

BABERGH DISTRICT COUNCIL

COMMITTEE: Council	REPORT NUMBER: XXXX
FROM: Councillor John Ward, Cabinet Member for Finance	DATE OF MEETING: 26 February 2025
OFFICERS: Melissa Evans, Director of Finance & Procurement	KEY DECISION REF NO. Item No.

2025/26 GENERAL FUND BUDGET & MEDIUM-TERM FINANCIAL POSITION (MTFP)

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the General Fund Budget for 2025/26 and the medium-term forecast financial position up to 2029/30.
- 1.2 To enable Council to consider key aspects of the 2025/26 Budgets, including Council Tax proposals, in order to approve the budget recommendations.

2. OPTIONS CONSIDERED

- 2.1 Setting a balanced budget is a statutory requirement, therefore no other options are appropriate in respect of this.

3. RECOMMENDATIONS

That Council approves:

- 3.1 The General Fund revenue and capital budget for 2025/26 set out in the report.
- 3.2 The increase to Council Tax of £5.63 per annum (11p per week) for a Band D property, which is equivalent to 2.99%, increasing from £188.10 to £193.73.
- 3.3 The new income bands and contribution rates for the 100% Local Council Tax Reduction (Working Age) Scheme, as set out in paragraph 8.12
- 3.4 The Council Tax resolution set out in Appendix F

That Council notes:

- 3.5 The Medium-term Forecast set out in Appendix A
- 3.6 The section 25 report on the robustness of estimates and adequacy of reserves in Appendix E

REASON FOR DECISION

To bring together all the relevant information to enable Cabinet Members to review, consider and comment upon the Council's General Fund budget for endorsement and recommendation to Council.

1. EXECUTIVE SUMMARY AND COMMENTARY

1.1 The key figures included in the 2025/26 budget are:

- Budget gap of £633k in the revenue budget to be funded from the Financial Resilience Reserve.
- Net cost of services of £15.2m, compared to £14.1m in 2024/25, an increase of £1.1m or 8% (Table 1).
- Budget savings of £2.559m as shown in Table 10.
- Gross expenditure of £28.7m, compared to £27.7m in 2024/25, an increase of £0.9m or 3.4% (Appendix A).
- Gross income (including funding) of £28.1m compared to £27.9m in 2024/25, an increase of £0.2m or 1% (Appendix A).
- Fees and charges totalling £5.3m compared to £3.8m for 2024/25, an increase of £1.417m or 37% (Table 5)
- Capital budget of £6.3m for 2025/26 and an overall forecast capital programme over the medium-term period (2024/25 to 2029/30) of £25.5m (Appendix D).
- An increase in Council Tax of 2.99% from £188.10 to £193.73 per annum.

1.2 Overview and Scrutiny reviewed the draft budget proposals at its meeting on 16 December 2024, the following recommendations are for Cabinet to consider:

- That Babergh Overview and Scrutiny Committee notes the draft General Fund budget proposals for 2025/26 and the Medium-Term Financial Plan.
- That Cabinet re-examines the viability of delivering non-essential services and schemes and considers this in-line with their costs to the budget.
- That Officers review Point 9.16 and reassess whether this should be included in the final report to Cabinet and Council, with the wording changed to “Cabinet” instead of “Administration”.

1.3 The range of the Council’s services, size, and complexity coupled with a very challenging resources envelope has meant that the budget setting process has once again proved challenging. Those challenges have been tackled head-on by the Senior Leadership Team and Cabinet Members and, whilst £2.6m of savings have been identified and included in these budget proposals, the current position for the 2025/26 budget is a budget deficit of £633k that will need to be funded from the Financial Resilience Reserve.

1.4 There are significant financial challenges facing the Local Government sector as a whole, and it is widely recognised that the vast majority of councils are undergoing similar challenges in delivering their services within their financial envelope.

1.5 To illustrate the point, a recent survey by the Local Government Association revealed one in four councils in England say they are likely to have to apply for emergency Government

bailout agreements to stave off 'bankruptcy' in the next two financial years (2025/26 and 2026/27). That adds to the unprecedented 18 councils given Exceptional Financial Support (EFS) from the Government in February to help meet their legal duty to balance their books during 2024/25.

- 1.6 Across the sector, the main issues are a rise in demand (numbers of people accessing services) and ever-increasing costs of services (due to inflationary pressures), with the additional resources available (through extra Council Tax, Business Rates, Government grants, and Fees and Charges) not being enough to meet these pressures. This inevitably means that the Council is under pressure to try to reduce costs or generate income in order to live within its means.
- 1.7 Looking forwards, there is a forecast cumulative budget gap over the MTFP period, after assumed maximum increases in Council Tax, of £14.6m over the next six years including 2024/25. In view of this significant funding deficit the financial position of the Council is vulnerable and unsustainable. Significant savings and/or increases in income will need to be identified in the years to come in order to balance the budget as there is insufficient uncommitted reserves to fund the forecast deficits. It is forecast that the Council will effectively run out of useable reserves in 2028/29 if the current forecast trajectory comes to pass.
- 1.8 In addition to further savings, the Council needs to also look for additional sources of income. The Council's fees and charges income supports an increasing proportion of the budget and all services, where a charge can be applied, must pay their way. This is particularly important for the discretionary services.
- 1.9 Looking beyond savings and additional income, the Council has an ambitious action plan that reflects the different approach needed to support and revitalise our communities so that they can meet new challenges. This comes at a cost, but we must remain prudent and be realistic in what we can achieve with the finances available to us. We have therefore, had to postpone some actions and will proceed with those that will have the most immediate and beneficial effect. We have earmarked £150k from reserves for these in this budget.
- 1.10 Whilst the MTFP contains a number of assumptions on the future level of funding the Council will receive. Government has made it very clear in their Local authority funding reform consultation published on 18 December 2024, that there will be a full package of funding reforms in 2026/27 which they have stated will build on the previous Government's Fair Funding Review along with a full Business Rates baseline reset (see explanations of this terminology in the Glossary in Appendix G). Their unexpected decision, announced on 28 November 2024, to abolish the Rural Services Delivery Grant in 2025/26 (currently worth £308k for this Council), in order for it to be redistributed to councils with more needs and less ability to raise Council Tax income, also strongly indicates their intended direction of travel for 2026/27 and beyond.
- 1.11 As well as the risks regarding the volatility of the wider economy and public finances, rising service demand, uncertain outcomes from funding reforms, and the assumptions used in estimating figures being incorrect, a specific risk that needs to be highlighted is the intended approach to funding the expected shortfall in the repayment of the loan the Council has lent to Babergh Growth Ltd. This is discussed in paragraph 7.16. The impact of the external auditors not agreeing to our approach would mean further and significant increased costs needing to be added to the budget proposed in this report.

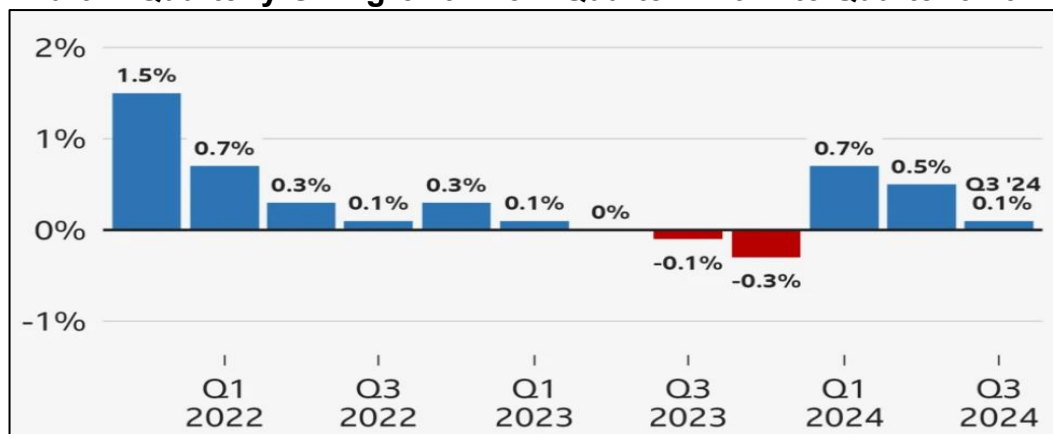
2. KEY BACKGROUND INFORMATION

National Economic Position

Economic Growth

- 2.1 The economy has struggled to recover from the impact of the pandemic. It is now widely acknowledged (for example by the Governor of the Bank of England) that Brexit has also had an adverse impact.
- 2.2 GDP (Gross Domestic Product) growth was 0.7% and 0.5% in the first two quarters of 2024. However, growth prospects going forwards remain low. The OBR (Office for Budget Responsibility) in its October 2024 “*Economic and Fiscal*” report forecasts growth of 1% this year, rising to 2% in 2025.
- 2.3 This outlook is uncertain. Forecasts from the Bank of England, for instance, are more pessimistic (0.9% in the year to 2025 Q2, 1.2% in the year to 2026 Q2, and 1.6% in the year to 2027 Q2). The most recent figures published by the Office for National Statistics in November 2024 show that growth in the third quarter of 2024 was only 0.1% which is lower than anticipated. In addition, the National Institute of Economic and Social Research has warned that if the President-elect of the United States goes ahead with his plan for a universal tariff of 10% on all imports, it could cut the UK’s growth rate next year to 0.4%.

Chart 1: Quarterly GDP growth from Quarter 4 2021 to Quarter 3 2024



Source: Office for National Statistics November 2024

- 2.4 Without economic growth, it is difficult to see where the increases in tax revenues will come from to fund public sector services including the annual Local Government Financial Settlement. Low growth rates will put even more pressure on the public finances.

Inflation

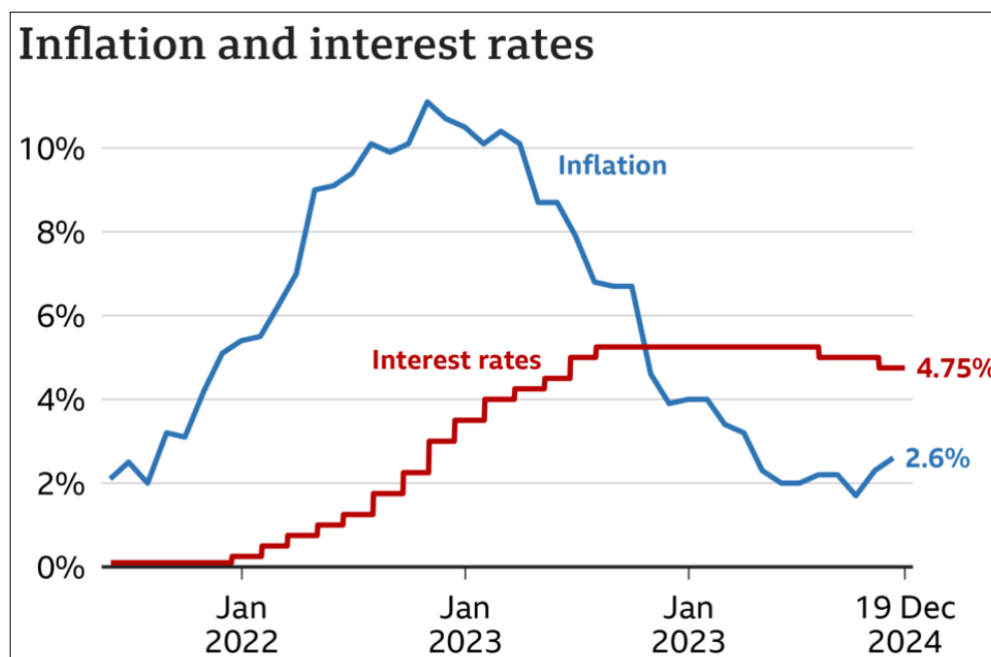
- 2.5 The Consumer Price Index (CPI) has fallen rapidly over the last 12 months. It fell from 6.7% in September 2023, to 1.7% in September 2024 and went up again in November to 2.6%. The November figure is the highest in six months and was largely the result of increased gas and electricity prices after the energy cap went up on 1 October 2024.
- 2.6 The Bank of England (BoE) estimates the Budget impact will see the CPI rate at 2.7% by year end 2025 and remain over target in 2026, as opposed to the prior projection of inflation easing back to and then below target by this point. The OBR states that any

further escalation of the conflicts in the Middle East pose a risk to their inflation forecast, initially via its impact on energy prices. Some commentators are also warning that the increase in employees' costs from the increase made to the Employers' National Insurance Contribution rate could lead to higher prices. Appendix B gives details of the inflationary rates assumed in the Council's proposed 2025/26 budget.

Interest Rates

- 2.7 The BoE Monetary Policy Committee (MPC) cut interest rates by 0.25% on 7 November 2024 meaning the base rate is currently 4.75%. It last cut rates in August 2024. The results of the next scheduled MPC meeting will be announced on 19 December 2024.
- 2.8 The Council's external Treasury Management advisers forecast interest rates going forwards at 4.25% by March 2025 and settling at 3% by December 2025. Given that the Council holds short-term borrowing of some £46m, interest rates are of high importance to the budget forecast. Interest costs comprise some 9% of the 2024/25 gross expenditure budget and falling interest rates will help to mitigate these costs

Chart 2: UK CPI Inflation and Interest rates to December 2024



Source: Office for National Statistics December 2024

The state of Public Finances

- 2.9 The Budget announced by the Chancellor on 30 October 2024 was the first for a Labour Government in 14 years and reveals the choices that this Government will make about public spending and taxation for the remainder of the parliament. However, what remains unchanged is that this Government still has to contend with enormous fiscal pressures resulting from the low economic growth that has persisted since 2008 and the growing pressures on public services.
- 2.10 Measures announced in the Budget will raise £40bn in additional revenues. Much of the pre-Budget focus was on the choices that the Chancellor would make about taxation. She was limited in her ability to increase the main rates of taxation (VAT, employees' National

Insurance Contributions, and income tax), and has focused on increasing employers' National Insurance Contributions (by £25bn annually).

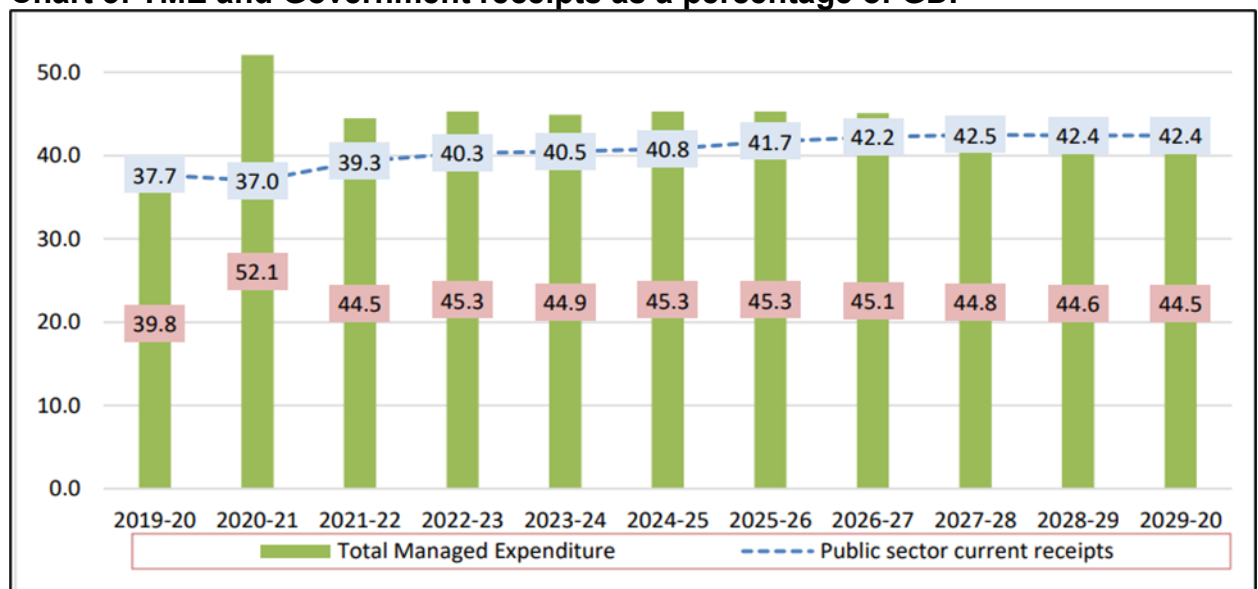
2.11 Changes were also made to the fiscal rules that will enable the Government to invest in infrastructure whilst constraining day-to-day spending. The new rules have largely been welcomed and are very similar to the rules that local government applies to its budgets. They are briefly as follows:

- The stability rule – day-to-day spending (including debt interest payments) will be matched by revenues.
- The investment rule – government assets will now be included within a new measure of debt known as “public sector net financial liabilities”. It is estimated that this new measure will give the capacity for a further £59bn in borrowing every year.
- The third rule means that targets for balancing the current budget are now on a 3-year rolling target rather than 5 years.

2.12 The Chancellor’s fiscal plans will result in higher levels of public spending and taxation than were in the previous Government’s Spring Budget. Total Managed Expenditure (TME) is now projected to settle at around 44-45% of GDP (compared to 43% in the Spring Budget), and significantly higher than pre-pandemic level of 39.8%. The after-effects of the pandemic, together with increases in debt payments, have resulted in a permanently bigger state.

2.13 The Chancellor has decided to use much of the increase in taxation to fund key services. There is a substantial injection of funding in 2025/26. Schools funding is a major winner, with a £2.3bn increase in the core schools’ budget. There is also £300m for further education, and a £1bn uplift in SEND funding (6% real-terms increase, from 2024/25). Defence will receive a £2.9bn increase (meeting the target of spending 2% of GDP). The NHS also received an increase (£22.6bn revenue, £3.1bn capital).

Chart 3: TME and Government receipts as a percentage of GDP



Source: Office for National Statistics November 2024

2.14 For the medium term, the Chancellor upgraded future spending plans from a 0.9% to a 1.5% real terms growth. Translating future spending guidelines into real departmental budgets however is difficult particularly as only a one-year spending review was

announced for 2025/26 and nothing firm beyond that. It is therefore difficult to forecast future growth in spending for local government and the overall spending increases still imply very tight settlements over the whole spending review period for most services, particularly those that are not protected services which local government has been in the recent past.

- 2.15 Public Sector Net Borrowing is forecast to reduce from £127.5bn in 2024/25 to £70.6bn in 2029/30. Debt will remain at elevated levels (98.4% of GDP in 2023/24 and even in year five of the forecast the level of debt is still forecast at around 97% of GDP). Debt will not be returning to pre-pandemic levels any time soon (85% of GDP).
- 2.16 Servicing this debt will continue to put pressure on the public finances and will make it difficult for the Government to increase borrowing for investment. This is now particularly important because the Chancellor intends that revenue spending, including debt charges, will be fully funded over a three-year period. The risk for the Chancellor is that economic growth is lower than forecast, along with tax receipts. Given the small margins available to her, any deterioration in her fiscal forecasts will require public sector spending ambitions to be scaled-back or taxes further increased.
- 2.17 Through the English Devolution White Paper published on 16 December 2024, the Government has signalled its intention to change how Local Government operates, replacing the two-tier council structure with new unitary councils and creating mayoral strategic authorities. This paper is prepared on the basis that the District Councils will be going concerns for the considerable future, until at least April 2027. It is important, however, to note the impact devolution and local government reform will have.

3. SUMMARY AND BACKGROUND TO THE 2025/26 REVENUE BUDGET

2024/25 Revenue Budget

- 3.1 The Council set a balanced budget for 2024/25 at its meeting on 20 February 2024 (a small surplus of £132k was forecast). Key decisions had to be taken however in order to balance it, including the repurposing of £3m of earmarked reserves to create a Financial Resilience Reserve of £1.4m and an Expected Credit Loss Reserve of £365k. In addition, the revenue budget included £540k of savings whilst £6.8m was taken out of the capital budget, or rephased into later years, to make savings in the costs of financing the capital programme.
- 3.2 The Section 25 report advised Council that the level of available reserves was not adequate going forwards over the medium-term and it would be unlikely that the Council would be able to set balanced budgets over this planning period if no political and management action to reduce ongoing expenditure and to increase income was identified and implemented.
- 3.3 The section 25 report also advised that the methodology for estimating financing charges, interest income, and the Item 8 recharges between the General Fund and HRA needed to be reviewed to include the development of a cash flow forecast. This work has been undertaken by the Finance Team in the succeeding months resulting in significant differences between the budget approved by Council and the revised end-of-year forecasts in these areas.

- 3.4 The second quarter 2024/25 budget monitoring report was presented to Cabinet at its meeting on 13 December 2024 and showed a forecast overspend of £1.245m compared to a budgeted surplus of £132k, an adverse variance of £1.377m.

2025/26 Budget approach

- 3.5 The most significant budget items are forecast afresh for the new financial year from a zero-base, including the employees' budget, grant income from Government, financing costs, interest income, Business Rates and Council Tax income. For the rest of the budget the approach is to take the 2024/25 quarter 2 forecast outturn position as a starting point as the most up to date position of the Council's financial requirements going forwards. Advice on key and complex estimates has also been sought from expert external advisers.
- 3.6 The Finance Team have worked closely with budget managers and the Senior Leadership Team to update the Council's budget requirements for 2025/26, taking into account known pressures and identifying efficiencies, savings, and income opportunities to help balance the budget position.
- 3.7 Several budget workshops have been held with Cabinet members throughout the year to discuss the emerging budget proposals and the medium-term financial position.
- 3.8 The fees and charges for 2025/26 were agreed by Cabinet on 5 November 2024 and the budget incorporates the impact of the changes agreed.

2025/26 Budget - key figures, tables, and charts

- 3.9 The summary in Table 1 below shows the breakdown of the Council's proposed budget compared to this year's approved budget and shows the net cost of services and the overall bottom-line deficit position.
- 3.10 Appendix A shows the same forecast bottom-line position in terms of gross forecast expenditure and gross forecast income (i.e. without distinguishing between the net cost of services and Council-wide items of expenditure, income, and funding).

Table 1: General Fund Budget Summary for 2024/25 and 2025/26

Budget Areas		Budget 2024/25	Q2 Forecast 2024/25	Budget 2025/26	Difference 24/25 to 25/26
		£000	£000	£000	£000
Service Expenditure	Employees	12,369	12,202	12,456	86
	Premises	1,192	2,205	1,772	580
	Supplies & Services	5,293	5,519	5,397	103
	Transport	418	433	441	23
	Contracts	4,828	4,825	4,920	92
Grants & Income	Grants and Contributions	(1,563)	(1,743)	(1,621)	(57)
	Sales, Fees & Charges	(3,837)	(4,241)	(5,254)	(1,417)
	Savings from Savings Programme	(540)	0	(125)	415
	Rental & Other Income (incl. PV panels)	(1,937)	(2,340)	(2,394)	(457)
Housing Benefits	HB Transfer Payments	(12,398)	(12,398)	(12,398)	0
	HB Grants and Contributions	12,401	12,401	12,401	0
Reserves	Transfers to / (from) Reserves	(1,043)	(1,082)	(402)	642
Net expenditure on services as above		15,183	15,781	15,193	10
Recharges	Charge to HRA / Capital	(1,843)	(1,843)	(1,964)	(122)
Capital Financing Costs	Interest Payable - CIFCO (PWL B Only)	198	198	187	(11)
	Interest Payable - Short-Term Borrowings	2,284	1,944	2,084	(200)
	Less Item 8 Debit Recharge to HRA	(633)	(511)	(462)	171
	Minimum Revenue Provision (MRP)	1,665	1,608	1,771	106
Investment Income	Pooled Funds - Transfers to Reserves	0	500	1,000	1,000
	Interest Receivable - Pooled Funds	(569)	(457)	(420)	149
	Interest Receivable - Short-Term Investments	0	(600)	(178)	(178)
	Less Item 8 Credit Recharge from HRA	0	798	172	172
	Interest Receivable - CIFCO	(2,172)	(2,172)	(2,160)	12
Total Net Cost of Services		14,113	15,246	15,224	1,111
Government Grants	New Homes Bonus	(910)	(910)	(838)	73
	Revenue Support Grant (RSG)	(119)	(119)	(154)	(35)
	Services Grant	(14)	(14)	0	14
	Rural Services Delivery Grant	(308)	(308)	0	308
	Employers National Insurance Compensation			(119)	(119)
	Funding Guarantee	(156)	(156)	(219)	(63)
Business Rates	Baseline Business Rates	(716)	(716)	(1,367)	(650)
	Business Rates Pool share of Growth Benefit	(364)	(364)	(487)	(123)
	Returned BRRS Surplus/CAP Compensation	0	0	0	0
	S31 Business Rates Grant	(3,647)	(3,460)	(3,135)	512
	Removal of Top Slicing	(300)	(300)	(233)	67
	Business Rates - Renewable Energy	(95)	(95)	(223)	(128)
	Enterprise Zone income	(276)	(219)	(318)	(42)
	B/R Prior Year Deficit/(Surplus)	(584)	(584)	(354)	230
Council Tax	Council Tax	(6,741)	(6,741)	(7,144)	(404)
	Council Tax Prior Year Deficit/(Surplus)	(15)	(15)	0	15
Total Funding		(14,245)	(14,001)	(14,591)	(346)
Net Balance (To) / From Reserves		(132)	1,245	633	764

Note: The differences showing in the final column are between the Budget for 2024/25 approved by Council in February 2024 and the 2025/26 budget proposals

3.11 Charts 4 and 5 below illustrate the proposed overall budget for gross expenditure and for gross income excluding Housing Benefits payments and compensating subsidy income. The charts show the percentages of the total, the actual figures are found in Appendix A.

Chart 4: 2025/26 Proposed Gross Expenditure (excl. housing benefits)

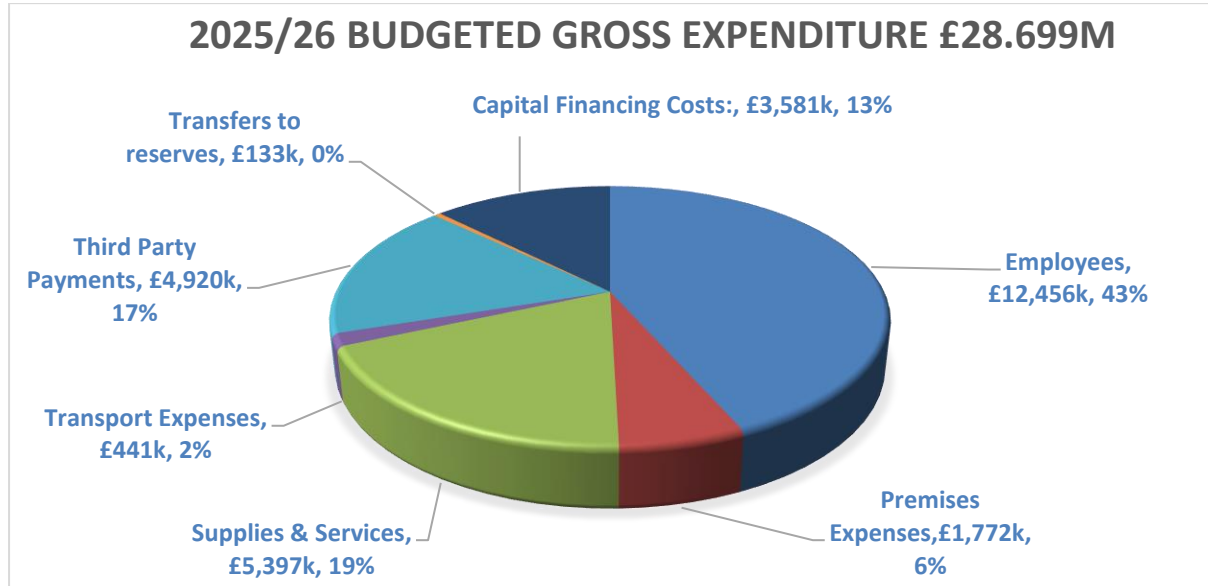
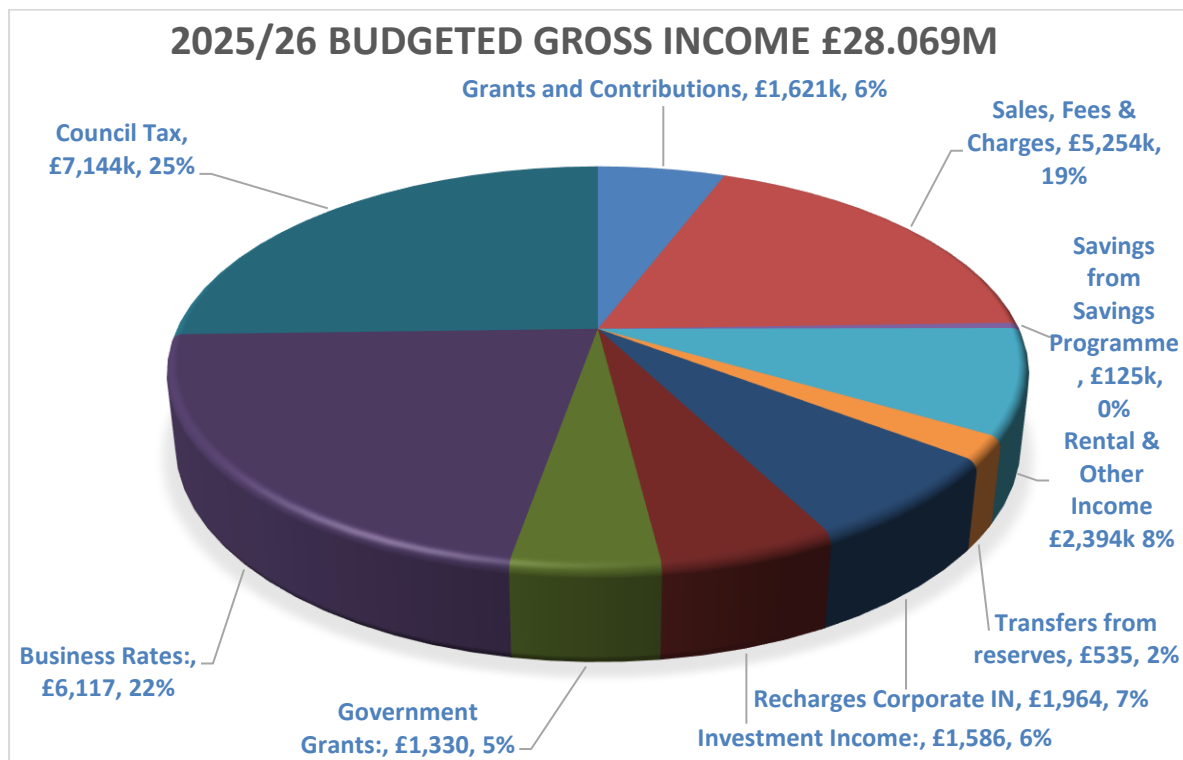


Chart 5: 2025/26 Proposed Gross Income (excl. housing benefits)



4. KEY ASSUMPTIONS MADE IN THE 2025/26 EXPENDITURE BUDGETS

4.1 Constructing a budget that runs to 13 months beyond when it was approved means that several assumptions have to be made about the conditions that are likely to exist over an extended period. The key assumptions are summarised in Appendix B and detailed in the paragraphs that follow.

Employees' Budget

4.2 The Council's pay structure is primarily based on national negotiating body pay spines and nationally negotiated settlements. The 2024/25 agreed Pay Award is a £1,290 increase per FTE (Full Time Equivalent) up to SCP 43 and 2.5% for SCP 44 and above. This equates to a rise of 3.5%. For 2025/26 a 3% Pay Award increase has been assumed. It should be noted every 1% increase in the Pay Award creates a permanent and additional budget pressure of approximately £100k. Given that pay costs form a significant proportion of the Council's budget and the uncertainty over future Pay Awards, this is a key budget risk.

4.3 In addition, the budget assumes that incremental increases within the Scale Points within each Grade will occur at 2% per annum. In 2023/24 this increase was 2.1%. Based on HR data, 85% of staff are eligible for an incremental progression in 2025/26.

Table 2: Detail of the employee's budget

Employee Costs Breakdown	Budget 2024/25 £000's	Budget 2025/26 £000's
Salaries	9,342	9,118
Overtime	10	11
Employers NI	967	1,188
Employers Pension	2,378	2,332
Recharge - CDC	(176)	(221)
Vacancy Management Factor	(634)	(358)
Apprenticeship Levy	52	50
Agency Staff	125	22
Staff Training Costs	138	123
Employees Insurance	158	181
Other Employee Costs	10	10
TOTAL EMPLOYEE COSTS	12,369	12,456
External Funding	(499)	(493)
Reserve Funding	(218)	(213)
Total Funding	(717)	(706)
Bottom Line Employee Costs Total	11,652	11,749

Note: the CDC (Corporate & Democratic Core) is a recharge to the HRA for its share of the cost of senior corporate management

4.4 Included within the employees' budget are proposals to update the cost sharing Memorandum of Understanding of staff costs between Babergh and Mid Suffolk. This is reviewed annually to fairly reflect the time spent on each Council's work. The decrease in cost from this proposed reallocation is £352k.

- 4.5 As in previous years the assumption is that, due to retirements, resignations, creation of new posts and turnover, a vacancy management factor will be achieved. This was forecast at 5% in 2024/25 and has been reduced to 3% for 2025/26 due to the reduction of vacant posts proposed in this budget to achieve revenue budget savings (see Table 10).
- 4.6 The Apprenticeship Levy contribution is assumed to increase at 5% per annum in line with salary increases whilst Employee's Insurance is forecast based on a worst case of current tenders received for the 2025/26 contract.
- 4.7 The Employers National Insurance contribution is currently 13.8% with the annual salary threshold for it being paid at £9.1k. The new contribution rate from April 2025 is 15% with the threshold being reduced to £5k following the Chancellor's Budget announcement in October 2024. In 2025/26 for Babergh this increase equates to £218k. The compensation from Government based on the methodology set out in the Provisional settlement will be £119k, a shortfall of £99k, and does not include any increase for externally provided local services, e.g. the Waste contract with Serco. The actual amount will be confirmed in the final settlement in February 2025.
- 4.8 The Employers Pension contribution rate is currently 26% and we have assumed this rate going forward. This rate is reviewed every three years as part of the external Actuaries' revaluation of the Pension Fund: the next review is in March 2025 and any changes to contribution rates will take effect from 2026/27.
- 4.9 As shown in Table 2 above some of the employee costs are funded from grants (most notably Homelessness Grant from Government) and from the Council's own earmarked reserves. Most of these employees will either be on short-term contracts or agency contracts.

Supplies, services, and contractual costs

- 4.10 Many of the Council's contracts have inflationary increases incorporated within them and therefore the increases in CPI and RPI measures have created a clear pressure on the budget position. The waste contract includes a £49k increase to cover national insurance increases which is not covered by the compensation from Government. Where renewal costs are known or tenders received, this forms the basis of the year-on-year change, other contracts have had inflationary increases applied and information on these is found in Appendix B.

Table 3: Detail of the proposed major contracts' budgets

Major Contracts Breakdown	Budget 2024/25	Budget 2025/26
Domestic Waste Contract	2,188	2,318
Garden Waste Contract	572	593
IT SCC Contract	488	476
Leisure Contract	254	244
Shared Revenues Partnership Contract	1,165	1,122
Trade Waste Contract	162	168
TOTAL	4,828	4,920

Capital Financing Charges

- 4.11 The Finance Team has done a considerable amount of work since February 2024 when 2024/25 budget was agreed, in developing and enhancing the methodology and modelling used to estimate financing costs and cash flow forecasts. There are consequently significant movements from 2024/25 budget to the 2025/26 budget.

Table 4: Detail of the capital financing charges budgets

Capital Financing Charges	Budget 24/25	Budget 2025/26
Interest Payable (CIFCO)	198	187
Interest Payable - s/t borrowings	2,284	2,084
Interest Payable - Item 8 Debit	(633)	(462)
MRP	1,665	1,771
TOTAL	3,514	3,581

Interest Payable (CIFCO)

- 4.12 This is interest payable on the two 50-year loans borrowed from the PWLB (Public Works Loans Board) at fixed interest rates of 2.63% and 1.71% which have been used to fund part of the lending to the Council's wholly owned property company, CIFCO. The interest the company pays to the Council is included in investment income shown in Table 6.

Interest payable - short-term borrowing

- 4.13 This is the interest the Council needs to pay on its short-term borrowing (mostly from other local authorities) which is needed to fund ongoing operations, when cash reserves require short-term borrowing, and to fund capital expenditure. More information on these items are presented to Cabinet and Council in the 2025/26 Capital, Investment, and Treasury Management Strategy report.
- 4.14 The assumptions made in producing this estimate are as follows:
- Average interest rates of 5.29% for 2024/25 and 4.25% for 2025/26. These have been obtained from Arlingclose, the Council's treasury management advisors, with a margin added to the 2025/26 forecast to reflect the impact of borrowings taken out in 2024/25 running into 2025/26.
 - Slippage in spending the capital budget of 25% per annum from 25/26 onwards
 - New borrowing of £4.7m to fund the General Fund capital programme.
 - Refinancing of the Council's existing short-term debt of some £46m on an on-going basis.

Minimum Revenue Provision (MRP)

- 4.15 This represents the amounts set aside each year to finance the repayment of the debt that the Council has incurred to finance capital expenditure. The MRP forecasts are based on the 2024/25 agreed and 2025/26 proposed capital budget. More information on MRP and how it is calculated can be found in the Glossary of Financial Terms in Appendix G.

- 4.16 As reported to Council in February 2024, as part of the Budget Report, it is anticipated that the Council's subsidiary company, Babergh Growth Limited, will be unable to repay all of the loan (and interest) lent to it by the Council. The shortfall in the loan repayments is forecast at £2.3m and has arisen because the housing development at the former Council offices in Hadleigh is forecast not make the expected return. Changes to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made in April 2024 require that the shortfall is charged as an MRP cost to the revenue budget. We have assumed in these draft estimates that the loss to the Council can be charged to the revenue budget over the expected useful life of the housing assets (30 years) which gives an MRP cost of £36k for 2024/25 and 2025/26 which will be funded from the Expected Credit Loss Reserve agreed by Council in February 2024. However, the Director of Finance and Procurement is currently awaiting a view from the Council's external auditors on our intended financing approach and therefore there is a risk that the loss may need to be financed over a shorter period of time which would significantly increase the MRP cost needing to be charged to the revenue budget.

Interest Payable Item 8 Debit

- 4.17 This represents the amount the HRA has "borrowed" from the General Fund instead of borrowing from external lenders. An estimate was not given in this year's budget although a charge will be made in this financial year. The correction in the proposed 2025/26 budget has arisen from the work the Finance Team has undertaken on improving the robustness of these estimates. More information on the item 8 recharges can be found in the Glossary of Financial Terms in Appendix G.

Proposed additional budget costs

- 4.18 The Council agreed at its meeting in January 2024 a re-set of the Council's priorities and approach to help create thriving and resilient communities in the Babergh area (Babergh Plan). Additional budget items totalling £150k in 2025/26 are included in the revenue budget and MTFP shown in this report.

5. KEY ASSUMPTIONS MADE IN THE 2025/26 INCOME BUDGETS

Fees and Charges Income

- 5.1 The revenue generated from fees and charges is an important source of income to the Council, and essential to ensure that the delivery of Council services is sustained both now and into the future.
- 5.2 The Council's sales, fees, and charges for 2025/26 were approved by Cabinet on 5 November 2024 and are budgeted at £5.254m: this compares to £3.837m for 2024/25, an increase of £1.417m or 37%. 10% of this increase is due to increased forecast demand for services and the other 27% is due to higher charges as the Council continues to implement full cost recovery where appropriate and where it is legally allowed to do so.
- 5.3 The key increases in income are driven by the introduction of short-term parking charges; recovery in the volume of planning fees, which includes an already applied statutory 25% increase in those fees, along with increases in other charges made. Further details of these can be found in the "Fees and Charges 2025/26 report" to November Cabinet (BCa/24/24). Table 5 shows the fee estimates by service broken down by volume and fee increase.

Table 5: 2025/26 Fee increases, and forecast volume changes

Service Area			(Increase)/Decrease					
	Budget 2024/25	Budget 2025/26	Volume change	Fee change	Volume change	Fee change	Total (Increase)/Decrease	Total (Increase)/Decrease
	£'000	£'000	£'000	£'000	%	%	£'000	%
Car Parking	(214)	(1,166)	(23)	(930)	10.8	435.2	(953)	446.0
Planning & park/Enforcement	(618)	(828)	(210)	-	34.0	-	(210)	34.0
Recycling, Waste & Fleet	(2,025)	(2,184)	(73)	(87)	3.6	4.3	(160)	7.9
Building Control	(366)	(427)	(70)	(1)	16.6	0.2	(61)	16.8
Licensing	(265)	(284)	-	(18)	-	6.8)	(18)	6.8
Public Realm	(85)	(98)		(13)		15.3	(13)	15.3
Housing Solutions	(6)	(8)	(1)	-	21.5	3.9	(2)	25.4
Electoral Services & Land Charges	(103)	(104)	(1)	-	1.4	-	(1)	1.4
Strategic Planning	(155)	(155)	-	-	-	-	-	-
Total	(3,837)	(5,254)	(369)	(1,048)	9.6	27.3	(1,417)	36.9

Investment Income**Table 6: Detail of the investment income budget**

Investment Income	Budget 2024/25 £000's	Budget 2025/26 £000's
Interest Receivable (CIFCO)	(2,172)	(2,160)
Pooled Funds	(569)	(420)
Pooled Funds Transfer to Reserve	0	1,000
Interest Receivable - s/t investments	0	(178)
Interest Receivable - Item 8 Credit	0	172
TOTAL	(2,741)	(1,586)

Interest Receivable from CIFCO

5.4 Interest is charged to the company at 5% per annum. The 50-year loans are due to be repaid fully in 2068 and 2071. Interest payments from 2024/25 onwards will be in-year whilst the two years owing from 2021/22 & 2022/23 will be paid over the medium-term. Based on the company's current Business Plan no dividend income is planned to be received by the Council in the medium-term.

Interest income from Pooled Funds

5.5 The forecast income is based on a historic level of return from these funds and advice from our external advisers Arlingclose. The decrease in income forecast in 2025/26 also arises from the closure of the USB pooled fund in 2024/25 which has resulted in a loss of annual income of £80k. The forecasts do not assume any sale of the investments in order to transition to an investment portfolio with a greater emphasis on ESG (Environmental, Social and Governance) factors.

5.6 Accounting for the Loss in value of Pooled Investments

The Council retains three pooled investments which are managed by three providers (CCLA, Ninety-One, and Schroder). CCLA is a property-based fund, Schroder is equity-based, and Ninety-One is a multi-asset fund. Any loss in value on active fund investments should, under internationally accepted accounting rules, be charged as a cost to the revenue budget. However, the Government has applied a statutory override to this requirement over the last few years which is due to expire at the end of 2024/25. The Government has not indicated that it will extend the override and therefore a loss in value of the remaining three investments, currently forecast at £1m, has been included as a cost in the 2025/26 revenue budget forecast. This will be transferred to a new reserve to fund any loss when it actually crystallises i.e. if the fund closes or if the Council chooses to sell the investment.

Interest income from short-term investments

5.7 The Council has not historically set a budget for this income as returns have been minimal due to low interest rates although this should have been done for 2024/25 and has now been corrected in the forecast year end projections included in the Quarter 2 Budget monitoring report. The 2023/24 outturn was £320k achieved on an average cash balance held of £6.7m and with a prevailing short term average interest rate of 4.82%. The 2025/26 forecasts assume a prudent estimate of average cash balances held by the Council running at £5m and average short-term interest rates for the year of 3.56%, based on the forecasts provided by Arlingclose.

Item 8 Credit

5.8 This is a charge to the General Fund from the HRA for interest received on income held in HRA reserves. This is a statutory recharge between the two accounts.

Government Grants

Table 7: Detail of Government grants as per the Provisional Settlement

Government Grants Breakdown	Budget 2024/25 £	Budget 2025/26 £
Funding Guarantee	(155,790)	(219,207)
New Homes Bonus	(910,273)	(837,690)
Revenue Support Grant	(119,222)	(154,212)
Rural Services Delivery Grant	(307,949)	0
Employers National Insurance Compensation	0	(119,137)
Services Grant	(13,611)	0
TOTAL	(1,506,845)	(1,330,246)

5.9 The provisional local government finance settlement for 2025/26 was announced on 18 December 2024. For the seventh time, the settlement is for one-year only. Excluding the ENICs, the Council's 2025/26 provisional grant allocation has decreased by £296k (19.7%) compared to 2024/25.

5.10 The key headlines of the Provisional settlement are as follows:

Relevant to Babergh

- “Core” Band D council tax 2.99% maximum increase, or £5
- Core Spending Power (CSP) will increase by 6.0% in 2025/26, an increase of £3.9bn.
- Baseline Funding Level (BFL) and Revenue Support Grant (RSG). Local authorities' RSG allocations will be uplifted in line with the Consumer Price Index. BFL allocations will be uplifted by the increase in the standard business rating multiplier (1.67%). “Negative RSG” continues to be abolished.
- Cap compensation will be paid to compensate authorities for lost income arising from the decision to freeze the small business rating multiplier
- Domestic Abuse Safe Accommodation Grant (£160m) is now included within CSP. Previous years are adjusted for the transfer, with a £30m increase in funding in 2025/26.
- Minimum Funding Guarantee (MFG). Continues into 2025/26 but it will be on a much-reduced basis. The threshold will reduce from 4% to only 0% and will include both Band D increases and taxbase growth. Other grants within CSP will be included as in previous years. Cost of MFG will reduce from £269m in 2024/25 to £121m in 2025/26.
- New Homes Bonus (NHB) will continue in 2025/26 (£290m), and there will be no change in the methodology, and no future legacy payments. Confirmed as being the final year NHB will operate.
- Services Grant will be abolished in 2025/26
- Rural Services Delivery Grant (RSDG) will be abolished in 2025/26.
- Funding of £515m for the increase in Employer National Insurance Contributions (ENICs) will be made available to local government but allocations will not “confirmed” until the final settlement. The £515m has been determined based on local government's share of the “directly employed staff across the public sector”. Government will use each authority's share of Net Current Expenditure (NCE) for 2023/24 to distribute the £515m.
- There will continue to be “no negative Revenue Support Grant” in 2025/26 (no change on previous years' treatment).
- Suffolk will continue as a business rates pool in 2025/26.
- Additional income of £1.1bn from the Extended Producer Responsibility for packaging (EPR) will be received by local authorities in 2025/26. Allocations were announced by DEFRA on 27 November 2024. EPR payments will not be included within Core Spending Power.
- The flexible use of capital receipts will be extended until 2030. Authorities will also be able to capitalise redundancy costs.

- Homelessness funding will increase by £233m in 2025/26, with detail on allocations to be confirmed, and Disabled Facilities Grant (DFG) will also increase by £86m. While these grants are welcome, they are ring fenced in nature and therefore do not reduce the budget gap in 2025/26 or the budget proposals set out in this report.

Not directly relevant to Babergh (included for information)

- Maximum increase for fire authorities is £5, and £14 for police and crime commissioners. No referendum principles for town and parish councils.
- Adult social care (ASC) precept (2% in 2025/26). No change from 2024/25.
- New Recovery Grant (£600m additional funding). Grant is highly targeted towards authorities with the highest levels of deprivation.
- New Children's Services Prevention Grant. £250m new funding, distributed using a new children's funding formula. To be increased to £263m in the final settlement.
- The Adult Social Care grant will increase by £880m (£600m announced in the 2024 Budget plus a further £80m in the Policy Statement and a further £200m in the provisional settlement). The ASC MSIF grant will continue at £1.050bn in 2025/26.
- Social care grant distribution. Distribution methodology will continue to use the Adult RNF with the ASC precept partially equalised (£240m out of a potential £590m).
- Local Authority Better Care Fund (previously the Improved Better Care Fund) remains unchanged, except that ASC Discharge Fund (£500m) has now been rolled in. Total is now £2.693bn.
- £3m for Internal Drainage Board levies.
- Various grants will be rolled into RSG in 2025/26. Election Integrity Programme New Burdens, Extended Rights for Home to School Transport, Island Funding, Tenant Satisfaction Measures and Transparency Code. These have been rolled into RSG, and previous years have been adjusted.

Income from Council Tax

- 5.11 The taxbase for 2025/26 has increased from 35,834.64 to 36,878.79 or 2.91%. Growth includes adjustments for Empty Homes and Second homes premium. Whilst there has been growth of dwellings built and occupied from October 2022 to October 2023, the taxbase growth is impacted by discounts and reductions for things like the single person discount and the council tax reduction scheme. This growth in taxbase generates £196k for 2025/26 based on a band D equivalent.
- 5.12 Given the budget pressures being faced by the Council in 2025/26 and beyond, the maximum amount of permissible increase in Council Tax of 2.99% without a referendum is recommended for 2025/26. The decision to raise council tax influences not just the 2025/26 budget but future years.
- 5.13 A 2.99% increase will take the Band D equivalent from £188.10 to £193.73 per annum, an increase of £5.63 or 11p per week. This will generate an additional £207k for 2025/26. Every 1% increase in Band D Council Tax levied generates an additional amount of £70k.

5.14 In line with the policy agreed by Council in February 2024 income from charging a premium of 100% for second homes from 1st April 2025 has been included in the forecast figures of £100k.

Local Council Tax Reduction Scheme

5.15 The Council introduced an ongoing 100% Local Council Tax Reduction Scheme in 2023/24 and committed to review the scheme each year to ensure that it kept pace with inflation. It is proposed to update the Income Bands by the Consumer Price Index for September 2024 (1.7%), as for other welfare benefits. The contribution rates will be increased by indicative council tax increases to control the cost of the LCTR Scheme although customers who do not work, or who earn less than £72.46 per week, will have no Council Tax to pay. This ensures that the scheme remains affordable and sustainable whilst continuing to support the most vulnerable households. The proposed criteria for 2025/26 are summarised in the table below.

Table 8: 2025/26 Proposed Income Bands and Contribution Rates

Income Bands (Monthly)	monthly contribution	Income Bands (Weekly up to)	Weekly contribution
Not in work or less than £314	£0	Not in work or less than £72.46	£0
£314 - £660.99	£47	£152.76	£10.85
£661 - £1257.99	£94	£290.30	£21.69
£1258 to £2000.99	£136	£461.76	£31.38
£2001 - £2570.99	£205	£593.30	£47.31
£2571 - £2999.99	£268	£692.30	£61.85
Over £3000	No entitlement to LCTR	over £692.31	No entitlement to LCTR

Income from Business Rates

5.16 The Government's proposals on Business Rates, most of which were announced in the Chancellor's Budget, are as follows:

- As announced on 29 July 2024, private schools in England will no longer be eligible for charitable rate relief, there are two schools in Babergh that are affected.
- For 2025/26, eligible retail, hospitality and leisure (RHL) properties in England will receive 40% relief on their business rates liability. RHL properties will be eligible to receive support up to a cash cap of £110k per business.
- For 2025/26, the small business multiplier in England will be frozen at 49.9p. The Government will lay secondary legislation to freeze the small business multiplier. The standard multiplier will be updated by the September 2024 CPI rate to 55.5p.
- The Government intends to introduce permanently lower multipliers for Retail, Hospitality and Leisure (RHL) properties from 2026/27, paid for by a higher multiplier for properties with Rateable Values above £500k.

- English local authorities will be fully compensated for the loss of income and administration costs resulting from these business rates measures.

Table 9: Detail of the Business Rates income budgets

Business Rates Breakdown	Budget 2024/25 £000's	Budget 2025/26 £000's
S31 B/Rates Grant	(3,647)	(3,135)
Baseline business rates	(716)	(1,367)
B/Rates – growth/pooling benefit	(364)	(487)
Removal of Top Slicing	(300)	(233)
B/Rates prior yr deficit / (surplus)	(584)	(354)
Business rates - Enterprise Zones	(276)	(318)
Business rates - Renewable Energy	(95)	(223)
TOTAL	(5,983)	(6,117)

Business Rates and S31 Grants

- 5.17 S31 Grants reflect the expectation that the 2024/25 year will end under the budgeted figure with changes in the amount of relief granted against the budget assumptions, this has then been adjusted by a weighted average cap compensation. The numbers also reflect the lowering of the Retail, Hospitality & Leisure relief from 75% to 40% and the removal of the relief on Private Schools. Figures are based on the final NNDR1 and the provisional settlement information.

Suffolk Business Rates Pool

- 5.18 The benefit from being part of the Suffolk Business Rates Pool is forecast to £487k. In addition, it has been agreed that the top slice awarded annually to Suffolk Public Sector Leaders Group (SPSL) to fund county wide projects will instead be retained by each council in the pool to help fund each council's budget. Babergh is forecast to benefit by an additional £223k from this in 2025/26.

Enterprise Zones

- 5.19 The budget for 2025/26 includes increased revenue from the Sproughton Enterprise Zone reflecting the completion of 5 new units and the highways depot. This is subject to timings on build-out and valuation.

Business Rates Collection Fund Surplus or Deficit

- 5.20 The budget includes a prior year surplus of £354k as per the final NNDR1 position.

6. PROPOSED SAVINGS, EFFICIENCIES, AND INCREASED INCOME

- 6.1 Total savings of £540k are forecast to be delivered this financial year. Additional savings of £2.559m have been identified and included within the budget figures shown within this report.

Table 10: Savings included within the 2025/26 budget

	Saving/ additional income 2025-26
Cost Efficiencies	(277,803)
Reduction of Vacant Posts	(403,269)
Increased Income	(1,423,786)
Reallocation of Staff time between Babergh & Mid Suffolk	(313,114)
Reduction of Budget	(111,025)
Funding from reserves	(30,094)
Grand Total	(2,559,091)

- 6.2 Babergh District Council's long-standing partnership with Mid Suffolk District Council has helped shield the Council from the worst impacts of the budget pressures described above. Both Councils have been able to benefit from the greater efficiencies generated by a single cohort of staff working for two councils. Much of these benefits have now been embedded however, and it is increasingly difficult to find additional 'pain-free efficiencies' for residents and communities. Doing 'the same for less', let alone doing 'more for less', has become virtually impossible. The Council must find a balance – deciding what it does less of, and where it can justify charging a little more to sustain the same level of service for residents. This will also ensure full cost recovery for chargeable services and avoid subsidy. In considering how to set a balanced budget for 2025/26 the Council has sought to also balance the following principles:

- **People** - protecting critical services to the most vulnerable who are still feeling the impacts of the cost-of-living crisis, without significant increases in fees & charges for those services.
- **Place** – working with our parishes and towns across Babergh to bring clarity and consistency to service provision and cost. Where services are delivered by the district council then they are, in effect, paid for by the whole district whereas where a service is delivered by the town or parish in a particular place then the residents of that place are funding the service. Historical inconsistencies across the district means that in 1.47 some places residents may be paying both for their service locally delivered by their parish or town and then through their council tax for the same service being delivered by the district council in another town or parish for example open space provision. Babergh District Council want to work with each town and parish to ensure they can thrive and address this historic inequality and unfairness for some communities.
- **Planet** – despite the absence of long-term funding certainty (described above) the district council is a steward for the local area and must ensure that it protects its communities as far as possible from the devastating impacts of climate change which

we particularly experience as both one of the driest parts of England, with water shortages, and our susceptibility to flooding.

- **Organisation** – ensuring that the district council is organisationally resilient in terms of capacity and capability to be able to respond to the pressures facing society and the sector.

6.3 Based upon these principles the Cabinet is recommending a blended approach to balancing the budget that utilises all of the available options and spreads the impact more evenly whilst protecting the most vulnerable and acting responsibly in looking to the future.

Funding from Reserves and Fees and Charges

6.4 The recommended budget relies upon the use of £633k of reserves to fund the budget gap as well as other reserve funding for specific purposes and £150k to fund the Councils Plan and ambitions. Given the uncertainty in local government funding beyond 2025/26 and around local government reorganisation it might have been tempting to close the 2025/26 budget gap entirely through the use of reserves. To do so however would destabilise the organisation, leaving it with very little usable reserves from 2026/27. For the reasons outlined this is likely to be a period of significant change and the organisation would have been left with little financial capacity to respond to that change. It would also simply push the financial challenge 'down the road' and create a larger financial 'cliff edge' in future years. Similarly, if local government is to be re-organised this would irresponsibly pass on financial weakness to any successor council.

6.5 To put the Council, and any successor, on the strongest possible *financial* footing for the future, it would alternatively be tempting to immediately make swinging cuts in services or introducing dramatic increases in fees and charges that are inconsistent with the rest of the sector. The Cabinet however consider that this would also be irresponsible ahead of the Government changes described above and could disadvantage those residents who are most in need.

6.6 The Cabinet has therefore sought to balance the 2025/26 budget through the prudent use of some reserves, combined with some service reductions and some increases in fees and charges. Where fees and charges have been changed these are reflective of the increased cost of providing that service, and increased charges to the most vulnerable residents have been avoided.

Statutory v Discretionary Services

6.7 There are number of functions that the Council is legally obliged to ensure are carried out, whilst other council activities are entirely discretionary. However, to make matters more complex where the Council chooses to deliver discretionary services then often these result in additional legal responsibilities e.g. health & safety.

6.8 Again, in terms of complexity, many aspects of how, or how much, an individual statutory function must be delivered is not prescribed in law. There is also no direct correlation between whether something is a statutory or discretionary function, and the degree to which it supports the most vulnerable in society. The Cabinet has, therefore, concluded that any strategy to de-fund discretionary services and protect funding to statutory functions would not be in the best interests of the residents and communities of Babergh, and would be contrary to the spirit and purpose of local government.

Cost efficiencies

- 6.9 The cost efficiencies proposed will be delivered by reductions in bank charges, greater targeted use of training budgets, prioritising our most impactful communications, taking a different approach to staff surveys and advertising vacant posts, reduced mileage costs, use of assets, no longer providing neighbour letters in planning, and managed reduction in public realm grants to towns and parish council and other organisations.
- 6.10 Additional to these efficiencies, but shown as a separate savings figure, are reductions in staffing where vacancies have arisen and are being absorbed, for example in the Senior Leadership Team, ICT, customer experience, land charges, planning, assets, health & safety and governance roles.
- 6.11 The increases to fees and charges are set out in the fees & charges schedule approved by Cabinet in November 2024 and the budget assumes some growth increases in the frequency of those payments, for example an increase in the number of garden waste subscribers.

Reallocation of staff time between Babergh and Mid Suffolk

- 6.12 Each Council is legally obliged to pay for the staff time that each utilises. It is not permissible for one council to cross-subsidise the other council. The Councils have governance mechanisms in place to ensure the costs are reconciled each year and therefore borne by the relevant Council. There have therefore been minor reductions to Babergh's budget for 2025/26 that reflect these fluctuations. More significantly, for the purposes of setting the 2025/26 budget, the costs of the Economy and Regeneration services have been reprofiled between the two Councils to reflect the different scale of capital programmes. Mid Suffolk also has a larger General Fund action plan aligned to its political priorities. As a result of this greater demand from Mid Suffolk the costs of relevant services have also been reprofiled, this includes for example participatory budgeting and cost of living interventions, and the related performance management.
- 6.13 Babergh has also made specific decisions to reduce investment in certain activities, which Mid Suffolk have decided to absorb through greater service delivery across Mid Suffolk. This includes activity related to climate change, sustainable travel, biodiversity, and waste education.

Reduction in budget

- 6.14 The Cabinet has also decided to recommend some targeted budget reductions. These are in economic development where the council's approach to delivery will change to reflect the emerging Economic Strategy; in communities where the Cabinet proposes to reduce capacity and reverse the historic inconsistency in provision across the district through greater subsidiarity and devolution, working with our towns and parishes; and by removing the subsidy that Babergh currently incurs in cutting Suffolk County Council's highways grass.
- 6.15 In addition, there is a proxy saving of circa £500k in external interest charges as a result of a reduction in the capital programme.
- 6.16 Overall, the Cabinet considers it has taken a proportionate and balanced approach to setting the 2025/26 budget. It is clear however that the medium-term financial position remains financially challenging. In developing a proposed budget, the Cabinet considered many other options but decided on balance and in line with the principles

above, not to pursue these financial options for 2025/26. Options which were discounted for 2025/26 included, but were not limited to:

- Dissolving Babergh District Council and creating a new single district council covering the existing area of Babergh and Mid Suffolk.
- Dramatically reducing non-statutory / discretionary services such as planning enforcement, economic development and community development.
- Reducing the scale of leisure provision across the district, as this is a discretionary service with significant capital and revenue costs.
- Reducing face to face customer service delivery in particular removing provision in Shotley and Hadleigh.
- Re-introduce glyphosate weed killer.
- Switching back to diesel fuel for vehicles rather than using HVO.
- Stopping the provision of bio-diversity community group advice and support.
- Stopping the Tree for Life, tree and wildflower meadow planting.
- Refocussing the grants programme.
- Commissioning council services from other organisations e.g. use of CAB for financial inclusion, housing advice.

7. RESERVES

- 7.1 Section 43 of the Local Government Finance Act 1992 requires that, when setting the budget for the forthcoming year the Council must have regard to the level of reserves needed to provide enough resources to finance estimated future expenditure plus any appropriate allowances that should be made for contingencies. The S151 Officer is required to give a view on this matter in her S25 statement at full Council in February 2025.
- 7.2 The forecast position on the Council's earmarked reserves is shown in Appendix C. The Council has classified the reserves into three groups: reserves held to mitigate financial risks and to fund budget deficits, reserves set up to fund specific services, and reserves that are corporate resources for strategic priorities and costs.
- 7.3 The key forecast movements for 2025/26 can be summarised as follows:
- i. It is forecast that the Council will hold £8.443m of earmarked reserves at the end of this financial year 2024/25 (this total includes funding the forecast budget deficit for this financial year of £1.245m).
 - ii. Proposal to use £1m of the Council Tax and Business Rates reserve to establish a corporate Transformation Reserve which will fund costs, for example, specialist advice, project management support, and other costs involved in identifying and implementing actions that will result in lower on-going costs to the revenue budget.

- iii. Proposal that the remainder of the Council Tax and Business Rates Reserve, which is uncommitted, of £2.546m, is transferred to the Financial Resilience Reserve to make the reserves position clearer.
- iv. It is proposed that £0.633m of reserves are used to fund the 2025/26 forecast budget deficit.
- v. It is also proposed that the revenue budget funds the increase in specific reserves by £1.134m the majority of which is the cost of establishing the Pooled Investments reserve - the necessity of which is explained in paragraph 8.6 above.

7.4 The Council has a General Fund reserve balance of £1.2m in addition to the earmarked reserves reported in Appendix C. This is totally uncommitted and acts as a contingency to fund unforeseen costs. There is no statutory minimum level for such a reserve, it is a matter for each local authority's own judgement after taking into consideration the strategic, operational, and financial risks it faces. Many councils set a minimum reserve provision of between 6% to 10% of the Net Services Budget. This Council's General Fund balance is 10% of the 2025/26 Net Services Budget.

7.5 It should be noted that the reserves position in Appendix C shows negative forecast reserve positions in the latter part of the medium-term planning horizon. This position could not actually occur in reality: you either have a reserve or you don't because you have spent it. The negative figures show that given the current medium-term forecast the Council does not have sufficient reserves to fund the estimated future budget gaps. This is explained more fully in the next section.

8 MEDIUM TERM FINANCIAL PLAN (MTFP)

8.1 Table 11 below shows the forecast summary position for the period 2024/25 to 2029/30. More detail is given in Appendix A. The forecast shows that the financial position going forwards will be very challenging given that the costs and demands for the Council's services continue to outstrip the resources available to fund them. And whilst, as explained below, there is a lot of uncertainty in the forecast, particularly regarding future reforms of the local government funding regime, the likelihood is that significant savings and/or increases in income will need to be identified in the years to come to balance the budget.

Table 11: Forecast financial position over period 2024/25 to 2029/30

	Budget 2024/25	Q2 Forecast 2024/25	Budget 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Expenditure	27,746	28,555	28,699	29,877	31,024	32,211	33,618
Gross Income	(27,881)	(27,312)	(28,069)	(27,112)	(28,187)	(28,934)	(29,764)
Budget (Surplus) / Deficit (Inc £3k Cost of HB)	(132)	1,245	633	2,768	2,840	3,280	3,857
Use of reserves to fund remaining budget Gaps		(1,245)	(633)	(2,768)	(1,506)	0	0
Balance of Financial Resilience & Collection Fund Reserves (uncommitted)	6,152	4,907	4,274	1,506	0	0	0
Remaining Budget Gap		0	0	0	(1,334)	(3,280)	(3,857)

- 8.2 Over the medium-term period gross expenditure is forecast to increase by some £5.872m (21%) from the 2024/25 approved budget, due to forecast pay awards, staff increments, inflationary increases on major contracts, and capital financing charges. The major cost and income assumptions used in the MTFP are shown in Appendix B.
- 8.3 Income over the same period however is forecast to increase by only £1.883m (7%) giving a forecast cumulative shortfall in resources of £14.623m over six years including the budget deficit forecast for this financial year. The Council therefore has the structural budget challenge of having to permanently reduce its base budget, or increase its income, before it uses all of its Financial Resilience Reserve: this would occur in 2027/28.

Medium Term Financial Strategy

- 8.4 To achieve its ambitions, the Council needs to take a medium-term view of budgeting through a robust financial strategy.
- 8.5 The Council's main strategic financial aim remains to become self-financing i.e., not reliant on Government funding. The Council's parallel aim is to generate more funds than are required purely for core services, to enable additional investment into the district.
- 8.6 There are 3 key elements that need to be carefully balanced to ensure success, which are:
- Cost management
 - Income generation and
 - Service levels
- 8.7 The approach over the medium term is to transform the Council into an organisation that is thriving and not just surviving, by continuously reviewing, remodelling, and reinventing the way the Council operates. For the Council to thrive, a strong focus is placed on the wellbeing of our staff and residents.
- 8.8 The following overarching principles are considered when evaluating ideas and opportunities for change:
- 8.9 Reduce our costs (both internally and across the wider system)
- Increase our income
 - Provide better / "best" value
 - Increased social value
 - Provide a better service for our customers
 - Reduction in administration costs, without compromising service
 - Reduced climate change and biodiversity impact
- 8.10 The focus is on:
- internal efficiencies and improvements
 - continuously streamlining work and reducing waste in processes
 - greater cross-functional working and multi-skilling

- improving ways of working to move away from 'professional silos' and toward integrated services for the public
- customer demand understood, analysed, and met through new services and business models
- demand is re-shaped and managed while engaging service users to ascertain priorities.

8.11 The approach below shows in more detail for each element the methodology that has been adopted to achieve this.



8.12 Over the three-year period from 2026/27 the Council's increasing budget deficits must be addressed through delivering further savings and generating additional income. The Council acknowledges that it can still benefit from further work across the organisation to create efficiencies through driving down cost and cutting out work that does not add value. Opportunities exist in terms of improving digitisation and automation of some processes.

8.13 It is likely that additional resources and investment will be required in order to deliver efficiencies and savings in the longer term. The Council will continue this approach to further transform the way it operates over the next three years.

8.14 A further key element of the Strategy is having adequate reserves available to manage any unexpected changes to spending and funding plans. They are a fundamental part of the way the Council manages its business risks and maintains a stable financial position.

Government Uncertainties impacting over the Medium-Term Position

8.15 The Policy Statement and Consultation published on 18 December 2024 confirms that there will be a full package of funding reforms in 2026/27 as expected, and that this will be the start of a multi-year settlement. The funding reforms will build on "the previous

Government's" Fair Funding Review, and there will also be a full Business Rates baseline reset.

- 8.16 The previous Government's Fair Funding Review would have moved funding towards those authorities with high levels of deprivation. In addition, for many shire district authorities, including Babergh, a full Business Rates baseline reset could lead to significant funding losses. The Policy Statement is careful to note that the Government "will move gradually towards an updated system" and will consult on "possible transitional arrangements".
- 8.17 There are further changes that the Government intends to make, particularly around simplification and giving authorities greater certainty with their funding allocations over the medium term: the Government has stated that it will simplify the wider local funding landscape, reducing the number of grants and consolidating them into the Local Government Finance Settlement, as well as moving towards a multi-year settlement for local government so local authorities can plan more effectively.
- 8.18 Other legislative changes intending to be pursued by the Government could have a significant impact on the Council's medium term financial position including the Devolution White Paper published on 16 December 2024, which sets out the Government's agenda for structural reform of local government, and a new Pensions Scheme Bill which will combine the 86 Local Government Pension Schemes (including the Suffolk LGPS) into "megafunds" to drive investment in both the national and local economies.
- 8.19 Looking ahead, and however the funding system is reformed, the prospects for Local Government finance settlements in the next spending review period look very tight indeed. As discussed in paragraph 5.13 the overall planned increase in Government's Total Managed Expenditure is 1.5% in real terms but that means real-terms cuts for unprotected services, including most of Local Government.
- 8.20 When forecasting the expected level of Government funding in the MTFP after 2025/26 the following assumptions have been made:
- The Council will only receive Revenue Support Grant (RSG) from Government, as the Rural Services Delivery Grant and Services Grant are now abolished from 2025/26, and the Minimum Funding Guarantee and New Homes Bonus will also disappear from 2026/27 onwards.
 - There will be a Business Rates baseline reset. The current baseline was set in 2013, when all councils were given a share of Business Rates equal to their calculated needs. Since then, councils have been allowed to keep a share of their growth. For authorities who have had significant business rate growth and are above their current funding baseline, such as Babergh, this will have an impact if the baseline is reset as the Council will lose this growth, subject perhaps to any damping arrangements. The assumption in the MTFP given that no detail is forthcoming from Government is that the Council will lose half of the growth achieved since 2013.
- 8.21 The assumptions listed in the above paragraph result in a loss of resources in 2026/27 of £3.127m.

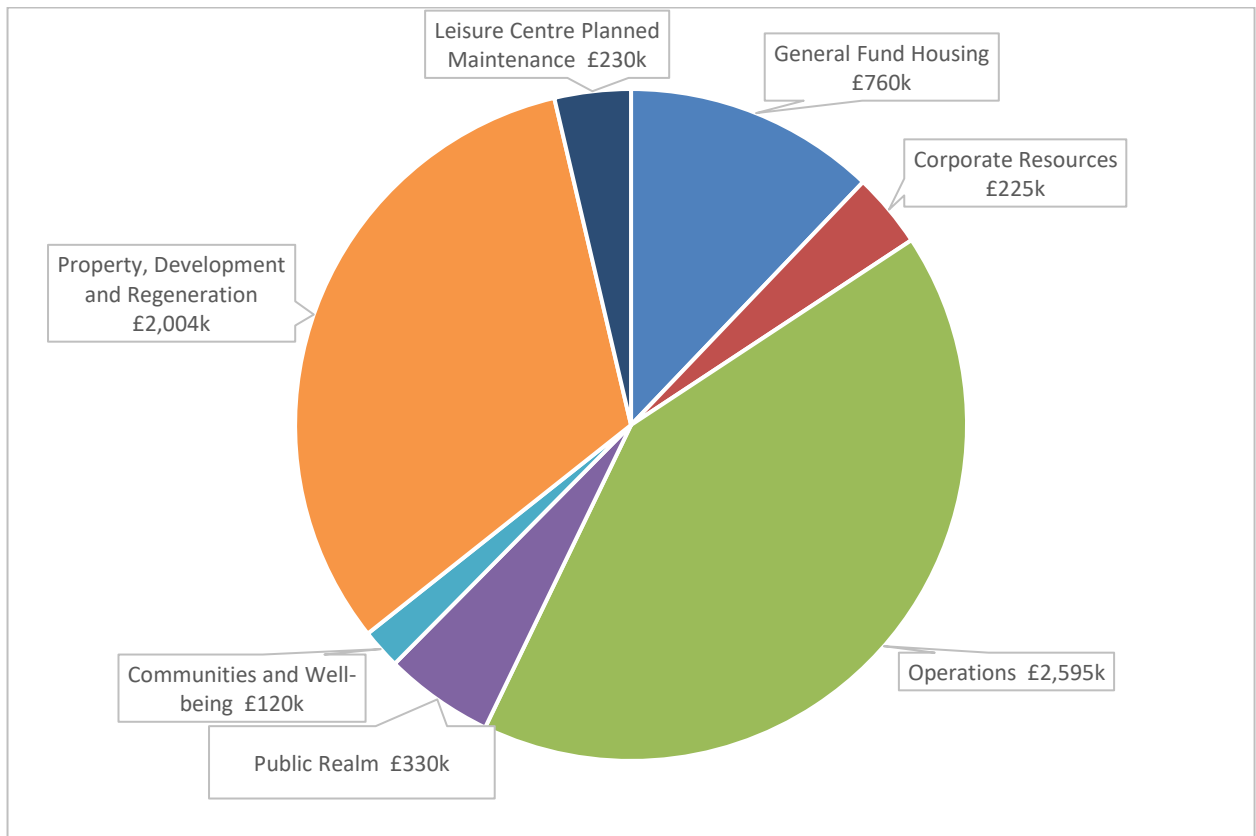
9 CAPITAL PROGRAMME

9.1 The detailed Capital Programme is attached at Appendix D and in summary in the tables below. This comprises the capital budget and the ambition programme. The latter is a pipeline of future projects that are yet to be fully costed through Business Cases (or in the case of the proposed depot, require a new Business Case) and therefore need further approval by Cabinet before they can start to be committed and spent

Table 12: Capital Programme 2024/25 to 2029/30

	2024/25 Forecast outturn	2025/26 Proposed budget	2026/27 Proposed budget	2027/28 Proposed budget	2028/29 Proposed budget	2029/30 Proposed budget	Total
	£000	£000	£000	£000	£000	£000	£000
Capital Budget	9,750	6,264	2,750	2,250	2,250	2,250	25,514
Capital Ambition	0	0	1,050	3,000	4,500	0	8,550
Total Capital Prog	9,750	6,264	3,800	5,250	6,750	2,250	34,064

Chart 6: Capital Budget 2025/26 allocated to services



9.2 Schemes added to or increased the 2025/26 capital budget are:

- Simpler Recycling - Twin Stream Recycling Collection. £0.97m. This budget will be used to purchase containers required for the introduction of a twin stream kerbside recycling collection service in 2025/26 (two containers per household; one for paper and card, the other for plastics, metal, cartons and glass bottles and jars)

- Simpler Recycling - Food Waste Collections: £1.1m. This scheme is for purchasing dedicated vehicles and other equipment required for the introduction of a weekly kerbside food waste collection service to all households in the district in 2025/26. The Council has received £1m New burdens funding in 2024/25 to cover this cost.
- Chilton Depot Planned Maintenance: £150k. Works required to drains etc to enable the depot to remain functioning, pending longer term new depot solution.
- Borehamgate & Navigation House Planned Maintenance (growth to existing budget): £420k. Major external works required at Borehamgate precinct and roof, guttering and windows works required at Navigation House.
- Corporate Buildings Planned Maintenance (growth to existing budget): £70k

9.3 Schemes proposed to be removed from the 2025/26 capital budget are:

- New Joint Depot: £5.5m (to go into the capital ambition programme until a new Business Case is written).
- Strategic Investment Fund: reduced from £2.8m to £500k to reflect more modest spending ambitions against this fund.
- Renovation/Home Repairs Grant: £100k: removed due to low historic take-up.
- Empty Homes Grant: £100k. removed due to low historic take-up.

9.4 The financing of the proposed capital budget is shown in the following table. Borrowing is by far the largest means of financing the capital programme, but this incurs interest costs and MRP charges into the revenue budget.

Table 13: Financing of the Proposed Capital Budget

	2024/25 Forecast outturn	2025/26 Proposed budget	2026/27 Proposed budget	2027/28 Proposed budget	2028/29 Proposed budget	2029/30 Proposed budget	Total
	£000	£000	£000	£000	£000	£000	£000
Borrowing	(6,982)	(3,886)	(1,990)	(1,490)	(1,490)	(1,490)	(17,328)
Disabled Facilities Grant	(619)	(760)	(760)	(760)	(760)	(760)	(4,419)
Other Capital Grants	(666)	(1,009)	0	0	0	0	(1,675)
S106/CIL	(1,349)	(283)	0	0	0	0	(1,632)
Capital Receipts	0	(276)	0	0	0	0	(276)
Earmarked Reserves	(134)	(50)	0	0	0	0	(184)
Total Financing	(9,750)	(6,264)	(2,750)	(2,250)	(2,250)	(2,250)	(25,514)

10 LINKS TO OUR PLAN FOR BABERGH

10.1 Ensuring that the Council makes best use of its resources underpins the ability to achieve the priorities set out in Our Plan for Babergh. One of the key planks of 'our approach' is ensuring that Babergh District Council is a financially viable organisation now and for the future. The underlying principle of the Medium-Term Financial Plan is to be financially sustainable.

11 FINANCIAL IMPLICATIONS

11.1 These are detailed in the report.

12 LEGAL IMPLICATIONS

12.1 The provisions of the Local Government Finance Act 1992 (LGFA 1992) require the Council to set a balanced budget annually having regard to the advice of its Chief Finance Officer (Section 151) in relation to the level of reserves, the robustness of the estimates, and the risks associated with the proposed budget.

13 RISK MANAGEMENT

13.1 The Section 151 Officer will, as part of the final budget setting paper presented to Cabinet in January, bring forward an assessment of the robustness of budget estimates and reserves to ensure the Council maintains adequate provision given the level of financial risk.

13.2 Key risks are set out below.

Key Risk Description	Likelihood 1-4	Impact 1-4	Key Mitigation Measures	Risk Register and Reference
The income, capital and outcome projections for the Councils investment in the Capital Investment Fund (CIFCO) may not be met	2 - unlikely	3 - Bad	Implementation of strong corporate governance Engagement of independent professional advisers and preparation of annual audited accounts. Business Plan 23/24 approved by Council Review by Overview and Scrutiny Committee Council oversight of trading companies' management accounts Further Mitigation Actions - Cashflow forecast completed for 24/25 Full debt repayments to be made in 24/25 Developing 24/25 Business Plan for Council Review in July 24 with continuing focus on capital strategy	Strategic Risk Register - SRR001
General Fund: Babergh District Council may fail to be financially sustainable	3 - probable	4 - Disaster	Continued monitoring and reporting of the Councils financial position including actual and reserves. Cabinet briefings to review position and budget options. External value for money audits.	Strategic Risk Register - SRR008BDC

Key Risk Description	Likelihood 1-4	Impact 1-4	Key Mitigation Measures	Risk Register and Reference
			Corporate transformation programmes to review expenditure and income to balance future years budgets. Early development of medium term financial strategy and identification of options	
Babergh District Council may suffer a significant overspend that needs to be funded from reserves.	3 - probable	3 - Bad	Reporting of impacts of inflationary pressure forecast to SLT and early warning cabinet and monitored through the quarterly outturn reports. Review level of reserves with SLT. Quarterly financial monitoring.	Strategic Risk Register - SRR0013BDC
Babergh District Council may expose itself to financial risk through its own subsidiary companies and other commercial activities.	4 – Highly probable	3 - Bad	Director of Assets and Investments is a Director on each Company Board Director of Finance is provisioned with Company accounts annually in addition to receiving quarterly financial reporting Discussions with external auditors - EY Advice from Treasury Managers - Arlingclose Annual assessment of expected credit losses on lending to companies Further Mitigation Actions - Formal training on subsidiary companies for officers and councillors regularly Assess whether company directors have the relevant skills to oversee a commercial business	Strategic Risk Register - SRR0017BDC
The councils may face significant	3 - probable	3 - Bad	Regular review of current interest rates and ongoing advice from Arlingclose.	Strategic Risk Register -

Key Risk Description	Likelihood 1-4	Impact 1-4	Key Mitigation Measures	Risk Register and Reference
increases in their borrowing costs.			Review as part of treasury and investment strategy, and budget setting to ensure further decisions that incur borrowing are affordable.	SRR0025BD C

14 CONSULTATIONS

- 14.1 Consultations have taken place with Directors, Corporate Managers, Budget Managers and Cabinet Members as appropriate.

15 EQUALITY ANALYSIS

- 15.1 An Equality Impact Assessment (EIA) full assessment has been completed owing to the increase in Council Tax and the assessed impact on those with a protected characteristic.

16 ENVIRONMENTAL IMPLICATIONS

- 16.1 Directors, Heads of Service and other Budget Managers continue to consider the environmental impact of their budgets and take the opportunity to reduce their carbon footprint as opportunities arise.
- 16.2 The Council's new strategic priorities state that environmental and social responsibilities will be at the heart of all the work the Council undertakes and the budget underpins this.
- 16.3 In support of the Council's commitment to be Carbon neutral by 2030, including membership of the UK100, several initiatives have and are being undertaken from a combination of the Council's own resources and those secured from external sources. The portfolio holder for the environment, in consultation with the director for operations and climate change, will develop a funding package to deliver on the priority actions for 2025/26, exploring both council and external funding opportunities.

17 APPENDICES

Title	Location
Gross expenditure and gross income forecasts for 2024/25 to 2029/30	Appendix A
Inflation and other key assumptions made in the 2025/26 budget and MTFP	Appendix B
Forecast Earmarked Reserves	Appendix C

Title	Location
Capital Programme for 2025/26 to 2029/30	Appendix D
Section 25 Statement from the S151 Officer	Appendix E
Council Tax Resolution, and Parish Schedules	Appendix F
Glossary of financial terms used in the Budget Report	Appendix G

18 BACKGROUND DOCUMENTS

BC/23/38 GENERAL FUND BUDGET 2024-2025 AND FOUR-YEAR OUTLOOK

BCa/24/24 FEES AND CHARGES 2025/26

BCa/24/32 2025/26 DRAFT GENERAL FUND BUDGET AND MEDIUM-TERM FINANCIAL POSITION

BCa/24/33 GENERAL FUND FINANCIAL MONITORING Q2

EQIA Screening assessment

[Local authority funding reform: objectives and principles - GOV.UK](#)

[Provisional local government finance settlement: England, 2025 to 2026 - GOV.UK](#)

19 REPORT AUTHORS

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APPENDIX A:

GROSS EXPENDITURE AND GROSS INCOME FORECASTS FROM 2024/25 TO 2029/30

	Budget 2024/25	Q2 Forecast 2024/25	Budget 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure							
Employees	12,369	12,202	12,456	13,295	13,949	14,650	15,388
Premises Expenses	1,192	2,205	1,772	1,810	1,877	1,907	1,940
Supplies & Services	5,293	5,519	5,397	5,310	5,400	5,448	5,548
Transport Expenses	418	433	441	454	469	483	499
Third Party Payments	4,828	4,825	4,920	5,055	5,159	5,266	5,376
Transfers to reserves	131	132	133	134	136	137	139
Capital Financing Costs:							
Interest Payable - CIFCO (PWL B Only)	198	198	187	177	166	166	166
Interest Payable - Short-Term Borrowings	2,284	1,944	2,084	2,161	2,533	2,850	3,062
Less Item 8 Debit Recharge to HRA	(633)	(511)	(462)	(592)	(805)	(911)	(979)
Minimum Revenue Provision (MRP)	1,665	1,608	1,771	2,074	2,142	2,215	2,478
Total Expenditure	27,746	28,555	28,699	29,877	31,024	32,211	33,618
Income							
Grants and Contributions	(1,563)	(1,743)	(1,621)	(1,614)	(1,645)	(1,680)	(1,715)
Sales, Fees & Charges	(3,837)	(4,241)	(5,254)	(5,957)	(6,537)	(6,860)	(7,171)
Savings from Savings Programme	(540)	0	(125)	(200)	(200)	(125)	(125)
Rental & Other Income (incl. PV panels)	(1,937)	(2,340)	(2,394)	(2,406)	(2,413)	(2,415)	(2,418)
Transfers from reserves	(1,174)	(1,214)	(535)	(394)	(382)	(377)	(371)
Recharges Corporate IN	(1,843)	(1,843)	(1,964)	(2,178)	(2,287)	(2,401)	(2,521)
Investment Income:							
Interest Receivable - Pooled Funds	(569)	(457)	(420)	(420)	(420)	(420)	(420)
Interest Receivable - Short-Term Investments	0	(600)	(178)	(188)	(188)	(188)	(188)
Pooled Investments Trf, to reserves		500	1,000				
Less Item 8 Credit Recharge from HRA	0	798	172	34	31	31	32
Interest Receivable - CIFCO	(2,172)	(2,172)	(2,160)	(2,146)	(2,132)	(2,115)	(2,099)
Government Grants:							
New Homes Bonus	(910)	(910)	(838)	0	0	0	0
Revenue Support Grant (RSG)	(119)	(119)	(154)	0	0	0	0
Services Grant	(14)	(14)	0	0	0	0	0
Rural Services Delivery Grant	(308)	(308)	0	0	0	0	0
Employers National Insurance Compensation			(119)	0	0	0	0
Funding Guarantee	(156)	(156)	(219)	0	0	0	0
Business Rates:							
Baseline Business Rates	(716)	(716)	(1,367)	(767)	(781)	(795)	(810)
Business Rates Pool share of Growth Benefit	(364)	(364)	(487)	0	0	0	0
S31 Business Rates Grant	(3,647)	(3,460)	(3,135)	(3,011)	(3,072)	(3,133)	(3,196)
Removal of Top Slicing	(300)	(300)	(233)	0	0	0	0
Business Rates - Renewable Energy	(95)	(95)	(223)	(223)	(223)	(223)	(223)
Enterprise Zone income	(276)	(219)	(318)	(347)	(358)	(358)	(358)
B/R Prior Year Deficit/(Surplus)	(584)	(584)	(354)	120	120	120	120
Council Tax	(6,755)	(6,755)	(7,144)	(7,418)	(7,701)	(7,996)	(8,302)
Total Income	(27,881)	(27,312)	(28,069)	(27,112)	(28,187)	(28,934)	(29,764)
HB Transfer Payments	12,401	12,401	12,401	12,401	12,401	12,401	12,401
HB Grants and Contributions	(12,398)	(12,398)	(12,398)	(12,398)	(12,398)	(12,398)	(12,398)
BUDGET (SURPLUS) / DEFICIT	(132)	1,245	633	2,768	2,840	3,280	3,857

APPENDIX B: INFLATION & OTHER KEY ASSUMPTIONS MADE IN THE 2025/26 BUDGET AND MTFP

	25/26 %	26/27 %	27/28 %	28/29 %	29/30 %
Employees					
Annual Pay Award Inflation	3%	3%	3%	3%	3%
Annual Increment Increases Inflation	2%	2%	2%	2%	2%
Employers NI Contribution Rate (above £5,000 threshold)	15%	15%	15%	15%	15%
Employers Pension Contribution Rate	26%	26%	26%	26%	26%
Vacancy Management Factor	3%	3%	3%	3%	3%
Major Contracts					
Domestic Waste Contract	3.5%	2.4%	1.4%	1.4%	1.4%
Garden Waste Contract	3.5%	2.4%	1.4%	1.4%	1.4%
IT SCC Contract	-2.4%	5%	4%	4%	4%
Leisure Contract	0.7%	2%	3%	3%	3%
Shared Revenues Partnership Contract	3%	3%	3%	3%	3%
Trade Waste Contract	4.3%	2%	1%	1%	1%
Supplies & Services - Price inflation - for different types of expenditure					
Insurance Premium Increase	57%	10%	10%	10%	10%
Fees & Charges					
Building Control	19.2%	2.0%	2.0%	2.0%	2.0%
Car Parking	446.0%	5.1%	4.2%	0.4%	-
Planning & Enforcement	34.0%	55.8%	35.8%	14.3%	12.5%
Electoral Services & Land Charges	1.4%	-	-	-	-
Housing Solutions	25.4%	-	-	-	-
Licensing	6.8%	4.2%	4.2%	4.2%	4.0%
Public Realm	15.3%	10.3%	8.4%	8.6%	-
Recycling, Waste & Fleet	7.9%	2.0%	1.6%	1.6%	1.6%
Strategic Planning	-	-	-	-	-
Capital Financing Charges & Investment Income					
Minimum Revenue Provision - Annuity Rate	5%	5%	5%	5%	5%
Interest payable - Short-Term Borrowing Interest Rates	4.25%	3.75%	3.75%	3.75%	3.75%
Interest income - Short-Term Investments Interest Rates	3.56%	3%	3%	3%	3%
Council Tax					
Council Tax Increase	2.99%	2.99%	2.99%	2.99%	2.99%
Council Tax Base Growth	2.91%	0.81%	0.81%	0.81%	0.81%

APPENDIX C: FORECAST EARMARKED RESERVES

Reserves	Forecast Balance as at 31/03/25	Movement s between reserves 2025/26	Budget Movement from Reserve 2025/26	Budget Movement to Reserve 2025/26	Budget Balance as at 31/03/26	Net Movement to/from Reserve 2026-27	Balance as at 31/03/27	Net Movement to/from Reserve 2027/28	Balance as at 31/03/28	Net Movement to/from Reserve 2028/29	Balance as at 31/03/29	Net Movement to/from Reserve 2029-30	Balance as at 31/03/30
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Business Rates & Council Tax	3,796	(3,796)			(0)		(0)		(0)		(0)		(0)
Financial Resilience Reserve	2,535	2,796			5,331		5,331		5,331		5,331		5,331
Expected Credit Loss Reserve	365		(36)		329	(38)	291	(40)	251	(42)	209	(44)	164
Pooled Investments (loss in value) Reserve	-			1,000	1,000		1,000		1,000		1,000		1,000
In Year Forecast (Surplus) / Deficit	(1,245)		(633)		(1,878)	(2,768)	(4,646)	(2,840)	(7,486)	(3,280)	(10,766)	(3,857)	(14,623)
Total Financial Resilience and risk reserves	5,450	(1,000)	(669)	1,000	4,781	(2,806)	1,975	(2,880)	(905)	(3,322)	(4,227)	(3,902)	(8,128)
													0
Climate Change and Biodiversity	186		-	8	194	9	202	9	211	9	221	10	230
Community Housing Fund	58		(5)		53	(5)	49	(5)	43	(6)	37	(7)	30
Commuted Maintenance Payments	1,221		(130)		1,091	(134)	957	(135)	822	(137)	686	(138)	547
Elections Equipment	25			35	60	36	96	37	132	38	170	39	210
Elections Fund	50				50		50		50		50		50
Government Grants	233				233		233		233		233		233
Homelessness	38		-		38		38		38		38		38
Neighbourhood Planning Grants	141		(31)	90	200	58	258	56	315	55	369	53	422
Rough Sleepers	17				17		17		17		17		17
Planning Reserves	401	0	(138)	-	263	(138)	125	(125)	0	-	0	-	0
Waste	30				30		30		30		30		30
Total Service specific earmarked reserves	2,398	-	(303)	133	2,228	(174)	2,054	(163)	1,891	(41)	1,850	(43)	1,806
													-
Strategic Priorities	361		(208)	-	153	(81)	71	(80)	(8)	(80)	(89)	(81)	(170)
Business Rates Retention Pilot (BRRP)	233		(22)		211	(4)	207		207		207		207
Transformation Fund	-	1,000			1,000		1,000		1,000		1,000		1,000
Total Corporate Priorities Reserves:	594	1,000	(231)	-	1,363	(85)	1,278	(80)	1,199	(80)	1,118	(81)	1,037
OVERALL TOTAL	8,443	-	(1,203)	1,133	8,373	(3,065)	5,308	(3,123)	2,185	(3,443)	(1,259)	(4,026)	(5,285)

APPENDIX D: PROPOSED CAPITAL BUDGET AND CAPITAL AMBITION PROGRAMME 2024/25 TO 2029/30

Capital Budget	2024/25 Forecast Outturn	2025/26 Proposed budget	2026/27 Proposed budget	2027/28 Proposed budget	2028/29 Proposed budget	2029/30 Proposed budget	Total
	£000	£000	£000	£000	£000	£000	£000
General Fund Housing							
Mandatory Disabled Facilities Grant	619	760	760	760	760	760	4,419
Renovation / Home Repair Grants	50	0	0	0	0	0	50
Empty Homes Grant	0	0	0	0	0	0	0
Total General Fund Housing	669	760	760	760	760	760	4,469
Operations							
Replacement Refuse Freighters - Joint Scheme	0	420	340	340	340	340	1,780
Simpler Recycling - Twin Stream Recycling Collection	0	968	0	0	0	0	968
Simpler Recycling - Food Waste Collections	0	1,107	0	0	0	0	1,107
Licensing - Verso System	9	0	0	0	0	0	9
Refuse and Recycling Bins	175	100	100	100	100	100	675
Total Operations	184	2,595	440	440	440	440	4,539
Climate Change							
EV Charging Points	111	0	0	0	0	0	111
Total Climate Change	111	0	0	0	0	0	111
Public Realm							
Vehicle and Plant Renewals	40	100	180	180	180	180	860
Parking Strategy Implementation	15	150	0	0	0	0	165
Pin Mill - Planned Maintenance	0	30	30	30	30	30	150
Play Equipment	132	50	50	50	50	50	382
Total Public Realm	187	330	260	260	260	260	1,557

APPENDIX D: PROPOSED CAPITAL BUDGET AND CAPITAL AMBITION PROGRAMME 2024/25 TO 2029/30 (cont.)

Capital Budget	2024/25 Forecast Outturn	2025/26 Proposed budget	2026/27 Proposed budget	2027/28 Proposed budget	2028/29 Proposed budget	2029/30 Proposed budget	Total
	£000	£000	£000	£000	£000	£000	£000
Communities and Well-being							
Community Development Grants	120	120	120	120	120	120	720
S106 Open Spaces Expenditure	299	0	0	0	0	0	299
S106 Deposit Income	120	0	0	0	0	0	120
S106 Suffolk County Council contributions	414	0	0	0	0	0	414
CIL Funded Infrastructure Grants	515	0	0	0	0	0	515
Total Communities and Well-being	1,468	120	120	120	120	120	2,068
Property, Development and Regeneration							
Babergh Growth Ltd - Capital Loans	5,680	0	0	0	0	0	5,680
Belle Vue - Café & Toilets	50	759	0	0	0	0	809
Belle Vue - Boundary Wall	100	0	0	0	0	0	100
Chilton Depot-planned maintenance	0	150	150	150	150	150	750
Corporate Buildings-Planned Maintenance/Enhancements	0	100	100	100	100	100	500
Planned Maintenance / Enhancements - Car Parks	68	15	15	15	15	15	143
9 Curzon Road-Improvement Works	20	0	0	0	0	0	20
Borehamgate & Navigation House - Planned Maintenance	100	480	80	80	80	80	900
Shared Prosperity Fund	127	0	0	0	0	0	127
Rural England Prosperity Funding	466	0	0	0	0	0	466
Gaol Lane Toilet Refurbishment	11	0	0	0	0	0	11
Strategic Assets	7	0	0	0	0	0	7
Strategic Investment Fund	0	500	500	0	0	0	1,000
Total Property, Development and Regeneration	6,629	2,004	845	345	345	345	10,513

APPENDIX D: PROPOSED CAPITAL BUDGET AND CAPITAL AMBITION PROGRAMME 2024/25 TO 2029/30 (cont.)

Capital Budget	2024/25 Forecast Outturn	2025/26 Proposed budget	2026/27 Proposed budget	2027/28 Proposed budget	2028/29 Proposed budget	2029/30 Proposed budget	Total
	£000	£000	£000	£000	£000	£000	£000
Leisure Contracts							
Kingfisher Leisure Centre Planned Capital works	60	160	160	160	160	160	860
Kingfisher Leisure Centre-Roof Works	300	0	0	0	0	0	300
Hadleigh Leisure Centre Planned Capital works	0	70	70	70	70	70	350
Hadleigh Leisure Centre - Pool cover & lighting upgrades	46	0	0	0	0	0	46
Total Leisure Contracts	406	230	230	230	230	230	1,556
Finance & Procurement							
Replacement Finance Management System	82	0	0	0	0	0	82
Total Finance & Procurement	82	0	0	0	0	0	82
Corporate Resources							
ICT - Hardware/Software Refresh	14	225	95	95	95	95	619
Total Corporate Resources	14	225	95	95	95	95	619
Total Capital Expenditure	9,750	6,264	2,750	2,250	2,250	2,250	25,514

Financing of Capital Budget							
Borrowing	(6,982)	(3,888)	(1,990)	(1,490)	(1,490)	(1,490)	(17,328)
Disabled Facilities Grant	(619)	(760)	(760)	(760)	(760)	(760)	(4,419)
Other Capital Grants	(666)	(1,009)	0	0	0	0	(1,675)
S106/CIL	(1,349)	(283)	0	0	0	0	(1,632)
Capital Receipts	(261)	(274)	0	0	0	0	(276)
Earmarked Reserves	(134)	(50)	0	0	0	0	(184)
Total Financing	(9,750)	(6,264)	(2,750)	(2,250)	(2,250)	(2,250)	(25,514)

APPENDIX D: PROPOSED CAPITAL BUDGET AND CAPITAL AMBITION PROGRAMME 2024/25 TO 2029/30 (cont.)

	2024/25 Forecast Outturn	2025/26 Proposed budget	2026/27 Proposed budget	2027/28 Proposed budget	2028/29 Proposed budget	2029/30 Proposed budget	Total
Capital Ambition Programme	£000	£000	£000	£000	£000	£000	£000
New Joint Depot	0	0	500	2,000	3,500	0	6,000
Kingfisher Leisure Centre major works	0	0	250	1,000	1,000	0	2,250
Rent a roof scheme	0	0	300	0	0	0	300
Total	0	0	1,050	3,000	4,500	0	8,550

APPENDIX E: SECTION 25 REPORT FROM THE S151 OFFICER

1. Background

- 1.1 Section 25 of the Local Government Act 2003 requires Councils, when setting its annual General Fund budget and level of council tax, to take account of a report from its Section 151 Officer on the robustness of estimates and adequacy of reserves. This report fulfils that requirement for the setting of the budget and council tax for 2025/26. This advice will be presented to Council on 26 February 2025.
- 1.2 This is to ensure that when deciding on its budget for a financial year, Members are made aware of any issues of risk and uncertainty, or any other concerns by the Chief Financial Officer (CFO). The local authority is also expected to ensure that its budget provides for a prudent level of reserves to be maintained.
- 1.3 Section 26 of the Act empowers the Secretary of State to set a minimum level of reserves for which a local authority must provide in setting its budget. Section 26 would only be invoked as a fallback in circumstances in which a local authority does not act prudently, disregards the advice of its CFO and is heading for financial difficulty. The Section 151 Officer and Members, therefore, have a responsibility to ensure in considering the budget that:
 - It is realistic and achievable and that appropriate arrangements have been adopted in formulating it.
 - It is based on clearly understood and sound assumptions and links to the delivery of the Council's strategic priorities.
 - It includes an appropriate statement on the use of reserves and the adequacy of these.

2 Basis of Advice for Section 25 Report

- 2.1 In forming the advice for this year's Section 25 report, the CFO has considered the following:
 - a) The role of the Chief Finance Officer
 - b) The effectiveness of financial controls
 - c) The effectiveness of budget planning and budget management
 - d) The adequacy of insurance and risk management
 - e) The mitigation of strategic financial risks
 - f) The Capital Programme
 - g) Adequacy of Reserves

Role of the Chief Finance Officer

- 2.2 The statutory role of the Chief Finance Officer in relation to financial administration and stewardship of the Council, and its role in the organisation are both key to ensuring that financial discipline is maintained.
- 2.3 The statutory duties of the Chief Finance Officer are set out in the Financial Regulations which form part of the Council's Constitution. These include the

requirement to report to council if there is an unbalanced budget (under Section 114 of the Local Government Act 1988).

2.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) published a Statement on the Role of the Chief Financial Officer (CFO) in Local Government. The Statement requires that in order to meet best practice the CFO:

- a) is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- b) must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and
- c) must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO:

- d) must lead and direct a finance function that is resourced to be fit for purpose; and
- e) must be professionally qualified and suitably experienced.
- f) The CIPFA Financial Management Code came into effect from the 1st April 2021, the code complements the Statement on the Role of the Chief Financial Officer, including a set of financial management standards that the Council is complying with. The standards emphasise how financial management is a collective responsibility of the Council's Corporate Leadership Team, acting alongside the CFO, stating that "it is for the leadership team to ensure that the authority's governance arrangements and style of financial management promote financial sustainability. These standards have been considered in drafting this statement.

CIPFA Financial Resilience Index

2.5 CIPFA's Financial Resilience Index, made publicly available for the first time in 2019, aims to support good practice in the planning of sustainable finance. The index does not come with CIPFA's own scoring, ranking or opinion on the financial resilience of an authority. However, users of the index can undertake comparator analysis drawing their own conclusions. The tool is based on a series of indicators relating to the sustainability of reserves, external debt, fees and charges and income from local taxation (business rates and council tax).

2.6 The 2023 index, which provides the relative position for the 2023/24 financial year, is the most up to date index currently available. Councils' performance is ranked relative to those in the selected 'comparator group'.

2.7 The CIPFA indicators of financial stress are;

- Level of reserves
- Change in reserves
- Interest Payable/Net Revenue Expenditure

- Gross External Debt
- Fees & charges to Service Expenditure ratio
- Council Tax Requirement/Net Revenue Expenditure
- Business Rates Growth above baseline

- 2.8 Babergh's level of reserves covers the net revenue expenditure nearly four times over, however this does include the HRA reserves, capital grants and capital receipts. If you look purely at the General Fund reserves this equates to 94% of net revenue expenditure in 2023/24. In comparison to our nearest neighbour group according to CIPFA this places Babergh as low risk.
- 2.9 The change in reserves over the past three years indicator shows that Babergh's reserves have increased by 13%. This puts Babergh as one of the four authorities in the nearest neighbour group of 13 who have increased their reserves rather than reducing them.
- 2.10 The interest payable ratio for Babergh at 33% of Net Revenue Expenditure this is higher than the nearest neighbour comparisons, with the highest being 19.6%. However, two thirds of the Councils interest payable relates to the HRA which is ringfenced, so this is misleading. If we exclude the HRA interest, this ratio for General fund interest is 11%. Similarly, the level of debt (£134.3m) is seen as high risk compared to the nearest neighbours however 63% (£84.7m) of this relates to the HRA PWLB debt which was entered into a part of the self-financing regime in 2012. Of course, the level of debt and associated finance costs for the HRA should not be ignored but it needs to be balanced against the value of the housing stock on the Councils balance sheet (£324m).
- 2.11 The other elements are all linked to the investment that the Council has made in CIFCO by increasing General Fund debt levels, higher interest payments, but also higher investment income coming back to the Council and is secured by charges on the properties acquired by CIFCO.
- 2.12 The fees and charges to Service expenditure for Babergh is 25%, which makes it the second highest in the group of nearest neighbours. The higher the ratio, the lower the risk, a greater amount in fees/charges will make councils more resilient as they have more control over budgets.
- 2.13 Babergh has one of the lowest proportions of council tax requirement to net revenue expenditure within the group at 50% meaning that it needs to generate the other 50% through business rates, fees and charges and is still reliant on Government funding to cover the costs of delivering services.
- 2.14 Babergh's business rate growth above baseline is 56.61% putting it at a medium risk in CIPFAs view, with the highest being 131.37% and the lowest 16.98%. This is of particular importance when faced with a baseline reset as this is the amount of growth that is at risk of being redistributed across the system. This is why within the MTFP we are predicting a 50% drop in income from business rates from 2026/27 when the reset is likely to happen.

Financial Management

- 2.15 Alongside the statutory role of the CFO the Council has in place a number of financial management policies and financial controls which are set out in the Financial Regulations.
- 2.16 Other safeguards which ensure that the Council does not over-commit financially include:
- a) the statutory requirement for each local authority to set and arrange their affairs to remain within prudential limits for borrowing and capital investment;
 - b) the balanced budget requirement of the Local Government Finance Act 1992 (Sections 32, 43 and 93); and
 - c) the auditors' consideration of whether the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the value for money conclusion).
- 2.17 The Council's statement of accounts for 2020/21 to 2022/23 were presented to Joint Audit and Standards committee in December 2024 and a disclaimed opinion issued by the Councils auditors EY on those accounts. The 2023/24 statement of accounts will undergo the same process on 24 February 2025. This does place some uncertainty on the accuracy of balances carried forward and the level of reserves reported.
- 2.18 This is in response to the Governments proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. The disclaimer of the Council's 2022/23 accounts will impact both the audit procedures to be undertaken to gain assurance on the 2023/24 financial statements and the form of the Audit Report in 2023/24 and subsequent years during the 'Recovery phase' of the Government's proposals.
- 2.19 The Council conducts an annual review of the effectiveness of the system of internal control and reports on this in the "Annual Governance Statement".
- 2.20 The internal and external audit functions play a key role in ensuring that the Council's financial controls and governance arrangements are operating satisfactorily. This is backed up by the review processes of Cabinet and the Joint Audit and Standards Committee undertaking the role of the Council's Audit Committee.
- 2.21 The value for money conclusion for Babergh issued by EY reported the following:
- Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services - no significant weakness identified.
 - Governance: How the Council ensures that it makes informed decisions and properly manages its risks - significant weakness identified that the Council is to put proper arrangements in place to ensure that its Statement of Accounts is prepared in a timely manner and that the Council meets its statutory reporting requirements by the deadlines.

- Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services -significant weakness identified. The Council is to put proper arrangements in place to ensure robust oversight of Contract Management Processes and to implement clear and effective strategies, policies and procedures to ensure compliance with procurement-related laws and regulations.

2.22 Work is underway to address the actions recommended in the value for money conclusion and will be fully implemented in 2025/26.

Budget Setting

2.23 The 2025/26 budget setting commenced early in 2024 to address the challenges the Council were likely to face in setting a balanced budget. Work continued throughout the year to identify significant savings and manage in year pressures and future funding gaps. This is described in more detail in section 9 of this report, the Council identified £2.5m in additional income and savings for 2025/26.

2.24 Whilst this went a long way in addressing the issue for 2025/26, due to the late removal of the rural service delivery grant along with the Council receiving no increase in core spending power in the provisional settlement, the Council had no choice but to use reserves to close the remaining £633k budget gap.

2.25 It is critical that the Council closely monitors the savings put forward to ensure these are realised and any additional pressures are mitigated throughout the year.

2.26 The budget process is rigorous, with all key drivers identified and scrutinised to ensure they are understood and relevant. Cabinet and Overview and scrutiny have provided robust challenge of the budget proposals and assumptions.

2.27 Detailed scrutiny, review and challenge of budgets has been undertaken by finance officers and the Senior Leadership Team

2.28 Cost pressures and variations in key areas of income and expenditure have been carefully considered and reflected in the budget.

2.29 The Council has used the advice of expert external advisors in areas of key materiality and / or complexity including interest rate and inflationary forecasts, including advice on the expected credit loss associated with Babergh Growth Ltd.

2.30 The Medium-Term Financial planning process is designed to ensure that the Council is able to set balanced budgets in the short and medium term, i.e. that planned expenditure is affordable. The current forecast is based on a pessimistic perspective of no future Government funding and a significant drop in Business rates income.

2.31 The Medium-term financial strategy in Section 11 sets out the approach the Council will take in order to address this situation and to remain financially sustainable.

Budget Management

2.32 A key factor in effective budget management is the Council's regular monitoring of spending against budgets throughout the year and at year-end. Budget managers are required to update their forecasts during the year, and these are subject to review by

the Senior Leadership Team and Cabinet on a quarterly basis. The development of budget managers and initiatives to strengthen budgetary control and financial management throughout the Council is an ongoing process.

- 2.33 The drivers behind material variances are discussed and understood, with mitigating actions taken where necessary to ensure overall Council expenditure remains within the overall budget envelope.
- 2.34 Key checks and balances, including reconciliations to all key systems and bank accounts, are undertaken throughout the financial year to give assurance that the financial information is accurate.
- 2.35 Future improvements will include regular updates to the MTFP forecasts reflecting the latest financial information and long-term cash flow projections to manage the Councils debt and cash positions.

Adequacy of Insurance and Risk Management

- 2.36 The Council's insurance arrangements are in the form of external insurance premiums with regular reviews being undertaken of the level at which risks are insured. A new Insurance Officer will be recruited to the finance team to help manage the Councils insurance arrangements and provide robust reporting to the Senior Leadership team.
- 2.37 A critical area where risk management thinking can add significant value is to enhance the planning and budgeting process. Utilising a risk-based approach directly links to the Council's risk appetite to its core financial and economic performance, supported by the Council's Strategic Risk Register. The goal when integrating risk management into budget planning is to understand the assumptions that the budget is based on.
- 2.38 The effective application of the Council's risk management principles enhances many processes within the context of managing its services and enables management to make better and more informed decision.
- 2.39 The Director of Finance and Procurement meets regularly to discuss strategic risks with Finance Cabinet Members, as well as regular review and oversight by the Senior Leadership team and Cabinet.
- 2.40 Our approach is to identify the major line items of each service budget, the personnel who contributed to them and the basis of estimation and then to ask key questions such as:
 - What are the potential risks that could interfere with the accuracy of the estimate?
 - What is the likelihood of these risks materialising?
 - What would the impact on the organisation be if they did materialise?

Mitigation of Strategic Financial Risk

- 2.41 No budget can be completely free from risk, and some of the assumptions made are outside of the Council's control and influence.

2.42 The key financial risks in the 2025/26 budget are as follows:

Financial Risk	Assumptions made
Employees Budget	<p>Assumed 2025/26 Pay Award of 3%, in 2024/25 the actual award was 3.5%, this is of course subject to agreement nationally and is therefore outside of the Councils control. A 1% increase would equate to an additional £120k.</p> <p>A 3% vacancy management factor has been included in the 2025/26 budget, this equates to £358k. This is a reduction of the 2024/25 amount of 5%.</p> <p>The Council is currently delivering against the 2024/25 forecast, therefore careful management of the Councils staffing budget will need to be undertaken throughout the year. Every 1% not achieved is £119k.</p> <p>The agency staff budget has been reduced from £125k in 2024/25 to £22k in 2025/26. This means that any additional temporary resource will need to be met from existing vacant post budgets or savings found elsewhere.</p>
Achieving the 2025/26 Savings Programme	<p>£2.559m of savings, efficiencies and additional income has been included in the 2025/26 budget (see Table 10).</p> <p>The Senior Leadership Team will need to ensure that there is a continued focus on the actions required to realise this target and that the necessary work involved is started as soon as possible.</p> <p>Updates on progress will be reported to Cabinet via the quarterly budget monitoring reports.</p>
Interest rates and inflation	<p>The global economic situation is currently uncertain, and this could have an impact on interest rates and inflation.</p> <p>A key risk is the cost of short-term borrowing as the Councils 2025/26 Treasury Management Strategy proposes no long-term borrowing in 2025/26 given the high interest rates and the adverse impact on the Council of locking itself into long-term borrowing at these rates.</p> <p>This proposed strategy will need to be kept under review. The 2025/26 budget assumes interest rates on short-term borrowing at 4.25%. For 2025/26 this is budgeted at £2m</p> <p>The Council also budgets for interest receivable, for 2025/26 this is budgeted at £600k.</p> <p>A 1% difference in interest rates would impact the revenue budget by a net £440k. (net interest receivable and payable)</p>

Financial Risk	Assumptions made
	<p>It is more difficult to assess the impact of a rise in inflation as different expenditure budgets have increased by specific inflation indices.</p>
<p>Business Rates</p>	<p>The forecasting of Business Rates income is always difficult given the potential volatility arising from businesses moving out of the area or ceasing to trade and the number of successful appeals lodged with the Valuation Office Agency on the rateable values used.</p> <p>The reduction of retail and hospitality reliefs introduced by the Government could have a significant impact on collectable debt.</p> <p>This will be closely monitored through the Shared Revenues Partnership and will be reported through to Cabinet as part of the quarterly monitoring and through the Joint SRP committee.</p>
<p>Income from Fees and Charges</p>	<p>A significant part of the Council's costs continues to be met from fees and charges.</p> <p>For some of these headings it is difficult to predict the level of income to be received e.g. planning fees, so progress against these income targets will need to be monitored throughout the year, particularly in the light of continuing economic volatility.</p> <p>A 1% change in fees and charges income including from planning, building control, garden waste, car park and recycling performance payments income is around £53k</p>
<p>Expected Credit Loss</p>	<p>The Council is forecasting a loss in the region of £3m relating to Babergh Growth. The Council has £365k set aside in an earmarked reserve to cover part of this loss.</p> <p>The proposed treatment of this loss is to write it off over 30 years. This is being discussed with the Councils auditors to seek a view on this treatment, the outcome of this at the time of writing was still unknown.</p> <p>If the auditors advise that the loss should be incurred when realised, then the Council would need to use reserves to cover the full loss. This would have a significant impact on the level of reserves available to the Council.</p>
<p>Capital Programme</p>	<p>The Councils capital programme for 2025/26 has been reviewed with a view to keeping financing costs manageable within the budget.</p> <p>The borrowing required to deliver the £6.264m capital programme in 2025/26 is £3.886m. This equates to £2,084k in interest costs and £1,808k in MRP.</p>

Financial Risk	Assumptions made
	<p>The borrowing strategy and MRP policy are set out in detail in the Capital, Investment and Treasury Management Strategies document</p> <p>The capital programme spend could increase due to unexpected increases in material or contract costs linked to demand or inflation.</p> <p>Performance against the capital programme will be reported through the quarterly monitoring to Cabinet.</p>

Adequacy of Reserves

- 2.43 There is no available guidance on the minimum level of reserves that should be maintained. Each authority should determine a prudent level of reserves based upon their own circumstances, risk and uncertainties. Regard has been had to guidance that has been issued to CFO's and the risks and uncertainties faced.
- 2.44 The Council is required to maintain adequate financial reserves to meet the needs of the authority. This is the General Reserve and provides a safe level of contingency.
- 2.45 The minimum level of unearmarked reserves in 2025/26 will remain at £1.2m, this represents 10% of the annual General Fund Budget. There is currently no intention to increase the reserve.
- 2.46 Levels of earmarked reserves (excluding those relating to the Housing Revenue Account) are forecast to be £8m at 31 March 2026. £4.4m in financial resilience and risk reserves, £2.2m in service specific reserves and £1.3m in the corporate priorities reserves.

Conclusion

- 2.47 Taking all of the above into consideration, the Section 151 Officer's opinion is that the Council's budget and estimates are reasonable based on the assumptions and available information, but cannot be absolutely robust, so a full assurance cannot be given that there will be no unforeseen adverse variances.
- 2.48 This is an expected and acceptable situation for any organisation that is dealing with a large number of variables. Also, the general economic situation is likely to impact on expenditure and income. The £4.4m in the financial risk and resilience reserves along with the £1.2m minimum reserve are considered adequate to cover any variations that may arise throughout the year.
- 2.49 The medium-term position remains challenging and the level of reserves for this period is not adequate to enable the Council to balance its budgets in the future without significant financial savings, additional income or more Government funding. If this does not happen and the assumptions over the medium term are accurate the Council could be in a S114 situation as early as 2027.

2.50 It is acknowledged that plans for future years may change following the Devolution White Paper. Progress on this will be kept under review and reflected in future years budgets.

Melissa Evans
Director, Corporate Finance & Procurement
(Section 151 Officer)

APPENDIX F: COUNCIL TAX RESOLUTION AND PARISH SCHEDULES

	2025/26 Budget Requirement £	2025/26 Council Tax at Band D £	2024/25 Budget Requirement £
Babergh District Council			
General Fund Budget Requirement District Council Purposes	13,634,508	369.71	13,334,768
Estimated Parish/Town Council Precepts (net of Council Tax Support Scheme Grant)	3,705,195	100.47	3,499,844
	17,339,703	470.18	16,834,611
Business Rates	(5,762,762)	(156.26)	(5,398,674)
Rural Services Delivery Grant	-	-	(307,949)
Revenue Support Grant (RSG)	(154,212)	(4.18)	(119,222)
Services Grant	-	-	(13,611)
Funding Guarantee Grant	(219,207)	(5.94)	(155,790)
Adjustment for anticipated surplus on Business Rates Collection Fund	(353,799)	(9.59)	(584,085)
Adjustment for anticipated surplus on Council Tax Collection Fund	-	-	(14,907)
Babergh's basic amount under section 33 of the 1992 Local Government Act	10,849,723	294.20	10,240,373
LESS: <i>Estimated</i> Parish/Town Council Precepts	(3,705,195)	(100.47)	(3,499,844)
Basic amount under s. 34 of the 1992 Act for dwellings to which no special items relate. (see section 3 below)	7,144,528	193.73	6,740,529
Suffolk County Council precept requirement (see section 7 below)	60,828,983	1,649.43	56,297,653
Police and Crime Commissioners Requirement (see section 7 below)	10,677,516	289.53	9,875,310
<i>Estimated</i> Basic amount for areas where there are no special items.	78,651,027	2,132.69	72,913,492

Council Tax Resolution 2025/26

1. It is a requirement for the billing authority to calculate a council tax requirement for the year as opposed to its budget requirement.
2. It be noted that the Council, as delegated to the Section 151 Officer, calculated the taxbase:
 - a) for the whole Council area as 36,878.79 and,
 - b) for dwellings in those parts of its area to which a Parish precept relates as further detailed in Appendix F.
3. The council tax requirement for the Council's own purposes for 2025/26 (excluding Parish precepts) is £7,144,350.
4. That the following amounts be calculated for the year 2025/26 in accordance with Sections 31 to 36 of the Act:

(a)	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by parish councils (gross expenditure)	64,281,507
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(b)	Being the aggregate of the amounts which the Council estimates for items set out in Section 31(A)(3) of the Act (gross income)	-53,431,962
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(c)	Being the amount by which the aggregate at 3 a) above exceeds the aggregate at 3 b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year. (Item R in the formula in Section 31A(4) of the Act) (net expenditure)	10,849,545
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(d)	Being the amount at 3 c) above (item R) all divided by item T (2 above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish precepts) (average council tax)	294.19
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(e)	Being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act	3,705,195
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(f)	Being the amount at 3 (d) above less the result given by dividing the amount at 3 e) above by item T (2 above) calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates (basic council tax)	193.73
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5. To note that Suffolk County Council and the Police and Crime Commissioner have issued precepts to the Council in accordance with section 40 of the Local

Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in Section 7 below.

6. That the Council in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the table below

and further in Appendix F as the amounts of council tax for 2025/26 for each part of its area and for each of the categories of dwellings.

7. The precept levels of other precepting are detailed below:

Suffolk County Council

Suffolk County Council has set their precept at £60,828,983 which results in a Band D council tax of £1,649.43.

Suffolk Police and Crime Commissioner

The Police and Crime Commissioner has set their precept at £10,677,516. This results in a Band D council tax of £289.53.

Babergh District Council

The General Fund council tax requirement for Babergh District Council is based on an increase in council tax from £188.10 to £193.73 (2.99%) for a Band D property.

Aggregated council tax requirement

The aggregated council tax requirement for Suffolk County Council, Suffolk Police and Crime Commissioner and Babergh District Council results in a Band D council tax of £2,132.69.

	Babergh District Council	Suffolk County Council	Police and Crime Commissioner	Aggregated Council Tax requirement
Valuation Bands	£	£	£	£
A	129.15	1,099.62	193.02	1,421.79
B	150.68	1,282.89	225.19	1,658.76
C	172.20	1,466.16	257.36	1,895.72
D	193.73	1,649.43	289.53	2,132.69
E	236.78	2,015.97	353.87	2,606.62
F	279.83	2,382.51	418.21	3,080.55
G	322.88	2,749.05	482.55	3,554.48
H	387.46	3,298.86	579.06	4,265.38

8. The Town and Parish Council Precepts for 2025/26 are detailed further in Appendix F and total £3,705,195. The increase in the average Band D for Town and Parish Councils is 2.9% and results in an average Band D council tax figure of £100.47 for 2025/26.

APPENDIX F Cont'd: COUNCIL TAX RESOLUTION AND PARISH SCHEDULES

Precepts and Council Tax Band D for Parishes

Parish	2024/25 Parish Precept	Tax Base	Council Tax Band D	2025/26 Parish Precept	Tax Base	Council Tax Band D	Increase / Decrease (-)
	£		£	£		£	£
Acton	56,000.00	725.96	77.14	58,000.00	727.90	79.68	2.54
Aldham	1,392.00	87.58	15.89	1,550.00	93.79	16.53	0.64
Alpheton	7,310.00	109.58	66.71	8,770.00	112.68	77.83	11.12
Erwarton	-	60.92	-	-	65.23	-	0.00
Assington	10,000.00	249.36	40.10	9,600.00	247.00	38.87	-1.23
Belstead	7,350.00	112.46	65.36	7,250.00	111.30	65.14	-0.22
Bentley	15,000.00	363.50	41.27	15,500.00	365.56	42.40	1.13
Bildeston	33,000.00	389.44	84.74	36,000.00	388.26	92.72	7.98
Boxford	64,817.00	557.44	116.28	65,107.00	559.93	116.28	0.00
Boxted	848.00	48.66	17.43	848.00	51.50	16.47	-0.96
Brantham	63,636.00	998.16	63.75	74,966.00	1,092.33	68.63	4.88
Brent Eleigh	3,000.00	89.32	33.59	3,400.00	101.05	33.65	0.06
Brettenham	5,948.80	136.77	43.49	7,161.33	150.53	47.57	4.08
Bures St Mary	32,435.00	401.55	80.77	32,500.00	406.35	79.98	-0.79
Burstall	10,530.00	99.59	105.73	10,394.00	101.34	102.57	-3.16
Capel St Mary	106,537.56	1,308.74	81.40	112,050.00	1,325.67	84.52	3.12
Chattisham	2,080.88	84.09	24.75	2,148.35	84.56	25.41	0.66
Chelmondiston	29,500.00	404.67	72.90	33,702.00	421.45	79.97	7.07
Chelsworth	1,500.00	89.36	16.79	1,900.00	98.22	19.34	2.55
Chilton	27,098.00	327.60	82.72	32,022.00	387.13	82.72	0.00
Cockfield	60,190.00	520.58	115.62	61,480.00	493.11	124.68	9.06
Copdock & Washbrook	39,702.00	472.15	84.09	40,440.00	481.11	84.06	-0.03
East Bergholt	148,000.00	1,159.73	127.62	160,000.00	1,277.87	125.21	-2.41
Edwardstone	6,677.00	172.10	38.80	7,013.00	168.14	41.71	2.91
Elmsett	10,400.00	348.99	29.80	10,700.00	362.58	29.51	-0.29
Freston	2,895.00	50.92	56.85	3,125.00	52.78	59.21	2.36
Glemsford	117,972.00	1,302.68	90.56	124,239.00	1,312.74	94.64	4.08
Great Cornard	281,376.00	2,872.16	97.97	306,148.00	2,906.84	105.32	7.35
Great Waldingfield	60,000.00	643.91	93.18	60,900.00	654.99	92.98	-0.20
Great Wenham	-	58.95	-	-	58.45	-	0.00
Groton	5,005.00	135.50	36.94	5,295.00	136.52	38.79	1.85
Hadleigh	443,024.00	3,138.42	141.16	463,401.00	3,187.16	145.40	4.24
Harkstead	4,000.00	127.70	31.32	4,975.00	132.40	37.58	6.26
Hartest	14,634.90	236.38	61.91	15,220.00	253.74	59.98	-1.93
Higham	-	78.22	-	-	84.19	-	0.00
Hintlesham	7,341.12	296.66	24.75	7,451.65	293.30	25.41	0.66
Hitcham	8,480.00	305.44	27.76	9,535.00	327.08	29.15	1.39
Holbrook	35,123.00	717.77	48.93	37,500.00	731.48	51.27	2.34
Holton St Mary	7,154.00	109.69	65.22	7,398.00	109.17	67.77	2.55

APPENDIX F Cont'd: COUNCIL TAX RESOLUTION AND PARISH SCHEDULES

Precepts and Council Tax Band D for Parishes

Parish	2024/25 Parish Precept	Tax Base	Council Tax Band D	2025/26 Parish Precept	Tax Base	Council Tax Band D	Increase / Decrease (-)
	£		£	£		£	£
Kersey	14,322.00	189.79	75.46	15,677.00	207.75	75.46	0.00
Kettlebaston	2,810.00	38.86	72.31	3,100.00	39.85	77.79	5.48
Lavenham	119,000.00	953.67	124.78	122,332.00	980.27	124.79	0.01
Lawshall	9,658.00	413.08	23.38	10,108.00	412.14	24.53	1.15
Layham	11,500.00	255.24	45.06	13,800.00	254.35	54.26	9.20
Leavenheath	20,876.00	595.75	35.04	22,029.00	598.72	36.79	1.75
Lindsey	5,782.00	95.05	60.83	6,127.00	96.09	63.76	2.93
Little Cornard	8,735.00	139.64	62.55	9,494.00	147.76	64.25	1.70
Little Waldingfield	8,968.00	156.31	57.37	9,312.00	162.31	57.37	0.00
Little Wenham	-	19.58	-	-	19.83	-	0.00
Long Melford	175,000.00	1,659.09	105.48	186,950.00	1,729.17	108.12	2.64
Milden	1,001.52	64.46	15.54	1,600.00	64.71	24.73	9.19
Monks Eleigh	21,500.00	265.00	81.13	22,300.00	266.77	83.59	2.46
Nayland with Wissington	46,258.00	550.34	84.05	50,000.00	570.02	87.72	3.67
Nedging with Naughton	7,745.00	202.96	38.16	8,520.00	203.56	41.85	3.69
Newton	21,451.00	256.62	83.59	26,479.94	265.67	99.67	16.08
Pinewood	180,668.00	1,409.27	128.20	181,450.00	1,415.37	128.20	0.00
Polstead	25,350.00	401.39	63.16	26,308.00	408.39	64.42	1.26
Preston St Mary	7,080.00	117.21	60.40	7,327.80	119.20	61.47	1.07
Raydon	17,650.00	254.95	69.23	18,709.00	262.66	71.23	2.00
Semer	3,500.00	66.61	52.54	4,000.00	70.82	56.48	3.94
Shelley	-	32.39	-	-	35.09	-	0.00
Shimpling	12,700.00	202.42	62.74	13,790.00	206.11	66.91	4.17
Shotley	67,550.00	783.15	86.25	74,300.00	840.48	88.40	2.15
Somerton	1,000.00	38.78	25.79	1,000.00	39.09	25.58	-0.21
Sproughton	70,784.00	750.96	94.26	77,760.00	824.99	94.26	0.00
Stanstead	10,455.00	163.95	63.77	11,898.00	169.65	70.13	6.36
Stoke by Nayland	14,000.00	308.17	45.43	14,500.00	317.67	45.64	0.21
Stratford St Mary	16,100.00	331.49	48.57	18,100.00	335.79	53.90	5.33
Stutton	11,580.00	389.08	29.76	11,710.00	403.48	29.02	-0.74
Sudbury	820,638.00	4,500.52	182.34	858,400.00	4,615.34	185.99	3.65
Tattingstone	16,196.00	240.55	67.33	17,005.80	253.21	67.16	-0.17
Thorpe Morieux	4,925.00	124.54	39.55	6,375.00	128.90	49.46	9.91
Wattisham	2,120.00	46.28	45.81	2,120.00	49.13	43.15	-2.66
Whatfield	3,231.00	138.28	23.37	4,000.00	144.31	27.72	4.35
Wherstead	6,653.00	153.90	43.23	7,723.00	176.88	43.66	0.43
Woolverstone	3,100.00	132.61	23.38	3,200.00	127.83	25.03	1.65
Total	3,499,843.78	35,834.64	4,523.13	3,705,194.87	36,878.79	4,705.44	182.31

APPENDIX F Cont'd: COUNCIL TAX RESOLUTION AND PARISH SCHEDULES

Precepts and Council Tax Band D for Parishes

	Valuation Bands (£)							
	A	B	C	D	E	F	G	H
Babergh District Council	129.15	150.68	172.20	193.73	236.78	279.83	322.88	387.46
Suffolk County Council	1,099.62	1,282.89	1,466.16	1,649.43	2,015.97	2,382.51	2,749.05	3,298.86
Police and Crime Commissioner	193.02	225.19	257.36	289.53	353.87	418.21	482.55	579.06
Aggregate of Council Tax Requirements	1,421.79	1,658.76	1,895.72	2,132.69	2,606.62	3,080.55	3,554.48	4,265.38

Parish	Total Amount of Council Tax for 2025/26							
	6/9 ths	7/9 ths	8/9 ths		11/9 ths	13/9 ths	15/9 ths	18/9 ths
	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Acton	1,474.91	1,720.73	1,966.55	2,212.37	2,704.01	3,195.65	3,687.28	4,424.74
Aldham	1,432.81	1,671.62	1,910.42	2,149.22	2,626.82	3,104.43	3,582.03	4,298.44
Alpheton	1,473.68	1,719.29	1,964.91	2,210.52	2,701.75	3,192.97	3,684.20	4,421.04
Erwarton	1,421.79	1,658.76	1,895.72	2,132.69	2,606.62	3,080.55	3,554.48	4,265.38
Assington	1,447.71	1,688.99	1,930.28	2,171.56	2,654.13	3,136.70	3,619.27	4,343.12
Belstead	1,465.22	1,709.42	1,953.63	2,197.83	2,686.24	3,174.64	3,663.05	4,395.66
Bentley	1,450.06	1,691.74	1,933.41	2,175.09	2,658.44	3,141.80	3,625.15	4,350.18
Bildeston	1,483.61	1,730.87	1,978.14	2,225.41	2,719.95	3,214.48	3,709.02	4,450.82
Boxford	1,499.31	1,749.20	1,999.08	2,248.97	2,748.74	3,248.51	3,748.28	4,497.94
Boxted	1,432.77	1,671.57	1,910.36	2,149.16	2,626.75	3,104.34	3,581.93	4,298.32
Brantham	1,467.55	1,712.14	1,956.73	2,201.32	2,690.50	3,179.68	3,668.87	4,402.64
Brent Eleigh	1,444.23	1,684.93	1,925.64	2,166.34	2,647.75	3,129.16	3,610.57	4,332.68
Brettenham	1,453.51	1,695.76	1,938.01	2,180.26	2,664.76	3,149.26	3,633.77	4,360.52
Bures St Mary	1,475.11	1,720.97	1,966.82	2,212.67	2,704.37	3,196.08	3,687.78	4,425.34
Burstall	1,490.17	1,738.54	1,986.90	2,235.26	2,731.98	3,228.71	3,725.43	4,470.52
Capel St Mary	1,478.14	1,724.50	1,970.85	2,217.21	2,709.92	3,202.64	3,695.35	4,434.42
Chattisham	1,438.73	1,678.52	1,918.31	2,158.10	2,637.68	3,117.26	3,596.83	4,316.20
Chelmondiston	1,475.11	1,720.96	1,966.81	2,212.66	2,704.36	3,196.06	3,687.77	4,425.32
Chelsworth	1,434.69	1,673.80	1,912.92	2,152.03	2,630.26	3,108.49	3,586.72	4,304.06
Chilton	1,476.94	1,723.10	1,969.25	2,215.41	2,707.72	3,200.04	3,692.35	4,430.82
Cockfield	1,504.91	1,755.73	2,006.55	2,257.37	2,759.01	3,260.65	3,762.28	4,514.74
Copdock & Washbrook	1,477.83	1,724.14	1,970.44	2,216.75	2,709.36	3,201.97	3,694.58	4,433.50
East Bergholt	1,505.27	1,756.14	2,007.02	2,257.90	2,759.66	3,261.41	3,763.17	4,515.80
Edwardstone	1,449.60	1,691.20	1,932.80	2,174.40	2,657.60	3,140.80	3,624.00	4,348.80
Elmsett	1,441.47	1,681.71	1,921.96	2,162.20	2,642.69	3,123.18	3,603.67	4,324.40
Freston	1,461.27	1,704.81	1,948.36	2,191.90	2,678.99	3,166.08	3,653.17	4,383.80
Glemsford	1,484.89	1,732.37	1,979.85	2,227.33	2,722.29	3,217.25	3,712.22	4,454.66
Great Cornard	1,492.01	1,740.67	1,989.34	2,238.01	2,735.35	3,232.68	3,730.02	4,476.02
Great Waldingfield	1,483.78	1,731.08	1,978.37	2,225.67	2,720.26	3,214.86	3,709.45	4,451.34
Great Wenham	1,421.79	1,658.76	1,895.72	2,132.69	2,606.62	3,080.55	3,554.48	4,265.38
Groton	1,447.65	1,688.93	1,930.20	2,171.48	2,654.03	3,136.58	3,619.13	4,342.96
Hadleigh	1,518.73	1,771.85	2,024.97	2,278.09	2,784.33	3,290.57	3,796.82	4,556.18
Harkstead	1,446.85	1,687.99	1,929.13	2,170.27	2,652.55	3,134.83	3,617.12	4,340.54
Hartest	1,461.78	1,705.41	1,949.04	2,192.67	2,679.93	3,167.19	3,654.45	4,385.34
Higham	1,421.79	1,658.76	1,895.72	2,132.69	2,606.62	3,080.55	3,554.48	4,265.38
Hintlesham	1,438.73	1,678.52	1,918.31	2,158.10	2,637.68	3,117.26	3,596.83	4,316.20
Hitcham	1,441.23	1,681.43	1,921.64	2,161.84	2,642.25	3,122.66	3,603.07	4,323.68
Holbrook	1,455.97	1,698.64	1,941.30	2,183.96	2,669.28	3,154.61	3,639.93	4,367.92

APPENDIX F Cont'd: COUNCIL TAX RESOLUTION AND PARISH SCHEDULES

Precepts and Council Tax Band D for Parishes

	Valuation Bands (£)							
	A	B	C	D	E	F	G	H
Babergh District Council	129.15	150.68	172.20	193.73	236.78	279.83	322.88	387.46
Suffolk County Council	1,099.62	1,282.89	1,466.16	1,649.43	2,015.97	2,382.51	2,749.05	3,298.86
Police and Crime Commissioner	193.02	225.19	257.36	289.53	353.87	418.21	482.55	579.06
Aggregate of Council Tax Requirements	1,421.79	1,658.76	1,895.72	2,132.69	2,606.62	3,080.55	3,554.48	4,265.38

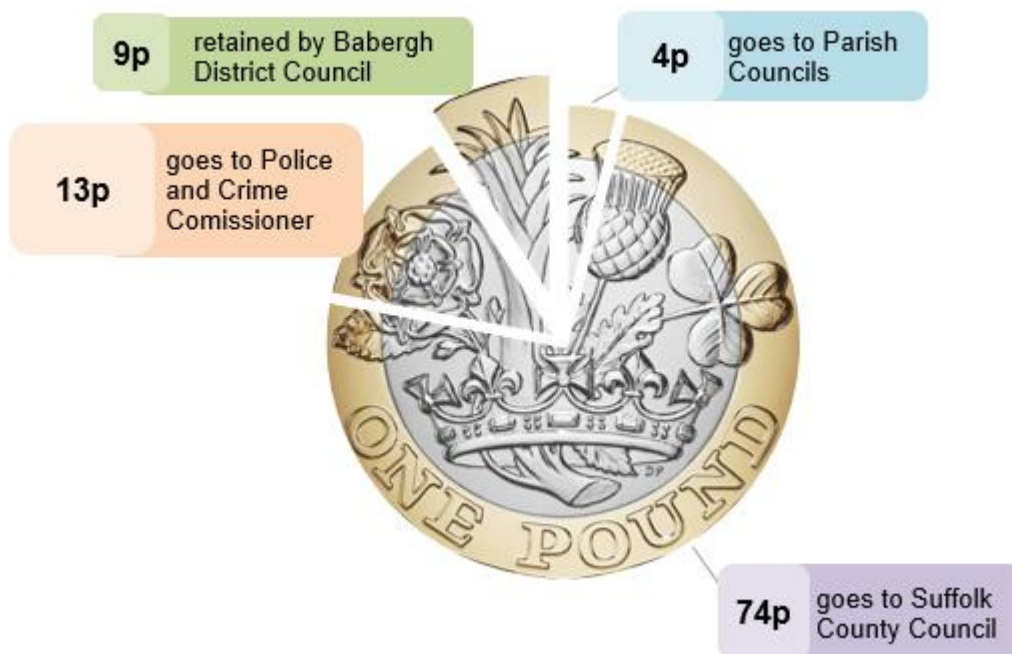
Parish	Total Amount of Council Tax for 2025/26							
	6/9 ths	7/9 ths	8/9 ths		11/9 ths	13/9 ths	15/9 ths	18/9 ths
	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Holton St Mary	1,466.97	1,711.47	1,955.96	2,200.46	2,689.45	3,178.44	3,667.43	4,400.92
Kersey	1,472.10	1,717.45	1,962.80	2,208.15	2,698.85	3,189.55	3,680.25	4,416.30
Kettlebaston	1,473.65	1,719.26	1,964.87	2,210.48	2,701.70	3,192.92	3,684.13	4,420.96
Lavenham	1,504.99	1,755.82	2,006.65	2,257.48	2,759.14	3,260.80	3,762.47	4,514.96
Lawshall	1,438.15	1,677.84	1,917.53	2,157.22	2,636.60	3,115.98	3,595.37	4,314.44
Layham	1,457.97	1,700.96	1,943.96	2,186.95	2,672.94	3,158.93	3,644.92	4,373.90
Leavenheath	1,446.32	1,687.37	1,928.43	2,169.48	2,651.59	3,133.69	3,615.80	4,338.96
Lindsey	1,464.30	1,708.35	1,952.40	2,196.45	2,684.55	3,172.65	3,660.75	4,392.90
Little Cornard	1,464.63	1,708.73	1,952.84	2,196.94	2,685.15	3,173.36	3,661.57	4,393.88
Little Waldingfield	1,460.04	1,703.38	1,946.72	2,190.06	2,676.74	3,163.42	3,650.10	4,380.12
Little Wenham	1,421.79	1,658.76	1,895.72	2,132.69	2,606.62	3,080.55	3,554.48	4,265.38
Long Melford	1,493.87	1,742.85	1,991.83	2,240.81	2,738.77	3,236.73	3,734.68	4,481.62
Milden	1,438.28	1,677.99	1,917.71	2,157.42	2,636.85	3,116.27	3,595.70	4,314.84
Monks Eleigh	1,477.52	1,723.77	1,970.03	2,216.28	2,708.79	3,201.29	3,693.80	4,432.56
Nayland with Wissington	1,480.27	1,726.99	1,973.70	2,220.41	2,713.83	3,207.26	3,700.68	4,440.82
Nedging with Naughton	1,449.69	1,691.31	1,932.92	2,174.54	2,657.77	3,141.00	3,624.23	4,349.08
Newton	1,488.24	1,736.28	1,984.32	2,232.36	2,728.44	3,224.52	3,720.60	4,464.72
Pinewood	1,507.26	1,758.47	2,009.68	2,260.89	2,763.31	3,265.73	3,768.15	4,521.78
Polstead	1,464.74	1,708.86	1,952.99	2,197.11	2,685.36	3,173.60	3,661.85	4,394.22
Preston St Mary	1,462.77	1,706.57	1,950.36	2,194.16	2,681.75	3,169.34	3,656.93	4,388.32
Raydon	1,469.28	1,714.16	1,959.04	2,203.92	2,693.68	3,183.44	3,673.20	4,407.84
Semer	1,459.45	1,702.69	1,945.93	2,189.17	2,675.65	3,162.13	3,648.62	4,378.34
Shelley	1,421.79	1,658.76	1,895.72	2,132.69	2,606.62	3,080.55	3,554.48	4,265.38
Shimpling	1,466.40	1,710.80	1,955.20	2,199.60	2,688.40	3,177.20	3,666.00	4,399.20
Shotley	1,480.73	1,727.51	1,974.30	2,221.09	2,714.67	3,208.24	3,701.82	4,442.18
Somerton	1,438.85	1,678.65	1,918.46	2,158.27	2,637.89	3,117.50	3,597.12	4,316.54
Sproughton	1,484.63	1,732.07	1,979.51	2,226.95	2,721.83	3,216.71	3,711.58	4,453.90
Stanstead	1,468.55	1,713.30	1,958.06	2,202.82	2,692.34	3,181.85	3,671.37	4,405.64
Stoke by Nayland	1,452.22	1,694.26	1,936.29	2,178.33	2,662.40	3,146.48	3,630.55	4,356.66
Stratford St Mary	1,457.73	1,700.68	1,943.64	2,186.59	2,672.50	3,158.41	3,644.32	4,373.18
Stutton	1,441.14	1,681.33	1,921.52	2,161.71	2,642.09	3,122.47	3,602.85	4,323.42
Sudbury	1,545.79	1,803.42	2,061.05	2,318.68	2,833.94	3,349.20	3,864.47	4,637.36
Tattingstone	1,466.57	1,710.99	1,955.42	2,199.85	2,688.71	3,177.56	3,666.42	4,399.70
Thorpe Morieux	1,454.77	1,697.23	1,939.69	2,182.15	2,667.07	3,151.99	3,636.92	4,364.30
Wattisham	1,450.56	1,692.32	1,934.08	2,175.84	2,659.36	3,142.88	3,626.40	4,351.68
Whatfield	1,440.27	1,680.32	1,920.36	2,160.41	2,640.50	3,120.59	3,600.68	4,320.82
Wherstead	1,450.90	1,692.72	1,934.53	2,176.35	2,659.98	3,143.62	3,627.25	4,352.70
Woolverstone	1,438.48	1,678.23	1,917.97	2,157.72	2,637.21	3,116.71	3,596.20	4,315.44

APPENDIX F Cont'd: COUNCIL TAX RESOLUTION AND PARISH SCHEDULES

Budget, Funding and Council Tax Requirements

- 1) The precept requirements of Parish / Town Councils must be aggregated with the requirement of this authority to arrive at an average Council Tax figure for the district / parish purposes. This figure however is totally hypothetical and will not be paid by any taxpayer (other than by coincidence).
- 2) The County and the Police and Crime Commissioner's precept requirements are added to this.
- 3) The legally required calculation is set out below:
 - a. The General Fund Budget requirement for the District Council purposes in 2025/26 will be £193.73, based on a 2.99% increase to Council Tax for a Band D property.
 - b. The County Council precept requirement will be £1,649.43 for a Band D property in 2025/26, an increase of £78.39 (4.99%).
 - c. The Police and Crime Commissioner's precept requirement will be £289.53, an increase of £13.95 (5.1%).
 - d. The Parish / Town Councils average band D council tax figure will be £100.47, an increase of £2.80 (2.9%) .
- 4) Each £1 of council tax collected by the District Council is distributed as per the chart below.

Chart: Where the council tax collected goes



- 5) Babergh is a billing authority and collects council tax and non-domestic rates on behalf of the other precepting authorities i.e. Suffolk County Council, Suffolk Police and Crime Commissioner and Parish / Town Councils. The dates that monies collected are paid

over to the County Council, and the Police and Crime Commissioner (“precept dates”) need to be formally agreed under Regulation 5(i) of the Local Authorities (Funds) (England) Regulations 1992.

- 6) Established practice is for payments to be made in 12 equal instalments on the 15th of each month or the next banking day if the 15th falls on a weekend or bank holiday. Accordingly, the precept dates applicable for 2025/26 are expected to be as follows:

15 April 2025	15 May 2025	16 June 2025	15 July 2025
15 August 2025	15 September 2025	15 October 2025	17 November 2025
15 December 2025	15 January 2026	16 February 2026	16 March 2026

APPENDIX G: GLOSSARY OF FINANCIAL TERMS

Autumn Statement	A statement made by the Chancellor of the Exchequer in which she updates the House of Commons on the state of the economy and announces tax and spending decisions.
Balanced Budget	A budget where forecast income is equal to forecast expenditure. The Council has to legally set a balanced budget under the provisions of the Local Government Finance Act 1992 (LGFA 1992).
Base Budget	The budget from the previous year is sometimes taken forward to create the initial budget for the next year before inflation and other adjustments such as budget pressures and savings are added/deducted. This is called Incremental Budgeting. Other budgets, such as the financing charges budgets, however, are reviewed afresh each year (known as Zero Based Budgeting).
Billing Authority	The tier of local authority who is responsible for the billing and collection of Council Tax and Business Rates in its local area - this Council is a billing authority.
Budget	The Council's aims and policies set out in financial terms, against which performance is measured. Both capital and revenue budgets are prepared each financial year as part of the annual Council Tax setting process. The budget, once approved, is an instrument of delegation which is used to authorise, monitor and control expenditure (and income). Legally every Council must set a budget by the 11 th of March preceding the new financial year.
Budget Gap	Where the estimated expenditure is higher than the estimated income in a budget, there is said to be a "budget gap" or "budget deficit".
Budget Surplus	Where the forecast estimated income is higher than estimated expenditure.
Business Rates	Also known as National Non-Domestic Rates - they are taxes to help pay for local services. They're charged on most non-domestic properties including shops, pubs, offices and factories. Business Rates are set nationally by government.
Business Rates Baseline Funding Level	The amount of Business Rates income the Government believes a local authority needs to deliver local services as determined by an index-linked assessment of their needs undertaken in 2012–13.
Business Rates Reset	This is the mechanism by which the Government will redistribute Business Rates growth retained by some councils back into the Business Rates system so that it can top-up resources for councils that have higher needs and less ability to raise income. This likely to have a significant impact on the Business Rates income retained by this Council. The Business Rates Reset will be introduced in 2026/27. At the moment we do not know the full details and whether there will be transition arrangements to limit the impact falling on councils in one financial year.
Business Rates Multiplier	The annual amount established by central government used in the calculation of the Business Rates bill. This amount is multiplied by the businesses rateable value to derive the size of the Business Rates bill for the year.

Business Rates Pool	An agreement between neighbouring councils to combine their Business Rates activities in a pool. This is designed to maximise the ability for councils to retain more Business Rates locally rather than it going to central government to redistribute to other councils. This Council is part of the Suffolk Business Rates Pool.
Business Rates Tariff	A local authority must pay a levy (tariff) if its individual Business Rates forecast is greater than its baseline funding level. Conversely a local authority will receive a Business Rates Top-Up if its baseline funding level is lower than its Business Rates forecast income. District Councils such as this Council are normally Tariff Authorities and County Councils such as Suffolk County Council are Top-Up Authorities.
Capital Expenditure	Expenditure on assets that have a lasting value such as the acquisition of a fixed asset (e.g. land, buildings, vehicles), or expenditure which adds to and not merely maintains the value of an existing fixed asset. This can also include indirect capital expenditure in the form of grants or loans to other persons or bodies.
Capital Financing	Capital expenditure is financed by borrowing (principally from the PwLB), Government grants, external contributions, reserves, direct revenue funding, and capital receipts. The revenue budget bears the cost of direct revenue funding (called Revenue Contributions to Capital Outlay (RCCO)) together with interest charges and the provision (MRP costs) for repayments of any borrowing undertaken.
Capital Programme	This provides details on the planned expenditure on capital projects over the medium-term planning horizon, and the resources available to fund those schemes. This Council has a programme that comprises a capital budget, which consists of projects that have authorisation to proceed, and a pipeline of future projects in a capital ambition programme which require Cabinet to approve a Business Case before the expenditure is authorised.
Capital Receipts	Sums of money obtained from the sale of assets such as land and property. These receipts can normally only be used to fund items of a capital nature. However, councils can use the Government's capitalisation directive to fund transformation and redundancy costs, which are revenue budget costs, from capital receipts.
CIPFA	The Chartered Institute of Public Finance and Accountancy - the accountancy body primarily concerned with public services which sets out many standards and requirements for local authority accounting and treasury and financial management.
Community Infrastructure Levy (CIL)	A planning charge based on legislation that came into force in April 2010. A CIL allows the Council to raise contributions from new developments to help pay for infrastructure that is needed to support planning growth. Where a CIL charging schedule is in place, it largely replaces Section 106 obligations in delivering strategic infrastructure.
Comprehensive Spending Review	A governmental process carried out by HM Treasury to set medium term expenditure limits for each central government

	department. Usually announced for 3 years. The next one will be undertaken in Spring 2025.
Collection Fund	A separate, statutory, account maintained by Billing Authorities including this Council into which Council Tax and Business Rates receipts are paid, and from which Precepting Authorities are paid.
Core Spending Power	This is the term the Government use to say how much money Councils have to run their services. It's a headline figure used by the Government to represent the key revenue resources available to local authorities, including an estimate of potential Council Tax and Business Rates income.
Council Tax	a local tax on domestic properties set by local authorities and based on the value of the property within eight bands, A to H. The Council Tax value of each band is expressed as a proportion of band D.
Council Tax Base	The number of properties in a local authority area from which it is estimated Council Tax will be collected, expressed as the number of equivalent Band D properties using pre-set ratios. The tax base can increase by building new homes.
Council Tax Requirement	The amount of funding required to be raised from Council Tax to meet the expenditure plans of the authority after taking into account all other funding sources such as Business Rates income.
Council Tax Reduction Scheme	The scheme provides a discount on Council Tax for those on low incomes. If Council Tax payers are eligible for support their council tax bills are reduced.
Council Tax Surplus or Deficit	A surplus/deficit arising from either more or less council tax being collected than expected. This would be because of variations in collection rate or to the estimated increase in the number of properties. The variations arise within the Collection Fund and are applied to future years' budgets.
Council Tax Threshold	The increase in Council Tax permitted by central government before a local referendum is needed to agree an increase above this level.
Disabled Facilities Grant (DFG)	A central government grant that contributes towards the cost of providing adaptations and facilities to enable disabled people to continue living in their own homes.
Earmarked Reserves	These are amounts of money which have been set aside for a specific purpose to meet future spending plans or contingencies.
Expected Credit Loss (ECL)	This is the loss on loans should the borrower default, including lending made to the Council's subsidiary companies. Calculated by multiplying the probability of occurring with the net loss and with the exposure to the loss.
External Borrowing	External borrowing is the process of going to an external financial institution to obtain money. The council would generally borrow from the Public Works Loans Board (PWLB) due to its favourable rates for public sector bodies, but other institutions also offer loan finance to councils.
Fair Funding Review	A review proposed by central government to consider how to fairly allocate local authority funding to individual councils

	<p>according to need and resources. This was considered by the previous government but has been delayed several times because of BREXIT, COVID-19 and other concerns. The new government has recently announced that it will undertake such a review for implementation in 2026/27. However the details of this are not yet known.</p>
Fees and Charges	<p>Income raised by charging users of services directly for services used e.g. car parking income, planning income. Some of the fees, including certain planning fees, are currently set by central government.</p>
General Fund (GF)	<p>The council's main revenue and capital accounts which includes income and expenditure on the provision of all the council's services except the provision of social housing which is in a separate statutory account (the Housing Revenue Account).</p>
General Fund Balance	<p>The amount the Council has available to fund unforeseen events.</p>
Housing Revenue Account (HRA)	<p>The HRA is a ring-fenced account that must be kept separate from the General Fund. It relates to the Council's function as a social landlord and is ring-fenced to avoid cross subsidy between Council Taxpayers and rents from tenants.</p>
Internal Borrowing	<p>Internal borrowing is the temporary use of the council's cash holdings to fund capital expenditure. Whilst this must be repaid it does not represent a formal debt in the same way as external borrowing.</p>
Item 8	<p>These are statutory recharges between the General Fund and the HRA in respect of interest charges on internal borrowing by the HRA from the General Fund, and interest receipt on internal lending by the HRA to the General Fund.</p>
Local Government Finance Settlement	<p>The annual announcement by Government of the amount of grant funding to be provided for the forthcoming year. The provisional settlement is usually announced in December, with a final settlement confirmed in late January.</p>
Medium Term Financial Position (MTFP)	<p>This sets out the forecast of the Council's financial position over a five-year planning horizon.</p>
Minimum Revenue Provision (MRP)	<p>Where councils finance their capital expenditure by debt, they must put aside resources to repay that debt in later years. This is known as MRP and the Local Government Act 2003 requires the councils to have regard to the Ministry of Housing, Communities & Local Government's guidance on Minimum Revenue Provision which was updated in April 2024 to include MRP on capital loans lent to by councils to third parties, such as subsidiary companies. MRP is charged.</p> <p>This Council's policy is that MRP will be determined by charging the expenditure financed by borrowing over the expected useful life of the asset on an annuity basis using an interest rate equivalent to the average PWLB annuity rate for the year of expenditure. MRP charges start in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.</p>

Ministry of Housing, Communities and Local Government	A government department whose work includes investing in local areas to drive growth and create jobs, delivering homes, supporting community and faith groups, and overseeing local government, planning and building safety.
NNDR 1	National non-domestic rates estimate return to Government – completed in January.
Negative RSG	Negative Revenue Support Grant – this is effectively negative government grant where a council would have to make a payment to Government hence the term ‘negative’. The previous government’s Fair Funding methodology included such a scenario.
New Homes Bonus (NHB)	A central government grant and was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. The amount of grant given is based on the number of new homes built in the council’s area. Government have stated that this grant will finish in 2025/26 as a source of finance.
Office of Budget Responsibility (OBR)	A non-departmental public body funded by the UK Treasury, that the UK government established to provide independent economic forecasts and independent analysis of the public finances.
Pooled Investments	These are investments in a portfolio, made up of monies from many individual investors, which is managed by an external provider.
Precept	The levy made by the precepting authorities, i.e. the county council, parish councils, fire and police, on billing authorities, requiring the latter to collect income from local taxpayers on their behalf.
Prudential Code	this is a code of practice agreed between Government and CIPFA that regulates local council capital spending and financing. The Code allows local authorities to set their own borrowing limits based upon the consideration of affordability, sustainability and prudence.
Prudential borrowing	Is a regime for council borrowing that allows local authorities to borrow without recourse to central government. Councils must demonstrate that they can afford to service the debt from their own resources by means of a set of financial ratios (as prescribed by the CIPFA Prudential Code).
Public Works Loans Board (PWLB)	A statutory body operating within the United Kingdom Debt Management Office, which is an Executive Agency of HM Treasury. Its function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.
Revenue Expenditure	Comprises the day-to-day costs associated with running the Council’s services and financing the Council’s outstanding debt. The costs include staff salaries, contract expenditure, and general running expenses (heat, light and utilities).
Revenue Contribution to Capital Outlay (RCCO)	This is where the cost of financing capital expenditure is charged to the revenue budget.
Revenue support grant (RSG)	General grant that is paid to local authorities by the government to support their expenditure.

Rural Services Delivery Grant (RSDG)	This is Government grant introduced to recognise the additional cost of delivering services in rural areas. Rural Services Delivery Grant has been abolished by the new government for 2025/26 onwards.
Section 151 (S151) Officer	The responsible financial officer. Every council, by law will designate an individual officer as having legal responsibility over providing effective financial management and advice across the Council. The post holder must be a qualified member of one of the main accountancy bodies in the UK. This is currently the Director of Finance & Procurement.
Section 25 Statement	The Local Government Act 2003 (Section 25) requires that when a local authority is agreeing its annual budget and Council Tax requirements, the Council's Section 151 officer must report to it on the robustness of the estimates made for the purposes of the calculations; and the adequacy of the proposed financial reserves. The Council must have due regard to the report when making decisions on the budget and Council Tax.
Section 31 Grants	The government fully reimburses billing authorities for their loss of Business Rates income under the rates retention scheme when government decides to award Business Rates relief, using a grant under section 31 of the Local Government Act 2003.
Section 106	Sums of money received from developers. Subject to each S106 agreement, these sums can be used for either revenue or capital purposes but are predominantly capital purposes.
Total Net Cost of Services	Comprises that part of the revenue budget that is funded from retained Business Rates, Council Tax, and any government general grant.
Treasury Management	The management of the local authority's investments and cash flows, its banking, money market and capital market transactions: the effective control of the risks associated with those activities: and the pursuit of the optimum performance consistent with those risks.
Treasury Management Code	This Code of Practice, published by CIPFA, regulates the management of borrowing, investments, & banking. It requires the council to agree and monitor several indicators and Treasury Management Practices. An annual Treasury Management Strategy needs to be approved by Council alongside the budget.