



Report to: Cabinet Meeting: 18 February 2025
 Portfolio Holder: Councillor Paul Peacock - Strategy, Performance & Finance
 Director Lead: Sanjiv Kohli, Director – Resources and Deputy Chief Executive
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Report Summary	
Type of Report	Open Report / Key Decision
Report Title	2025/26 Proposed General Fund Revenue Budget
Purpose of Report	To enable Cabinet to consider the spending proposals in the Council’s proposed 2025/26 General Fund revenue budget and make recommendations to Full Council for its meeting on 6 March 2025.
Recommendations	<p>That Cabinet recommends to Full Council at its meeting on 6 March 2025 that:</p> <ul style="list-style-type: none"> i. the following amounts be now calculated by the Council for the 2025/26 financial year, in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011: <ul style="list-style-type: none"> 1. £57,162,110 being the aggregate of the amounts which the Council estimates for items set out in Section 31A(2)(a) to (f) of the Act, as the District Council’s gross expenditure for 2024/25); 2. £36,261,250 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3)(a) to (d) of the Act, as the District Council’s gross income for 2024/25); and 3. £20,900,860 being the amount by which the aggregate at (b)(i) above exceeds the aggregate at (b)(ii) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Net Budget Requirement for the year; ii. the figures shown as i.1. and i.3. above to be increased only by the amount of Parish Precepts for 2025/26; iii. the budget amounts included in the report be the Council’s budget for 2025/26; and iv. the fees and charges shown in Appendices C1-C22 be implemented with effect from 1 April 2025.

Alternative Options Considered	Not applicable, the Cabinet is required to make recommendations on the budget to the Full Council.
Reason for Recommendations	To enable Cabinet to make recommendations to Council of the amounts to be calculated in accordance with Sections 31 to 36 of the Local Government Finance Act 1992, as amended by the Localism Act 2011, for the purposes of setting Council Tax levels for the 2025/26 financial year.

1.0 Background

- 1.1 This report sets out details of the Council’s proposed General Fund (GF) revenue budget for the 2025/26 financial year. The GF revenue budget has been prepared in accordance with the Council’s budget setting strategy for 2025/26 which was approved by Cabinet on 24 September 2024.
- 1.2 The 2025/26 GF revenue budget has accordingly been derived from the 2025/26 base budget within the Medium-Term Financial Plan (MTFP) approved by Full Council on 7 March 2024. In accordance with the Budget Strategy, growth and efficiencies have been included based on the engagement with Portfolio Holders throughout the budget setting process. Additionally, changes as described in the Budget Strategy around pay awards and inflation, have also amended that base position.

2.0 Financial Summary

- 2.1 The Council’s proposed 2025/26 GF revenue budget is shown in further detail, including information on priority areas in **Appendices A1** to **A2** to this report. The current overall position is summarised below:

Line in Appendix A1		2025/26 (£)
9	Total service budgets	24,013,990
14	Total other operating income & expenditure	1,499,250
20	Total financing and investment income & expenditure	(1,320,810)
32 & 33	Less capital reversals	(3,291,570)
	Net Budget Requirement	20,900,860
21 to 28	Other government grants	(2,060,920)
29 & 30	Non-Domestic Rates (NDR) (Business Rates)	(10,845,818)
32 to 34	Contributions to or (from) Usable Reserves	403,670
37	Net call on Council Tax	8,397,792
38	Council Tax Adjustments	173,900
39	Amount to collect through Council Tax	8,571,692

- 2.2 As the total service budgets (line 9 of **Appendix A1**) include capital costs, the table below breaks down the total service budgets for each Portfolio by the amounts which relate to capital costs and which relate to cash budgets which further breakdown at **Appendix B1-14**:

Line in Appendix A1	Portfolio	2025/26 base budget (March 2024) (£)	2025/26 base budget (February 2025) (£)	Variance (£)
Without Capital costs	Climate and the Environment	3,440,650	3,480,300	39,650
	Health, Wellbeing and Leisure	1,497,550	929,100	(568,450)
	Heritage, Culture and the Arts	1,089,370	895,330	(194,040)
	Housing	662,240	464,250	(197,990)
	Public Protection and Community Relations	3,153,200	3,282,160	128,960
	Strategy, Performance and Finance	9,027,060	9,667,130	640,070
	Sustainable Economic Development	1,868,970	2,004,150	135,180
	Cash Service Budgets	20,739,040	20,722,420	(16,620)
Capital costs	Climate and the Environment	1,139,720	876,350	(263,370)
	Health, Wellbeing and Leisure	996,710	804,740	(191,970)
	Heritage, Culture and the Arts	201,760	190,450	(11,310)
	Housing	49,620	50,740	1,120
	Public Protection and Community Relations	82,900	229,960	147,060
	Strategy, Performance and Finance	1,447,650	1,136,190	(311,460)
	Sustainable Economic Development	6,480	3,140	(3,340)
32 & 33	Capital Service Budgets	3,924,840	3,291,570	(633,270)
1	Climate and the Environment	4,580,370	4,356,650	(223,720)
3	Health, Wellbeing and Leisure	2,494,260	1,733,840	(760,420)
4	Heritage, Culture and the Arts	1,291,130	1,085,780	(205,350)
5	Housing	711,860	514,990	(196,870)
6	Public Protection and Community Relations	3,236,100	3,512,120	276,020
7	Strategy, Performance and Finance	10,474,710	10,803,320	328,610
8	Sustainable Economic Development	1,875,450	2,007,290	131,840
9	Total Service Budgets	24,663,880	24,013,990	(649,890)

2.3 The budget above delivers the Council's ambitions within the community plan. **Appendix E** summarises within each Portfolio, where large proportions of spend is directed.

2.4 The table below shows how the 2025/26 base budget approved by Full Council on 7 March 2024, has been adjusted for changes totalling £16,620 based on paragraph 2.2 above. Paragraph 3.23 describes the main changes between the assumed base budget and the proposed within this paper.

Portfolio	2025/26 base budget (March 2024) (£)	Realignments	Salary Uplift	Approved Variations	Inflation	Requested Changes	2025/26 base budget (February 2025) (£)
CE	3,440,650	(7,000)	34,640	55,100	950	(44,040)	3,480,300
HWL	1,497,550	30,600	3,760	(111,550)	(540)	(490,720)	929,100
HCA	1,089,370	(25,000)	2,150	(88,750)	(2,020)	(80,420)	895,330
H	662,240	(30,600)	(24,590)	(406,380)	1,620	261,960	464,250
PPCR	3,153,200	0	(21,660)	79,670	5,560	65,390	3,282,160
SPF	9,027,060	32,000	(95,440)	233,740	8,470	461,300	9,667,130
SED	1,868,970	0	(58,770)	216,810	(1,020)	(21,840)	2,004,150
Non-Capital	20,739,040	0	(159,910)	(21,360)	13,020	151,630	20,722,420

3.0 Development of Proposed 2025/26 General Fund Revenue Budget

3.1 The development of the proposed 2025/26 General Fund budget was set out in the Budget Strategy document that was presented to Cabinet on 24 September 2024. This document set out the strategy for the year which was to build upon the notional 2025/26 budget as compiled in the preparation of the MTFP for the period 2024/25 to 2027/28 and was approved by Council on 7 March 2024.

3.2 Directors and Business Managers worked with their allocated Finance Officers to go through the budget and MTFP estimates in order to ascertain whether the actions under each of the 8 Community Plan objectives have already been included in the base budget, are growth items for inclusion either in the budget for 2025/26 or/and MTFP period, or do not require a financial allocation as the activities are to be delivered by a third party with the Council having a facilitating and monitoring role. Cabinet Portfolio Holders then met with responsible Directors to review proposed level of resources to resource the objectives in the Council's current approved Community Plan with greater emphasis on the Council's core services. The portfolio holder for Strategy, Performance and Finance has also reviewed the overall Council Position. Subsequently, this budget has therefore been proposed for the 2025/26 financial year.

3.3 The proposed 2025/26 General Fund revenue budget collates various types of information, such as the:

- a) level of government grant receivable;
- b) expected level of council tax and business rates income;
- c) expected level of other income, such as from fees and charges;
- d) expected level of spend on employees; and
- e) expected use of reserves.

3.4 The sub-sections in this part of the report summarise these and other areas of importance.

Local Government Finance Settlement: Settlement Funding Assessment (SFA) and Core Spending Power

3.5 The annual Local Government Finance Settlement provides councils with the amount of government grant and other information pertinent for setting the next financial year's budget. The provisional settlement was announced on 18 December 2024, and the final settlement was announced on 3 February.

3.6 Core Spending Power (CSP) is a measure of the resources made available to local authorities to fund service delivery, based on the Government's annual Local Government Finance Settlement (LGFS). Government makes assumptions within this based on levels of Council Tax and growth in an authorities Tax Base (the Band D equivalent number of properties to charge Council Tax over).

3.7 As part of the final LGFS Government an increase of almost £3.9bn or 6% in cash terms in CSP over and above the 2024/25 settlement was announced nationally. The table below shows the CSP for Newark and Sherwood (as assumed by Government) together with the proposed actual CSP. The Governments assumption works out to be cash flat (hence a zero percent increase) compared with the 2024/25 settlement, whilst the proposed budget shows a decrease of 0.87% or £0.134m in cash terms. This compares against an increase of 0.32% when compared with other Shire Districts. Districts have had the lowest increases in CSP for many years.

	2024/25	2025/26 Final LGFS	2025/26 Proposed Budget
Business Rates funding	£3.986m	£4.030m	£4.030m
Compensation for under-indexing the Business Rates multiplier	£0.767m	£0.802m	£0.802m
Revenue Support Grant	£0.243m	£0.287m	£0.287m
Council Tax	£8.286m	£8.705m	£8.571m
New Homes Bonus	£0.327m	£0.987m	£0.987m
Minimum Funding Guarantee (now named Funding Floor)	£1.612m	£0.205m	£0.205m
Services Grant	£0.026m	£0m	£0m
Rural Services Delivery Grant	£0.052m	£0m	£0m
Domestic Abuse Safe Accommodation Grant	£0.033m	£0.034m	£0.034
Recovery Grant	£0m	£0.321m	£0.321m
Grants rolled in	£0.039m	£0m	£0m
Total	£15.371m	£15.371m	£15.237m

3.8 The reason for the difference between the Governments assumption and the proposed budget is the calculation of additional properties chargeable for Council Tax. The Government has assumed an increase of 2% on the Council's Council Tax Base which equates to an increase of 15% compared with last years' increase (740.79 increase in CTB in 2024/25 whilst assumed 851.85 increase in CTB in 2025/26).

- 3.9 As can be seen from the table above, New Homes Bonus (which for a number of years has been forecast to be removed altogether) has increased significantly by £0.660m growth in property numbers within the District. The Policy Statement confirmed however, that this is the final year of New Homes Bonus.
- 3.10 To put into context the fact that the Council will receive a reduction in funding of £0.134m, the table below shows the increase in cost for forecast for certain base items in the budget:

Base Cost	Increase between 2024/25 and 2025/26
Employees	£1.367m
Fuel	£0.008m
Total	£1.375m

Proposed 2025/26 Council Tax

- 3.11 Chapter IVA (Limitation of Council Tax and Precepts) of the *Local Government Finance Act 1992* requires billing authorities to hold referenda if their relevant basic amount of council tax for a financial year is in excess of a set of principles determined by the Secretary of State.
- 3.12 An authority’s relevant basic amount of council tax is its average band D council tax excluding local precepts. The relevant basic amount of council tax for Newark & Sherwood District Council (NSDC) includes the levy that Internal Drainage Boards charge the Council.
- 3.13 The proposed core principle for 2025/26 is 3%. The Government’s proposed council tax referendum principle for shire district councils therefore permits increases in the Council’s 2025/26 relevant basic amount of council tax of up to (and including) the greater of 2.99% or £5.00 without holding a referendum.
- 3.14 The assumed council tax increase within these budget papers is an increase in the band D equivalent of 2.99%, or £5.83 per year based on the band D average. As 73% of the properties in Newark and Sherwood are in bands A to C, the increase for these properties will be less than £5.83 per year. The Council Tax charge for the 2024/25 financial year is £194.82 which therefore means a charge of £200.65 for the year 2025/26 financial year has been assumed within these papers. 41% of all properties in the district are within band A, which currently has a charge of £129.88 and a proposed charge of £133.77 meaning an increase of £3.89 per annum.
- 3.15 The Council Tax base (being the number of band D equivalent properties within the district) assumes a 0.44% increase on 2024/25. The Tax Base for 2025/26 is set at 42,720.66 (42,531.75 for 2024/25). This is calculated taking all the properties in the district and weighting them depending on their banding, adjusting for estimated discounts and premiums.
- 3.16 The tax base is then multiplied by the annual charge in order to calculate the total Council Tax receivable for the year being £8,571,692. Where further discounts or

premiums are actually charged/awarded during the year and the amount of properties charged Council Tax is different to the assumptions above, the surplus or deficit in the Collection Fund will be calculated and will be distributed/clawed back in the following financial year.

Proposed 2025/26 Business Rates

- 3.17 Under the NDR system, businesses pay councils based on the open market rental value of their business property, as estimated by the Government’s Valuation Office Agency (VOA). The rate payable by small businesses in 2025/26 will be 49.9p per pound (49.9%) of their property’s rateable value, and the rate payable by other businesses will be 55.5p (55.5%).
- 3.18 The Government compensates local authorities for their decisions relating to business rates through s31 grants. As the Government have frozen multipliers in previous years, the Council does not lose based on those decisions (inclusive of their decision to change the inflator on the multiplier from RPI to CPI). As can be seen from the table at paragraph 3.7 the Government expects to reimburse the Council by £0.802m (£0.767m 2023/24) for this loss in income.
- 3.19 The table at paragraph 3.7, shows the total amount of business rates that the Government expects the Council needs to run its services. Though the Government has allocated £4.030m of business rates to the Council for 2025/26 and £0.802m for the compensation for under indexing the multiplier, the Council expects to exceed this amount during 2025/26.
- 3.20 The Council is budgeting to retain £9.593m of business rates for 2025/26 (Appendix A1, lines 23 & 24). This includes the £4.030m and the £0.802m referred to in paragraph 3.7; additional income, such as local growth above this baseline and from relevant renewable energy projects; and additional expenditure; such as the levy on additional income.

Calculation	Items relating to 2025/26 NDR income budget	Amount (£m)
1	NDR income + section 31 grants	23.429
2	Tariff	(12.708)
3	Levy	(2.383)
4	Renewable Energy	1.256
5	2025/26 NDR income budget	9.593

- 3.21 In addition to the above, as the Council is part of the Nottinghamshire Business Rates Pool, the Council gains from pooling its resources locally. It has currently been forecast that the return funding from the pool for the 2025/26 financial year will be £1.000m which has been built into the Council’s Medium Term Financial Plan.

Proposed 2025/26 Budget – General Principles

- 3.22 The appropriate bases agreed in the Budget Strategy and used in the preparation of the budget are:

a)	Employees	<p>Some of the main assumptions used to budget for employee costs for 2025/26 are:</p> <ul style="list-style-type: none"> • a 3% increase in basic pay; and <p>4.0% of the Council's total salary budget, or £885,480, has been budgeted to be saved from posts that remain vacant for a period of time before being filled. This is often referred to as the vacancy factor.</p>
b)	Employer's Superannuation	<p>Pension-related costs have been budgeted for in line with the actuarial review which took place as at 31 March 2022 for the three years between 2023/24 and 2025/26.</p> <p>The Council's budgeted pension-related costs have increased, because its total 2025/26 basic pay budgets have increased. The Council's primary rate (charged as a proportion of basic salary at employee level) is 18.6%.</p>
c)	General Inflation	<p>Most non-pay expenditure budgets have been uplifted by 2%. Specific budgets have had larger increases on where applicable. Some costs, such as insurance and utilities, are expected to increase by around 5%; and others, such as fixed-price goods and services, are expected to increase by less than 2%. Income Budgets have been increased where appropriate based on the Fees and Charges schedule.</p>
d)	Average Interest Rate re External Debt	<p>The Council's General Fund borrowing will be in accordance with the Prudential Code for Capital Finance in Local Authorities. The cost of borrowing will depend on the rates available at the time that funding is required.</p>
e)	Capital Charges	<p>The proposed budgets for each Portfolio (Appendix A1, lines 1-9) includes the notional costs of assets used in delivering services, so that the Council can reflect the true cost of delivering services.</p> <p>Statute, however, requires these capital charges be reversed out (Appendix A1, lines 32 & 33) and replaced with the cost to the Council taxpayer of the underlying capital decisions that have yet to be financed (Minimum Revenue Provision (MRP)) (Appendix A1, line 15). Legislation determines that council taxpayers cannot be charged for the notional costs of assets used.</p>
f)	Capital Financing Charges	<p>The Council's General Fund (GF) revenue budget is charged when the Council borrows to fund the purchase or creation of non-current assets. These charges will be in line with the Council's Minimum Revenue Provision (MRP) policy for 2025/26 to be approved by Council on 6 March 2025.</p> <p>MRP is a charge to the taxpayer, calculated by apportioning the value borrowed for assets over their expected useful lives.</p>
g)	Internal Drainage Boards	<p>Despite there being a freeze in cost for the 2025/26 financial year, the anticipated cost of levies to the two Internal Drainage Boards (Trent Valley and Upper Witham) for 2025/26 is £950,000.</p> <p>This cost had increased by 40% from the 2022/23 financial year. During 2023/24 the Council received £239,690 towards contribute towards the increase in cost. The Council has budgeted to receive £119,000 towards the additional costs of the IDB, which is equivalent to the grant received during 2024/25.</p>

3.23 The table below details the Council's net budget requirement for 2025/26, broken down by gross expenditure and gross income:

Line		2025/26 gross expenditure (£)	2025/26 gross income (£)	2025/26 net expenditure (£)
9	Total service budgets	58,630,340	(34,616,350)	24,013,990
32 & 33	Reversal of Capital Charges	(4,151,570)	860,000	(3,291,570)
	Sub Total Service Budget (Appendix A2)	54,478,770	(33,756,350)	20,722,420
14	Other operating income & expenditure	1,499,250	0	1,499,250
20	Total Financing and Investment income & expenditure	1,184,090	(2,504,900)	(1,320,810)
	Net Budget Requirement	57,162,110	(36,261,250)	20,900,860

3.24 A summary of the main reasons for changes requested in the table at paragraph 3.3 are listed below:

Changes requested for 2025/26 base budget compared to 2025/26 base budget (MTFP as at March 2024)	Variance (£)
Additional budget required for 2025/26 only in relation to the 5 Year Housing Needs Assessment	47,000
Additional ongoing budget to allow for supporting live stream meetings along with other AV requirements across the Council	46,470
Future Apprenticeship Programme	100,000
Training budget increase to allow for access to Platform system, making more appropriate budget available for training bid rounds	168,750
Additional costs in relation to 'Simpler Recycling'	40,000
Funding to support the action plan for the Motion for the Ocean	45,000
One new officer for Biodiversity and Ecology for 2025/26 onwards	50,000
Reduction in forecast income at Clipstone Holding Centre due to slippage in Capital programme	112,000
One off cost of feasibility for future Leisure provision	100,000
Feasibility for Middlebeck Green Basin	50,000
Provisional annual budget set aside for employee reward and retention scheme	250,270
Reduction in income at the Lorry Park due to the forecast impact of flooding events	48,800
Increase in cost of Hybrid Mail	36,770
Employers National Insurance Contributions increase following Autumn Budget 2024 announcement	412,000
Funding available to assist with Cost of Living challenges	100,000
Change in recharges to HRA	(147,560)
Reduction in Active4Today Management fee	(650,610)
Net Income in relation to Careline Expansion	(115,580)
Garden Waste Collection Increase in customer base and price	(54,800)
Budget for Notional Savings	(250,000)

Corporate Asset Development Changes in agency budget post restructure	(164,150)
Salary uplift (change from 5% to 3%)	(159,910)
Changes to budget approved during the year	(21,360)
Inflation	13,020
Other Changes	(72,730)
Total	(16,620)

2025/26 Employee Plan

3.25 The salary budget for the General Fund has been based on 489.65 FTE posts in 2025/26 (478.83 in 2024/25). Any changes to the establishment will require the relevant approvals.

Fees and Charges Review

3.26 The fees and charges for many services administered by the local authority are set by statute. The amounts for these, and their timing and review, are therefore prescribed by central government. There remains, however, many services where the Council has the ability to review and if necessary, amend its charges or charging regime.

3.27 In accordance with the Council's Constitution, each service area should consider the level of fees and charges to be implemented in the following financial year as part of the process of service planning and budget setting.

3.28 The proposals for the levels of fees and charges to be implemented from 1 April 2025 were reviewed by Directors during November and have now been updated where appropriate. The Council is currently budgeting to receive £5.4m of income from fees and charges in 2025/26. This is an increase of £0.628m from 2024/25.

3.29 The table below summarises the services which provide the Council with most of its fees and charges income and the fees and charges income budgeted from these services for 2025/26:

Service	2025/26 base budget (March 2024) (£)	2025/26 base budget (February 2025) (£)	Summary
Fees and Charges			
Trade Waste, Recycling and Garden Bins	1,296,800	1,393,950	Businesses based in Newark and Sherwood have to pay for their waste to be collected and disposed of. Nottinghamshire County Council sets the waste disposal charges for all district and borough councils in the county, through its statutory role as the Waste Disposal Authority for these authorities. Further details of these and the other proposed charges for 2025/26 can be found in Appendix C13 .

Car and Lorry Parking	872,860	911,630	The car parking charges proposed for 2025/26 are largely the same as those in 2024/25, though increases have been proposed for lorry parking. Further details can be found in Appendix C16 .
Planning	1,069,700	1,109,350	Planning application fees are statutory, set by the Government, whereas pre-application advice fees are discretionary, set by the Council. The Council categorises its pre-application advice fees by the size and type of developments. Further details, including the statutory fees chargeable, can be found in Appendix C1 & C2 .
Culture	580,380	739,970	The charges related to the Palace Theatre Newark, National Civil War Centre, and Newark Castle and Gardens proposed for 2025/26 are largely the same as those in 2024/25. Further details can be found in Appendix C6 .
Rents			
Corporate Property	1,978,250	2,051,660	The rents for Corporate Property include income at the Newark Beacon, the Industrial units across the District, the Air and Space Institute, Castle House rents and the ButterMarket to name a few.
Housing Services	434,060	814,840	Rental income at various properties across the District, also including the income for the rental of the Careline technology

3.30 Details of the Council's proposed charges for 2025/26 for all services can be found in **Appendices C1-C22**.

Total Financing and Investment income & expenditure (**Appendix A1**, line 19)

3.31 Capital financing costs have been estimated based on assumptions of interest rates going forward, taking into account the forecasts of cash balances over the next year. Due to their nature and composition, however, they are subject to change on a regular basis. This reflects movements in the financial markets as well as changes to the predicted cashflow.

3.32 The Council will seek to borrow money from the most efficient and effective institution in order to support its cash flow position. Regard will be taken to the Council's Treasury Strategy (which is subject to a separate report which is to be considered by the Audit and Governance Committee on 19 February 2025 and is due to be approved by Full Council on 6 March 2025) and due diligence through the Council's Treasury Advisers.

3.33 In previous financial years, decisions regarding capital expenditure have been taken to utilise internal resources and maintain an under-borrowed position against its Capital Financing Requirement. This is not uncommon across the Local Government sector, at a time when budgets have been squeezed, but reserves have existed. The Council is proposing to utilise some of its reserves on projects such as the Yorke Drive and the Southern link Road. This means that as cash backed by these reserves will be utilised,

there is a potential need to borrow money to ensure that the Council has cash at hand to service its day to day costs.

3.34 There is an overall increase in the total net Financing and Investment income & expenditure by £1.187m (**Appendix A1**, line 20) in 2025/26. The 2025/26 interest receivable budget is higher than was budgeted for in March 2024, mainly due to the increase in investment balances and associated interest rates increasing during the year.

3.35 All treasury investments are made in line with the Council’s Treasury Management Strategy. Advice from the Council’s external treasury consultants will be sought prior to the investment of any funds to ensure maximum scrutiny is taken on any decision making.

Contribution to or From Reserves

3.36 Section 25 (Budget calculations: report on robustness of estimates etc) of the *Local Government Act 2003* requires local authority chief finance officers (Section 151 officers) to report on the adequacy of financial reserves in the Council’s proposed budget and robustness of estimates made.

3.37 The Council’s s151 Officer has reviewed the adequacy of the Council’s financial reserves to ensure that these are neither too low (imprudent) or too high (over prudent) based on their purpose and likely use.

3.38 The table below summarises the amount of council earmarked reserves as at 31 March 2024, and forecasts of these as at 31 March 2025 and 31 March 2026.

	At 31 March 2024 (£)	Forecast at 31 March 2025 (£)	Forecast at 31 March 2026 (£)
Budget Funding Reserves	9,838,603	8,261,918	8,261,918
Earmarked for Known Pressures	7,348,077	5,492,043	4,228,928
Ring Fenced Reserves	1,977,136	1,779,763	1,716,067
Un-ringfenced Reserves	13,486,697	9,186,020	7,765,368
Total Revenue Reserves	32,650,513	24,719,743	21,972,282
Capital Reserves	11,196,429	12,271,418	12,061,753
Total Revenue and Capital Reserves and Balances	43,846,943	36,991,162	34,034,035

3.39 The main reductions relate to the usage of the Change Management/Capital Fund over the next two years. Large capital projects (such as the Yorke Drive, SLR and the development at Clipstone) are due to utilise the funding over the next two years which will draw down the balances held.

General Fund Balance

3.40 The Council’s £1.500m General Fund balance has been set aside to pay for exceptional items. Officers consistently review the appropriateness (prudence) of this amount in

light of internal and external risks identified. For the Council to maintain this balance, it is intended that it will only be used to fund expenditure once other appropriate reserves have been fully utilised.

- 3.41 The Council's total forecast reserves and general fund balance to 31 March 2025 is £36,991,162. The s151 Officer of the Council is satisfied with the adequacy of the levels of reserves and balances.
- 3.42 The budget has been prepared in accordance with the budget strategy approved Cabinet on 23 July 2024. The draft budget has been scrutinised and challenged by the Council's Senior Leadership Team, the Leader and Portfolio Holders. The draft budget (and Medium Term Financial Plan) has also been scrutinised informally by the ruling administration. The s151 Officer of the Council is therefore satisfied by the robustness of the estimates and assumptions underpinning the budget for 2025/26.

Parish and Town Council Precepts

- 3.43 Parish and town councils can raise money to help meet their spending requirements by issuing a 'precept' (mandatory demand) to the district council. The district council must account for such precepts when calculating its council tax requirement. Council tax requirement is the amount of money that councils need to raise from council tax to fund council spending once income from other sources (such as government grants) have been deducted.
- 3.44 The Council is still awaiting confirmation from each parish and town council regarding their level of precept for 2025/26. These details will be included in the revenue budget and council tax setting report to be presented to Council on 6 March 2025.

Subjective Analysis

- 3.45 **Appendix A2** contains a breakdown of the Council's General Fund revenue budget for 2025/26 by statutory categories used to categorise expenditure and income.

Risk Assessment and Sensitivity

- 3.46 As mentioned in paragraph 3.28, section 25 of the *Local Government Act 2003* requires the Council's chief finance officer, currently the Director of Resources and Deputy Chief Executive, to report on the robustness of estimates made in the Council's proposed budget. This section fulfils that requirement.
- 3.47 In considering the Council's proposed budget for 2025/26 and the sensitivity of expenditure and income to changes, it should be noted that:
- a) a 1% increase in Council Tax is equivalent to £83,228 of net expenditure; and
 - b) a £1 increase in Council Tax is equivalent to £42,721 of net expenditure.
- 3.48 Various assumptions were required to be made when preparing the proposed 2025/26 budget. The two areas where it seems that variations between the proposed budget and reality could be greatest are employee pay and income receivable. Further details on each of these are below.

2025/26 Pay Award and changes in National Insurance

- 3.49 Employee costs form a significant proportion of all district council budgets. As mentioned in paragraph 3.15, the 2025/26 budgets have been prepared assuming a 3% annual increase in basic pay.
- 3.50 The National Joint Council (NJC) for Local Government Services' pay award for 2025/26 has not yet been finalised. If the 2025/26 pay award agrees a more than 3% increase in basic pay, and if reductions in employee costs elsewhere cannot offset the increase in pay award costs, the additional costs unbudgeted for will need to be funded from council reserves. A 1% increase over and above the budgeted 3% in basic pay for 2025/26 would result in around £196,000 needing to be funded from reserves.
- 3.51 National Insurance Contributions - From 1 April 2025 the National Insurance (NI) rate for employers will increase from 13.8% to 15%. Additionally, the level at which employers will start paying NI contributions will reduce from £9,100 to £5,000. The impact of this on the General Fund is expected to be £412,000. The Government also announced that Public Sector authorities would receive a grant to compensate them for the additional cost. Based on modelling it is not expected that the grant will fully cover the additional cost of the NI contributions. £184,000 grant is currently forecast to be received in 2025/26, which has been split proportionately between the HRA and the General Fund. £141,680 has been budgeted for within the GF, hence leaving an additional cost to the authority of £270,320.

Income

- 3.52 A significant part of the Council's annual net budget is dependent on income from rents; sales, fees and charges; and other receipts. Officers have reviewed the income that services have achieved against the current and previous years' budgets and have considered factors expected to affect future income levels, to ensure the 2025/26 income budgets for services have been set at levels considered achievable.
- 3.53 Significant underperformance against budgeted income would increase the Council's annual net expenditure, and thus place unbudgeted demand on council reserves. A 1% reduction in council income from fees and charges would cost £54,000, or a council tax increase equivalent to £1.28 per property (0.65%).
- 3.54 Officers closely monitor income levels as part of the Council's monthly budget monitoring processes.
- 3.55 Officers plan to develop a more detailed understanding of the volumes of activity which underpin each of the Council's main income sources. This will allow the Council to more accurately model changes to expected activity levels, as well as increase assurance regarding the risks of such changes materialising.

Other Significant Potential Risks

- 3.56 Though less likely, but other assumptions which could result in the Council's actual expenditure and/or income varying significantly from its proposed budgets are below:

a)	Interest rates	<p>The proposed 2025/26 budget includes amounts for both interest payable (Appendix A1, line 17) and interest receivable (Appendix A1, line 18). This is because the Council expects that it will both borrow money and lend money throughout the 2025/26 financial year.</p> <p>The budgeted amounts for 2025/26 have accounted for factors such as the amount of council funds expected to be available. The actual amounts of council interest payable and receivable for 2025/26 will likely differ from those budgeted.</p> <p>The impact of a 1% change in interest rate would be insignificant on the Council's overall budget.</p>
b)	General Inflation	<p>As mentioned in paragraph 3.25, the proposed service budgets for 2025/26 include increases for inflation where appropriate.</p> <p>The most recent month for which inflation data was available at the time of writing is December 2024. There was a 2.6% increase in inflation (Consumer Prices Index (CPI)) from December 2023.</p> <p>Though it is likely that actual inflation rates throughout 2025/26 will differ from the Government's own forecasts for 2025/26 and the 2% the Council has generally budgeted for, the small differences anticipated are expected to have insignificant impact on the Council's budget.</p>
c)	Apprenticeship Scheme	<p>In addition to Apprenticeship Levy payments the Council is required to make to the Government (Appendix A1, line 10), the Council employs apprentices which have been budgeted for within the revenue budget.</p>
d)	Reserves	<p>As mentioned in paragraph 3.38, the Council has reviewed the adequacy of the financial reserves proposed in the 2025/26 budget, as statutorily required.</p>

4.0 **Implications**

In writing this report and in putting forward recommendations, officers have considered the following implications: Data Protection; Digital & Cyber Security; Equality & Diversity; Financial; Human Resources; Human Rights; Legal; Safeguarding & Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Equalities Implications

4.1 Business Managers consider the implications on equalities when assessing how best to deliver the services they are responsible for.

Legal Implications (LEG2425/7170)

4.2 Cabinet is the appropriate body to consider the content of the report and recommend to Full Council. Audit & Governance Committee will receive the report for assurance purposes in the context of financial sustainability. Any recommendations of Policy & Performance Improvement Committee should be taken into account by Cabinet.

Community Plan – Alignment to Objectives

- 4.3 The Community Plan 2023-2027 was approved by Full Council on 12 December 2023 and sets out the Council's objectives over the next three years, building on previous published plans for the same time period.
- 4.3 The Community Plan will be further revised at the meeting of Cabinet on 1 April 2025. Any adjustments to the plan will be reviewed in the context of the Budget and the MTFP and resources allocated accordingly based on relevant governance processes.
- 4.5 The budget proposed within this report seeks to allocate resources in order to ensure the delivery of all the objectives within the Community Plan.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None.