

**Report for: Cabinet**

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Date of Meeting: 7 October 2025

Subject: 2026/27 Draft Budget Update

Cabinet Member: Cllr John Downes – Cabinet Member for Governance, Finance and Risk

Responsible Officer: Andrew Jarrett – Deputy Chief Executive (S151)

Exempt: N/a

Wards Affected: All

Enclosures: Appendix 1 – Emerging Budget Pressures  
Appendix 2 – Savings Options – General Fund - Cabinet  
Appendix 3 – Savings Options – General Fund - PDGs  
Appendix 4 – HRA Savings Options

**Section 1 – Summary and Recommendation(s)**

To present to Members the potential pressures and savings options for consideration / approval to mitigate the forecast Medium Term Financial Plan (MTFP) shortfall covering the period 2026/27 to 2028/29.

**Recommendation(s):**

**That Cabinet Members:**

1. Consider and agree the Green and Amber pressures on the General Fund within Appendix 1;
2. Consider and agree the Green and Amber savings options for the General Fund for services reporting directly into the Cabinet, as shown within Appendix 2;
3. Consider and agree the Green and Amber savings options for the General Fund for services reporting into the five Policy Development Groups Cabinet within Appendix 3, taking into account the recommendations from the Policy Development Groups as noted in paragraph 2.11;
4. Consider and agree the Green and Amber savings options for the Housing Revenue Account within Appendix 4, taking into account the recommendations from the Homes Policy Development Group as noted in paragraph 2.11;

5. Consider the pressures / savings options with a red risk/deliverability rating within Appendices 1 – 4 and agree if any should be included within the 2026/27 Budget;
6. Consider any additional suggestions to balance the remaining shortfall for both the General Fund and Housing Revenue Account and request that the Policy Development Groups identify further savings options and recommend back to Cabinet for approval.

## **Section 2 – Report**

### **1.0 Introduction and purpose of the Medium Term Financial Plan**

- 1.1 The main purpose of the MTFP is to show how the Council will strategically manage its finances in order to support the delivery of the priorities detailed in the Corporate Plan 2024 – 2028 and years beyond that.
- 1.2 On 2 September, the first draft MTFP covering the period 2026/27 to 2028/29 for the General Fund and Housing Revenue Account (HRA) was presented to Cabinet. For the General Fund, this estimated a funding shortfall for 2026/27 within the range £846k to £3,350k, due to the significant uncertainty surrounding future funding streams. This number is largely driven by inflation and assumptions around further cuts in grant funding using the most up to date information available at this time. Clearly, any major variations in these assumptions would require a fundamental review of the Council's MTFP and would be reported back to Cabinet and the wider Membership as soon as practical, coupled with proposed courses of action.
- 1.3 For the HRA, an estimated funding shortfall of £541k in 2026/27 rising to £1,796k by 2028/29 was presented. The future years shortfall is a cumulative figure without any remedial action taken, i.e. if the £546k is found to balance the 2026/27 position, the overall budget gap will reduce to £1,255k.
- 1.4 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 agreed to apply the four main principles for balancing the budget, and therefore need to take the necessary decisions and actions to manage net spending within affordable limits.

### **2.0 2026/27 Budget Options – General Fund**

- 2.1 During the summer, Leadership Team and senior service managers have been reviewing a range of budget options that could be considered in order to help mitigate that remaining budget shortfall across this MTFP, with a particular focus on 2026/27. Indicative areas where possible budget pressures (**Appendix 1**) are being felt and budget savings (**Appendices 2 and 3**) could be found have formed the basis of the discussions with the Policy Development Groups (PDGs). In addition the PDGs were asked to identify further options to resolve the immediate budget gap for 2026/27 and future years.

- 2.2 In putting forward the options, officers have applied a risk level to them based upon Red, Amber, Green as follows:

**Red** – indicates the saving could be taken, but there are higher risks/ implications associated with it and therefore officers would not recommend it;

**Amber** – indicates the saving could be taken, but there are risks and implications associated that members need to be aware of / accept;

**Green** – indicates a saving that is recommended by officers.

**Officers recommend approving the Green and Amber Pressures and Savings. However the Policy Development Group views are included within paragraph 2.8 below.**

- 2.3 Within the proposals put forward, a number have options for the level of pressure / saving. For example, in terms of setting a fee, the minimum proposals would be to increase by inflation, but Members could choose to go beyond this and increase the fee further, thereby potentially generating additional income. Within the Appendices and table below, Option 1 is the officer recommendation and is included as Green. Option 2 is considered Amber, with Option 3 classified as Red.
- 2.4 In addition, a number of the budget options contain potential proposals to reduce staffing. This will only be possible through natural staff turnover and therefore cannot be guaranteed. Furthermore, these savings will further stretch service delivery and is likely to lead to lower levels of service provision if agreed. Therefore, it is proposed that only a proportion of the overall value is assumed within the budget, increasing the existing Vacancy Target within the baseline by either £181k (20% of total saving, amber risk) or £272k (30% of total saving, red risk).
- 2.5 Based on only accepting the Green and Amber budget proposals, the overall 2026/27 position is forecast to move as set out below:

	Option 1a	Option 1b	Option 1c
<b>Initial forecast Shortfall</b>	<b>£919k</b>	<b>£846k</b>	<b>£3,350k</b>
<b>Emerging Budget Pressures – Appendix 1</b>			
Green and Amber	+ £1,513k	+ £1,513k	+ £1,513k
<b>Budget Proposals Identified (Green and Amber inc Option 1):</b>			
Cabinet – Appendix 2	(£703k)	(£703k)	(£703k)
Economy & Assets PDG – Appendix 3	(£85k)	(£85k)	(£85k)
Community, People and Equalities PDG – Appendix 3	(£20k)	(£20k)	(£20k)
Homes – Appendix 3	(£125k)	(£125k)	(£125k)
Planning, Environment & Sustainability PDG – Appendix 3	(£120k)	(£120k)	(£120k)
Service Delivery & Continuous Improvement PDG – Appendix 3	(£364k)	(£364k)	(£364k)
<b>Total Green &amp; Amber Savings Options</b>	<b>(£1,417k)</b>	<b>(£1,417k)</b>	<b>(£1,417k)</b>
<b>Revised forecast Shortfall</b>	<b>£1,015k</b>	<b>£942k</b>	<b>£3,446k</b>

- 2.6 **This position reflects the recommendations from officers.**  
Officers will continue to look at further options to mitigate the shortfall.

- 2.7 Clearly this leaves a sizeable shortfall still to be addressed. This could be reduced by the inclusion of the stretched savings options (Option 2 or 3 where relevant). These options are mutually exclusive, meaning only one option can be implemented.

Replacing Option 1 savings with Option 2 savings that are categorised as Amber, potentially further reduces the shortfall to:

<b>Revised forecast Shortfall (see above)</b>	<b>£1,015k</b>	<b>£942k</b>	<b>£3,446k</b>
<b>Add back Green Option 1 saving – SD &amp; CI Appendix 3</b>	<b>£89k</b>	<b>£89k</b>	<b>£89k</b>
<b>Stretch Budget Proposals Identified (inc Options 2):</b>			
Replace with Amber Savings Options – SD & CI Appendix 3	(£206k)	(£206k)	(£206k)
<b>Potential Revised forecast Shortfall</b>	<b>£898k</b>	<b>£825k</b>	<b>£3,329k</b>

**It should be noted that the Service Delivery & Continuous Improvement Policy Development Group did not wish to recommend using the stretched savings options.**

- 2.8 Applying the Red savings (option 3 instead of Amber option 2), potentially further reduces the shortfall to:

<b>Revised forecast Shortfall (see above)</b>	<b>£1,015k</b>	<b>£942k</b>	<b>£3,446k</b>
<b>Add back Amber Option 1 or 2 saving</b>			
Green Option 1 saving – SD & CI Appendix 3	£89k	£89k	£89k
Cabinet – Appendix 2	£181k	£181k	£181k
<b>Total Amber Savings</b>	<b>£270k</b>	<b>£270k</b>	<b>£270k</b>
<b>Stretch Budget Proposals Identified (inc Options 3):</b>			
Red Budget Savings Proposals Identified – Appendix 2	(£322k)	(£322k)	(£322k)
Red Budget Proposals Identified – Appendix 3	(£290k)	(£290k)	(£290k)
Red Budget Proposals Identified (inc Options 2 & 3 – Appendix 3)	(£339k)	(£339k)	(£339k)
<b>Total Red Savings Options</b>	<b>(£951k)</b>	<b>(£951k)</b>	<b>(£951k)</b>
<b>Potential Revised forecast Shortfall</b>	<b>£334k</b>	<b>£261k</b>	<b>£2,765k</b>

Note, the above exclude the Red Pressures identified which sum to £160k.

**It should be noted that officers are not recommending the inclusion of red risk savings at this time, and none of the Policy Development Groups supported the inclusion of these savings options.**

- 2.9 If the funding settlement is in line with Option 1a or 1b, and all savings options proposed were maximised (stretched) and agreed, the projected shortfall is reduced to such a level that could be managed through a small draw from reserves. However, it should be noted that this goes beyond the officer recommendations and would have negative implications for service delivery.

2.10 Under option 1c, there clearly remains a significant budget shortfall in 2026/27. Therefore, all possible options to increase income or reduce costs must be considered. This will require all service areas to play an active role in securing future savings and the Council will also continue to consult with all of its major stakeholders, especially the tax payers, to ensure all future budgetary decisions accord with their priorities. Further options will be investigated and will be brought forward for consideration over the next few months in the run in to setting the 2026/27 budget in February 2026.

2.11 During the PDG discussions, the following recommendations were made:

- SD & CI PDG – that only the Green (option 1) savings were accepted

The relevant Amber savings within that PDG sum to £260k. However, the bulk of those relate the potential level of Extended Producer Responsibility Grant, whatever the level of grant award, this will be included within the base budget, and therefore the officer's view of the applicable risk that this value doesn't materialise is considered relatively low.

- Community PDG – that Appendix 3 – row 20 – Cease Community Development Grants – (£120k red saving) was rejected.

As a red saving, this is not the recommendation of officers anyway.

- Economy & Assets PDG – that Cabinet positively and more flexibly consider the red saving proposal for letting out further space within Phoenix House (Appendix 3 – Row 7). Consideration should be given to identifying a suitable partner organisation to maximise the usage of the building and potentially build greater working relationships.

Whilst this is possible, with Local Government Reorganisation on the horizon, the pool of potential partners wishing the rent is extremely limited. Hence the red risk rating.

- PES PDG – the committee were concerned about a potential reduction in Section 106 monitoring fees (Appendix 2 – row 15) and whether this would affect the quality of the facilities being provided. The committee asked that S106 income be considered further.

This is a pressure and therefore this increased the budget for S106 Monitoring Fees. Officers continue to recommend approval of this pressure.

- Homes PDG – no comments were received and all proposals were supported.

2.12 Members will appreciate that all budget options will require political support and therefore if some suggestions are deemed unacceptable then other savings will need to be proposed. Members should indicate where these alternatives should be sought.

### 3.0 2026/27 Budget Options – Housing Revenue Account

- 3.1 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).
- 3.2 Similar to the General Fund, Leadership Team have worked with the HRA to identify a range of budget options that could be considered in order to help mitigate that remaining budget shortfall across this MTFP, with a particular focus on 2026/27. The RAG (Red, Amber, Green) approach has been applied, along with Option 1 being considered Amber and Option 2 being considered Red where applicable. These options were considered by the Homes PDG.
- 3.3 The overall forecast position for the HRA is as follows:

		2026/27
<b>Initial forecast Shortfall</b>		<b>£546k</b>
Emerging Budget Pressures / (Savings)		
Green Savings	Appendix 3	(£27k)
Amber Savings		(£450k)
<b>Total Savings Options</b>		<b>(£477k)</b>
<b>Revised forecast (Surplus) / Shortfall</b>		<b>£69k</b>

- 3.4 Therefore, if the assumptions are correct, there remains a small shortfall to be addressed.
- 3.5 This could be mitigated by the inclusion of the red risk saving (option 2). Note, in this case, the red saving is in addition to the amber saving as it stretches the saving possibility, not replaces it. If the red option was supported, this could be sufficient to mitigate the current projected shortfall.

### 4.0 Conclusion

- 4.1 The potential significant General Fund budget shortfall remaining if only Green and Amber options are agreed, or if option 1c becomes reality, is a significant challenge and the identification of further budget reductions is critical to balancing the budget for 2026/27 and indeed future years.
- 4.2 Whilst every effort will be made to identify efficiency savings, given the scale of the likely funding reductions it is unlikely that a sufficient level can be identified to fully balance the 2026/27 budget without significant implications on service provision. Also, there is an extremely limited time frame available between finalisation of the funding settlement and setting the budget for 2026/27.

- 4.3 As members are aware, the Autumn Budget is now set for 26 November which means any settlement announcement is going to be later than previously advised which will result in the detail at local authority level potentially being announced later than anticipated. This may require additional information being present to members either late or outside of the standard committee papers process. In addition to this challenge, changes in key senior ministerial positions are also likely to potentially build further uncertainty and delay into these announcements.
- 4.4 Therefore, as a result of this combination of issues, it is highly likely that some level of draw from reserves may be required, and a full review of Earmarked Reserves will be necessary to see what can be realigned, and whether a minimum balance of £2m in General Reserves can be maintained.
- 4.5 The MTFP will continue to be updated to ensure it is a live document. It is subject to amendment and review by Leadership Team and Members and will provide a clear guide prior to commencing the annual budget setting process in future years.
- 4.6 In order to conclude the statutory budget setting process, updates to the draft budget position will go through the November PDG's and all Cabinet meetings in the run up to the budget being agreed at Full Council on the 18 February 2026. During this period Officers will continue to identify and examine further savings possibilities that can reduce the longer term budget gap.

## **Financial Implications**

By undertaking regular reviews of the MTFP the Council can ensure that its Corporate Plan priorities are affordable. The implications of the budget gap are set out within the paper. Many areas require greater clarity, particularly around national funding and possible changes to Government Policy. Therefore a number of key assumptions underpin the reported position, which will be refined as greater clarity is received through the budget setting process.

## **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**

The MTFP makes a number of financial assumptions based on a sensible/prudent approach, taking account of the most up to date professional advice that is available. These continue to be kept under review and updated where necessary.

## **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 evaluation/consideration will be made as the draft budget passes through the PDGs over the next few months. Significant investment is currently forecast within the Capital Programme, however this will be dependent upon full options appraisals and levels of Grant funding available.

### **Equalities Impact Assessment**

No implications arising from this report.

### **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:** Andrew Jarrett

Agreed by or on behalf of the Section 151

**Date:** 23 September 2025 via Leadership Team meeting

**Statutory Officer:** Maria De Leburne

Agreed on behalf of the Monitoring Officer

**Date:** 23 September 2025 via Leadership Team meeting

**Chief Officer:** Stephen Walford

Agreed by or on behalf of the Chief Executive/Corporate Director

**Date:** 23 September 2025 via Leadership Team meeting

**Performance and risk:** Dr Stephen Carr

Agreed on behalf of the Corporate Performance & Improvement Manager

**Date:** 23 September 2025

**Cabinet member notified:** Yes

## **Section 4 - Contact Details and Background Papers**

**Contact:** Andrew Jarrett – Deputy Chief Executive (S151)

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### **Background papers:**

- 2025/26 Budget
- 2025/26 Qtr. 1 Budget Monitor
- 2 September Cabinet report – 2026/27 – 2028/29 MTFP