

NORTH YORKSHIRE COUNCIL

EXECUTIVE

20 January 2026

Joint Report of the Chief Executive and the Corporate Director – Strategic Resources

EXECUTIVE SUMMARY

REVENUE BUDGET FOR 2026/27 & MEDIUM TERM FINANCIAL STRATEGY TO 2028/29

REVENUE BUDGET

Context (Section 2)

1. This is the fourth Budget for North Yorkshire Council (NYC). This report sets out the financial issues and risks for the Council and makes recommendations to the Council regarding the:
 - a. Revenue Budget for 2026/27; and
 - b. Council Tax for 2026/27; and
 - c. Medium Term Financial Strategy (MTFS) for 2027/28 to 2028/29; and
 - d. Empty homes and second homes premium policy; and
 - e. Council Tax discount scheme.
2. This Budget is in the context of a new funding arrangement for local government with a three year settlement. The reforms have seen significant funding moved away from rural councils towards those with higher deprivation levels. The funding from government, on a like-for-like basis, has seen a reduction of just under £20m in 2026/27 and the increases projected in spending power are entirely attributable to increases in local council tax. In addition, there are a number of significant areas of national reform that are impending and will impact upon this Council and its finances. This notably includes SEND and adult social care including fair pay for care.
3. This Budget provides for significant growth, particularly in CYPS where £15m has been provided for high-cost placements alone. These areas will need to be monitored closely to ensure that the current trajectory of costs is arrested and further mitigation measures are progressed in the period of the MTFS.

4. This Budget / MTFS provides a further set of new savings proposals (totalling £20.7m over the next 3 years). Despite these savings, the Budget for 2026/27 still requires a contribution from Reserves of £17.0m and this increases further to £25.0m by 2028/29. Over the period there would be a need to use £59.3m of Reserves if no new savings were brought forward.
5. Some of the new savings proposals in this Budget are again derived from the opportunities delivered by unitarisation. However structural savings resulting from unitarisation are now delivering diminishing returns and the value of LGR inspired savings is now at the top end of the projections included in the business cases presented for LGR. Further savings, inspired by LGR, are still possible and are described in this report through more ambitious and complex change programmes. It is expected that further detail on these programmes will be developed in this next year.

Medium Term Financial Strategy (Section 3)

6. Service pressures are set out in some detail in this section for the period of the MTFS.

Corporate Financial Issues (Section 4)

Provisional Local Government Finance Settlement

7. The 2026/27 Provisional Local Government Finance Settlement was very disappointing for the Council. Some of the headlines of the announcement for NYC included:
 - The settlement now covers three years to 2028/29 inclusive.
 - The Council is allowed to raise basic council tax by up to 2.99% in 2026/27 before triggering a referendum.
 - In addition, the Council can levy an adult social care (ASC) precept of up to 2%.
 - Direct government funding is predicted to fall in *cash* terms by £11.4m. (In real terms this is the equivalent to a loss of £30m at projected inflation rates over the settlement period). If adjusted for new grants with new spending requirements then core funding to North Yorkshire Council falls by £19.6m in cash terms.
 - The overall core spending power (CSP) for the Council will increase by £101m over the three years of the settlement. This figure is exaggerated by the Government's approach to forecasting tax base growth. This additional funding comes *entirely* from assumed (maximum) increases in council tax in each of the financial years.

Council Tax

8. The report sets out a proposed increase of 4.99% in Council Tax in 2026/27 (including the 2% ASC precept). This raises the average Band D council tax by £96.78 per annum (or £8.07 per month) and results in an overall average Band D level of £2,036.32 in 2026/27 (**Section 4.4**).
9. This section also outlines the proposals for Council Tax premiums for second homes and the Council Tax Reduction Scheme for 2026/27. Both schemes are detailed in **Appendices L** and **M** respectively.

Fees and Charges

10. The Council's fees and charges policy has been applied assuming 3.40% inflation levels (**para 4.5.4**).

Reserves & Balances

11. It is proposed that the policy target for the minimum level of the General Working Balance remains at 5% of the net revenue budget (previously it was at 10%). This equates to £33m for 2026/27.
12. By the end of the MTFS, allowing for projected revenue budget shortfalls and current committed investments, strategic capacity reduces to £47.9m (**para 4.6.4**). With a recurring deficit of £25m by 2028/29, without corrective action, this Reserve would be fully depleted in less than a further two years.

Savings

13. Gross new savings proposals of £28.8m are proposed for the period of the MTFS. This is in addition to £28m of savings that have already been approved and are included within the Budget / MTFS. Further opportunities to deliver savings are set out in **Section 4.8**.

Investments

14. One-off investment of a further £5m is proposed for buildings reactive maintenance in recognition of the high demand for repairs (**Section 4.9**).

Revenue Budget Position in 2025/26 (Section 5)

15. The proposed net revenue budget for 2026/27 is £650,023k.

Consultation (Section 6)

16. A range of initiatives have taken place to engage with stakeholders to consult on views on priorities and the Budget including the 'Let's Talk Money' public consultation campaign.

Equality Implications (Section 7)

17. An overview of equality issues associated with the Council's budget proposals has been carried out and summarises the potential equality impacts in line with the Public Sector Equality Duty.

Section 25 Statement (Section 8)

18. The Corporate Director, Resources is obliged to offer a view of the robustness of estimates used in the Revenue Budget 2026/27 and the associated level of balances/reserves. The Corporate Director, Resources is satisfied that the report meets such a requirement.
19. Members attention is particularly drawn to the following references from the s151 officer :-
- "Last year the LGC reported that the government was expecting up to 74 councils to apply for exceptional financial support (EFS) for 2026/27 in order to avoid issuing section 114 notices. I am pleased to report that the finances of the Council are sufficiently robust that this is not the case in North Yorkshire."
 - "The significant savings proposals set out in this report, however, need to be delivered. In addition, further proposals to bridge the MTFS deficit need to be brought forward so that they can be considered in next year's Budget / MTFS."
 - "There remains uncertainty in a number of areas of government policy, notwithstanding the three year finance settlement for local government. SEND reform may relieve some pressure in the Council's budget but details of the reform including a timeline for implementation will be required before an assessment can be made."
 - "A section 114 notice is not foreseen in the near future despite the significant reductions in government funding. Any inactivity over the next two years on further savings options could, however, jeopardise this position so the Council should absolutely guard against complacency."

Risk (Section 9)

20. An assessment of the key financial risks to the Council has been carried out noting a number of key government reforms are impending (for example SEND).

Environmental Implications (Section 10)

21. Section 10 sets out the various initiatives and key budgets which impact upon the environment including the Council's ambition to be carbon neutral in its operational activities by 2030.

CAPITAL PLAN

22. The Council's Capital Plan to 2029/30 is put forward for approval (**paragraph 3.3 and Appendices A-D**). The Council is currently planning to invest £268.8m on capital schemes across the County in 2025/26 and £778.9m, in total, over the 5-year capital plan period from 2025/26 (**paragraph 3.3**).
23. Approval is sought to allocate £1.1m of Strategic Capacity Unallocated Reserve funding to support investment in the Filey Brigg Caravan and Camping Site as reported at **paragraph 4.8.4**.
24. The latest Capital Board positions are provided at Appendices A-D with detailed programme updates at **paragraphs 4.5 to 4.8**.
25. Financing of the Capital Plan is set out in **paragraphs 6.1 to 6.4**, with the majority from grants and contributions.

TREASURY MANAGEMENT

26. The Annual Treasury Management Strategy for 2025/26 (**Annex 1 Section 1**) sets out the requirements for the overall Treasury, Borrowing, Investment and Capital Policies. It includes: the Capital Prudential Indicators (**Annex 1 Section 2**); Borrowing Strategy (**Annex 1 Section 3**); Annual Investment Strategy (**Annex 1 Section 4**) and associated the Treasury Management Strategy Appendices (**A – G**) which are put forward for approval in line with Code of Practice requirements.
27. The Capital Strategy is included at **Annex 2** of the report.
28. The key elements of the Treasury Management Strategy include the key limits relating to borrowing:
 - (a) an authorised limit (maximum amount that can be borrowed) for external debt of £609.2m in 2026/27;
 - (b) an operational boundary (the most likely level) for external debt of £589.2.7m in 2026/27.

29. The Prudential Indicators have been revised and updated in line with the latest CIPFA Code of Practice. The Minimum Revenue Provision (MRP) Policy Statement is also included.

HOUSING REVENUE ACCOUNT BUDGET

30. The Housing Revenue Account Budget 2026/27 and Medium-Term Financial Plan makes recommendation to the Council regarding the Housing Revenue Account (HRA) Budget, HRA Medium-Term Financial Plan for 2027/28 to 2028/29, 30-year HRA Business Plan and makes recommendation to agree rent increases for 2026/27 and implement rent convergence.
31. This budget proposal incorporates an updated view of the investment requirements of the HRA to ensure the Housing service has capacity to continue to work on improvement plans in response to the Council receiving a C3 judgement from the Regulator of Social Housing. (**paragraphs 3.1 to 3.3 and 4.1**).
32. Key risks within the plan are identified in relation to inflation; regulatory improvement works; potential changes to government policy following consultations on rent setting and Right to Buy; and the impact of attracting £21.93m of grant funding to support energy efficiency measures a reliance on grant funding to support the Housing Delivery Programme (**Section 11**).
33. The Business Plan continues with the intent to invest in the growth of 500 additional properties within the first 5 years of the plan, an investment of £110m by 2028/29. The revised funding mix is 40% borrowing and 60% Capital Receipts or Grants. An additional £8m capital investment is proposed, phased over 3 years to support improvement works (**paragraph 4.1**), in addition to existing Major repairs and stock improvement works of £20m plus Social Housing Decarbonisation programme funding of £16.74m in 26/27 (**Appendix C**).
34. Government Policy has been agreed, allowing rents to be increased by Consumer Price Index (CPI) + 1% for a minimum of 10 years, which results in an uplift of 4.8% for 2026/27. At the time of writing, the policy for rent convergence is still to be announced, expected to be an additional £1 or £2 per week where a property rent is below formula rent, which has been modelled at £1 per week within the HRA budget assumptions. However, within the budget report a scenario presenting CPI only increases has been incorporated to show the impact of setting lower rent increases. Given the lack of long term certainty, and the necessity to maximise income to support investment plans, the maximum allowable rent increase of CPI+1%, 4.8% is

recommended for 2026/27 and rent convergence to be implemented at the maximum allowable. The HRA stock also holds a small number of shared ownership properties, for which a 2% uplift is recommended, in line with leases for those properties (**Section 7**).

35. The proposed Budget for 2026/27 results in an in-year deficit of £0.890m, followed by a deficit of £0.567m in 2027/28, which will be met from a transfer from the HRA Working Balance. From 2028/29 annual surpluses are forecast for the duration of the business plan (**Table 4 paragraph 6.3**). Revenue contributions to capital expenditure are reduced in the short term to support revenue investment in delivering the Housing Improvement Plan, this is mitigated by utilising borrowing capacity to support the capital plan (**paragraph 6.5.4**). Performance measures at **Appendix A** of the report illustrate the long term sustainability of the Business Plan.

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20 January 2026