

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

CORPORATE LEADERSHIP TEAM'S REPORT TO

Finance Assets and Performance Scrutiny Committee 04 December 2025

Report Title: Revenue and Capital Budget 2026/27 – 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"/>
To present the refreshed Medium Term Financial Strategy including the first draft savings proposals being considered to balance the 2026/27 revenue budget and the proposed capital programme for 2026/27 to 2028/29.			
<u>Recommendations</u> That Committee: 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. Note the commencement date of the Budget Consultation period as mid-November to mid-December 2025. 4. Note the Mid-Year Capital Estimates for 2025/26. 5. Note the proposed setting of Council Tax at 1.99 per cent for 2026/2027			
<u>Reasons</u> To ensure that the Council meets its statutory duty to set a balanced budget for the financial year 2026/27.			

1. **Background**

- 1.1 The funding pressures facing the Council for the period 2026/27 to 2030/31 were presented to Cabinet on 2 September 2025. The report indicated that there would be a budget 'gap' of £1.777m in respect of 2026/27 (£3.069m 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 2026/27 of £1.777m reported to Cabinet on 2 September 2025 resulting in a revised budget 'gap' of £1.752m. The revised budget 'gap' therefore amounts to £1.752m for 2026/27 and £3.879m 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.
- 2.5 The proposed savings for 2026/27 and indicative funding strategies identified to date for the period of the MTFS, have enabled a balanced financial position to be proposed for 2026/27 and for a surplus position to be recognised in each of the remaining years of the MTFS, giving an opportunity to make one off contributions to increase the resilience of reserves or to further invest into the Council's priority services. Further details for 2026/27 are shown in Appendix A.

Detail	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
Income	87	119	50	50	50
Staffing Related	638	-	-	-	-
Good Housekeeping	66	75	50	50	50
Tax Base	308	350	432	409	361
Council Tax Increase	179	182	186	190	193
Other Financing	474	-	-	-	-
TOTAL SAVINGS	1,752	726	718	699	654
UPDATED MTFS GAPS	1,752	496	488	534	608
REMAINING GAP/(SURPLUS)	-	(130)	(430)	(65)	(46)

- 2.6 The savings and fundings strategies are provided using current intelligence around the Local Government Finance Settlement which is subject to the Fair Funding Review 2.0 (notification is due in December), estimates are provided regarding likely funding but may be subject to change.

- 2.7 Funding received and Business Rates retained by the Council in 2025/26 that are subject to redistribution under the Fair Funding Review amount to £9.360m, for 2026/27 it is anticipated through comprehensive modelling that this will amount to £8.396m – a reduction in funding of £0.964m.
- 2.8 As part of the 2025/26 budget setting £0.500m was set aside to contribute to this anticipated reduction, as such a gap of £0.464m remains and has been included as a pressure to be addressed for 2026/27.
- 2.9 It is anticipated that over the course of the expected 3 year Local Government Finance Settlement that funding will reach £9.466m by 2028/29, after the initial reset, largely relating to Business Rates retained in 2026/27.

Capital

- 2.10 The Capital Programme for 2026/27 to 2028/29 (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 £109.946m including major investment into the Borough via external funding in terms of the Town Deals Fund for both Newcastle and Kidsgrove.
- 2.11 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 £31.278m by 2028/29 based on the 3 year Capital Programme for 2026/27 to 2028/29, the Capital Financing Requirement at 31 March 2025 (£19.893m) and the Capital Financing Requirement for capital expenditure during the current financial year and the financial years 2026/27 to 2028/29 (£11.385m).
- 2.12 The Capital Programme for 2026/27 to 2028/29 includes an estimate for the development of York Place, this assumes spend of £18.136m over the period 2025/26 to 2027/28 and a subsequent capital receipt of the same value plus capitalised interest during 2028/29. This is subject to the business case that is currently being developed.
- 2.13 The Capital Programme for this period also includes an estimate for the redevelopment of the Midway Carpark and assumes spend of £36.350m over the period 2025/26 to 2028/29 and a subsequent capital receipt of the same value plus capitalised interest during 2029/30. This is subject to the business case that is currently being developed.
- 2.14 In addition, the Capital Programme also includes an estimate for an Aparthotel on the Ryecroft site of £33.712m over the period 2025/26 to 2029/30 together with a subsequent capital receipt of the same value plus capitalised interest in 2030/31. Again, this is subject to the business case that is currently being developed.
- 2.15 A mid-year review of the Capital Programme for 2025/26 has been undertaken in order to identify any projects that may need to be re-profiled from 2025/26 into future

years. The revised Capital Programme for 2025/26 totalling £35.635m can be seen at Appendix B.

2.16 The table below sets out the key dates of the events to take place before the budget for 2026/27 is finally approved:

Event	Committee	Date
Budget consultation	Mid November to mid December	
Scrutiny of first draft savings proposals	FAPSC	4 December 2025
Approval of final MTFS & consideration of draft budget proposals	Cabinet	13 January 2026
Scrutiny of draft budget proposals	FAPSC	15 January 2026
Final budget proposals recommended for approval by Full Council	Cabinet	3 February 2026
Full Council to approve budget	Full Council	11 February 2026

3. **Recommendations**

- 3.1 That Committee note the first draft savings proposals as set out in Appendix A and Appendix B to the report.
- 3.2 That Committee note the revised Medium Term Financial Strategy (MTFS) funding gap (Appendix C).
- 3.3 That Committee note the commencement date of the Budget Consultation period as mid November to mid December 2025.
- 3.4 That Committee note approve the Mid-Year Capital Estimates for 2025/26.
- 3.5 That Committee note the proposed setting of Council Tax at 1.99 per cent for 2026/27

4. **Reasons**

- 4.1 The Council has a statutory duty to set a balanced budget by February 2026. 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.

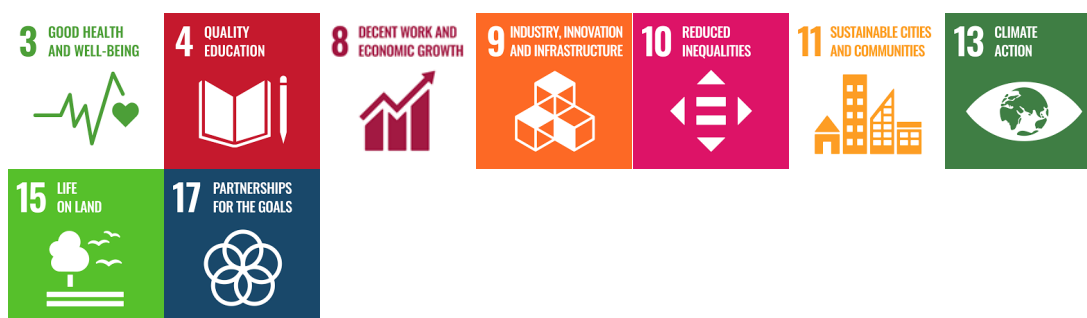
9. **Major Risks and Mitigation**

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 2026/27 reports to Cabinet on 3 February 2026 and to Council on 11 February 2026.

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 – 2026/27 MTFS Funding Strategy
- 14.2 Appendix B – 2026/27 to 2028/29 Capital Programme
- 14.3 Appendix C – MTFS ‘Gaps’
- 14.4 Appendix D – MTFS 2026/27 to 2030/31

15. **Background Papers**

15.1 None

Appendix A – 2026/27 MTFS Funding Strategy

Ref	Service Area	Description	£000's	Detail
Income				
I1	Regulatory Services	Navigation House Rent	8	Rent contribution from contractor
I2	Commercial Delivery	Pet Cremations	10	Initial net income from the introduction of pet cremations
I3	Commercial Delivery	Museum Rent	10	Rental income from the Museum café
I4	Commercial Delivery	Electrical Works	12	Recharging of time spent by Electrician at non Council managed buildings
I5	Planning	Fees	15	Introduction of new fees and cost recovery for pre-planning application advice
I6	Neighbourhood Delivery	Digital Screen Advertising	8	Net income from advertising on Town Centre digital screen
I7	Sustainable Environment	Food Waste Transfer Station	19	Operating charge to users of the Waste Transfer Station
I8	Legal and Governance	Legal Costs	5	Recharging of legal costs relating to deeds of variation and Section 106 agreements
			87	
Staffing Related Efficiencies				
S1	Finance	Pension Contributions	601	Reduction in primary and secondary contributions to reflect improved funding levels
S2	Neighbourhood Delivery	Markets	37	Restructure of Markets and Events team following changes to the Markets operating model
			638	
Good Housekeeping/More Efficient Processes				
G1	Corporate	Printing and Postage	14	Reduction in printing and postage across the Council
G2	Legal and Governance	Contract Register Review	32	Savings from review of contracts including janitorial supplies, software, cash collections and licences
G3	Sustainable Environment	Sustainable Bedding Plants	20	Saving in bedding contract costs following the introduction of sustainable bedding plants
			66	
Alternative Sources of Finance/Other				
A1	Corporate	Tax base – Council Tax	112	Increase in tax base based on market housing supply requirement and current year tax base forecasts
A2	Corporate	Tax base – Business Rates	196	Assumed increase in tax base of 3%
A3	Corporate	Council Tax increase	179	Assumed increase of 1.99% per Band D property
A4	Corporate	Contribution from the Budget and Borrowing Support Fund	200	Contribution from the Budget and Borrowing Support Fund towards the costs of Local Government Re-organisation
A5	Sustainable Environment	Extended Producer Responsibility	274	Additional funding to be received during 2026/27, this enables a continued contribution of £200k to the Waste Reserve
			961	
Grand Total			1,752	

Appendix B 2026/27 to 2028/29 Capital Programme and 2025/26 Mid-Year Estimate



CAPITAL PROGRAMME	2025/26 MID YEAR	2026/27	2027/28	2028/29	TOTAL 2026/27 to 2028/29
	£	£	£	£	£
PRIORITY – One Council Delivering for Local People					
Service Area – Council Modernisation	922,120	705,000	80,000	351,000	1,136,000
Total	922,120	705,000	80,000	351,000	1,136,000
PRIORITY – A Successful and Sustainable Growing Borough					
Service Area – Housing Improvements	3,474,641	3,421,363	2,095,000	2,095,000	7,611,363
Service Area – Managing Property & Assets	14,183,389	18,997,888	42,758,904	16,028,979	77,785,771
Total	17,658,030	22,419,251	44,853,904	18,123,979	85,397,134
PRIORITY – Healthy, Active and Safe Communities					
Service Area – Streetscene	536,760	542,419	130,000	130,000	802,419
Service Area – Bereavement Services	164,200	141,950	5,000	5,000	151,950
Service Area – Recycling and Fleet	3,717,650	3,049,661	6,279,419	2,323,428	11,652,508
Service Area – Leisure and Cultural	475,763	1,604,998	1,373,936	-	2,978,934
Service Area – Engineering	310,600	200,000	-	-	200,000
Total	5,204,973	5,539,028	7,788,355	2,458,428	15,785,811
PRIORITY – Town Centres for All					
Public Realm	10,000	-	-	-	-
Town Deals – Newcastle	8,040,484	3,432,755	-	-	3,432,755
Town Deals – Kidsgrove	3,318,343	1,955,030	1,239,313	-	3,194,343
Total	11,368,827	5,387,785	1,239,313	-	6,627,098
CONTINGENCY (assumes unspent contingency is carried forward from 2026/27)	480,954	1,000,000	-	-	1,000,000
TOTAL	35,634,904	35,051,064	53,961,572	20,933,407	109,946,043
FUNDING					
Capital Receipts	1,530,000	5,050,000	4,350,000	4,350,000	13,750,000
Regeneration Receipts	-	-	-	12,655,881	12,655,881
External Contributions	26,590,251	16,907,528	4,196,155	2,000,000	23,103,683
Borrowing	7,514,653	1,633,832	3,216,988	(979,519)	3,871,301
Regeneration Borrowing	-	11,459,704	42,198,429	2,907,045	56,565,178
TOTAL	35,634,904	35,051,064	53,961,572	20,933,407	109,946,043

Appendix C – 2026/27 to 2030/31 MTFS ‘Gaps’

Detail	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	Description
Employees:						
Increments	68	45	17	4	-	Employees due an increment
Pay awards	396	465	479	494	509	3% pay award assumed for all years (2026/27 includes 2025/26 difference)
Members pay awards	8	9	9	9	10	3% pay award assumed for all years
Superannuation increases	108	107	104	104	106	20.9% of salary increases
Superannuation lump sum increases	-	27	28	29	30	Net increase of lump sum pension payment
National Insurance	78	77	74	75	76	15% of salary increases
Premises:						
Business Rates	28	23	24	25	25	Inflationary increase in business rates payable (per CPI)
Utilities	37	30	31	32	33	Inflationary increase in gas and electric (per CPI)
Transport:						
Fuel	21	17	17	18	18	Inflationary increase in fuel/HVO (per CPI)
Financing:						
Borrowing costs	90	175	38	(4)	363	Borrowing costs regarding the financing of capital expenditure
New Pressures:						
ICT software	10	10	10	10	10	ICT costs re. systems maintenance and software licences
Restructuring	25	-	-	-	-	Potential additional resource requirements
Inflationary Pressures (contracts)	50	50	50	50	50	Inflationary uplifts allowance
Local Government Re-organisation	400	-	(200)	-	-	One off costs re. re-organisation (£400k in 2026/27 includes one off contribution from reserves in 2026/27, spend reduced to £200k in 2027/28 and nil in 2028/29)
Recycling	-	195	250	-	-	Potential loss of recycling credits and income if contractor disposal undertaken by the County Council
Contributions to reserves	-	100	100	100	(300)	Contribution to reserves to increase resilience
Income:						
Fees and charges	(364)	(299)	(308)	(317)	(326)	Inflationary increase in fees and charges assumed for all years (per CPI)
Settlement Funding Assessment baseline funding level	464	(535)	(535)	(95)	(95)	The Council currently receives £9.36m from Business Rates Retention and grants that are to be rolled into a new Settlement Funding Assessment for 2026/27 onwards. Initial forecasts estimate that this will amount to £8.40m in 2026/27 with increases of £0.535m in 2027/28 and 2028/29. £0.5m has already been included in the base budget for 2025/26 to allow for part of this reduction in 2026/27, a further allowance of £0.464m in 2026/27 is therefore required.
National Insurance reimbursement	233	-	-	-	-	Shortfall in grant re. National Insurance rises
Contribution to reserves	-	-	-	-	-	Enables a contribution to reserves to increase financial sustainability
Income pressures	100	100	100	100	100	General income shortfalls
TOTAL GAPS	1,752	596	288	634	608	