecast budget gap as there are insufficient reserves to cover the gap across the 3-years of the MTFS.

21 Timetable for Implementation

- 21.1 Not applicable.

22 Background Papers

- 22.1 There are none.

Appendices

- 1. Summary of the Proposed General Fund Budget 2026/27 to 2028/29**
- 2. Summary of General Fund Budget Changes 2026/27 to 2028/29**
- 3. Summary of HRA Budget 2026/27 to 2028/29**
- 4. General Fund Capital Programme 2026/27 to 2028/29**
- 5. HRA Capital Programme 2026/27 to 2028/29**