Report for: Cabinet

Date of Meeting:	4 February 2025
Subject:	2025/26 Budget
Cabinet Member:	James Buczkowski – Cabinet Member for Governance, Finance & Risk
Responsible Officer:	Andrew Jarrett – Deputy Chief Executive (S151)
Exempt:	N/a
Wards Affected:	All
Enclosures:	Appendix 1 – Capital Strategy & Capital Programme Appendix 2 – Treasury Management Strategy Appendix 3 – Budget Book

Section 1 – Summary and Recommendation(s)

This report proposes the 2025/26 Capital Strategy and Capital programme, the 2025/26 Treasury Management Strategy and the 2025/26 Revenue Budgets for the General Fund and Housing Revenue Account in line with the Corporate Plan priorities, within existing financial resources and without materially reducing service delivery.

Recommendation(s):

Cabinet are asked to recommend that Council agree the following:

Capital Strategy and 2025/26 – 2029-30 Capital Programme:

1. **That the proposed 2025/26 Capital Strategy is approved – Appendix 1;**
2. **That a Capital Programme consisting of new and existing projects totalling £135,569k with a profiled spend forming a Deliverable Capital Programme for 2025/26 of £41,614k is approved – Annexes 1a, 1b and 2 to Appendix 1). (*note this is inclusive of forecast slippage as at Quarter 3 from the existing Capital Programme and will be finalised and formal approval sought as part of 2025/26 Outturn report*);**

3. **Note the updated Capital MTFP's for the General Fund and Housing Revenue Account covering the years 2026/27 to 2029/30.**

Treasury Management Strategy:

4. **The proposed Treasury Management Strategy and Annual Investment Strategy for 2025/26, including the prudential indicators for the next 3 years and the Minimum Revenue Provision Statement (Appendix 2).**

2025/26 Revenue Budget:

5. **A Council Tax Requirement of £7,348,850 calculated using a Council Tax of £239.12 for a Band D property, an increase of £6.96 or 2.99% from 2024/25 and a Tax Base of 30,732.91, in accordance with the Local Authorities (Calculation of Tax Base) Regulation 1992, as amended, after the relevant adjustments in respect of the Council tax support scheme approved by Cabinet on 12 November 2024;**
6. **The overall budgeted Net Cost of Services within the General Fund of £15,356,730 for 2025/26 is approved as detailed within Appendix 3 (p2 – 40) and inclusive of the proposed balancing adjustments included within Table 1 in paragraph 3.1;**
7. **All of the transfers to and from Earmarked Reserves as detailed in Appendix 3 (p41);**
8. **The HRA budget for 2025/26 as detailed within Appendix 3 (p42 – 51), with total income of £16,058,310, less direct costs of £12,939,410 with internal charges of £2,050,250 and capital financing of £1,068,650 balancing the budget;**
9. **That work on strategic planning for delivering a balanced budget for 2026/27 and beyond is commenced immediately**

Section 2 – Report

1. Introduction

1.1. The balancing of the Council's budget continues to be a challenge year-on-year following the Government's austerity measures and the subsequent reduction in funding. To mitigate these austerity measures, the Council has already secured and delivered significant savings for over more than a decade in order to "balance the books" and maintain service delivery.

1.2. The Council has a legal requirement to set a balance budget and needs to ensure its overall costs are affordable i.e. they can be funded through income and planned short-term use of reserves. Members therefore need to take the necessary decisions and actions to manage net spending within affordable limits.

1.3. Throughout the budget process Scrutiny Committee and the PDGs have been kept informed and have considered various options during the drafting of the proposed 2025/26 Budget.

1.4. This report provides the proposed balanced budgets for the General Fund, Housing Revenue Account and Capital Programme and recommends the Band D Council Tax charge for 2025/26. It also includes the underlying strategies for Capital and Treasury Management as appendices.

2. **2025/26 – 2029/30 Budget Process**

2.1. Leadership Team, Corporate Managers and the Finance Team have been involved in discussions to identify Capital Investment proposals, Revenue pressures and secure savings, without reducing service delivery as far as possible. However it is now a more difficult challenge year-on-year and therefore, looking to the future, a new more strategic process will be required to match service provision to available funding.

2.2. Throughout the autumn, various budget options have been formulated and considered by Senior Management through a series of “Star Chambers” led by the Deputy Chief Exec (S151) and senior service managers, which then formed the discussions at the five Policy Development Groups, Cabinet and Scrutiny Committee.

2.3. The January Cabinet report provided an update on the impact of the Local Government Funding Settlement and some wider announcements such as the change to National Insurance costs for employers and the introduction of the Extended Producer Responsibility (EPR) for packaging scheme.

2.4. This report proposes the 2025/26 – 2029/30 Capital Programme in line with the attached Capital Strategy (see Appendix 1), shows the treasury implications of that Capital Programme, following the conditions set by the Treasury Management Strategy (see Appendix 2) and proposes a balanced budget for 2025/26 for both the General Fund and the Housing Revenue Account.

3. Capital Strategy and 2025/26 Capital Programme (Appendix 1)

3.1. The Capital Strategy is a key document for the Council and forms part of the Council’s integrated financial planning processes which includes the setting of the Capital and Revenue budgets, Business Plan and Council Tax for the year ahead, consideration of the Medium-Term Financial Plans and production of a Treasury Management Strategy.

3.2. The Capital Programme encompasses a broad range of expenditure including operational assets, which will be used for more than one year; assets owned by other bodies, or loans and grants to other bodies enabling them to buy/build assets. Full detail on this matter is included within Appendix 1.

3.3. **Annex 1a and 1b** shows the proposed 2025/26 Capital Programme for the General Fund. For new projects full project approval is requested at project inception, for 2025/26 this amounts to £2,629k. This is then profiled by spending managers as their best estimate of when spending will take place to form the Deliverable Budget of £856k. This is then added to the spend forecast against existing approvals of £10,946k in 2025/26 to give an overall Deliverable Budget for the General Fund of £11,802k. A further £32,481k spend is forecast in future years.

3.4. **Annex 2** shows the proposed 2025/26 Capital Programme for the Housing Revenue Account. Approval is requested for a revised 2025/26 amounting to £87,618k. The spend profile gives a Deliverable Budget of £29,812k, with the remaining £57,806k forecast in future years.

3.5. A summary of the Capital Programme funding is included in **Annex 3**.

3.6. The majority of the funding required to support the 2025/26 programme is assumed to come from Capital Grant (£16,262k) or from assumed borrowing (£19,216k). The associated capital financing costs are included within the relevant GF or HRA budget. However, it should be recognised that wherever possible, the Council will continue to maximise its usage of internal borrowing to minimise the financing costs.

3.7. Any decision to increase the Capital Programme (subject to constraints within the financial rules) would require Full Council approval and be linked to the Corporate Plan priorities.

4. 2025/26 Treasury Management Strategy and Annual Investment Strategy (Appendix 2)

4.1. The Treasury Management Strategy ensures that the cash flow associated with both capital and revenue transactions is adequately planned, with cash being available when it is needed. The Annual Investment Strategy oversees the investment of surplus monies, ensuring risks are minimised in line with the adoption of Security, Liquidity, Yield (SLY) principles.

4.2. These strategies manage longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This involves arranging long or short-term loans, or using longer-term cash flow surpluses to meet Council risk or cost objectives.

4.3. The Treasury Management Strategy contains the Prudential Code Indicators that are designed to assist members' overview and confirm capital expenditure plans. They include, amongst others, the Capital Financing Requirement (CFR) which shows the total historic outstanding capital expenditure that has not yet been paid for from either revenue or capital resources, along with the Authorised Borrowing Limit and Operational Boundary that set maximum thresholds for external borrowing.

4.4. It also includes the Minimum Revenue Provision (MRP) policy, which sets how residual capital expenditure is charged to revenue over time. The broad aim is to ensure that the debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

4.5. Both are required to be approved by Full Council.

5. 2025/26 General Fund Budget – Revised Position

5.1. The Revenue Budget for both the General Fund and the Housing Revenue Account include the associated funding consequences of the Capital Programme, in line with the parameters set out in the Treasury Management Strategy and Annual Investment Strategy.

5.2. In September, the General Fund (GF) indicated a budget deficit of £1,196k in 2025/26 rising to £3,995k by 2028/29, based upon a number of key assumptions (e.g. changes for Government funding mechanisms, inflation rates, pay award, Council Tax level, use of balances/reserves).

5.3. An initial round of savings options were identified totalling £1,836k and presented to the various Policy Development Groups on route to October Cabinet. Following approval of the green and amber rated options, the deficit reduced to £431k, subject to further development of some of the options.

5.4. Following further detailed challenge and review of each service area through a Star Chamber process, further savings were agreed reducing the deficit to £191k in December. This increased to £450k following the announcement of the Local Government Finance Settlement and wider announcements including changes in Employer National Insurance and Extended Producer Responsibility (EPR) for packaging.

5.5. The proposals contained in this report mitigate the remaining £450k and result in a balanced budget for the General Fund (see Appendix 3, p2 - 41). The following table shows the recommended actions necessary to move towards a balanced position:

Table 1 – Reconciliation of proposed balancing adjustments

Movements	**Amount £k**
Budget Shortfall presented to January Cabinet	**450**
Additional Business Rates Growth	(419)
Additional Interest Yield following latest movement in the market	(31)
Proposed Budget for 2025/26	**0**

5.6. As outlined within the January report, work to finalise the Business Rates forecast was underway. This has prudently increased the forecast income by £419k due to growth in the underlying taxbase, the increase in the multiplier and the finalisation of the 2017 appeals list. The Business Rates smoothing reserve has also be updated to reflect the current position. Further detail is provided on this in the separate NNDR1 agenda item for this committee.

5.6.1. The remaining adjustment has been included within the interest yield on investment balances, where interest rates are falling slower than originally forecast.

5.7. In summary, the proposed 2025/26 Budget includes the following key elements:

- Provision for an extra £100k towards the delivery of our Net Zero Carbon commitment;
- An additional officer resource in planning enforcement;
- Five new apprenticeship roles;
- Significant increase in leisure income due to growing membership levels;

In addition, it also mitigates the financial implications of the following:

- The ongoing lateness of the financial settlement, coupled with Devolution / Local Government Reform (LGR) announcement in same week impacting on decision making;
- The continuation of short term (one-year only) funding announcements;
- A cash frozen financial settlement, contrary to the Government's claim of every council receiving a 3.2% real terms increase;
- District councils continue to have lowest referendum limit for Council Tax;
- The political decision to remove Rural Services Delivery Grant and Services Grant without any warning or plausible explanation;
- The likely lack of full compensation for changes in National Insurance despite assurances it would be fully funded;
- The long awaited announcement on Extended Produce Responsibility (EPR) funding, but for one-year only;

5.8. It should be noted that outside of the Local Government Finance Settlement (LGFS) there are a couple of key matters:

5.8.1. <u>National Insurance – Increased Employer Contributions.</u>

Within the Autumn Budget, the Chancellor announced increases to the rate of National Insurance contributions (NICs) paid by employers. The primary rate of secondary Class 1 NICs will increase by 1.2% to 15% (from 13.8%) effective 6 April 2025. Importantly, the Class 1 NICs secondary threshold, at which employers start to pay NICs, will also be reduced to £5,000 (from £9,100) per year. This change will take effect from 6 April 2025 and last until 5 April 2028. Thereafter, the secondary Class 1 NICs threshold will be increased annually in line with the Consumer Price Index (CPI).

The financial implication of this for Mid Devon District Council has been calculated at £466k, split across the General Fund (£369k) and Housing Revenue Account (£97k). Various assurances have been given that the impact of this change would be fully compensated through grant funding.

As part of the LGFS, the Government announced that £515 million of new funding will be provided to support councils with the costs associated with the increase in employer National Insurance Contributions (NICs). Individual allocations will be based on 2023/24 Revenue Outturn data and published at the final settlement.

A methodology note was published as part of the Provisional Settlement. Using that, we have calculated that Mid Devon District Council are forecast to receive £123k, barely a quarter of the total cost incurred. Furthermore, the methodology only uses data relevant to the General Fund. It is currently indicated that Government are not providing funding to the HRA.

5.8.2. <u>Extended Producer Responsibility (EPR) for packaging</u>

Again, within the Autumn Budget, the Government confirmed 2025/26 will be the first year of the Extended Producer Responsibility for Packaging scheme. Beyond the settlement, the extra funding announced includes a guarantee that local authorities in England will receive at least £1.1 billion in total in 2025/26, with each local authority guaranteed at least the level of income indicated in provisional local payment figures which were sent to Chief Executives on 28 November.

For Mid Devon District Council, this funding is £927k.

These payments are excluded from councils' Core Spending Power in 2025/26 and will not be factored into any payments councils receive from the funding floor in 2025/26. However, from 2026/27, this funding will roll into general funding and form part of the LGFS and Core Spending Power.

This funding has been earmarked and will help fund the investment in the waste depot required from changes in Environment Agency regulations, and to ensure the service is fit for the future.

5.8.3. <u>Changes in Business Rates Reliefs</u>
The Government have made a number of adjustments to the Business Rates Scheme that in some cases will materially alter the amount of rates due. These are outside of the Council's control and in the main the Council receives no financial benefit from the change, as the Government provides authorities with compensation for nationally set policies. The main changes are:

- Retail Hospitality and Leisure Relief is being reduced from 75% to 40% from April 2025.
- Primary legislation has been changed so that Private Schools no-longer qualify for Charity Relief.
- The restriction preventing Councils from making a decision to award Discretionary Relief more than 6 months after the end of the relevant financial year has been removed.

6. Transfers To and (From) Earmarked Reserves

6.1. Regard has been made to our existing and future levels of reserves and balances which are required. We have a number of ongoing commitments already made against these reserves and balances (e.g. future capital contributions, economic development and building projects, "spend to save" projects, business transformation, town centre regeneration, future grant settlements).

6.2. Appendix 3 (p41) shows in detail which amounts are being contributed to, or drawn down from, various earmarked reserves in 2025/26. This totals a net increase in Earmarked Reserves of £462k, largely related to the earmarking of the EPR funding.

6.3. It is proposed to transfer £2,225k into earmarked reserves to help mitigate future pressures. This includes:

- £1,003k into various Sinking Funds relating to property, plant and equipment maintenance, and Vehicle replacement and repairs;
- £927k into the Waste Services reserve earmarking the EPR funding that will support the works to the waste depot to meet the EA Regulations and made it fit for the future;
- £120k into the Statutory Development Plan;
- £200k into the Homelessness reserve;
- £50k into a Business Systems Migration reserve; and
- £25k into Elections.

6.4. It is also proposed to drawdown £1,763k to fund expenditure in 2025/26, this includes:

- £381k utilisation of Sinking Funds and Maintenance budgets supporting the investment in our assets;
- £804k utilisation of vehicle reserves supporting the investment in our vehicle fleet;
- £200k utilisation of the Business Rates Smoothing Reserve;
- £125k utilisation of New Homes Bonus (supporting Business Development and Strategic Grants)
- £153k supporting the Statutory Development Plan; and
- £100k towards the one off costs forecast with services.

6.5. In January 2019 Cabinet amended the minimum level of general reserves required to be maintained at £2m. This value has been determined through an assessment of the risks faced to form a weighted average of the value required. This level continues to be prudent due to the resilience offered by the level of Earmarked Reserves which the Council holds for specific projects.

6.6. If the 2024/25 Outturn position does continue as forecast, the General Fund Reserve balance will increase further above the current agreed minimum level of £2,000k. The S151 will review this position at year end and may recommend that any excess is reallocated to bolster earmarked reserves, or be made available for a specific purpose.

6.7. No draw on General Reserves is required to support the 2025/26 Budget.

7. Requirements for Council Tax Setting

7.1. In recent years the Government (via the MHCLG) has become far more prescriptive with regard to acceptable levels of Council Tax increases. The implementation of the Localism Act has effectively replaced Government set “capping limits” and replaced them with principles that allow the local electorate to call for a referendum if the Council is planning to increase its Council Tax above an acceptable level. The level for District Councils confirmed within the Autumn Statement was again set at a maximum of the greater of 3% or £5 for the 2025/26 budget year.

7.2. Although lobbying continues from the sector to increase this “cap” to £14, inline with that allowed by Police Authorities, the ‘acceptable level’ is defined by the Chancellor as part of the national budget-setting process and all government calculations on ‘spending power’ of local authorities are on the basis that authorities increase Council Tax to the maximum amount permitted.

7.3. The Council Tax income included in the proposed budget includes a £6.96 (2.99%) increase. This equates to a Band D charge of £239.12 (a 1% variation to our Council Tax changes the income generated by approximately c£74k).

7.4. The Levelling-Up and Regeneration Act 2023 also amends the Local Government Finance Act 1992 to give billing authorities the discretion to charge additional council tax of up to 100% on dwellings which are occupied periodically, substantially furnished and where no one is resident for council tax purposes, i.e. second homes.

7.5. The decision was originally taken in February 2023, and was reaffirmed in December 2023 following the delay to the regulations and will take effect from 1 April 2025. There are currently 181 properties on our council tax records classified as a second home and would fall under Section 73 of the Act. From 1 April 2025, the estimated additional yield from the premium would be c£450k of which the Council's share would be approximately c£50k. The additional money raised by the second homes premium will be invested back into housing related activity that addresses housing challenges including to acquire additional properties to provide suitable short-term accommodation, to support people with complex needs access housing, and the provision of specialist accommodation with supported facilities for care leavers or youth homelessness more broadly, in common with other councils across Devon.

8. Housing Revenue Account

8.1. The HRA is a ring-fenced account within Mid Devon's financial accounting system. This means that a balanced budget must be set each year including all income and expenditure pertinent to the Council's landlord function and excluding all other income and expenditure (since this would be captured as part of the General Fund budget).

8.2. The Council continues to undertake valuable benchmarking work in conjunction with Housemark. These findings are then used to inform the budget setting process. In doing so, MDDC are able to better identify their position in relation to other authorities in the sector and identify areas for improved efficiency. In addition, the Council uses specific software to help develop its 30-year Business Plan, which ensures detailed calculations support the budget process; albeit based on a wide range of assumptions given the timeframe involved.

8.3. Initially, the HRA budget deficit reported to Cabinet in December forecast a shortfall of £515k for 2025/26, rising to £5,370k by 2029/30. The January Cabinet report proposed a balanced budget for the HRA (see Appendix 3, P42 - 51). The main proposals for the 2025/26 budget can be summarised as follows:

Expenditure:

- An update to the base budget to reflect the additional cost of the higher National Insurance Contribution;
- An assumed pay award for 2025/26 equivalent to 3%;
- A net reduction in the capital financing costs arising from a lower borrowing requirement for the ambitious Housing Development Programme;
- A reduction in the funding of the maintenance programme based on current volumes of delivery; and
- A draw from the long term reserve to support further investment in the housing stock.

Income

- An inflationary increase of 2.7% on existing rents in line with the Governments cap for 2025/26, while continuing to freeze Garage rents and Garage plot ground rents;
- The implication of correcting the Rent Calculation error has been included;
- A decrease in interest yields on balances held; and
- A reduced contribution into the Bad Debt provision based on latest forecasts.

8.4. The ambition to build a significant number of new properties continues across the 5-year Medium Term Financial Plan. The prospect of building new social housing raises the issue of significant future capital financing requirements. Budget at assumed interest rates of circa 5% is included within the future years of the MTFP to finance the build of a number of new highly efficient (zero carbon) modular buildings, subject to securing sufficient funding. Members are reminded that the constraint on increasing stock is still an issue of affordability (and land availability), not the access to borrowing.

8.5. Changes in legislation on Right-to-Buy means that it is now unlikely that properties will be sold, which protects our existing stock and existing rental income. Previously, c.16 houses were sold each year, which reduces the one-off capital receipts that were previously used to fund investment in new stock.

8.6. Similarly, we forecast that we will have a number of void properties during the year. We have a prudent forecast of c.70 voids across the year in line with previous years to reflect the financial implications on tenants of the Cost of Living Crisis. This is broadly in line with the forecast Council Tax collection rate of c.97.5%.

8.7. The final budget summary for the 2025/26 HRA is shown in Appendix 3 (p42 – 51). It will continue to provide for an enhanced housing service which will allow for more capital investment and additions to our existing stock.

8.8. As with the General Fund, it is prudent to maintain the HRA reserve balance at £2,000k. The implications of correcting the Rent Calculation error are expected to be funded from these reserves, meaning that the starting a robust, affordable, plan to replenish the reserve will be required. At the start of 2024/25, other HRA reserves totalled £21,330k. This included £13,943k in the Housing Maintenance Fund (HMF); £746k in the Renewable Energy Fund (REF), £394k in Major Repairs Reserve, and £189k in a Decarbonisation Reserve. It is intended that any expenditure funded from the REF monies be used on renewable energy schemes. The balance is largely the creation of a reserve to smooth the repayment of the PWLB loan used to originally buy the stock in 2013.

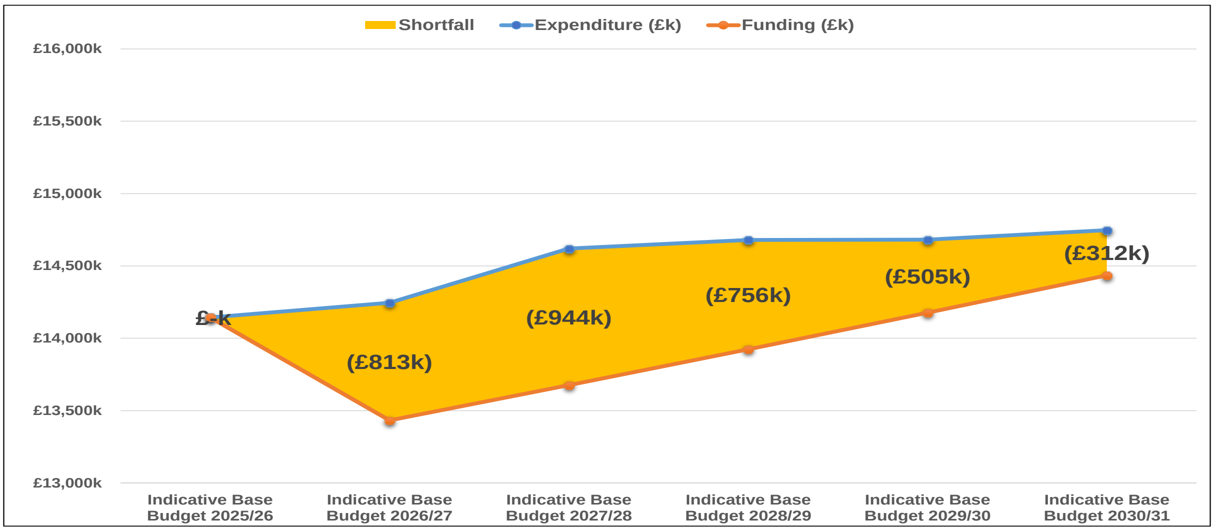
9. Updated MTFP position

9.1. General Fund

9.1.1. The new General Fund MTFP summary position is shown in the table below. It shows a cumulative shortfall of £3,330k over the new five year MTFP which remains to be addressed.

Table 2 – Future Medium Term Financial Plan – General Fund

	2026/27 £k	2027/28 £k	2028/29 £k	2029/30 £k	2030/31 £k
Annual Surplus / Deficit	813	944	756	505	312
Cumulative Surplus/Deficit	**813**	**1,757**	**2,513**	**3,018**	**3,330**



9.1.2. This forecast position also makes a number of prudent assumptions, including:

- Future Government Grant allocations fall by 20% in 2026/27 then remain static for the rest of the MTFP period;
- A partial loss of historic growth in business rates above the baseline, on reset of the business rates system in 2026/27;

- No Business Rates pooling income, which would probably not continue after a reset of the system;
- The reduction in Council Tax referendum principles back to previous levels (£5 or 2%) from 2026/27;
- Pay Award and general inflation in line with assumptions reverting back to "normal" levels from 2026/27 and across the remaining MTFP timeframe;
- Interest yields fall back from 2025/26 in line with inflation assumptions reverting back to "normal" levels across the MTFP timeframe, and amount invested falls reflecting reserves being used to deliver capital projects;
- Capital Financing requirements increase as capacity for internal borrowing reduces over time.

9.1.3. The Government have announced they intend to reform funding for the sector from 2026/27, therefore there remains no clarity on future funding levels. The same level of uncertainty will be facing all local authorities across the country.

9.1.4. Due to the increasing pressures on our budgets and the continuing reduction in our Central Government funding, more pressure is placed upon local taxation and local income generation through fees and charges. The Council will need to assess its overall corporate priorities and where it allocates future budgets, it will also need to consider:

- Statutory vs Discretionary service provision;
- Resident priorities – as per the recent consultation undertaken;
- How it can work more closely with Towns/Parishes;
- Continue to consider any partnership possibilities;
- Review Treasury options;
- Maximise all income possibilities;
- Consider the impact of funding changes: Fair Funding Review; NNDR baseline reset; changes to NHB;
- The need to create investable propositions for our carbon reduction ambitions.

9.1.5. The Council has stated its intent to try and achieve a net zero carbon operation by 2030. There remains a substantial challenge ahead if this target is to be achieved. From a carbon accounting perspective, the fact that we retain direct control (and ownership) over the majority of services means that while our influence is unfettered by long-term commissioning or contractual arrangements, we retain ownership of the significant challenges around decarbonisation. The future year's Capital Programme includes a range of investments in improving the energy efficiency of our property estate, subject to securing sufficient funding.

9.1.6. However, with limited funding available from Government, and any such funding subject to a bidding process, in the short term we will be trying to achieve the maximum possible locally, while taking every opportunity to bid into future funding pots as they arise.

9.1.7. It is clear that local authorities are in desperate need of a multi-year funding agreement rather than the current year-to-year arrangements which do not allow a considered medium term view of the resources that will be available, and, how these may be managed to optimise service provision within the scope of the Corporate Plan. The Government appear committed to providing this from 2026/27, although previous experience shows the contents may not be any less palatable.

9.2. Housing Revenue Account

9.2.1. The HRA MTFP summary position is shown in the table below. It shows a cumulative shortfall of £4,680k over the five-year 2025/26 – 2029/30 MTFP which remains to be addressed.

Table 2 – Future Medium Term Financial Plan – Housing Revenue Account

	2025/26 £k	2026/27 £k	2027/28 £k	2028/29 £k	2029/30 £k
Annual Surplus / Deficit	0	603	1,136	1,432	1,508
Cumulative Surplus/Deficit	**0**	**603**	**1,739**	**3,171**	**4,680**

9.2.2. The underlying assumptions for Pay Awards and inflationary rises are consistent with the General Fund. The higher inflation continues to put pressure on contractor costs and materials. Increased funding provision will need to be assessed for current and emerging legislative requirements, however the main financial pressure for the HRA comes from the ambition to increase the housing stock. If interest rates fall, it is likely that the pressure will ease, but will still need to be carefully managed. In addition, successfully achieving the maximum funding possible from the various government grant routes will minimise the level of local contribution, thereby limiting our borrowing requirement.

9.3. Capital Programme

9.4. There is investment of £93,955k planned within the 2026/27 – 2029/30 Capital Programme. These projections are likely to alter, as we get closer to those years as greater information becomes available. Therefore, only the Capital Programme for 2025/26 is proposed for approval; the indicative future years are only for information and noting.

9.5. The future year's Capital Programme shows increased investment in improving the energy efficiency of our property estate and the continuation of investment to increase the HRA Housing stock. The overall borrowing requirement rises accordingly and therefore so does the associated capital financing costs within the Revenue Budgets. These projects will be further refined over time and will be subject to sufficient funding being available.

10. Conclusion

10.1. The General Fund budget has been set against a backdrop of over a decade of cuts to Public Sector funding, a global pandemic, a once in a generation Cost of Living Crisis, and the closure of the Council's subsidiary housing company. However, the proposed balanced budget protects service delivery at current levels. This has been achieved through savings that minimise any impact on service delivery as far as possible. However, further ongoing budget savings options will need to be identified to mitigate the underlying budget shortfall across the remainder of this MTFP.

10.2. Significant uncertainty remains for the future funding of Local Government, with wholesale reform indicated for 2026/27. We continue to forecast future budgets without great clarity from government. Therefore our projections will need to be revised as and when any clarity is provided, which could be on a drip fed basis through the coming year.

10.3. The capital MTFP is subject to the Council receiving sufficient grant funding and a robust business case being developed for each project. It is, therefore, imperative that capital funds are only spent on those projects that enable the Council to deliver its Corporate Plan objectives, reduce operational cost, or generate a financial return.

10.4. The Council will need to prepare for the future in a timely manner and this is why it will continue to discuss how it can provide a wide range of services in a much reduced funding envelope. The process will continue to involve all staff, Members and our local residents/businesses.

10.5. Cabinet are asked to agree and recommended the contents of this report for approval by Council on 19 February 2025, in particular the 2025/26 Capital Strategy and Capital programme, the 2025/26 Treasury Management Strategy and the 2025/26 Revenue Budgets for the General Fund and Housing Revenue Account.

10.6. With the announcement regarding devolution and local government reorganisation made in the same week as the funding settlement, the council are clearly entering a period of uncertainty and will need to react to this fluid situation with regard to future budget setting, medium term investment evaluation and strategic service delivery decisions.

Financial Implications

This report proposes the 2025/26 Capital Strategy and Capital programme, the 2025/26 Treasury Management Strategy and the 2025/26 Revenue Budgets for the General Fund and Housing Revenue Account in line with the Corporate Plan priorities within existing financial resources without materially reducing service delivery. The Local Government Finance Act requires a balanced budget to be set by Tuesday 11 March 2025.

Legal Implications

None directly arising from this report, although there is a legal obligation to balance the budget. There are legal implications arising from any future consequential decisions to change service provision, but these would be assessed at the time.

Risk Assessment

In order to comply with the requirement to set a balanced budget, management must ensure that the proposed savings are robust and achievable. We must also ensure that the assumptions we have used are realistic and prudent. Failure to set a robust deliverable budget puts the Council at risk of not being able to meet its commitments and casts doubt on its “going concern” and “Value for Money” status.

Impact on Climate Change

The allocation of resources will impact upon the Council’s ability to implement/fund new activities linked to climate change, as the MTFP sets the broad budgetary framework for the Council over the coming years. However, some provision has already been included in the base budget and further investment is included within the Capital Programme, however this will be dependent upon full options appraisals and levels of Grant funding available.

Equalities Impact Assessment

There are no Equalities Impact implications relating to the content of this report. All Policy Development Group meetings have considered and made decisions based on summary feedback from the recently completed resident’s survey.

Relationship to Corporate Plan

The Medium Term Financial Plan (MTFP) sets out the financial resources available to deliver the Council’s ongoing Corporate Plan priorities.

Section 3 – Statutory Officer sign-off/mandatory checks

Statutory Officer: 21/01/2025
Agreed by or on behalf of the Section 151
Date: Andrew Jarrett

Statutory Officer: 21/01/2025
Agreed on behalf of the Monitoring Officer
Date: Maria De Leiburne

Chief Officer: 21/01/2025
Agreed by or on behalf of the Chief Executive/Corporate Director
Date: Stephen Walford

Performance and risk: 21/01/2025
Agreed on behalf of the Corporate Performance & Improvement Manager
Date: Dr Stephen Carr

Cabinet member notified: Yes

Section 4 - Contact Details and Background Papers

Contact: Andrew Jarrett – Deputy Chief Executive (S151)
Email: ajarrett@middevon.gov.uk
Telephone: 01884 234242

Contact: Paul Deal – Corporate Manager for Finance, Property and Climate Change
Email: pdeal@middevon.gov.uk
Telephone: 01884 234254

Background papers:
- 2025/26 – 2029/30 Medium Term Financial Plan update (September Cabinet)
- 2025/26 – 2029/30 Medium Term Financial Plan update (October Cabinet)
- 2025/26 Council Tax Taxbase (November Cabinet)
- 2025/26 Draft Budget (December Cabinet)
- 2025/26 Draft Budget (January Cabinet)
- 2025/26 NNDR1 – (February Cabinet – this meeting agenda)