

Cheltenham Borough Council

Cabinet – 23 December 2025

General Fund Revenue and Capital – Interim Budget

Proposals 2026/27 for Consultation

Accountable member:

Deputy Leader and Cabinet Member for Finance & Assets, Councillor Peter Jeffries

Accountable officer:

Jon Whitlock – Head of Finance (Deputy Section 151 Officer)

Accountable scrutiny committee:

Budget Scrutiny Working Group

Ward(s) affected:

All

Key/Significant Decision:

No

Executive summary:

This report sets out the Cabinet's interim 2026/27 budget proposals for consultation. At this stage there is a budget gap of £1,171,311 and the Leadership Team are tasked with developing proposals to balance the budget.

The Council has faced unprecedented financial challenges over the last few years with over a decade of financial austerity resulting in significant cuts by central government to funding of councils, a period of high inflation, Covid pandemic and the cost-of-living crises.

The latest Budget Monitoring Report has identified that the level of general balances is forecast to be £1.33m by year-end which is below the risk-based target of £1.764m identified when the 2025/26 budget was set. The final 2026/27 budget proposals will need to address this. The latest Budget Monitoring Report has identified a number of cost pressures and at-risk savings and the draft 2026/27 budget proposals adjusts for these.

During the year MHCLG launched the Fair Funding Review 2.0 with consultation open until 15 August 2025 and on 20 November, the Government published a Policy Statement and response to the consultation. The review sought feedback on a new funding model aimed at directing resources to areas of greatest need, based on updated evidence around service demand, local costs, and council tax capacity. This review marks a significant reform of Council finances, aiming to allocate funding more equitably based on each authority's relative needs and available resources. It introduces updated needs-based formulae, a resource adjustment mechanism, and a reset of business rates, with a three-year phased transition period to help mitigate financial impacts across councils. Government consultation documents for Fair Funding 2.0 assumes that all council will apply the maximum annual increase in Council Tax of 2.99%. As part of the fair Funding Review, a full reset of business rates is planned, based on updated assessments of local needs and resources.

The Local Government Provisional Finance Settlement was announced by MHCLG on 17 December 2025 and sets out details of the funding that the council will receive over the next three years.

Recommendations:

1. Approve the interim budget proposals for consultation including a council tax increase of 2.99% for 2026/27, in line with the Local Government Provisional Finance Settlement.
 2. Approve the growth proposals at Appendix 3.
 3. Approve the proposed capital programme at Appendix 5.
 4. Task the Leadership Team with developing proposals to balance the 2026/27 budget.
 5. Seek consultation responses by 31 January 2026.
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1. Implications

1.1. Financial, Property and Asset implications

As detailed in the report.

Signed off by: Jon Whitlock, Head of Finance (Deputy S151 officer)

1.2. Legal implications

Under the Constitution Cabinet has responsibility for the preparation and consultation on the Council's budget. The final budget will be subject to consideration and approval by Full Council in February.

The Council must set a budget in accordance with provisions of the Local Government Finance Act 1992. The Council has a statutory responsibility to set and approve a balanced budget each year. Section 25 of the Local Government Act 2003 requires the Council, in setting its budget, to have regard to the report of its Section 151 Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of its

proposed financial reserves.

Signed off by: One Legal, legalservices@onelegal.org.uk, Tel no: 01684 272012

1.3. Environmental and climate change implications

The annual budget aims to deliver the outcomes defined by the Council's corporate business plan, including the priority to be carbon neutral by 2030, and resourcing should be aligned to the delivery of corporate plan priorities.

Signed off by: Maizy McCann, Climate Emergency Officer,
maizy.mccann@cheltenham.gov.uk

1.4. Corporate Plan Priorities

The actions outlined in this budget proposal to implement savings and grow our commercial income will help ensure that the council can continue to deliver its corporate objectives as set out in the 2025-28 Corporate Plan. It also means we will be well placed to deliver the priorities in this new Corporate Plan which was presented to Council for approval in February 2025.

This report contributes to the following Corporate Plan Priorities:

- Key priority 1: Securing our future
- Key priority 2: Quality homes, safe and strong communities
- Key priority 3: Reducing carbon, achieving council net zero, creating biodiversity
- Key priority 4: Reducing inequalities, supporting better outcomes
- Key priority 5: Taking care of your money

Signed off by: Ann Wolstencroft, Director of Corporate Resources
ann.wolstencroft@cheltenham.gov.uk

2. Equality, Diversity and Inclusion Implications

The proposals for the 2026/27 general fund revenue and capital budgets is focused on the delivery of the 2025-28 plan. Any savings or efficiencies to deliver the budget that require separate decisions will be subjected to their own equality impact assessments. An equality impact assessment for the decisions in this report is included in Appendix 8 and will be refreshed following the completion of the consultation period on 31 January 2026.

3. Performance management – monitoring and review

The scale of future budget savings will require significant work to deliver them within the agreed timescales and there is a danger that this could divert management time from the delivery of services to the delivery of savings. There are regular progress meetings to monitor the delivery of savings, and this will need to be matched with performance against the corporate strategy action plan to ensure that resources are used to best effect and prioritised. It is intended that this will be evidenced further in the publication of the Medium-Term Financial Strategy in February 2026.

The delivery of the savings work streams included in the interim budget proposals, if approved by full Council will be monitored by the Budget Scrutiny Working Group and reported quarterly to the Cabinet.

4. Background

- 4.1. In accordance with the Council's Budget and Policy Framework Rules, which are part of the Council's constitution, the Cabinet is required to prepare interim budget proposals for the financial year ahead and consult on its proposals for no less than four weeks prior to finalising recommendations for the Council to consider in February 2026. This report sets out the interim proposals for 2026/27.
- 4.2. The financial environment continues to be challenging for the local government sector with around 70 councils expected to request Exceptional Financial Support (EFS) from the government in 2026/27, up from 30 in the current year. This growing trend shows the financial pressure that the sector is under.
- 4.3. The budget is being set against the background of Local Government Reorganisation (LGR) in two-tier areas which involves replacing the current system of county and district councils with a single unitary authority. Councils were required to submit interim proposals by March 2025 and final proposals by 28 November 2025. After submission, the Ministry of Housing, Communities & Local Government (MHCLG) conducts statutory consultation, followed by the Secretary of State's decision which is expected by summer 2026. If approved, a Structural Changes Order is laid before Parliament, shadow authorities are elected in 2027, and the new unitary councils take full control on vesting day, targeted for April 2028. These proposals have an impact on 2026/27 in terms of potential implementation costs, as well as the Medium-Term Financial Strategy.

Economic Background

- 4.4. UK inflation has eased from its 2024 highs, standing at 3.2% in November 2025 and forecast to fall to around 2.5% in 2026, reaching the Bank of England's 2% target by 2027. This decline reflects fading energy price pressures and slower domestic cost growth. Economic growth remains subdued, with GDP expected to rise by around 1.0% in 2026, constrained by weak real incomes and modest investment.
- 4.5. The Bank of England's Monetary Policy Committee (MPC) has maintained a cautious stance on base rates with rates steadily reducing from 4.75% at the start of the year. Forward guidance suggests rates will continue on this trajectory and may reduce down to 3.25% during 2026, provided inflation continues to fall.
- 4.6. In the Autumn Budget Chancellor Rachel Reeves introduced measures aimed to strengthen fiscal resilience which included:
 - Income tax threshold freeze extended to 2031, increasing fiscal drag.
 - 2% tax rise on dividend, savings, and property income from April 2026.
 - £2,500 annual levy on homes over £2m.
 - Tightening of pension and capital gains reliefs from 2029.These steps aim to raise £26bn by 2030/31, supporting targeted spending while maintaining fiscal headroom.

5. Budget Assumptions

- 5.1. The approach to the development of the 2026/27 budget proposals are set out in the Budget Strategy, Process & Timetable 2026-27 report which was approved by Cabinet at its meeting on 21 October 2025.
- 5.2. The current years budget has been reviewed in detail as part of the budget monitoring process and the key variances have been identified, highlighted and reported to Cabinet on 16 December 2025. The 2026/27 budget seeks to adjust for these variances including the at-risk savings to ensure that the base budget for the coming year is robust and reflects that latest position.
- 5.3. In addition to these changes the budget proposals also include the following assumptions for key changes to the budget:
 - Pay Inflation: assumptions of 3% for the national pay award.
 - Pensions: Contribution based upon the latest Triennial Review of the Pension Fund by the Actuary with the primary rate of 17.1% and the secondary fixed amount of £290,000.
 - Business Rates payable: 3.9%
 - Council Tax: Tax base of 45,008.70 Band D equivalents for the year, this increase generates additional income of £136,716 for 2026/27 and the 2.99% increase provides a further £329,463. Collection fund surplus of £800k with CBC's share being £87,171
 - Average borrowing costs: 3.75%
 - Capital Financing: The capital programme is currently being reviewed and reprofiled which will enable the revenue cost of borrowing to be reprofiled.

6. Property Maintenance Programme

- 6.1. The interim budget proposals include the 2026/27 property maintenance programme, which will be monitored by the Asset Management Working Group, and the budget includes a revenue contribution of £516,950 to planned maintenance, as detailed in Appendix 6.
- 6.2. The planned maintenance programme will be kept under review throughout the year, in particular there will be a focus on how we can use these existing projects to introduce more net zero measures into our buildings and across our property portfolio whilst also undertaking the detailed work to understand the larger changes which need to be made.

7. Provisional Finance Settlement

- 7.1. The funding of the 2026/27 interim budget proposal is based on the Local Government Provisional Finance Settlement that which was published by MHCLG on 17 December 2025. The settlement covers 3 financial years which will assist with updating the MTFS. The figures in the provisional settlement are subject to consultation which runs until 14 January 2026 with the final figures expected to be confirmed in late January / early February 2026.

7.2. The provisional settlement also sets out the approach to handling local government reorganisation during the multi-year Settlement period. The Government tightly controls the level of council tax through the Local Government Finance Settlement which assumes a 2.99% increase and the referendum legislation which requires any increase above this level to be subject of a local referendum. There is an exception to this for 6 upper tier councils for 2026/27 and 2027/28.

7.3. The consultation on the Local Government Provisional Finance Settlement sets out 7 questions, which it is asking councils to consider and they are:

Question 1: Do you agree or disagree with the government's proposals for distributing the total Fair Funding Allocation across the multi-year Settlement period from 2026-27? This encompasses the approach to Baseline Funding Levels, Revenue Support Grant, the Adult Social Care Relative Needs Formula distribution, the additional funding for local services, the approach to the Local Authority Better Care Grant, and the method for calculating tariffs and top-ups.

Question 2: Do you agree or disagree with the government's proposed transitional arrangements?

Question 3: Do you agree or disagree with the proposed package of council tax referendum principles?

Question 4: Do you agree or disagree with the government's proposed approach to distributing funding for the Families First Partnership programme via the final version of the Children and Young People's Services (CYPS) relative needs formula?

Question 5: Do you agree or disagree with the government's proposed approach of continuing the IDB support grant for 26-27 but seeking an alternative solution from 2027-28?

Question 6: Do you agree or disagree with the government's proposal on Mayoral Strategic Authorities in the Local Government Finance Settlement?

Question 7: Do you have any comments on the impact of the proposals outlined in this consultation document on persons who share a protected characteristic? Please identify which protected characteristic you believe will be impacted by these proposals and provide evidence to support your comments.

7.4. The funding in the Local Government Provisional Finance Settlement for Cheltenham is set out below and clearly show a reduction in funding over the next 3 years. The equivalent figure for the current year is £7.698m, so the total reduction in funding over the period is £1.428m (18.6%). The settlement is relying upon increases in council tax to make up the shortfall.

	2026/27	2027/28	2028/29
Business Rates	£2.866m	£2.932m	£2.991m

Revenue Support Grant	£4.353m	£3.830m	£3.279m
Fair Funding Allocation	£7.218m	£6.762m	£6.270m

8. Fees and Charges

- 8.1. A significant proportion of the council's funding comes from fees and charges. Within the Council's commercial strategy this is an important funding mechanism and one which is within the Council's gift to control, subject to any legislative, economic or political constraints.
- 8.2. However, as more reliance is placed on income there is increased pressure to understand current performance levels coupled with the risks and opportunities arising from each income stream whether it is new or existing. It is also important to consider how resilient each income stream is so that appropriate levels of mitigation can be put in place under a Reserves Strategy to meet dips arising when circumstances change.
- 8.3. Within the interim budget, a full schedule of the proposed fees and charges for 2026/27 has been included at Appendix 7. Some services have applied the full inflationary increase on their fees and charges with others applying a lower uplift when market forces apply. The proposed changes are subject to the relevant steps being taken to follow legislative requirements.

9. Reserves

- 9.1. Based upon the latest budget monitoring position a projection of the level of reserves to be held at 31 March 2026 and 31 March 2027, is set out in Appendix 4. When setting the budget for the current year a risk-based assessment across 12 different areas was undertaken and it estimated that the level of General Balances required for the year should be £1,764,000. The current forecast is that they will be below this level at £1.28m by end of 2025/26 financial year. The final 2026/27 budget proposals will need to address this with an updated risk-based assessment undertaken and a clear plan of how the General Balances will be restored to this level.
- 9.2. A review of all of the Earmarked Reserves is underway to identify if the reserve is still required or of the reserves can be reallocated. Chief Financial Officer (Section 151 Officer) is required to comment upon the adequacy of the reserves for which the budget provides and the risk-based assessment will be updated and will form part of the formal budget setting report to be presented to Council in February 2026.

10. Balancing the Revenue Budget

- 10.1. Updating the budget estimates for all of the changes identified in this report still leaves a budget gap of £1,171,311 and restore General Balances to the 2025/26 risk-base assessment level.
- 10.2. In order to balance the revenue budget further cost reductions required and the

Leadership Team are tasked with developing proposals to balance the 2026/27 budget. These proposals will be reported to 24 February 2026 Cabinet meeting.

11. Housing Revenue Account (HRA)

- 11.1. Following the 2024/25 outturn, which required a draw on the HRA reserve, the position for 2025/26 is currently forecast to be delivered on budget. A significant amount of work has been undertaken to reorganise and fully understand the current financial position within the HRA, ensuring greater clarity and control going forward.. As at the end of 2024/25, the HRA reserve balance stood at £603,500. The 2025/26 budget includes a planned contribution of £82,500, which would increase the reserve to approximately £686,000 by the end of March 2026, subject to the final outturn position.
- 11.2. Work is progressing on finalising the HRA budget for 2026/27 with the Cabinet approving the rent setting, repairs, empty homes (Voids) and Recharge Policies at its last meeting.
- 11.3. The Draft HRA budget will be made available for tenant consultation in January.

12. Treasury Management

- 12.1. Arlingclose our Treasury Management Advisors are forecasting two further cuts to base rates over the next year. Appendix 2 summarises the budget estimates for interest and investment income activity which will continue to be reviewed and updated in the light of new information and in particular the updates to the financing of the capital programme.
- 12.2. Security of capital remains the Council's main investment objective. We will continue to closely monitor the benefits of fixed vs. temporary borrowing as well as the performance of the Schroder income fund and when it is financially prudent to do so, will consider the climate implications of how we invest this money in the future.

13. Capital Programme

- 13.1. The strategy for the use of the council's capital resources is driven by our corporate priorities. The delivery of capital receipts from our asset management activities is an important source of funding with the timings and delivery of these currently under review, the latest position will be incorporated within the final budget proposals.
- 13.2. A monitoring exercise has been carried out to ensure that the capital programme, approved by Council on 21 February 2025, are being delivered as planned within allocated capital budgets, some of which are timetabled to straddle several financial years. The approved 2025/26 capital programme totals £41.420m and this includes the approved carry forwards from 2024/25. The interim capital programme for the period 2025/26 to 2028/29 is set out at Appendix 5.

14. Next Steps

14.1. The next steps in finalising the 2026/27 Budget proposal includes:

- Analysing the Provisional Local Government Finance Settlement and consider making a response to the consultation questions.
- Finalising the budget growth requests and cost pressures identified in the latest budget monitoring report. Further challenge is required to reduce their impact on the overall budget position.
- Completing the new updated NNDR1 (Business Rates) return and the assumptions on business rates income including the calculation of the surplus/deficit for the current year.
- Finalising savings proposals that are currently under development but not yet included in this report.
- Reviewing the Earmarked Reserves and options to reallocate them and updating the risk-based assessment for General Reserves.
- Completing the Housing Revenue Account budget for 2026/27.
- Reviewing the current capital programme, with a particular focus on assessing the schemes that impact the Council's borrowing requirement. This review is essential to ensure the affordability and sustainability of future capital investment.
- Confirming the capital financing budget requirement for 2026/27. This includes re-assessing the borrowing requirement for the year, based on forecast revenue and capital spend, whilst taking account of forecast receipts from asset sales.

15. Consultation and feedback

15.1. The formal budget consultation on the detailed interim budget proposals for 2026/27 will run until 31 January 2026. The Cabinet will seek to ensure that the opportunity to have input into the budget consultation process is publicised to the widest possible audience. During the consultation period, interested parties including businesses, tenants, residents, staff and trade unions will be encouraged to comment on the initial budget proposals. They will be asked to identify, as far as possible, how alternative proposals complement the Council's Recovery Strategy and Corporate Plan and how they can be financed. The Budget Scrutiny Working Group and Overview and Scrutiny Committee will be invited to review the interim budget proposals in the meetings scheduled for 7 January 2026 and any comments will be fed back to the Cabinet.

15.2. Whilst the Cabinet will be as flexible as possible, it is unlikely that any comments received after the consultation period can be properly assessed to allow consideration of their full implications and to enable them to be built into the budget.

15.3. All comments relating to the initial budget proposals should be returned to the Head of Finance (Deputy Section 151 Officer) by the end of the consultation period for consideration by the Cabinet in preparing their final budget proposals. Comments can be e-mailed to moneymatters@cheltenham.gov.uk.

16. Alternative options considered

16.1. News from Councils across the country tell of local authorities who are continuing to struggle to balance the books and warn of the possibility of issuing section 114 notices without further financial support from Central Government through the EFS mechanism. The financial strategies implemented since November 2020 to refresh the commercial

strategy, review asset management and invest in growth have so far meant the Council have not needed to pursue this course of action and have instead been able to apply continued focus to the ambitions of the 2025-2028 Corporate Plan. The 2026/27 budget proposal will put our Council in the most stable financial position since before the pandemic and, subject to a commitment to delivering efficiencies, provides the next step in the journey to financial self-sufficiency.

17. Key risks

- 17.1. See Risk Assessment in Appendix 1.
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Report author:

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Appendices:

1. Risk Assessment
2. Summary net budget requirement
3. Growth Items
4. Projection of reserves
5. Capital programme
6. Programmed Maintenance programme
7. Provisional Fees & Charges Schedule for 2026/27
8. Equality Impact Assessment Screening

Background information:

1. 2025/26 Final Budget Proposal report to Council - 21 February 2025;
2. Budget Monitoring Report 2025/26 – position at 30 November 2025 report to Cabinet – 16 December 2025;
3. The provisional local government finance settlement for 2025/26.

Appendix 1: Risk Assessment

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
52	If the Council is unable to come up with long term solutions which close the gap in the medium term financial strategy then it will find it increasingly difficult to prepare budgets year on year without making unplanned cuts in service provision.	Cabinet	5	4	20	Reduce	<ul style="list-style-type: none"> - Commercial strategy & activities - Quarterly budget monitoring - Cabinet engagement - budget proposals - Increased capacity in the finance team - Cabinet Away Day challenge and decisions - Ongoing monitoring of targets for workstreams/services 	Leadership Team	Ongoing
403	Prioritisation of capital resources – If CBC are unable to prioritise medium term projects and programmes which require significant capital financing, then it will increasingly have to rely of borrowing to fund service	Cabinet	5	4	20	Reduce	<ul style="list-style-type: none"> - Ongoing review and alignment of the capital programme with the Corporate Plan - Quarterly budget monitoring - Cabinet engagement - budget proposals 	Leadership Team	Ongoing

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
	investments increasing the pressure on our revenue budgets to fund repayments.						<ul style="list-style-type: none"> - Gateway reviews of all projects through the Corporate Programme office - Cabinet Away Day challenge and decisions - Business case and approval for all new projects, including allocation of resource and budgets 		
53	If General Balances are not strengthened then insufficient reserves will be available to cover unanticipated spend or deficits resulting in the levels which will consequently fall below the minimum required level as recommended by the Section 151 Officer in the council's Medium Term Financial Strategy	Head of Finance	5	3	15	Reduce	The MTFs is clear about the need to enhance reserves and identifies a required reserves strategy for managing this issue. In preparing the budget for 2025/26 and in ongoing budget monitoring, consideration will continue to be given to the use of fortuitous windfalls	Head of Finance	Ongoing

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
							and potential future under spends with a view to strengthening reserves whenever possible.		
199	If the Government review concludes significant changes to business rate retention, Government grant funding or Council Tax generation for Cheltenham then the MTFS budget gap may increase, requiring greater savings than already planned.	Head of Finance	5	4	20	Reduce	<p>The Council joined the Gloucestershire pool to share the risk of fluctuations in business rates revenues retained by the Council.</p> <p>The Gloucestershire S151 Officers continue to monitor business rates income projections and the performance and membership of the pool / pilot.</p> <p>Work with members and Gloucestershire LEP to ensure Cheltenham grows its business rate base.</p>	Head of Finance	Ongoing