

Our medium-term financial plan for 2026-2027 to 2028-2029: Revenue and capital plan Draft for consultation



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Foreword

Introduction by the Leader of the Council

This budget is about the things that matter most to our residents and this plan invests in their priorities now, for a secure future.

It's time to be ambitious. The challenges we face require the most transformative action Newcastle has seen in over a decade, driving funding into our highways, neighbourhood services, play areas and world-class cultural assets. Our council will be at its most efficient and responsive, reducing our spend with third parties and designing our services to meet the changing needs of our residents quickly and effectively.

Government's announcement of three-year financial settlements for local authorities is welcome news – giving us the foundation we need to make transformational change. We will invest in technology to deliver the best possible public services, modernising our systems and developing expertise that innovates to solve our city's biggest challenges.

We're doing this for our residents. Every year, we face difficult decisions to balance our budget and after 14 years of austerity under coalition and conservative governments, we know that bold change is needed. That's why we're taking wholesale action across council services and keeping residents at the heart of every decision we make.

We want our services and those of our city partners to create healthier, fairer lives for all. The scale of cuts made by central governments over 14 years has hugely affected our residents and every day I speak to people who find it difficult to get by. I've made sure that this plan prioritises fairness so that every resident, regardless of their financial situation, can access the high quality public services they need from a council that strives to improve their lives, every single day.

We have a very strong track record of prudent financial management here in Newcastle, which means we're not in the same position as many local authorities across the country. But the time has come for transformational change, and the investment we make now will be crucial in ensuring we build wisely on the financial foundations we have worked so hard to safeguard.

I am confident that the investment we make now will deliver long-term savings to our taxpayers, so that we can turn the tide on the effects of austerity, provide services that meet our city's needs and support people in Newcastle to live the lives they want.

My thanks go to all council staff whose tireless efforts have enabled this plan, and whose dedication to our residents is a huge source of civic pride. You are the engine of our city, and I am proud of the work you do and to be the Leader of this council.

Cllr Karen Kilgour
Leader of Newcastle City Council

Introduction

The council spends in the region of £1.2 billion each year across the General Fund, Housing Revenue Account and capital programme. Revenue expenditure on day-to-day services is funded by a combination of specific government grants, Council Tax, business rates, rents, third party contributions and income from sales, fees and charges.

Approximately £130 million of this is ring-fenced to schools, and £140 million is ring-fenced to services for council tenants. £760 million is used to meet our wide range of statutory requirements and to meet the needs of our residents, communities and city.

Our capital expenditure on our physical assets (such as buildings) is separate to revenue expenditure on day-to-day services and amounts to approximately £130 million per annum and is funded from a combination of specific government grants, third party contributions and capital receipts from the sale of assets and borrowing. It should be noted that we are not allowed to use borrowing or capital receipts to fund revenue expenditure on day-to-day services.

Context

Principles

Between 2010 and 2025, the council has had to achieve savings of £400 million due to Government imposed funding cuts and cost pressures. We have sought to do this in a controlled manner and by taking a medium-term approach as far as possible. As well as meeting our legal responsibility to set a balanced budget, we have sought to achieve the following objectives through our medium-term financial planning process:

- Improving value for money;
- Maintaining financial resilience; and
- Managing significant financial risks.

Our medium-term plan is underpinned by the following key principles:

- Allocation of available resources in line with our priorities and to fulfil statutory duties and business critical requirements.
- Assessment of future resources and cost pressures in line with a mid-case scenario rather than a worst-case or best-case scenario – with key assumptions subject to sensitivity analysis.
- Applying inflationary increases to fees and charges.
- Prudent and planned use of reserves to fund permanent expenditure.
- Risk assessed level of reserves and balances to mitigate potential financial liabilities and commitments. Other reserves maintained to hold funding received but not yet spent.
- Maximisation of capital receipts from disposals where this is the most cost-effective option.
- Maximisation of external grant funding where this meets our priorities.
- Maximisation of fees and charges to fully recover the costs of providing discretionary services except when a specific decision has been made to subsidise these services in line with the council's priorities.
- Maximisation of income generated across all areas of the council and prompt collection of all amounts owed to us to minimise bad debts.
- Prudent use of our borrowing powers to undertake capital investment that is not funded by capital receipts, grants or contributions from third parties.
- Strategic approach to asset management across all asset types.
- Promotion of invest to save opportunities funded by prudential borrowing via risk-assessed business cases.
- Provision of revenue funding to invest in service transformation following development and approval of business cases.
- Effective management and forecasting of our day-to-day and longer-term cash flow requirements.
- Minimisation of treasury management risks, including smoothing out the debt maturity profile.
- Full integration of revenue and capital financial decision-making processes, to ensure the revenue implications of capital projects are accurately reflected in the medium-term plan and annual budget.

- Production of detailed implementation plans and risk assessments for all savings proposals.
- Sign off of all revenue budgets by the relevant senior manager before the start of the financial year.
- Regular monitoring of all revenue and capital budgets by the relevant manager and robust management action to address any unplanned variances that arise.

Savings required to date

The following tables show how these principles have been translated into our latest estimate of resources over the next three years. In summary, our net revenue budget is determined by the level of business rates and Council Tax collected locally and the amount of Section 31 grants, Revenue Support Grant and Business Rates Top Up Grant received from government.

Table 1 – estimated net revenue budget

All figures in £ million	2026-27	2027-28	2028-29
Revenue Support Grant	50.0	57.0	65.0
Business rates (incl. grants)	113.6	115.8	118.1
Council Tax	164.6	174.6	185.1
Net revenue budget	328.2	347.4	368.3

As can be seen from Table 1, the net revenue budget is expected to be £328.2 million in 2026-27 and to increase to £368.3 million in 2028-29. However, as can be seen from Table 2 below, significant savings are required in all years due mainly to cost pressures; further details of our proposed approach to deliver savings over the three years of the MTFP are set out later in this document and in Appendix 1 – summary of 2026-27 savings proposals.

Table 2 – annual budget changes

All figures in £ million	2026-27	2027-28	2028-29
Previous year's net revenue budget	293.1	328.2	347.4
Cost pressures	37.0	37.0	35.3
Choice	2.0	2.0	2.0
Annual savings required	(3.9)	(19.8)	(16.4)
This year's net revenue budget	328.2	347.4	368.3

Table 2 shows how the proposed change in the budget for each year is broken down by cost pressures, choice and savings required.

The savings required in the next three years should be viewed in the context of the savings required to balance the budget in previous years.

Since 2010, we have needed to make savings of £400 million (equivalent to £2,832.77 per household) to balance our budget due mainly to funding cuts and cost pressures. Some of these budget reductions have had an impact on services. However, many have been achieved by finding alternative and more cost-effective ways to deliver the same level of service, or by improving efficiency without any detriment to service delivery, as well generating more income.

The savings required over the next three years are £40.1 million. The savings required to off-set unfunded cost pressures over the next three years have been built into Chart 1.

Chart 1 – cumulative savings required since 2010 (all figures in £ million)

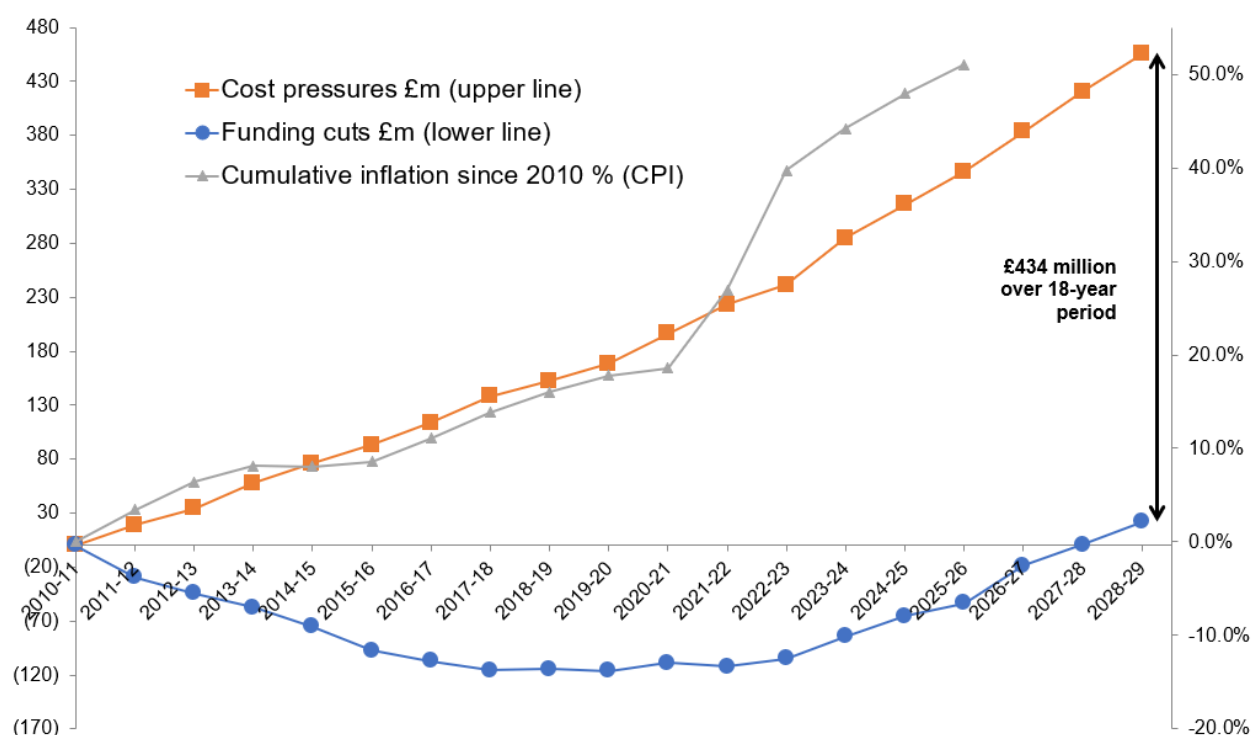


Chart 1 shows the total reduction in funding since 2010-11 (lower line with circle shaped markers). Including the projected funding position to 2028-29, this means that the council is only projected to have received an increase in funding of £22 million over this period. The chart also shows the cost pressures faced by the council over the same timeframe (upper line with square shaped markers). Including the projected cost pressures to 2028-29, this means that expenditure has increased by £456 million over the same period. The gap between the cost pressures and the funding is therefore £434 million.

Chart 1 also shows the cumulative inflation over the same period (line with triangle shaped markers), which has had a significant impact on our budget particularly in recent years as the rate of inflation has been high.

Projected outturn for 2025-26

The savings required over the next three years should be viewed in the context of the latest projected outturn position for 2025-26.

As affirmed by the CIPFA financial management review, we have robust management arrangements in place to monitor and control revenue expenditure and this has resulted in the achievement of a balanced budget in the last few years. Before the start of the financial year, progress on achieving planned budget reductions is closely monitored at both officer and councillor level. This monitoring continues throughout the year and is enhanced by our formal budget monitoring process that looks at overall performance against the budget and not just delivery of specific budget reductions. Detailed budget monitoring reports are considered by directorate management teams and directors on a regular basis and management action is taken to address any financial pressures that occur.

The Council is currently projecting a potential pressure of £9.6 million on its General Fund budget at this stage of the year. Managers will continue to seek to improve the financial performance of their services and specific options will be developed to address overspends in the current year as far as possible, however, if there is an actual overspend at the end of the financial year then this will be funded from the unearmarked General Fund reserve, which was set up for this purpose. Any pressures that continue into future financial years will also need to be reflected in the medium-term financial plan and be funded from savings across the council.

Local government fair funding reform 2.0

The government consulted on proposed changes to local government funding in August 2025. We responded to this consultation on funding reform, highlighting our analysis of the proposed approach and making our case for a fairer settlement.

The funding reform seeks to reassess both the relative needs of authorities across the country against the ability to raise revenues through Council Tax and business rates. In effect this is looking to reevaluate the cost of service provision and the resources available to fund those services.

Our analysis of the proposals indicated that we do expect to gain from measures to fully equalise Council Tax, and this is something that we've lobbied for in recent years. Our ability to raise additional funding from Council Tax locally is low in relation to many other authorities, due to a greater proportion of homes falling into the lower Council Tax bands when compared to more affluent areas.

We also anticipated that we will also gain from the long-overdue reset of the business rates system, where many authorities across the country have gained in recent years from the growth in business rates. Many of the factors driving this growth - such as geographical or economic factors – are largely independent of the

actions of those councils that have benefited from associated recent funding increases.

Our overall projected gain in relative needs assessment is very low however and we have raised key points to government in relation to the proposed approach. The overall funding reform consultation is lengthy and technical, but the main points that we've highlighted are as follows:

- Existing grant streams such as the Recovery Grant and the Social Care Grant already contain assessments relating to relative deprivation – in the Recovery Grant - and equalisation of the Adult Social Care Precept within the Social Care Grant. The proposed approach to rolling these grants into our main Settlement Funding Assessment (SFA) would have a detrimental impact for the council.
- The overall approach to simplification of funding means that some of the existing factors that reflected the increased cost of providing services in areas with a higher level of deprivation have been removed or have a lesser influence in the proposed assessment.
- The overall approach appears to be more heavily weighted towards factors such as overall population and sparsity, and our view is that increased costs of service provision linked to deprivation are not adequately reflected in the proposed approach.
- Our analysis has shown that the proposed formulas do not adequately reflect the relative cost of providing services and this is particularly evident in the Adult Social Care Relative Need Formula (RNF) and the Highways RNF where the councils assessed share of relative needs has reduced considerably compared to previous approaches.

Local government financial policy statement for 2026-27

The local government financial policy statement for 2026-27 was published on the 20 November 2025 and set out some additional information on the overall financial settlement position for local government in England. The individual funding allocations for local authorities will not be released until the provisional local government finance settlement, which is due in December 2025.

The key announcements in relation to local government funding are summarised below.

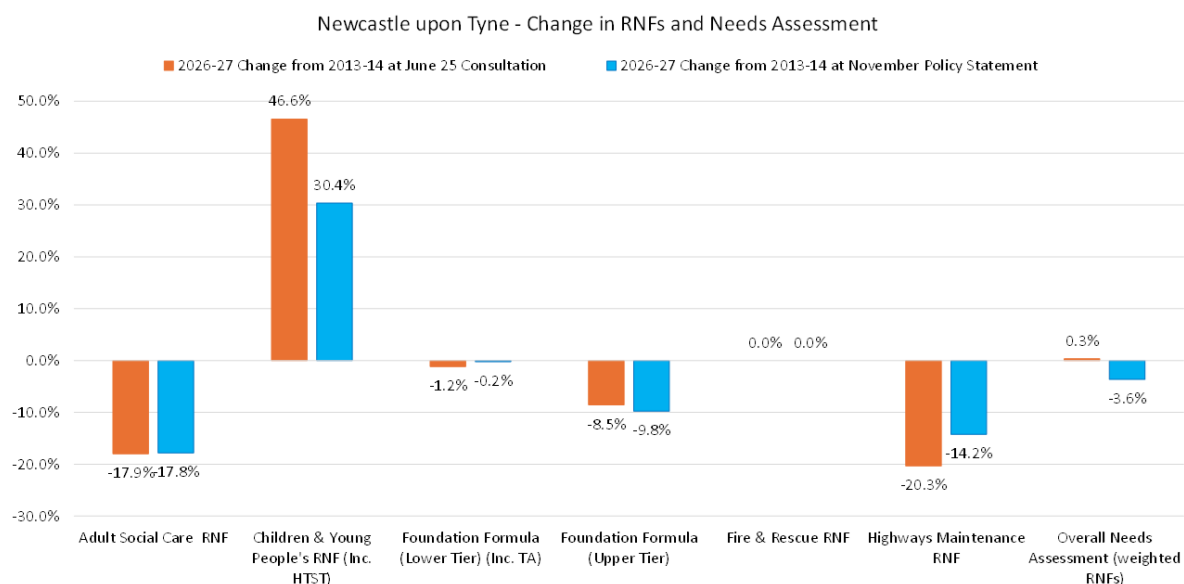
The allocation of the Recovery Grant will be protected in the settlement for the next three year. This funding was targeted at those authorities with high levels of deprivation, such as Newcastle, which have received a disproportionate amount of cuts since 2010. The protection of this grant funding will be beneficial to Newcastle City Council.

Councils in receipt of Recovery Grant will also be subject to a new damping floor, which seeks to provide real-terms minimum increases. This is anticipated to be 5% in cash terms in 2026-27 for those authorities in receipt of Recovery Grant.

However, there have been changes in the measures used to allocate funding across local government. These measures are known as the Relative Needs assessment and aim to assess the relative cost of delivering services across the country, taking into account factors such as deprivation, population, and remoteness. Information on the proposed reassessment of these measures was released in the consultation in summer 2025. At this time, the change in relative needs assessment for Newcastle City Council was a small increase of 0.3%, with significant changes in each of the formulas used when compared to the previous assessment in 2013-14.

The policy statement contained an updated assessment of the Relative Needs, which indicates that our share of the national assessment has worsened to a reduction in overall needs assessment of 3.6%. Chart 2 shows how these assessments have changed since the 2013-14 assessment.

Chart 2 – Change in Relative Needs Assessment since 2013-14 (all figures shown as a percentage change since 2013-14)



The increase in the Children and Young People's Relative Needs Formula (RNF) in June 2025 offset reductions in the other RNFs. However, in the updated assessment in November 2025 the increase in the Children and Young People's RNF has reduced significantly, leading to a reduction in the overall needs assessment compared with the 2013-14 methodology. The main reason for this change appears to relate to the use of the updated deprivation indices, which now include housing costs. This change has resulted in a significant shift of funding towards London due to higher housing costs in the capital.

Autumn Budget 2025

The Autumn Budget was announced on the 26 November 2025. Whilst we have not received specific information relating to the council's grant funding at this point, we have assessed the announcements made and we have summarised the key relevant points below.

The estimated impact of these announcements has been incorporated into the position presented within this report. However, we will need to wait for the provisional 2026-27 local government finance settlement in late-December 2025 to find out what this will specifically mean for the council when any distributional changes are also taken into account.

The National Living Wage (NLW) will be increased by 4.1%, with a higher rate of increase for 18 to 20 year olds.

Government have announced their intention to transfer the cost of support to children with Special Educational Needs and Disabilities (SEND) to central government and away from Local Government. This is a significant announcement due to the level of funding pressures for SEND on a local and national level. However, there was no confirmation of the planned approach to address the cumulative deficits at the point of transfer. These deficits are projected by the OBR to be £14 billion nationally. Further information is expected to be released within the provisional local government settlement in late December.

Changes to both Council Tax and business rates were announced. These changes will not generate additional resources for local government, but the changes will make both taxes harder to administer. This follows a recent trend of changing business rates reliefs and multipliers. The additional charges for properties worth over £2 million is a significant change to the system, although this is only estimated to generate £430 million annually from 2028-29. Although the additional Council Tax revenues will be collected by local government, it will be paid over to central government.

The government has introduced the ability for elected regional Mayors to levy a new visitor tax, with the intention that the proceeds from this to invest in transport, infrastructure and the visitor economy. Revenues from this levy will be received by mayoral authorities and there is expected to be flexibility in how local rates are set, although this may be subject to an upper limit. A consultation on this proposal is open for responses until the 18 February 2025.

Details of the integrated settlements for 2026-27 to 2029-30 have been announced for the North East Combined Authority, alongside integrated pots of funding including the Pride of Place Programme. It is also likely that further opportunities to retain business rates growth locally will be available to mayoral authorities.

The OBR's fiscal forecasts suggest that the government would still have achieved its fiscal target - to balance the budget by year-5 of the forecast - without taking any further action. The OBR estimated a pre-measures headroom of £4bn and the Chancellor has used some of the increases in tax revenues to provide greater margin for error, with planned headroom now reaching £22bn (0.6% of GDP).

In 2024-25, the Chancellor received powers to vary the increases in the small and standard multipliers, although the small multiplier has been frozen in the last two years and only the standard multiplier has been indexed. From 2026-27, the Chancellor also has powers to set up new multipliers. New multipliers will be set up from 2026-27 for Retail, Hospitality and Leisure (RHL) properties, with a further

multiplier on high-value properties. The multipliers are then applied to the Ratable Value (RV) to determine the business rates payable.

The business rates multipliers have been set as follows:

Multiplier	2025-26	2026-27	Scope
Small business RHL multiplier	n/a	38.2p	RHL hereditaments with RVs under £51,000
Standard RHL multiplier	n/a	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 business multiplier	55.5p	48.0p	Non-RHL hereditaments with RVs between £51,000 and £499,999
High-value multiplier	n/a	50.8p	All hereditaments with RVs of £500,000 or above

The multipliers are normally indexed on the September CPI, which is 3.8% for 2025. It is not clear at this stage whether the multipliers will be indexed this year, but local authorities should be compensated for any under-indexation for these multipliers.

Provisional local government finance settlement for 2026-27

The provisional local government finance settlement for 2026-27 is not due to be announced until late-December 2025, after the draft 2026-27 budget is agreed for consultation by Cabinet. As reflected elsewhere in this document and in the accompanying Section 25 Statement, there are significant uncertainties in the assumptions used to set this budget. Whilst the budget as presented is a balanced reflection of the information available at the time of drafting, it is inevitable that the balance of funding will change once the detail of the settlement is released. Any changes to grant funding, or assumptions in relation to Council Tax and business rates, may require the council's budget for 2026-27 and future years to be amended.

Other external factors

The medium-term financial plan in recent years has been developed in the context of significant economic disruption, with high inflation which is a key contributing factor to the current cost of living crisis. Inflation rates have reduced from the peak in 2022-23, although they have not fallen to the target CPI rate of 2%. This means that prices are rising more slowly than in 2022-23, but are not falling. The Bank of England has previously increased interest rates in response, although there are signs of improvement, with interest rates reducing over the last year.

These factors continue to have an impact on the city and its residents, as well as the council's budget. The council's proposals set out in this report reflect the impact of inflation and pay. The savings proposed have been developed within the context of the council's overarching priorities of an inclusive economy, tackling poverty and achieving the council's Net Zero ambitions. This hasn't been easy given the finite resources the council has at its disposal (and these resources are now worth less in real terms due to inflation).

The trend in inflation is illustrated in Chart 3 below, which shows the Consumer Price Index (CPI) at March of each year shown, with the exception of 2025-26 where the latest figures are used at September 2025. The percentage change at each year on the chart reflects the increase in cost of a specified basket of goods and services when compared to the cost 12 months earlier.

Chart 3 – Changes in the Consumer Price Index (CPI)

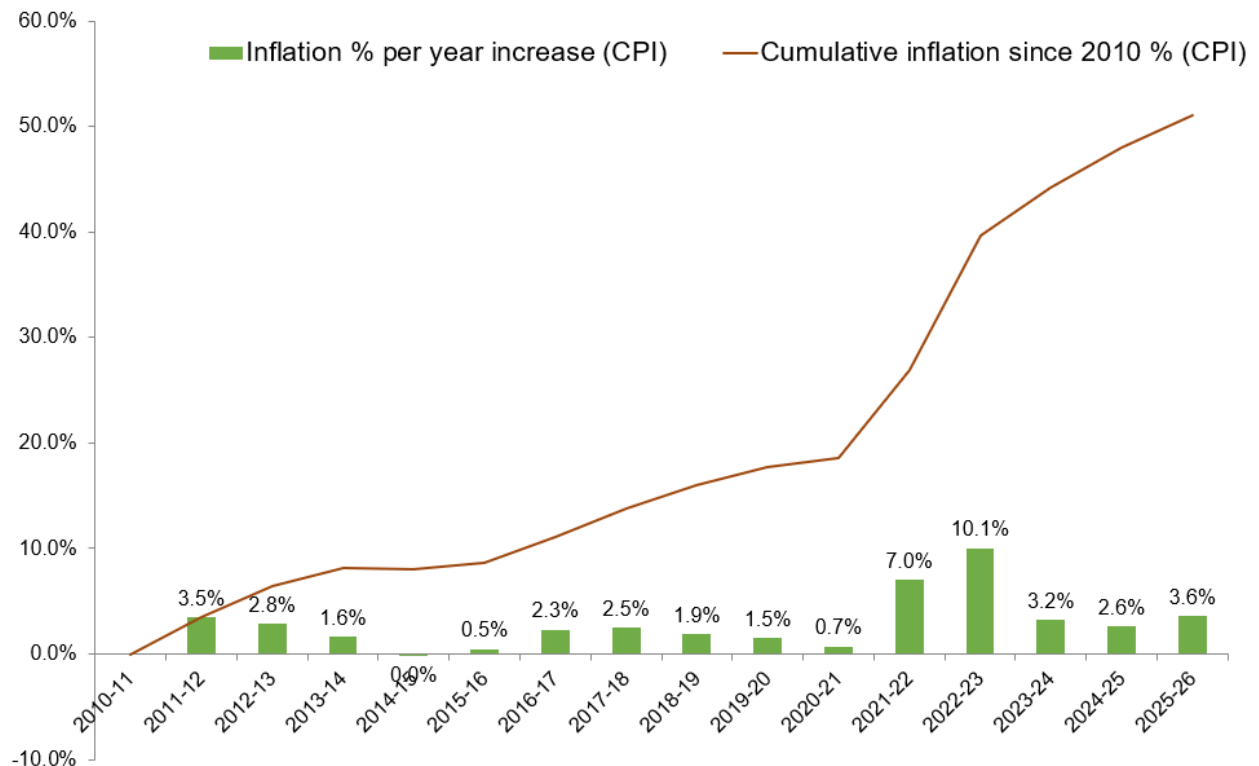


Chart 3 shows inflation since 2010. The year-on-year change is illustrated by the green bars and shows the increase at March each year when compared to the index 12 months earlier. The overall change over this period is illustrated by the upper line.

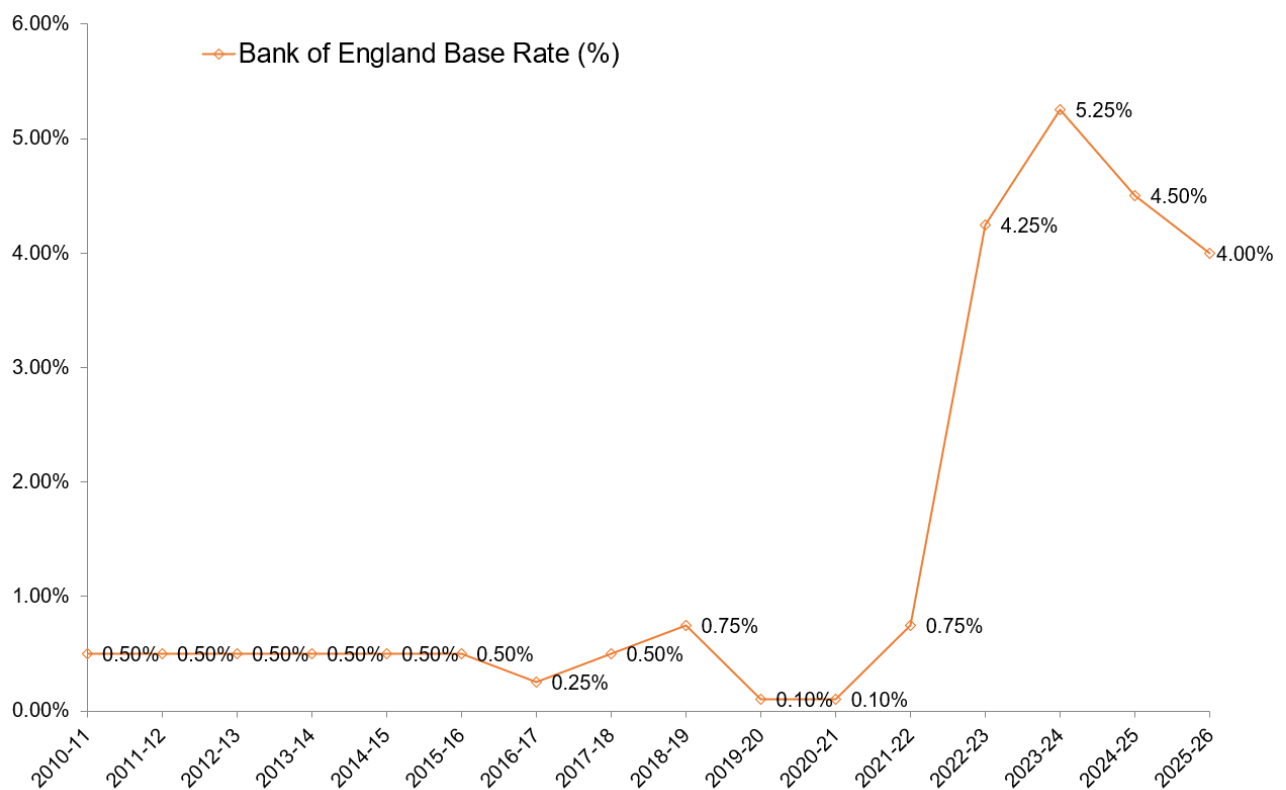
Chart 3 shows that CPI was consistently below 4% between 2011-12 and 2020-21, falling to 0.7% in March 2021. Since this date, inflation has increased significantly, peaking at 11.1% in October 2022. Inflation has fallen since this peak but remained above the long-term average at the end of 2024-25. The rate has fluctuated in 2025-26 and is currently at 3.6% at the time of drafting this report. This spike in inflation in recent years has placed a considerable burden on the city council's budget.

The upper line in Chart 3 shows the overall cumulative impact of inflation on the council since 2010, with overall inflation over this period at just over 51%. Whilst specific costs will have increased at variable rates, this does demonstrate the impact of rising prices and in particular the high rate of increase in recent years.

The Bank of England Base Interest Rate has also increased substantially in recent years. The interest rate has been below 1% for most of the period since 2010 and was increased to 1.25% in June 2022. This was subsequently increased throughout the period since and peaked at 5.25% in 2023-24. The rate has fallen to 4.0% at the

time of drafting this report (November 2025), although this remains significantly higher than the long-term average. This trend is shown in Chart 4 below.

Chart 4 – Changes in the Bank of England Base Rate



Low interest rates between 2010 and 2021 meant that the council could borrow long-term at a relatively low and fixed rate of interest, and therefore the council's cost of borrowing was relatively low. However, the amount of interest receivable on the cash balances was also low during this period.

The interest rate rises in recent years have made new borrowing more expensive, which has had an impact on the council's ability to fund capital investment through borrowing as the cost of financing has increased. However, the council does benefit from higher interest receivable on its cash balances.

The rise in interest rates places an increased financial burden on many residents as mortgage rates have also risen in recent years. This also impacts many residents who are in the private rented sector due to the indirect impact on rents.

2026-27 budget assumptions

Resources

The General Fund net revenue budget is assumed to increase by £35.1 million in 2026-27 as shown in Table 3 with the majority of the projected increase due to an increase in the Revenue Support Grant and Council Tax income, with Council Tax raised locally.

Table 3 – change in net revenue budget

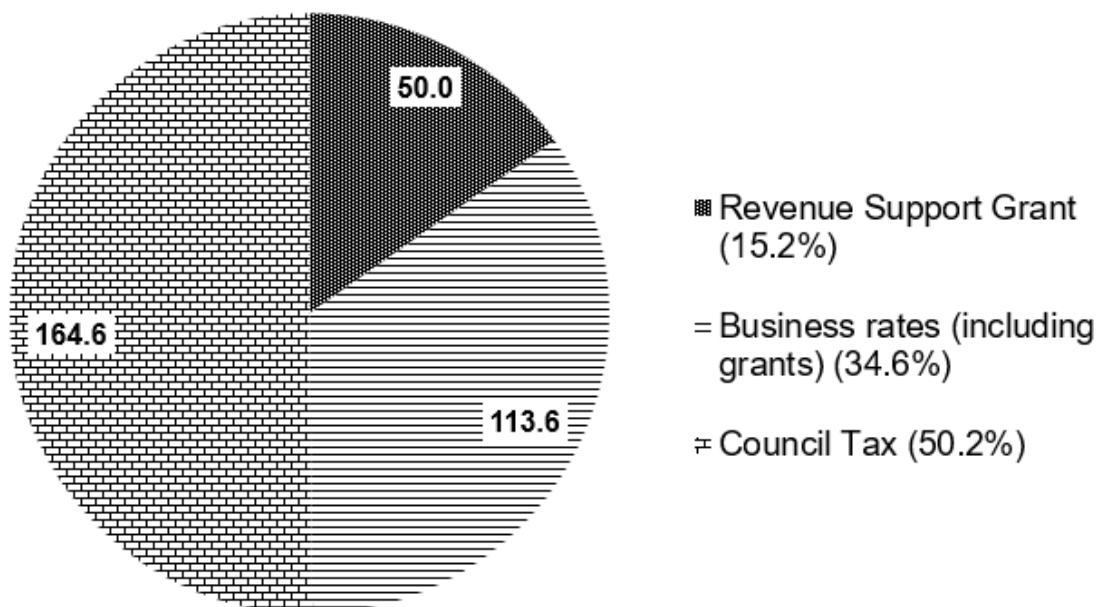
All figures in £ million	2025-26	2026-27	Change
Revenue Support Grant	34.0	50.0	16.0
Business rates (including grants)	109.4	113.6	4.2
Council Tax	149.7	164.6	14.9
Net revenue budget	293.1	328.2	35.1

The above figures are based on:

- A £4.2 million increase in the amount of business rates income receivable (including Business Rates Top Up Grant and Section 31 grants). We have assumed no growth in the size of the business rates base across the city, a 3.8% increase in the business rates multiplier and a 3.8% increase in the Business Rates Top-Up Grant.
- An increase of £14.9 million in the amount of Council Tax income receivable. This is due to a projected 4.8% increase in the size of the Council Tax base, a government-assumed general increase of 2.99%, and a government-assumed application of the 2.0% adult social care precept.
- An estimated £16.0 million increase in the amount of Revenue Support Grant income receivable. This is based on an estimate of the announced national increase and will be further refined when the provisional local government finance settlement is published.

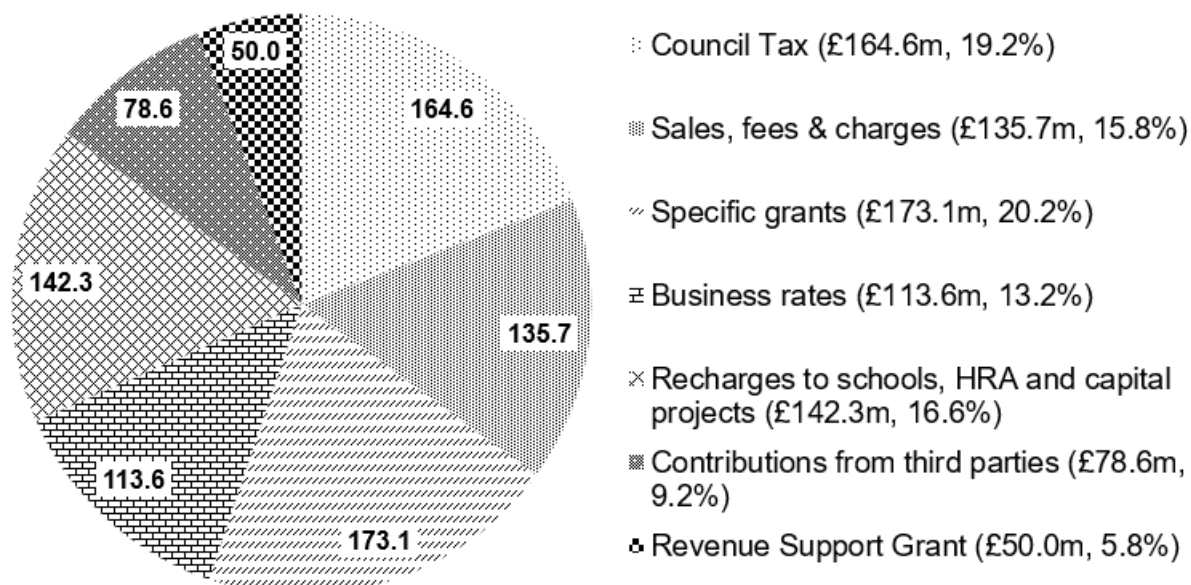
Business rates and Revenue Support Grant constitute the total of un-ringfenced government funding we expect to receive in 2026-27. Together they will fund an estimated £163.5 million or 49.8% of our net revenue budget next year compared with 48.9% this year. Council Tax will fund the other £164.6 million or 50.2% of the 2026-27 net revenue budget as shown in Chart 5 below compared with 51.1% this year.

Chart 5 – breakdown between estimated government funding (including business rates and Revenue Support Grant) and Council Tax in 2026-27 (figures are in £ million)



When viewed as a percentage of total General Fund income excluding schools and housing benefits, Council Tax will decrease from 19.7% to 19.2% of total income as shown in Chart 6.

Chart 6 – breakdown of total estimated General Fund income in 2026-27 (figures are in £ million)



Council Tax

The council is proposing to increase core Council Tax by 2.99% in 2026-27 in line with the government's Core Spending Power assumption. We will also apply the government assumed 2.0% adult social care Council Tax precept. Together with 4.8% growth in the Council Tax base due to new properties and the impact of the empty homes premium and second homes premium that was introduced in previous budgets, this will generate increased income totalling £14.9m as set out in Table 4. Further details of these changes are set out in an integrated impact assessment.

Table 4 – change in Council Tax income in 2026-27

	£ million
Previous year's Council Tax income	149.7
Core Council Tax increase	4.7
Increase in adult social care precept	3.1
Change in Council Tax base	7.1
Next year's Council Tax income	164.6

We perform well at collecting Council Tax. In 2024-25 we collected 96.9% of Council Tax due, which was the highest amongst Core Cities and North East local authorities, and our longer term collection rate is approximately 98.3%.

Council Tax Support

In 2013-14 Council Tax Benefit ended and Council Tax Support was introduced in its place. At the same time, government funding was cut by over 10.0%. As this funding is not ringfenced in the settlement funding assessment, it has effectively been cut at the same rate as our settlement funding assessment since then. This has put significant additional strain on the General Fund budget. Like many other local authorities, we have sought to off-set this loss of funding by collecting Council Tax from working age people who previously received 100% Council Tax Benefit.

Given the current cost of living crisis that is impacting on many of our residents, particularly those on the lowest incomes, we are proposing to inflate the income bands within our Council Tax Support Scheme in 2026-27 by 4.5% in line with September RPI as set out in Table 5.

Table 5 – proposed income bands for 2026-27 Council Tax Support scheme

Discount		Single	Couple	Family with 1 Child	Family with 2 or more Children
Band 1	100%	0.00 to 110.00	0.00 to 160.00	0.00 to 255.00	0.00 to 350.00
Band 2	90%	110.01 to 160.00	160.01 to 220.00	255.01 to 305.00	350.01 to 370.00
Band 3	85%	160.01 to 215.00	220.01 to 275.00	305.01 to 380.00	370.01 to 425.00
Band 4	50%	215.01 to 330.00	275.01 to 380.00	380.01 to 465.00	425.01 to 515.00
Band 5	25%	330.01 to 425.00	380.01 to 485.00	465.01 to 570.00	515.01 to 630.00

Business rates

The level of business rates is set by the government and is based on the rateable value of non-domestic properties across the city. We previously had no direct financial interest in the collection of business rates and acted purely as an agent of the government. However, since 2013-14, 50% of the business rates collected in the city is retained locally (49% to us as the council and 1% to the Tyne and Wear Fire and Rescue Authority) and the remaining amount is paid over to government. The exception to this was in 2019-20 when we were part of a one-year business rates pilot along with North Tyneside Council and Northumberland County Council and retained 75% of business rates locally.

We have assumed an increase of 3.8% in the business rates multiplier next year. We have assumed the same 3.8% increase in the Business Rates Top-Up Grant as this is usually inflated at the same rate as the business rates multiplier. We have assumed no growth in the underlying business rates base. Taken together these changes will generate increased income totalling £4.2 million as set out in Table 6.

It is important to note that there are significant changes to the national system of business rates. At the time of drafting this report, we are assessing the outcome of the 2026 revaluation, as well as awaiting further details on the reset of the business rates system. These changes introduce a significant level of uncertainty in the system and it is inevitable that we will need to review our assumptions as further information is released and we will reflect any required changes in the final draft of the budget.

Table 6 – change in business rates income in 2026-27

	£ million
Previous year's business rates income	109.4
Increase in business rates multiplier	3.2
Increase in Business Rates Top-Up Grant	1.0
TOTAL	113.6

Revenue Support Grant

As set out in Table 1, Revenue Support Grant is expected to increase to £50.0 million in 2026-27. This represents a projected increase of £16.0 million and reflects our current estimate of the share of the estimated national increase and will be further refined when the provisional local government finance settlement is published. The Fair Funding 2.0 consultation in summer 2025 set out the government's proposed approach to funding reform. This was followed by the Policy Statement in November 2025 which set out the response to the consultation. We have updated our assumed funding position following this statement but we will not receive confirmation of our allocation until the Provisional Local Government Finance Settlement in late December 2025 and we will therefore need to update our assumptions in the draft budget once these figures are available.

Cost pressures / choice

Our need to achieve savings in 2026-27 is driven mainly by cost pressures. As can be seen in Table 7 the increase in business rates and Council Tax is not sufficient to off set the estimated cost pressures next year giving rise to a budget gap or a need to find savings to balance the budget.

Table 7 – breakdown of 2026-27 savings required

	£ million
Cost pressures	37.0
Choice	2.0
Increase in net funding	(35.1)
Savings required	3.9

The savings of £3.9 million shown in Table 7 are after the application of £4.1 million of reserves in addition to the £0.3 million remaining planned use of reserves from the previous MTFP. This gives a total of £4.4 million of reserves in the 2026-27 budget.

Cost pressures have arisen for several reasons including:

- Pay and price inflationary increases – increases in pay and general or specific inflation (for example, long-term contracts).
- Increasing demand for services – increased demand for social care services (for example, increased number of children with complex disabilities).
- Other changes – which includes changes in specific grants (for example, New Homes Bonus).

Table 8 shows the total cost pressures identified under each of the above headings.

Table 8 – breakdown of 2026-27 cost pressures

	£ million
Inflationary changes (pay and prices)	16.6
Increasing demand for services	21.7
Other (including grant changes)	(1.3)
TOTAL	37.0

Further details of individual cost pressures are set out in Appendix 2.

The council has also identified the following areas of choice it wishes to factor into its 2026-27 budget and these are set out below:

- Real Living Wage – the council's commitment to being a Real Living Wage (RLW) employer requires that organisations that we enter into contracts with are required to pay at least the RLW. The council has previously implemented this for employees of the council, and this choice item recognises the anticipated increase in contract costs arising from this change, which will be phased in over a number of years. The estimated budget requirement is £2 million in 2026-27.

Savings

Our approach to delivering a balanced budget in 2026-27, and a planned strategic approach for 2027-28 and 2028-29, is through the Change and Innovation: Newcastle Programme. This three-year cross-council approach will ensure that the council remains a resident-focused and financially sustainable organisation; modernising services and making the best use of our resources.

We have identified nine workstreams that build on improvements already made and accelerates existing change activities and work to address cost and demand pressures. Appendix 1 sets out the opportunity areas within each workstream. The programme is being developed on invest to save principles and upfront investment in external support of £5.0 million is required, which will be funded from earmarked reserves. In addition, there will be costs associated with the internal team that will be mobilised to support the delivery of the programme, however, the extent of these costs is not yet fully known.

Our colleagues are at the heart of the success of the Change and Innovation: Newcastle Programme. We remain committed to avoiding redundancies as far as possible though the use of vacancy management, redeployment and natural turnover. Engaging with our workforce and Trade Unions will continue to form a crucial part of our approach.

The estimated minimum saving from the Change and Innovation: Newcastle Programme in 2026-27 is £3.9 million, with an estimated staffing reduction of 75 FTE (just over 1% of our workforce). Further savings will be delivered in 2027-28 and 2028-29 to help meet the budget gaps in those years. As shown in Table 9, the estimated minimum savings of £3.9 million are needed next year mainly in response to the cost pressures we face. Savings in 2026-27 have been identified across a number of the cross-cutting workstreams.

There are risks associated with not progressing with this work. Our data tells us that our population is changing and therefore the demand for our services will continue to grow. Not proceeding with the Change and Innovation: Newcastle Programme would also result in significant missed opportunities to modernise the organisation, improve service delivery and increase resident satisfaction.

Table 9 – summary of proposed 2026-27 savings

Workstream	£ million	FTEs
Improving Customer Experience	1.2	26.0
Reviewing Organisational Design	1.0	24.0
Accelerating Service Effectiveness Powered by Technology	0.7	16.0
Understanding Performance and Data Analytics	0.1	1.0
Maximising Independence Within SEND Transport	0.4	0.0
Reviewing Back Office Support	0.3	8.0
Reviewing Spend with Third Party Suppliers	0.2	0.0
Investing in Enterprise Resource Planning (ERP)	0.0	0.0
Managing Demand in Social Care and Education	0.0	0.0
TOTAL	3.9	75.0

The impact of the savings and other changes set out in this report is shown in Table 10 in summary form and in Appendix 3 and 4 in more detail.

Table 10 – net revenue budget by directorate

All figures in £ million	2025-26	2026-27
Adult Social Care and Prevention	114.5	135.8
Chief Finance Officer	7.3	8.3
Children and Families	72.3	79.8
City Operations, Neighbourhoods and Regulatory Services	50.6	58.5
Deputy Chief Executive	10.1	10.9
Housing and Communities	(1.0)	(0.3)
Investment and Growth	3.6	3.8
Public Health	(0.9)	(0.3)

All figures in £ million	2025-26	2026-27
Net directorate expenditure	256.3	296.5
Transport levy	19.6	20.3
Corporate items / reserves	17.1	11.4
Net revenue budget	293.1	328.2

Appendix 4 includes a breakdown of all services included in each directorate.

The Transport levy is the amount paid to the North East Combined Authority (NECA) to fund transport services in the Tyne and Wear area such as concessionary fares.

Corporate items and reserves include a range of non-service specific items such as the Newcastle Fund, treasury management costs, historic pension costs, severance costs and insurance costs. Due to the cross-cutting nature of the change and transformation activity, the estimated savings from these activities have been included within the corporate items line above and not allocated to directorate budgets. These savings will be required to be reallocated within directorate budgets following the production of detailed delivery plans.

Further detail on each directorate can be found in Appendix 6.

Medium-term financial position

Estimated budget gap

The report so far has focused mainly on the 2026-27 financial year. In this section we focus on the medium-term forecasts of resources and cost pressures, and the approach to be developed to meeting the estimated budget gaps in future years.

As set out in Table 1, the council's net revenue budget is projected to increase from £293.1 million in 2025-26 to £368.3 million in 2028-29 due to the assumed increases in revenue support grant, business rates and Council Tax set out in Table 11.

Table 11 – medium-term financial plan assumptions for business rates and Council Tax

	2026-27	2027-28	2028-29
Business rates:			
Annual inflationary increase	3.8%	2.0%	2.0%
Growth in base	0.0%	0.0%	0.0%
Council Tax:			
Annual inflationary increase (including adult social care precept)	5.0%	5.0%	5.0%
Growth in base	4.8%	1.0%	1.0%

The Revenue Support Grant has been projected to increase by £31.0 million over the period of the medium-term financial plan, in line with the projected share of the national increase as outlined in the Policy Statement.

Unfortunately, the £75.2 million increase in resources is not sufficient to keep pace with the increased costs we will face over the same period due to inflation and increased demand for services as set out in Table 12.

Table 12 – medium-term financial plan estimate of cost pressures

All figures in £ million	2026-27	2027-28	2028-29	Total
Inflationary changes (pay and prices)	16.6	16.7	15.8	49.1
Increasing demand for services	21.7	15.1	16.4	53.3
Other	(1.3)	2.2	0.1	1.0
*Headroom	0.0	3.0	3.0	6.0
TOTAL	37.0	37.0	35.3	109.3

*Headroom figure is a contingency against future unknown cost pressures that may arise and / or any increases in cost pressures.

Inflationary changes (pay and prices) include both salary related cost increases as well as non-pay items such as energy costs and contractual inflation. This includes the estimated cost of the increase in Members Allowances as recommended to City Council in December 2025 in the report of the Independent Remuneration Panel.

Increased demand for services includes an estimate of the impact of an increase in demand levels across many of our services, including the impact of increasing numbers of service users and the increasing cost of meeting the needs of service users with complex needs.

Other changes include anticipated changes in grant funding, as well as assumptions of the movement in reserves currently used to support the budget.

As set out in Table 13, when combined with an estimate of choice, or additional investment in priority areas, then the budget gap over the next three years is £40.1 million.

Table 13 – medium-term financial plan budget gap

All figures in £ million	2026-27	2027-28	2028-29	Total
Cost pressures	37.0	37.0	35.3	109.3
Choice	2.0	2.0	2.0	6.0
Net funding increase	(35.1)	(19.2)	(20.9)	(75.2)
Annual savings required	3.9	19.8	16.4	40.1

Approach for years two and three

We welcome the government's commitment to deliver three year funding settlements and the increased certainty this provides when considering the budget over the full period of the MTFP.

We have set out the proposed approach to addressing the three-year budget gap through a cross-cutting programme of change and transformation activity. The estimated savings from this programme have been set out fully in 2026-27 and the programme will aim to close the full budget gap over the period of the MTFP. Work has focussed initially on ensuring a balanced budget can be delivered in 2026-27 in line with our legal requirements.

The programme for future years will continue to be developed based on the workstreams outlined in appendix 1.

We will also continue to review opportunities to deliver services in a more efficient way through exploring opportunities to reduce the cost pressures we face through reducing costs with no impact on service delivery, or through ensuring that we recover the costs of service deliver through fees and charges in line with our fees and charges policy, which has been provided as appendix 5. These efficiencies will aim to address cost pressures in the current and future years as part of our approach to financial sustainability.

Housing Revenue Account

The Housing Revenue Account (HRA) was established by the Local Government and Housing Act 1989 as a ring-fenced account separate to the General Fund, containing income and expenditure related to the ownership and management of our social housing stock.

Prior to 2012-13, the HRA was funded at a national level through the housing subsidy regime. From 2012-13 it has been run on a self-financing basis. In other words, all revenue and capital expenditure needs to be funded from rents and service charges paid by tenants or funded by housing benefit.

To ensure the long-term viability of the HRA, a 30-year business plan is maintained. This is updated annually to ensure rent and service charge decisions do not result in the HRA becoming financially unsustainable and the necessary long-term investment to maintain our social housing stock is affordable.

Appendix 7 sets out details of the 2026-27 HRA revenue budget. This reflects the maximum rent increase based on CPI plus 1%. The HRA revenue budget is facing similar financial challenges as the General Fund with significant pay and non-pay inflationary cost pressures, and the revenue costs associated with the HRA's capital programme.

As can be seen from Appendix 7, the HRA has a budgeted surplus of £0.1 million in 2026-27.

Capital investment programme

Capital investment generally relates to spending on physical assets that have a useful life of more than one year. This can be new assets, improvements to existing assets or loans to third parties for a capital purpose.

The primary objective of the capital programme is to support the delivery of our priorities, demonstrate leadership of place and bring about change and transformation. Other objectives include:

- Delivering tangible outputs and outcomes, and value for money.
- Maximising social value including using locally based suppliers and sub-contractors as far as possible.

Capital investment also plays an important role in improving economic opportunities across all parts of the city, for example, by providing a much-needed stimulus to the economy, creating employment opportunities or contributing to investor confidence.

Our capital investment programme has been developed with a strong focus on the delivery of our priorities. In addition, many of the capital projects in the programme have been developed with the aim of helping to deliver revenue savings to help us manage the financial pressures we face. Proposals in recent years include the improvement works to the Civic Centre, which improved the asset as well as generating additional income and delivering savings through reduced running costs and energy efficiency, as well as repaying the loan that was used to pay for the works.

The availability of funding plays a key part in the size and content of the capital investment programme. A significant source of funding for capital projects comes from our ability to borrow, known as prudential borrowing. This has proved to be an extremely important freedom and flexibility as it gives us the scope to locally determine the scale and shape of our capital investment programme. As the name suggests, prudential borrowing must be undertaken on a prudent basis. In general terms, this means the revenue cost associated with the borrowing (principal repayment and interest) needs to be funded from either:

- an existing revenue expenditure budget; or
- a new or increased revenue income budget that is dependent on the planned capital investment.

Borrowing on a self-financing basis as set out above cannot be used to fund a different project if the original project does not proceed. Each proposal needs to be financially viable in its own right.

Our main source of loan finance is the Public Works Loans Board, which has changed its lending terms to prevent local authorities from investing in purely commercial assets. This restriction is not causing an issue for the council – although we seek to negotiate commercial terms on many of our capital investment projects, where this is appropriate, we do not invest on a purely commercial basis.

The Accelerated Development Zone (ADZ) allows us to retain 100% of the growth in business rates income in three specific areas within the city:

- Helix;
- Stephenson Quarter; and
- East Pilgrim Street.

The ADZ generates an income stream that will be used to repay prudential borrowing on infrastructure works that are aimed at bringing forward developments in these areas faster than would otherwise have happened. The increase in business rate income is available until 2036-37 (a period of 25 years).

The Enterprise Zone (EZ) allows the North East Combined Authority (NECA) to retain 100% of the growth in business rates income in several specific areas across the NECA area. Our sites within the EZ include the North Bank of the Tyne and the Airport Business Park.

As with the ADZ, the EZ generates an income stream that will be used to repay the prudential borrowing on infrastructure works that are aimed at bringing forward developments in these areas faster than would otherwise have happened up to 2037-38 for the North Bank of the Tyne and 2040-41 for the Airport Business Park.

The devolution deal and the establishment of the North East Combined Authority (NECA) means unlocking an estimated £4.2 billion of investment over 30 years, and has seen powers transferred from Whitehall to local people. The arrangement is expected to create 24,000 extra jobs, create 70,000 courses to give people the skills to get good jobs and leverage £5.0 billion of private sector investment.

As part of this devolution deal, a number of investment zones will be established. The site within Newcastle City Council boundary is at the North Bank of the Tyne, and the approach is to focus on the creation of jobs within the green and renewable energy sector.

The following tables set out the breakdown of the 2025-26 to 2028-29 planned capital investment programme between the General Fund and HRA (Table 14), between our service directorates (Table 15), between HRA programme streams (Table 16) and by sources of funding (Table 17).

Table 14 – planned capital investment

All figures in £ million	2025-26	2026-27	2027-28	2028-29
General Fund	105.3	83.8	80.0	80.0
HRA	67.6	50.0	50.0	50.0
TOTAL	172.9	133.8	130.0	130.0

Table 15 – General Fund planned capital investment by directorate

All figures in £ million	2025-26	2026-27	2027-28	2028-29
Adult Social Care and Prevention	0.1	0.1	0.0	0.0
Children and Families	10.8	10.4	0.0	0.0
City Operations, Neighbourhoods and Regulatory Services	49.2	31.9	0.0	0.0
Corporate	5.6	6.0	0.0	0.0
Housing and Communities	8.2	12.8	0.0	0.0
Investment and Growth	30.7	22.0	0.0	0.0
Loans	0.6	0.7	0.0	0.0
Pipeline	0.0	0.0	80.0	80.0
TOTAL	105.3	83.8	80.0	80.0

Table 16 – HRA planned capital investment by programme

All figures in £ million	2025-26	2026-27	2027-28	2028-29
Communal areas	4.4	0.5	0.0	0.0
Environmental works	1.9	1.0	0.0	0.0
Voids	5.4	0.0	0.0	0.0
Lifecycle replacements	35.4	33.2	2.0	0.0
New build and acquisitions	10.5	0.8	0.0	0.0
Regeneration	2.3	1.0	0.0	0.0
Standard housing investment	7.8	3.4	1.4	0.0
Pipeline	0.0	10.1	46.6	50.0
TOTAL	67.6	50.0	50.0	50.0

Table 17 – planned capital investment by source of finance

All figures in £ million	2025-26	2026-27	2027-28	2028-29
Grants / contributions (mainly General Fund)	75.3	52.9	2.4	0.0
Borrowing (mainly General Fund)	45.1	30.2	1.0	0.0
Capital receipts (mainly General Fund)	5.9	0.8	0.0	0.0
Revenue (mainly HRA)	46.6	39.8	0.0	0.0
Pipeline (no funding approved yet)	0.0	10.1	126.6	130.0
TOTAL	172.9	133.8	130.0	130.0

The vast majority of the planned borrowing will be undertaken on a self-financing basis – the revenue costs associated with the borrowing will be funded by efficiency savings or income generated as a direct result of the capital investment – and will not therefore create a cost pressure in the net revenue budget. Capital expenditure on the new Outer West Leisure project and additional investment in highway and pavement improvements will be financed by prudential borrowing funded corporately through savings elsewhere in the budget.

Our arrangements for agreeing and delivering the capital investment programme are robust and consist of business case development at directorate level, with detailed scrutiny by a senior cross-council officer group prior to formal approval and inclusion within the capital programme. Regular monitoring takes place by project officers, with reporting upwards through our organisational structure.

The main General Fund projects in the approved capital investment programme are:

- Walker Quay - Forward Plan (£15.4 million)
- Outer West Leisure Centre (£13.3 million)
- Tyne Bridge Restoration (£9.4 million)
- Eldon Square – Capital Contribution (£9.0 million)
- Grainger Market LUF Project (£6.9 million)
- Callerton and Great Park Academy Enabling (£6.7 million)
- Clean Air Zone (£6.0 million)
- Northumberland St Improvements (£5.8 million)
- Vehicle Replacement Prog 7yrs (£5.3 million)
- Discovery Museum E Block Roof (£4.3 million)
- TCF City Centre (£4.1 million)
- Home Upgrade Grant 2 HUG2 (£3.7 million)

- Central Motorway Maintenance (£3.7 million)
- ITS01b Priority and RTPI Non-NCC (£3.6 million)
- NFS Inventories (£3.5 million)
- ITS01b ITS Equip-PIDS (£3.5 million)
- Elswick Road ATF4 (£3.4 million)
- A186 Safer Roads Fund (£3.4 million)
- PSDS Phase 3C (£3.2 million)
- Road and Footpath Maintenance (£3.1 million)
- ITS Scotswood Road (£2.6 million)
- Parklife (£2.6 million)
- Central Station Connectivity (£2.5 million)
- Technical Refresh (£2.2 million)
- North East Comm Forest-Non NCC (£2.0 million)
- Northern Access Cowhill to Osborne Road (£2.0 million)
- Town Moor Flood Alleviation (£2.0 million)
- Dream Big Project at Hadrian (£2.0 million)
- Quayside Recording Studio (£1.8 million)
- ITS TCF NCC (£1.7 million)
- St Cuthberts Chambers Refurb (£1.7 million)
- Orchard Yards Demo (£1.7 million)
- ITS Barrack Road (£1.6 million)
- Scotswood Housing Development (£1.5 million)
- Stockbridge House Acquisition (£1.5 million)
- HELIX MSCP Loan (£1.3 million)
- Pilgrim St Southern Block (£1.3 million)
- Disabled Facilities Grants (£1.3 million)
- North East Comm Forest - NCC (£1.2 million)
- Streets For People Ph 3 TCF (£1.2 million)
- Slatyford Lane CH Refurbishment (£1.1 million)
- Vehicle Replacement Prog 5 Yrs (£1.1 million)
- ITS01b On-Board Units Non-NCC (£1.0 million)

Reserves

The council's medium-term financial plan is based on the following principles in relation to reserves:

- Ensuring risk-based earmarked reserves are set at a reasonable level to cover the specific financial risks we are facing.
- Ensuring other earmarked reserves are set at a level to meet specific future financial liabilities (these reserves may also be used on a temporary basis for other purposes provided the funding is replaced in future years).
- Ensuring the unearmarked General Fund reserve is set at a reasonable level based on the financial risks facing the council – this is our last line of defence should unforeseen financial pressures emerge.

As at 31 March 2025, the unearmarked General Fund reserve totalled £18.1 million.

At Q2 there is a projected overspend of £9.6 million. If this is the position at the end of the financial year then this pressure would need to be funded from the unearmarked General Fund reserve thus potentially reducing the balance from £18.1 million to £8.5 million as at 31 March 2026.

In Appendix 8, the council has assessed the financial risks it faces and sought to quantify these in terms of potential impact and likelihood, and this amounts to £18.4 million. Given the level of the unearmarked General Fund reserve is now expected to be less than this, the council will need to develop options to increase the level of the unearmarked General Fund reserve back up to £18.4 million as part of the 2025-26 outturn.

Our earmarked reserves are set aside for specific purposes. The main earmarked reserves are set out in Appendix 9 and a brief description of each one is set out below:

1. **ADZ reserve** – to fund cash outflows arising in the early years of the Accelerated Development Zone, which will be repaid from business rates growth in future years.
2. **Asset management reserve** – to fund cash outflows arising in the early years of the Civic Centre refurbishment project, which will be repaid from cash flow surpluses generated in future years.
3. **Budget stabilisation reserve** – holds funding to mitigate risk of cost pressures in relation to long-term impact of COVID pandemic.
4. **Capital projects development reserve** – holds funding to meet the internal and external costs of developing capital projects.
5. **Collection Fund reserve** – holds funding to mitigate risk of Collection Fund deficits.
6. **Developers' contributions reserve** – holds funding received from developers for capital works linked to planning applications.
7. **Digital screen reserve** – holds funding received from Northumberland Street advertising board.

8. **Directorate commitments reserve** – holds funding to meet financial commitments of directorates.
9. **Election reserve** – holds funding to meet costs of elections.
10. **Estate Management Fund reserve** – holds funding to meet the cost of repairs and maintenance of our operational buildings.
11. **Euro 2028 reserve** - holds funding to meet financial commitments in relation to our responsibility as a host city.
12. **Financial risk and resilience reserve** – holds funding to mitigate risk of unexpected cost pressures in services.
13. **Insurance reserve** – holds funding to mitigate risk of cost pressures in relation to our insurance liabilities.
14. **Interim Capital Funding Reserve** – to fund cash outflows arising in the early years of projects, which will be repaid from developer contributions due in future years.
15. **Local Plan reserve** – holds funding to meet the costs of developing the next Local Plan.
16. **Major developments reserve** – to fund cash outflows arising in the early years of specific development projects.
17. **One-off funding reserve** – holds one-off funds from a range of sources that have been earmarked for specific priorities.
18. **Parks Trust subsidy reserve** – holds funding that has been used to pay the subsidy to Urban Green Newcastle.
19. **Pension reserve** – holds funding to mitigate risk of cost pressures in relation to our pension liabilities.
20. **PFI reserve** – holds funding to meet future payments under our PFI / Building Schools for the Future (BSF) contracts.
21. **Public Health Grant reserve** – holds unspent public health grant funding to be used to meet future financial commitments.
22. **Repairs and Construction Service reserve** – holds funding in relation to the timing of construction activity.
23. **Revenue grants to be applied reserve** – holds unspent grant funding to be used to meet future financial commitments.
24. **Ring-fenced balances reserve** – holds funding that may only be spent on specific statutory activities.
25. **Risk management reserve** – holds funding to mitigate risks not specified in other reserves.
26. **School kitchens reserve** – holds funding to replace or refurbish school kitchens used by our colleagues to provide school meals to children.
27. **Strategic reserve** – holds funding to support our medium-term financial plan.
28. **Transformation reserve** – holds funding set aside for future transformation and public sector reform work.

29. **Treasury management reserve** – holds funding to mitigate risk of third-party loans not being repaid as well as other treasury management risks.

As set out in Table 18, the level of earmarked reserves is expected to reduce from £140.6 million as at 31 March 2025 to £130.2 million as at 31 March 2026 in line with the purposes for which the individual reserves were established.

Table 18 – profile of General Fund earmarked reserves

All figures in £ million	31 March 2025 (actual)	31 March 2026 (estimate)	31 March 2027 (estimate)
Contractual commitments	(3.7)	(3.5)	(3.2)
Unspent government grants	(36.6)	(35.4)	(33.5)
Planned future spending	(66.9)	(61.9)	(57.1)
Specific risks	(26.3)	(24.9)	(24.9)
Budget stabilisation	(6.8)	(4.4)	(0.0)
Other	(0.3)	(0.2)	(0.1)
TOTAL	(140.6)	(130.2)	(118.8)

There is modest planned use of reserves to support the General Fund net revenue budget (£4.4 million in 2026-27) but this is planned to be phased out over the next two years, as relying on reserves to fund on-going revenue expenditure is not financially prudent or sustainable.

Treasury management and investment strategies

The following draft strategies and statements have been published alongside this report:

2026-27 Draft Capital and Investment Strategy

The 2026-27 Draft Capital and Investment Strategy is published as Appendix 11 to this report.

The CIPFA Prudential Code includes a requirement for local authorities to produce a capital strategy that gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. In addition, the Ministry for Housing, Communities and Local Government (MHCLG) Guidance on Local Authority Investments requires us to approve an investment strategy before the start of each financial year. This appendix fulfils both of these requirements.

This capital strategy sets out the main drivers for capital investment across the city, and how the available resources will be used to meet the Council's key priorities. It sets out the planned use of borrowing, including treasury management activity, how the capital investment programme is governed and managed, and how capital risks are monitored and controlled. It has been prepared having regard to CIPFA's Prudential Code and Treasury Management Code.

2026-27 Draft Treasury Management Strategy

The 2026-27 Draft Treasury Management Strategy is published as Appendix 12 to this report.

The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 (the Code) requires us to approve a treasury management strategy before the start of each financial year. In addition, the Ministry for Housing, Communities and Local government (MHCLG) Guidance on Local Authority Investments requires us to approve an investment strategy before the start of each financial year.

This report fulfils our legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the MHCLG Guidance. We have borrowed and invested substantial sums of money and are therefore exposed to financial risks, including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to our treasury management strategy.

2026-27 Draft Minimum Revenue Provision Policy Statement

The 2026-27 Minimum Revenue Provision Policy Statement is published as Appendix 13 to this report.

Where we finance capital expenditure by debt, we must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires us to have regard to the Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2024.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The MHCLG Guidance requires us to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP.

Risk assessment of assumptions and adequacy of reserves

An assessment of the estimates contained within this report and the adequacy of reserves is set out in detail in the Section 25 Statement which accompanies this report. The conclusion is set out below:

Based on the results of the risk assessment described in the Section 25 Statement, the Chief Finance Officer has concluded that the estimates included in the 2026-27 budget are sufficiently robust for the purposes of the Council Tax requirement calculations.

Based on the analysis and information set out in the Section 25 Statement, the Chief Finance Officer has concluded that the level of reserves held by the council is adequate in the context of the financial risks we are facing.

These conclusions are based on information available at the time that this report was written. However, the nature and timing of the reform of local government finance means that these assumptions will need to be revised following the publication of the provisional local government finance settlement. The factors underlying these conclusions will therefore be kept under review and an updated assessment will be published alongside the revised budget in March 2026.