



Northumberland County Council

Cabinet

Tuesday, 11 February 2025

Budget 2025-26 and Medium-Term Financial Plan 2025-2029

Report of Councillor(s) Glen Sanderson, Leader of the Council

Responsible Officer(s): Jan Willis, Executive Director for Resources & Transformation
(Section 151 Officer)

1. Link to Key Priorities of the Corporate Plan

The Council's Budget and Medium-Term Financial Plan (MTFP) are aligned to the three priorities outlined in the Corporate Plan 2023-26: Achieving Value for Money; Tackling Inequalities and Driving Economic Growth.

2. Purpose of report

The purpose of this report is to enable the Cabinet to make formal budget recommendations to the County Council.

The report provides the Revenue Budget for 2025-26 and Revenue MTFP 2025-29 and the Capital Budget for 2025-26 and Capital MTFP 2025-29, following the Government's Autumn Statement on 30 October 2024, the Local Government Finance Policy Statement 2025-26 on the 28 November 2024, and the publication of the provisional Local Government Finance Settlement on 18 December 2024.

It is important to note that there may need to be some revisions to the figures following receipt of the Government's final Local Government Finance Settlement figures in February 2025. It is proposed that any changes to the figures as a result of this announcement, which impact on the Budget 2025-26 and MTFP 2025-29 are delegated to the Executive Director of Transformation and Resources in consultation with the Cabinet Member for Corporate Services. If the final Local Government Settlement is received prior to the Cabinet or 19 February 2025 Council meeting, then a supplementary report will be provided to Members advising of any changes.

3. Recommendations

The Cabinet is requested to make the following recommendations to the County Council:

1. Note that the figures contained within the Budget 2025-26 within Appendix 1 are based on the provisional Local Government Finance Settlement of 18 December 2024.
2. Approve the Revenue Budget for 2025-26 including the efficiencies totalling £16.299 million for 2025-26 contained within Appendix 1 (detailed in Appendix 11).
3. Note the Revenue MTFP covering the period 2025-29 detailed within Appendix 1 and the requirement to deliver budget balancing measures of £27.764 million in 2026-27, £13.841 million in 2027-28 and £12.080 million in 2028-29.
4. Note the estimated receipt of Revenue Support Grant of £14.829 million for 2025-26 contained within Appendix 1.
5. Note the estimated retained Business Rates and the Top-Up Grant funding to be received by the Council for 2025-26 of £106.894 million and £332.095 million over the remaining period of the MTFP contained within Appendix 1.
6. Note the estimated surplus from prior years on Collection Fund Business Rates balance of £3.979 million in 2025-26 contained within Appendix 1.
7. Note the estimated receipt of the New Homes Bonus of £3.261 million (excluding service element of £0.028 million) for 2025-26 contained within Appendix 1.
8. Note the estimated receipt of Local Authority Better Care Grant of £15.416 million for 2025-26 contained within Appendix 1.
9. Note the estimated receipt of Social Care Grant funding of £33.910 million for 2025-26 contained within Appendix 1.
10. Note the estimated receipt of Adult Social Care Market Sustainability and Improvement Fund Grant of £6.656 million in 2025-26 contained within Appendix 1.
11. Note the estimated receipt of the Extended Producer Responsibility Grant of £6.573 million in 2025-26 and £12.162 million over the remaining period of the MTFP contained within Appendix 1.
12. Note the estimated receipt of National Insurance Funding Grant of £2.799 million in 2025-26 contained within Appendix 1.
13. Note the estimated receipt of the Domestic Abuse Safe Accommodation Grant of £0.833 million in 2025-26 contained within Appendix 1.
14. Note the estimated receipt of the Children's Social Care Prevention Grant of £0.982 million in 2025-26 contained within Appendix 1.
15. Approve a 2.99% increase in general Council Tax for 2025-26, noting that this is in line with the Government's assumptions regarding the Council's Core Spending Power and, within the Government's referendum limit of 3.00%.
16. Note the MTFP 2025-29 includes a 2.99% annual increase in Council Tax for all years of the MTFP and that an estimate of annual tax base growth has also been included.

17. Note the non-collection rate for Council Tax purposes remains at 1.00% for 2025-26 (1.00% in 2024-25).
18. Note the estimated surplus of £2.305 million from prior years on the Collection Fund Council Tax balance for 2025-26 contained within Appendix 1.
19. Approve a 2.00% increase in Council Tax for 2025-26 for use on Adult Social Care services; raising an additional £6.322 million to support the Budget 2025-26 and note that the assumed increase included in the MTFP is 1.00% for financial years 2026-27 to 2028-29.
20. Approve the Reserves Policy 2025-26 detailed in Appendix 2.
21. Note the Schedule of Reserves and Provisions contained within Appendix 3.
22. Approve:

The net contributions from the Strategic Management Reserve of £0.311 million in 2025-26, and note the proposed net contributions from the Strategic Management Reserve of £15.818 million in 2026-27, £4.255 million in 2027-28 and £2.570 million in 2028-29, contained within Appendix 1, comprising:

- a) non-recurrent pressures of £3.141 million for 2025-26, and note the non-recurrent pressures totalling £3.476 million in 2026-27, £2.065 million in 2027-28, and £1.664 million in 2028-29 (as detailed within Appendix 10 excluding: the costs of the Council Modernisation programme [£7.103 million in 2025-26 and £1.231 million of the cost in 2026-27], Hirst Welfare Centre transitional support, additional Fire Control Staff to enable succession planning, Leisure Facilities transitional support costs including car parking costs at Concordia, and Extended Producer Responsibility costs);
- b) delayed investment interest due from Newcastle International Airport as a result of Covid-19 will be repaid to the Strategic Management Reserve. It is anticipated that £0.104 million of the remaining outstanding interest due will be received in 2027-28, and the remainder of £1.084 million in 2028-29.
- c) revenue contributions to capital (RCCO) for capital investments as follows:

	2025-26	2026-27	2027-28
	£m	£m	£m
Schools Development Programme	3.766	7.334	-
Blyth Relief Road	0.944	3.508	0.554
	4.710	10.842	0.554

- d) estimated net costs relating to the restructure of Advance Northumberland of £1.270 million in 2025-26, £1.500 million in 2026-27, £1.740 million in 2027-28, and £1.990 million in 2028-29; and,
- e) contribution to the Strategic Management Reserve of £8.810 million in 2025-26 in order to balance the Budget. This includes £10.000 million reversal of voluntary

Minimum Revenue Provision (MRP) less £1.190 million needed to balance the 2025-26 Budget.

23. Approve the use of the Public Health Revenue Grant Reserve of £0.180 million in 2025-26 and note the proposed contribution from this reserve of £0.100 million in 2026-27 contained within Appendix 1, with regard to transitional support for Hirst Welfare Centre.
24. Approve the use of the Council Transformation Fund Reserve of £7.103 million to fund the Council's Modernisation Programme delivery costs in 2025-26 and note the proposed contribution from this reserve of £1.231 million for 2026-27 contained within Appendix 1.
25. Approve the use of the Leisure Reserve (once funds have been returned to the Council following the financial closedown of Active Northumberland) to fund £0.250 million in 2025-26 and note the proposed use of this reserve for the following three years totalling £0.334 million to fund leisure facilities transitional costs.
26. Approve the use of the Recruitment and Retention Reserve of £0.108 million in 2025-26 and note the proposed contribution from this reserve of £0.108 million in 2026-27 to fund temporary resources to enable succession planning within Fire Control.
27. Approve the use of the Extended Producer Responsibility Grant of £4.542 million in 2025-26 to fund the costs associated with the scheme and note the proposed costs for the following three years totalling £10.356 million.
28. Note the Schedule of Service Specific Grants of £276.991 million contained within Appendix 4 and note that some are still indicative pending final confirmation.
29. Note the Schedule of Fees and Charges 2025-26 contained within Appendix 5.
30. Approve the Fees and Charges Policy 2025-26 detailed in Appendix 6.
31. Approve the Inflation Schedule for 2025-26 totalling £18.512 million detailed in Appendix 7.
32. Approve:
 - a) the Recurrent Growth and Pressures Schedules of £28.382 million for 2025-26 and note the Recurrent Growth and Pressures of £8.073 million in 2026-27, £7.042 million in 2027-28 and £5.291 million in 2028-29 included within Appendices 1, 8 and 9; and,
 - b) the additional net revenue costs associated with the Capital Programme of £1.114 million, including £10.000 million reversal of Voluntary MRP and the estimated net revenue costs associated with the Advance Northumberland restructure of £1.270 million for 2025-26 and note the revenue costs associated with the Capital Programme of £29.623 million in 2026-27, £6.554 million in 2027-28 and £6.000 million in 2028-29 included within Appendix 1.
33. Approve the Non-Recurrent Pressures of £15.324 million for 2025-26 and note the Non-Recurrent Pressures of £8.617 million for 2026-27, £5.559 million for 2027-28, and £5.158 million in 2028-29 included within Appendix 10.

34. Approve the Non-Recurrent Income of £0.816 million for 2025-26 and note the Non-Recurrent Income of £0.283 million for 2026-27, £0.269 million for 2027-28 and £0.221 million for 2028-29 included within Appendix 10.
35. Approve the identified budget balancing measures contained within Appendix 11 of £16.299 million for 2025-26 (the majority of which, £13.985 million, were approved by full Council in February 2024) and note those budget balancing measures totalling £15.647 million already identified for 2026-27 to 2028-29.
36. Note the Integrated Impact Assessment at Appendix 12.
37. Note the Budget by Service Area 2025-26 detailed in Appendix 13.
38. Note the receipt of Dedicated Schools Grant of £189.037 million in 2025-26 and note the revised allocation of £167.572 million for 2024-25. This is following the conversion of two schools to academy status during 2024-25.
39. Approve the Capital Strategy 2025-26 to 2028-29 contained within Appendix 14.
40. Approve the revised Capital Programme detailed within Appendix 15 and note the increase in the Capital Programme 2025-29 of £370.140 million detailed in Appendix 16.
41. Approve the delegation of the detail of the final Local Transport Programme and any subsequent in-year amendments to the Executive Director Place and Regeneration in consultation with the Cabinet Member responsible for improving our roads and highways.
42. Approve the delegation of the detail of the capital allocation for the Highway Maintenance and Pothole Repair Fund to the Executive Director Place and Regeneration in consultation with the Cabinet Member responsible for improving our roads and highways.
43. Approve the Capital Prudential Indicators 2025-26 to 2028-29 based on the proposed Capital Programme detailed within Appendix 17.
44. Approve the Annual Minimum Revenue Provision (MRP) Policy detailed in Appendix 18.
45. Approve the Treasury Management Strategy Statement 2025-26 detailed in Appendix 19.
46. Approve a delegation to amend the Budget 2025-26 and MTFP in light of any changes as a result of the final Local Government Finance Settlement to the Executive Director of Transformation and Resources (the Council's Section 151 Officer) in consultation with the Cabinet Member for Corporate Services if the final Settlement is received after the 19 February 2025 Cabinet meeting. If the final Local Government Finance Settlement is received prior to the Cabinet or 19 February 2025 Council meeting, then a supplementary report will be provided to Members advising of any changes necessary.

4. Forward plan date and reason for urgency if applicable

The report first appeared in the forward plan on 4 December 2024.

5. Background

- 5.1 On 21 February 2024, the Council approved the Budget for 2024-25 and the MTFP covering the period 2024-28.
- 5.2 This report updates the MTFP position and the Budget for 2025-26, following the announcement of the Autumn Statement on 30 October 2024, the Local Government Finance Policy Statement 2025-26 on 28 November 2024 and the provisional Local Government Finance Settlement on 18 December 2024. The final Settlement is not due until February 2025, which could alter the financial position. It is proposed that any changes to the figures as a result of this announcement, which impact on the 2025-26 Budget and the 2025-29 MTFP are delegated to the Council's Section 151 Officer in consultation with the Cabinet Member for Corporate Services, if the settlement is received after 19 February 2025 Council meeting.
- 5.3 The report sets out in detail the budget balancing proposals for 2025-26 and illustrates that there is a requirement to deliver efficiencies equating to £16.299 million in 2025-26 and £53.685 million over the remaining three years of the MTFP.
- 5.4 The report also sets out the forecast budget position for the financial year 2025-26. The position represents the best estimate at the current time.
- 5.5 On 28 November 2024 the Government published the Local Government Finance Policy Statement 2025-26; this announced that a fundamental review of local government funding would be undertaken. This will start in 2025-26 through the allocation of a new Recovery Grant, and from 2026-27 Government intends to fundamentally review the way councils are funded. Government aims to direct funding to where it is most needed, based on an up-to date assessment of need and local services, building on proposals set out in the previous Government's Fair Funding Review (FFR), using the best available evidence to inform local authority funding allocations. The Government will move gradually towards an updated system and will invite views on transitional arrangements.
- 5.6 The Local Government Finance Policy Statement 2025-26 also set out plans to reset the Business Rates Retention scheme from 2026-27. The current system has not been reset since its introduction in 2013-14. Again, the Government will look to match funding to where it is needed most. The reset will apply nationally, but Business Rates growth generated within designated areas such as Freeports, Enterprise Zones and Investment Zones will be exempt in line with current policy.
- 5.7 The Local Government Finance Policy Statement 2025-26 also set out that there would be a multi-year funding settlement effective from 2026-27.
- 5.8 Alongside the provisional Local Government Finance Settlement 2025-26 the Government issued a consultation; Local Authority Funding Reform: objectives and principles which closes on 12 February 2025.

- 5.9 In the absence of the outcome of these reviews it remains extremely difficult to accurately forecast the financial position for the Council beyond 2025-26. However, for the purpose of the MTFP it is assumed that the Council will continue to retain 50.00% of Business Rates income.
- 5.10 On 18 December 2024 the Government announced a one-year settlement for 2025-26. The Budget beyond 2025-26 is less certain given the funding reforms referred to earlier and therefore contains a number of assumptions.
- 5.11 The position will be monitored closely and the MTFP will be updated once more information is available.

Provisional Local Government Financial Settlement

- 5.12 The 2025-26 provisional Local Government Finance Settlement was announced by Government on 18 December 2024. The announcement only provided funding figures for 2025-26, up to the end of the current spending review. Beyond this, the Council is aware that the Government intends to change the funding mechanism for the sector from 2026-27. This report therefore utilises the financial data that was published as part of this announcement. Beyond that period the figures have been forecast as identified in this report. The final Local Government Finance Settlement is due in February 2025. Members are requested to note that the figures from the provisional settlement are included within Appendix 1. **(Recommendation 1)**
- 5.13 It is recommended that the Council approves the Budget 2025-26 (Appendix 1) including the requirement to implement budget balancing measures totalling £16.299 million in 2025-26 (£13.985 million of the 2025-26 savings were approved by full Council in February 2024). **(Recommendation 2)**
- 5.14 Members are requested to note the MTFP at Appendix 1 including the requirement to deliver budget balancing measures totalling £27.764 million in 2026-27, £13.841 million in 2027-28 and £12.080 million in 2028-29. **(Recommendation 3)**

Settlement Funding Assessment and Revenue Support Grant

- 5.15 The Settlement Funding Assessment is a combination of resources received from Revenue Support Grant (RSG) and Baseline Funding (including Top-Up Grant).
- 5.16 The methodology in determining the Settlement Funding Assessment considers the ability of each authority to raise Council Tax locally (including increases in the tax base, council tax rate and inflationary uplift). Under this methodology, where an authority has greater capacity to raise resources locally through Council Tax, RSG has been reduced.

Revenue Support Grant

- 5.17 The RSG to be received in 2025-26 is £14.829 million, which includes a Consumer Prices Index (CPI) inflationary uplift of 1.70%. Four specific grants have been rolled into the RSG in 2025-26; Tenant Satisfaction Measures New Burdens Grant (£0.018 million), Transparency Code New Burdens Grant (£0.013 million), Electoral Integrity Programme New Burdens Grant (£0.026 million), and Extended Rights for Home to

School Transport Grant (£0.519 million). These grants did not receive an inflationary uplift when they were rolled into the RSG. There is no announcement beyond 2025-26. However, for the purposes of the MTFP it is assumed that the RSG remains and, excluding the grants rolled in above, will increase by CPI inflation, which is estimated at 2.60% for 2026-27, 2.20% for 2027-28 and 2.10% for 2027-28. The MTFP at Appendix 1 contains details of the RSG, which Members are asked to note. **(Recommendation 4)**

Baseline Funding

- 5.18 This is the Government's assessment of what the Council should generate from Business Rates income to meet assessed need. It comprises two elements: Assessed Retained Business Rates income and a Top-Up Grant. The Grant is provided to top up the Government's assessed retained Business Rates income to the Baseline Funding level applicable for the Council.
- 5.19 The Council retains 50.00% of the Business Rates income it collects and is classified as a Top-Up authority. This means that the Council receives a Top-Up Grant over and above the 50.00% locally retained Business Rates income, which increases the overall funding the Council expects to receive from Business Rates income to the assessed baseline level. This position continues for 2025-26 and is assumed to remain unchanged over the period of the 2025-29 MTFP, in the absence of the outcome of the Funding Reform and Review of the Business Rates Retention Scheme.
- 5.20 As stated previously, the Baseline Funding level is the Government's assessment of what the Council should achieve through retained Business Rates income (including Top-Up Grant) to meet assessed need. However, any variation in the actual level of Business Rates income collected will result in a variation from the assessed Baseline Funding level and a shortfall or excess in Business Rates funding.
- 5.21 It should be noted that there are risks to the Council's Business Rates income as a result of factors such as the success of appeals. This makes financial planning and forecasting complex. It is forecast that the Council's provision for Business Rates appeals will be £6.946 million by 31 March 2025 (£14.607 million at 31 March 2024).
- 5.22 The Local Government Finance Policy Statement 2025-26 published on 28 November confirmed that the Small Business Rates Multiplier has been frozen for 2025-26 at 49.9p. The Standard Business Rates Multiplier was increased by CPI inflation of 1.70% to 55.6p.
- 5.23 Members are requested to note the following table which shows the Council's estimated value of locally retained Business Rates and Top-Up Grant payments included in the MTFP 2025-29; based on 50.00% retention of Business Rate income. Any variation from these figures will ultimately result in a surplus or deficit which will impact on the Budget and the MTFP in future years. **(Recommendation 5)**

	Estimated Retained Business Rates £m	Top-Up Grant Funding £m	Total £m
2025-26	78.077	28.817	106.894
2026-27	79.865	29.253	109.118
2027-28	81.112	29.628	110.740
2028-29	82.247	29.990	112.237

- 5.24 Normal accounting rules require that any forecast surplus or deficit on the Business Rates element of the Collection Fund from the prior year, must be credited or charged to the General Fund in the following financial year. Within 2024-25 there is a forecast surplus of £3.979 million on the Business Rates element of the Collection Fund, which is to be utilised in 2025-26, as shown in Appendix 1. Members are asked to note the 2024-25 forecast surplus which is to be utilised in 2025-26. **(Recommendation 6)**
- 5.25 The provisional Local Government Finance Settlement 2025-26 announced that nationally £100.000 million would be distributed from the Business Rates Levy Surplus Account to Local Authorities. This will be accounted for within 2024-25. The provisional settlement did not provide individual authority allocations but said these will be published along with the final Local Government Finance Settlement 2025-26 in February 2025. However, it is expected that the distribution will be the same as the 2023-24 allocation of £0.578 million.
- 5.26 Business Rates income projections contained within the 2025-29 MTFP from those businesses classified as small have not been inflated in 2025-26, in line with the Government's freezing of the Small Business Rates Multiplier. Business Rates income projections from those businesses classified as standard have been increased by CPI inflation at 1.70% in line with the Government's increase to the Standard Business Rates Multiplier. Beyond 2025-26 Business Rates income from those businesses classified as small has been frozen over the duration of the current MTFP, and Business Rates income from those businesses classified as standard has been inflated annually by forecast CPI at 2.60% for 2026-27, 2.20% for 2027-28, and 2.10% for 2028-29.
- 5.27 Known Business Rates growth and reductions have also been forecast for all years, plus a further reduction of 0.50% of net rates payable for 2025-26, 0.40% for 2026-27, 0.30% for 2026-27, and 0.20% for 2027-28 to account for the potential impact of an economic downturn.
- 5.28 Through the Business Rates Retention Scheme, the Council not only faces a significant risk of reduced funding if Business Rates income declines, but it could also increase funding by encouraging new businesses within and to the area. In most cases under the current scheme the Council will be allowed to retain 50.00% of any new Business Rates income within the area; and in the case of renewable energy the Council can retain 100.00% of Business Rates income collected.

New Homes Bonus

- 5.29 The New Homes Bonus scheme was first introduced in 2011-12. For each newly built house or conversion the Council received a reward of the national average Council Tax for the relevant band. Long-term empty properties which had been brought back into use were also included in the reward and there was a premium for affordable homes. The scheme originally paid grant for six years. However, the scheme has been substantially changed over the years.
- 5.30 The Local Government Finance Policy Statement 2025-26 published on 28 November 2024 announced that there would be a new allocation for 2025-26 only. The scheme remains unchanged from 2024-25.
- 5.31 The Council expects to receive New Homes Bonus Grant funding of approximately £3.261 million (excluding the service allocation of £0.028 million) for 2025-26.
- 5.32 The Local Government Finance Policy Statement 2025-26 also said that the Government intends to consult on reforming the scheme beyond 2025-26 and will propose that 2025-26 is the last year of the New Homes Bonus in its current format.
- 5.33 The 2025-29 MTFP assumes that the grant will cease beyond 2025-26. The funding supports the overall Revenue Budget of the Council and Members are requested to note the inclusion of the grant in the Council's MTFP shown at Appendix 1. **(Recommendation 7)**

Local Authority Better Care Grant

- 5.34 The Council's Local Authority Better Care Grant allocation is £15.416 million for 2025-26. This new grant incorporates the Improved Better Care Fund and the Adult Social Care Discharge Fund at the 2024-25 national funding levels. The Council will receive the same total funding for this single grant as it did in for the two separate grants in 2024-25. The National Health Service (NHS) will also receive funding, and funds will be pooled through the Better Care Fund. Further clarity is awaited on the specific terms and conditions of this funding.
- 5.35 Beyond 2025-26 there is less certainty and there has been no announcement on the future of this grant from Government. However, it has been assumed within the 2025-29 MTFP that this grant will continue at its current level for the duration of the MTFP. The position will be monitored and the MTFP will be updated if required. Members are requested to note the grant inclusion in the Council's 2025-29 MTFP shown at Appendix 1. **(Recommendation 8)**

Social Care Grant

- 5.36 The provisional Local Government Finance Settlement announced that nationally this grant would increase by £880.000 million to £5,924.000 million in 2025-26. The grant is provided to fund costs in adults and children's social care.
- 5.37 In total the Council will receive Social Care Grant of £33.910 million in 2025-26; an increase of £4.920 million when compared to £28.990 million received in 2024-25. Beyond 2025-26 there is less certainty. The 2025-29 MTFP assumes that this grant will continue at its current level beyond 2025-26 for the duration of this MTFP.

Members are requested to note the grant inclusion in the Council's 2025-29 MTFP shown at Appendix 1. **(Recommendation 9)**

Adult Social Care Market Sustainability and Improvement Fund

- 5.38 The provisional Local Government Finance Settlement announced that nationally this grant allocation would remain unchanged from 2024-25 at £1,050.000 million.
- 5.39 The funding is intended to make tangible improvements to adult social care; and, in particular to address discharge delays, social care waiting times, low fee rates, workforce pressures, and to promote technological innovation in the sector. The grant is ring-fenced and has reporting requirements.
- 5.40 In total the Council will receive Adult Social Care Market Sustainability and Improvement Fund grant of £6.656 million in 2025-26. The 2025-29 MTFP assumes that this grant will continue at its current level beyond 2025-26 for the duration of this MTFP. Members are requested to note the grant inclusion in the Council's 2025-29 MTFP shown at Appendix 1. **(Recommendation 10)**

Extended Producer Responsibility Grant

- 5.41 From 2025, some organisations and businesses will have to pay a fee for the packaging they supply to or import into the UK market. This is called Extended Producer Responsibility (EPR) for packaging. The money will go to local authorities and is intended to cover the net cost of collecting, managing, recycling and disposing of household packaging waste. The Council is expected to receive grant income of £6.573 million in 2025-26. The precise level of funding beyond 2025-26 is unknown at this stage but the 2025-29 MTFP assumes grant income of £5.258 million for 2026-27 and £3.452 million for both 2027-28 and 2028-29. Funding for 2026-27 will be calculated using an efficiency and effectiveness methodology, the MTFP assumes the maximum reduction of 20% and that expenditure will be £2.031 million less than the grant in 2025-26 and £1.806 million less in 2026-27. Due to the uncertainty of the level of funding, from 2027-28 it is assumed that the grant income and expenditure will match. Members are requested to note the grant inclusion in the Council's 2025-29 MTFP shown at Appendix 1. **(Recommendation 11)**

National Insurance Funding Grant

- 5.42 On 30 October 2024 the Government published its Autumn Budget statement which announced that employers' National Insurance Contributions would increase from 13.80% to 15.00% with effect from 1 April 2025. In addition, Government announced that it would also be lowering the per-employee threshold at which employers become liable to pay National Insurance from £9,100 to £5,000. It is estimated that this will add an additional £3.944 million per annum to the Council's employers National Insurance costs in relation to directly employed staff.
- 5.43 The Local Government Finance Policy Statement 2025-26 confirmed that Government would fund the increase, and the provisional Local Government Finance Settlement confirmed the national funding total of £515.000 million. Individual authority allocations will not be announced until the final Local Government Finance

Settlement in February 2025. However, current estimates suggest that the Council's share will be £2.799 million which will not cover the cost of the employers' National Insurance increase for directly employed staff. The MTFP assumes that the grant will increase by 2.50% per annum for the duration of the plan. Members are requested to note the grant inclusion in the Council's 2025-29 MTFP shown at Appendix 1. **(Recommendation 12)**

Domestic Abuse Safe Accommodation Grant

5.44 The provisional Local Government Finance Settlement rolled this grant into Core Spending Power (CSP). Nationally, the grant has increased by £30.000 million to £160.000 million. In total the Council will receive Domestic Abuse Safe Accommodation Grant of £0.833 million in 2025-26. The 2025-29 MTFP assumes that this grant will continue at its current level beyond 2025-26 for the duration of this MTFP. Members are requested to note the grant inclusion in the Council's 2025-29 MTFP shown at Appendix 1. **(Recommendation 13)**

Children's Social Care Prevention Grant

5.45 The provisional Local Government Finance Settlement 2025-26 announced this new grant allocation. Nationally, £250.000 million has been made available. However, it was also announced that this grant would increase to £263.000 million once the final Local Government Finance Settlement 2025-26 is announced in February 2025.

5.46 The £250.000 million grant is to support the national rollout of Family Help. The additional £13.000 million is to support the rollout of mandatory Family Group Decision Making.

5.47 In total the Council will receive Children's Social Care Prevention Grant of £0.982 million in 2025-26. The 2025-29 MTFP assumes that this grant will continue at its current level beyond 2025-26 for the duration of this MTFP. Members are requested to note the grant inclusion in the Council's 2025-29 MTFP shown at Appendix 1. **(Recommendation 14)**

Recovery Grant

5.48 The Government is introducing a new one-year Recovery Grant, worth £600.000 million. This is being distributed to councils where, based on the Government's assessment, there is a greater need and demand for services, and which are deemed to be unable to fund their own services locally. The Grant has been allocated where the numbers of vulnerable people who rely on council services are highest, and the ability to fund need locally is weakest. The Recovery Grant will go to places where, weighted by population, deprivation outweighs Council Tax raising ability. In 2024-25 the Council received Rural Services Delivery Grant of £3.178 million and the Council assumed that when the Government abolished this grant and used it to part-fund the new Recovery Grant that it would receive a similar amount of Recovery Grant in its place. The Council however did not receive a Recovery Grant allocation for 2025-26. The 2025-26 MTFP assumes that this position will continue beyond 2025-26 for the duration of this MTFP.

Council Tax

- 5.49 The Budget proposals for 2025-26 contained within this report assume that the Council will agree to increase the general Council Tax by 2.99% and Members are requested to approve the recommended increase. **(Recommendation 15)**
- 5.50 The Local Government Finance Policy Statement set the referendum limit for general Council Tax increases at 3.00% for 2025-26. There was no announcement beyond 2025-26. For the purposes of this report the increase used is 2.99% across all years of the MTFP. Members are requested to note this assumption. **(Recommendation 16)**
- 5.51 There has been no Government decision to implement referendum limits for Town and Parish Councils.
- 5.52 An assessment of potential housing development across the county has been undertaken and an estimate of the growth in the tax base has also been included within the MTFP. The tax base also includes the empty homes Council Tax premium.
- 5.53 The increase in the council tax base, including the second homes premium, and the general 2.99% Council Tax increase in 2025-26 provides additional funding of approximately £14.734 million which helps to retain the levels of service the Council provides; as well as reduce the value of measures required to balance the Budget to the levels shown within the MTFP. The Government's Core Spending Power calculation assumes that the Council will apply an uplift to Council Tax each year and that there is growth in the Council Tax Base figure.
- 5.54 The provision for non-collection of Council Tax remains at 1.00% for 2025-26, following a review of actual collection rates. **(Recommendation 17)**
- 5.55 It is forecast that the Council's share of the Council Tax element of the Collection Fund will generate a surplus of approximately £2.305 million by 31 March 2025. This is largely due to an increase in the tax base as a result of additional properties being built. **(Recommendation 18)**
- 5.56 The Council agreed at its meeting on 6 November 2024 to continue with the 2024-25 local Council Tax Support Scheme; that is, the maximum level of support for working age claimants will be 92.00% for 2025-26. This report, and Appendix 1 includes the estimated cost of the full scheme to the Council of £29.296 million.
- 5.57 The Council has supported residents through the cost-of-living crisis over the last three years by way of a Discretionary Council Tax Support Scheme. Approximately £6.588 million was set aside for this purpose but the fund has been exhausted during 2024-25 and the Council will be contributing an additional £0.163 million over and above this Fund from reserves to support all residents in the year. As inflation has returned to a more reasonable level and the fund is exhausted the Council's Discretionary Council Tax Support Hardship Scheme will cease at the end of 2024-25.
- 5.58 The Local Government Finance Policy Statement confirmed local authorities could add an Adult Social Care precept of up to 2.00% in 2025-26. Beyond this there was no announcement.

5.59 The Council’s MTFP included at Appendix 1 assumes that a 2.00% increase is applied in 2025-26 and then a 1.00% increase over the remaining years of the MTFP. Along with the change in the taxbase the 2.00% increase in 2025-26 will generate additional recurrent funding of approximately £6.322 million for Adult Social Care purposes in 2025-26. For 2025-26 this will result in a Band D property increase of £41.53. It is proposed that the precept for Adult Social Care is increased by 2.00% in 2025-26 and that Members note the proposed increase of 1.00% in 2026-27, 2027-28 and 2028-29. **(Recommendation 19)**

5.60 The following table illustrates the Band D Council Tax calculation for 2025-26 for those elements of the charge levied by the Council only. Bands A to H are proportionate to Band D. Town and Parish Council Precepts and the charge from the Police and Crime Commissioner for Northumberland are excluded from these figures.

	2024-25 Band D Charge	2025-26 Increase	2025-26 Band D Charge	Increase Band D 2024-25 to 2025-26
	£	%	£	£
General Council Tax	1,772.46	2.99	1,825.46	53.00
Adult Social Care Precept	304.01	2.00	345.54	41.53
Total Council Charge	2,076.47	4.55	2,171.00	94.53

5.61 The general Council Tax increase of £53.00 represents a 2.99% increase on the 2024-25 general charge. The Adult Social Care Precept increase of £41.53 represents a 2.00% increase on the 2024-25 overall charge (general and Adult Social Care Precept charges). The total Council increase of £94.53 represents a 4.55% increase overall when compared to the 2024-25 overall charge.

Reserves and Provisions

5.62 The Council has several reserves and provisions set aside for specific purposes and to meet potential significant general unforeseen costs.

5.63 Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require local authorities to consider the level of reserves when setting a budget requirement. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer, Section 151 Officer (S151 Officer) to report formally on the adequacy of proposed reserves when setting a budget requirement. The accounting treatment for reserves is set out in the Code of Practice on Local Authority Accounting. There is a separate report accompanying the budget report covering Section 25 of the Local Government Act 2003 from the Council’s S151 Officer.

5.64 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued Local Authority Accounting Panel (LAAP) Bulletin No.99 Guidance Note on Local Authority Reserves and Balances in July 2014, which updated previous Bulletins to reflect the new requirements of the International Financial Reporting Standards (IFRS) Code of

Practice. In addition, during the period of financial austerity for the public sector, the Local Authority Accounting Panel considered it necessary to update the guidance on local authority reserves and balances. Compliance with the guidance is recommended in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government.

- 5.65 Members are asked to approve the Reserves Policy for 2025-26 detailed in Appendix 2. **(Recommendation 20)**
- 5.66 Reserves are an important part of the Council's financial strategy and are held to create long-term budgetary stability. They enable the Council to manage change without undue impact on Council Tax and are a key element of its strong financial standing and resilience. The Council's key sources of funding face an uncertain future, and the Council therefore holds earmarked reserves and a working balance in order to mitigate future financial risks.

Reserves

- 5.67 There are two categories of reserves: unusable and usable. Unusable reserves arise out of the interaction of legislation and proper accounting practice either to store revaluation gains or as adjustment accounts to reconcile accounting requirements driven by reporting standards to statutory requirements. These reserves cannot be used for any other purpose and are therefore not considered as part of this report. Usable reserves are split between those that are earmarked for known or predicted purposes, such as Section 106 developer contributions, and those of a general nature which are available to fund unforeseen costs, smooth cash flow and prevent unnecessary temporary borrowing. A schedule of all usable reserves is detailed at Appendix 3.
- 5.68 A review of all usable reserves has recently been undertaken to ensure they are still required and are at an appropriate level. Appendix 3 details the outcome of the review which Members are requested to note. **(Recommendation 21)**
- 5.69 Given the uncertainty around much of the future funding for local government there is a real risk that the Council may be unable to meet significant unforeseen cost pressures. There is also a high level of risk associated with Business Rates income which was covered earlier in this report. It is therefore essential that the Council continues to maintain an adequate level of general reserves to fund such unforeseen events. There are two main general reserves that can be utilised for these purposes: the General Fund Reserve and the Strategic Management Reserve. Regular reviews of the reserves will continue to be undertaken to ensure reserve levels are appropriate to risks in line with legislation and best practice. The Council aims to hold general reserves of between 5.00% and 7.50% of the gross Revenue Budget, which equates to between £48.917 million and £73.376 million for 2025-26. Whilst the level of general reserves at 31 March 2025 will exceed £73.376 million the planned use of the Strategic Management Reserve over the term of the MTFP 2025-29 should bring the general reserve total within the 5.00 to 7.50% range.
- 5.70 It is proposed to utilise a contribution of £22.954 million from the Strategic Management Reserve over the duration of the MTFP 2025-29, comprising of net

contributions from the Strategic Management Reserve of £0.311 million in 2025-26 £15.818 million in 2026-27, £4.255 million in 2027-28, and £2.570 million in 2028-29. Proposed contributions to and from the reserve are as follows:

- a) the Non-Recurrent Pressures detailed in Appendix 10 of £3.141 million 2025-26, £3.476 million 2026-27, £2.065 million 2027-28, and £1.664 million in 2028-29 excluding:
- Transitional support costs for Hirst Welfare Centre which are proposed to be funded from the Public Health Grant (£0.180 million).
 - Investment in the Council's Modernisation Programme of £7.103 million in 2025-26 and £4.430 million in 2026-27 which is proposed to be fully funded from the Council's Transformation Fund Reserve in 2025-26 and part funded (£1.231 million) from this reserve in 2026-27.
 - Leisure Facilities – Transitional costs and car parking costs at Concordia which are proposed to be funded from the Leisure Reserve (£0.250 million).
 - Expenditure on additional Fire Control Staff for two years to support succession planning which is proposed to be funded from the Recruitment and Retention Reserve (£0.108 million).
 - The Extended Producer Responsibility costs which will be funded from the Extended Producer Responsibility Grant (£4.542 million).
- b) delayed investment interest due from Newcastle International Airport as a result of Covid-19 will be repaid to the Strategic Management Reserve. It is anticipated Newcastle International Airport will repay delayed interest of £0.104 million in 2027-28 and £1.084 million in 2028-29.
- c) revenue contributions to capital (RCCO) for capital investments as follows:

	2025-26	2026-27	2027-28
	£m	£m	£m
Schools Development Programme	3.766	7.334	-
Blyth Relief Road	0.944	3.508	0.554
	4.710	10.842	0.554

- d) estimated net costs relating to the restructure of Advance Northumberland of £1.270 million in 2025-26, £1.500 million in 2026-27, £1.740 million in 2027-28, and £1.990 million in 2028-29. These costs are contained within the Revenue Cost of Capital shown in Appendix 1; and,
- e) in order to balance the Budget it is proposed to contribute £8.810 million in 2025-26 to the Strategic Management Reserve. This includes £10.000 million reversal of voluntary Minimum Revenue Provision (MRP) less £1.190 million needed to balance the 2025-26 budget.

- 5.71 These amounts are shown in the MTFP contained within Appendix 1, and Members are requested to approve the contributions from the Strategic Management Reserve for the items above in the 2025-26 Budget and note the position for 2026-27, 2027-28 and 2028-29. **(Recommendation 22)**
- 5.72 It is proposed to utilise £0.280 million of the Public Health Grant over the duration of the MTFP 2025-29, comprising of £0.180 million in 2025-26, and £0.100 million in 2026-27 for transitional support for Hirst Welfare centre.
- 5.73 These non-recurrent costs are contained within Appendix 10, and the use of the Public Health Grant is shown in the MTFP contained within Appendix 1. Members are requested to approve the contribution from the Public Health Grant for the items above in the 2025-26 Budget and note the position for 2026-27. **(Recommendation 23)**
- 5.74 With regard to the Council Transformation Fund Reserve, it is proposed to utilise £7.103 million in 2025-26, and £1.231 million in 2026-27 to fund the Council's Modernisation programme delivery costs shown within Appendix 10. These amounts are shown in the MTFP contained within Appendix 1, and Members are asked to approve the use of the Council Transformation Fund Reserve in 2025-26 and note the position for 2026-27. **(Recommendation 24)**
- 5.75 With regard to the Leisure Reserve (once funds have been returned to the Council following the financial closedown of Active Northumberland), it is proposed to utilise £0.250 million in 2025-26 and 2026-27, and £0.042 million in 2027-28 and 2028-29 to fund non recurrent costs which are shown in Appendix 10 as follows:
- a) Leisure Facilities - Transitional costs, at £0.208 million in 2025-26 and 2026-27; and,
 - b) Car parking costs at Concordia Leisure Centre, £0.042 million in 2025-26, 2026-27, 2027-28 and 2028-29.
- 5.76 These amounts are shown in the MTFP contained within Appendix 1, and Members are asked to approve the use of the Leisure Reserve in 2025-26 and note the position for 2026-27, 2027-28 and 2028-29. **(Recommendation 25)**
- 5.77 It is proposed to utilise £0.108 million of the Recruitment and Retention Reserve in 2025-26 and £0.108 million in 2026-27 to fund non-recurrent Fire Control Staffing costs to enable succession planning. The costs are shown in Appendix 10. The funding of these costs is shown in the MTFP in Appendix 1, and Members are asked to approve the use of the Recruitment and Retention Reserve in 2025-26 and note the position for 2026-27. **(Recommendation 26)**
- 5.78 It is proposed to utilise £4.542 million of the Extended Producer Responsibility Grant in 2025-26 and note the position for 2026-27, 2027-28 and 2028-29 to fund non-recurrent costs to enable the delivery of the Government's Simpler Recycling requirements for recycling packaging waste. **(Recommendation 27)**
- 5.79 Part Two of the Local Government Act 2003 comprises a set of duties and powers that gives statutory support to important aspects of good financial practice in Local Government.

- 5.80 Section 25 requires the Chief Financial Officer (also referred to as the Section 151 Officer) to report to an Authority when it is making the statutory calculations required to determine its Council Tax or Precept. The Authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates included within the Budget and the adequacy of the reserves for which the Budget provides.
- 5.81 The Executive Director of Transformation and Resources (the Council's Section 151 Officer) is satisfied that the Council is setting a viable budget based on the assumptions contained within this report and confirms that the Council has the required financial strength within its reserves position to cope with any anticipated financial challenge, and there is a separate report accompanying the Budget explaining the Section 151 Officer's rationale.

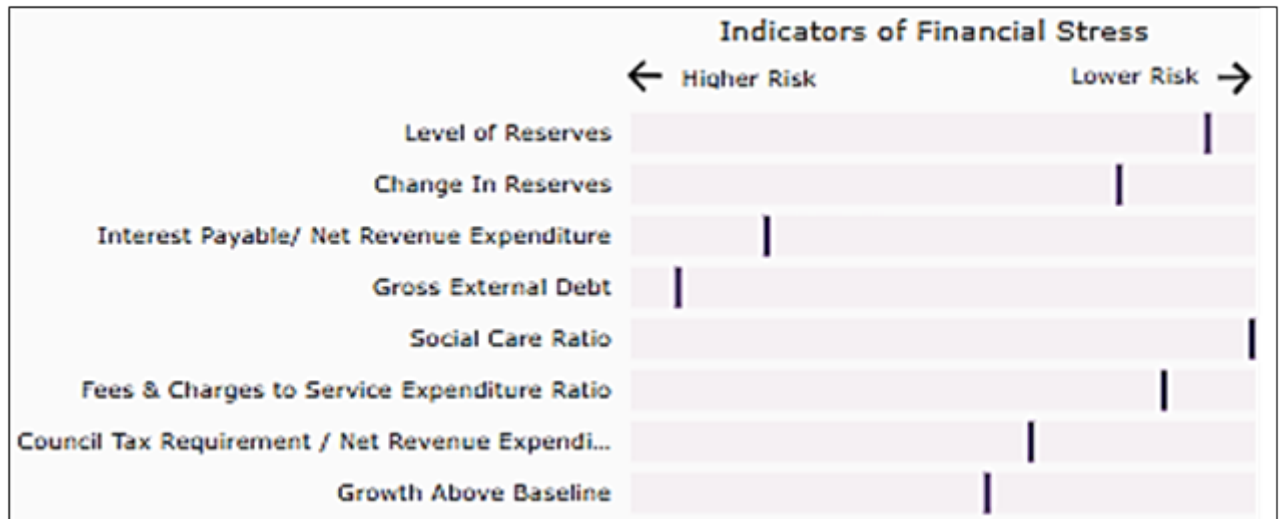
Provisions

- 5.82 The Council maintains a number of provisions which are also detailed in Appendix 3. Provisions are set aside for specific purposes and there are prescribed criteria which are set out in International Accounting Standard 37 (IAS 37), which must be satisfied before a provision can be created.
- 5.83 The criteria are as follows:
- a) there is a present obligation (legal or constructive) as a result of a past event; and,
 - b) it is probable that resource will be required to settle the obligation; and
 - c) a reliable estimate can be made regarding the obligation.
- 5.84 A Provision is created to provide for the probable financial impact of such an event when the above criteria are satisfied. This differs from a reserve which is not subject to prescribed criteria and is held to create long-term budgetary stability. Reserves enable the Council to manage change without undue impact on the Council Tax and are a key element of its strong financial standing and resilience.
- 5.85 Provisions are scrutinised annually by the Council's external auditors as part of the final accounts process to ensure that they comply with the requirements of IAS 37. It is essential that the Council provides for these items when the criteria set out in IAS 37 is met to prevent unbudgeted charges to the General Fund. There is a requirement to review all provisions annually to ensure they are still relevant and satisfy the requirements of IAS 37. A review of all provisions has recently been undertaken to ensure they are still required. Appendix 3 details the outcome of the review and Members are requested to note the provisions. **(Recommendation 21)**

CIPFA Financial Resilience Index

- 5.86 In January 2025 CIPFA published a Financial Resilience Index for all English local authorities. This information has been made publicly available (via CIPFA's website).
- 5.87 The index does not produce one overall single 'league table' score. Instead, the index consists of financial ratios across eight primary indicators and a further seven secondary indicators.

- 5.88 In addition to a calculated value for each financial ratio, the index also expresses each indicator on a scale of risk-level linked to risk of financial stress. Scores for each indicator are also benchmarked with a 'nearest neighbour' group.
- 5.89 The following chart shows the indicator of financial stress risk for all eight primary measures on the Financial Resilience Index for the Council for the financial year 2023-24:



Source: CIPFA - Initial Chief Finance Officer release of the Resilience Index

- 5.90 The Financial Resilience Index for Northumberland shows low levels of risk for four of the eight primary indicators, including those relating to reserves.
- 5.91 There are two indicators which show as a medium risk. However, a higher level of risk is indicated for the following two primary indicators:
- Interest Payable / Net Revenue Expenditure; and
 - Gross External Debt.
- 5.92 For Northumberland, the two indicators are inextricably linked. Members will be aware that the Council's debt has historically been at a high level due to the level of lending to other organisations such as Advance Northumberland and its predecessor Arch, and Northumbria Healthcare NHS Foundation Trust (at 31 March 2024 the Council lending to third parties was £392.973 million); as well as being the main source of funding to service the Capital Programme.
- 5.93 As a consequence of the high level of debt the Council's interest payments are significant, hence the risk is high as shown in the diagram above. Members should note that the indicator does not take into account the fact that the debt is being repaid and that the Council either has a legal charge over a number of assets to cover the debt or wholly owns Advance Northumberland and by default the assets. Nor does it take account of the substantial interest on third party loans paid to the Council which is used to meet the ongoing costs arising from the associated borrowing.

Service Specific Grants

- 5.94 In addition to the core funding grants detailed in this report there are a number of Service Specific Grants which are detailed at Appendix 4. Some of these grants are still indicative pending final confirmation. These grants are included within the Baseline Budget figure and total £276.991 million and Members are requested to note the grants. **(Recommendation 28)**
- 5.95 The Public Health Grant is ringfenced for the provision of services to improve the health of the local population through a sustainable health and care system by improving access, experience, and outcomes; and reducing health inequalities from deprivation, ethnicity, and vulnerable groups. The 2025-26 grant allocation has not yet been announced therefore within the MTFP it is assumed that the allocation will remain at £18.793 million. The position will be monitored and the MTFP will be updated if required once the final grant allocation is announced. **(Recommendation 28)**

Fees and Charges

- 5.96 The Council derives income from fees and charges. The income generated from these fees and charges is included within the Baseline Budget row of the 2025-29 MTFP shown at Appendix 1.
- 5.97 It is Council policy to review all fees and charges annually to ensure that they are set at an appropriate level where applicable. A review has recently been undertaken and a full Schedule of Fees and Charges for 2025-26 is shown at Appendix 5. Members are asked to note the list of Fees and Charges 2025-26 contained at Appendix 5. **(Recommendation 29)**
- 5.98 Members are asked to approve the Fees and Charges Policy for 2025-26 detailed in Appendix 6. **(Recommendation 30)**

EXPENDITURE

Inflation

- 5.99 The Council, in common with all other local authorities is not immune from the very high levels of inflation that have been seen over the past two years. These cost pressures are particularly acute in a number of statutory services. There are pressures within Children’s and Adult’s Social Care services due to increases in the Real Living Wage and other inflation indices which impact on contract costs where there is an ever-increasing demand for services. Although energy costs are reducing, they remain high. These inflationary increases add significantly to budgetary pressures faced by the Council and are included within Appendix 7.
- 5.100 All inflationary pressures are detailed within Appendix 7 which includes the costs associated with incremental pay drift, pay inflation and non-pay inflation.
- 5.101 Pay inflation for 2025-26 is based on an increase of 2.50%. For the purposes of the MTFP it is assumed that the pay awards will be 2.50% across the term of the MTFP.
- 5.102 Total inflation equates to £18.512 million for 2025-26, £13.318 million for 2026-27; £12.264 million for 2027-28, and £12.775 million for 2028-29. It is recommended that the inflationary pressures identified in Appendix 7 for 2025-26 are approved.
(Recommendation 31)

Demand for Services

- 5.103 The pressures facing the Council and the requirement to fund growth in services are shown in Appendices 8 and 9, with further detail in the following paragraphs. Recurrently, £28.382 million has been added to the base Budget for 2025-26, £8.073 million in 2026-27; £7.042 million in 2027-28 and £5.291 million in 2028-29.
- 5.104 Also, the year-on-year increase in the revenue costs attributable to the Capital Programme (Appendix 15) is included within the MTFP at Appendix 1. This equates to £1.114 million in 2025-26 (this figure is reduced by £10.000 due to the unwinding of the voluntary MRP), £29.623 million in 2026-27 (includes the full year effect of 2025-26 borrowing costs increased by £10.000 million as a result of the MRP reversal in 2025-26 and additional revenue contributions towards capital expenditure as shown in the table below), £6.554 million in 2027-28, and £6.000 million in 2028-29, comprising:

- a) revenue contributions towards capital expenditure as follows:

	2025-26	2026-27	2027-28
	£m	£m	£m
Schools Development Programme	3.766	7.334	-
Blyth Relief Road	0.944	3.508	0.554
	4.710	10.842	0.554

- b) the net revenue cost of borrowing associated with the Capital Programme reduced in 2025-26 by £3.596, then increased by £18.781 million in 2026-27, and

£6.000 million in 2027-28 and 2028-29. The assumed interest rates which are included in these figures are as follows:

Financial Year	Average estimated percentage (*)
2025-26	4.88%
2026-27	4.64%
2027-28	4.38%
2028-29	4.39%

* This excludes Minimum Revenue Provision

The net revenue cost of borrowing associated with the Capital Programme includes the following items:

- the net costs of restructuring Advance Northumberland Limited. At this stage the costs included within the 2025-26 Budget and MTFP 2025-29 are based on the best available estimates. Work is on-going to finalise the review, including the associated costs and subsidy control compliance assessment. Once finalised a detailed report will be submitted to Members. The estimated net costs associated with the Advance Northumberland Limited restructure incorporated into the 2025-26 budget and 2025-29 MTFP are £1.270 million 2025-26, £1.500 million 2026-27, £1.740 million 2027-28 and £1.990 million 2028-29. It is proposed to fund these costs from the Strategic Management Reserve. **(Recommendation 22)**
- reversal of Voluntary MRP of £10.000 million in 2025-26 which had been set aside previously to support and smooth the Council’s budget.

5.105 It is proposed that Members approve the 2025-26 pressures, growth and the net revenue costs associated with the Capital Programme, including the £10.000 million reversal of Voluntary MRP, and note the 2026-27, 2027-28 and 2028-29 figures. **(Recommendation 32)**

5.106 In addition to the grants mentioned earlier, the increase of 2.00% Adult Social Care Precept to Council Tax levels for 2025-26, and 1.00% thereafter over the remaining duration of the MTFP has provided some additional funding to meet the increasing costs of Adult Social Care. However, there remains a significant recurrent on-going pressure which needs to be funded by the Council.

5.107 The Council has set aside recurrent funding within the Budget 2025-26 and the MTFP to address the demographic pressures in relation to both Adults’ and Children’s social care as well as the ongoing revenue consequences of the Council’s ambitious capital investment programme and a number of other identified pressures and growth areas.

5.108 There are also non-recurrent issues which the Council needs to address from time to time. The MTFP identifies that £15.324 million will be required in 2025-26; £8.617 million in 2026-27 and £5.559 million in 2027-28, and £5.158 million in 2028-29. Details are contained within Appendix 10. It is proposed that this one-off expenditure

is approved and that when it is incurred it is funded from Earmarked Reserves. It is proposed that the following reserves are utilised to fund the non-recurrent items of expenditure shown in Appendix 10. **(Recommendations 22, 23, 24, 25,26 & 33)**

	2025-26	2026-27	2027-28	2028-29
	£m	£m	£m	£m
Council Transformation Fund Reserve	7.103	1.231	-	-
Leisure Reserve	0.250	0.250	0.042	0.042
Public Health Grant Reserve	0.180	0.100	-	-
Recruitment & Retention Reserve	0.108	0.108	-	-
Strategic Management Reserve	3.141	3.476	2.065	1.664
Use of reserves for non-recurrent items	10.782	5.165	2.107	1.706

5.109 The Council also expects to achieve non-recurrent income of £0.816 million in 2025-26, £0.283 million in 2026-27, £0.269 million in 2027-28, and £0.221 million 2028-29 which is detailed in Appendix 10. It is proposed that Members approve the non-recurrent income for 2025-26 and note the expected receipts in the following three years of the MTFP. **(Recommendation 34)**

Budget Balancing

5.110 The Council's Budget 2025-26 and MTFP 2025-29, which is contained within Appendix 1, has been updated to reflect the latest forecast position for both income and expenditure. The plan also highlights the value of budget measures required in order to set a balanced budget, equating to £16.299 million in 2025-26, and £53.685 million for the period 2026 to 2029. It is recommended that the identified efficiencies of £16.299 million for 2025-26 which are detailed in Appendix 11 are approved along with a contribution from the Strategic Management Reserve of £1.190 million, and Members note that a further £15.647 million of efficiencies have been identified for the period 2026 to 2029. **(Recommendations 22 and 35)**

5.111 The Schedule of Efficiencies contained in Appendix 11 has been agreed by the individual Cabinet Members. Any efficiency proposals that are considered to represent a risk will be subject to a separate comprehensive risk appraisal process. The risk appraisal process is the responsibility of the relevant Executive Director and will continue up to the Council meeting and beyond as individual budget reduction measures are implemented.

5.112 In addition, the potential impact of the proposed budget balancing measures on the Council's public sector equality duties has been considered by officers in each Directorate, and where screening identifies a need, detailed equality impact assessments have been carried out on the proposals. In some cases, these are provisional and will be reviewed before final decisions are made to implement these proposals. If this process makes it clear that there are unacceptable equality impacts which cannot be mitigated by adjustments within the proposal itself, the relevant

Executive Director will be expected to find alternative compensating savings which they will agree with their relevant Cabinet Member. This year, for the first time, equality impact assessments form part of broader Integrated Impact Assessments, which also consider the impact on a broader range of groups experiencing socio-economic and health inequalities, as well as impacts on the environment. An Integrated Impact Assessment for the budget proposals prepared by the Executive Director - Public Health, Inequalities & Stronger Communities is shown at Appendix 12. This will be updated further as the budget process continues if required. Members are requested to note the Integrated Impact Assessment shown at Appendix 12. **(Recommendation 36)**

- 5.113 A number of the proposals will require active management, and each Executive Director will be responsible for their successful delivery.
- 5.114 If a proposal cannot be implemented either partially or in full the Executive Team will be expected to recommend alternative compensating savings for consideration.

Budget by Service Area

- 5.115 The 2025-26 Budget is shown by service area at Appendix 13. This highlights expenditure, income, inflation, grant funding changes, growth, pressures, efficiencies, and the proposed final Budget 2025-26 by service area. Members are requested to note Appendix 13. **(Recommendation 37)**

Summary

- 5.116 The financial position of the Council over the period 2025-29 is detailed within Appendix 1.
- 5.117 It is recommended that Members approve Appendices 1, 2, 6, 7, 8, 9,10 and 11.

SCHOOL FUNDING

- 5.118 The Dedicated Schools Grant (DSG) is a ring-fenced grant from the Department for Education to be spent on the education of pupils both in and out of school. The available grant funding for 2024-25 (after academy recoupment), which Members are requested to note is forecast to decrease by £7.514 million from the 2024-25 original allocation to £167.572 million. This is as a result of two schools converting to academy status between April and November 2024.
- 5.119 The provisional value of the DSG for all schools in Northumberland (including Academies) for 2025-26 is £348.420 million. This is an increase of £32.428 million when compared to the 2024-25 original allocation across the Schools Block, High Needs Block and Early Years Block. This is due to an increase in the funding rates per pupil and the inclusion of previously separate grants issued to support impact of inflation in school budgets. There is an increased number of Special Educational Needs (SEN) children which has led to growth within the High Needs Block and the expansion of the early years entitlement for working parents has resulted in a significant increase in the Early Years Block. The Council will receive £189.037 million which Members are requested to note. **(Recommendation 38)**
- 5.120 The DSG is divided into four notional blocks:
- a) Schools Block
 - b) Central School Services Block
 - c) High Needs Block; and
 - d) Early Years Block.
- 5.121 Virement between the four notional blocks of up to 0.50% is possible. Schools Forum have approved the full 0.50% transfer from the schools' block to the high needs block for 2025-26 which is an additional £1.225 million to support budget pressures for children with additional needs.
- 5.122 The Schools Block includes funding for the individual school budget shares, calculated to mirror the National Funding Formula (NFF).
- 5.123 The Central Schools Block is used to meet the cost of statutory services provided to all schools.
- 5.124 The High Needs Block will include funding for the additional needs of pre and post 16 students in Maintained Schools, Further Education Colleges, and other establishments.
- 5.125 The Early Years Block includes funding for new early years entitlement for working parents of children aged nine months and above; two-year-old provision for the most disadvantaged children as well as the statutory offer for three and four-year-olds.
- 5.126 The implementation of the NFF has been further delayed, but the Department for Education expects all local authorities to continue to move closer to NFF values in 2025-26. Following a gradual transition in recent years, it is intended that for 2025-26 the current local formula, as approved by Cabinet, will mirror the NFF values.

5.127 The overall DSG unusable reserve is forecast to show a deficit of £6.041 million at the end of the 2024-25 financial year, this includes an overspend on the High Needs Block of £9.223 million. This is predominantly due to increased place funding and top-up costs associated with rising numbers of pupils with an Education, Health, and Care Plan (EHCP). In 2025-26 the overall DSG reserve is expected to move to a deficit of £7.583 million if growth continues at the current rate despite the increased High Needs Block allocation. The service has undertaken a consultation with schools and is considering a range of measures that could be utilised to balance the funding pressures and bring the reserve back to a balanced position. The DSG deficit will have an impact on the Council's cashflow which if it continues to grow significantly could result in the Council needing to borrow more money than anticipated to meet its cash requirements. The borrowing will in turn result in an increased cost of borrowing.

CAPITAL EXPENDITURE

Capital Strategy 2025-26 to 2028-29

- 5.128 The Chartered Institute of Public Finance and Accountancy (CIPFA)'s Treasury Management revised Code of Practice and the Prudential Code requires authorities to have in place a Capital Strategy that sets out the long-term context in which capital expenditure and investment decisions are made. The Capital Strategy should form a part of the authority's integrated revenue, capital, and balance sheet planning.
- 5.129 Appendix 14 sets out the proposed Capital Strategy for the Council.
- 5.130 Members are recommended to approve the attached Capital Strategy at Appendix 14. **(Recommendation 39)**

Capital Programme 2025-26 to 2028-29

- 5.131 There is a revised Capital Programme covering the period 2025-2029 within Appendix 15. The inclusion of a scheme in the programme signifies approval in principle; but each individual scheme will be subject to business case approval in line with the Council's Constitution.
- 5.132 The Capital Programme includes expenditure of £59.0 million over the next four years in relation to a Growth and Investment Endowment Fund (GIEF). This is subject to the receipt of up to £110.0 million from Blackstone Inc/QTS for the development of a hyperscale data centre campus on the NEP 3 site.
- 5.133 The programme is based on that agreed in February 2024 but adjusted to reflect:
- re-profiling of estimates from 2024-25 totalling £126.304 million; and,
 - a net increase in capital expenditure over the period 2025-29 of £370.140 million, details of which are shown in Appendix 16; comprising of new projects agreed during the year by Cabinet; other newly identified commitments and a number of schemes either reducing or being removed from the programme as part of the budget setting process. The overall increase of £370.140 million equates to a net increase in Council resource requirements over the period 2025 to 2029 of £217.189 million (£105.901 million increase for existing projects and £111.287 million increase for new projects), and a net increase in external grant contributions of £152.952 million. Members are requested to note the changes contained within Appendix 16. **(Recommendation 40)**
- 5.134 Members are recommended to approve the revised Capital Programme as detailed within Appendix 15. **(Recommendation 40)**
- 5.135 Within the revised Capital Programme there is an indicative grant allocation from the North East Combined Authority for the Local Transport Plan (LTP). County Council Members and Town and Parish Councils will be consulted in the development of the proposed LTP Programme as part of the prioritisation process. Members are recommended to approve the delegation of the detail of the final LTP Programme, and any subsequent in-year amendments to the Executive Director - Place and Regeneration in consultation with the Cabinet Member responsible for improving our roads and highways. **(Recommendation 41)**

5.136 Within the Capital Programme there is an allocation of £5.718 million in 2025-26 and £2.768 million in 2026-27 for Highway Maintenance and Pothole Repair Fund. Members are recommended to approve the delegation of the detail of the capital allocation for the Highway Maintenance and Pothole Repair Fund to the Executive Director - Place and Regeneration in consultation with the Cabinet Member responsible for improving our roads and highways. **(Recommendation 42)**

Housing Revenue Account Capital Programme

5.137 The business case demonstrates potential capital expenditure over the MTFP of up to £82.904 million which is included in Appendix 15. Of this amount £48.200 million has been allocated from the Major Repairs Reserve to fund replacement roofs, kitchens, bathrooms, rewires and heating systems, along with other improvement schemes. In addition, £34.704 million has been allocated to increase the provision of affordable homes, deliver energy efficient schemes, and work to void properties, in partnership with other registered providers across the county, and to increase the Council housing stock through new build schemes and open market acquisitions.

Flexible Use of Capital Receipts

5.138 Councils are generally only allowed to spend capital receipts - the money received when an asset is sold - on further capital projects or set aside the money for the repayment of debt. However, as part of the Local Government Settlement for 2016-17, Government announced greater flexibility for councils in how they make use of capital receipts by allowing them to use the receipts (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings.

5.139 In December 2017, February 2021 and again in November 2024 the Secretary of State announced further continuation of the capital receipts flexibility programme. The latest announcement provides an extension for receipts received up to 2030.

5.140 The flexibilities enable councils to use income from the sale of certain assets to fund the short-term revenue costs that support qualifying invest-to-save and efficiency projects in order to provide revenue savings in the future.

5.141 Qualifying expenditure under the guidance is defined as: "Expenditure on any project that is designed to generate on-going revenue savings in the delivery of services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demands for services in future years for any of the public sector delivery partners."

5.142 It is proposed that the Council utilises this flexibility for up to £0.500 million of capital receipts in 2025-26 on qualifying projects.

5.143 The proposal is not anticipated to have any revenue impact, as many of the qualifying projects will themselves provide on-going revenue benefits/efficiencies, which would in turn offset the additional cost of borrowing.

Prudential Borrowing Indicators

- 5.144 As a result of the revisions to the Capital Programme the Prudential Borrowing Indicators have been updated for the next four years. Prudential Indicators for approval are detailed within Appendix 17. **(Recommendation 43)**
- 5.145 The Council has made changes to the prudential indicators in line with the requirements of the Prudential Code of Capital Finance. The ratio of financing costs to net revenue stream indicator now excludes capital grants and investment income. As a result, the percentage has increased from the previous MTFP calculations.
- 5.146 The Council has elected to calculate a local prudential indicator, ratio of financing costs to net revenue stream including interest receivable. This is because the Council receives significant interest from third parties.

Annual Minimum Revenue Provision Policy Statement

- 5.147 The proposed policy is enclosed at Appendix 18. The policy for 2025-26 has been updated as a result of the implementation of IFRS 16 as follows:
- The adoption of IFRS 16 has introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is low value (less than £10,000). The main impact of the adoption of IFRS 16 is that operating leases will be recognised on the balance sheet as right of use assets and right of use liabilities. The Council's MRP policy in relation to these leases will be to charge MRP so that the charge to the General Fund remains the same as before IFRS 16 was adopted.
- 5.148 Members are requested to approve the Annual Minimum Revenue Provision Policy for 2025-26 included at Appendix 18. **(Recommendation 44)**

TREASURY MANAGEMENT

- 5.149 The proposed Treasury Management Strategy Statement for 2025-26 is attached at Appendix 19. The report was also considered by the Audit Committee on 29 January 2025. Any subsequent amendments following Audit Committee will be included in the final report to the full Council meeting in February.
- 5.150 Members are requested to approve the Treasury Management Strategy Statement included at Appendix 19. **(Recommendation 45)**

FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT

- 5.151 The provisional Local Government Finance Settlement 2025-26 was announced on 18 December 2024 and the figures contained within this report are based on this announcement. However, there is currently a consultation period which could alter these figures. The outcome of the consultation will be announced in February 2025 as part of the final Local Government Finance Settlement.
- 5.152 If the final settlement is received in advance of the County Council meeting a report showing the changes will be provided to Members.
- 5.153 However, in the event that the final Settlement is received after the full Council meeting, it is proposed that delegated authority is approved for the Council's Section 151 Officer in consultation with the Cabinet Member for Corporate Services to amend the 2025-26 Budget if necessary. **(Recommendation 46)**

6. Options open to the Council and reasons for the recommendations

- 6.1 As no alternative budget has been submitted to the Section 151 Officer for consideration it is recommended that Cabinet formally submits this budget to full Council for approval, which, will in turn enable the Council Tax to be set for 2025-26. The budget is in a balanced position and the Council will still maintain a healthy level of reserves. The Section 151 Officer will submit a report under Section 25 of the Local Government Act 2003 to full Council outlining any risks associated with this budget.

7. Implications

Policy	The Budget and MTFP support the priorities outlined in the Corporate Plan 2023-26: Achieving Value for Money; Tackling Inequalities and Driving Economic Growth.
Finance and value for money	The financial implications of the 2025-26 Budget and the MTFP are detailed within this report. The Section 151 Officer is confident that the Budget will achieve balance, but it is evident that the position for financial year 2025-26 and beyond will continue to be challenging.
Legal	It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, revised under Section 31 of the Localism Bill 2011, for the Council to produce a balanced budget. The Council also has a fiduciary duty not to waste public resources. The provisions of the Local Government Finance Act 1992 set out what the Council must base its budget calculations upon and require the Council to set a balanced budget with regard to the advice of its Chief Finance Officer. The Act also states that the Council has got to set its budget before 11 March in the financial year preceding the one in respect of which the Budget is set. The responsibilities of Cabinet, as set out in the Constitution, include taking all necessary steps to prepare the authority's budget, and those plans and strategies which constitute the authority's policy framework. Cabinet undertakes this work in accordance with the Budget and Policy Framework Procedure Rules.
Procurement	There are no specific procurement implications contained within this report.
Human resources	The size of the financial challenge will have an impact on staffing levels across the Council. The Council will continue to try and mitigate this impact by the management of vacancies and voluntary redundancy wherever possible.
Property	A significant proportion of the Capital Programme refers to property and assets. A review of the Council's estate is progressing.
The Equalities Act: is a full impact assessment required and attached?	Yes - required and attached The Executive Director - Public Health, Inequalities & Stronger Communities has provided an overarching Integrated Impact Assessment which includes an equality review, which identifies the main issues that need to be considered in setting the Budget. Cabinet will be asked to consider changing the Budget

	proposals should it at a later stage prove not to be possible to mitigate an unacceptable equality impact.
Risk assessment	<p>The risks associated with the budget proposals are regarded as acceptable, but these risks will continue to be reviewed up to and including implementation of the detailed proposals.</p> <p>Any efficiency proposals that are considered to represent a risk will be subject to a separate comprehensive risk appraisal process. The risk appraisal process is the responsibility of the relevant Executive Director and will continue up to the County Council meeting and beyond as individual budget reduction measures are implemented.</p>
Crime and disorder	There are no specific crime and disorder implications within this report.
Customer considerations	The individual Budget proposals will carefully consider the impact upon both customers and residents of Northumberland.
Carbon reduction	<p>The Council continues to develop proposals concerning the management of energy which are supported by the Budget.</p> <p>Executive Directors will advise Members of the carbon reduction implications in relation to their own areas of the Budget and their Budget proposals.</p>
Health and wellbeing	The Council's Budget is founded on the principle of promoting inclusivity.
Wards	All Wards

8. Background papers

Date	Report to	Report
21 February 2024	Full Council	Budget 2024-25 and Medium-Term Financial Plan 2024-28
6 November 2024	Full Council	Approval of the Council Tax Support Scheme for 2025-26
10 December 2024	Cabinet	Budget 2025-26 and Medium-Term Financial Plan 2025-2029
10 December 2024	Cabinet	Setting of the Council Tax Base 2025-26
14 January 2025	Cabinet	Notification of the Estimated Collection Fund Balances 2024-25 – Council Tax and Business Rates
14 January 2025	Cabinet	Budget 2025-26 and Medium-Term Financial Plan 2025-29 Update
29 January 2025	Audit Committee	Treasury Management Strategy Statement for the Financial Year 2025-26
19 February 2025	Full Council	Revenues and Benefits Policies for 2025-26
19 February 2025	Full Council	Corporate Fraud Policies 2025-26

9. Links to other key reports already published

Details of all relevant reports is shown in Background Papers above.

10. Author and Contact Details

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