

Report for: Homes Policy Development Group

Date of Meeting:	18 November 2025
Subject:	2026/27 Draft Budget Update
Cabinet Member:	Cllr John Downes – Cabinet Member for Governance, Finance and Risk Cllr Jane Lock – Cabinet Member for Housing, Assets and Property
Responsible Officer:	Andrew Jarrett – Deputy Chief Executive (S151)
Exempt:	N/a
Wards Affected:	All
Enclosures:	Appendix 1 – Emerging 2026/27 – 2030/31 Capital Programme

Section 1 – Summary and Recommendation(s)

To present to members an update on the 2026/27 Budget and to trail the emerging Capital Programme covering the period 2026/27 to 2030/31.

Recommendation(s):

That Members of the Policy Development Group:

1. Note the update on the 2026/27 Budget, noting 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;
2. Consider and comment on the emerging Capital Programme covering the period 2026/27 to 2030/31 within Appendix 1;

Section 2 – Report

1.0 Introduction

- 1.1 At the September meeting, the first draft MTFP covering the period 2026/27 to 2028/29 for the General Fund was presented, estimating a funding shortfall for

2026/27 within the range £846k to £3,350k, due to the significant uncertainty surrounding future funding streams. For the HRA, an estimated funding shortfall of £541k in 2026/27 rising to £1,796k by 2028/29 was presented.

- 1.2 The committee discussed a range of budget options that could help mitigate the budget shortfall, considering the Red, Amber, Green risk level applied to them by officers, 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.

- 1.3 The committee considered the budget options and accepted the recommendation to Cabinet to approve the Green and Amber budget proposals.
- 1.4 On 07 October, Cabinet agreed the Green Budget Options. For the General Fund this summed 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. For the HRA, there was only one Green saving for £27k, reducing the shortfall to £514k for 2026/27 and £1,769k over the MTFP timeframe.
- 1.5 The 04 November Cabinet are recommended to give tacit approval as a budget planning assumption to the recommendations of the Policy Development Groups (PDGs). For the General Fund, all the budget options presented were Green, therefore there is no additional impact of the November Cabinet recommendation. However, for the HRA, Amber savings options were included which will see a reduction to the shortfall of £450k if agreed in principle. This would still leave a shortfall of £64k on the 2026/27 HRA budget, although this is likely to be covered by the confirmation that rents can now be increased by up to 4.8% (September CPI +1%).and
- 1.6 However, there remains a shortfall of £1,319k over the longer term that needs to be addressed. There are also a number of national policy decisions that will also impact on the longer term HRA budget, including but not limited to the Decent Homes Standard, Awaab's Law and the requirement for additional social housing and the associated financing implications if insufficient grant funding is available.
- 1.7 One option that would benefit both the 2026/27 budget and the longer-term position is Rent Convergence. Within the budget options are the implications for either £1 per week (Amber) or £2 per week (Red) – we await the outcome of the Government consultation on this matter – see section 3 below.

2.0 2026/27 Budget Update

- 2.1 As Members are aware, there is very little clarity available on the future funding decisions for the Local Government Sector. Since the last meeting of this committee, this position has not improved with few announcements received. However, one element of the HRA budget has now been confirmed; CPI inflation for September was announced at 3.8%, meaning the increase in social rents is capped at 4.8% for 2026/27.
- 2.2 Potentially, a policy note could be published shortly that might provide more clarity on the direction of travel, but this has not been received at the time of publishing this report. This will not provide clarity on individual authority funding.
- 2.3 The Autumn Budget is 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.
- 2.4 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.
- 2.5 However, because of the lack of clarity and timeframe to react, 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.
- 2.6 There clearly remains a significant budget shortfall in 2026/27 for the General Fund. 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.

3.0 HRA Social Rent Convergence

- 3.1 At the September committee meeting, a presentation was given on this topic as part of an update on several national changes. Rent Convergence enable social rents for historic tenancies to be brought up the level of the National Formula Rent, aligning rents over a 10-year period. The government consultation, which proposed adjustments of either a £1 or £2 per week, has now closed and we await the outcome.
- 3.2 For context, currently more than half MDH tenants have long-standing rents that sit below Formula rent that can only be lifted when the tenancy changes.
- 3.3 Specifically, the following tables set out the potential increase in rental income, and the convergence on historic rentals:

Year	£1.00 cap			
	Increase in Rent		Houses moved to Formula Rent	
	Annual	Cumulative	Converged pa	Cumulative

2026.27	137,143	137,143	93	93
2027.28	136,082	273,225	110	203
2028.29	135,539	408,764	4	207
2029.30	125,422	534,186	27	234
2030.31	73,013	607,199	429	663
2031.32	64,111	671,310	924	1,587
2032.33	61,056	732,366	1	1,588
2033.34	48,752	781,118	80	1,668
2034.35	42,940	824,058	324	1,992
2035.36	42,328	866,386	14	2,006
		5,835,755	2,006	
			814	Not converged
			2820	Total stock
Year	£2.00 cap			
	Increase in Rent		Houses moved to Formula Rent	
	Annual	Cumulative	Converged pa	Cumulative
2026.27	273,219	273,219	93	93
2027.28	257,444	530,663	114	207
2028.29	131,679	662,342	827	1034
2029.30	102,545	764,887	618	1652
2030.31	84,841	849,728	340	1992
2031.32	43,745	893,473	16	2008
2032.33	17,113	910,586	590	2598
2033.34	7,993	918,579	97	2695
2034.35	3,536	922,115	91	2786
2035.36	3,478	925,593	0	2786
		7,651,185	2786	
			34	Not converged
			2820	Total stock

- 4.0 2026/27 – 2030/31 Capital Programme** The Capital Programme includes new bids for capital funding to support new programmes as well as updates to ‘rolling’ approvals from current and prior year’s Capital Programmes.
- 4.2 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.
- 4.3 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.
- 4.4 **Appendix 1** provides a summary of the new bids received for the new 2026/27 – 2030/31 Capital Programme from General Fund services reporting through to this committee, along with the HRA’s proposed programme. In February, Members’ will be asked to approve the Year 1 programme and note the indicative future years. Members are asked to consider and comment on these bids, feeding into the development of the programme.

- 4.5 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.
- 4.6 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.

5.0 Conclusion

- 5.1 The potential significant General Fund budget shortfall remaining if only Green and Amber options are agreed, or if option 1c (the estimated budget gap of £3.446m as per the 7/10/25 Cabinet report) 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. For the HRA, approval of the Amber savings will leave the HRA with only a small shortfall remaining.
- 5.2 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. This may require additional information being presented to members either late or outside of the standard committee papers process.
- 5.3 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.
- 5.4 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

Date: 30 October 2025

Statutory Officer: Maria De Leburne

Agreed on behalf of the Monitoring Officer

Date: 30 October 2025

Chief Officer: Stephen Walford

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

Date: 30 October 2025

Performance and risk: Dr Stephen Carr

Agreed on behalf of the Corporate Performance & Improvement Manager

Date: 30 October 2025

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

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
- 4 November Cabinet report – 2026/27 Budget Update