South
Cambridgeshire
District Council

Report to:	Council	25 February 2025
Lead Cabinet Member:	John Williams - Lead Cabinet Member for Finance	
Lead Officer:	Peter Maddock - Head of Finance	
Key Decision:	Yes	

General Fund Revenue and Capital Budget 2025/26

Executive Summary

1. The report outlines the General Fund Revenue and Capital budget for the financial year 2025/26, and to agree proposed changes to the Capital Programme.

2. To consider the General Fund Revenue Budget for 2025/26 and to approve the Revenue and Capital Budget.

3. This is a key decision because it results in the authority incurring expenditure which is, or the making of savings which are, significant having regard to the Council's overall budgets.

Recommendations

4. It is recommended that Council consider and review the report and appendices as presented, and if satisfied:

General Fund (GF): Revenue

(a) Approve the updated Medium Term Financial Strategy forecasts as shown in Appendix A.

(b) Approve the proposed General Fund revenue budget for 2025/26, as shown in the GF summary budget at Appendix C and summarised at Appendix B, considering the statement by the Chief Finance Officer on the risks and robustness of the estimates as required under Section 25 of the Local Government Act 2003, reproduced at Appendix G.

(c) Acknowledge the key factors which have led to the proposed 2025/26 General Fund Revenue Budget, with service budget proposals and savings summarised at Appendix D and efficiency savings and income generation (outcome of budget star chamber meetings) summarised at Appendix E.

(d) Approve the setting of the Council Tax Requirement for 2025/26 at £12,255,340 and approve an increase in the district element of the Council Tax of £5.09 per annum, giving an average Band D Council Tax of £175.40, plus the relevant amounts required by the precepts of the Parish Councils, Cambridgeshire

County Council, Cambridgeshire Police & Crime Commissioner, and the Cambridgeshire Fire Authority.

(e) **Approve the estimates of the amounts required to be made under the Non-domestic Rating (Rates Retention) Regulations 2013 as set out in paragraphs 47 - 58.**

(f) **Approve the use of the additional income from the Business Rate Pool, estimated at £1,700,000 in 2025/26, for transfer to the established Renewables Reserve for priority projects.**

GF: Review of Reserves

(g) **Approve the movement in Reserves in 2024/25 as set out in Appendix H, and note the estimated balance of Reserves of £31.390 million.**

GF: Capital

(h) **Approve the General Fund Capital Programme as shown in Appendix I.**

Details

Economic Outlook - Prospects for Local Government

5. This report sets out the draft revenue budget proposals for 2025/26 that have been prepared in the context of an economic landscape that has continued with a degree of uncertainty and market volatility during 2024. The cost of living, energy prices and high inflation levels have acted as a dampener on growth, impacting on Council services.

6. Consumer Price Index (CPI) inflation, as a measure of price rises, was 2.5% in the 12 months to December 2024, down slightly from 2.6% in November. Despite the drop, inflation remains above the Bank of England's target.

7. The Bank of England Base Rate is 4.75%, following two falls in 2024. In August 2024 the bank rate fell to 5% after many months at 5.25% which was the highest level for 16 years. The base rate influences the interest rates that lenders charge for mortgages, loans and other types of credit.

8. On 16 December 2024 the English Devolution White Paper was published announcing plans for the biggest reorganisation of local government in England in over 50 years. Devolution over a large strategic geography, alongside local government reorganisation, is expected to drive economic growth whilst delivering public services within a reduced overall budget envelope. The Government have indicated that they intend to deliver new unitary authorities included in the Devolution Priority Programme by April 2027 and remaining unitary authorities by April 2028.

9. The financial landscape requires a reliance on an effective budget strategy and sound medium-term financial planning to ensure that the Council's limited resources are targeted to priority services and outcomes.

10. Inflation used to drive expenditure and income assumptions in revenue budget planning have been based on the Bank of England and Office for Budget Responsibility (OBR) forecasts; the percentage applied in the MTFS and in the proposed budget is 3% for

employee related costs and for other costs inflation has been reflected using the percentage most suitable on an individual case basis taking the current economic situation into consideration.

11. The Council lends its cash balances externally on a short-term basis, with a view to generating a return that can be spent on delivering council services whilst managing both security and liquidity of the cash. Whilst there is marginal benefit from prevailing interest rates in terms of investment returns, local authorities have experienced unforeseen cost pressures because of increased energy prices, spiralling inflation, and national living wage pressures. These factors have been fully considered as part of the 2025/26 budget setting process.

12. External borrowing will be required during 2025/26 and for budgeting purposes, available interest rates have been factored into the borrowing cost projections associated with the capital programme.

Local Government Settlement & Medium-Term Financial Strategy Update

13. The finance settlement announced, on 03 February 2025, made some changes to the funding allocations compared to 2024/25. A consultation has been launched on the reform of Local Government Finance which is expected to complete in time for the local government settlement for the 2026/27 budget year and is expected to be a ‘multi-year settlement. It is also likely that proposals around local government reorganisation will begin to take effect sometime after 2026/27 so the exact effect on this Council is unclear.

14. The key headlines in relation to the Local Government Finance Settlement which was announced on 03 February 2025 are as follows:

15. Council Tax referendum principle of the higher of 2.99% or £5 per dwelling for 2025/26.

16. Continuation of the existing Business Rate Retention Scheme for a further year, with 100% business rates pilots continued for a further year. It remains unclear what is happening with the proposed Business Rates reset. The Cambridgeshire Business Rates Pool was also confirmed for a further year.

17. A new allocation referred to as the funding guarantee introduced for 2023/24 (£1,070,500) was increased from 3% to 4% in 2024/25 (£1,157,000). This is provided to ensure all authorities receive at least a 4% increase in core spending power. It was assumed that this will be discontinued after 2025/26 though the Council has been allocated £588,000.

18. The Rural Service Grant in recognition of the additional cost of providing services in rural areas has been abolished from 2025/26.

19. The one-off services grant to support service provision has been discontinued from 2025/26.

20. Revenue Support Grant (RSG) of £288,000 has been allocated for 2025/26 which is the 2024/25 amount increased in line with the change in the ONS Consumer Price Index between September 2023 and September 2024, plus rolled in grants. In 2025-26 the following grants are being rolled into RSG: Election Integrity Programme New Burdens, Tenant Satisfaction Measures and Transparency Code.

21. The Government recognises the importance of the New Homes Bonus (NHB) scheme to local authorities and local communities and has committed to providing a further round of

funding in line with the methodology used in the 2024/25 settlement. The Government will consult on proposals for reforming the NHB beyond 2025/26 in due course. The Government have agreed that 2025/26 will be the final year of the NHB in its current format.

22. The government confirmed support for local authorities to mitigate the additional impact of the increase in employer National Insurance Contributions (NICs) on their budgets (for SCDC this additional impact is £332,000 for the GF). The government announced most of this funding would be delivered through a dedicated fund within the local government finance settlement, with allocations to the Council's GF confirmed as £194,260 for 2025/26

23. The spending power of the Council, based upon the final settlement, can be summarised as follows:

	2024/25 £'000	**2025/26 £'000**	**Change %**	**2026/27 Forecast £'000**
Settlement Funding Assessment (SFA):				
- Baseline Funding Level	2,891	2,930	1.36%	2,976
- Revenue Support Grant	243	288	18.5%	1,319
Total SFA – Per 2025/2026 Settlement	**3,134**	**3,218**	**2.68%**	**4,295**
- Rural Services Grant	177	-	-100%	-
- Funding Allocation Guarantee	1,157	588	-49.2%	-
- Services Grant	18	-	-100%	-
New Homes Bonus (NHB) Grant	1,757	1,879	6.94%	-
Council Tax Income	11,689	12,255	4.84%	12,939
Core Spending Power	**17,932**	**17,940**	**0.05%**	**17,234**

24. While the level of Settlement Funding Assessment (SFA) for 2025/26 remains stable because of the settlement that has been announced, there is still uncertainty relating to the SFA for 2026/27 and beyond.

25. The key elements of local government funding including the assumptions made for the period from 2026/27 were outlined in the refresh of the MTFS reported to Cabinet on 24 September 2024. The MTFS has now been updated in line with the final settlement figures and estimated expenditure within the draft budget for 2025/26.

26. Expenditure in 2024/25 and 2025/26 include significant contributions to Earmarked Reserves, and because of the growth in Business Rates income the council has seen, this has been possible in recent years. Once the Fair Funding Review is implemented income from Business Rates is expected to fall substantially, and whilst expenditure in 2026/27

appears lower than the previous two years, this is primarily because it is unlikely the level of reserve contributions will be possible going forward.

27. The forecast is attached to this report at Appendix A shows an expected gap of £3.228m. The gap predicted in September 2024 was slightly lower at £2.973m but this is really because the surplus in 2025/26 is now lower than predicted then.

Budget Formulation

28. In preparing the budget for 2025/26 a detailed revised estimate for 2024/25 has also been prepared considering the changes to expenditure and funding owing to several national and global factors: global supplies production, rising inflation, Russian sanctions and the cost-of-living crisis.

29. The summary budgets continue to be presented for each service area numbered from appendices C1 to C7 listing the main budget categories. The first part of the table lists the direct services, that is those that are charged directly to the GF in the case of appendices C1 to C7. The total shown as 'Service area total' is the amount that is borne by the General Fund. The second part lists the indirect services provided and these are recharged to other services within the GF or the HRA as appropriate. The total here is the overall spend of the service area in question. The final analysis shows how much of the net budget of each service area is borne by the GF and how much by Earmarked Reserves. The amounts funded by earmarked reserves are of a one-off nature with a timeframe generally not exceeding three years.

30. The budget has been prepared based on allocations only to the HRA, Council Subsidiaries, shared services, and corporate activities in line with the last budget setting.

31. In looking specifically at the 2025/26 Revenue Budget, the Council needs to be mindful of the financial backdrop and will need to ensure that any proposals, around efficiencies and policy options, need to be realistic and above all sustainable. The financial landscape will, therefore, require reliance on an effective budget strategy and sound medium-term financial planning to ensure that the Council's limited resources are targeted to priority services and outcomes.

32. The Revenue Budget has been prepared in accordance with the Council's MTFS approved by Cabinet on 24 September 2024. The clear message is that budget setting and medium-term financial planning will be tough over the duration of the MTFS (to 2030). In determining the 2025/26 revenue budget, due and proper regard has been given to its ongoing sustainability and the observance of several overarching principles. This has involved:

    a) An overall commitment to increase annual income sources and reduce annual expenditure without materially reducing front line services provided by the Council.

    b) A comprehensive review of the base budget to provide greater assurance for the future. The review has been based upon regular established monitoring processes and has incorporated a review of the alignment between the original budget and service activity.

    c) The commitment, in response to the financial challenges, to an ambitious 4-year plan to deliver high quality services, ensuring that financial resources are aligned to business plan priorities and improving customer service.

    d) The continued review and tight control of the capital programme given the impact of borrowing on the revenue budget.

33. The resulting draft 2025/26 revenue budget sets out the Council's finances and the efficiencies required to produce a balanced budget in the light of the ongoing reduction in Government grant funding and other pressures.

34. The table below sets out the budget position for each Directorate. The variance is between the 2025/26 draft budget and the 2024/25 approved budget (Column 1 and 7 on appendix B). Detailed analysis by service area is outlined in Appendices B and C.

Directorate	2024/25 £'000	2025/26 £'000	Change £'000	Change %
Chief Executive	3,059	3,307	248	8.1
Head of Climate, Waste & Environment	9,849	9,662	(187)	-1.9
Head of Finance	3,158	3,219	61	1.9
Head of Housing	1,626	1,289	(337)	-20.7
Monitoring Officer	163	183	20	12.0
Director of Greater Cambridge Shared Planning	4,870	4,785	(85)	-1.7
Head of Transformation, HR & Corporate Services	4,908	5,272	364	7.4
Contingency and Unallocated	500	250	(250)	-50.0
Operational Net Cost	**28,133**	**27,967**	**(166)**	**-0.6**
Income from Investments	(7,527)	(7,829)	(302)	4.0
Other Levies & Contributions	2,162	2,154	(8)	-0.4
Interest Payable (inc HRA)	2,527	3,657	1,130	44.7
Accounting Reversals & Minimum Revenue Provision (MRP)	3,260	5,021	1,761	54.0
Appropriation to/(from) Earmarked Reserves	4,058	(937)	(4,995)	-81.2
Non Operational Budgets	**4,480**	**2,066**	**(2,413)**	**-53.9**
Total	**32,613**	**30,033**	**(2,580)**	**-7.9**

35. The Operational Net Cost of the Council relates to the day to day spending/service areas of the Council. The 2025/26 budget for Operational Net Cost is £27.967 million. The remainder of the table relates to non-operational budgets and the largest variation is due to reduced transfers to earmarked reserves.

36. In the original 2024/25 budget the transfer of the Business Rates levy to the Business Rates Pool account was treated as a transfer to Council earmarked reserves however, this transfer should have been treated as a reduction in General Fund Income. This is because the Pool account is not defined as a Council earmarked reserve. As a result, there are significant variances showing on both Earmarked Reserves (table at para 34) and Business rates income (below) but these effectively cancel each other and have no overall effect on the General Fund.

37. In additional to operational and non-operational income and expenditure above the following table shows the budget for Council Tax, Business rates and the various other non-ringfenced grants from Central Government.

	2024/25 £'000	2025/26 £'000	Change £'000	Change %
Total Expenditure (from above)	**32,613**	**30,033**	**(2,580)**	**-7.9**
Government Grants	(3,352)	(2,949)	403	-12.0
Council Tax	(11,689)	(12,255)	(566)	4.8
Business Rates Income	(18,223)	(13,202)	5,021	-27.6
Business Rates Pool gain	(1,100)	(1,730)	(630)	57.3
Business Rates – Collection Fund Surplus	(2,857)	(3,401)	(544)	19.0
Council Tax - Collection Fund Deficit	89	35	(54)	-60.6
Income from Taxation and Government Grants	**(37,132)**	**(33,502)**	**3,630**	**-9.8**
Appropriation (to)/from General Fund Unearmarked Reserve	**(4,519)**	**(3,469)**	**1,050**	**-23.2**

38. The income budget position set out in the table above reflects the following in relation to the preparation of the 2025/26 Revenue Budget:

New Homes Bonus (NHB)

39. The New Homes Bonus (NHB) was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. The aim of the bonus was to provide a financial incentive to reward and encourage local authorities to help facilitate housing growth. It is based on the amount of extra Council Tax revenue raised from new-build homes, conversions and long-term empty homes brought back into use. NHB funding has been based on the following:

a) NHB is payable on housing growth over a threshold of 0.4% of the Tax Base.
b) Payments are based on a rolling 4-year period.

40. Housing growth has been significant for this Council area and, as such, the Council has benefited from high levels of NHB. The Council has been a major beneficiary of the grant and in 2025/26 £1.879 million is expected, based on the existing scheme. The 2025/26 allocation will be the final year of NHB in its current format.

41. A Contribution to the Greater Cambridge Partnership (GCP) will be made by the Council in 2025/26. This consists of 10% of the New Home Bonus allocation which was agreed by the leaders of the Councils within the group.

Revenue Support Grant

42. The Council currently receives a Revenue Support Grant in the sum of £244,000 from central government grant which can be used to finance revenue expenditure on any service. The amount of Revenue Support Grant to be provided to authorities is established through the Local Government Finance Settlement and has been confirmed at a higher level of £288,000 in 2025/26.

Funding Guarantee

43. The funding guarantee was introduced to ensure that all councils saw at least a 4% increase in their core spending power before any decisions about organisational efficiencies, use of reserves or council tax levels. Core spending power is made up of a number of funding sources including New Homes Bonus and Council Tax Income and an amount of £1,152,000 was provided in 2024/25. This is set to continue into 2025/26, although at a reduced amount of £588,000.

Council Tax

44. Council Tax has been the most predictable and stable element of Local Government funding, despite the uncertainty created by high levels of inflation and increased costs. This source of income is predicted to yield £12.220 million in 2025/26 (total yield from Council Tax of £12.255 million and £0.035 million Collection Fund deficit). This is based upon an assumed £5.09 increase in Council Tax (the maximum level permitted by Government) and an increase in tax base based upon the latest estimates of housing growth.

45. The Local Government Finance Act 1992 requires the Council to set its Council Tax Base for the ensuing financial year by 31 January preceding the start of the new financial year and to notify precepting bodies of the Tax Base that will apply to their area. The Council Tax base for the financial year 2025/26 has been set at 69,870.8 Band D equivalent properties (an increase of 1.81% (1239.2) compared to the 2024/25 Tax Base of 68,631.6).

46. The proposed increase in Council Tax for 2025/26 is 2.99%. This proposal equates to an increase of £5.09 on the average Band D property giving a Council Tax of £175.40.

Business Rates

47. The Business Rate Retention Scheme (BRRS) was introduced in April 2013 to provide Councils with stronger financial incentives to support property development and boost the economy in their local area. It means that Councils bear a proportion of the real terms change in business rate revenues in their area: gaining when revenues grow in real terms, losing when they fall. The proportion was initially set at 50% across England. In two-tier areas, like Cambridgeshire, 40% is retained by the District Council and 9% is retained by Cambridgeshire County Council and 1% by the Cambridgeshire Fire Authority.

48. The review of Local Government Finance now looks likely to take place for the financial year 2026/27. It is expected that BRRS will face significant reform including a change in the total amount retained locally and a change to the proportions detailed above in para 43. (with most, if not all of the increase, allocated to authorities with adult social care responsibilities). A consultation on the reforms has been launched with a closing date of 15th February 2025. The 2025/26 revenue budget has, therefore, been based upon the existing funding regime.

49. The Local Government Finance Settlement was announced on 03 February 2025 and sets out the Council's SFA for 2025/26 in the table at para 23 above.

50. The net Business Rates Yield has been estimated at £122.113 million for 2025/26 as set out in Appendix F. The Council's share (£50.55m) of this together with the surplus (£3.4m) set out in Appendix F equates to £53.95 million compared to a Business Rates Baseline of £39.087 million. The forecast is based on the number and rateable values of non-domestic properties currently shown in the valuation list. The Business Rates forecast is predicated on the following assumptions:

51. The Council is entitled to a number of Section 31 Grants in relation to Business Rates to compensate for yield that is foregone due to national government policy, for example, the extension to eligibility for Small Business Rate Relief. These Section 31 Grants estimated at £4.379m are included at Appendix F and within the Council's net expenditure (at Appendix B).

52. Overall income to the General Fund from Business Rates is estimated at £16.602m after allowing for deductions from the Council yield in para 50 of £36.158m for the tariff to Central government and £5.569m Business rates levy to the Business Rates Pool Account and the addition of the aforementioned S31 grants in para 51 of £4.379m.

53. Where growth or decline in the tax base, i.e. new developments, can be predicted with reasonable certainty this is reflected in the forecast yield.

54. There will be no significant changes to the overall value of reliefs, e.g. empty property rate relief or charitable rate relief over the course of the financial year.

55. The business rates revaluation went ahead in 2023/24, and the council saw a significant increase in rateable values as a result. The key issue however in relation to forecasting the Business Rates Yield relates to the value of appeals and this is extremely difficult to predict. Given the economic situation and the cost-of-living crisis, there has been and is likely to be a significant number of appeals coming forward because of increased business rates liabilities. Appeals relating to the previous "2010 List" and "2017 List" have been resolved, and whilst the provision rate used was based on the national rate of 4.7% there was little confidence that this was a guide to future appeal rates. For 2024/25 a provision rate of 8% was used however there were fewer successful appeals than expected and the rate for 2025/26 has been reduced to 6%. This will need to be kept under review as appeal success rates may change going forward.

56. Where ratepayers are faced with increased rates liabilities, the government will apply transitional measures so that new liability levels are reached over a three-year period. Those ratepayers that see reduced rates liabilities will benefit from those reductions immediately.

57. The estimated Business Rates Tariff and Baseline are both projected to increase by around 1.3% in 2025/26 and it is expected that actual income from business rates will increase by at least these sorts of levels. It is not clear what appeal levels will be going forward so it is proposed that some of the additional income in 2025/26 be set aside to meet shortfalls in 2026/27 and beyond.

58. Under the business rates retention scheme local authorities can come together on a voluntary basis, to pool their business rates, giving them scope to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area. The Council successfully applied to be the lead authority of a consortium which also includes Cambridgeshire County Council, Peterborough City Council, Fenland District Council, East Cambridgeshire District Council and Cambridgeshire Fire Authority. The formal designation of the pool was confirmed on 18 December 2019 and was introduced on 1 April 2020. The Pool successfully continued into 2024/25, though Fenland left the pool in that year, and it has also been re-designated to continue in 2025/26. It is estimated that the Council will benefit from an additional income of around £1.73 million during 2025/26 and, in line with established policy, it is proposed that the sum continues to be transferred annually to top up the Renewables Reserve to fund priority projects determined by the Council.

Proposed Savings

59. The Council has embarked on an ambitious plan to transform service quality, realign financial resources to business plan priorities and improve customer service.

60. Progress with the range of savings proposals, including income generation opportunities, has been considered and refined as part the ongoing budget monitoring reports to Cabinet. The proposals have been subject to further refinement and consultation with stakeholders and the schedule of proposals, at Appendix D, have been included in the 2025/26 Revenue Budget.

61. The profile of savings is influenced by deliverability and lead in times and an analysis by years is set out at Appendix D together with an estimate of how much is expected to fall on the General Fund and how much are HRA related savings.

62. There continues to be, in addition, a great deal of continued work undertaken, in consultation with Heads of Service on budget challenge, to identify efficiency/savings opportunities on budgets sufficient to reduce the level of costs to the level of resources available, or to ensure that budgets are appropriately aligned. This has resulted in budget adjustments being made in the context of maintaining the relationship between resource allocation and the Council's Business Plan priorities.

63. Service Areas were requested to examine their budgets closely to identify ongoing savings and income generation opportunities. A series of meetings known as the "Star Chamber Meetings" have been conducted and where there has been enough certainty, and a reliable estimate could be made of the financial impact these have been presented in Appendix E.

64. In relation to partnership arrangements, a "recharge model" was introduced in 2020/21 for existing shared services to ensure that recharges are fair and consistently applied and that taxpayers in one area are not subsidising services provided in another. The level of recharges applied has been factored into the 2025/26 revenue budget.

Reserves

65. Earmarked reserves are held to fund specific projects or proposals and the total balance held is significant in the context of the Council's overall financial position. It is good practice to review these as part of the budget process.

66. A full review of the reserves occurred as part of the budget process for 2025/26. There needs to be a regular review process to ensure they are adequate and relevant to the priorities of the Council and the budget cycle is the best time for that to happen. As at 31st March 2024 the balance on General Fund earmarked reserves shown in Appendix H was £27.43 million.

67. The Council is invited, as part of the 2025/26 revenue budget determination process, to review the level and purpose of the Council's Revenue Reserves. A detailed summary of the various Reserves held during 2024/25 is attached at Appendix H.

68. The revision to the budget for 2024/25 will change the outturn position for some of the reserves listed but the report is more concerned about those reserves that are no longer required or additional ones that need to be created.

69. The Council, in reviewing the existing reserves, must give due regard to professional guidance which includes consideration of the following issues:

- The reason/purpose of the reserve;

- How and when the reserve can be used;

- Procedures for the reserves management and control;

- A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

70. The focus of the review, as part of the 2025/26 revenue budget process, will be to ensure that they are still relevant and held at the right balance.

71. The schedule of Reserves, at Appendix H identifies financial movements during 2024/2025 against the established revenue reserves and the estimated balance as at 31 March 2025.

72. There are no new reserves planned for 2025/26.

General Fund Capital Programme

73. The Capital programme has been updated and is reproduced at Appendix I.

74. A review of the capital programme has been undertaken in conjunction with lead officers to ensure that proposed investment is prudent, sustainable, and affordable. The Capital Financing implications of the proposed capital programme are reflected in the proposed General Fund Revenue Budget. If all changes are approved, and the latest forecast capital receipts are forthcoming, a forecast borrowing requirement of £68.81 million will be needed to support the total capital programme to 2029/30.

75. The revenue implications of the Capital Programme have also been considered in the draft 2025/26 revenue budget and are detailed at Appendix B and I.

76. The proposed changes to the capital programme since it was approved by Cabinet on 03 December 2024 are identified in the full Capital Programme from 2024/25 (current year) to 2029/30 at Appendix I.

77. The table below sets out a summary of the revised Capital Programme based on the latest estimates of project completion dates and cash flows.

General Fund Capital Programme	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Gross Directorate Budgets:					
Chief Executive	9,007	10,000	10,000	10,000	10,000
Head of Climate, Waste & Environment	11,751	7,109	3,377	250	1,752
Head of Finance	500	-	-	-	-
Head of Housing	7,804	10,653	9,578	8,428	1,525
Director of Greater Cambridge Shared Planning	-	-	-	-	-
Head of Transformation, HR & Corporate Services	245	32	-	-	-
Gross Total	**29,307**	**27,794**	**22,955**	**18,678**	**13,277**

Financed By:					
Grants / Contributions	15,486	11,883	4,766	900	900
Revenue	3,902	2,589	1,811	-	2,194
Capital Receipts	1,112	3,322	6,378	7,778	183
Borrowing	8,807	10,000	10,000	10,000	10,000
Total Financing	**29,307**	**27,794**	**22,955**	**18,678**	**13,277**

78. Since the Cabinet meeting, held on 03 December 2024, further changes to the capital programme have emerged to reflect recent developments and expectation of the timing of expenditure. This has increased the gross budget for 2024/25 by £5.919 million, for 2025/26 increased by £3.219 million. The revised spend profile is set out in detail in Appendix I.

79. The Council will need to rely on borrowing to fund capital investment going forward and this has a direct impact on the revenue budget. The level of borrowing is clearly a factor that needs to be considered by the Council, but excessive borrowing must be considered with caution as repayment of any loans would fall on Council Tax, at a time when significant budgetary savings must be made to avoid an unacceptable increase in Council Tax or reductions in key services.

80. The use of Capital Receipts is prescribed by Regulations made under the Local Government Act 2003. Where excess Capital Receipts are held, i.e. not needed to finance capital expenditure in year, then the Council can either (i) carry any unapplied balance forward into subsequent years or (ii) reduce the Capital Financing Requirement and, consequently, reduce MRP (i.e. generate a revenue saving with effect from the following year).

81. To help safeguard the Council capital resources, the revised Capital Strategy only allows schemes to be committed when sufficient capital finance has been identified to cover the full forecast cost and where the estimated ongoing revenue consequences have been considered and approved by Council as affordable

Reasons for Recommendations

82. To enable the Council to consider and approve the 2025/26 General Fund Revenue and Capital Budget, noting the impact that this will have on the General Fund.

Options

83. There are options to remove or add items to the budget but, based on previous Cabinet decisions and the detailed discussions held with budget holders, the General Fund Revenue Budget and Capital Programme as presented includes all items required to deliver council services and member priorities. The gross expenditure is covered by forecast income sources (assuming no change in Government grant) and, therefore, any addition(s) to expenditure that are required will need to identify matching savings and/or additional income if the proposed level of Council Tax is not to change.

84. The option exists to vary the capital programme, but the allocations included reflect Business Plan priorities and decisions previously made by the Council, including the last update to the capital programme on 03 December 2024 and any further slippage identified since then.

85. The option of not reviewing Reserve and Provision balances is not considered to be appropriate as otherwise valuable resource which may be needed elsewhere could be inappropriately allocated.

Implications

86. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered:-

Financial and Fraud Risk

87. As detailed in the report and below:

Government Funding Settlement

88. This report is based on the Government settlement relating to the revenue support grant and business rates redistribution. The consultation on the proposed settlement ended on 15 January 2024 and the final settlement has now been formally confirmed.

Parish Council Precepts

89. Parish Councils had until 31 January to notify the Council of their precepts for the forthcoming year and, as such, the total of the precepts will be reported directly to Full Council on 25 February 2025 as part of Council Tax Resolution.

General Risk

90. The Revenue Budget for 2025/26 has been prepared on a prudent basis but there are risks which may affect the budget. These risks include the following:
    - The extent of service pressure being higher or lower than anticipated.
    - The delivery of planned efficiency savings.
    - Unforeseen costs during the year which may exceed the provision in the general contingency of £250,000.
    - The economic situation is either better or worse than anticipated with fluctuations in income sources (NB: This affects capital financing costs and fees and charges).
    - Increases in inflation above those known or expected at this time.
    - Member aspirations regarding service levels.
    - The impact of changes in legislation.

91. It is also critical that the budget setting timescale is followed to ensure that statutory deadlines are complied with.

Specific Risk

92. When the Council considers each revenue service and function budget endeavours are made to identify potential risks. Inevitably, during the year, some of these risks will occur and impact on the budget by either requiring further expenditure or by reducing the Council’s budgeted income. The budget process has identified several service specific risks relating to the range of District Council Services and related budgets. An overall assessment of risk and an assessment of the robustness of estimates are set out in Appendix G.

Capital

93. The Capital Programme is financed from a number of sources including specific grants/external funding, capital receipts, direct revenue financing, Section 106 and borrowing. Borrowing defrays the cost of the capital spending over a predetermined period of time and gives rise to the Minimum Revenue Provision (MRP) being the setting aside of Revenue Budget for the repayment of debt. The overall programme must be assessed in terms of estimated revenue implications of each scheme including their impact on Council Tax in terms of affordability.

94. In determining its Capital Programme, the Council must have regard to the Prudential Framework i.e. is it prudent, affordable (in Council Tax terms) and sustainable (in the Medium Term). The Capital Strategy, therefore, requires the Council to consider the proposed capital programme having regard to the CIPFA prudential indicators and the Council will consider the extent of borrowing based upon these.

95. The fraud risk is assessed on an individual project basis as the exposure to fraud risk varies depending on the project in question.

Legal Risk

96. The Council is required by law to set a balanced revenue budget each year. There are two specific dates in relation to budget and Council Tax setting that are required by statute to be achieved. Firstly, it is a requirement that each local authority approves its Revenue Budget by 28 February each year for the forthcoming financial year. Secondly, a billing authority (i.e. this Council) is required to set the Council Tax for its area by 11 March each year for the forthcoming financial year.

97. It is a legal requirement (under Section 25 of the Local Government Act 2003) that before approving the ensuing year's Capital and Revenue Budget, the Council are required to receive and consider a report of the Chief Finance Officer (Head of Finance) on the robustness of the estimates leading to the Council's Council Tax requirement and the adequacy of financial reserves. This needs to cover issues of affordability (having regard to Council Tax implications), prudence (having regard to Council policies/strategies) and sustainability (having regard to forecast annual expenditure and income). This report is at Appendix G.

98. The Local Government Act 2003 provides the legal basis for capital finance, namely a general power to borrow and a duty to set an affordable borrowing limit. The Local Authorities (Capital Finance and Accounting) Regulations 2003 provides operational detail and specifically states that Authorities must have regard to CIPFA's Prudential Code when setting and reviewing borrowing limits.

99. In respect of individual capital schemes, some are legally unavoidable whereas others are discretionary but undertaken within the powers available to the Council.

Risks/Opportunities

100. In relation to Capital resources, the following risks should be taken into account when considering this report:

(i) New capital schemes can emerge at any time based on newly identified needs or changes in legislation which require funding.

(ii) The forecast cost/timing of existing schemes and the ability to undertake schemes may vary as implementation is undertaken.

(iii) Forecast capital receipts may not be achieved which will result in some schemes not proceeding until other sources of capital finance become available or unless further recourse is made to borrowing.

(iv) There is a risk that external contributions may not fully materialise and, as such, there is a risk that schemes relying on external funding may require alternative sources of funding to be identified.

Consultation responses

101. Leadership Team and Budget Holders where applicable.

Alignment with Council Priority Areas

102. The revenue and capital budgets are the underpinning financial basis on which all of the Council's priority areas are delivered

Background Papers

- Medium Term Financial Strategy – Report to Cabinet: 24 September 2024 Council: 03 October 2024
- Capital Programme Update – Report to Cabinet: 03 December 2024

Appendices

Appendix A: MTFS Financial Forecast 2025/26 to 2029/30

Appendix B: Budget 2025/26: Summary

Appendix C1-7: Revenue Budget 2025/2026: Summary Budgets

Appendix D: Service Budget and Saving Proposals 2025/26

Appendix E: Star Chamber Meetings - Savings and Income Proposals 2025/26

Appendix F: Business Rates Yield Estimate 2025/2026

Appendix G: Revenue Budget – Risks and Robustness

Appendix H: Schedule of Earmarked Reserves

Appendix I: Capital Programme 2025/26 – 2029-30

Appendix J: Conservative Group Budget Proposals for 2025

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