
Cabinet

16 December 2025

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources - Councillor R Brown

Director Approving Submission of the report:

Director of Finance and Resources (Section 151 Officer)

Wards affected:

City-wide

Title:

Pre-Budget Consultation 2026/27

Is this a key decision?

Yes - Cabinet is being recommended to note the situation regarding the Government's funding settlement for 2026/27 and future years following the Fair Funding review, and approve, as a basis for consultation, the potential Council Tax levels for 2026/27 and the policy themes for potential investment in services

Executive Summary:

The Council's financial plans are heavily dependent on the allocation of Government grant resources, Government decisions which dictate councils' tax-based income streams and the significant pressures seen primarily in social care in recent years. Following significant sector lobbying, including ourselves and the wider West Midlands, the Government consulted during 2025 on a set of 'Fair Funding' proposals intended to reform the distribution of resources on a more equitable basis.

The implication of the proposals is expected to be positive for Coventry, however until such time as the provisional settlement is provided, we are not able to accurately estimate the level of additional resources which the Council will benefit from. The Government are urging Council's to wait for the Provisional settlement, which is expected to be published in late December, after the date of this report. Once received, it will provide a stronger indication of the likely position for the year ahead and two subsequent years.

There are no service cost reduction options contained in this report, contrary to the custom of recent years. However, section 2.5 of the report discusses policy priority themes for potential

investment in services to further the achievement of the priorities as set out in the One Coventry Plan. This report seeks approval to formally consult on these themes, the views of stakeholders from which will be reflected in the proposals in the final Budget Report in February 2026.

The report also seeks approval to consult on the potential level of Council Tax and Adult Social Care Precept increases for 2025/26.

A Medium-Term Financial Strategy (MTFS) is intended to be presented alongside the final Budget Report in February 2026. In addition to an updated 3-year funding position, this will include the current financial context facing the Council in relation to a continued impact of a higher than planned inflationary environment, together with the ongoing difficult market conditions faced within both adults and children's social care.

The report also details a minor change to the Council's Council Tax Support scheme with an associated Equality Impact Assessment included at Appendix 1 to the report

Also included is an indication of the Council's prospective Capital Programme for 2026/27 based on current knowledge. This will be updated in the February 2026 Budget Report, reflecting the most up to date programme information available. The draft programme is based overwhelmingly on pre-existing decisions and patterns of expenditure.

Recommendations:

Cabinet is requested to:

- 1) Note the position with regard to the Government's funding settlement.
- 2) Approve the Capital Programme proposals in sections 2.6 to 2.8 of the report.
- 3) Approve as a basis of consultation for a six-week period, the contents of this report as set out in section 1 and 2.
- 4) Approve a six-week public consultation period to commence on 17th December 2025 on proposed (minor) amendments to the council tax support scheme as detailed in the report and Appendix 1 in accordance with The Local Government Finance Act 1992 (as substituted by the 2012 Act).

List of Appendices included:

Appendix 1 – Equality Impact Assessment on proposed changes to the Council Tax Support Scheme

Background papers:

None

Other useful documents

None

Has it been or will it be considered by Scrutiny?

Yes – Finance and Corporate Services Scrutiny Board (1) on 14 January 2026 will consider this as part of the formal consultation process

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No. The final budget proposals will be considered by Council following the consultation period.

Report title: Pre-Budget Consultation 2026/27

1. Context (or background)

- 1.1 The Government's Autumn Statement together with the Chancellors Budget on 26 November 2025 indicate that overall Local Government resources are broadly in line with those announced at the Comprehensive Spending Review (CSR) in June 2025
- 1.2 At the time of writing the Council is still awaiting the 2026/27 Provisional Local Government Finance Settlement which will confirm the funding envelope within which the Council will need to operate next year and the two subsequent years, subject to decisions around Council Tax levels.
- 1.3 The Government have during 2025 consulted stakeholders on a set of proposals (called 'Fair Funding') intended to reform the distribution of government resources on a more equitable (relative) needs basis. Whilst the implication of the proposals is expected to be positive for Coventry, until such time as the provisional settlement is provided, we are not yet able to accurately estimate the level of additional resources which the Council will benefit from.
- 1.4 The Provisional Settlement will be received later this month, followed by a final settlement announcement in late January 2026. The starting point of the 2026/27 Budget process, following setting of the 2025/26 Budget was an initial financial gap for 2026/27 of £3m, rising to c£10m the following year. These figures did reflect assumptions about future resources and expenditure projections at that time.
- 1.5 In the period since February 2025 however, work has been undertaken to update the assumptions that underpin this position to reflect a more up to date position. The absence of a firm Government funding settlement position, however, leaves us with a range of possible outcomes such that an accurate indicative position cannot be presented as normal in time for this pre budget report.
- 1.6 Prior to setting the final Budget in February 2026, the Council will be required by law to establish the Council Tax and Business Rates tax-bases for 2026/27 and declare projected deficits or surpluses from previous years. These will be presented for approval in the final Budget Report following the proposed consultation period.
- 1.7 Fundamental to the Council's overall financial approach is its commitment to protect the most vulnerable citizens and to deliver a range of core services to everyone in the city. This has become increasingly difficult in recent years as a result of lower real term resources which have not reflected rises in demand or demographics since 2010. Coventry, as a growing and relatively deprived City has been disadvantaged by the current (outgoing) system which does not reflect need and has a lower 'core spending power' than the national average of £46 per person, or £17m. (Core spending power is the totality of Government resources together with local taxation raised)
- 1.8 In addition, rising prices and their impact on the cost of living over the past few years has continued to place constraints and pressure on some aspects of Council services. Whilst this has eased in the last 12 months, averaging 3.75% for the last 4 months, it is not reducing as quickly as had been forecast and is still well above the Bank of England's 2% target. As a result, both pay and non-pay inflation will be higher than previously budgeted.

1.9 At this point, for the 26/27 financial year, there are a number of financial scenarios until such time as there is greater certainty around the impact of the funding reform. This together with all other estimated changes to the previously approved Budget position will be set out in detail for approval in the final budget report in February 2026.

1.10 No new cost reduction options have been sought or therefore included in this pre budget report. Sector intelligence regarding funding reform thus far suggests that there is a likelihood that some policy investment will be possible. Therefore, section 2.5 of the report identifies themes for potential investment based on data derived from both the public engagement on Council priorities and a review of Council Key Performance Indicator performance.

1.12 This report proposes that the consultation is carried out on the basis that the Council will increase Council Tax levels by just under 5%, the maximum amount allowable without triggering a referendum. This is made up of a 2% Adult Social Care Precept and an increase of 3% for other expenditure. It is possible that increases in the Police and Fire precepts could result in a total Council Tax rise above 5%.

1.13 Additionally, stakeholder views are also sought as part of the proposed consultation process on the potential areas for service investment as described in section 2.5 of the report.

1.14 Proposed change to the Council Tax Support scheme also require consultation and this consultation will run in parallel with the wider budget consultation.

2. Options considered and recommended proposal

2.1 The remainder of the report outlines the potential financial implications facing the Council and the policy themes put forward for consultation.

Resources & Technical Savings

2.2 The Council started the 2026/27 Budget process with a shortfall of £3m rising in subsequent years. Overall resources include the Government settlement, amounts in relation to Council Tax and Business Rates and several specific grants. Movements in this category once finalised will include the following:

- Expected benefits to Coventry resulting from the Fair Funding reform of local government funding. It is expected that most Specific Grants previously identified separately in 'Core Spending Power' will be rolled into the new needs-based approach and distributed as a whole
- Additional resources from the proposed combined increase in Council Tax and Adult Social Care precept of 5%
- Extended Producer Responsibility. Sitting outside of Core Spending Power, this reflects resources introduced by the Government from 2025/26 for all waste disposal authorities. This transfers the liability of disposal costs to the manufacturers (producers) of waste to incentivise waste reduction. Waste disposal costs are already factored into the Council's baseline position, so compensation through the EPR scheme has resulted in a saving. We have now received an update from the

scheme administrator informing the Council of the expected compensation in respect of 2026/27.

- There will also be technical service savings, the most significant relating to employers' pension fund contributions. We have recently been informed by the West Midlands Pension Fund of a significant reduction in the Local Government Pension Scheme employers' contribution, reflecting an estimated surplus to be announced as part of the current actuarial triennial review to take effect from April 2026. This reduction is expected to save the Council £7m - £8m per year over the next 3 years and potentially longer.

2.3 Whilst it is expected that the items in section 2.2 above will be positive, a number of expenditure and income pressures continue to provide financial challenges. The most significant of these individual pressures are outlined below:

- Prevailing inflation rates appear to be stubbornly remaining at 3.6%, well above the Bank of England's 2% target. Together with the fact that the Council has faced the impact of extremely high inflation between 2022 and 2024, the impact on both pay and non-pay related costs has been and continues to be material. It also includes the effect of inflation on a range of its externally procured costs and services.
- Children's Services is again seeing significant increases in the average unit cost of placements for looked after children, partly due to pay costs but also due to a lack of sufficiency in the market to meet the complex needs of young people in care. This continues to be a local, regional and national issue.
- Adults Social Care is also experiencing significant increases in expenditure due to growth in the number of care packages across most areas as well as increased complexity. These costs are also directly affected materially by expected increases in the National Living Wage.

2.4 Depending on the settlement announcement and above expenditure pressures, we would expect that a degree of flexibility will exist for members to consider opportunities to invest in some key services to improve outcomes for the City as part of the decisions required for the final budget setting in February 2026. These are discussed further in section 2.5 below.

2.5 Policy Themes

As stated earlier in the report, there are varying financial scenarios dependent on the outcome of the Governments settlement later this month.

An optimistic outcome would provide an opportunity for members to consider and approve some level of policy priority investment. As part of the pre-budget engagement which was carried out in September/October 2025, the household survey, and a review of performance of the Council, the following key themes were deemed to be of the greatest priority and benefit for the Communities in the City:

- Keeping people safe - crime, clean, well lit, city centre improvements
- Anti-social behaviour – fly tipping
- Local environments – deprived neighbourhoods
- Protecting vulnerable people – child poverty

- Good jobs, investment and prosperity – NEET, youth unemployment, education achievement
- Helping people to manage – bills, energy, to help themselves
- Roads and pavements – conditions and safety

The report is recommending approval of these themes for public consultation to inform potential investment.

Capital

2.6 The Council has a draft 5-year capital programme which totals nearly £455 million based on approved decisions and expected resource allocations. Of this, nearly £179m is currently cash-flowed for 2026/27 taking into account an updated position for 2025/26.

2.7 The main components of the Council's provisional programme are set out below with the figures quoted representing the projected sums earmarked currently for 2026/27. The five-year programme and an updated cash-flow position will be included in February's final Budget Report. The Programme includes:

- Continued delivery of Coventry Very Light Rail (CVLR). CVLR has been allocated a further £12.3m from the City Region Sustainable Transport Settlement (CRSTS) programme for Stage Gate 3a, the preparation to construct City Centre Demonstrator (CCD) and full implementation of City Centre Traffic Management Plan (CCTMP).
- A strategic transportation programme in excess of £30m incorporating the CRSTS and Active Travel Integrated Settlement programme, to deliver City Centre Cycleway, Tile Hill Station Park and Ride improvement scheme and Coventry South Sustainable Transport Package.
- Ongoing capital programme to deliver the West Midlands Investment Zone, an advanced manufacturing area to increase the economic prosperity of the city and region.
- City Centre Regeneration investment in excess of £40m continuing to take forward City Centre South plans.
- Continued investment in the region of £30m to deliver the school's capital works including provision for the expansion of secondary places under their One Strategic Plan along with the completion of the new SEND school at Woodlands.
- Continued investment in Adult and Children's Social Care in the form of Disabled Facilities and £5.5m in the completion of the Residential Children's Strategy along with the programme of vehicle replacement and ICT.

2.8 The draft programme will be subject to change between now and February 2026. It is important to be aware that some of the schemes involve a complex mix of funding sources, multi-partner delivery arrangements and challenging planning, technical and approval requirements that do not always lend themselves to smooth project delivery progress and could therefore require reprofiling. In overall terms, given the large amount of externally funded and driven proposals within the Council's Capital Programme, it is very likely that a fair degree of flux will continue to be experienced in its cash-flow over the next few years.

Council Tax Support Scheme - amendments

2.9 It is proposed that the Council's Council Tax Support scheme is amended to provide additional support for recipients who face unavoidable council tax liability for two homes in the following circumstances:

- They have left their original home through fear of violence, or
- Changes for disabled people are being made in their new home, like a wet bathroom or stairlift
- They have moved and have an unavoidable liability to pay council tax for both their original home and new home

This proposal would mean that where a person is liable for council tax at their original home, at the same time as being liable at their new home, in the above circumstances they can claim CTS at both addresses for a temporary period, appropriate to the situation.

Appendix 1 to the report sets out the equalities impact of these proposed changes.

3. Results of consultation undertaken

3.1 Some of the proposals in the report are subject to consultation. The Council will communicate the report's key messages through usual consultation channels including social and digital media.

4. Timetable for implementing this decision

4.1 Following a public consultation period, full Council will consider the final budget proposals in February 2026 to be implemented from 1st April 2026.

5. Comments from the Director of Finance and Resources (Section 151 Officer) and the Director of Law and Governance

5.1 Financial implications

Following the outcome of the fair funding review set out in the Autumn Statement 2025, the Council's financial circumstances for 2026/27 and beyond will be clarified by the detail that will be set out in the forthcoming Provisional Settlement later this month

It is expected that Coventry will benefit from the redistribution of Funding on a fairer 'needs' basis through the funding reform, however continued strong action is still required in order to ensure financial stability.

A range of sound financial management practices have continued to be undertaken including: implementing medium-term planning which is not reliant on reserve contributions; making budgeting decisions that recognise fundamental pressures in the financial position; maintaining reserve balances at a level that is sufficient to manage budget risks; governance and delivery of existing approved savings; addressing issues of governance in decision making in line with external advice; pursuing financial planning approaches which does not place an over reliance on speculative commercial activity, but which does incorporate a balanced and forward thinking approach to delivery of modest commercial gains.

The Council's Medium Term Financial Strategy (MTFS) will be reported to Cabinet along with the final Budget Report in February 2026. It will provide greater coverage of the Council's approach to financial planning and addressing current issues. These continue to be difficult times for local authorities and although the Council is likely to be able to identify a balanced position for 2026/27, there is a risk in future years. Funding reform will provide a multi-year approach to funding announcements and allocations, such that this will provide greater medium-term clarity.

In the period between now and February 2026, the Council will continually update its forecasts to reflect the Local Government Finance Settlement, service pressures and technical savings.

The indicative level of the Capital Programme set out above is only a guide at this stage although it continues to point towards another significant programme of spend on capital schemes across the city. Much of this spend, the vast majority of which continues to be funded from external grant and contributions, will continue to deliver benefits to the local economy through infrastructure improvements and enhancement of the city's appeal to private sector investment. The medium-term trajectory of the Capital Programme does not reflect the high levels of expenditure experienced in recent years and will depend on the success of future grant bidding processes and Government announcements.

5.2 Legal Implications

Budget Policy Proposals

The proposals in this report are designed to facilitate the Council's statutory obligations in relation to setting a balanced 2026/27 budget by mid-March 2026. This includes the duty to report to the Council on the robustness of the estimates provided and the adequacy of the financial reserves in place. Section 31A of the Local Government Finance Act 1992 and Section 25 of the Local Government Act 2003 refer.

Council Tax Support Scheme

The Local Government Finance Act 1992 as amended includes a requirement for the Council to adopt any revisions to its local Council Tax Support scheme by 11 March of the year in which changes are to be implemented. Failure to do so would result in the Council having to maintain the scheme currently in place.

Section 67(2)(aa) Local Government Finance Act 1992 as amended by the 2012 Act, states that the implementation of a local Council Tax Support scheme and any subsequent revisions to the scheme will be a function reserved to full Council.

The framework within which billing authorities must devise their Council Tax Reduction schemes is contained in Part 1 of Schedule 4 to the Act. This Schedule provides that the following matters must be included in an authority's scheme:

- a. a description of the classes of person entitled to a council tax reduction;
- b. details of the reductions which are to apply to those classes (different classes of persons may be entitled to different reductions);
- c. the procedure under which a person may apply for a Council Tax reduction; and
- d. an appeals procedure covering decisions over entitlement to a reduction and the amount of any reduction due.

These items are all included in the proposed revised schemes.

Consultation must be carried out in accordance with the 2012 Act. The Council must attempt to ensure that all interested parties are able to give a view.

The Council must consider whether there are any groups or individuals that are adversely impacted by any changes when making its final decisions on a local scheme.

6. Other implications

6.1 How will this contribute to the One Coventry Plan

(<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>)

The Council, in common with all local authorities, will continue to be faced with challenging resource constraints relative to expenditure pressures, although the precise nature and trajectory of this are not yet clear. The Pre-Budget position is presented within the context of the existing Medium Term Financial Strategy, which is aligned with the priorities set out for the City within the One Coventry Plan. In this way Pre-Budget proposals are aligned to existing policy priorities.

6.2 How is risk being managed?

The inability to deliver a balanced budget is one of the Council's key corporate risks. The proposals within this report are aimed directly at trying to mitigate this risk. The new pressures and eventual resourcing position that will be included in the Council's bottom line budget position will be governed robustly to ensure there is no significant risk of non-achievement. Once the impact of the new funding regime has been announced, including the multi-year impact on future years, any indicative budget gaps for future years will be better understood, together with the need to be addressed as part of the future years budget setting processes.

6.3 What is the impact on the organisation?

The opening position from 2026/27 assumes all previously approved savings targets are delivered in full. These will be managed carefully as part of robust governance arrangements as they are implemented, to manage the risk of non-achievement.

6.4 Equalities / EIA

Policy Themes

It has not been possible to measure equalities impact at this pre-budget stage as further information on potential impact on protected groups, from the consultation period, is required. A full cumulative impact report will be produced ahead of the final Budget setting report in early 2026, with more detailed analysis on the likely equalities impact of the final proposals. This will be based on equality impact assessments completed for each of the proposals.

Council Tax Support Scheme

An equality impact assessment (EIA) has been carried out to understand the likely impact of implementing the recommendations relating to the Council Tax Support Scheme. This EIA can be found in Appendix 1 to the report.

6.5 Implications for (or impact on) climate change and the environment

No impact at this stage although climate change and the environmental impact of the Council's decisions are likely to feature more strongly in the future.

6.6 Implications for partner organisations?

With regard to the Council Tax Support scheme amendments, there are minor implications for major precepting authorities, and the Council has initiated consultation with West Midlands Police, West Midlands Combined Authority and the West Midlands Fire and Civil Defence Authority in this respect

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