

EXECUTIVE

Tuesday 16 December 2025

92

2026/27 BUDGET STRATEGY AND MEDIUM-TERM FINANCIAL PLAN

The Executive received the report which provided a strategic overview of the budgetary position for the 2026/27 financial year and beyond which included the likely level of available resources, the known demand for resources and the proposals to ensure that a balanced budget could be achieved. It was noted the Council was required to set a balanced budget and Council Tax prior to the start of the financial year.

Particular reference was made to:

- the report was being presented early due to there being no January Executive meeting and the report was prepared before the final central government finance settlement was received;
- the report reflected the current estimates of the Fair Funding review and was the first multi-year settlement in over a decade;
- the report set out the assumptions for the current estimates for the next financial year, which included inflation and interest rates;
- external consultants had been used for forecasting the Fair Funding review and business rate resets;
- the government was using a new national formula to assess how much income the Council could raise from council tax and the report outlined expected changes to council tax capacity, business rates retention, and formula grants;
- the overall financial outlook was more positive, with a balanced budget achievable without difficult decisions and over £1 million of budget reductions had been identified, mainly from aligning budgets with actual income and spending;
- the largest saving would be £645,000 from reduced gas and electricity costs; and
- budget proposals would be given to Members at a briefing in January 2026 once the settlement was confirmed and the final budget would be presented to Council for approval in February 2026.

During the discussion, Executive Members raised the following points and questions:

- the positive budget outlook was welcomed and officers were thanked for identifying major savings;
- the council was praised for its long term long-term prudence and leadership for the current financial position and avoiding major service cuts;
- the upcoming government finance settlement, fair funding review, and multi-year settlement was welcomed;
- the budget would provide a positive impact, especially given Exeter's historically low council tax and it was a more positive year-end than in recent years;
- clarification was sought on inflation assumptions in the budget table, including gas at 0%, motor fuel, and insurance increases;

- the positive savings relating to the City Management Portfolio were highlighted and the £100,000 additional income from recycling sales was commended, and residents were thanked for their participation;
- the £100,000 savings on fleet hire costs and £30,000 reduction in fuel costs were praised, which supported reduced carbon emissions;
- officer leadership and assurances on budget management was commended; and
- it was enquired whether the Fair Funding Review would close the funding gap for Devon authorities or whether the area was likely to remain low-funded compared to other councils despite the reforms?

In response to questions raised by Executive Members, the Head of Service Finance advised that:

- the 5 - 18% insurance increase reflected the different uplifts across various insurance policies and insurance inflation was based on an insurers' assessment of risk profiles and wider market conditions, not just council-specific factors;
- policies likely to be affected included public liability and motor fleets; and
- the intention of the fair funding review was on creating a consistent and fair national funding formula for all districts. Council Tax equalisation was a key mechanism for reducing funding imbalances between authorities.

Opposition group leaders made the following points and questions:

- clarification was sought on the £2.1 million funding gap in the Medium Term Financial Strategy and whether the gap applied across the full three-year period or mainly in the first year?
- clarification on committee expenditure was sought, which appeared much higher in the current year compared to future years;
- further explanation of the revenue figures was sought;
- appendix 2 of the report identified £1 million in proposed income generation or savings, but the budget highlighted an additional £500,000 being carried forward from previous budget decisions and further clarification was sought; and
- public communications suggested that there would be no cuts required and clarity on the budget position was sought.

In response to questions raised by opposition Members, the Head of Service Finance advised that:

- the funding gap table covered multiple years because it reflected the required three year period of Medium Term Financial Plan;
- savings taken in one year were recurring and become part of the base budget;
- the peak in committee expenditure in 2025–26 reflected the approved supplementary budgets, which were typically one off, and as such reduced in later years;
- the £590,000 of prior-year savings included £500,000 from the digitalisation programme and £90,000 from additional income at the Matford Centre.

The Head of Service Finance advised that the term 'committee expenditure' was largely historic terminology and agreed that a more accurate description would be 'net service expenditure' which would be used in future years.

The Leader moved the recommendations, which were seconded by Councillor Foale, voted upon, and CARRIED unanimously.

RECOMMENDED that Council note the contents of the report and approve the proposals to establish a balanced Revenue Budget and Capital Programme.