

Budget & Council Tax 2026-27	
Executive Summary	<p>This report presents for approval the budget for 2026/27 and to make statutory calculations in accordance with the Local Government Finance Act 1992 to set the Council Tax for 2026/27. The report also includes the Chief Finance Officer's report on the robustness of the estimates and adequacy of reserves.</p> <p>It is worth noting that this budget has been prepared based on the draft Local Government Finance Settlement. Due to report publishing timing constraints, it was not possible to update all underlying financial reports in time for the Full Council on 18 February 2026. However, extensive analysis has been undertaken comparing the draft Local Government Finance Settlement funding to the final Local Government Finance Settlement with the only difference being an additional £1,225 being received through the settlement for the 2026/2027 budget compared to the draft position.</p>
Options considered.	<p>It is a statutory requirement to set the budget each year, whilst there are options around the content of the budget presented for approval, the budget now recommended reflects the recommendations made by Cabinet at its meeting on 2 February 2026.</p>
Consultation(s)	<p>The Overview and Scrutiny Committee have reviewed items within the draft budget papers on 28 January 2026 and will have the opportunity to review this report at its meeting on 11 February 2026.</p> <p>Public and business consultations have also taken place on the Council's website and on all the Council's other social media platforms.</p>
Recommendations	<p>That having considered the Chief Finance Officer's report on the robustness of the estimates and the adequacy of the proposed financial reserves, the following be approved:</p> <ol style="list-style-type: none"> 1. The 2026/27 revenue budget as outlined at Appendix A; 2. The service budgets detailed in Appendix B; 3. The statement of the movement in reserves as detailed at Appendix C, including; <ol style="list-style-type: none"> 3.1. To approve the use of the Communities reserve to fund a revenue budget of £4,000 per Member to allow the award of small local grants. 3.2. To approve the creation of an £0.75m Ear Marked Reserve to mitigate the Revenue costs of Local Government Reorganisation. 4. The updated Capital Programme and financing for

	<p>2026/27 to 2028/29 as shown in Appendix D;</p> <p>5. The new capital bids recommended for approval as detailed at Appendix E;</p> <p>6. That Members note the current financial projections for the period 2026/27 to 2029/30 that form the Medium Term Financial Strategy as presented as a Cabinet recommendation from its meeting on 2 February 2026;</p> <p>7. That the minimum Level of the General Fund Reserve of £2.1m for 2026/27 to 2027/28;</p> <p>8. The Local Council Tax Support Scheme (LCTS) for 2026/27 as set out in paragraphs 3.18 to 3.19;</p> <p>9. That Members undertake the Council Tax and statutory calculations set out at Appendix F, and set the Council Tax for 2026/27;</p> <p>10. The demand on the Collection Fund for 2026/27 is as follows:</p> <ul style="list-style-type: none"> £8,285,376 for District purposes which reflects the recommended Council Tax increase of 2.96% (£5.13) for the district element for a Band D equivalent property £4,318,242 for Parish/Town Precepts,
Reasons for recommendations	It is a statutory requirement to set the budget each year. To enable the Council to set a balanced budget.
Background papers	<p>Budget reports and briefings, precepts (NCC, Police and Parishes)</p> <p>Draft Revenue Budget Report for 2026/27 presented to Cabinet on 2 February 2026</p>

Wards affected	All
Cabinet member(s)	Cllr Lucy Shires
Contact Officer	<p>Don McCallum</p> <p>Director of Resources and s151 Officer</p> <p>Don.McCallum@north-norfolk.gov.uk</p>

Links to key documents:	
Corporate Plan	Strong, Responsible & Accountable Council.
Medium Term Financial Strategy (MTFS)	The setting of a balanced budget for 2026/27 provides the base position for reviewing the following years of the Medium Term Finance Plan.
Council Policies & Strategies	Budget Setting & Medium Term Finance Strategy.

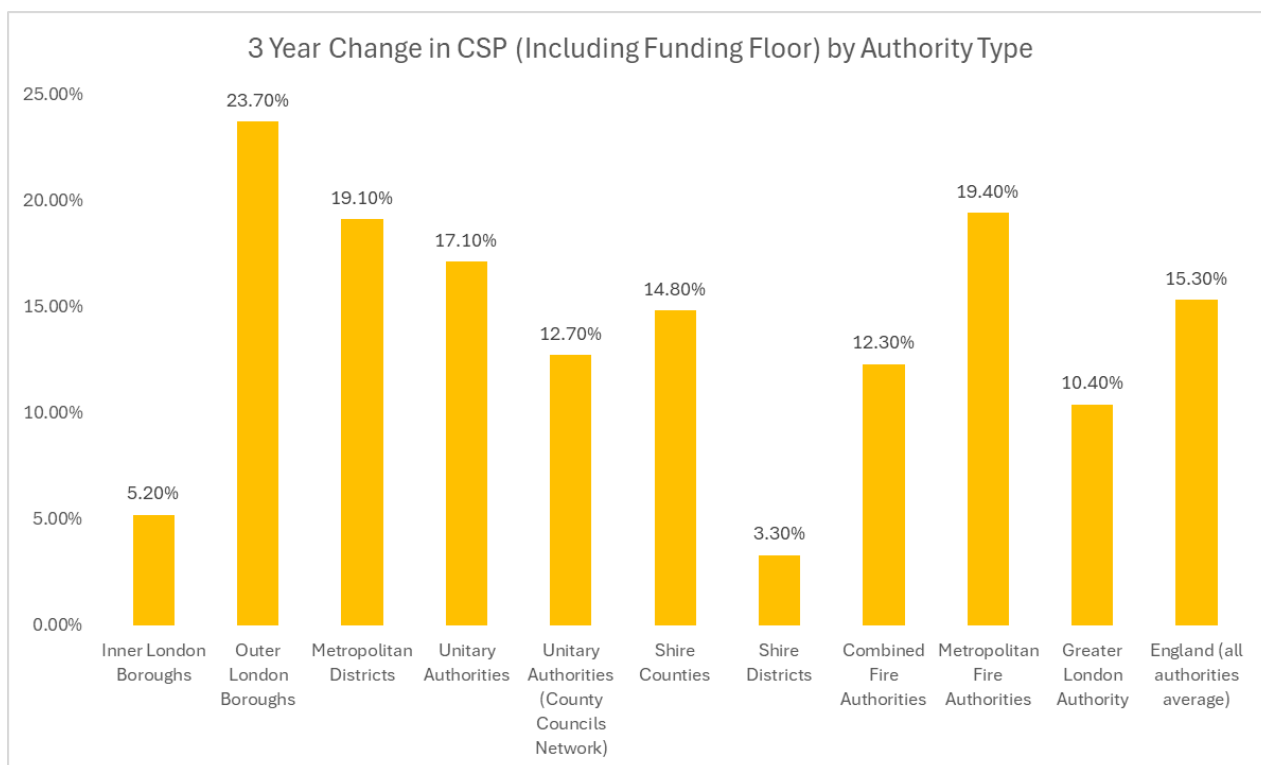
Corporate Governance:	
Is this a key decision	Yes
Has the public interest test been applied	Yes
Details of any previous decision(s) on this matter	

1. Purpose of the report

- 1.1 Detailed budgets have been prepared by officers. These have been consolidated to give a Summary General Fund Budget for 2026/27. The budget has been considered by Cabinet and is presented to full Council for approval.

2. Introduction & Background

- 2.1 Local authorities across the UK continue to experience significant financial pressure arising from external factors largely outside of local control. These pressures are most acutely reflected in demand-led services, including temporary accommodation, where cost and demand remain areas of focus. In addition, the introduction of new burdens, including the requirement to implement separate domestic food waste collection services, is placing further pressure on already constrained revenue budgets. Over recent years, a number of authorities have issued Section 114 notices, and others have sought Exceptional Financial Support from Government to manage acute financial challenges. This context continues to underline the fragility of the local government funding environment as councils set budgets for 2026/27 and beyond. Funding for the Council is reduced in real terms, highlighted in the charts at 2.7 and the Funding section of this report (3.15 to 3.23) and includes a Government funding floor of 95% of Core Spending Power. Additionally, new burdens have been placed on the Council with insufficient funding including Local Government Reorganisation and a domestic food waste collection service. The Rural Services Network forecasts that by 2028/29 Government Funded Spending Power will see a 52% gap per head between the most urban and the most rural councils. For this Council Government funding per head of population is projected to decrease by 23% from 2024/25 (£105.38 per head) to 2028/29 (£80.99 per head). In comparison English authorities overall will increase by 24%. Previous and current prudent budgeting and reserves management allow the Council to consider this balanced budget for 2026/27.
- 2.2 The Provisional Local Government Finance Settlement for 2026/27 confirms the most significant reform of local government funding in over a decade. The settlement introduces the first stage of the Fair Funding Review, a full reset of the Business Rates Retention System, and the consolidation of a number of existing grants into core funding. Collectively, these changes result in substantial redistribution of resources across the sector.
- 2.3 At a national level, Core Spending Power (CSP) increases over the three-year period are unevenly distributed. Outer London borough authorities and metropolitan councils see the largest gains, while shire counties experience below-average growth and shire district councils receive the lowest increases of any authority class. The settlement is heavily reliant on assumed council tax increases and transitional protections, with funding floors and damping mechanisms playing a central role in preventing immediate cash reductions for a large number of authorities.
- 2.4 While the settlement provides a degree of certainty through its three-year structure, it does not address underlying funding adequacy and creates ongoing risks beyond 2028/29, particularly due to the scale of transitional protections and the potential for a funding “cliff edge” when these unwind.



2.5 District councils are the clear losers from the current funding reforms. Analysis of the settlement shows that shire districts experience the lowest increase in Core Spending Power nationally, at approximately 3.3% over three years, even after the application of funding floors. This compares unfavourably with national average growth of over 15% and significantly higher increases for metropolitan and Outer London borough authorities.

The principal drivers of this outcome are:

- The business rates baseline reset, which removes historic growth previously retained by districts.
- Redistribution within the Fair Funding Review towards authorities with social care responsibilities.
- Changes to Relative Needs Formulae, including reduced recognition of non-resident demand and the removal of bespoke rural and coastal adjustments.

2.6 A significant proportion of district councils, including North Norfolk District Council are reliant on 95% funding floor protection to avoid real-terms and, in some cases, cash-terms reductions. Funding floors in this context act as a stabilisation mechanism rather than a source of growth and reinforce the structural weakness of district council funding within the reformed system.

2.7 The chart below shows the 3 year change in CSP by authority type.

3. Current Proposed Budget for 2026/27

- 3.1 The 2026/27 budget presented below is a balanced budget – see line 27.
The MTFS 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 2026/27 Base Budget				
Line No.	Column A	Column B	Column C	Column D
		2025/26 Base Budget	2025/26 Updated Budget	2026/27 Base Budget
		£	£	£
	Service Area			
1	Corporate Leadership/ Executive Support	4,384,567	4,384,567	4,587,873
2	Resources	6,970,323	7,008,241	7,275,279
3	Service Delivery	10,994,087	11,004,087	12,618,062
4	Net Cost of Services	22,348,977	22,396,895	24,481,214
5	Parish Precepts	3,736,377	3,736,377	4,318,242
6	Capital Charges	(2,962,374)	(2,962,374)	(2,962,374)
7	REFCUS	(761,647)	(761,647)	(761,647)
8	Interest Receivable	(1,403,400)	(1,403,400)	(1,375,700)
9	External Interest Paid	302,100	302,100	271,700
10	Revenue Financing for Capital:	320,000	1,458,051	278,600
11	Minimum Revenue Provision	527,257	527,257	624,090
12	IAS 19 Pension Adjustment	276,280	276,280	276,280
13	Net Operating Expenditure	22,383,570	23,569,539	25,150,405
14	Parish Precepts	(3,736,377)	(3,736,377)	(4,318,242)
15	Council Tax	(7,812,582)	(7,812,582)	(8,285,376)
16	Retained Business Rates	(8,660,926)	(8,660,926)	(5,424,962)
17	New Homes bonus	(596,090)	(596,090)	-
18	3.2% Funding Guarantee/Floor Funding	(805,165)	(805,165)	-
19	Revenue Support Grant	(335,416)	(335,416)	(6,322,463)
20	NI Compensation	(150,583)	(150,583)	-
21	Recovery Grant	(194,584)	(194,584)	(194,584)
22	Extended Responsibility Grant	(1,616,000)	(1,283,233)	(1,312,840)
23	Damping Funding	-	-	(79,801)
24	Total Income from Government Grant and Taxpayers	(23,907,723)	(23,574,956)	(25,938,268)
25	(Surplus)/Deficit	(1,524,153)	5,417	(787,863)
26	Contribution To/(From) Earmarked Reserves	1,524,153	5,417	787,863
27	Net Position	-	-	-

3.2 The table above shows

- The Original Base Budget in Column B was approved by full Council on 19 February 2025. It shows a balanced budget position for 2025/26.
- In Column C is the updated balanced budget position for 2025/26, which includes approved adjustments and virements to the 2025/26 base position.
 - The only significant movement between the base and updated position for 2025/26 is the inclusion of an updated capital financing position. This can be seen in column C, line 10. The corresponding financing is part of line 26 Contribution To/(From) earmarked Reserves.
- In Column D the proposed budget for 2026/27 is balanced (line 27).
- Line 4 shows the net cost of running the Council's services i.e. £24.481m. It is the total of Lines 1 to 3. This figure comprises the service expenditure, less income from grants and contributions and fees and charges income generated by the services.
- Line 13 is the total cost of operating as a Council i.e. £25.150m and includes items that are not attributable to any particular service e.g. investment income, borrowing costs and pension adjustments.
- Line 19 Revenue Support Grant increases £6.322m year on year as the Government consolidates some funding sources into a single aggregated payment. The constituent proportions are not specified but now includes new burdens funding for domestic food waste, part of the homelessness support, loss of business rates following the reset, and loss of both New Homes Bonus and NI compensation see Table 12 Government funding for some further detail.
- Line 24 is the amount of funding from Government Grant and Local Taxpayers i.e. £25.938m.
 - Line 14 is the income that NNDC will collect from taxpayers for the town and parish councils' precepts which is matched at line 5 as NNDC pay this straight over to the town and parish councils. This figure is currently provisional as at the time of producing this report there were a number of precept requests that had not yet been returned. The deadline for this is the end of January 2026.
 - Line 15 is NNDC's Council Tax income to be collected from Council Taxpayers. This includes an assumed increase of 2.96% (£5.13) per Band D property.
 - Line 16 is NNDC's Business Rate income to be collected from Businesses within the District. This figure has reduced significantly due to resetting from 1 April 2026.
 - Line 17 to 23 are the grants that NNDC will receive from Central Government.
- Line 25, Column D is the surplus that needs to be transferred to NNDC reserves i.e. £0.788m. It should be noted that this surplus has been achieved due to the receipt of the extended responsibility grant which has been allocated to earmarked reserves as part of the figure in line 26.

- Line 26, Column D shows the net surplus being allocated to earmarked reserves, i.e. £0.788m. 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 paragraphs 3.11 – 3.13.

Cost of Service Variances 2025/26 to 2026/27

- 3.3 The Net Cost of Services changes in base budget from 2025/26 to 2026/27 are summarised in Table 3 below and significant variances are explained in paragraphs 3.5 to 3.10.

Table 3: Variance Base Budget 2025/26 to 2026/27

	2025/26 Base Budget £000	2026/27 Base Budget £000	Variance £000	Movement %
Employees	17,162	16,480	(682)	(3.97%)
Premises	4,116	4,627	511	12.41%
Transport	283	258	(25)	(8.83%)
Supplies and Services	13,331	14,890	1,559	11.69%
Transfer Payments	20,188	15,894	(4,294)	(21.27%)
Capital Charges	3,724	3,724	0	0
Income (External)	(36,455)	(31,392)	5,063	(13.89%)
Total Net Cost of Service	22,349	24,481	2,132	

Employees

- 3.4 The significant variances in employee costs are summarised in Table 4 below.

Table 4: Employee Cost Variances

£000	Main Explanation
507	Employee inflation – based on an increase of 3% on Salary, National Insurance and Pension costs.
77	Additional legal post (2026/27 only)
119	Staffing growth including previously forecast restructuring savings not made.
(86)	Savings identified including £35k within the CLT team as a result of restructuring in 2025/26.
(1,275)	Removal of non-recurring items. This relates to posts which have been funded by grant income or earmarked reserves.
281	Fixed term posts funded from earmarked reserves.
(348)	Reduction in pension deficit funding requirement based on the Pension Fund Triennial valuation 2025 where the fixed amount payable has reduced from £1,191k to £843k.
43	Other minor movements
(682)	Total Movement

Premises Costs

- 3.5 Significant variances are highlighted in the following table

Table 5: Premises Costs Variances

£000	Main Explanation
89	Inflation, main item £61k in relation to Drainage Board Levies
225	One-off growth for work to the Councils assets, not allocated to the capital programme.
100	Leisure services growth.
125	Increase to sea defense budget to allow for reactive coastal works.
(28)	Other minor movements
511	Total Movement

Transport Costs

3.6 Significant variances are highlighted in the following table:

Table 6: Transport Costs Variances

£000	Main Explanation
(6)	Lease payments moved to capital under new IAS 16 lease financial regulations.
(11)	Savings on employee transport costs including mileage, lump sum payments and public transport.
(7)	Non-recurring expenditure, removal of lump sum payments for temporary funded staff.
2	Transport-related expenditure funded from earmarked reserves
(3)	Other Minor movements
(25)	Total Movement

Supplies and Services

3.7 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

£000	Main Explanation
206	Transfers - £120k increase in Bed and Breakfast costs offset by recoverable charges. £25k Benefits administration software costs offset by grant income. £61k Disabled Facility Grant supplies and services offset by top slice of DFG grant.
273	Inflation – £33k Car park management contract, £20k Bank Charges, £34k ICT License fees and software costs, £43k Cleansing Contract, £28k News Contract, £112k Waste contract, £3k Insurance contract.
25	Growth One off – Pier 125 Year celebrations
1,457	Permanent growth - £1,391k, Environmental services growth some of which has been offset by income. £64k Increased contributions
(105)	Savings – (£105k) External Audit fees
248	Funding from reserves - £38k Local Plan, £50k Environmental Sustainability projects. £160k grants and contributions.
(487)	Non-recurring – (£330k) UK Prosperity Fund grant payments (offset by loss of grant income). Reserve funding (£87k) Local Plan and Environmental sustainability projects.
(58)	Other minor movements
1,559	Total Movement

Transfer Payments

- 3.8 The decrease in expenditure of (£4,294k) is predominantly due to the decrease in Housing Benefit payments of £4,347k which is in line with the mid-year subsidy estimate for 2025/26. This reduction is primarily related to the ongoing implementation of Universal Credit. This saving in expenditure will be offset by a compensating reduction in subsidy income. (see section 3.9 below). The balance is made up of £53k Inflation on internal service charge transfers.

Income

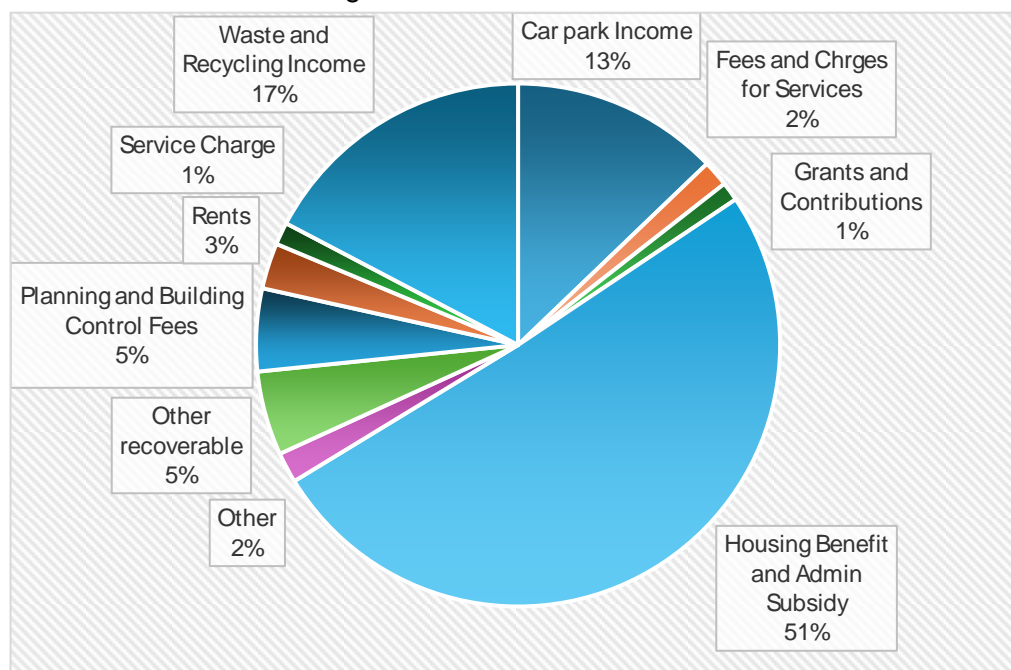
- 3.9 The significant variances in income between Base 2025/26 and 2026/27 are summarised in Table 8 below:

Table 8: Income Variances

£000	Main Explanation
4,227	Transfers – £4,347k Housing Benefit Subsidy offset by reduced expenditure (Transfer payments), this is based on the mid-year subsidy return 2025/26. (£120k) Recoverable homelessness charges, offset by additional expenditure.
(129)	Inflation – Composting (£12k), Chalet rental income (£33k), Internal Service Charges (£12k), Industrial Units (£6k), Leisure facilities (£21k), Street Cleaning (£11k), Car park income (£34k).
94	Growth – Loss of rental income Cromer office £18k. Reduced income from H & S training courses £20k, Reduced Land Charge Income following transfer of functions to the land registry £33K. New Income for Loudon Rd, Cromer site (£27k). One off land charge grant removed. £50k
(369)	Other income growth – Waste and recycling income (£219k), Car park fee income (£150k)
58	Capital Salaries - reduction in staff time charged to capital projects. £58k
1,477	Non-recurring – Grant income including Homeless Prevention grant and UK Prosperity Fund, both of which have been offset by a reduction in expenditure.
(295)	Other minor movements
5,063	Total Movement

3.10 The pie chart below shows the make-up of the 2026/27 budgeted income.

Table 9: 2026/27 Budgeted Income



Reserves

3.11 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. As part of the 2026/27 £304k has been allocated to the General Reserve. After this transfer the General Reserve balance is £2.9m.

3.12 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. The main use of reserves factored into the 2026/27 budget are as follows:

- £300k Allocated to the Asset Management reserve
- £750k Establishment of a Local Government Organisation (LGR) reserve
- (£279k) Net Zero Reserve, capital financing in relation to the Fakenham Sports Centre decarbonization project.
- £285k, Second Homes Premium, to assist with possible budget shortfalls in relation to Homelessness costs and irrecoverable housing subsidy.
- (£160k), Communities Reserve used to fund grants and contributions.

3.13 Government has indicated the cost of Local Government Reorganisation (LGR) is to be borne by the affected Councils including NNDC. The precise costs are yet to be determined and will be driven in part by the "minded to" decision for Norfolk expected in March 2026. By creating the LGR Reserve

the Council will be able to fund external consultants and service redesign costs as well as additional temporary resource to back-fill officers seconded to joint LGR workstreams. This will ensure that the North Norfolk voice is heard whilst maintaining our high quality services for residents, businesses and visitors.

- 3.14 The Communities Reserve is proposed to fund the award of small revenue grants by Members to appropriate organisations or individuals within their own or neighbouring wards. A working group officers and members will make recommendations on purpose and governance controlling the granting of awards. It is anticipated that the purpose of the reserve and the grants so funded will remain unchanged that is to make a difference to the economic and social wellbeing of the area.
- 3.15 The Extended Responsibility Grant Reserve is derived on a levy applied to the suppliers of packaging. The grant is restricted to offsetting the costs of collection and disposal of recyclable materials and is released as costs are incurred. As the packaging industry adapts to the imposition of the levy it is not unreasonable to expect a reduction in packaging materials and consequential reduction in grant in future years.
- 3.16 A full breakdown of the use of Reserves can be found at Appendix D.

Table 10: Use of Reserves

	Updated Budgeted Movement 2025/26 £	Budgeted Movement 2026/27 £
General Fund	(14,706)	251,276
Capital Projects	(474,807)	0
Asset Management	(172,169)	300,000
Benefits	(51,567)	0
Building Control	(19,874)	0
Business Rates	(18,000)	(18,000)
Communities	0	(160,000)
Delivery Plan	(609,432)	(50,000)
Election Reserve	60,000	0
Extended Responsibility Grant	1,283,233	0
Grants	(95,159)	(83,854)
Housing	(284,460)	(219,959)
Legal	(4,579)	0
Local Government Reorganisation	0	750,000
Major Repairs Reserve	(50,000)	0
Net Zero Initiatives	(21,400)	(278,600)
New Homes Bonus (NHB)	(83,763)	0
Planning	46,763	12,000
Second Homes Premium	515,337	285,000
Total (as shown at line 26 in GF Summary Para 3.1)	5,417	787,863

Council Tax Referendum

- 3.17 The Council's Medium Term Financial Strategy in part relies on increasing Council Tax income. This is a relatively stable source of income with collection being cost effective. The LGFS assumes that District Councils' apply the maximum increase before a referendum is required, of 3.00% or £5 in Council Tax. The recommendation is to increase Council Tax in 2026/27 by 2.96%, £5.13 for a Band D property. The table below shows what the total Council Tax income will be for 2026/27 and that the additional income generated by the 2.96% increase for a Band D will be £238k for the year.

Table 11: Council Tax

		Council tax 26/27
1	Council Tax Base for 26/27	46,377.70
2	Band D Council Tax before increase	£173.52
3	Maximum increase allowed (2.96% increase due to rounding)	£5.13
4	Band D Council Tax after increase (Add Lines 2 and 3)	£178.65
5	Income assuming CT increase (line 1 multiplied by Line 4)	£8,285,376

Additional Council Tax generated by the annual increase - Council Tax base (Line1) multiplied by Maximum increase allowed (Line 3)	£237,918
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Council Tax Support Scheme

- 3.18 Council Tax Support (CTS) is financial support that the Council can give to people on low incomes. It is administered as a reduction to a resident's Council Tax bill. Since 2013, each district council has been responsible for its own CTS scheme for working-age people, and the scheme must be reviewed and agreed each year as part of the taxbase and budget-setting process.
- 3.19 For the forthcoming financial year, no changes are proposed to the local design of the working-age CTS scheme as agreed as part of the budget setting for 2025/2026. The only amendments required are those arising from updates to the prescribed requirements set by MHCLG, over which the Council has no discretion. It is therefore proposed that the existing CTS scheme be maintained for the next financial year, subject to the statutory updates, and that it continues to provide support to low-income households while remaining affordable and cost-effective for the Council.

Retained Business Rates

- 3.20 The forecast income level for the Retained Business Rates comes from the completion of the NNDR1. This was completed during January 2026. There is an amount of £5.425m included within the budget.
- 3.21 It is noted that there is a major decrease of £3.236m in the Retained Business Rates when compared to the 2025/2026 budget which is due to the Business Rates Reset. The business rates reset is the point at which the Government re-bases the Business Rates Retention system, effectively wiping out accumulated gains and losses and recalculating each council's funding baseline in an attempt to reflect current need and resources. Moreover, changes to Business Rates Pooling rules created more downside

than upside risk so the current Norfolk Business Rates Pool will terminate on 31 March 2026.

Rate Relief Policy

- 3.22 The full report and accompanying appendices for the updated Rate Relief Policy has been included as a separate agenda item.

Other Income

- 3.23 The remaining income comprises grants from central government. 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.

Table 12: Government funding

Government Funding	2025/26 Base Budget £	2025/26 Updated Budget £	2026/27 Base Budget £
New Homes bonus	(596,090)	(596,090)	-
3.2% Funding Guarantee	(805,165)	(805,165)	-
Revenue Support Grant	(335,416)	(335,416)	(6,322,463)
NI Compensation	(150,583)	(150,583)	-
Recovery Grant	(194,584)	(194,584)	(194,584)
Extended Responsibility Grant	(1,616,000)	(1,283,233)	(1,312,840)
Damping Funding	-	-	(79,801)
Total Grant Funding	3,697,838	3,365,071	7,909,688

4. The Medium-Term Financial Strategy

- 4.1 The Medium-Term Financial Strategy (MTFS) has been prepared alongside the budget for 2026/27. Further detailed MTFS income and expenditure can be found as Appendix A. The Medium-Term Financial Strategy is also being presented as an agenda item to this Committee.
- 4.2 The Government's Budget announcement and the provisional LGFS included the Business Rates Reform and the Fair Funding Review. This has been confirmed to be a three year settlement. However, it is noted that the 3 year settlement period information has been provided for conflicts with the current understanding of the timelines involved with local government reorganization; whereby it is understood that that NNDC would cease to exist after the 2027/2028 financial year.
- 4.3 As we have a 3 year settlement, for prudence the MTFS has been prepared for the next 3 years. Assumptions have been made for the years 2027/28 and 2028/29 which are shown below.

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

	2025/26 Base Budget	2025/26 Updated Budget	2026/27 Base Budget	2027/28 Projection	2028/29 Projection
	£'m	£'m	£'m	£'m	£'m
(Surplus)/Deficit	(1.524)	0.005	(1.000)	0.582	1.109
Contribution To/(From) Earmarked Reserves	1.524	(0.005)	1.000	0.353	0.412
Net Position	-	-	-	0.935	1.521

4.4 Assumptions included are:

- The pay award is assumed to be at 3% for year 2026/27 as the rate of inflation has started to fall.
- 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, 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 the amounts included in the provisional local government settlement.

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 2025/26 to 2030/31

Approved Capital Programme	Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29	Budget 2029/30	Budget 2030/31
	£	£	£	£	£	£
Our Greener Future	14,315,002	7,040,612	300,000	-	-	-
Developing Our Communities	14,337,003	-	-	-	-	-
Meeting Our Housing Needs	6,080,613	2,300,000	2,000,000	2,000,000	2,000,000	2,000,000
Investing In Our Local Economy & Infrastructure	3,231,603	60,000	-	-	-	-
A Strong, Responsible & Accountable Council	363,320	60,000	-	-	-	-
Total Approved Capital Programme	38,327,541	9,460,612	2,300,000	2,000,000	2,000,000	2,000,000
Financing	Budget 2025/26	Budget 2026/27	Budget 2027/28	Budget 2028/29	Budget 2029/30	Budget 2030/31
	£	£	£	£	£	£
Grants	24,523,160	8,147,712	2,000,000	2,000,000	2,000,000	2,000,000
Other Contributions	3,780,000	300,000	-	-	-	-
Reserves	1,438,049	278,600	-	-	-	-
Revenue Contribution to Capital (RCCO)	20,000	-	-	-	-	-
Capital receipts	2,952,942	610,000	300,000	-	-	-
Borrowing	5,613,390	124,300	-	-	-	-
Total Financing	38,327,541	9,460,612	2,300,000	2,000,000	2,000,000	2,000,000

Capital Bids	Budget 2026/27	Budget 2027/28	Budget 2028/29	Budget 2029/30	Budget 2030/31
	£	£	£	£	£
Our Greener Future	820,000	-	-	-	-
Developing Our Communities	715,000	1,030,000	2,170,000	-	-
Meeting Our Housing Needs	1,000,000	1,000,000	1,000,000	1,000,000	-
Investing In Our Local Economy & Infrastructure	1,930,000	-	-	-	-
A Strong, Responsible & Accountable Council	15,000	-	-	-	-
Total of Bids	4,480,000	2,030,000	3,170,000	1,000,000	-
Financing	Budget 2026/27	Budget 2027/28	Budget 2028/29	Budget 2029/30	Budget 2030/31
	£	£	£	£	£
Grants	1,000,000	1,000,000	1,000,000	1,000,000	-
Other Contributions	75,000	-	-	-	-
Reserves	-	-	-	-	-
Revenue Contribution	-	-	-	-	-
Capital Receipts	15,000	-	-	-	-
Internal / External Borrowing	3,390,000	1,030,000	2,170,000	-	-
Total Financing	4,480,000	2,030,000	3,170,000	1,000,000	-

- 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.

6. Chief Finance Officer's Report

Robustness of Estimates

- 6.1 When considering the robustness of the estimates and adequacy of reserves a holistic approach is taken, which considers the general reserve, earmarked reserves and the identified risks in relation to the revenue and capital budgets presented for approval.
- 6.2 The Local Government Act 2003 requires the Section 151 Officer to report on the robustness of estimates made for the purpose of calculating Council Tax. The Director for Resources (Section 151 Officer) is satisfied that the estimates, as presented in the budget are sufficiently robust and that the reserve balances proposed for 2026/27 are adequate.
- 6.3 Below is the assessment of the robustness of the estimates now presented and provides an analysis of the risks facing the Council in relation to the control of income and expenditure flows compared to the budgets that are recommended for 2026/27.
- 6.4 The framework within which the budget for 2026/27 has been prepared is like that of previous years and takes into account the following:

- a. Previous financial year out-turn position (2024/25 being the latest full year)
 - b. Medium Term Financial Strategy (MTFS) 2026/27 to 2029/30
 - c. In-year budget monitoring for 2025/26 and associated reports
 - d. Cash flow monitoring
- 6.5 The outturn position for 2024/25 was reported to Cabinet on 7 July 2025. The outturn position is used to update the financial planning process and helps to establish the baseline for the current estimates by reflecting significant movements against the current position and those which will have an on-going impact on the future financial position of the Council.
- 6.6 The financial planning process is an established process. For 2026/27 the updated Medium Term Financial Strategy (MTFS) has been produced alongside the budget for 2026/27. The MTFS for the period 2026/27 to 2029/30 has been prepared against a backdrop of uncertainty for the reasons discussed above earlier in the report. This uncertainty, results in a far higher level of risk associated with forecasting a robust financial position over the medium term. However best estimates and assumptions have been used in producing this, it is worth noting that a multi-year settlement has been published which helps provide some certainty of expected funding from central government.
- 6.7 Budget monitoring throughout the year is critical to ensuring the robustness of the estimates and maintaining a sound financial position. The in-year budget monitoring process is carried out throughout the year with all expenditure and income being monitored monthly. This provides an essential tool for identifying early on any variances so that mitigating action can be taken. It is also fundamental in enabling the inclusion of the most up to date information in the modelling of future budgets and projections, where budget pressures and additional income and savings are identified during the year.
- 6.8 The regular budget monitoring exercises that take place are also used to inform the annual financial planning and budget process in terms of whether any changes will have an on-going financial impact in future years, or whether they will have just a one-off impact in the current financial year.
- 6.9 As part of the budget monitoring process, budget managers compile monthly variance reports and regular reports are presented to Cabinet and the Overview and Scrutiny Committee detailing the latest projected outturn position for the current year. Regular reviews of expenditure, commitments and income streams are carried out to identify any overspends or shortfalls in income at the earliest opportunity and reported to the Corporate Leadership Team (CLT) and Members along with action plans to mitigate the impact on the Council's overall financial position.
- 6.10 In terms of cash flow monitoring, there have been no major cash flow issues during the year. During 2025/2026 there has been no short-term borrowing undertaken and cash flow has been managed effectively. The council has long term (12 month) borrowing from the PWLB to assist with cashflow management.
- 6.11 Instead of taking long term borrowing the Council could have called back some of its investments to meet the cash flow fluctuations. However, this would have resulted in a loss of investment income. By maintaining the

investments levels the interest income earned will cover in part the borrowing costs.

- 6.12 The annual budgets and the financial projections are prepared by service managers and budget holders, using their expertise and knowledge of the latest developments and changes in their field that may affect their service delivery and consequently the cost of providing their services. Officers of the Council will also seek advice from any external advisors, professional bodies and networks to determine if there is anything that may impact on the Council's financial position.
- 6.13 However, many budgets are related to factors that fall outside the control of the Council, e.g. pay awards, changes in demand led services, changes in inflation and interest rates, and all of these can have a significant impact on the Council's overall budget and financial position both in the current and future years. Forecasting for these external influences is a challenge and a risk for the Council.
- 6.14 There are several financial risks facing the authority which are relevant at both service and corporate level. To manage these risks there are a few key areas within the budget that need to be closely monitored during the forthcoming financial year, as any variances can have a significant impact. These include:

- a. **The impact of changes in global and national politics and economies**

This is very difficult to predict accurately, but by keeping abreast of developments and seeking advice from experts in these fields, informed assumptions can be made, and sensitivity analysis can be undertaken so should there be changes in any areas the Council can react quickly and look at options to reduce the impact. Officers will monitor the actual position against that forecast throughout the year. Whilst action will be taken to minimise the impact, if this is not possible, then ultimately shortfalls will have to be covered by using reserves. One example is the global impact of the actions being taken and policies that are being introduced by other economic powers globally. Another example is the Bank of England's control of inflation and interest rates.

- b. **Car Parking Income**

This area generates a significant level of income for the Council which in turn supports the delivery of other services across the Council. As this is a demand led service which is influenced by external factors this area is regularly monitored. The 2025/26 budget currently assumes gross income of over £3.1m from all car parking related fees and charges. Increases in car park fees and charges are due to be implemented on 7 April and whilst it is hoped this won't have a negative impact on income levels it is still a risk that must be considered.

- c. **Domestic Food Waste – New burdens**

The introduction of a separate domestic food waste collection service represents a further demand and cost pressure arising from national policy decisions that sit largely outside the Council's direct control. While the requirement forms part of wider waste and resources reforms, the timing,

scope, and ongoing revenue implications present a financial risk to the Council, particularly in the context of already constrained funding and increasing pressure across demand-led services.

The latest estimated costs associated with the introduction of domestic food waste collection have been included within the budget papers. However, these estimates remain subject to ongoing commercial negotiations with suppliers and may change as contractual arrangements are finalised.

d. Investment Returns

During 2025/26 the Council's investment income has performed well, there has been some influence on this from the Bank of England, as base rates have been used as a mechanism to control inflation. The forecast is for further reductions in interest rates during the year.

The investment income budget includes interest on loans made to housing associations, investments in various pooled funds, covered bonds and term deposits.

e. Employee Budgets

The budget has been updated to include the national pay review and annual increments and assumes a 3% pay award for 2026/27. For 2026/27 onwards the pay award has been assumed to be 3%. Both the risk of strike action and higher than budgeted pay awards are significant risks to the Council. There will obviously be a disruption to services potentially should staff take strike action to secure higher pay awards. A pay award higher than that budgeted for will place additional pressure on the Council's budget.

- 6.15 Looking beyond 2026/27, the financial projections included in the MTFS indicate that substantial work will have to be undertaken in order to reach a balanced budget position.
- 6.16 The current financial projections are shown below:
- 2027/28 – a deficit of £0.935m
 - 2028/29 – a deficit of £1.521m
- 6.17 The capital programme continues to be funded from a combination of external and internal resources, including capital receipts, grants, preserved right to buy receipts and revenue. Member preference is to avoid borrowing to fund capital projects where possible. In the 2025/26 budget, less than 15% of the capital programme is funded through borrowing. However, as other funding sources become scarcer, a greater proportion of borrowing is proposed in relation to some of the new capital projects included within the capital bids. Where borrowing is used, it is only progressed where it can be demonstrated to provide value for money. Prudent estimates are made of the timing of capital receipts and grant funding is always secured before a scheme is included where it is to be grant funded. A detailed Capital Programme and its funding can be found at Appendix D of the main report, and the new capital bids presented for consideration can be found at Appendix E.

- 6.18 Elected Members have been involved in the preparation of the 2026/27 budget. Assistant Directors' and service managers have identified savings as part of the budget monitoring process and these are built into our cyclical monitoring processes, and not taken separately as savings bid, as done previously in prior year budget setting.
- 6.19 The Council also takes professional advice from third party organisations concerning technical areas that impact on the budget process, e.g. external advice in relation to the Collection Fund income, treasury management, VAT and insurance. By doing so the Council can monitor the wider implications of changes in interest rates, inflation and employment and take remedial action to mitigate financial risk.

Adequacy of Reserves

- 6.20 The Local Government Act 2003 also requires the Section 151 Officer to report on the adequacy of the Council's financial balances. The minimum prudent level of reserves that the Council should maintain is a matter of judgement for the Section 151 Officer and cannot be judged merely against the current risks facing the Council as these will change over time.
- 6.21 The level and adequacy of local authority reserves continues to be an area of national focus, supported by sector data and analysis published through government and other bodies. This wider context informs the Council's ongoing annual review of reserves and assessment of financial resilience.
- 6.22 In the opinion of the Section 151 Officer the overall budgeted level of both the General Fund Reserve and the Earmarked Reserves shown in Appendix C are considered adequate in the short term. The forecast General Reserve balance (£2.9m) at the end of 2026/27 would be above the recommended minimum balance (£2.1m). All reserves will continue to be monitored throughout 2024/25 and will be subject to another annual review in 2027/28.
- 6.23 An assessment of the adequacy of the available reserves throughout 2025/26 is based on the potential commitments against the reserves which are either:
- General Reserve
 - Earmarked Reserves
- 6.24 Where there is budgeted expenditure to be funded from a reserve, this has been included in the reserves statement.
- 6.25 There are three main reasons for holding reserves:
- as a contingency to cushion the impact of unexpected events or emergencies;
 - to cushion against the impact of uneven cash flows and to avoid temporary borrowing; and
 - as a means of building funds to meet known or predicted liabilities (earmarked reserves).
- 6.26 The review the reserves is a well-established part of the budget setting and monitoring process and financial planning for the Council. An updated reserve statement is included at Appendix C to this report.

- 6.27 When assessing the level of reserves the Council should take account of the strategic, operational and financial risks facing them.
- 6.28 There continues to be uncertainty around the financial impact of LGR on NNDC, an element of this risk is mitigated by the earmarked reserve which was established for this purpose.
- 6.29 Some income streams from demand led services remain vulnerable both from economic factors and seasonal factors including weather that can influence income e.g. car parking income. Steps are taken, e.g. reviewing previous year trends, to set prudent estimates of income from these services but the activity that drives the income remains difficult to predict.
- 6.30 The outcome of the assessment of the General Fund Reserve for 2026/27 and forward years is that it is recommended that the minimum level that the reserve should be maintained at is £2.1m for 2026/27. This represents 10% of the net budgeted operating expenditure (excluding parish precepts). The level of the General Reserve at the end of the 2025/26 financial year is estimated to be just over £2.6m.
- 6.31 Earmarked reserves are estimated to total around £13.4m by the end of the 2025/26 financial year. The earmarked reserves have been reviewed, as decisions are made on the utilisation of these reserve, the overall reserves position and projections will be updated accordingly.
- 6.32 All the earmarked reserves follow the protocol of the Policy Framework.

Conclusion of the Robustness of the Estimates and the Adequacy of the Reserves

- 6.33 In the opinion of the Section 151 Officer the overall budgeted level of both the General Fund Reserve and the Earmarked Reserves shown in Appendix C are considered adequate in the short term. The General Reserve balance (£2.9m) at the end of 2026/27 is forecast to be above the recommended minimum balance (£2.1m). All reserves will continue to be monitored throughout 2025/26 and will be subject to another annual review during 2026/27.

7. Corporate Plan Objectives

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

8. Financial and Resource Implications

- 8.1 The Council must set a balanced budget for 2026/27 before 11 March 2026. This report presents a balanced budget for 2026/27 which has been achieved by identifying budget savings. The Medium-Term Financial Strategy is also presented as a separate agenda item at this meeting.

Comments from the S151 Officer:

This is a statutory report that provides a balanced budget for the coming financial year.

9. 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.

10. Risks

- 10.1 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.

11. Net Zero Target

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

12. Equality, Diversity & Inclusion

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

13. Community Safety issues

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

14. Conclusion and Recommendations

- 14.1 This report presents a balanced General Fund budget for 2026/27. The assumptions in arriving at this position are laid out in the report.
- 14.2 All 2026/27 budgets will continue to be subject to pressure in the forthcoming year. The Council has sufficient reserves to ensure financial resilience in the short-term, however these balances will continue to reduce as significant budget gaps in the Medium-Term Financial Plan remain.
- 14.3 The Council's ability to deliver future capital projects is dependent on funding and affordability. Any new projects will need to be supported by a robust business case, and existing schemes will be kept under review for affordability.
- 14.4 It is recommended that Full Council approve the 2026/27 budget for revenue and capital and to make the statutory calculations in respect of the 2026/27 Council Tax and the corresponding 2.96% (£5.13) increase in the district element for a Band D equivalent property.