

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**CORPORATE LEADERSHIP TEAM'S
REPORT TO**

Cabinet
03 December 2024

Report Title: Revenue and Capital Budget 2025/26 – First Draft Savings Plans

Submitted by: Service Director for Finance (Section 151 Officer)

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

<u>Purpose of the Report</u>	<u>Key Decision</u>	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
<p>To present the refreshed Medium Term Financial Strategy including the first draft savings proposals being considered to balance the 2025/26 revenue budget and the proposed capital programme for 2025/26 to 2027/28.</p>			
<p><u>Recommendations</u></p> <p>That Cabinet:</p> <ol style="list-style-type: none"> 1. Note the first draft savings proposals as set out in Appendix A and Appendix B to the report. 2. Note the revised Medium Term Financial Strategy (MTFS) funding gap (Appendix C). 3. Approve any surplus funds identified when setting the budget to be transferred to Reserves in order to achieve future financial resilience. 4. To note the commencement date of the Budget Consultation period as mid-November to mid-December 2024. 5. Refer the first draft savings proposals to the Finance, Assets and Performance Scrutiny Committee for their views (Appendix A and Appendix B). 6. Refer the refreshed Medium Term Financial Strategy (MTFS) (Appendix D) to the Finance, Assets and Performance Scrutiny Committee for their views. 7. Approve the Mid-Year Capital Estimates for 2024/25. 8. Notes the proposed setting of Council Tax at 1.99 per cent for 2025/2026 			
<p><u>Reasons</u></p> <p>To ensure that the Council meets its statutory duty to set a balanced budget in February 2025.</p>			

1. **Background**

- 1.1 The funding pressures facing the Council for the period 2025/26 to 2029/30 were presented to Cabinet on 10 September 2024. The report indicated that there would be a budget 'gap' of £1.429m in respect of 2025/26 (£5.251m over the 5 year period of the MTFS) and that this will need to be closed in order to produce a balanced budget.

2. **Issues**

- 2.1 The MTFS provides an overarching framework for the allocation of resources to the Council's key priorities as set out in the Council Plan. The Council Plan for 2022-2026 was approved by Cabinet on 6 September 2022 and noted by Full Council on 28 September 2022.
- 2.2 The financial strategy will continue to focus on the need for the Council to become self-sustaining through developing a strong and growing tax base, making best use of its resources, promoting an "everyone's responsibility" culture in which there is widespread ownership of the Council's financial position, a robust financial position and a fair funding settlement for Newcastle-under-Lyme.
- 2.3 The MTFS funding gap is constantly reviewed and assumptions made are challenged and amended as circumstances dictate. A small number of changes have been made to the budget 'gap' for 2025/26 of £1.429m reported to Cabinet on 10 September 2024 resulting in a revised budget 'gap' of £1.453m. It is also likely that a reset of the Business Rates Retention funding scheme will be undertaken during the medium term. Initial forecasts indicate that the funding the Council currently benefits from will reduce to a lower baseline. The MTFS phases this potential loss over a 3 year period from 2025/26 onwards.

The revised budget 'gap' therefore amounts to £1.453m for 2025/26 and £4.033m over the 5 year period of the MTFS (Appendix C).

Proposed Savings and Funding Strategies

- 2.4 A number of savings and funding strategies have been identified as being both feasible and sustainable, via a vigorous Financial Efficiency Board process including challenge sessions for each of the Cabinet Portfolios involving Cabinet Members, the Corporate Leadership Team, Service Directors and the Finance Manager. The proposed savings identified to date for the period of the MTFS, and the remaining funding gaps have enabled a balanced financial position and a contribution to reserves to be proposed for 2025/26. Further details for 2025/26 are shown in Appendix A.

Detail	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
<i>Income</i>	235	-	-	-	-
<i>Staffing Related</i>	189	-	-	-	-
<i>Good Housekeeping</i>	179	-	-	-	-
<i>Tax Base</i>	425	306	345	430	401
<i>Council Tax Increase</i>	175	177	180	184	188
<i>Government Grants</i>	300	-	-	-	-
TOTAL SAVINGS	1,503	483	525	614	589
UPDATED MTFS GAPS	1,453	959	783	290	548
REMAINING GAP	(50)	476	258	(324)	(41)

2.5 The savings and fundings strategies are provided using current intelligence around the Local Government Finance Settlement (notification is due in December) and around the Extended Producer Responsibility funding (notification is due during November), estimates are provided for both regarding likely funding but may be subject to change.

Capital

2.5 The Capital Programme for 2025/26 to 2027/28 (Appendix B) is based on new schemes which are vital to ensure continued service delivery and in assisting the Council to achieve its corporate and service objectives as set out in the Council Plan 2022-26. These schemes total £94.604m including major investment into the Borough via external funding in terms of the Future High Streets Fund and the Town Deals Fund for both Newcastle and Kidsgrove.

2.6 The Capital Programme will require to be financed by borrowing, primarily for cash flow purposes, whilst assets are procured and constructed, after which time significant capital receipts are expected. The associated borrowing costs have been factored into the MTFS. The Capital Financing Requirement is set to increase to £23.585m by 2027/28 based on the 3 year Capital Programme for 2025/26 to 2027/28, the Capital Financing Requirement at 31 March 2024 (£10.262m) and the Capital Financing Requirement for capital expenditure during the current financial year and the financial years 2025/26 to 2027/28 (£13.323m).

2.7 The Capital Programme for 2025/26 to 2027/28 includes an estimate for the development of York Place, this assumes spend of £16.8m over the period 2025/26 to 2026/27 and a subsequent capital receipt of the same value during 2026/27. This is subject to the business case that is currently being developed.

2.8 The Capital Programme for this period also includes an estimate for the redevelopment of the Midway Carpark and assumes spend of £28.6m over the period 2025/26 to 2026/27 and a subsequent capital receipt of the same value during 2027/28. This is subject to the business case that is currently being developed.

2.9 In addition, the Capital Programme also includes an estimate for an Aparthotel on the Ryecroft site of £30.0m over the period 2026/27 to 2027/28 together with a subsequent capital receipt of the same value in 2027/28. Again, this is subject to the business case that is currently being developed.

2.10A mid-year review of the Capital Programme for 2024/25 has been undertaken as part of the Efficiency Board and budget setting process in order to identify any projects that may need to be re-profiled from 2024/25 into future years. The revised Capital Programme for 2024/25 totalling £51.295m can be seen at Appendix B.

2.11 The table below sets out the key dates of the events to take place before the budget for 2025/26 is finally approved:

Event	Committee	Date
Budget consultation	Mid November to mid	December
Scrutiny of first draft savings proposals	FAPSC	5 December 2024
Approval of final MTFS & consideration of draft budget proposals	Cabinet	7 January 2025
Scrutiny of draft budget proposals	FAPSC	16 January 2025
Final budget proposals recommended for approval by Full Council	Cabinet	4 February 2025
Full Council to approve budget	Full Council	12 February 2025

3. **Recommendations**

- 3.1 That Cabinet note the first draft savings proposals as set out in Appendix A and Appendix B to the report.
- 3.2 That Cabinet note the revised Medium Term Financial Strategy (MTFS) funding gap (Appendix C).
- 3.3 Approve any surplus funds identified when setting the budget to be transferred to Reserves in order to achieve future financial resilience.
- 3.4 To note the commencement date of the Budget Consultation period as mid November to mid December 2024.
- 3.5 That Cabinet refer the first draft savings proposals to the Finance, Assets and Performance Scrutiny Committee for their views (Appendix A and Appendix B).
- 3.6 That Cabinet refer the refreshed Medium Term Financial Strategy (MTFS) (Appendix D) to the Finance, Assets and Performance Scrutiny Committee for their views.
- 3.7 That Cabinet approve the Mid-Year Capital Estimates for 2024/25.

4. **Reasons**

- 4.1 The Council has a statutory duty to set a balanced budget by February 2025. Best practice is for financial planning to take place over a 5 year period in the form of a Medium Term Financial Strategy that sets out how the Council plans to allocate resources to meet its objectives.

5. **Options Considered**

- 5.1 None.

6. Legal and Statutory Implications

6.1 The MTFS is not a statutory document but it is considered best practice.

7. Equality Impact Assessment

7.1 Local authorities have a responsibility to meet the Public Sector Duty of the Equality Act 2010. The Act gives people the right not to be treated less favourably due to protected characteristics. It is important to consider the potential impact on such groups and individuals when designing or delivering services and budgets. Budget proposals requiring changes or new services and policies will be subject to Equality Impact Assessments including consultation with affected people and organisations.

8. Financial and Resource Implications

8.1 These are addressed in the body of the report.

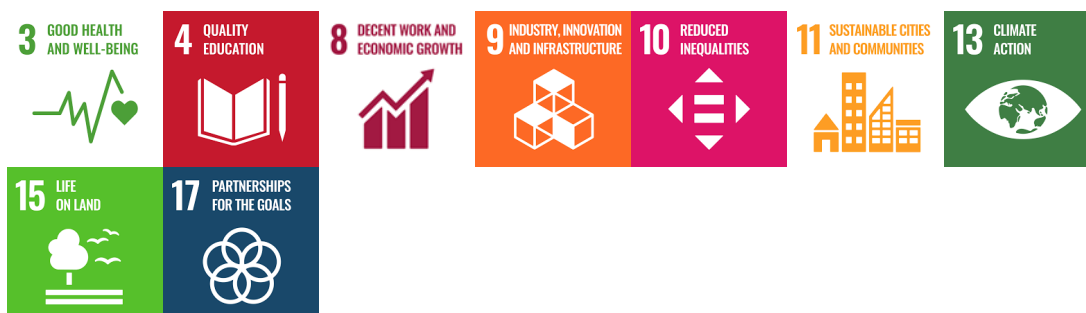
9. Major Risks and Mitigation

9.1 Section 25 of the Local Government Acts 2003 places a duty on the Section 151 Officer to report on the robustness of the budget. The main risks to the budget include spending in excess of budget; income falling short of the budget (including capital receipts from disposal of assets); and unforeseen elements such as changes to Government funding. In the context of uncertainty regarding Government funding reforms there are significant budget risks that will need to be managed. It will be essential the Council has sufficient reserves to call on if required.

9.2 It should be noted that a number of assumptions and proposals are provisional or draft, and as such the opinion of robustness will be confirmed in the Revenue and Capital Budgets and Council Tax 2025/26 reports to Cabinet on 4 February 2025 and to Council on 12 February 2025.

10. UN Sustainable Development Goals (UNSDG)

10.1 In shaping detailed budget proposals consideration will be given to the need for investment in order to deliver the Council's Sustainable Environment Action Plan and the regeneration projects detailed in the Council Plan.



11. **One Council**

11.1 Please confirm that consideration has been given to the following programmes of work:

One Commercial Council

Commercial activities have been considered and included within the budget preparation.

One Digital Council

The digital agenda has been considered when setting the budget and investment in this area has been included within the capital programme.

One Green Council

The sustainability agenda also forms part of the budget, including energy saving initiatives in order for the Council to achieve its goal of being carbon neutral by 2030. Funding for this is included within the capital programme.

12. **Key Decision Information**

12.1 Final approval of the MTFS as part of the budget setting process will be a key decision.

14. **List of Appendices**

- 14.1 Appendix A – 2025/26 MTFS Funding Strategy
- 14.2 Appendix B – 2025/26 to 2027/28 Capital Programme
- 14.3 Appendix C – MTFS ‘Gaps’
- 14.4 Appendix D – MTFS 2025/26 to 2029/30

15. **Background Papers**

15.1 None

Appendix A – 2025/26 MTFS Funding Strategy

Ref	Service Area	Description	£000's	Detail
Income				
I1	Sustainable Environment	Trade waste	70	Introduction of recycling in respect of Trade Waste
I2	Commercial Delivery	Car Parking	91	Increased demand, pricing and permits for new car park
I3	Commercial Delivery	Leisure Memberships	28	Promotion of memberships and Skillscourt offer at Jubilee 2
I4	Commercial Delivery	Museum Donations	3	Split of donations between improvements and contribution to running costs
I5	Commercial Delivery	Direct Cremations	30	Net income following the introduction of a new fee for direct cremations
I6	Neighbourhood Delivery	Fixed Penalty Notices	5	Additional income generated from fixed penalty notices (fly tipping)
I7	Finance	Purchase Card Rebates	8	Rebates generated on credit card purchases from existing suppliers
			235	
Staffing Related Efficiencies				
S1	Commercial Delivery	Facilities/Property restructure	103	An amalgamation of the Facilities and Property functions
S2	Corporate	Vacancy factor	71	An increase in the assumed vacancy factor of posts from 3.5% to 4%
S3	Corporate	Annual leave purchase scheme	15	Scheme to enable staff to purchase additional leave
			189	
Good Housekeeping/More Efficient Processes				
G1	Commercial Delivery	Reduction in subsidy	50	An ongoing allowance in respect of subsidy to Kidsgrove Sports Centre is no longer required, suitable provision is held in reserves
G2	Commercial Delivery	Solar Panels	20	Reduction in electricity costs following installation of solar panels on Council property
G3	Information & Technology	Internet Fibre Connections	60	Installation of internet fibre connections and associated rental
G4	Information & Technology	Printing	10	Reduction in member and staff printing volumes
G5	Corporate	Parish Councils	20	Replacement of Council Tax Support Grant with demand led contributions
			160	
Alternative Sources of Finance/Other				
A1	Corporate	Tax base – Council Tax	100	Increase in tax base based on market housing supply requirement and current year tax base forecasts
A2	Corporate	Tax base – Business Rates	190	Assumed increase in tax base of 2.5%
A3	Corporate	Single Persons Discount review	30	Assumed increase in Council Tax from a Borough wide review of claimants of discounts



A4	Corporate	Empty Homes Premium	94	The impact of the change in eligibility of a premium Council Tax charge for empty homes, this was effective from 1 April 2024 (approved in February 2024)
A5	Corporate	Second Homes Premium	11	The impact of the change in eligibility of a premium Council Tax charge for second homes, this was effective from 1 April 2025 (approved in February 2024)
A6	Corporate	Council Tax increase	175	Assumed increase of 1.99% per Band D property
A7	Corporate	Equipment Replacement Fund	9	Contributions will not be made until fund requires replenishment
A8	Corporate	Heritage Grants Fund	10	Contributions will not be made until fund requires replenishment
A9	Sustainable Environment	Extended Producer Responsibility funding	300	Estimate regarding levy paid by producers of materials collected and disposed of by Local Authorities
			919	
Grand Total			1,503	

Appendix B 2025/26 to 2027/28 Capital Programme and 2024/25 Mid-Year Estimate



CAPITAL PROGRAMME	2024/25 MID YEAR	2025/26	2026/27	2027/28	TOTAL 2025/26 to 2027/28
	£	£	£	£	£
PRIORITY – One Council Delivering for Local People					
Service Area - Council Modernisation	1,967,318	434,000	336,000	80,000	850,000
Total	1,967,318	434,000	336,000	80,000	850,000
PRIORITY – A Successful and Sustainable Growing Borough					
Service Area - Housing Improvements	1,984,832	1,670,000	1,670,000	1,595,000	4,935,000
Service Area - Managing Property & Assets	12,168,633	15,843,846	39,125,982	20,495,475	75,465,303
Total	14,153,465	17,513,846	40,795,982	22,090,475	80,400,303
PRIORITY – Healthy, Active and Safe Communities					
Service Area - Environmental Health	72,000	-	-	-	-
Service Area - Streetscene and Bereavement Services	844,705	250,000	160,000	135,000	545,000
Service Area - Recycling and Fleet	2,046,150	3,169,500	6,003,100	1,222,514	10,395,114
Service Area – Leisure and Cultural	192,000	150,000	-	-	150,000
Service Area - Engineering	385,000	120,000	50,000	-	170,000
Total	3,539,855	3,689,500	6,213,100	1,357,514	11,260,114
PRIORITY – Town Centres for All					
Future High Streets Fund	2,441,925	-	-	-	-
Town Deals – Newcastle	19,828,498	807,000	-	-	807,000
Town Deals - Kidsgrove	8,415,328	1,236,000	-	-	1,236,000
Total	30,685,751	2,043,000	-	-	2,043,000
CONTINGENCY (will be carried forward to 2025/26)	948,980	51,020	-	-	51,020
TOTAL	51,295,369	23,731,366	47,345,082	23,527,989	94,604,437

FUNDING					
Capital Receipts	3,786,000	4,150,000	50,787,087	34,350,000	89,287,087
External Contributions	32,960,583	3,543,000	1,500,000	1,500,000	6,543,000
Borrowing	14,548,786	16,038,366	(4,942,005)	(12,322,011)	(1,225,650)
TOTAL	51,295,369	23,731,366	47,345,082	23,527,989	94,604,437

Appendix C – 2025/26 to 2029/30 MTFS 'Gaps'

Detail	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	Description
Employees:						
Increments	60	60	60	60	60	<i>Employees due an increment</i>
Pay awards	594	446	461	477	493	<i>3.5% pay award assumed for 2025/26 plus £1,290 per FTE re. 2024/25, 3% thereafter</i>
Members pay awards	8	7	8	8	8	<i>3.5% pay award assumed for 2025/26, 3% thereafter</i>
Superannuation increases	144	111	115	118	122	<i>22% of increase in salaries</i>
Superannuation lump sum	41	43	45	45	45	<i>Net increase of lump sum pension payment</i>
National insurance rate	120	-	-	-	-	<i>Increase of employer rate from 13.8% to 15%</i>
National insurance threshold	283	-	-	-	-	<i>Change in employer threshold from £9,100 to £5,000</i>
National Insurance	90	76	78	80	83	<i>National insurance on increase in salaries</i>
Premises:						
Business Rates	26	27	28	29	30	<i>Inflationary increase in business rates (per CPI)</i>
Utilities	127	31	33	34	35	<i>Inflationary increase in gas and electric (per CPI), additional pressure in 2025/26 to reflect current costs</i>
Transport:						
Fuel	11	12	12	12	13	<i>Inflationary increase in fuel (per CPI)</i>
Hydrotreated Vegetable Oil	8	8	8	9	9	<i>Inflationary increase in HVO (per CPI)</i>
Financing:						
Borrowing costs	45	136	(48)	(47)	206	<i>Borrowing costs regarding the financing of capital</i>
New Pressures:						
ICT software	16	10	10	10	10	<i>ICT costs re. systems maintenance and licences</i>
Restructuring	100	-	-	-	-	<i>Potential additional resource requirements</i>
Commercialisation	64	-	-	-	-	<i>Introduction of Commercialisation post</i>
Income:						
Fees and charges	(408)	(399)	(415)	(431)	(449)	<i>4% increase to enable continued cost recovery</i>
National insurance	(403)	-	-	-	-	<i>Re. National Insurance contribution changes</i>
Business Rates Retention reset	500	500	500	-	-	<i>To allow for a reset of the scheme in 2027/28</i>
Business Rates baseline funding	(73)	(109)	(112)	(114)	(117)	<i>Inflationary increase in baseline funding level (per CPI)</i>
Income Pressures	100	-	-	-	-	<i>To correct income shortfalls from budget</i>
TOTAL GAPS	1,453	959	783	290	548	