

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

CORPORATE LEADERSHIP TEAM'S REPORT TO CABINET

13 January 2026

Report Title: Draft Revenue and Capital Budgets and Strategies 2026/27

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 ☒	No ☐
To review progress on the completion of the revenue and capital budgets for 2026/27 and approve the 5 year Medium Term Financial Strategy for 2026/27 to 2030/31. To consider drafts of the Capital Strategy for 2026/36, the Treasury Management Strategy for 2026/27, the Investment Strategy for 2026/27 and the Commercial Strategy for 2026/27 prior to their submission to Full Council for final approval.			
<u>Recommendation</u> That Cabinet: 1. Notes the progress on the completion of the Revenue (Appendix 1) and Capital Budgets (Appendix 4). 2. Notes the updated Medium Term Financial Strategy 2026/27 to 2030/31 (Appendix 2). 3. Notes the strategy for ensuring a balanced revenue outturn position for 2025/26. 4. Notes the calculation of the Council Tax base and the Council Tax increase to be proposed for 2026/27 of 1.99% per Band D equivalent property. 5. Notes 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 2026/27. 6. Notes the draft Capital Strategy (Appendix 5) for 2026/36 be noted. 7. Notes the draft Treasury Management Strategy (Appendix 6) for 2026/27. 8. Notes the draft Investment Strategy (Appendix 7) for 2026/27. 9. Notes the draft Commercial Strategy (Appendix 8) for 2026/27.			

10. Notes the updated 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 3 February 2026.

Reasons

To inform Cabinet in recommending a robust and affordable budget for 2026/27 to the Council meeting on 11 February 2026.

The Council needs to have an approved Capital Strategy for 2026/27, an approved Treasury Management Strategy for 2026/27, an approved Investment Strategy for 2026/27 and an approved Commercial Strategy for 2026/27 in place before the start of the 2026/27 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 2026/27 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 2 December 2025 and scrutinised by the Finance, Assets and Performance Scrutiny Committee at its meeting on 4 December 2025.
- 1.5 The draft and provisional proposals included in this report will inform the Revenue and Capital Budgets and Council Tax 2026/27 reports to Cabinet on 3 February 2026 and to Full Council on 11 February 2026.
- 1.6 The Capital Strategy 2026/36 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, 2026/27.
- 1.8 The Investment Strategy 2026/27 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 2026/27 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 2025/26 – Provisional Outturn Forecast

Revenue

- 2.1 The Council approved a General Fund Revenue Budget of £19.730m on 12 February 2025 for 2025/26. 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 £0.011m has been achieved. The projected outturn on the General Fund Revenue Account for the year is £19.703m. This represents a positive variance of £0.027m for the year.
- 2.3 The positive variances that have occurred at the close of period 8 of 2025/26 include:
 - a. Income from major planning applications offsets income shortfalls in other areas by £0.436m, it is forecast that income for the remainder of the financial year will remain in line with budget resulting in a positive variance of £0.436m for the financial year.
 - b. Interest receivable on cash that the Council holds in terms of Town Deal funding totals £0.167m at the close of period 8 (it is forecast that this will grow to £0.188m for the financial year).
 - c. Interest payable on borrowing has not been incurred due to the cash that the Council holds in terms of Town Deal funding, resulting in a saving of £0.389m at the close of period 8. It is forecast that borrowing will commence during the final quarter, it is estimated that this saving may amount to £0.438m for the financial year.

- 2.4 These positive variances have been offset by the following adverse variances:
- Income shortfalls at the close of period 8 from car parking (£0.133m), trade waste (£0.076m) and bereavement services (£0.120m). It is forecast that these alongside income lost from the temporary large pool closure (£0.265m) at Jubilee 2 will total £0.649m for the financial year.
 - Contributions to reserves of up to £0.325m at the close of the financial year, dependent upon the outturn regarding interest payable and receivable.
- 2.5 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

- 2.6 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 was approved by Cabinet on 2 December 2025.
- 2.7 The table below shows a high level (service) summary of the Capital Programme position at the close of period 8:

Priority	Budget at Period 8 £'000	Actual at Period 8 £'000	Variance at Period 8 £'000
One Council Delivering for Local People	392	391	(1)
A Successful and Sustainable Growing Borough	3,504	3,507	3
Healthy, Active and Safe Communities	3,719	3,730	11
Town Centres for All	3,193	3,191	(2)
Total	10,808	10,819	11

Medium Term Financial Strategy

- 2.8 The draft MTFS was approved as a basis for consultation by Cabinet on 2 December 2025 and has since been updated to reflect the impact of the Local Government Finance Settlement.
- 2.9 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 and funding strategies identified to date for the period of the MTFS have enabled a balanced financial position to be proposed for 2026/27.

Detail	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
Income	87	119	50	50	50
Staffing Related	781	-	-	-	-
Good Housekeeping	66	275	50	50	50
Tax Base	212	264	348	317	267
Council Tax Increase	179	182	186	190	193
Other Financing	274	-	-	-	-
TOTAL SAVINGS	1,599	840	635	607	560
UPDATED MTFS GAPS	1,599	883	692	550	925
REMAINING GAP/(SURPLUS)	-	43	58	(57)	365

2.10 The table below shows the amendments to items included in the saving strategy reported to Cabinet on 2 December 2025 reflecting the impact of the Local Government Finance Settlement on assumed increases to the tax base, the non-requirement to contribute from the Budget Support Fund towards the costs of Local Government Re-organisation (that can now be financed from the revenue fund) and the finalisation of pension contribution rates for the period 2026/27 to 2028/29:

Detail	£'000
Total Savings as at 2 December 2025	(1,752)
Pension contributions (to reflect finalised contributions)	(143)
Contribution to Local Government Re-organisation from Budget Support Fund	200
Amendments to Tax Base increases to reflect Fair Funding Review	96
Total Revised Savings	(1,599)

Draft Revenue Budget 2026/27

2.11 The MTFS has been updated to reflect the Local Government Finance Settlement received on 17 December 2025. It provides for a gap in 2026/27 of £1.599m and a gap over the 5 year period of the MTFS of £4.649m.

2.12 The table below shows the factors which give rise to the £1.599m gap for 2026/27:

	£'000
Additional Income	
Fees and Charges	(364)
Total Additional Income	(364)
Loss of Income	
Settlement Funding Assessment	126
Reduction in income from under achieved budgets	100
National Insurance – not fully reimbursed as previously assumed	233
Total Loss of Income	459
Additional Expenditure	
Employees (pay awards, increments, national insurance, pension)	649
Premises (business rates and utilities)	65
Transport (fuel)	21

Borrowing	90
Temporary Accommodation	194
Other (inc. software licences, Local Government Re-Organisation, restructuring)	485
Total Additional Expenditure	1,504
Net Increase in Base Budget	1,599

2.13 The table below shows the amendments to items included in the MTFS 'gap' reported to Cabinet on 2 December 2025 reflecting the impact of the Local Government Finance Settlement on them (further details are included at 2.30 to 2.33):

Detail	£'000
Total Pressures at 2 December 2025	1,752
Pension contributions on pay awards (to reflect finalised contributions)	(9)
Local Government Finance Settlement	(338)
Temporary Accommodation	194
Total Revised Pressures	1,599

2.14 The proposed savings identified for 2026/27 are summarised at 2.9, with further detail in Appendix 1.

2.15 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 4 December 2025. The Committee will also scrutinise this Cabinet report at its meeting on 15 January 2026.

Civic Growth Fund

2.16 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.

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

Investment Area	£'000	Details
Council Modernisation	882	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	140	Tree planting/carbon reduction
Walley's Quarry	175	Addressing community concerns regarding the quarry's unpleasant odour omissions.
Town Centre Support	188	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.

2.18 The savings and funding strategies identified in the table in paragraph 2.9 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.

2.19 The 2026/27 Civic Growth Fund investment will be used in the following areas:

Investment Area	£'000
Environmental Sustainability	100
Digital Delivery	100
Place Development	50
Total	250

2.20 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.

2.21 £0.100m of the 2026/27 Civic Growth Fund will continue to be allocated to the digital programme which will transform public access to Council services and drive efficiency savings.

2.22 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

2.23 The savings and funding strategy assumes a 1.99% per Band D equivalent property Council Tax increase, producing £0.179m of additional income. This increase in Council Tax would equate to the following monetary increases for residents:

Property Band	Annual Increase £ p	Weekly Increase £ p
A	2.95	0.06
B	3.46	0.07
C	3.94	0.08
D	4.44	0.09
E	5.42	0.10
F	6.42	0.12
G	7.39	0.14
H	8.88	0.17

- 2.24 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 451 band D equivalent properties from 39,807 in 2025/26 to 40,258 in 2026/27.
- 2.25 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 2025/26. This surplus or deficit is then shared between the relevant preceptors in 2026/27 (a surplus if paid out to preceptors, including the Council, and a deficit is repaid to the collection fund from preceptors, including the Council).
- 2.26 The Council Tax Collection Fund is estimated to be in a deficit position as the close of 2025/26. This deficit is estimated to amount to £0.625m, of which the Council's share is £0.068m.
- 2.27 The Business Rates Collection Fund is estimated to be in a deficit position at the close of 2025/26. The deficit is estimated to amount to £2.982m, of which the Council's share is £1.193m.
- 2.28 The deficit primarily relates to successful appeals in the period January to March 2025 which resulted in an actual outturn position of a surplus of £1.823m for 2024/25 compared to the forecast declared surplus position as at December 2024 of £4.114m.
- 2.29 The Council's share of the deficit for both Business Rates and Council Tax will be provided for via Business Rates Reserve which was established to ensure the Council's resilience against Business Rates volatility.

Local Government Finance Settlement

- 2.30 The Local Government Finance Settlement for 2026/27 to 2028/29 was received on 17 December 2025. The amount receivable is £0.126m less than received in 2025/26 and provides a reduction of £1.051m over the 3 year period of the settlement, when compared to funding received in 2025/26.
- 2.31 The Council set aside £0.500m ahead of the potential impact of the Fair Funding Review 2.0, this amount is not required to be used in 2026/27, but will be used to smooth the impact of the settlement reductions in 2027/28 and 2028/29.
- 2.32 A recovery grant was introduced for 2025/26 with the aim of targeting money towards areas with greater need and demand for services, using deprivation as a proxy. This resulted in a grant of £0.398m which was assumed to be a one off grant, it has been confirmed that this grant will continue at £0.398m for at least the 3 year period of the settlement. It is anticipated that the Council will use this grant to smooth the impact of the settlement reductions in 2027/28 and 2028/29.
- 2.33 Grants in relation to Homelessness Prevention, Rough Sleepers and Domestic Abuse have been merged into a single ringfenced grant. Indications are that this will amount to £0.707m in 2026/27, compared to £0.640m in 2025/26.

Budget Consultation

- 2.34 Public consultation has been undertaken on the budget, the consultation ran between 25 November 2025 and 1 January 2026. The results of which will be reported to Cabinet on 3 February 2026.

Capital Programme 2026/27 to 2028/29 and Capital Strategy 2026/36

- 2.35 The Capital Programme for 2026/27 to 2028/29 (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 £109.946m including major investment into the Borough via external funding in terms of the Town Deals Fund for both Newcastle and Kids Grove.
- 2.36 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).
- 2.37 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.
- 2.38 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.
- 2.39 In addition, the Capital Programme also includes an estimate for the redevelopment of 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.
- 2.40 The Capital Strategy for 2026/36 (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.
- 2.41 The Capital Programme is produced in line with the Capital Strategy for 2026/36. 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.
- 2.42 Delivering the capital programme for 2026/27 will require prudential borrowing to be undertaken. The impact of borrowing is included in the MTFS pressures for 2026/27 and future years.

- 2.43 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 2026/27, Investment Strategy 2026/27 and Commercial Strategy 2026/27

- 2.44 The Treasury Management Strategy for 2026/27 is attached at Appendix 6. The Minimum Revenue Provision Policy for 2026/27 is contained in Annex C to the strategy.
- 2.45 The Treasury Management Strategy for 2026/27 allows for borrowing and for the capitalisation of interest costs in relation to development schemes. 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.
- 2.46 The Investment Strategy for 2026/27 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.
- 2.47 The Commercial Strategy for 2026/27 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

- 2.48 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.
- 2.49 It is recommended that a minimum level of unallocated reserves and contingencies (i.e. the Council's Balance and Reserve Strategy for 2026/27) of £2.225m be held in 2026/27 to reflect the levels of revenue risk shown in the draft budget for 2026/27.
- 2.50 The increase in the minimum level will be financed from the Recovery Grant to be received in 2026/27, the balance of which will be paid into the Budget and Borrowing Support Fund to increase the Council's financial resilience, ahead of its use in 2027/28 and 2028/29 to smooth the impact of the Fair Funding Review 2.0.

Timetable

Event	Committee	Date
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 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 2026/27 to 2030/31 (Appendix 2) be noted.
- 3.3 That the strategy for ensuring a balanced revenue outturn position for 2025/26 be noted.
- 3.4 That the calculation of the Council Tax base and the Council Tax increase to be proposed for 2026/27 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 2026/27 be noted.
- 3.6 That the draft Capital Strategy (Appendix 5) for 2026/36 be noted.
- 3.7 That the draft Treasury Management Strategy (Appendix 6) for 2026/27 be noted.
- 3.8 That the draft Investment Strategy (Appendix 7) for 2026/27 be noted.
- 3.9 That the draft Commercial Strategy (Appendix 8) for 2026/27 be noted.
- 3.10 That the updated 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 3 February 2026.

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 2026/27 by 11 March 2026 per Section 30(6) of the Local Government Finance Act 1992. It is planned to approve the final budget and Council Tax rates on 11 February 2026.

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 £2.225m to reflect the levels of revenue risk shown in the draft budget for 2026/27. 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 2026/27 reports to Cabinet on 3 February 2026 and to Council on 11 February 2026.
- 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 Sustainable 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 2026/27 to 2030/31 (Cabinet 2 September 2025).

13.2 Revenue and Capital Budgets 2026/27 – First Draft Savings Plans (Cabinet 2 December 2025).

14. List of Appendices

14.1 Appendix 1 – 2026/27 MTFS Funding Strategy

14.2 Appendix 2 – 2026/27 to 2029/30 MTFS 'Gaps'

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

14.4 Appendix 4 – 2026/27 to 2028/29 Capital Programme and 2025/26 Mid-Year Estimate

14.5 Appendix 5 – Capital Strategy 2026 to 2036

- 14.6 Appendix 6 – Treasury Management Strategy 2026/27
- 14.7 Appendix 7 – Investment Strategy 2026/27
- 14.8 Appendix 8 – Commercial Strategy 2026/27
- 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 – 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	744	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
			781	
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	100	Increase in tax base based on market housing supply requirement and current year tax base forecasts
A2	Corporate	Tax base – Business Rates	112	Assumed increase in tax base of 3%
A3	Corporate	Council Tax increase	179	Assumed increase of 1.99% per Band D property
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
			665	
Grand Total			1,599	

Appendix 2 – 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	99	97	94	95	97	19% of salary increases
Superannuation lump sum increases	-	33	35	37	39	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)	(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)
Temporary Accommodation	194	-	-	-	-	Contribution towards costs of temporary accommodation
Recycling	-	195	250	-	-	Potential loss of recycling credits and income if contractor disposal undertaken by the County Council
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	126	454	472	(78)	(79)	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. Revised forecasts estimate that this will amount to £9.23m in 2026/27 with decreases of £0.45m in 2027/28 and £0.47m in 2028/29.
Recovery Grant/Allowance for funding impact	-	(398)	(500)	-	-	The Recovery Grant will continue over the 3 year period of the Settlement Funding Assessment. This will be used to offset the reduction in the settlement in 2027/28. £0.5m has already been included in the base budget for 2025/26 to allow for a reduction in the settlement, this will be applied in 2028/29.
National Insurance reimbursement	233	-	-	-	-	Shortfall in grant re. National Insurance rises
Income pressures	100	100	100	100	100	General income shortfalls
TOTAL GAPS	1,599	833	692	550	925	

Appendix 3 – Risk Assessment on Required Balances/Contingency Reserve (£2,225m)

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	3 x 3	High	Regular monitoring of income levels	275,000
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	High	Regular monitoring of income levels	285,000
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	205,000
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	2 x 3	Moderate	Regular monitoring of vacancy levels	50,000
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	100,000
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 use agency/interim staff	Additional unbudgeted costs	3 x 3	High	Absence management procedures in place	3 x 3	High	Monitoring of sickness levels	150,000
8	Council becomes liable to pay compensation or legal fees or another	Additional unbudgeted costs	3 x 3	High	Included in calculation of minimum balances	3 x 2	Moderate	None	125,000



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 £
	unforeseen commitment arises								
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	100,000
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	220,000
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	20,000
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	40,000
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
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



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 £
17	Government further increase NI rates during 2026/27	Additional unbudgeted costs	2 x 3	Moderate	Included in calculation of minimum balances. Increased rate built into budget	2 x 3	Moderate	None	65,000
18	Savings built into Budget are not realised	Additional unbudgeted costs	3 x 3	High	Regular Budget Monitoring	3 x 2	Moderate	None	80,000
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	60,000
22	Municipal Mutual Insurance (MMI) Clawback	Additional unbudgeted costs	3 x 3	High	MMI Provision	2 x 1	Low	Consider increasing amount of provision if necessary	15,000
23	Data Protection breach resulting in fine	Additional unbudgeted costs	3 x 3	High	Data Protection Policy Reminders to staff. All staff complete mandatory e-learning module	3 x 3	High	None	75,000
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 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