

Revenue Budget Report – Changes to reflect the estimated impact of the High Needs Support Grant as announced in the Final Local Government Funding Settlement 9 February 2026

Explanation

Below are the paragraphs that are impacted by the additional estimated £22.9m of High Needs Support Grant as set out in the Briefing Note to Councillors on the Final Local Government Funding Settlement of 9 February 2026. The changes are shaded yellow and then the section 25 statement is re-issued in entirety with additions / changes shaded yellow. Members are requested to review this paper as part of the consideration of the Revenue Budget and Council Tax for 2026/27. The one-off nature of the new grant is welcome but is one-off and does not therefore change the Equality Implications (Section 7.3 to 7.9) or any of the Recommendations (Section 13) in the Revenue Budget for 2026/27 & Medium-Term Financial Strategy to 2028/29.

Affected Paragraphs (see pages 121 to 123)

4.6.3 In broad terms however, the following categories of reserve, with forecast opening balances at 1 April 2026, are:

- Earmarked – Unrestricted £479m – these reserves help to manage financial risk, commitments and support improvement and investment within service directorates. £207m is earmarked as ‘Strategic Capacity’ (net of MTFS Shortfall, and current committed investments, this reduces to £70.8m by the end of this MTFS); £19.9m remains earmarked for local government reorganisation (of which £9m is uncommitted); £11m is categorised as ‘Business Rates and Council Tax Equalisation Reserves’ which contain funds to equalise annual movements in business rates income; and £22m is earmarked for insurance;
- Earmarked - Restricted £98m - some reserves are restricted in use due to legislative requirements or specific legal/funding agreements – including the ring-fenced Housing Revenue Account reserves (£14.9m); and statutory harbours reserves (£21.3m);
- Unallocated £33m forecast at 1 April 2026, which is held as General Fund Working Balances. The General Fund Working Balance is the Council’s funding of last resort. It provides the contingency to manage risk across the Council and is subject to a proposed minimum 5% policy requirement. Balances above this minimum level are released to the Strategic Capacity Reserve.

4.6.4 A summary schedule of reserves is set out at Appendix E along with their planned movements based on current spending plans and the proposed Budget /

MTFS. The Strategic Capacity Reserve is a key reserve for managing risk within the Revenue Budget and providing resources for investment. Following the transfer to Harbours reserves (para 4.6.2 above), by the end of the MTFS, allowing for projected revenue budget shortfalls and current committed investments, £70.8m remains available.

4.7.5 Funding of £59m is forecast to be required to support the Revenue Budget over the MTFS period. Based upon estimated movements on the Strategic Capacity Unallocated Reserve over the next 3 years, this would leave £70.8m potentially available to continue to provide revenue support and/or funds available for capital investment. With a recurring deficit of £25m by 2028/29, without corrective action, this Reserve would be fully depleted in less than a further three years

Appendix E – see attached (see page 181 and Appendix 2 ‘a revised reserves position following the final local government funding settlement’ to this supplementary report)

There are also references to SEND in the following paragraphs but the content remains pertinent and unchanged:-

Para 2.4
Para 3.1.28
Para 4.7.1
Para 4.7.2
Para 4.8.5 (Item 3)
Para 8.3
Para 8.5
Para 8.11
Para 9.3
Para 12.2

Section 25 opinion of the Corporate Director, Resources (see pages 146 to 147)

- 8.9 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. That is because the Council has sufficient Reserves and Balances to bridge the immediate deficit of £17m in 2026/27 and of £42m to cover the period to 2028/29 combined with yet another significant package of savings that have been formulated (much of which is inspired by LGR).
- 8.10 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 are some clear areas of savings and improvement opportunities in the Council's developing Transformation Strategy. Delivery will, however, be more complex than many of the hitherto structural savings flowing from LGR. As a result other savings options will need to be developed should they be required.

- 8.11 There remains uncertainty in a number of areas of government policy, not withstanding the three year finance settlement for local government. SEND reform may relieve some pressure in the Council's budget in 2026/27 onwards but details of the reform including a timeline for implementation will be required before an assessment can be made. The recent announcement about accumulated SEND deficits being grant funded is welcome but it is a one-off sum at this stage; we await the precise allocation; and the approach and formula for 2026/27 to 2028/29 is yet to be announced as part of a white paper. The policy direction is cause for optimism but there is no certainty on outcome or timing at this stage. It is also worth noting that the estimated £22.9m of SEND deficit grant is significant but the Revenue Budget in 2026/27 is a £17m deficit as set out in this report.
- 8.12 Growth has been provided in the 2026/27 Budget to provide for the overspends that have been experienced in CYPS and HAS during 2025/26. The trajectory of increase will need to be arrested, or further growth will need to be provided in future years. Finally further reform is expected in adults social care and there is a risk that the increase in funding provided to date is later expected to be used to provide for new requirements and burdens. Such considerations mean that there is an on-going need to look to the medium-term position and plan for a range of scenarios.
- 8.13 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.
- 8.14 Taking all of the above factors and considerations into account the Corporate Director, Resources is satisfied that the: -
- i) estimates used in the Revenue Budget 2026/27 are as realistic and robust as possible given the extremely challenging circumstances and that the provision of a £8m Corporate Risk Contingency plus the associated level of Reserves / Balances is adequate within the terms of the proposed revised policy.
 - ii) associated level of Reserves / Balances for the MTFs period is adequate within the terms of the policy noting the challenging financial

position over the life of the MTFS. This view is offered, however, with the on-going provision that the Council will need to develop the next stages of a comprehensive savings plan as set out in this report above as part of scenario planning.

- iii) high level estimates used in the projections for the MTFS up to 2028/29 are as realistic as can be assessed at this stage given the uncertainty across a range of factors.