

## **Northstowe Town Council**

### **Budget Setting Report – 2026/2027 Financial Year**

**Drafted by Jack Turner, Locum Town Clerk.**

#### **Purpose of Report**

To present revised budget options for the 2026/2027 financial year, following resolutions of Full Council on 16 December 2025, and to recommend adoption of a robust and sustainable budget and precept.

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#### **1. Background and Previous Decisions**

At the meeting of Northstowe Town Council held on **16 December 2025**, under agenda item **213/25-26/FC – Minutes of Previous Committee Meetings**, Council considered the recommendation of the Finance, Governance and Planning Committee to set a **Precept of £227,626** for the 2026/2027 financial year, with a matched budget of **£458,426**.

Council resolved to **defer the budget decision** and requested that the Locum Clerk prepare three alternative budget proposals, namely:

- a) Proposal 1 – The budget as it stood at that time
- b) Proposal 2 – A revised budget based on agreed core staffing costs, with additional staffing funded only from Unity Centre income
- c) Proposal 3 – A middle-ground budget with conservative staffing assumptions

At the same meeting, under agenda item **227/25-26/FC – Staffing Matters**, Council also resolved:

*“To approve the phased staffing plan for the Unity Centre and to implement the plan from this point onwards in relation to the employment of staff.”*

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#### **2. Review of Budget Options**

Following further review, Officers consider that **three options are no longer required**, for the following reasons:

- The adoption of the **Unity Centre phased staffing plan** provides clarity and certainty around staffing assumptions.
- The findings of the **Local Government Association (LGA) staffing structure review** confirm that staffing costs should be aligned to contractual obligations and phased delivery.
- Budget Option 2 now represents the most accurate and defensible position.
- Budget Option 3 is therefore no longer relevant or necessary.

Accordingly, this report presents **two budget options** for consideration.

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### **3. Budget Option 1 – Status Quo Budget**

**Budget Option 1** reflects the budget position as presented to Full Council on **16 December 2025**, including:

- A proposed **Precept of £227,626**
- A total revenue budget of **£458,426**
- Higher staffing assumptions for the Unity Centre
- Increased reliance on precept funding rather than earned income

This option provides maximum financial headroom but results in a significantly higher precept increase for residents and does not reflect the subsequently agreed phased staffing approach.

This option remains unchanged and is included for comparison purposes only

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### **4. Budget Option 2 – Revised and Robust Budget (Recommended)**

**Budget Option 2** has been substantially re-drafted to ensure it reflects:

#### **Staffing Costs**

- All salary cost codes for **all staff** have been reviewed and revised to:
  - Contractual salary amounts
  - Plus a **5% estimated pay increase**
- Staffing costs now fully reflect:
  - The **approved phased staffing plan** for the Unity Centre
  - Year 1 Unity Centre roles only, with additional staffing funded through Unity Centre revenue
- Office staffing costs remain unchanged, in line with the **LGA DMA review**, with any future restructuring required to be managed within existing budgets.

#### **On-Costs**

- All **pension** and **PAYE/NIC** cost codes have been updated to reflect:
  - Employer contribution rates effective from **1 April 2026**
  - Current HMRC thresholds and statutory requirements

#### **Expenditure**

- All expenditure cost centres have been reviewed and updated using the most recent and realistic projections.

#### **Income Assumptions**

- Income lines reflect **aspirational but achievable estimates**.
- The Unity Centre is projected to generate **£169,000 of income**, excluding grant funding.

- Officers highlight a **risk of in-year deficit** should income targets not be met and recommend close monitoring against the Unity Centre business plan.

This revised budget represents a balanced and evidence-based approach and is considered the most financially sustainable option. It also includes a large provision for capital and revenue expenditure for the Unity Centre, allowing flexibility within the next financial year for any unexpected expenditure.

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## 5. In-Year Financial Position (2025/2026)

The current forecast for 2025/2026 indicates:

- **Forecast income:** £196,466
- **Forecast expenditure:** £143,418
- **Forecast surplus:** £53,049

However, this does **not** include:

- £40,000 Community Endowment Fund
- £4,200 Digital Hub Grant

Taking into account anticipated legal costs and potential one-off expenditure in the remainder of the year, Officers recommend assuming a **prudent year-end surplus of approximately £25,000.**

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## 6. Reserves Position

As at **8 January 2026**, the Council holds:

- **General Reserve:** £116,585
- **Earmarked Reserves:** £104,795
- **Total Reserves:** £221,380

Under Budget Option 2:

- **Proposed Precept:** £178,066
- This represents a **5% increase** on the 2025/2026 precept of £169,586.96.

### Recommended General Reserve Benchmark

(3–6 months of net revenue expenditure)

- **3 months:** £44,517
- **6 months:** £89,033

Current General Reserve comparison:

- £72,068 above the minimum (3 months)

- £27,552 above the upper benchmark (6 months)

This places the Council in a **strong and resilient financial position**, well above minimum best-practice thresholds.

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## 7. Recommendation

It is **recommended that Full Council:**

1. Approve Budget Option 2 as the adopted revenue budget for the 2026/2027 financial year; and
2. Set the Town Council Precept at £178,066 for 2026/2027; and
3. The Town Council moves £25,000 from the current in-year budget projected underspend to a new EMR entitled 'New Projects' to be used as a genuine reserve fund for any new projects/unforeseen expenditure the Council wishes to undertake during the 2026-2027 financial year. The Town Council to also review the actual end of year position in April 2026 and move any in year surplus for 2025-2026 to the same earmarked reserve; and
4. The Town Council moves £25,000 from General Reserve to the 'New Projects' earmarked reserve to ensure that their General Reserve Fund is only slightly higher than the larger end of the recommended amount of General Reserve Fund to be held (equal to just over 6 months).

This option delivers a balanced, prudent, and evidence-led budget, aligns with agreed staffing decisions, protects reserves, and limits the financial impact on residents while supporting delivery of Council priorities.

These recommendations also give the Town Council a safety net of an additional £50,000 in earmarked funds for any new or unforeseen expenditure, thus adding to the Town Council's financial robustness.