

## **Report to Cabinet/ Council**

**Subject:** General Fund Revenue Budget 2026/27  
**Date:** 19 February 2026  
**Author:** Senior Leadership Team on behalf of Leader of the Council

### **Wards Affected**

Borough wide.

### **Purpose**

This report sets out the revenue budget which aligns to the Gedling Plan priorities, objectives and priority actions for the Council for the forthcoming year.

### **Key Decision**

This is a Key Decision because the proposals will have a significant impact on all wards in the borough and include financial implications that are above the threshold of £0.5m determined by Council for decisions to be regarded as a Key Decision.

### **Recommendation(s)**

Cabinet is asked to recommend to Council on 4 March 2026:

- i. That the financial threshold above which decisions will be regarded as Key Decisions be set at £0.5m for 2026/27.
- ii. A provisional Council Tax increase of 2.998% (£5.82) which balances the financing of a Net Council Tax Requirement of £8,007,600 in 2026/27.
- iii. That the detailed budget for 2026/27, as detailed in Appendix 1 be approved.

## **1. Background**

- 1.1 The Constitution of the Council requires the Leader to present, by 21 February each financial year, a draft Budget and Performance Plan to the Cabinet for approval, highlighting budget priorities, growth items and proposed efficiencies.
- 1.2 The Executive is required to consider any comments made on the draft Budget and Performance Plan and to present the final drafts to Council for adoption in accordance with the statutory requirements. To fulfil these requirements the 2026/27 budget proposals together with the Gedling Legacy Plan 2026-2028 will be presented to Budget Council on 4 March 2026. The Council has a statutory responsibility to determine its Council Tax by 11 March each year.
- 1.3 This report ensures that these requirements will be met for the 2026/27 budget process.

## **2. Proposed General Fund Budget 2026/27**

- 2.1 The Council's proposed General Fund budget sets out the financial strategy and framework for overall financial control and administration for the Council. It also details how individual items such as Central Government Funding, Taxation levels, Resource Developments and Efficiency proposals impact on the annual budget and this has been taken into account in presenting this annual budget and Medium-Term Financial Plan (MTFP) Summary.

### **2.2 Principles Underpinning the Budget Strategy**

The Council has a number of agreed principles as a basis for financial management and budget planning as follows:

- Emerging pressures are managed within existing overall budgets.
- Spending is aligned to key priorities as set out in Gedling's Legacy Plan 2026-2028 (which is also presented to Cabinet on today's Agenda) supported by the Annual Delivery Plan 2026/27, which sets out the workplan for 2026/27. This is currently being finalised and will be presented to Cabinet in March 2026.
- Income is only included in the budget when supported by robust proposals and is deliverable.
- The Council will optimise its commercial income where possible to ensure that fee charging services break-even over time and are provided with a nil cost subsidy from the taxpayer where appropriate or return a surplus where appropriate.
- Where possible, future liabilities are anticipated.
- Budgets are sustainable.
- Savings proposals are supported by project plans and the impact on service delivery is clear.
- Capital and revenue planning must be integrated to ensure that implications are fully anticipated.
- The Council's reserves and balances are not to be used as a primary method to balance the ongoing pressures in the budget. Earmarked reserves are

used for specific one-off purposes to support the delivery of corporate objectives and to mitigate risks.

Considering the anticipated medium term financial pressure, the Council has developed a forward strategy to inform future financial planning, by providing a framework for reducing planned expenditure over the medium term to ensure that the Council is financially sustainable, while still delivering the Council's key priorities as set out in the Gedling Legacy Plan 2026-2028 and the Annual Delivery Plan for 2026/27.

### 2.3 Local Government Reorganisation

The English Devolution White Paper was published on 16 December 2024. It placed great emphasis on creating blanket coverage of mayoral authorities across England, supplemented by Local Government Reorganisation to create new single-tier councils. For Nottinghamshire, this means that the seven District and Borough councils and Nottinghamshire County Council will be merged into two new unitary councils, as will Nottingham City as it is deemed too small to continue as is.

The Minister of State for Local Government and English Devolution formally invited all affected councils to work together to submit plans for reorganisation. For the Nottinghamshire area, three plans were submitted in November 2025 and are currently being considered by Government officials.

It is likely that Nottinghamshire will be working to a date of 1 April 2028 for the new authorities to come into operation.

### 2.4 The Gedling Legacy Plan

In 2023, the Council approved a new Council Plan for 2023–2027. While significant outcomes have been achieved against the plan and reported on in regular, publicly available performance updates, the external environment has shifted considerably since the plan was created, with increasing pressure on Council resources, new national priorities emerging such as Simpler Recycling, and the largest change to local government in more than 50 years in Local Government Reorganisation

It is both timely, and necessary, to revisit the Council Plan for the last two years of Gedling Borough Council's lifetime, to take these factors into account. The new Council Plan, referred to as Gedling's Legacy Plan 2026-2028, responds to local priorities and is designed to ensure that a positive lasting legacy is left for the people of Gedling and that transition to a new unitary authority is as smooth as possible.

The Council Plan sets the overarching outcomes that the Council seeks to influence or achieve during the lifetime of the Plan. It is supported by a separate, Annual Delivery Plan, setting out clearly the timescales for the delivery of related activity over the next twelve months. This is currently being finalised and will be

presented to Cabinet in March 2026. This, approach has been taken to ensure that planned actions align to budget provision and to ensure that financial and service delivery performance are monitored in tandem.

## 2.5 Local Government Finance Settlement (LGFS) 2026/27

### 2.5.1 Overview of the 2026/27 Settlement

The 2026/27 Local Government Finance Settlement marks the start of the first multi-year settlement (2026/27–2028/29) in a decade, providing councils with greater planning certainty compared to previous single-year settlements. It introduces significant reforms to the funding system, including a new Fair Funding Review, needs-based formula and a comprehensive reset of the business rates retention system.

### 2.5.2 Key Changes from Previous Years

2026/27 introduces a three-year settlement, replacing previous one-year allocations such as the 2025/26 settlement published in December 2024.

This change provides local authorities with improved financial certainty for strategic planning. The settlement includes the first full update to relative need and resource assessments since 2013.

Funding is now more closely aligned with deprivation and service demand, benefiting more deprived and urban councils and reducing relative allocations for areas with historically higher tax bases.

Grant Simplification:

18 grants are consolidated into the Revenue Support Grant (RSG) under the new Fair Funding Allocation (FFA).

Separate grants continue only where needed for ring-fenced duties, such as homelessness prevention. Previously, for example in the 2025/26 settlement, multiple stand-alone grants such as the New Homes Bonus featured - this represents a major structural simplification.

### 2.5.3 The Business Rates Reset

The 2026/27 settlement includes the first major reset of the business rates retention system since 2013/14. This is one of the most significant changes affecting District and Borough councils. The reset redistributes 50% of estimated 2026/27 business rates nationally, including growth that was previously retained by local authorities. Future local growth may again be retained, but from a new reset baseline, and subject to revised levy and safety-net arrangements.

District and Borough councils are more affected by the reset as they are often more reliant on locally retained business rates and therefore face some of the most direct consequences of the reset.

Under the old system, councils such as Gedling achieved business rates growth, whereas under the new system, we will lose that accumulated benefit as it is now redistributed nationally.

Districts with strong commercial growth over the last decade (e.g. logistics hubs, town center redevelopment areas) may see reduced baseline funding compared with 2025/26. Gedling has seen a reduction in taxbase.

Transitional measures that have been introduced will smooth the funding impact over several years, but District councils may still experience notable short-term pressure as their retained income is recalculated.

#### 2.5.4 The Provisional Settlement

The Government announced its provisional finance settlement on 17 December 2025 based on the long-awaited Fair Funding Review. This provided a three-year funding allocation, giving certainty to funding levels until 2028/29.

At the time of setting the budget the government had already indicated that a business rates reset would happen, The financial impact of this is offset by a package of transition arrangements including an income funding floor which protects income for councils.

The changes in the funding settlement are significant and tracking the movement from 2025/26 to 2026/27 has not been easy, as the formula to calculate the Core Spending Power (CSP) is different, and a number of previous grants have been rolled in. It was necessary to remodel the 2025/26 funding allocation into the new methodology to show the movement, set out in the table below:

<b>Core Spending Power</b>	<b>£m</b>
2025/26 Actual	12.585
2025/26 Re-calculated for FFR	15.841
2026/27	16.178

The CSP for 2025/26 was £12.585m, however there were also a number of other grants outside of the CSP, now rolled into the new calculation. In addition, the Council also retained some business rates income above the baseline as part of being in the Nottinghamshire Business Rates Pool. As a result of the reset Nottinghamshire Councils have determined that there is no longer any benefit to being part of a pool, and the Nottinghamshire Pool has now been dissolved for 2026/27.

CSP includes the Governments Council Tax assumptions which are the maximum increase of 3% or £5. Overall, the increase in CSP in 2026/27 compared to the revised calculation is **£0.349m** or **4.53%**. However, as stated above the CSP now includes a number of grants which have been rolled in including temporary accommodation, food waste, and the homelessness prevention and rough sleeping (the latter is ring-fenced and therefore cannot

be used in core budget).

In real terms the provisional settlement cash grants reduced by **£0.012m (0.15%)** in 2026/27 and expected to fall further in 2026/27 and 2027/28.

### 2.5.5 The Final Settlement

On 5 February 2026, a report by the Institute for Fiscal Studies suggested there may be a material change in funding allocation in the Government's Final Settlement figures.

On 9 February 2026, the Government published its final settlement, which confirmed a material change to funding allocations published as part of the Provisional Settlement.

The issue related to the baseline that was to be used to determine the level of income that is protected by the minimum funding floors. These are part of the proposed package of transitional arrangements resulting from the Fair Funding review.

This specifically relates to the levels of business rates pooling income that is to be included in the baseline allocations. The Provisional Settlement proposed that 100% of the gains from business rates pooling be added into the baseline for councils that have to pay a levy on their business rates growth, such as Gedling. However, pooling benefits are shared with all councils in the pool, and this error by government officials artificially increased the baseline and thus increased the funding protection for these Councils (predominantly Borough and District Councils).

The final settlement saw this being corrected, and pooling gains are now split 50/50 between tariff and top/up authorities, rather than the provisional proposal to allocate 100% of gains to tariff authorities.

The impact to Gedling is a reduction of funding in 2026/27 of £399,800. However, to compensate for this change, the Government have introduced a one-off Adjustment Support Grant of the same amount to mitigate the impact of this change in 2026/27. Currently this is expected to be a one-off mitigation, and losses for 2027/28 and 2028/29 between Provisional and Final Settlement total **£533,000** for Gedling.

In addition, the final settlement confirmed another £72,900 for Homelessness Prevention, Renters Rights and Domestic Abuse Grants resulting in a Core Spending Power for 2026/27 of **£16.251m**.

<b>Core Spending Power</b>	<b>£m</b>
2025/26 Actual	12.585
2025/26 Re-calculated for FFR	15.274
2026/27	16.251

This represents an increase in Core Spending Power from the adjusted 2025/26 of **£977,432** or **6.40%**, however as stated above, this includes the new ringfenced grants for Homelessness Prevention, Renters Rights and Domestic Abuse, and the new Adjustment Support Grant.

In real terms the cash grants have increased by **£628,023** or **8.31%**.

## 2.5.6 Council Tax and Referendum triggers

In the final settlement the Government confirmed the referendum principles for 2026/27. For Shire Districts a Council Tax increase will be considered excessive if it is either 3% (or more than 3%) and more than £5 greater than the amount for 2026/27. For Gedling the 3% limit equates to £5.84. Any Council which sets an increase greater than the referendum limit and does not get support from the electorate via a referendum will have to revert to a council tax level that is compliant and bear the costs of re-billing its residents.

## 2.5.7 Settlement Comparison with Previous Years

In previous budget reports Gedling has been able to show the ranking of the worst affected councils when compared back to 2015/16, and comparisons between CSP and negative CSP. Due to the significant changes in the funding formulas these comparisons are no longer possible. The Finance Settlement for 2026/27 sets a new baseline which can be used in future years for comparison purposes.

## 2.6 General Fund Budget 2026/27 Summary

2.6.1 The following table summarises the proposed General Fund Budget for 2026/27. The detailed budgets are presented at Appendix 1. In developing a budget proposal, assumptions on the core budget have to be made. These have been included in both the annual base budget and MTFP calculations

### General Fund Budget Summary 2026/27

Portfolio	Original Budget 2025/26 £	Base Budget 2026/27 £	Variance £
Communities and Place	326,800	0	(326,800)
Lifestyles, Health and Wellbeing	1,748,300	1,963,000	214,700
Public Protection	1,352,000	1,900,200	548,200
Environmental Services	4,514,900	5,593,800	1,078,900
Climate Change and Natural Habitat	1,923,000	1,993,100	70,100
Sustainable Growth and Economy	1,748,900	1,616,000	(132,900)
Corporate Resources and Performance	4,778,500	6,067,400	1,288,900
<b>Net Portfolio Budget</b>	<b>16,392,400</b>	<b>19,133,500</b>	<b>2,741,100</b>
Transfer to/(from) Earmarked Reserves	(808,200)	(2,251,200)	(1,443,000)
<b>Net Council Budget</b>	<b>15,584,200</b>	<b>16,882,300</b>	<b>1,298,100</b>

## 2.6.2 Major Budget Pressures

Since the approval of the original budget 2025/26, the Council is continuing on its Digital Transformation journey and subsequently completed several restructures. Inflation has started to stabilise but short of the Government's target and energy prices remain high. Salary increases of 3% and the increase in employers' national insurance contributions continue to have a significant impact on the Councils budget across the medium-term.

The base budget includes the following major budget movements **greater than £50,000**, which are substantially above the previous Medium Term Financial Plan expectations due to prevailing economic conditions and resulting inflationary and demand pressures:

### **Corporate Resources and Performance**

#### **Adverse variances**

- An estimated 2026/27 pay award of 3% across all posts is an anticipated cost of £563,400 however this is partially offset by the 2025/26 pay award which overall cost lower than budgeted, which resulted in a saving of (£150,000). This results in a net cost of £413,400. The pay award sits centrally for budget setting purposes and will be spread over each directorate as appropriate.
- Investment interest has been reduced by £300,000 due to falling interest rates and a fall in investment amounts.
- Increase in insurance premiums of £119,000 due to inflationary increases.
- Increase in payroll costs of £105,800 following the renewal of Zellis contract and migration to a cloud-based service along with loss of income due to a contract for the provision of payroll services not being renewed.
- Increase in External Audit provision of £105,000 in line with PSAA fees.
- A provision of £100,000 has been added for Local Government Reorganisation.
- Service review provision of £92,800 has been included in the budget to cover pension strain & redundancy costs, which have arisen out of restructures and efficiency savings.
- IT Software increase of £90,000 to cover inflationary increases on software licences.
- An increase of £84,400 in the Revenues & Welfare service following a service review in 2025/26.
- Civic Centre rental income reduction of £62,000 following cessation of a lease at the Civic Centre.

#### **Favourable variances**

- A reduction of (£133,500) in superannuation costs following the Nottingham Pension Fund triennial valuation.
- Fees & Charges income increase of (£130,100).
- Removal of (£100,000) the in-year contribution to the IT replacement fund following a review of this reserve showing sufficient funds available.

- Efficiencies of £374,000 was removed from the 2025/26 budgets however these are to be replaced by new efficiencies totalling (£449,300), of which (£324,100) of savings are planned for 2026/27. The net impact is (£77,100).

### **Environmental Services**

- An allocation of £250,000 has been added for a Food Waste collection pilot utilising the Extended Producer Responsibility (EPR) funding.
- Additional staffing costs of £100,000 following the service restructure.
- Cemeteries income adjustment of £30,000 following undeliverable income target due to a lower number of burials in the Borough.

### **Sustainable Growth & Economy**

- Reduction of (£202,500) in bed & breakfast cost due to additional properties being purchased to use for temporary accommodation, which is a more cost-effective solution.

#### 2.6.3 Major Budget Reductions – Efficiency Programme

In response to the budget pressures arising from the downturn in the economy and consequent reductions in central government grant funding, the Council has approved several efficiency/budget reductions programmes to ensure delivery of a sustainable Medium Term Financial Plan (MTFP).

The Council's efficiency programme has been developed in accordance with the themes contained in the approved Efficiency Strategy i.e.:

- **Efficiency & Effectiveness** – including service efficiencies delivering the same level of service with a reduced level of resource; effective asset management; new ways of working including service re-engineering and new delivery methods; demand management; and service reductions or cessation.
- **Contract Management** – improved value for money in procurement.
- **Income Generation** – to maximise all income and reduce the level of subsidy provided in our discretionary service areas moving towards full cost recovery where appropriate; innovation/new ideas for new income streams.

#### Efficiency Proposals – New Proposals 2026/27

Despite receiving a 3-year funding settlement, pressures arising from pay awards, inflation and increased demand for services mean additional efficiencies will be required to ensure a balanced budget in the medium term.

As part of the budget set for 2025/26 on 6 March 2025, efficiencies totalling **£4,467,300** were required to balance the budget in the medium term. The Medium-Term Financial Plan has been refreshed and moved on a further year,

and it is now anticipated that comparable efficiencies of **£3,669,330** are required.

During 2025/26 the Senior Leadership Team reviewed the current efficiency programme considering current service pressures, outcomes from Digital Transformation related work and other service provision changes. Subsequently a report was approved by Cabinet to remove £374,000 of approved efficiencies from the total programme as they were deemed undeliverable. These efficiencies are to be replaced by a **new efficiency programme totalling £449,300 as set out in the table below.**

This leaves £50,000 remaining to be delivered in 2026/27. With digital efficiencies already approved of £631,200 totalling £1,130,500 out of the £3,669,300 that are needed by 2030/31, leaving **£2,538,800** remaining to be identified in the next few years. A risk provision of £142,200 is included in the budget to manage the inherent risks of efficiency programme delivery.

The tables below summarise the proposed budget reductions analysed by Portfolio and Reduction type, with a detailed list included in Appendix 4.

### **Summary of Budget Reduction Proposals**

<b>Inclusion in 2026/27 Budgets and MTFP</b>			
<b>Portfolio</b>	<b>2026/27 £</b>	<b>2027/28 £</b>	<b>Total £</b>
Public Protection	26,500	0	<b>26,500</b>
Environmental Services	45,500	0	<b>45,500</b>
Climate Change and Natural Habitat	36,000	45,000	<b>81,000</b>
Sustainable Growth and Economy	155,100	0	<b>155,100</b>
Corporate Resources and Performance	61,000	80,200	<b>141,200</b>
<b>Total</b>	<b>324,100</b>	<b>125,200</b>	<b>449,300</b>

Gedling will continue to identify efficiencies for the whole of the five-year Medium-Term Financial Plan, despite current expectations that Local Government Reorganisation will mean that Gedling will no longer exist after 1 April 2028. Most of the efficiencies needed to be delivered up to 1 April 2028 are included in the £1,130,500 that have already been identified, leaving the £2,538,800 to be delivered between 2029/30 – 2030/31. Further updates of proposed efficiencies will be brought to Cabinet during 2026/27.

#### **2.6.4 Proposed Revenue Resource Developments**

The Revenue Resource Developments detailed in the paragraph below are recommended to Cabinet for approval. These have been scored using the Council's approved methodology (which assesses schemes in accordance with

the level of contribution made towards the achievement of the Council's Priorities and Improvement Plans).

(a) Revenue Resource Developments 2026/27

For 2026/27 there are three revenue resource bids:

- Domestic Waste Round redesign of £30,000. The service is continuing in its transformation journey and requires some project management to utilise the new whitespace system to review the waste collection rounds for optimisation and improved service delivery. These is a one-off bid which is to be funded by earmarked reserves and is expected to realise efficiencies over the next few years.
- Gedling County Park Ecological Surveys £12,600, the park is due a full wildlife review to inform the Ecological Management Plan. This is a one-off bid and is to be funded from earmarked reserves.
- The Workforce training budget has been increased by £21,000 for Enhanced DBS checks for staff along with Digital Training and Mental Health awareness training for Managers. This is an increased budget to ensure all colleagues are up to date with training. There will be an ongoing budget commitment to ensure continuing training standards are met.

In addition to the revenue resource development proposals, capital resource development bids (see capital programme report elsewhere on this agenda) also have ongoing revenue implications which have been included in the revenue budget and MTFP.

(b) Revision of the Councils Digital, Data & Technology Strategy and Management Restructure

The budget for the Digital, Data & Technology Strategy and the Management Restructure approved in previous years was to be part funded by the NNDR Pool Earmarked Reserve. The Business Rates Reset outlined above set out a different funding model for pooling gains and the impact of this is that the Pool will no longer be viable and has been dissolved for 2026/27 onwards. Whilst there are still sufficient funds in the reserve to fund the 2026/27 programme of £319,200, the funding will revert to the general fund in subsequent years.

The transformation programme will be reviewed in 2026/27 to ensure that in the context of Local Government Reorganisation, the expenditure still realises tangible benefits in the remaining two years that Gedling will operate.

#### 2.6.5 Discretionary Income Inflation

The Medium-Term Financial Plan includes income inflation on discretionary income at 3.5% for 2026/27, 2027/28, 2028/29, 2029/30 and 2030/31 (excluding leisure DNA memberships, garden waste, trade waste, building control, town centre car parking, taxi licencing), which equates to £130,100 in

2026/27 and the increase per Portfolio is shown in the table below. Each additional 1% increase will raise a further £37,200. This 3.5% is an average increase required for balancing the budget, however actual increases will be determined at service level and be dependent on the costs of service and legal powers to recover costs.

The Fees & Charges report and schedule for 2026/27 were approved at Cabinet on 29 January 2026.

#### 2.6.6 **Review of Balance Sheet Reserves**

The *Local Government Act 2003* requires authorities to consider the level of reserves when calculating their budget requirements. Professional guidance is set out to assist in this deliberation.

Earmarked reserves on the balance sheet have been reviewed to ensure appropriate levels of funds are retained for specific future purposes and risks. The estimated movement on reserves for 2025/26 and 2026/27 are detailed at Appendix 2 and show expected balances of £4.66m as at 31 March 2027. Whilst the majority is set aside to cover specific risk issues e.g. insurance risks; to support approved capital projects; to support ongoing service provision; including ring-fenced partner funds and grants; they may be diverted to support general expenditure should the need arise.

There is currently no reclassification of earmarked reserves proposed for the 2026/27 budget however, the classification of earmarked reserves will be kept under review and considered in the light of the outturn position for 2025/26 and recommendations made for reclassification at that time if required.

The Council's minimum General Fund Balance level is set at £1m or 7.5% of the Council's net operating expenditure, whichever is greater. For 2026/27 the required minimum General Fund balance estimated at 31 March 2027 is £1,266,200 compared to the current projected closing balance of £5,669,600.

This level of General Fund Balance indicates the increasing and immediate level of financial risk the Council is now facing as a result of the long history of government grant funding reductions. Despite the Fair Funding Review and the three year settlement for 2026/27-2028/29, significant pressures including the introduction of food waste collections (circa £1m) have not been adequately funded in the settlement, meaning the Council will have to rely on the use of the general fund reserve to fund these pressures and balance the budget. Other significant pressures including Homelessness and temporary accommodation costs, demand for other services, and high pay awards factor into the need for this minimum balance. For these reasons the Chief Finance Officer will not recommend a reduction in the minimum balance for 2026/27.

The medium-term projection on the General Fund Balance is detailed in the Medium-Term Financial Plan summary at paragraph 3 below which demonstrates that substantial budget reductions must be achieved in the future to maintain the minimum level of General Fund Balance and achieve a sustainable financial position in the absence of additional government funding.

#### 2.6.7 Financing of the Capital Programme

As detailed in the Capital Programme report elsewhere on this agenda, it is currently forecast that external PWLB borrowing will not be required to finance the capital programme in 2026/27 through to 2030/31 due to an expected large capital receipt. Borrowing has an impact on the revenue budget in terms of interest costs and principal repayment. This is reflected in the Medium-Term Financial Plan.

#### 2.6.8 Collection Fund

##### Council Tax

On 15 January each year, the Council is statutorily obliged to prepare an estimate of its Collection Fund transactions for Council Tax, and its expected position as at 31 March. This estimate enables Gedling and the three major precepting authorities to take account of any anticipated surplus or deficit on the Fund when they set their own authority budgets.

As detailed in Appendix 3, a surplus of £0.571m was declared on 15 January 2026 for the estimated position at 31 March 2026. The surplus of £0.571m will be shared by the preceptors with the sum of **£0.050m** being added to Gedling's General Fund in 2026/27.

##### Business Rates

The estimated Business Rates Collection Fund deficit at 31 March 2026 of £1.334m was declared in January 2026, of which Gedling's share is £0.534m (40%) and will be charged to the General Fund in 2026/27.

#### 2.6.9 Business Ratepayers Consultation

There is a statutory requirement to consult with business ratepayers on the budget proposal. The consultation has commenced, and any responses will be reported at the meeting.

### 3. **MEDIUM TERM FINANCIAL PLAN**

- 3.1 The implementation of the *Local Government Act 2003*, which introduced a requirement for the Council's Chief Financial Officer to comment on the robustness of the Council's estimates, and the need to look at the medium term (3 years) in order to produce the required indicators as detailed in the Prudential Code, means greater emphasis needs to be placed on the Council's medium term financial planning. Although an absolute requirement to look over three years is required, it is considered good practice to look over as long a period as is reasonable. This Council has a history of producing a Medium-Term Financial Plan (MTFP) over a five-year horizon. Although the Government announcement on reorganisation has been made and expected timelines for delivery are within the five-year plan, the Council has decided that it will still prepare a five-year forecast in the absence of a full and final decision.
- 3.2 The MTFP 2026/27 to 2030/31 is presented against a backdrop of economic uncertainty from previous years the impact, inflation, energy prices and problems in the global supply chain, are still having an impact also significant increase in homelessness and shortage of available housing. In addition, Local Government Reorganisation throws another unknown equation into the matrix. Other factors contributing to uncertainty associated with the MTFP include:
- The Insufficient funding in the three-year financial settlement to address legislative changes in food waste.
  - Continued upward pressure on pay awards in response to skills shortages in key service areas.
  - The removal of 50% pooling gains between the provisional and final financial settlement.
  - Potential costs of Local Government Reorganisation and what is expected to be the Council's responsibility to meet that cost out of its own resources.
- 3.3 The following table identifies the impact of all the proposals and assumptions that are contained in this report:
- Planned budget reductions and efficiency savings (paragraph 2.6.3).
  - The incremental increase in base revenue expenditure from 2026/27 and budget growth items (paragraph 2.6.4).
  - Pay Award of 3% for 2026/27 and 2% per annum from 2029/30 onwards. The April 2027 pay award for local government staff will not be known for some time, it is not currently anticipated to be the same as that awarded in 2025/26. This level of pay claim presents a downside risk to the current MTFP projections, as do potential market adjustments that may be required to address skill shortages in key service areas. In addition, staff retention is expected to be a concern in the run up to Local Government Reorganisation.
  - Anticipated cost of borrowing to finance the capital programme for 2026-2031.

- A 2.99% Band D Council Tax has been assumed for 2026/27. Beyond that a 2.99% Council Tax increase has been assumed for each year of the MTFP to maintain increases without triggering a referendum. However, future council tax increases will be dependent upon future spending decisions, total local government funding, the achievement of efficiency savings and Local Government Reorganisation.
- Based on the current information available, and in the absence of funding increases, in order to achieve a balanced MTFP and ensure the Council's balances do not fall below the minimum level required, efficiencies are required as set out in section 2.6.3:

The following table demonstrates a balanced Medium Term Financial Plan, maintaining minimum balances at the end of year 5 (2030/31) subject to identifying and delivery of significant efficiencies. The current forecast expects a contribution to the General Fund Reserve in 2026/27, however from 2027/28 onwards requires significant drawdowns from the General Fund in order to maintain service delivery at current operational levels. From 31 March 2029 onwards the budget forecasts the General Fund will be operating at minimum levels with no further capacity to address funding gaps, indicating the increasing risk presented to the Council's financial sustainability arising from increased costs and uncertain funding levels, which is affecting many local authorities at this time.

The income from the Extended Producer Responsibility has been included in the MTFP as it is a non-ringfenced grant. Despite DEFRA only confirming allocations for 2026/27 it is envisaged that this grant will continue over the course of the Medium-Term Financial Plan. The funding does assume a decrease over the next few years to ensure prudence, however it should be noted that if this grant does not continue the Council would face a significant challenge to balance its budgets requiring an additional £2m of efficiencies to be delivered by the end of 2028/29.

Further consideration of the Adjustment Support Grant for 2027/28 onwards have not been included in the MTFP for prudence, however it is expected that these will be forthcoming as part of future financial settlements.

## MEDIUM TERM FINANCIAL PLAN 2026/27 TO 2030/31 - HIGH LEVEL SUMMARY

	2026/27	2027/28	2028/29	2029/30	2030/31
	£	£	£	£	£
Net Council Budget	16,882,300	18,433,100	18,815,600	17,719,400	17,341,100
<b>Financed by</b>					
NNDR Including baseline Funding	(3,156,200)	(3,224,200)	(3,285,400)	(3,347,200)	(3,410,300)
SFA – Revenue Support Grant	(4,094,900)	(3,755,700)	(3,391,300)	(3,391,300)	(3,391,300)
Recovery Grant (New)	(49,100)	(49,100)	(49,100)	(49,100)	(49,100)
Adjustment Support Grant	(399,800)	0	0	0	0
Extended Producer Responsibility Funding (New)	(1,304,800)	(1,203,700)	(1,233,800)	(1,264,600)	(1,296,200)
Council Tax Collection Fund Surplus	(50,000)	0	0	0	0
Less:					
Amount from General Fund to Balance Core Budget	(180,100)	1,771,300	2,045,300	524,000	28,500
Council Tax Requirement	8,007,600	8,429,100	8,810,700	9,143,200	9,165,700
Council Tax increase	2.99%	2.99%	2.99%	2.99%	2.99%
Tax Base	39,975	39,975	40,575	41,174	41,783
Expected balances at year end	(5,669,600)	(3,898,300)	(1,852,900)	(1,328,900)	(1,300,600)
)Required balance	1,266,200	1,382,500	1,411,100	1,328,900	1,300,600
<b>(Surplus)/Deficit on required balances</b>	(4,403,400)	(2,515,800)	(441,800)	0	0

The MTFP above assumes that a 2.99% increase will be applied between 2026/27 and 2030/31, but the actual increase will be determined on an annual basis by Council.

### 4. COUNCIL TAX

- 4.1 The Council Taxpayer must meet the difference between the planned expenditure and the Government grant receivable after the use of any balances are taken into account. It is this difference that is used to calculate individual Council Tax bills for 2026/27.

- 4.2 Gedling’s share of the council tax for a band D property for 2026/27 is £200.32. The level of council tax for 2026/27 depends on the extent of service reductions/developments and financial risk issues (see paragraph 5 below) that the Council decides to provide for in the budget for next year. For illustration, an increase in council tax by 1% provides additional funding of £77,751. In the above MTFP a 2.99% (equivalent to £5.82) increase has been assumed for 2026/27. **The MTFP at paragraph 3.2 assumes that a 2.99% increase will be applied for the whole period of the plan but the actual increase will be determined on an annual basis by Council.** The Council Tax referendum limit for a shire district at which an increase is considered excessive is 3% or more and more than £5. To illustrate the impact of the proposed 2.99% increase, the overall position in terms of the increase for the year ahead on each Council Tax Band would be as follows:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Year	£3.86	£4.51	£5.15	£5.82	£7.08	£8.37	£9.65	£11.58
Week	7p	9p	10p	11p	14p	16p	19p	22p

- 4.3 At its meeting on 21 January 2026, the Council maintained its commitment to continuing the Council Tax Reduction Scheme unchanged, enabling a maximum award entitlement of up to 100% discount. This continues to mitigate the impact of council tax increases, including those levied by preceptors, for Gedling’s most financially vulnerable households.

## 5. **ROBUSTNESS OF ESTIMATES**

- 5.1 *Sections 25 and 26 of the Local Government Act 2003* place a personal duty on the Chief Finance Officer to make a report to Council when considering its budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of reserves.

The Act requires Members to *“have due regard to the report in making their decisions”*. Where this advice is not accepted, it should be formally recorded within the minutes of the Council Meeting.

Under *Section 25 of the Local Government Act 2003* the Section 151 Officer is required to provide a commentary assessing the robustness of the estimates when Cabinet and Council are considering the budget proposals.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code reinforces this requirement stating that the statement in relation to the proposed financial reserves should consider whether the level of general reserves is appropriate for the risks (both internal and external) to which the Council is exposed and give reassurance that the authority’s financial management processes and procedures are able to manage those risks.

The key strategic risks in considering the 2026/27 revenue budget proposals and Capital Programme in the context of the Medium-Term Financial Plan are set out in below.

- Whilst the economy has growth during 2026/27, and interest rates have fallen they have not decreased as much as was initially expected.
- The Fair Funding review has not provided sufficient funding for ongoing pressures including legislative changes around food waste, resulting in the Council needing to fund this from its own resources.
- A number of previously separate grants have been rolled into the Revenue Support Grant, and other grants being ring-fenced meaning that in real terms the Council has had a cash increase in grants for 2026/27 but faces a decrease from 2027/28 onwards.
- The Business Rates Reset has resulted in a 50% loss of pooling gains usually received by Gedling, and whilst the Government have put transitional protection in for 2026/27, there is currently no such protection for subsequent years representing a real loss to Council funding.
- The Extended Producer Responsibility grant has been included in the MTFP to balance the budget and fund food waste collections, however there is only a one-year allocation from DEFRA and a loss of this grant would cause a significant pressure on the MTFP.
- The Government's Core Spending Power figures are based on assumptions that will be increased by the maximum amount in accordance with the referendum principles and that growth in the tax base will be created through additional hereditaments. This rise is equivalent to the maximum possible without requiring a referendum and leaves no room for local discretion to set a higher Council Tax in order to plug any funding gaps.
- The balance of the MTFP relies on significant efficiencies being delivered over the five-year term. Currently the Council has sufficient reserves to continue as a viable council until 2028/29, however significant efficiencies will be required in the remaining two years. Whilst Local Government Reorganisation expects new unitary authorities to take over on 1 April 2028, any deferment of these dates will put additional pressure on Gedling to balance the budget.

5.2 The MTFP is based on a forecast of the best available information we have at this time; there are a number of assumptions built in around the continuation of future funding streams which creates a risk arising from these assumptions. The level of minimum balances will be kept under review. As the Council is responding to the challenges through efficiency measures and service reductions it is considered that the annual and medium-term budgets are robust, but given the above risk assessment, the achievement of the estimated Medium Term Financial Plan in later years could be a significant challenge to deliver.

- 5.9 Given the Council's excellent track record for budget management, careful budget monitoring and financial planning, which will continue, the structural deficit that remains in the Medium Term Financial Plan is now significant, and it should be expected that there may need to be some contraction of service delivery/performance if existing efficiency plans do not proceed in line with expectations or the expected dates for Local Government Reorganisation change.

## 6. **Risk Assessment**

Gedling needs to review its Financial Strategy and Medium-Term Financial Plan annually to ensure its projected expenditure is balanced with the income it receives, and where it does not, or is projected not to, corrective action needs to be identified and put in hand.

Risk	Impact	Comments
Time	Medium	<p>Gedling has always aimed to be at least one year ahead of the budget reductions it needs to make, so that any changes required are as trouble free as possible.</p> <p>The General Fund Balance is now forecast to be at minimum levels from 1 April 2029 and efficiency plans to meet the approved targets will continue to be implemented and developed over the next 2 years to help balance the MTFP, and ensure that Gedling enters LGR as a viable Council.</p>
Viability	High	<p>The three-year financial settlement did not alleviate the challenges and pressures faced by the Council in delivering its statutory services. Increase in service demand led by the cost-of-living crisis increases the risks to the finances of the Council; reserves to cushion the impact, are quickly reducing and delivery of the approved efficiency programmes and the development of new efficiency programmes will be essential.</p>

Finance	High	With the continued removal of central government support, the Council will increasingly rely on income generated by local fees and charges, and council tax, and these will need to be consistently increased year on year to offset the momentum of continual reductions in available budgets. However, restrictions placed on surplus generating fees results in income not being able to be used to fund other core services. The cost-of-living crisis presents an additional risk to income levels for discretionary services.
Profile	High	The achievement of a balanced and sustainable MTFP is reliant upon the effective delivery of the efficiency programme, with £676,000 due for delivery in 2026/27. In the absence of additional funding in the next Local Government Financial Settlement, or reduced inflationary pressures, further budget reductions totalling £2,993,300 over 2027-31 will be required.
Adaptability	High	Working with partners will be essential to successfully respond to the challenges that face the Council. The joint work with the DWP has provided a positive model of partnership working and Gedling is working more closely with the Police and the local Integrated Care Partnership to work laterally across the sector.

## 7. **Equality Issues**

The Council has a duty under the *Equality Act 2010* to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between protected groups (such as disabled people or ethnic minority groups) when considering proposed new or changing policies, services or functions, including decisions on funding for services.

Service leads have been asked to assess the equalities impact of the proposals for service changes contained in this report. It is not anticipated that there will be any significant cumulative impact on any protected group arising from these budget proposals.

Where appropriate, individual Equality Impact Assessments will be carried out in relation to specific proposals identified in this report. Any equality issues

arising will be brought to the attention of the decision maker when the decisions on those proposals are made.

8. **Key Decision Thresholds**

In accordance with the Council's Constitution, full Council will in each year determine the financial thresholds for each service or function above which expenditure or saving is regarded to be significant and should therefore be regarded as a Key Decision. Traditionally the threshold has operated at above £0.5m and it is proposed that this value be continued for 2026/27.

9. **Alternative Options**

Cabinet could consider recommending an alternative budget and service plan. Recommending an alternative budget may alter the level of recommended Council Tax for 2026/27. If Cabinet chose not to recommend a budget to Council this would be in contravention of the Council's Constitution and would not be in compliance with the *Local Government Finance Act 1992*.

10. **Financial Implications**

As detailed in the report.

11. **Legal Implications**

It is a statutory requirement under the *Local Government Finance Act 1992* that the budget is presented to Council for approval. The budget has been prepared taking into account the Council's Legacy Plan 2026-2028, the Annual Delivery Plan 2026/27 which sets out the priorities and Council objectives for the coming year, as well as due regard to statutory requirements.

12. **Carbon Reduction/Environmental Sustainability Implications**

The Council has committed through the Gedling Legacy Plan 2026-2028 to promote a sustainable environment, recognising the responsibility it has to safeguard the local environment by reducing its own Carbon Footprint, and working with the local community to reduce global warming. This commitment impacts on the budget in terms of investments and expenditure required to deliver such changes, and in considering the risk of climate change to the Council in terms of impact on its residents and delivery of services.

13. **Appendices**

- Appendix 1 - Detailed Portfolio Holder Budgets 2026/27
- Appendix 2 - Movement in Earmarked Reserves
- Appendix 3 - Council Tax Collection Fund Estimate 2026/27
- Appendix 4 - Summary of Budget Reduction Proposals 2026/27
- Appendix 5 - Annual Delivery Plan 2026/27

**14. Background Papers**

- Central Government Report – Local Government Finance Report 2026/27
- Prudential and Treasury Indicators and Treasury Management Strategy Statement 2026/27
- Capital Programme and Capital Investment Strategy 2026/27 to 2030/31
- Gedling Plan 2023-27
- Gedling Legacy Plan 2026-2028

**Statutory Officer approval:**

**Approved by:** Chief Financial Officer

**Date:** 12 February 2026

**Approved by:** Monitoring Officer

**Date:** 12 February 2026