

Budget and Medium Term Financial Plan 2026/29

Russell Ashman

Chief Executive & S151 Officer

26th February 2026

Overview

- Council has been facing continuing financial pressures over last couple of years
- Number of drivers:
 - Requirement to deliver services to national standards on nearly all services
 - Demand pressures like mainland in Adults – more cases and increasing complexity
 - Reduced labour force available on Island
 - Cost increases
- Significant lobbying of Government re funding – fairer funding review identified as vehicle to address the Islands funding by Government officials
- Council used reserves to help in period leading up to funding review
- Outcome of fair funding review not as expected
 - Below unitary council average settlement
 - No funding to address remoteness and accessibility
 - Lack of thought re Council tax base and ability for growth
- Hence significant budget deficit exists (C£800k) but legally need to set a balanced budget
- Have applied for Exceptional Funding Support (EFS) from the Government (basically a short term loan)
- If successful will buy a year (possibly 2) to reduce costs and continue lobbying Government
- Services will need to be reworked to only deliver the minimum but needs to be done in partnership with the community and partners
- Where services are paid for by users they must recover full cost

Government Settlement

- The 2026-27 settlement incorporates the Fairer Funding Review 2.0 which redistributes resources based on local need and deprivation
- Benefited deprived urban areas while adjusting for rural and low-tax authorities – had remoteness and accessibility as a key objective
- Last reset of Local Government funding was 2013-14
- First multi year settlement (3 years) for a decade – gives certainty but also means those with poor settlements have at least 3 years before any major reset
- Business rates reset – growth redistributed based on need
- Council tax increased limited to 2.99% for general services and 2% for adult social care (4.99% in total)
- Many grants rolled into Revenue Support Grant plus numerous other changes making year on year analysis difficult

Core Spending Power

Government Calculation

CORE SPENDING POWER

Please select authority

Isles of Scilly

Illustrative Core Spending Power of Local Government:

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| | £ millions |
| Fair Funding Allocation¹ | 0.000000 | 0.000000 | 5.500491 | 5.595247 | 5.669864 |
| of which: Baseline Funding Level | 0.000000 | 0.000000 | 2.522410 | 2.580270 | 2.632323 |
| of which: Revenue Support Grant ² | 0.000000 | 0.000000 | 2.877550 | 3.014977 | 3.037541 |
| of which: Local Authority Better Care Grant ³ | 0.000000 | 0.000000 | 0.100531 | - | - |
| Legacy Funding Assessment | 5.025710 | 5.129676 | 0.000000 | 0.000000 | 0.000000 |
| of which: Legacy Business Rates ⁴ | 2.108779 | 2.111846 | 0.000000 | 0.000000 | 0.000000 |
| of which: Legacy Grant Funding ⁵ | 2.835441 | 2.917299 | 0.000000 | 0.000000 | 0.000000 |
| of which: Local Authority Better Care Grant | 0.081490 | 0.100531 | 0.000000 | 0.000000 | 0.000000 |
| Council tax requirement^{6,7} | 1.969065 | 2.381236 | 2.588890 | 2.814645 | 3.060084 |
| Homelessness, Rough Sleeping and Domestic Abuse^{8,9} | 0.064334 | 0.064334 | 0.065361 | 0.065593 | 0.066029 |
| Families First Partnership¹⁰ | 0.000000 | 0.030000 | 0.030000 | 0.030000 | 0.030000 |
| Total Transitional Protections¹¹ | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| of which: 95% income protection | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| of which: 100% income protection | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| of which: Fire and Rescue Real-terms floor | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| Grants rolled in to Revenue Support Grant¹² | 0.062506 | 0.065509 | 0.000000 | 0.000000 | 0.000000 |
| Recovery Grant | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| Recovery Grant Guarantee¹³ | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| Mayoral Capacity Fund | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| Core Spending Power | 7.121615 | 7.670756 | 8.184742 | 8.505484 | 8.825976 |
| Core Spending Power year-on-year change (£ millions) | | 0.549141 | 0.513986 | 0.320742 | 0.320492 |
| Core Spending Power year-on-year change (%) | | 7.7% | 6.7% | 3.9% | 3.8% |
| Core Spending Power change since 2024 (£ millions) | | 0.549141 | 1.063127 | 1.383870 | 1.704361 |
| Core Spending Power change since 2024 (%) | | 7.7% | 14.9% | 18.0% | 20.8% |
| Core Spending Power change since 2025 (%) | | | 6.7% | 10.9% | 15.1% |

| | | | | | |
|---|--|--|------------|------------|------------|
| National Average | | | 2026-27 | 2027-28 | 2028-29 |
| | | | £ millions | £ millions | £ millions |
| Core Spending Power year-on-year change (%) | | | 6.1% | 4.3% | 4.4% |
| Core Spending Power change since 2025 (%) | | | 6.1% | 10.7% | 15.5% |

Unitary Average 17.6%

Core Spending Power

IOS Calculation with realistic C Tax base

CORE SPENDING POWER

Please select authority

Isles of Scilly

Illustrative Core Spending Power of Local Government:

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| | £ millions |
| Fair Funding Allocation¹ | 0.000000 | 0.000000 | 5.500491 | 5.595247 | 5.669864 |
| of which: Baseline Funding Level | 0.000000 | 0.000000 | 2.522410 | 2.580270 | 2.632323 |
| of which: Revenue Support Grant ² | 0.000000 | 0.000000 | 2.877550 | 3.014977 | 3.037541 |
| of which: Local Authority Better Care Grant ³ | 0.000000 | 0.000000 | 0.100531 | - | - |
| Legacy Funding Assessment | 5.025710 | 5.129676 | 0.000000 | 0.000000 | 0.000000 |
| of which: Legacy Business Rates ⁴ | 2.108779 | 2.111846 | 0.000000 | 0.000000 | 0.000000 |
| of which: Legacy Grant Funding ⁵ | 2.835441 | 2.917299 | 0.000000 | 0.000000 | 0.000000 |
| of which: Local Authority Better Care Grant | 0.081490 | 0.100531 | 0.000000 | 0.000000 | 0.000000 |
| Council tax requirement^{6,7} | 1.969065 | 2.381236 | 2.429055 | 2.594956 | 2.771374 |
| Homelessness, Rough Sleeping and Domestic Abuse^{8,9} | 0.064334 | 0.064334 | 0.065361 | 0.065593 | 0.066029 |
| Families First Partnership¹⁰ | 0.000000 | 0.030000 | 0.030000 | 0.030000 | 0.030000 |
| Total Transitional Protections¹¹ | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| of which: 95% income protection | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| of which: 100% income protection | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| of which: Fire and Rescue Real-terms floor | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| Grants rolled in to Revenue Support Grant¹² | 0.062506 | 0.065509 | 0.000000 | 0.000000 | 0.000000 |
| Recovery Grant | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| Recovery Grant Guarantee¹³ | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| Mayoral Capacity Fund | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| Core Spending Power | 7.121615 | 7.670756 | 8.024907 | 8.285795 | 8.537267 |
| Core Spending Power year-on-year change (£ millions) | | 0.549141 | 0.354151 | 0.260888 | 0.251471 |
| Core Spending Power year-on-year change (%) | | 7.7% | 4.6% | 3.3% | 3.0% |
| Core Spending Power change since 2024 (£ millions) | | 0.549141 | 0.903292 | 1.164181 | 1.415652 |
| Core Spending Power change since 2024 (%) | | 7.7% | 12.7% | 15.2% | 17.6% |
| Core Spending Power change since 2025 (%) | | | 4.6% | 8.0% | 11.3% |

Unitary Average 17.6%

| National Average | 2026-27 | 2027-28 | 2028-29 |
|---|------------|------------|------------|
| | £ millions | £ millions | £ millions |
| Core Spending Power year-on-year change (%) | 6.1% | 4.3% | 4.4% |
| Core Spending Power change since 2025 (%) | 6.1% | 10.7% | 15.5% |

Core Spending Power

IOS Calculation with realistic C Tax base & funding to match Unitary Average

| CORE SPENDING POWER | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Please select authority | | | | | |
| Isles of Scilly | | | | | |
| Illustrative Core Spending Power of Local Government: | | | | | |
| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
| | £ millions |
| Fair Funding Allocation¹ | 0.000000 | 0.000000 | 5.500491 | 5.595247 | 5.669864 |
| <i>of which: Baseline Funding Level</i> | 0.000000 | 0.000000 | 2.522410 | 2.580270 | 2.632323 |
| <i>of which: Revenue Support Grant²</i> | 0.000000 | 0.000000 | 2.877550 | 3.014977 | 3.037541 |
| <i>of which: Local Authority Better Care Grant³</i> | 0.000000 | 0.000000 | 0.100531 | - | - |
| Additional Funding Required to match Unitary average | | | 0.480000 | 0.480000 | 0.480000 |
| Legacy Funding Assessment | 5.025710 | 5.129676 | 0.000000 | 0.000000 | 0.000000 |
| <i>of which: Legacy Business Rates⁴</i> | 2.108779 | 2.111846 | 0.000000 | 0.000000 | 0.000000 |
| <i>of which: Legacy Grant Funding⁵</i> | 2.835441 | 2.917299 | 0.000000 | 0.000000 | 0.000000 |
| <i>of which: Local Authority Better Care Grant</i> | 0.081490 | 0.100531 | 0.000000 | 0.000000 | 0.000000 |
| Council tax requirement^{6,7} | 1.969065 | 2.381236 | 2.429055 | 2.594956 | 2.771374 |
| Homelessness, Rough Sleeping and Domestic Abuse^{8,9} | 0.064334 | 0.064334 | 0.065361 | 0.065593 | 0.066029 |
| Families First Partnership¹⁰ | 0.000000 | 0.030000 | 0.030000 | 0.030000 | 0.030000 |
| Total Transitional Protections¹¹ | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| <i>of which: 95% income protection</i> | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| <i>of which: 100% income protection</i> | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| <i>of which: Fire and Rescue Real-terms floor</i> | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| Grants rolled in to Revenue Support Grant¹² | 0.062506 | 0.065509 | 0.000000 | 0.000000 | 0.000000 |
| Recovery Grant | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| Recovery Grant Guarantee¹³ | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| Mayoral Capacity Fund | 0.000000 | 0.000000 | 0.000000 | 0.000000 | 0.000000 |
| Core Spending Power | 7.121615 | 7.670756 | 8.504907 | 8.765795 | 9.017267 |
| Core Spending Power year-on-year change (£ millions) | | 0.549141 | 0.834151 | 0.260888 | 0.251471 |
| Core Spending Power year-on-year change (%) | | 7.7% | 10.9% | 3.1% | 2.9% |
| Core Spending Power change since 2024 (£ millions) | | 0.549141 | 1.383292 | 1.644181 | 1.895652 |
| Core Spending Power change since 2024 (%) | | 7.7% | 19.4% | 21.4% | 22.3% |
| Core Spending Power change since 2025 (%) | | | 10.9% | 14.3% | 17.6% |
| National Average | | | 2026-27 | 2027-28 | 2028-29 |
| | | | £ millions | £ millions | £ millions |
| Core Spending Power year-on-year change (%) | | | 6.1% | 4.3% | 4.4% |
| Core Spending Power change since 2025 (%) | | | 6.1% | 10.7% | 15.5% |

Unitary Average 17.6%

Strategy & Principles

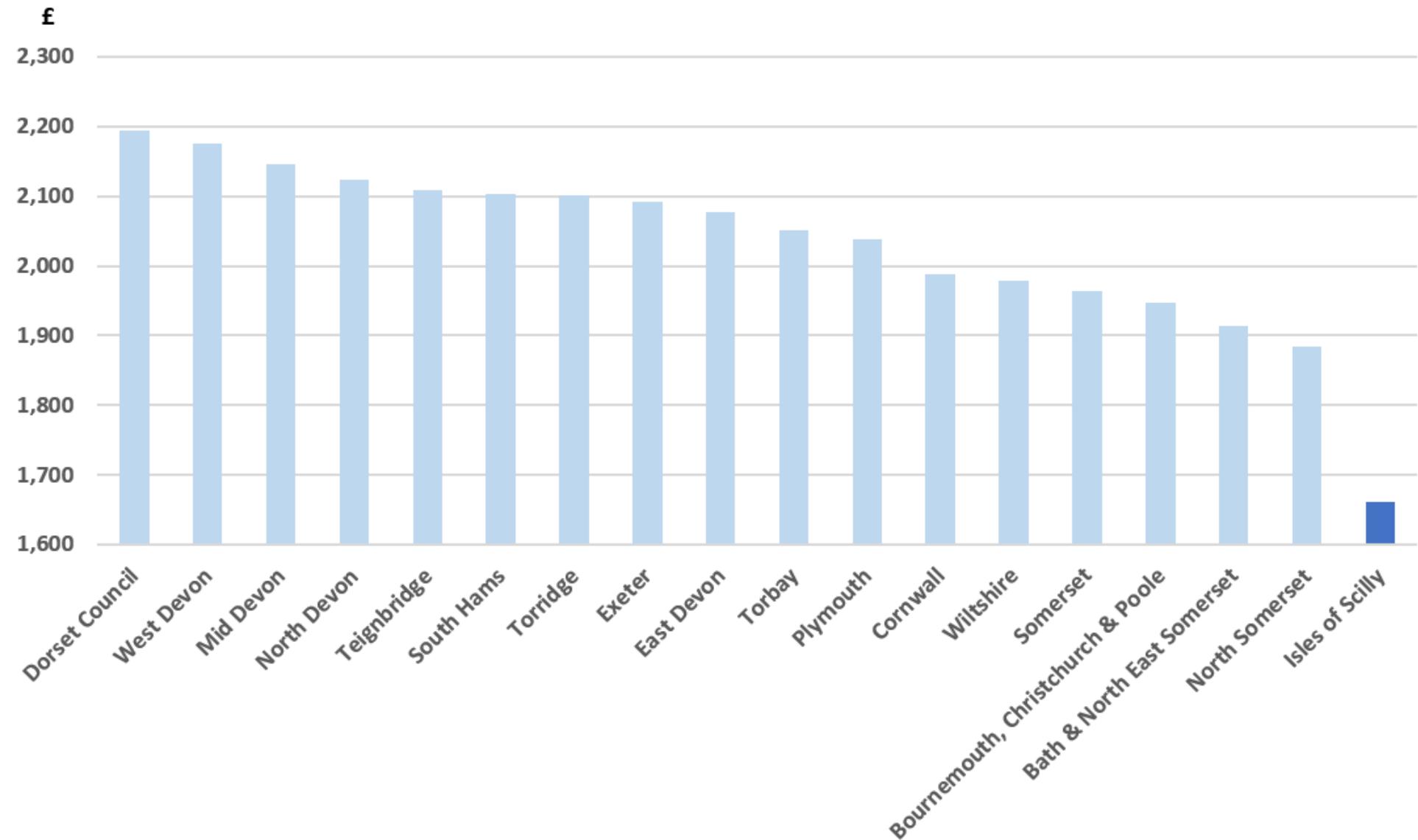
- Raise Council Tax by the maximum allowed by Government 4.99% (2.99% for General Services and 2% for Adult Services). The Governments grant allocations are all based on the assumption that Council Tax increases annually by the maximum.
- Council Tax Support scheme is maintained at existing levels which is the maximum allowable.
- Continue with principal that those who should pay do pay and that fees and charges are set on this basis with full cost recovery
- Protect front line services from cuts in service levels i.e. maintain budgets in real terms at existing levels
- Deliver the Corporate Plan objectives and promises (Corporate Plan mid year review and update agreed last summer)
- Supports the Children Services Improvement Plan to address the inadequate rating assessed by Ofsted
- Only Use Reserves to smooth budget or fund one-off expenditure not to fund ongoing expenditure
- Continue to Lobby central Government to ensure the Council and the Islands are funded properly and equitably

Assumptions

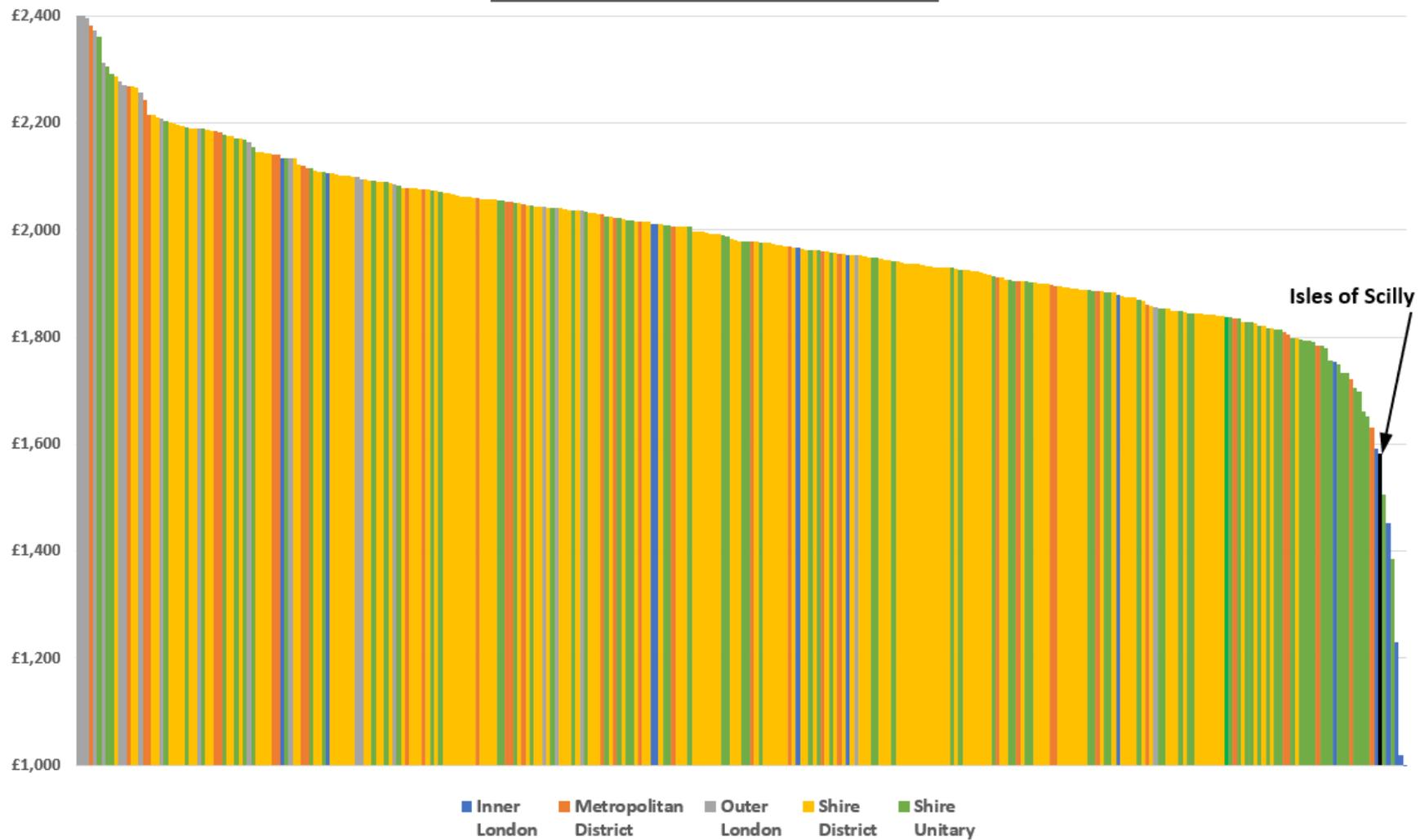
| | 2026/27 | 2027/28 | 2028/29 |
|------------------------------------|----------------|----------------|----------------|
| Council Tax Increase | 4.99% | 4.99% | 4.99% |
| Business Rates | -6.63% | 2.30% | 2.00% |
| Government Grants | 9.47% | 1.46% | 1.09% |
| Business Rates + Government Grants | 5.92% | 1.63% | 1.27% |
| Fees & Charges General | 5.00% | 5.00% | 5.00% |
| Airport Charges | 18.00% | 5.00% | 5.00% |
| Housing Rent - Social | 4.80% | 3.00% | 3.00% |
| Housing Rent - GF | 3.80% | 3.00% | 3.00% |
| Pay Cost Inflation | 3.00% | 2.00% | 2.00% |
| Non Pay Inflation | 3.00% | 2.00% | 2.00% |
| Tax Base | 1,392 | 1,417 | 1,441 |
| Change in Tax Base | (41) | 24 | 24 |

Council Tax Band D for Local Authority plus Fire - 2025/26

South West Councils (excluding Police & Parishes)



Band D Council Tax 2025/26 - All Authorities
(excludes Police and local precepts)



Funding & Expenditure Change year on year

| | 2025/26 | 2026/27 | Difference | |
|------------------------------------|------------------|------------------|-------------------|-------------|
| | £ | £ | £ | % |
| Council Tax | 2,381,236 | 2,429,055 | 47,819 | 2.0% |
| Government Grants & Business Rates | 5,736,293 | 6,075,877 | 339,585 | 5.9% |
| Collection Funds Surplus/(Deficit) | 555 | (198,102) | (198,657) | N/A |
| Total Funding | 8,118,084 | 8,306,830 | 188,746 | 2.3% |

| | |
|---------------------------------------|----------------|
| | £ |
| Inflation | 218,836 |
| Budget Pressures | 2,357,278 |
| Budget Savings | (1,260,960) |
| Change in Use of Reserves | 1,263,427 |
| Capitalisation | (2,100,000) |
| Grants transferred to main settlement | (289,835) |
| | 188,746 |

Latest Forecast Budget (February 2026)

| | 2026/27 | 2027/28 | 2028/29 |
|--|------------------|------------------|------------------|
| | £ | £ | £ |
| Service Budgets brought Forward | 7,891,676 | 9,206,830 | 9,160,533 |
| Inflation | 218,836 | 92,459 | 78,653 |
| Other Pressures and Growth | 2,357,278 | 284,971 | 30,258 |
| Service Savings Plan | (1,260,960) | (423,728) | (245,164) |
| Service Budget Requirements | 9,206,830 | 9,160,532 | 9,024,280 |
| Specific Projects Expenditure | 330,850 | 280,000 | 0 |
| Specific Projects Income | (330,850) | (280,000) | 0 |
| Transfer to/(from) General Fund Reserve | 1,200,000 | (390,856) | 0 |
| Capitalisation Order | (2,100,000) | 0 | 0 |
| Total Net Budget | 8,306,830 | 8,769,676 | 9,024,280 |
| Funded by: | | | |
| Council tax | 2,429,055 | 2,594,956 | 2,771,374 |
| Business Rates | 1,179,696 | 1,206,829 | 1,230,966 |
| Government Grants | 4,896,181 | 4,967,891 | 5,021,939 |
| Council Tax Collection fund Surplus/(Deficit) | (113,649) | 0 | 0 |
| Business Rates Collection fund Surplus/(Deficit) | (84,453) | 0 | 0 |
| Total Resources | 8,306,830 | 8,769,677 | 9,024,280 |

Summary

- There is a mismatch between the level of funding and the requirement to deliver services to national regulatory standards
- Increased funding is required
- ...If funding is not forthcoming then services will need to reduce to match the funding available