

**CORPORATE LEADERSHIP TEAM'S**  
**REPORT TO CABINET**

**07 January 2025**

**Report Title:** Draft Revenue and Capital Budgets and Strategies 2025/26

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

**Portfolios:** Finance, Town Centres and Growth

**Ward(s) affected:** All

<b><u>Purpose of the Report</u></b>	<b><u>Key Decision</u></b>	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
<p>To review progress on the completion of the revenue and capital budgets for 2025/26 and approve the 5 year Medium Term Financial Strategy for 2025/26 to 2029/30.</p> <p>To consider drafts of the Capital Strategy for 2025/35, the Treasury Management Strategy for 2025/26, the Investment Strategy for 2025/26 and the Commercial Strategy for 2025/26 prior to their submission to Full Council for final approval.</p>			
<b><u>Recommendation</u></b>			
<p><b>That Cabinet:</b></p> <ol style="list-style-type: none"><li><b>Note the progress on the completion of the Revenue (Appendix 1) and Capital Budgets (Appendix 4).</b></li><li><b>Note the updated Medium Term Financial Strategy 2025/26 to 2029/30 (Appendix 2).</b></li><li><b>Note the strategy for ensuring a balanced revenue outturn position for 2024/25.</b></li><li><b>Note the calculation of the Council Tax base and the Council Tax increase to be proposed for 2025/26 of 1.99% per Band D equivalent property.</b></li><li><b>Note the risk assessment at Appendix 3 and the Section 151 Officer's recommendation on the level of reserves and contingencies provisionally required to be maintained in 2025/26.</b></li><li><b>Note the draft Capital Strategy (Appendix 5) for 2025/35 be noted.</b></li><li><b>Note the draft Treasury Management Strategy (Appendix 6) for 2025/26.</b></li><li><b>Note the draft Investment Strategy (Appendix 7) for 2025/26.</b></li><li><b>Note the draft Commercial Strategy (Appendix 8) for 2025/26.</b></li></ol>			

**10. Note the Asset Management Strategy (Appendix 9) for 2023/28.**

**11. Refer the draft Budget and Council Tax proposals to Finance, Assets and Performance Scrutiny Committee for comment before the final proposals are considered at Cabinet on 4 February 2025.**

### **Reasons**

To inform the Cabinet in recommending a robust and affordable budget for 2025/26 to the Council meeting on 12 February 2025.

The Council needs to have an approved Capital Strategy for 2025/26, an approved Treasury Management Strategy for 2025/26 and an approved Investment Strategy for 2025/26 in place before the start of the 2025/26 financial year.

## **1. Background**

- 1.1** The Council is committed to the delivery of high quality services. Integral to this ambition is effective targeting of financial resources in line with the vision of “good local services, a prosperous borough and safe and welcoming places for all” and the Council’s stated aims and objectives, as set out in the Council Plan 2022-2026, which was approved by Cabinet on 6 September 2022.
- 1.2** The Medium Term Financial Strategy (MTFS) sets out the Council’s financial position over the next 5 years. This is aligned to the Council Plan 2022-2026 and is the key vehicle for ensuring efficiency in service delivery and targeting resources to priority areas.
- 1.3** There has been good progress against Council Plan objectives in the current year, with high standards of service delivery being achieved overall. Key Council Achievements, linked to the Council Plan objectives, are reported to Cabinet on a quarterly basis. (Details of the Council Plan 2022-2026 can be seen here <https://www.newcastle-staffs.gov.uk/policies-1/council-plan-2022-2026>)
- 1.4** The draft 2025/26 budget is based on the assumptions set out in the MTFS which was approved as a basis for consultation by the Cabinet at its meeting on 3 December 2024 and scrutinised by the Finance, Assets and Performance Scrutiny Committee at its meeting on 5 December 2024.
- 1.5** The draft and provisional proposals included in this report will inform the Revenue and Capital Budgets and Council Tax 2025/26 reports to Cabinet on 4 February 2025 and to Full Council on 12 February 2025.
- 1.6** The Capital Strategy 2025/35 sets out how the Council proposes to deploy its capital resources in order to achieve its corporate and service objectives. It takes into account other relevant Council strategies, policies and plans and the views of partners and interested parties with whom the Council is involved. It also takes account of the resources which are likely to be available to the Council to fund capital investment and the effect of that investment on the Council’s revenue budget. It will serve as a useful point of reference when determining or reviewing the Council’s Capital Programme.

- 1.7 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice. This requires approval by Full Council concerning the Treasury Management Strategy to be followed in carrying out its treasury management activities in the forthcoming financial year, 2025/26.
- 1.8 The Investment Strategy 2025/26 is compiled according to Central Government's Guidance on Local Government Investments ('the Guidance') and the 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ('the CIPFA TM Code'). It sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 1.9 The Commercial Strategy 2025/26 is aligned with the Council's vision for Newcastle-under-Lyme to be a sustainable and business-oriented Council that maximises commercial opportunities in order to deliver long-term benefits for residents of the borough and support the Council's Medium-Term Financial Strategy.

## 2. Issues

### **Budget 2024/25 – Provisional Outturn Forecast**

#### **Revenue**

- 2.1 The Council approved a General Fund Revenue Budget of £17.046m on 14 February 2024 for 2024/25. The actual and forecast position compared to this budget is continuously monitored by Budget Holders, the Corporate Leadership Team and Portfolio Holders in order to detect any significant variances of expenditure or income from the approved amounts contained in the budget.
- 2.2 At the close of period 8 a positive variance of £0.005m has been achieved. The projected outturn on the General Fund Revenue Account for the year is £17.040m. This represents a positive outturn of £0.006m for the year.
- 2.3 The adverse variances that have occurred at the close of period 8 of 2024/25 include:
  - a. Income shortfalls from sales, fees and charges which amount to £0.115m (forecast to be £0.240m for the financial year).
  - b. Holding costs for York Place (e.g. utilities and business rates) are expected to amount to £0.109m for the financial year, £0.095m had been incurred at the close of period 8.
  - c. A pay award of £1,290 per employee has been awarded that is in excess of the amount provided for in the budget (3.5%), it amounts to a pressure of £0.120m (£0.080m at the close of period 8).
  - d. Expenditure on repairs and renewals is expected to amount to £0.109m greater than the amount budgeted for the financial year (£0.083m at the close of period 8).
  - e. Temporary accommodation for the homeless is expected to amount to

£0.112m greater than the amount budgeted for the financial year after the application of grant monies (£0.075m at the close of period 8).

- f. Contribution to reserves of £0.425m have been assumed as a result of the favourable variance shown below in respect of interest receivable of cash that the Council holds in terms of Town Deal and Future High Street funding. £0.200m of this will be set aside to fund the inspection stage of the Local Plan. The remainder will be contributed to the Walley's Quarry Reserve and the Budget Support Fund.

**2.4** These adverse variances have been offset in full by the following favourable variances:

- a. Interest receivable on cash that the Council holds in terms of Town Deal and Future High Street funding totals £0.630m at the close of period 8 (it is forecast that this will grow to £0.700m of income by the close of the financial year).
- b. Interest payable on borrowing has yet to be incurred due to the cash that the Council holds in terms of Town Deal and Future High Street funding. It is forecast that borrowing may be required in the final quarter of the financial year dependent upon cash flow and that interest payable will be £0.438m lower than budgeted for (£0.351m at the close of period 8).

**2.4** Careful monitoring of the financial position will be required over coming weeks and months leading to prompt corrective action where necessary to ensure the Council remains in a position of being able to deliver a balanced budget position in the current financial year and beyond.

**Capital**

**2.5** A 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 was approved by Cabinet on 3 December 2024.

**2.6** The table below shows a high level (service) summary of the Capital Programme position at the close of period 8:

<b>Priority</b>	<b>Budget at Period 8 £'000</b>	<b>Actual at Period 8 £'000</b>	<b>Variance at Period 8 £'000</b>
One Council Delivering for Local People	621	620	(1)
A Successful and Sustainable Growing Borough	9,808	9,806	(2)
Healthy, Active and Safe Communities	4,309	4,323	14
Town Centres for All	5,289	5,289	-
<b>Total</b>	<b>20,027</b>	<b>20,038</b>	<b>11</b>

## Medium Term Financial Strategy

2.7 The draft MTFS was approved as a basis for consultation by Cabinet on 3 December 2024 and has since been updated to reflect the impact of the Local Government Finance Settlement.

2.8 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 to be proposed for 2025/26.

Detail	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
<i>Income</i>	235	-	-	-	-
<i>Staffing Related</i>	156	-	-	-	-
<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>	732	-	-	-	-
<b>TOTAL SAVINGS</b>	<b>1,902</b>	<b>483</b>	<b>525</b>	<b>614</b>	<b>589</b>
<b>UPDATED MTFS GAPS</b>	<b>1,902</b>	<b>1,588</b>	<b>764</b>	<b>271</b>	<b>529</b>
<b>REMAINING GAP</b>	<b>-</b>	<b>1,105</b>	<b>239</b>	<b>(343)</b>	<b>(60)</b>

2.9 The table below shows the amendments to items included in the saving strategy reported to Cabinet on 3 December 2024 reflecting the impact of the Local Government Finance Settlement on them:

Detail	£'000
<b>Total Savings as at 3 December 2024</b>	<b>(1,503)</b>
Additional Extended Produced Responsibility levy (net of estimated reduction in recycling credits)	(432)
Facilities/Property restructure	33
<b>Total Revised Savings</b>	<b>(1,902)</b>

### Draft Revenue Budget 2025/26

2.10 The MTFS has been updated to reflect the Local Government Finance Settlement received on 18 December 2024. It provides for a revised gap in 2025/26 of £1.902m and a gap over the 5 year period of the MTFS of £5.054m.

2.11 The table below shows the factors which give rise to the £1.902m gap for 2025/26:

	<b>£'000</b>
<b>Additional Income</b>	
Fees and Charges	(408)
Business Rates Retention	(109)
National Insurance Reimbursement	(403)
<b>Total Additional Income</b>	<b>(920)</b>
<b>Loss of Income</b>	
Settlement Funding Assessment – impact of Minimum Funding Guarantee reduction	380
Business Rates Retention Reset	500
Reduction in income from under achieved budgets	100
<b>Total Loss of Income</b>	<b>980</b>
<b>Additional Expenditure</b>	
Employees (pay awards, increments, national insurance, pension)	1,340
Premises (business rates and utilities)	153
Transport (fuel)	19
Borrowing	45
Other (inc. software licences, commercialisation, restructuring)	285
<b>Total Additional Expenditure</b>	<b>1,842</b>
<b>Net Increase in Base Budget</b>	<b>1,902</b>

2.12 The table below shows the amendments to items included in the MTFs ‘gap’ reported to Cabinet on 3 December 2024 reflecting the impact of the Local Government Finance Settlement on them (further details are included at 2.29 to 2.35):

<b>Detail</b>	<b>£'000</b>
<b>Total Pressures at 3 December 2024</b>	<b>1,453</b>
Restructuring (Legal, Environmental Health)	105
Inflation on NNDR compensation for under indexation	(36)
Settlement Funding Assessment – impact of Minimum Funding Guarantee reduction	380
<b>Total Revised Pressures</b>	<b>1,902</b>

2.13 The proposed savings identified for 2025/26 are summarised at 2.8, with further detail in Appendix 1.

2.14 As in previous years, the first draft of the savings plan set out at Appendix 1 was made available to the Finance, Assets and Performance Scrutiny Committee for scrutiny at its meeting on 5 December 2024. The Committee will also scrutinise this Cabinet report at its meeting on 16 January 2025.

### **Civic Growth Fund**

2.15 The Civic Growth Fund (formally the Borough Growth Fund) was established in 2020 for the purpose of enabling investment in corporate priorities. The Civic Growth Fund is required to be used to invest in initiatives that are forecast to generate on-going revenue savings through reducing the costs of service delivery or through the generation of additional income.

**2.16** Since the establishment of the Civic Growth Fund, investments have been made and committed to in the following areas:

<b>Investment Area</b>	<b>£'000</b>	<b>Details</b>
Council Modernisation	605	Embedding digitalisation across services and developing the skills of staff.
One Council Programme	100	Contribution to drive the digital programme which will transform public access to council services and drive efficiency savings.
Environmental Sustainability	139	Tree planting/carbon reduction
Walley's Quarry	175	Addressing community concerns regarding the quarry's unpleasant odour omissions.
Town Centre Support	177	Used to support the Town Deal bids for Newcastle and Kidsgrove and the rejuvenation of the Markets.
Car Parking Machines	30	Purchase of car parking machines with cashless payment options.
Commercial Property Review	20	Review to develop income generation ideas as part of the Commercial Strategy.

**2.17** The savings and funding strategies identified in the table in paragraph 2.8 and in Appendix 1 will enable continued investment of £0.250m in the Council's priorities as per the Council Plan 2022-2026 via the Civic Growth Fund. The Civic Growth Fund will continue to be used to provide investment in initiatives, including Digital Delivery, that are forecast to generate on-going revenue savings through reducing the costs of service delivery or through the generation of additional income. The Council's Section 151 Officer will determine whether any proposed use of the fund complies with this guidance on a case by case basis.

**2.18** The 2025/26 Civic Growth Fund investment will be used in the following areas:

<b>Investment Area</b>	<b>£'000</b>
Environmental Sustainability	100
Digital Delivery	100
Place Development	50
<b>Total</b>	<b>250</b>

**2.19** In order to boost environmental sustainability within the Borough, £0.100m per annum over the life of the MTFs continues to be ring-fenced from the Civic Growth Fund to enable such projects to be fully funded.

**2.20** £0.100m of the 2025/26 Civic Growth Fund will continue to be allocated to the digital programme which will transform public access to Council services and drive efficiency savings.

**2.21** The remaining £0.050m will be used within place development on initiatives and events for boosting footfall within the town centre.

## **Council Tax and Collection Fund**

**2.22** The savings and funding strategy assumes a 1.99% per Band D equivalent property Council Tax increase, producing £0.175m of additional income. This increase in Council Tax would equate to the following monetary increases for residents:

<b>Property Band</b>	<b>Annual Increase £ p</b>	<b>Weekly Increase £ p</b>
A	2.90	0.06
B	3.39	0.07
C	3.86	0.07
D	4.35	0.08
E	5.31	0.10
F	6.29	0.12
G	7.25	0.14
H	8.70	0.17

**2.23** Taking into account changes to the Council Tax base (i.e. new properties, empty homes premium, second home premium, single persons discount review), the Council Tax base has increased by 1,069 band D equivalent properties from 38,738 in 2024/25 to 39,807 in 2025/26.

**2.24** The Council is required to declare its estimated surplus or deficit on the Collection Fund (for both Business Rates and Council Tax) to preceptors ahead of the financial year end for 2024/25. This surplus or deficit is then shared between the relevant preceptors in 2025/26 (a surplus if paid out to preceptors, including the Council, and a deficit is repaid to the collection fund from preceptors, including the Council).

**2.25** The Business Rates Collection Fund is estimated to be in a surplus position at the close of 2024/25. The surplus is estimated to amount to £4.114m, of which the Council's share is £1.645m.

**2.26** The surplus primarily relates to the appeals provision which had a balance of £4.920m at 31 March 2024. As the final year of the 2023 business rates revaluation cycle, it is anticipated that a much lesser balance (£1.678m) will be required to be held during 2025/26.

**2.27** The Council's share of the surplus will be contributed to the Business Rates Reserve to increase the Council's resilience against Business Rates volatility in future periods.

**2.28** The Council Tax Collection Fund is estimated to be in a small surplus position as the close of 2024/25. This surplus is estimated to amount to £0.004m, of which the Council's share is £0.001m.

## **Local Government Finance Settlement**

**2.29** The Local Government Finance Settlement for 2025/26 was received on 18 December 2024. Overall, the MTFs provides for an increase in funding of



£0.073m when compared to 2024/25. The amount receivable is provisionally £0.344m less than assumed in the MTFS (detail provided in 2.30 to 2.35).

- 2.30** Taking account of the above, Baseline Settlement Funding (via Business Rates Retention scheme and Revenue Support Grant) and compensation for the under indexing of the business rates multiplier has increased by £0.109m when compared to 2024/25, this varies from the MTFS assumption of an increase of £0.073m by £0.036m. The compensation for under indexation reflects the freezes in the business rates multiplier which would otherwise have generated additional business rates income.
- 2.31** The Services Grant was proposed for the local government finance settlement 2022 to 2023 to provide funding to all tiers of local government in recognition of the vital services delivered at every level of local government. The MTFS assumed that the Services Grant would be continued at the same level as 2024/25. Services Grant will not be continued resulting in a £0.024m shortfall.
- 2.32** The Local Government Settlement for 2025/26 announced that the New Homes Bonus (NHB) Scheme will continue for a further year, the allocation amount for the Council is £0.165m due to the increase in properties within the borough in the last year. This varies from the MTFS assumption of £0.144m by £0.021m.
- 2.33** A recovery grant has been introduced with the aim of targeting money towards areas with greater need and demand for services, using deprivation as a proxy. This has resulted in a grant of £0.398m which was not expected in the MTFS, it is likely that this is a one off grant.
- 2.34** A domestic abuse grant has been rolled into the Council's core spending power, this amounts to £0.035m and was not expected in the MTFS.
- 2.35** The minimum funding guarantee has continued for 2025/26. This previously ensured that all authorities received an increase in core spending power of at least 3%. This guaranteed increase has reduced to 0%. This will result in a grant to the Council of £0.086m for 2025/26. This varies from the MTFS assumption of £0.896m (from the continuation of a 3% guarantee) by £0.810m, the reduction reflects the receipt of the newly introduced recovery grant, the reduction in the guaranteed increase (from 3% to 0%) and the Government's assumption regarding increases to Council Tax.

### ***Budget Consultation***

- 2.36** Public consultation has been undertaken on the budget, the consultation ran between 18 November 2024 and 16 December 2024. The results of which will be reported to Cabinet on 6 February 2024.

### **Capital Programme 2025/26 to 2027/28 and Capital Strategy 2025/35**

- 2.37** The Capital Programme for 2025/26 to 2027/28 (Appendix 4) 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.

- 2.38** 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).
- 2.39** 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.
- 2.40** 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.
- 2.41** In addition, the Capital Programme also includes an estimate for the 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.
- 2.42** The Capital Strategy for 2025/35 (Appendix 5) meets the requirements of statutory guidance issued by the Government in January 2018. The Council's capital investment is carried out within the statutory framework laid down by the Local Government Act 2003 and regulations under that Act. Accordingly, only expenditure which fits the definition of capital expenditure contained in the Act or Regulations pursuant to it will be capitalised.
- 2.43** The Capital Programme is produced in line with the Capital Strategy for 2025/35. In addition to the Council's corporate and service objectives, as set out in the Council Plan 2022-26, the Capital Programme is also influenced by a number of external parties and factors.
- 2.44** Delivering the capital programme for 2025/26 will require prudential borrowing to be undertaken. The impact of borrowing is included in the MTFs pressures for 2025/26 and future years.
- 2.45** Advice will be sought from the Council's Treasury Management advisors, Arlingclose, as to the most beneficial timing of prudential borrowing. Their current advice to reduce interest rate risk is to borrow on a short term basis (up to 4 years) from other local authorities where possible alongside longer term Public Works Loan Board borrowing where suitable.

***Treasury Management Strategy 2025/26, Investment Strategy 2025/26 and Commercial Strategy 2025/26***

- 2.46** The Treasury Management Strategy for 2025/26 is attached at Appendix 6. The Minimum Revenue Provision Policy for 2025/26 is contained in Annex C to the strategy.

**2.47** The Treasury Management Strategy for 2025/26 allows for borrowing. Although not utilised in recent years, the Council has previously considered the option of long-term borrowing from the Public Works Loans Board (PWLB). After the utilisation of capital receipts and internal borrowing, the Council will also look to borrow short term from other local authorities and will also review any other sources of funding if required.

**2.48** The Investment Strategy for 2025/26 is attached at Appendix 7. This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and is based on guidance provided by Arlingclose, the Council's treasury management advisors. Quantitative investment indicators are included within the Strategy to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

**2.49** The Commercial Strategy for 2025/26 is attached at Appendix 8. This strategy is aligned with the Council's vision for Newcastle-under-Lyme to be a sustainable and business-oriented Council that maximises commercial opportunities in order to deliver long-term benefits for residents of the borough and support the Council's medium-term financial strategy.

### ***Balances and Reserves***

**2.50** A review of the Council's Balances and Reserves together with a financial resilience risk assessment informing the levels of these has been undertaken by the Council's Section 151 Officer. Details of the risk factors considered and the weightings applied to each are set out at Appendix 3.

**2.51** It is recommended that a minimum level of unallocated reserves and contingencies (i.e. the Council's Balance and Reserve Strategy for 2025/26) of £2.010m be held in 2025/26 to reflect the levels of revenue risk shown in the draft budget for 2025/26. The remainder of the current balance is to be allocated to the Walley's Quarry Reserve during 2024/25.

### ***Timetable***

<b>Event</b>	<b>Committee</b>	<b>Date</b>
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. Recommendation**

**3.1** That the progress on the completion of the Revenue (Appendix 1) and Capital Budgets (Appendix 4) be noted.

**3.2** That the updated Medium Term Financial Strategy 2025/26 to 2029/30 (Appendix 2) be noted.

**3.3** That the strategy for ensuring a balanced revenue outturn position for 2024/25 be noted.

- 3.4 That the calculation of the Council Tax base and the Council Tax increase to be proposed for 2025/26 of 1.99% per Band D equivalent property be noted.
- 3.5 That the risk assessment at Appendix 3 and Section 151 Officer's recommendation on the level of reserves and contingencies provisionally required to be maintained in 2025/26 be noted.
- 3.6 That the draft Capital Strategy (Appendix 5) for 2025/35 be noted.
- 3.7 That the draft Treasury Management Strategy (Appendix 6) for 2025/26 be noted.
- 3.8 That the draft Investment Strategy (Appendix 7) for 2025/26 be noted.
- 3.9 That the draft Commercial Strategy (Appendix 8) for 2025/26 be noted.
- 3.10 That the Asset Management Strategy (Appendix 9) for 2023/28 be noted.
- 3.11 That the draft Budget and Council Tax proposals be referred to Finance, Assets and Performance Scrutiny Committee for comment before the final proposals are considered at Cabinet on 4 February 2025.

#### 4. **Reasons**

- 4.1 The Council has a statutory duty to set a balanced budget before 11 March in the financial year preceding the one in respect of which the budget is set, per Section 30(6) of the Local Government Finance Act 1992. Best practice is for financial planning to take place over a 5 year period in the form of a MTFS 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 Council is required to set its Council Tax for 2025/26 by 11 March 2025, per Section 30(6) of the Local Government Finance Act 1992. It is planned to approve the final budget and Council Tax rates on 12 February 2025.

#### 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 & 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** Such risks require regular and robust monitoring and it is essential that the Council has sufficient useable reserves to call on if required. The review and risk assessment indicates that overall unallocated reserves and contingencies are required to be held at a minimum level of £2.010m to reflect the levels of revenue risk shown in the draft budget for 2025/26. In addition a contingency of £1m is required to provide flexibility to manage risks relating to delivery of the capital programme.
- 9.3** The assessment of the Section 151 Officer is that the draft proposals included in this report are robust and will ensure an adequate level of reserves. However, it should be noted that a number of assumptions and proposals are provisional or draft, and as such this opinion 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.
- 9.4** Treasury management is a major area of risk for the Council in that large amounts of money are dealt with on a daily basis and there are a number of limits and indicators, which must be complied with.
- 9.5** The overriding consideration in determining where to place the Council's surplus funds is to safeguard the Council's capital. Within this constraint the aim is to maximise the return on capital. Operational procedures, coupled with monitoring arrangements, are in place to minimise the risk of departures from the approved strategy.

## 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.



## 11. One Council

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

One Commercial Council

*We will make investment to diversify our income and think entrepreneurially.*

One Digital Council

*We will develop and implement a digital approach which makes it easy for all residents and businesses to engage with the Council, with our customers at the heart of every interaction.*

One Green Council

*We will deliver on our commitments to a net zero future and make all decisions with sustainability as a driving principle.*

## **12. Key Decision Information**

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

## **13. Earlier Cabinet/Committee Resolutions**

13.1 Medium Term Financial Strategy 2025/26 to 2029/30 (Cabinet 10 September 2024).

13.2 Revenue and Capital Budgets 2025/26 – First Draft Savings Plans (Cabinet 3 December 2024).

## **14. List of Appendices**

14.1 Appendix 1 – 2025/26 MTFS Funding Strategy

14.2 Appendix 2 – 2025/26 to 2028/29 MTFS ‘Gaps’

14.3 Appendix 3 – Risk Assessment on Required Balances/Contingency Reserve

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14.5 Appendix 5 – Capital Strategy 2025 to 2035

14.6 Appendix 6 – Treasury Management Strategy 2025/26

14.7 Appendix 7 – Investment Strategy 2025/26

14.8 Appendix 8 – Commercial Strategy 2025/26

14.9 Appendix 9 – Asset Management Strategy 2023/2028

## **15. Background Papers**

CIPFA Treasury Management Code of Practice (revised December 2017)

Council’s Treasury Management Policy Statement

Local Government Act

Local Authorities (Capital Finance and Accounting) (England) Regulations

## Appendix 1 – 2025/26 MTFS Funding Strategy

Ref	Service Area	Description	£000's	Detail
<b>Income</b>				
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
			<b>235</b>	
<b>Staffing Related Efficiencies</b>				
S1	Commercial Delivery	Facilities/Property restructure	70	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
			<b>156</b>	
<b>Good Housekeeping/More Efficient Processes</b>				
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
			<b>160</b>	
<b>Alternative Sources of Finance/Other</b>				
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	732	Levy paid by producers of materials collected and disposed of by Local Authorities (£932k), net of loss in recycling credits (£200k)
			<b>1351</b>	
<b>Grand Total</b>			<b>1,902</b>	



## Appendix 2 – 2025/26 to 2029/30 MTFS 'Gaps'



Detail	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	Description
<b>Employees:</b>						
Increments	60	60	60	60	60	Employees due an increment
Pay awards	594	446	461	477	493	3.5% pay award assumed for 2025/26 plus £1,290 per FTE re. 2024/25, 3% thereafter
Members pay awards	8	7	8	8	8	3.5% pay award assumed for 2025/26, 3% thereafter
Superannuation increases	144	111	115	118	122	22% of increase in salaries
Superannuation lump sum	41	43	45	45	45	Net increase of lump sum pension payment
National insurance rate	120	-	-	-	-	Increase of employer rate from 13.8% to 15%
National insurance threshold	283	-	-	-	-	Change in employer threshold from £9,100 to £5,000
National Insurance	90	76	78	80	83	National insurance on increase in salaries
<b>Premises:</b>						
Business Rates	26	27	28	29	30	Inflationary increase in business rates (per CPI)
Utilities	127	31	33	34	35	Inflationary increase in gas and electric (per CPI), additional pressure in 2025/26 to reflect current costs
<b>Transport:</b>						
Fuel	11	12	12	12	13	Inflationary increase in fuel (per CPI)
Hydrotreated Vegetable Oil	8	8	8	9	9	Inflationary increase in HVO (per CPI)
<b>Financing:</b>						
Borrowing costs	45	136	(48)	(47)	206	Borrowing costs regarding the financing of capital
<b>New Pressures:</b>						
ICT software	16	10	10	10	10	ICT costs re. systems maintenance and licences
Restructuring	205	-	-	-	-	Potential additional resource requirements
Commercialisation	64	-	-	-	-	Introduction of Commercialisation post
<b>Income:</b>						
Fees and charges	(408)	(399)	(415)	(431)	(449)	4% increase to enable continued cost recovery
National insurance	(403)	-	-	-	-	Re. National Insurance contribution changes
Local Government Finance Settlement	380	649	-	-	-	Impact of minimum funding guarantee reduction (3% to 0%) and one off grants
Business Rates Retention reset	500	500	500	-	-	To allow for a reset of the scheme in 2027/28
Business Rates baseline funding	(109)	(129)	(131)	(133)	(136)	Inflationary increase in baseline funding level (per CPI)
Income Pressures	100	-	-	-	-	To correct income shortfalls from budget
<b>TOTAL GAPS</b>	<b>1,902</b>	<b>1,588</b>	<b>764</b>	<b>271</b>	<b>529</b>	

**Appendix 3 – Risk Assessment on Required Balances/Contingency Reserve (£2.010m)**

Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Balance Needed £
1	Increase in fees and charges does not result in higher income levels	Shortfall in income leading to overspends	3 x 4	High	Included in calculation of minimum balances	2 x 3	Moderate	Regular monitoring of income levels	205,000
2	Reduced Income due to non-availability of service (e.g. COVID-19 related or similar)	Shortfall in income leading to overspends	3 x 3	High	Included in calculation of minimum balances	3 x 3	Moderate	Regular monitoring of income levels	140,000
3	Bad debts reduce the Council's income	Shortfall in income leading to overspends and need to top up provision	3 x 4	High	A contribution to the bad debts provision is budgeted for	3 x 3	High	Increase monitoring of collection rates	275,000
4	Employee budgets – the budget is discounted on the assumption there will be vacancies	Vacancies do not occur leading to additional costs	3 x 3	High	The budget assumes a vacancy factor of 3.5%, this is realistic compared with previous years	3 x 3	High	Regular monitoring of vacancy levels	70,000
5	Employee budgets - the 2024/25 employee pay settlement results in an increase higher than included in the budget	Additional unbudgeted costs	2 x 3	Moderate	Balances sufficient to deal with any additional costs, plus reduced job security in economy	2 x 3	Moderate	None	95,000
6	Problems with staff recruitment/retention resulting in the payment of market supplements at extra cost	Additional unbudgeted costs	3 x 3	High	Subject to ongoing review	3 x 3	High	None	75,000
7	Problems with staff sickness/suspensions resulting in the needs to	Additional unbudgeted costs	3 x 3	High	Absence management procedures in place	3 x 3	High	Monitoring of sickness levels	150,000



Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Balance Needed £
	use agency/interim staff at extra cost								
8	Council becomes liable to pay compensation or legal fees or another unforeseen commitment arises	Additional unbudgeted costs	3 x 3	High	Included in calculation of minimum balances	3 x 2	Moderate	None	125,000
9	Inflation relating to supplies and services exceeds the allowance in the budget	Additional unbudgeted costs	3 x 3	High	Included in calculation of minimum balances. Regular review of inflation levels	3 x 3	High	None	70,000
10	Existing commitment(s) missed out of budget	Additional unbudgeted costs	3 x 3	High	Budgets subject to checking at several levels. Preparation of standstill budget for comparison	3 x 3	High	None	75,000
11	Additional interest costs incurred resulting from loss of income and additional expenditure	Additional unbudgeted borrowing costs	3 x 3	High	Capital Budgets and receipt expectations have been realistically set. Allowance provided for in calculation of minimum balances	3 x 3	High	None	160,000
12	Fuel costs increase by more than allowed for in budget	Additional unbudgeted costs	3 x 3	High	Realistic increases included in base budget	3 x 3	High	None	45,000
13	Energy costs increase by more than allowed for in budget	Additional unbudgeted costs	3 x 3	High	Realistic increases included in base budget	3 x 3	High	None	70,000
14	Unforeseen major repairs needed to Council properties	Additional unbudgeted costs	2 x 3	Moderate	Planned maintenance programme in place and stock condition survey.	2 x 3	Moderate	None	50,000
15	Insurances – unexpected increases in premiums	Additional unbudgeted costs	3 x 3	High	Included in calculation of minimum balances	2 x 3	Moderate	None	15,000



Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Balance Needed £
16	Insurances - high level of excesses to be met by Council or uninsured losses	Additional unbudgeted costs	3 x 3	High	Included in calculation of minimum balances. Insurance Provision established	2 x 3	Moderate	Monitor level of Insurance Provision	40,000
17	Government further increase NI rates during 2024/25	Additional unbudgeted costs	2 x 3	Moderate	Included in calculation of minimum balances. Increased rate built into budget	1 x 2	Low	None	25,000
18	Savings built into Budget are not realised	Additional unbudgeted costs	3 x 3	High	Regular Budget Monitoring	3 x 2	Moderate	None	65,000
19	New Legislation imposes extra costs but provides insufficient resources	Additional unbudgeted costs	3 x 3	High	Contingency Reserve available. Included in calculation of minimum balances	3 x 2	Moderate	None	25,000
20	Partnerships - expenses falling on Council as accountable body	Additional unbudgeted costs	2 x 3	Moderate	Monitor partnership activities and ensure carried out according to agreements	2 x 1	Low	None	5,000
21	Civil Emergency	Additional unbudgeted costs	5 x 2	High	Bellwin Scheme will meet 100% of eligible expenditure within 1 month of an emergency	4 x 2	Moderate	None	55,000
22	Municipal Mutual Insurance (MMI) Clawback	Additional unbudgeted costs	4 x 4	Extreme	MMI Provision	3 x 2	Moderate	Consider increasing amount of provision if necessary	25,000
23	Data Protection breach resulting in fine	Additional unbudgeted costs	3 x 3	High	Data Protection Policy Reminders to staff. All staff complete mandatory Data Protection e-learning module	3 x 3	High	None	75,000



Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Balance Needed £
24	Members act against officer advice resulting in cost to the Council	Additional unbudgeted costs	3 x 3	High	Agenda pre-meetings. Liaison with members. Monitoring Officer	3 x 3	High	None	75,000

## Appendix 4 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
	£	£	£	£	£
<b>PRIORITY – One Council Delivering for Local People</b>					
Service Area - Council Modernisation	1,967,318	434,000	336,000	80,000	850,000
<b>Total</b>	<b>1,967,318</b>	<b>434,000</b>	<b>336,000</b>	<b>80,000</b>	<b>850,000</b>
<b>PRIORITY – A Successful and Sustainable Growing Borough</b>					
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
<b>Total</b>	<b>14,153,465</b>	<b>17,513,846</b>	<b>40,795,982</b>	<b>22,090,475</b>	<b>80,400,303</b>
<b>PRIORITY – Healthy, Active and Safe Communities</b>					
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
<b>Total</b>	<b>3,539,855</b>	<b>3,689,500</b>	<b>6,213,100</b>	<b>1,357,514</b>	<b>11,260,114</b>
<b>PRIORITY – Town Centres for All</b>					
Future High Streets Fund	2,441,925	-	-	-	-
Town Deals – Newcastle	19,828,498	807,000	-	-	807,000
Town Deals - Kildgrove	8,415,328	1,236,000	-	-	1,236,000
<b>Total</b>	<b>30,685,751</b>	<b>2,043,000</b>	<b>-</b>	<b>-</b>	<b>2,043,000</b>
<b>CONTINGENCY (will be carried forward to 2025/26)</b>	<b>948,980</b>	<b>51,020</b>	<b>-</b>	<b>-</b>	<b>51,020</b>
<b>TOTAL</b>	<b>51,295,369</b>	<b>23,731,366</b>	<b>47,345,082</b>	<b>23,527,989</b>	<b>94,604,437</b>
<b>FUNDING</b>					
Capital Receipts	3,786,000	4,150,000	50,787,087	34,350,000	<b>89,287,087</b>
External Contributions	32,960,583	3,543,000	1,500,000	1,500,000	<b>6,543,000</b>
Borrowing	14,548,786	16,038,366	(4,942,005)	(12,322,011)	<b>(1,225,650)</b>
<b>TOTAL</b>	<b>51,295,369</b>	<b>15,641,888</b>	<b>8,907,995</b>	<b>8,907,995</b>	<b>94,604,437</b>