

Draft Revenue Budget for 2025-26	
Executive Summary	This report presents the latest iteration of the budget for 2025/26. It is intended to present the position as we currently know it and it will need to be updated as more information becomes available e.g. the impact of the final Local Government Finance Settlement for 2025/26.
Options considered.	No other options have been considered as it is a legal requirement to calculate “the expenditure which the authority estimates it will incur in the forthcoming year in performing its functions” and then subtract “the sums which it estimates will be payable for the year into its general fund”. This is required to set a balanced budget before 11 March 2025.
Consultation(s)	<p>The Overview and Scrutiny Committee will have the opportunity to review this report at its meeting on 22 January 2025. It will be able to make recommendations that Cabinet will be able to consider at its meeting on 3 February 2025.</p> <p>Budget consultation is taking place on the Council’s website currently for anyone to share their views. Consultation with Business Rates payers is also being undertaken. The results of both these consultations will be included in the report being presented to Full Council on 19 February 2025.</p>
Recommendations	<ol style="list-style-type: none"> 1. That Cabinet consider the list of proposed savings and agree on which ones should be taken so that a balanced budget can be recommended to full Council. 2. That an alternative option for balancing the budget should be agreed to replace savings not taken if there are any. 3. That Cabinet agree that any additional funding announced as part of the final Local Government Settlement announcement be transferred to reserves. 4. That Cabinet decide which proposed new capital bids should be recommended to full Council for inclusion in the Capital Programme.
Reasons for recommendations	To enable the Council to set a balanced budget.
Background papers	2024/25 Budget report presented to full Council on 21 February 2024.

Wards affected	All
Cabinet member(s)	Cllr Lucy Shires
Contact Officer	Tina Stankley Director of Resources and s151 Officer tina.stankley@north-norfolk.gov.uk

Links to key documents:	
Corporate Plan	Strong, Responsible & Accountable Council.
Medium Term Financial Strategy (MTFS)	The setting of a balanced budget for 2025/26 provides the base position for reviewing the following years of the Medium Term Finance Plan.
Council Policies & Strategies	Budget Setting & Medium Term Finance Strategy.

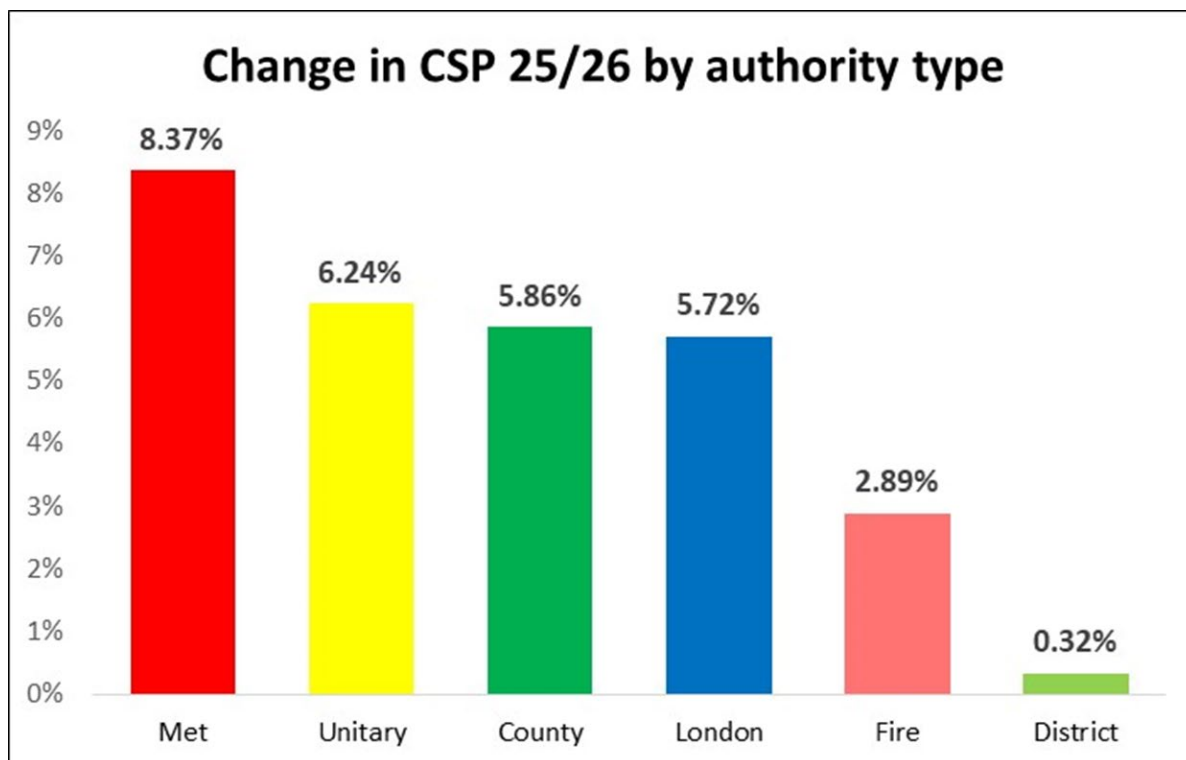
Corporate Governance:	
Is this a key decision	Yes
Has the public interest test been applied	Yes
Details of any previous decision(s) on this matter	

1. Purpose of the report

This report is being presented to Cabinet to enable it to finalise the budget, to consider the assumptions made in the draft budget and to confirm its alignment with the Corporate Plan.

2. Introduction & Background

- 2.1 Local authorities across the UK continue to find themselves under considerable financial pressure as a result of external factors that are beyond their control. These are manifesting themselves with ever increasing pressures on demand led services e.g. temporary accommodation. There have been several S114 notices issued over the last 18 months and there have been several Council's seeking exceptional financial support from the Government in recent times.
- 2.2 The provisional Local Government Finance Settlement for 2025/26 announced on 18 December 2024 was a shock for the majority of District Councils. The Labour Government's Budget announcement of an allocation of £1.3bn new grant funding for local authority services in 2025/26 led to an expectation that the increase in core spending power 3.2% for local authorities would be for all local authorities. However, the Government made substantial changes in the distribution of funding. So, whilst the overall increase in core spending power was 6%, District Councils' overall increase was only 0.32%. The total of the floor funding of £121m was used entirely for districts. There were 133 out of the 164 District Councils that received a zero per cent increase, with NNDC being allocated £805,000 to bring its increase up to 0.0% i.e. without this the Council would have seen a reduction in funding of this £805,000. The diagram below shows how funding was redistributed across authority type and who the winners and losers of this were.



2.3 Both the Rural Services Delivery Grant and the Recovery Grant were abolished, and this funding was repurposed. The Council received £680,000 via a combination of both grants. A new Recovery Grant was introduced, however, rural authorities seemed to have lost out as they will receive a lower share of this.

3. Current Proposed Budget for 2025/26

3.1 The 2025/26 budget presented below is a balanced budget – see line 31. The MTFP is contained in Appendix A along with further detail of Service Budgets contained in Appendix B

Table 1: General Fund Summary Budget

General Fund Summary 2025/26 Base Budget				
Line No.	Column A	Column B	Column C	Column D
		2024/25 Base Budget	2024/25 Updated Budget	2025/26 Base Budget
		£	£	£
	Service Area			
1	Corporate Leadership/ Executive Support	406,877	3,141,751	3,043,719
2	Communities	11,530,421	8,827,655	9,099,398
3	Place and Climate Change	7,121,376	5,420,883	4,520,786
4	Resources	4,707,480	6,219,659	5,622,995
5	Savings to be Identified	(250,000)	0	0
6	Net Cost of Services	23,516,154	23,609,948	22,286,898
7	Parish Precepts	3,129,190	3,129,190	3,129,194
8	Capital Charges	(2,962,370)	(2,962,370)	(2,962,374)
9	REFCUS	(761,647)	(761,647)	(761,647)
10	Interest Receivable	(1,865,162)	(1,865,162)	(1,403,400)
11	External Interest Paid	40,280	340,280	302,100
12	Revenue Financing for Capital:	210,000	2,447,782	320,000
13	Minimum Revenue Provision	487,860	487,860	530,858
14	IAS 19 Pension Adjustment	268,000	268,000	276,280
15	Net Operating Expenditure	22,062,305	24,693,881	21,717,909
16	Parish Precepts	(3,129,190)	(3,129,190)	(3,129,194)
17	Council Tax	(7,068,940)	(7,068,940)	(7,297,245)
18	Collection fund surplus	(108,320)	(108,320)	0
19	Retained Business Rates	(7,683,010)	(7,683,010)	(8,500,000)
20	New Homes bonus	(5,600)	(5,600)	(596,000)
21	3.2% Funding Guarantee/Floor Funding	(1,230,670)	(1,230,670)	(805,000)
22	Revenue Support Grant	(309,050)	(309,050)	(335,000)
23	NI Compensation	0	0	(260,000)
24	Recovery Grant	0	0	(195,000)
25	Rural Services Delivery Grant	(656,970)	(656,970)	0
26	Ctax Discount Grant	(51,580)	(51,580)	0
27	Services Grant	(22,520)	(22,520)	0
28	Total Income from Government Grant and Taxpayers	(20,265,850)	(20,265,850)	(21,117,439)
29	(Surplus)/Deficit	1,796,455	4,428,031	600,470
30	Contribution To/(From) Earmarked Reserves	(1,796,455)	(4,428,031)	(600,470)
31	Net Position	0	0	0

3.2 The table above shows

- The Original Base Budget in Column B which was approved by Full Council on 21 February 2024. It shows a balanced budget position for 2024/25.
- In Column C the latest updated balanced budget position for 2024/25 as reported to Full Council on 2 December 2024. There are two things to note with this, the latest updated budget.
 - Firstly, there is significant movement between the Directorate budgets when comparing the 2024/25 original and updated figures. This is because the original budget is presented with all of the support services (e.g. finance, HR, IT, legal etc.) recharged to the frontline services, whereas the updated budget figures do not include the support services' recharges. This is a presentational change that will improve budget monitoring as all variances can be seen e.g. if there is an overspend in Finance this will now be seen whereas before it would have been recharged to a frontline service and the overspend would then appear against that frontline service.
 - Secondly, it should be noted that the last budget monitoring report (i.e. as at 30 September 2024) identifies a forecast overspend for 2024/25 of £995k. The s151 Officer has asked Assistant Directors to incur only necessary spending for the remainder of the year to contain the overspend position for the year.
- In Column D the proposed budget for 2025/26 is balanced (line 31).
- Line 6 shows the net cost of running the Council's services i.e. £22.287m. It is the total of Lines 1 to 5. This figure comprises the cost less the fees and charges income earned by the services.
- Line 15 is the total cost of operating as a Council i.e. £21.718m and includes items that are not attributable to any particular service e.g. investment income. It is the total of Lines 6 to 14.
- Line 28 is the total of Lines 16 to 27, and it is the amount of funding from Government Grant and Local Taxpayers i.e. £21.117m.
 - Line 16 is the income that NNDC will collect from taxpayers for the town and parish councils' precepts which is matched at line 7 as NNDC pay this straight over to the town and parish councils.
 - Line 17 is NNDC's Council Tax income to be collected from Council Taxpayers. This includes an assumed increase of 2.99%.
 - Line 19 is NNDC's Business Rate income to be collected from Businesses within the District.
 - Line 20 to 27 are the grants that NNDC will receive from Central Government.
- Line 29, Column D is the deficit that needs to be met from NNDC reserves i.e. £0.601m. It should be noted that some of this deficit and funding from reserves is planned e.g. where it has been approved previously that a grant sum held in reserves is to be used to fund a post for one year.
- Line 30, Column D shows the net amount of reserves, i.e. £0.601m, that is required to balance the budget for 2025/26. This also includes earmarked reserves used to fund one off expenditure within the service. It

should be noted that a summary of the reserves being utilised is contained in paragraph 3.15

- 3.3 The initial draft budget for 2025-26 produced by officers forecasts a net deficit of £1.8m. Officers were tasked with finding savings and additional income to bridge this gap and balance the budget. The savings and additional income identified are listed in Appendix F and have been included in the proposed budget.

Variances 2024/25 to 2025/26

- 3.4 The changes in base budget from 2024/25 to 2025/26 are summarised in Table 3 below and significant variances are explained in 3.5 to 3.10.

	2024/25 Base Budget	2025/26 Base Budget	Variance	% Movement
	£'m	£'m	£'m	£'m
Employees	17.149	17.358	0.209	1.22%
Premises	4.057	4.098	0.041	1.01%
Transport	0.280	0.283	0.003	1.07%
Supplies and Services	14.057	13.001	(1.056)	-7.51%
Transfer Payments	18.715	20.188	1.473	7.87%
Income (External)	(34.198)	(36.089)	(1.891)	5.53%
Total Direct Costs and Income	20.060	18.839	(1.221)	9.19%
Notional Charges:				
Capital Charges	3.724	3.724	0.000	0.00%
IAS 19 Notional Charges	(0.268)	(0.277)	(0.009)	3.36%
Total Notional Charges	3.456	3.447	(0.009)	3.36%
Total Net Costs	23.516	22.287	(1.229)	12.55%

Employees

- 3.5 The significant variances in employee's costs are summarised in Table 4

Table 4: Employee Cost Variances

£'m	Main Explanation
0.706	Inflation including pay award. This also includes NI changes highlighted below.
1.360	Employee costs funded from various grants within People Services and CTAP.
0.256	Higher Employee costs, partly due to some temporary posts being made permanent.
(0.750)	Savings in Employee Costs, including £523k identified as part of the 2025/26 savings bid exercise.
0.208	Temporary posts funded from earmarked reserves in 2025/26.
(1.579)	Non-recurring items taken out of budget i.e. reserve & grant funded posts in 2024/25.
0.008	Other minor variations.
0.209	Total Movement

Pay Inflation

- 3.6 Currently pay inflation is included at 3% for 2025/26 and then at 2% for the remaining years of the Medium-Term Financial Plan.

Changes to employers National Insurance announced in the budget will see employers' contribution rates increase in rate from 13.8 to 15%. There will also be a decrease in the employer's threshold (the point at which the employer starts to make a contribution) from £9,100 to £5,000. This has resulted in a budget pressure of c.£500k. Central Government have said that it will meet some of this increased cost through a grant payment (calculated to be £260k, which leaves a shortfall of £240k). However, this is a concern as the announcement didn't cover what would happen in future years when there will still be a pressure.

Premises Costs

- 3.7 Significant variances are highlighted in the following table:

Table 6: Premises Costs Variances

£'m	Main Explanation
0.082	Internal Drainage Board Levy increases
0.050	Increases in utilities costs including Council tax and Business rates
(0.044)	Reduction in costs of Premises Insurances
0.022	Increase in rents the Council pays
(0.028)	Other minor variations
0.082	Total Movement

Transport Costs

- 3.8 There has been inflation and growth on Transport Costs of £18k but this has been offset by a reduction of £14k generated through savings.

Supplies and Services

- 3.9 There are a number of variances across this wide-ranging category of expenditure the most significant being those highlighted in the following table:

Table 7: Supplies and Services Variances

£'m	Main Explanation
0.350	Inflation increases of £254k for the waste and recycling contracts, £36k for computer software licence and maintenance contracts and £15k Management fees
0.028	The main element of growth relates to the Pier condition survey.
(0.377)	Savings made in budgets, e.g. an adjustment relating to the external audit fee and £167k from the current service savings exercise.
0.209	One-off funding from reserves in 2025/26.
(1.266)	Removal of non-recurring budget items funded from reserves and grants in 2024/25 e.g. Local Plan, environmental strategy projects, UKSPF expenditure and People Services expenditure.
(1.056)	Total Movement

Transfer Payments

- 3.10 The increase in expenditure is predominantly due to the increase in Housing Benefit payments of £1.476m which is in line with the mid-year subsidy estimate for 2024/25. This is offset by an increase in income referenced in paragraph 3.11.

Income

- 3.11 The significant variances in income between Base 2024/25 and 2025/26 are summarised in the Table 8 below:

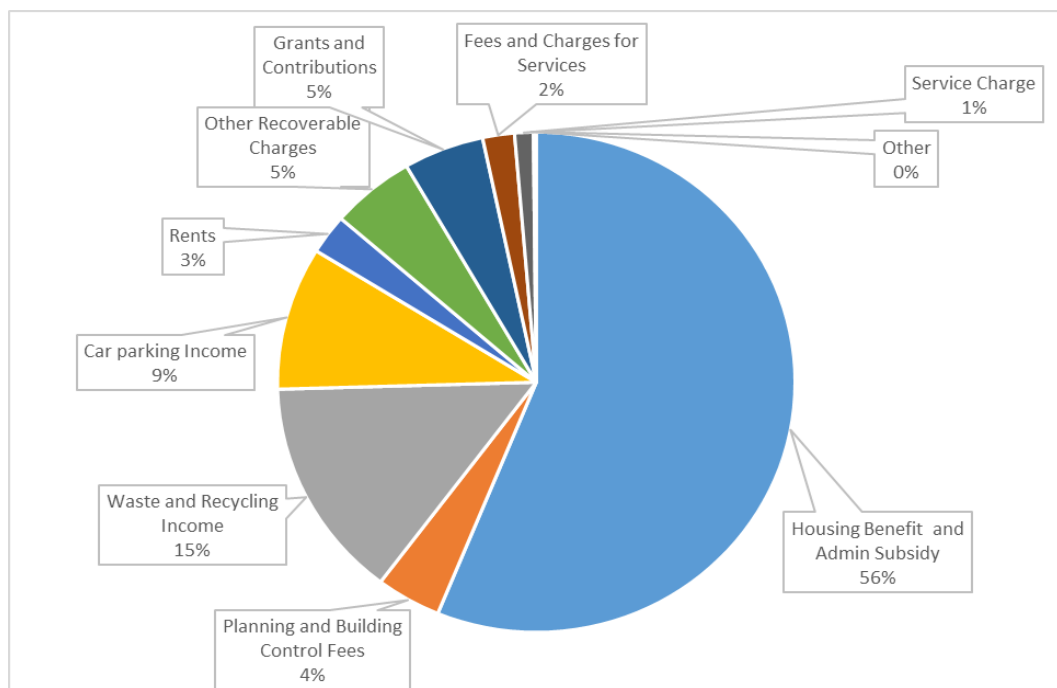
Table 8: Income Variances

£'m	Main Explanation
(1.476)	Increased Housing Benefit Subsidy to cover increase in payments
(1.259)	Grants allocated for one-off expenditure items including CTAP & Communities grants
(0.112)	Inflation Fees and Charges including service charges.
0.191	Reduction in income e.g. from car park extension, employee costs recharged to capital & for Land Charge fee income due to transfer of some functions to the Land Registry.
(1.160)	Projected additional income e.g. car parks and garden bins.
1.691	Non-recurring grants including UKSPF and Communities grants.
0.254	Other minor variations
(1.871)	Total Movement

- 3.12 The increase in Housing Benefit Subsidy offsets the increase in payments within Transfer Payments (see paragraph 3.10).

- 3.13 The pie chart below shows the make-up of the 2025/26 budgeted income.

Table 9: 2025/26 Budgeted Income



Reserves

- 3.14 The Council holds a General Fund Reserve which it keeps for unexpected expenditure or for emergencies. The Council's s151 Officer assesses what the minimum level for this reserve should be each year to ensure that the Council has sufficient funds to meet any unexpected expenditure.
- 3.15 The Council also holds Earmarked Reserves, which have been set up to fund specific expenditure. These reserves are being used to fund some of the costs of services. There are also instances of contributions being made to the reserves and this is where it is known that costs will be incurred in the future and so the contributions are set aside e.g. district council elections are held every 4 years at a cost of about £240k and so each year £60k is put into the Elections Reserve so that there is a balance of £240k to take from the Elections Reserve in the fourth year to cover the cost. A full breakdown of the use of Reserves can be found at Appendix D.

Table 10: Use of Reserves

	Budgeted Movement 2024/25	Budgeted Movement 2025/26
	£	£
General Fund	(4,043)	(7,992)
Capital Projects	(484,708)	0
Asset Management	(310,033)	0
Benefits	(46,622)	(51,567)
Building Control	(122,542)	(19,874)
Business Rates	(18,000)	(18,000)
Coast Protection	(265,738)	0
Communities	(131,550)	0
Delivery Plan	(1,898,768)	(80,000)
Economic Development & Regeneration	(10,000)	0
Election Reserve	60,000	60,000
Grants	(77,969)	(85,159)
Housing	(356,479)	(56,299)
Land Charges	(89,100)	0
Legal	(36,000)	(4,579)
Major Repairs Reserve	(55,600)	0
Net Zero Initiatives	(22,000)	(300,000)
New Homes Bonus (NHB)	(150,000)	(83,763)
Organisational Development	(26,123)	0
Planning	(37,300)	46,763
Restructuring & Invest to Save	(45,456)	0
Treasury	(300,000)	0
Total (as shown at line 30 in GF Summary Para 3.1)	(4,428,031)	(600,470)

- 3.16 As shown in the table above the projected drawdown from reserves over the 2-year period 2024/25 to 2025/26 is £5m. It should be noted that this use of reserves includes the planned use of reserves which have been set aside in previous years to meet the expenditure that is being incurred now.

Funding

3.17 On the funding side, one of the assumptions that has been made is to increase the Council Tax by 2.99% for a Band D property. The tables below show:

- Lines 1-5 of the first table - how the Council Tax income has been calculated.
- Line 7 of the first table - the additional Council Tax income that will be generated by being able to charge a 100% premium on long term empty properties that have been empty for a consecutive period of longer than 12 months instead of 24 months. This has been calculated to generate an additional £70k in 2025/26, then this increases by 2.99% per annum after that.
- The amount of Council Tax income that the annual increase of 2.99% would generate is £0.210m for 2025/26. This is calculated by multiplying the taxbase at Line 1 by the increase in Council Tax at Line 3. This, along with the increases in the following 3 years, is shown in the second table below.
- The third table below shows what the annual increase would be for each Council Tax Band, if a 2.99%, i.e. £5.04, increase for a Band D property is approved. This is for the district element only and does not include any increase that the County Council may approve nor that the Police may approve.

Table 11: Council Tax

Line no.		Council tax				
		2024/25	2025/26	2026/27	2027/28	2028/29
1	Council Tax Base for 24/25 based on central government's assumed increase	41,392.10	42,032.40	42,452.72	42,877.25	42,327.60
2	Band D Council Tax before increase	£163.62	£168.57	£173.61	£178.80	£178.80
3	Maximum increase allowed (2.99% or £5 whichever is higher)	£4.95	£5.04	£5.19	£5.35	£5.35
4	Band D Council Tax after increase (Add Lines 2 and 3)	£168.57	£173.61	£178.80	£184.15	£184.15
5	Income assuming CT increase (line 1 multiplied by Line 4)	£6,977,466	£7,297,245	£7,590,547	£7,895,679	£7,794,628
6	Second homes premium	£0	£0	£0	£0	£0
7	Empty homes income	£68,000	£70,033	£72,127	£74,291	£76,520
8	Total Council Tax (Add Lines 5, 6 and 7)	£7,045,466	£7,309,692	£7,583,998	£7,583,998	£7,583,998

Additional Council Tax generated by the annual increase - Council Tax base (Line1) multiplied by Maximum increase allowed (Line 3)	£204,891	£210,172	£218,046	£218,046	£226,453
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Band	A	B	C	D	E	F	G	H
Value of increase across the Bands	£3.36	£3.92	£4.48	£5.04	£6.16	£7.28	£8.40	£10.08

- 3.18 The forecast income level for the Retained Business Rates comes from the completion of the NNDR1. This is completed during January, with the deadline date for completion being 31 January 2025 and so the final forecast figure is not yet available. There is a forecast of £8.5m included currently and this will be updated as soon as the NNDR1 has been completed.
- 3.19 The remaining income comprises grants from central government. The provisional Local Government Finance Settlement was announced on 18 December 2024. As covered in the Introduction and Background paragraphs 2.2 and 2.3 there was a significant redistribution of grants. The Council received a zero per cent increase in core spending power. The movement in Government Funding is shown in the table below.

Government Funding	2024/25 Base Budget	2024/25 Updated Budget	2025/26 Base Budget
New Homes bonus	(5,600)	(5,600)	(596,000)
3.2% Funding Guarantee	(1,230,670)	(1,230,670)	0
Floor Funding			(805,000)
Revenue Support Grant	(309,050)	(309,050)	(335,000)
NI Compensation	0	0	(260,000)
Recovery Grant	0	0	(195,000)
Rural Services Delivery Grant	(656,970)	(656,970)	0
Ctax Discount Grant	(51,580)	(51,580)	0
Services Grant	(22,520)	(22,520)	0
Total Grant Funding	(2,276,390)	(2,276,390)	(2,191,000)

- 3.20 The General Fund Summary has been updated to reflect the provisional funding announced. The final Local Government Finance Settlement will be announced in late January or early February.

4. The Medium-Term Financial Plan

- 4.1 The Medium-Term Financial Plan (MTFP) has been prepared alongside the budget for 2025/26. Further detailed MTFP income and expenditure can be found as Appendix A.
- 4.2 The Government's Budget announcement and the provisional local government finance settlement laid out plans for significant local government reform. The Government confirmed that it will start to issue 3-year financial settlements starting in 2026/27. There will also be Business Rates Reform and the implementation of the Fair Funding Review.
- 4.3 The Government also published its White Paper on English Devolution and since then its plan for reorganization. This will obviously have far reaching consequences with potentially NNDC not existing as it is in 3-4 years' time. It is not possible to plan for such changes at this time.
- 4.4 Therefore, the MTFP has been prepared assuming no change for the foreseeable future. Assumptions have been made for the years 2026/27 to 2028/29 which are shown below. It should be noted that the further into the

future we look the greater the increase in uncertainty is particularly around the funding streams. However, it should be noted that there is currently a deficit in all years after 2025/26.

Table 13: Projected Deficit over the life of the MTFP.

	2024/25 Base Budget	2024/25 Updated Budget	2025/26 Base Budget	2026/27 Projection	2027/28 Projection	2028/29 Projection
	£'m	£'m	£'m	£'m	£'m	£'m
(Surplus)/Deficit	1.796	4.428	0.600	0.985	0.546	0.557
Contribution To/(From) Earmarked Reserves	-1.796	-4.428	-0.600	-0.014	0.014	0.083
Net Position	0.000	0.000	0.000	0.971	0.560	0.640

4.5 Assumptions included are:

- The pay award is assumed to be at 3% for year 2025/26 as the rate of inflation has started to fall significantly.
- Increases in costs have been included for all years where we are contracted to increase costs on an annual basis.
- Increases in fees and charges (included in the Net Cost of Services) have been increased based on prudent assumptions that are in line with the increases that have been assumed for expenditure.
- For the calculation of Council Tax income, a modest increase of around 1% in the tax base has been assumed year on year and then the maximum increase has been applied to the Band D Council Tax each year at 2.99%.
- For the central government funding, the assumptions made are for no increases in funding.

5. Capital Programme

5.1 Capital expenditure is incurred on providing new assets and improving its existing ones. As capital expenditure is incurred, a source of finance must be identified. Capital expenditure can be financed by applying capital receipts (raised by selling assets), grants and other revenue resources or alternatively through borrowing. A summary of the Capital Programme is shown below. The list of schemes that are included in the approved programme can be found at Appendix C and the details of proposed new bids is contained in Appendix E.

Table 14: The Capital Programme and its Funding for 2024/25 to 2029/30

Approved Capital Programme	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29	Budget 2029/30
	£	£	£	£	£	£
Our Greener Future	22,451,187	6,296,051	6,697,712	300,000	0	0
Developing Our Communities	6,284,864	8,209,000	0	0	0	0
Meeting Our Housing Needs	4,827,670	1,700,000	1,700,000	1,400,000	1,400,000	1,400,000
Investing In Our Local Economy & Infrastructure	5,637,387	210,000	60,000	0	0	0
A Strong, Responsible & Accountable Council	427,619	162,000	60,000	0	0	0
Total Approved Capital Programme	39,628,727	16,577,051	8,517,712	1,700,000	1,400,000	1,400,000
Financing	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29	Budget 2029/30
	£	£	£	£	£	£
Grants	27,630,458	14,373,328	7,147,712	1,000,000	1,000,000	1,000,000
Other Contributions	2,127,014	718,723	300,000	0	0	0
Reserves	2,447,783	0	0	0	0	0
Revenue Contribution to Capital (RCCO)	0	0	0	0	0	0
Capital receipts	3,394,654	712,000	610,000	300,000	0	0
Borrowing	4,028,818	773,000	460,000	400,000	400,000	400,000
Total Financing	39,628,727	16,577,051	8,517,712	1,700,000	1,400,000	1,400,000

Capital Bids	Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29	Budget 2029/30
	£	£	£	£	£
Our Greener Future	171,400	342,900	0	0	0
Developing Our Communities	100,000	0	0	0	0
Meeting Our Housing Needs	1,400,000	0	0	0	0
Investing In Our Local Economy & Infrastructure	410,000	0	0	0	0
A Strong, Responsible & Accountable Council	70,000	0	0	0	0
Total of Bids	2,151,400	342,900	0	0	0
Financing	Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29	Budget 2029/30
	£	£	£	£	£
Grants	150,000	0	0	0	0
Other Contributions	80,000	0	0	0	0
Reserves	21,400	278,600	0	0	0
Revenue Contribution	20,000	0	0	0	0
Capital Receipts	90,000	0	0	0	0
Internal / External Borrowing	1,790,000	64,300	0	0	0
Total Financing	2,151,400	342,900	0	0	0

- 5.2 The proposed funding for the schemes is also shown in Table 14 above. Consideration is given to level of grants we have available, the level of capital receipts we have and what we might generate in future years and for any expenditure financed through borrowing. After these sources of financing have been applied then the balance for any financing required will have to be met through borrowing. Borrowing increases the Council's 'Capital Financing Requirement' (CFR). This will result in a revenue charge (one that impacts on the bottom line of the budget and is a charge to the Council Taxpayer) called the Minimum Revenue Provision (MRP) that is made to reflect the funding of the CFR by the taxpayer. It is required to be set aside each year starting the year after the works are completed and/or the asset comes into use. It is a charge to revenue that covers the repayment of the borrowing needed to finance the capital expenditure. As the need to borrow increases, the CFR and MRP also increase. If the Council has sufficient cash resources to meet the expenditure, it will not be necessary to borrow externally in the short term, and cash balances can be used to cover the expenditure. This is referred to as 'internal borrowing' and attracts an MRP charge in the same way that external borrowing does.
- 5.3 Any new projects included in the programme in the future will need to be financed by borrowing, which will result in an additional MRP charge if no capital resources such as capital grants or capital receipts are available. Alternatively, existing revenue reserves could be used to finance these projects through a revenue contribution to capital (RCCO) which would avoid the need to make an MRP charge. Both are charges to the General Fund and will be included in the amount to be met from Government grant and local taxpayers.
- 5.4 In addition to the existing capital programme, approval is also being sought to include the proposed capital projects as outlined within Appendix E. Cabinet should agree on which of these projects should be included for full Council's consideration.
- 5.5 It should be noted that there is an issue with the stability of the cliff face at Overstrand which will need resolving. A bid for this work has not been included at this time as it not yet certain what remedial action will need to be taken to stabilise the cliff face, nor is it known at this time what this might cost and if there is any external funding that might be available for such a scheme. Officers will prepare proposals for a scheme and bring this forward for Members to consider in due course.

6. Corporate Plan Objectives

- 6.1 Financial Sustainability and Growth – a balanced budget based on savings that are achievable will ensure the Council's financial sustainability over the medium term.

7. Financial and Resource Implications

- 7.1 The Council must set a balanced budget for 2025/26 before 11 March 2025. This report presents a balanced budget for 2025/26 which has been achieved by identifying budget savings.

Comments from the S151 Officer:

The Council must set a balanced budget before the start of the forthcoming financial year.

8. Legal Implications

- 8.1 This report does not raise any new legal implications.

Comments from the Monitoring Officer

The annual budget report needs to be considered with reference and in accordance with the following:

- Consideration of any consultation responses (including the requirements under section 65 Local Government Finance Act 1992 with regard to consultation with bodies/representatives or persons subject to non-domestic rates, being the statutory budget consultation)
- The Council provides both statutory and discretionary services. Where a statutory duty exists to provide a service, there needs to be adequate provision to allow the statutory duty to be exercised so as not to place the Council at risk of failing to discharge a statutory duty. In provision for discretionary services, this should be exercised reasonably, balancing the nature and quality of the service with the cost of provision.
- The Council has a fiduciary duty to the taxpayers in its district
- As with other Council decisions, the budget decisions must have regard to the Council's public sector equality duties and requirement to reduce crime and disorder
- Members must have regard to the section 25 Local Government Act 2003 report of the Council's Chief Finance Officer which comments as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves
- Any failure to set a legal budget may lead to the issue of a s.114 report or other intervention

Section 106 Local Government and Finance Act 1992

Under Section 106 a Member who has not paid an amount due in respect of their Council Tax for at least 2 months after it became payable is precluded from voting on any matters affecting the level of Council Tax or the arrangements for administering the Council Tax. (The Member is, however, entitled to speak.) Any Member affected by Section 106 is required to make a declaration to that effect at the commencement of the meeting or immediately on arrival if this is at a later time.

9. Risks

- 9.1 This report does raise the risk that a balanced budget may not be set, but the financial sustainability of the Council is already included in the risk register.

10. Net Zero Target

10.1 This report does not raise any issues relating to Climate change.

11. Equality, Diversity & Inclusion

11.1 This report does not raise any new issues relating to equality and diversity.

12. Community Safety issues

12.1 This report does not raise any issues relating to Crime and Disorder considerations.

13. Conclusion and Recommendations

13.1 This report presents a balanced General Fund budget for 2025/26. The assumptions in arriving at this position are laid out in the report.

13.2 It is recommended that Cabinet agree on which of the revenue savings should be included in the budget. If any savings are not taken, then it should be agreed what alternative option should be taken to set a balanced budget that can be recommended to full Council on 19 February 2025.

13.3 It is recommended that if there is any increase in funding when the final Local Government Settlement is announced that this is used in place of the use of reserves.