

# Central Bedfordshire Council

06 January 2026

Executive

## Draft Budget 2026/27 and Medium Term Financial Plan 2026/27 – 2029/30

### Report of:

Cllr John Baker, Executive Member for Finance and Highways  
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### Responsible Director:

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This report relates to a decision that is: *Key*

### Purpose of this report

The report updates the Medium-Term Financial Plan (MTFP) approved by Council in February 2025.

### RECOMMENDATION(S)

The Executive is asked to:

1. Approved the updated MTFP 2026/27 – 2029/30 and the draft Budget for 2026/27 for public consultation.

### Overview and Scrutiny Comments/Recommendations

2. The Overview and Scrutiny Committees will consider the draft budget and MTFP proposals at their January 2026 meetings and comments will be presented to the Executive at its 17 February 2026 meeting, prior to final recommendations being made by the Executive to Council at its meeting on 26<sup>th</sup> February 2026.

### Executive Summary and Fair Funding

3. The Council delivered a balanced budget in 2024/25 and is on track to do so in 2025/26. The base budget position for the MTFP 2026/27 without the changes being brought about by the Government would also be a balanced position, demonstrating a well-run Council with a credible financial performance.

4. However, for 2026/27 to 2028/29, the Government has published a three-year Local Government Provisional Settlement and has implemented a Fair Funding method of allocating financial resources across councils. This is known as the Fair Funding Review 2 (FFR2).
5. Although a better position for 2026/27 than modelling undertaken on behalf of the County Council Network suggested, the impact for Central Bedfordshire is significant, with a budget shortfall of £17M.
6. Year two and three are even more challenging with budget shortfalls of £28M and £40M respectively. These shortfalls are compared to the published December Draft MTFP.
7. Articles in the press suggest a more positive position for Central Bedfordshire, however, the numbers that are circulating are based on a method called Comparative Spending Power (CSP) which the Government uses. It is based on notional figures and does not reflect the reality on the ground. For example, CSP makes a national assumption that average Council tax is £2,060 per Band D equivalent property (at a 100% collection rate). Our actual Band D for 2026/27 (subject to a Council decision in February 2026) is likely to be £1,931, a difference of £129 per property. We will bill nearly 117,500 properties, so the notional difference to the reality is £15M.
8. Since the draft budget published for the December 2025 Executive, a number of changes have been reflected. These include the reversal of the proposal to replenish reserves by £8.5M, a reduced interest figure by £1.3M due to the interest rate change and further interest rate reduction expected and an increase in the expectation for pensions costs as advised by the Local Government pension Scheme Actuary (£1.9M pressure). A number of other changes have also been reflected and are in the pressures and efficiencies schedules.
9. In order to achieve a sustainable budget position, the Council will be looking to undertake a full and comprehensive review of all the Council's services looking at both cost and outcomes using comparative data to help to identify opportunities to reduce costs. To enable this, the Council will look to bring in industry experts that have done this type of review successfully in other councils, in order to provide the capacity needed for such a review and to leverage their experience.
10. The analysis will use techniques that compare the services that Central Bedfordshire provides with other authorities that share similar characteristics (geography, population density and demography, employment opportunities, educational attainment, deprivation amongst other factors) and so should provide a good barometer for the scale of opportunity.
11. The initial plan is to undertake quick opportunities analysis with the aim of understanding the potential scale of opportunities. It is hoped that a further update will be provided in the Final Budget Report for the February Executive and Council meetings, but that isn't certain at this stage.

12. A more fundamental review will take time to complete and once the opportunities for budget savings have been identified, an implementation plan will need to be developed.
13. Those plans will also need to be brought back to the Executive to approve and if these result in proposed budget changes, they will need to be taken at Full Council. Any proposals that result in changes to service provision will also require appropriate consultation and an Equalities Impact Assessment to be undertaken.
14. It is due to the time this review and any resulting changes to services will take that the response to Fair Funding should be seen as a three-year journey to achieving a sustainable budget position under the new funding regime.
15. Another option for the Council to consider is a limited and timebound use of Exceptional Financial Support, to bridge the gap in years two and three between the three-year funding shortfall and the delivery of opportunities identified. This isn't currently being proposed but may need to be revisited at some point during the three year Settlement period.

## Reserves

16. This Draft Medium Term Financial Plan (MTFP) is intended to set out a sustainable and affordable financial plan that addresses the Council's priorities over the next four years. It should provide for realistic levels of spending, not dependent upon the use of one-off reserves. It should provide for a prudent level of reserves for contingencies.

The Council's total actual and forecast total General Fund reserves (both Earmarked and General Fund) position is summarised in the table below.

	Actual				Forecast
	21/22	22/23	23/24	24/25	25/26
	£M	£M	£M	£M	£M
<b>Opening balance</b>	113.3	144.6	120.8	69.1	47.0
Use of Reserves	-2.5	-56.9	-69.6	-32.3	-4.2
Increase in Reserves	33.8	33.1	17.9	10.2	0.0
<b>Closing balance</b>	144.6	120.8	69.1	47.0	42.8
Change	31.3	-23.8	-51.7	-22.0	-4.2
<b>Council Net Budget</b>	226.1	240.2	252.1	265.4	287.6
<b>Total Change as % of Net Budget</b>	14%	-10%	-21%	-8%	-1%

17. In 2021/22 the Reserves closing balance stood at £144M and have reduced by £98M to the end of 2024/25, with a further £4.2M forecast in 2025/26.
18. In 2023/24, the Council approved a four-year MTFP that required the use of £13.3M of reserves to run day to day services and also utilised £13M to cover budget overspends driven by inflation at over 11%.

19. In 2024/25, a further £14.6M use of reserves was planned, mainly as a flow through from the 2023/24 inflation pressures which increased the running costs of the Council.
20. The Earmarked Reserves, are forecast to fall to £16.4M at the end of 2025/26, with the General Fund Reserve remaining at £26.4M. A total Reserves balance of £42.8M (as above) and so going forward, the Council only has a very limited capacity to rely on Reserves to fund any revenue budget shortfalls.
21. It should also be noted that during 2022/23 and 2023/24 the Covid funding related reserves were applied (which accounted for a large proportion of the movement), due to timing differences in expenditure the impact of reduced funding.

## **Pressures & Efficiencies**

22. The 2026/27 budget is balanced based on the inclusion of £24M of efficiencies, including an increase to Council Tax and £64.2M of pressures, including inflation.
23. The medium-term financial planning and budget setting falls at a time of continued uncertainty and risk; further details are included in the Appendix A document. The Council continues to experience significant additional demand pressures primarily within Adult Social Care and Children's Services and lacks the ability to increase revenue generation to mitigate these costs. The Council's draft net budget for 2026/27 is £328.2M.

## **Council Tax**

24. The proposed budget plans for a 4.99% increase in Council Tax in 2026/27 (2.99% General Fund and 2.0% Adult Social Care precept) and in future years. Note that the Government method of allocating funding assumes a 5% increase each year.

## **Capital Programme**

25. The draft Capital Programme is included elsewhere on the agenda. However, the revenue implications of the draft Capital Programme are reflected in the proposals contained in this report. The Bank of England base rate is currently 3.75% (it reduced by 0.25% in December). Although the Bank of England remain cautious, the financial markets are pricing in further reduction in 2026.

## **Housing Revenue Account**

26. A separate report in respect of the Housing Revenue Account (Landlord Services Business Plan) is also presented to this Executive meeting.

## **Reason/s for decision**

27. To enable consultation on the draft Budget 2026/27 and Medium-Term Financial Plan 2026/27 - 2029/30, prior to final recommendations being made to Council by the Executive on 17<sup>th</sup> February 2026.

## **Council priorities**

### **Legal Implications**

28. The Legal implications of the draft Budget 2026/27 and Medium-Term Financial Plan will be set out in the Final Budget Report.
29. As part of the budget and the Council Tax setting process, the Council is required by the Local Government Finance Act 1992 to make specific calculations and decisions in approving a balanced budget for the following financial year and setting the Council Tax Level.
30. The Council is required to set a balanced budget for 2026/27 before 11<sup>th</sup> March 2026.
31. The process of adopting the Council's MTFP is subject to a period of public consultation. When submitted to Council for approval in February 2026, the Council is required, in accordance with the "Gunning Principles" to have regard to the outcome of the consultation exercise and conscientiously take them into account when arriving at its decision.

### **Financial and Risk Implications**

32. The financial implications of the draft Budget 2026/27 and Medium-Term Financial Plan are set out in Appendix A – Budget Report.

### **Equalities and Fairness Implications**

33. Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimisation and foster good relations in respect of nine protected characteristics: age disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
34. The duty requires public authorities to demonstrate that they are making financial decisions in a fair, transparent and accountable way, considering the needs and the rights of different members of their community
35. EQIA screening forms will be completed to determine if a full EQIA is required, these will be completed in respect of those proposals identified as having potential equality impacts.
36. In terms of specific proposals, Equality Impact Assessments will be carried out where appropriate.
37. A cumulative equality impact assessment is also being compiled for consideration and review and will accompany the final budget reports.

## Biodiversity and Sustainability Implications

38. Each pressure and efficiency contained within the MTFP will be subject to consideration of any sustainability issues and where issues might arise, these will be discussed between the relevant Members and Officers. Terms of the specific efficiency proposals, Equality Impact Assessments will be carried out where appropriate.

## Appendices

<b>Appendix A:</b>	Budget Report
<b>Appendix B:</b>	MTFP Four Year Summary
<b>Appendix C(i):</b>	Budgets by Head of Service
<b>Appendix C(ii):</b>	Budgets by Head of Service Subjective
<b>Appendix D(i):</b>	Pressures Summary
<b>Appendix D(ii):</b>	Pressures by Directorate
<b>Appendix E(i):</b>	Efficiencies Summary
<b>Appendix E(ii):</b>	Efficiencies by Directorate
<b>Appendix E(iii):</b>	New Efficiencies Detail
<b>Appendix E(iv):</b>	Further Efficiencies being considered.
<b>Appendix F(i):</b>	Reserves Summary
<b>Appendix F(ii):</b>	Reserves by Directorate

## Background Papers

The following background papers, not previously available to the public, were considered and are available on the Council's website:

- Budget Strategy (Budget Framework Report) - Executive, August 2025.
- Draft Budget update, December 2025 Executive.

## Report author(s):

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