

**Report for: Cabinet**

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Date of Meeting:	4 November 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 1a – Emerging 2026/27 – 2030/31 Capital Programme for the General Fund Appendix 1b – Emerging 2026/27 – 2030/31 Capital Programme for the Housing Revenue Account

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

To approve the budget options as previously recommended by the Policy Development Groups to mitigate the forecast Medium-Term Financial Plan (MTFP) shortfall covering the period 2026/27 to 2028/29. Also, to trail the emerging Capital Programme covering the period 2026/27 to 2030/31.

**Recommendation(s):**

**That Cabinet Members:**

1. Consider and agree to leave amber budget options in as budget planning assumptions until clarity is received from the government financial settlement announcement;
2. Consider and comment on the emerging Capital Programme covering the period 2026/27 to 2030/31 within Appendix 1a and 1b;
3. Note that there remains little clarity on the financial settlement currently and that this is likely to require additional ad hoc updates as and when greater information is known, particularly following the announcement of the Local Government Finance Settlement.

## 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 to support the delivery of the priorities detailed in the Corporate Plan 2024 – 2028 and years beyond that.
- 1.2 On 02 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.
- 1.3 During the summer, Leadership Team and senior service managers have been reviewing a range of budget options that could be considered to help mitigate that remaining budget shortfall across this MTFP, with a particular focus on 2026/27. In putting forward the budget 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 – previously approved.

- 1.4 On 07 October, Cabinet agreed the Green Budget Options summing to a net pressure of £974k (£1,325k pressures and £351k savings). Based on the original assumptions, this increases the current projected funding shortfall to a range of £1,820k to £4,324k.

Table 1

General Fund	Option 1a	Option 1b	Option 1c
<b>Initial forecast Shortfall</b>	<b>£919k</b>	<b>£846k</b>	<b>£3,350k</b>
Net Impact of decision on 7 October	+£974k	+£974k	+£974k
<b>Current Forecast Shortfall</b>	<b>+ £1,893k</b>	<b>+ £1,820k</b>	<b>+ £4,324k</b>

- 1.5 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. Also on 07 October, Cabinet agreed the Green Budget Options summing to £27k, thereby reducing the forecast shortfall to £514k for 2026/27 and £1,769k over the MTFP timeframe.

Table 2

Housing Revenue Account	Budget Shortfall
Initial forecast Shortfall	£541k
Net Impact of decision on 7 October	- £27k
Current Forecast Shortfall	£514k

1.6 Cabinet deferred consideration of the Amber and Red Budget Options until this meeting.

1.7 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 Following the deferral of the Amber and Red Budget Options, this report seeks approval for those Budget Options in line with the recommendations of the Policy Development Groups (PDGs). Since the last meeting, Leadership Team and senior service managers have further reviewed these budget options and updated narrative or values and risk rating as required, based upon the latest position. This has not materially altered the options as previously considered.

2.2 Officers continue to recommend approving the Green and Amber Pressures and Savings. However, during the PDG discussions, the following recommendations were made, with the officer response included below:

- **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 (saving ref 40). Within 2025/26, the indicative level of grant is £1,380k, whilst within the MTFP assumptions, £1,000k has been included. This amber option increases that to £1,200k, well below the current year allocation. 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.

The other Amber savings (savings ref 30 and 31) relate to an option to amend the sports offering at the leisure centres – this is time specific, and any further delay could mean less income.

- **Community PDG – that Appendix 3 – saving ref 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 – saving ref). 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. Letting space at below commercial rate does not return the potential value included within this option. Hence the red risk rating.

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

This is a green pressure and therefore this increases the budget for S106 Monitoring Fees. This was accepted at October Cabinet.

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

2.3 There clearly remains a significant budget shortfall in 2026/27 for the General Fund. Therefore, tacit approval is sought for those budget options in line with the recommendations of the PDGs. A further review of all the budget options will be undertaken once full clarity is available on the funding position and the 2026/27 budget is finalised in February.

2.4 Similarly, if tacit approval is given for the HRA budget options in line with the recommendations of the Homes PDG, a small shortfall will remain. This could be mitigated by the inclusion of the red risk saving (Convergence option 2 - using up to a £2 per week cap – if the Government consultation outcome enables this). The November Homes PDG will consider this in more detail.

2.5 Further updates will be brought forward as necessary and available, and further budget options will be investigated and proposed for consideration over the next few months in the run in to setting the 2026/27 budget in February 2026.

**3.0 2026/27 – 2030/31 Capital Programme** The Overall Capital Programme includes new bids for capital funding to support new programmes as well as updated to 'rolling' approvals from current and prior year's Capital Programmes.

3.2 The draft Capital Programme has been reviewed/challenged by the Corporate Strategic Asset Advisory Group (CSAG) prior to being proposed. The final programme being brought forward for approval in February.

- 3.3 Generally, the bids are restricted to replacement equipment, largely based upon health and safety requirements in the leisure centres, new ICT kit, income generation schemes, economic regeneration schemes or invest to save bids.
- 3.4 **Appendix 1a** provides a summary of the new bids received for the new 2026/27 – 2030/31 Capital Programme from General Fund services areas and **Appendix 1b** for the Housing Revenue Account. In February, Members' will be asked to approve the Year 1 programme and note the indicative future years.
- 3.5 Table 3 below shows the forecast capital expenditure profile during the life of the MTFP and the Deliverable Budget for each year.

Table 3

<b>Expenditure Profile</b>	<b>2026/27 £k</b>	<b>2027/28 £k</b>	<b>2028/29 £k</b>	<b>2029/30 £k</b>	<b>2030/31 £k</b>	<b>Total £k</b>
General Fund	2,178	903	20	20	3,354	<b>6,485</b>
Housing Revenue Account	5,797	17,477	-305	-14,275	4,265	<b>12,959</b>
<b>Overall Deliverable Budget</b>	<b>7,975</b>	<b>18,380</b>	<b>-285</b>	<b>-14,245</b>	<b>7,619</b>	<b>19,444</b>

Note, the minus figures show an acceleration of expenditure from previous assumptions.

- 3.6 In terms of associated funding, a prudent forecast of capital receipts is factored into the model, with no major asset sales anticipated. Similarly, prudent assumptions are included for the availability of Capital Grant to help mitigate some of the proposed costs. If additional receipts are generated, or grant received, the capital prioritisation list could be revisited to bring forward new schemes into the programme or decrease any borrowing requirement.
- 3.7 Currently any revenue contribution to the Capital Programme is limited to funding held within Earmarked Reserves (i.e. Sinking Funds). Ultimately, any outstanding funding requirement after utilising revenue contributions, reserves and any external funding sources will need to be funded through Prudential Borrowing. This will be refined and updated as we move through the MTFP timeframe.

## 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 timeframe 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. In addition to this challenge, changes in key senior ministerial positions are also likely to potentially build further uncertainty and delay into these announcements. This may require additional information being presented to members either late or outside of the standard committee papers process.
- 4.4 Therefore, because 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 To conclude the statutory budget setting process, updates to the draft budget position will be brought as and when greater clarity emerges 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, several 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 several key 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 Officer

**Date:** 27 October 2025

**Statutory Officer:** Maria De Leiburne

Agreed on behalf of the Monitoring Officer

**Date:** 27 October 2025

**Chief Officer:** Andrew Jarrett

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

**Date:** 27 October 2025

**Performance and risk:** Dr Stephen Carr

Agreed on behalf of the Corporate Performance & Improvement Manager

**Date:** 24 October 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
- 2025/26 Qtr. 2 Budget Monitor
- 2 September Cabinet report – 2026/27 – 2028/29 MTFP
- 7 October Cabinet report – 2026/27 Budget Update