Report of the Portfolio Holder for Resources and Personnel Policy

MEDIUM TERM FINANCIAL STRATEGY 2023/24 TO 2027/28 AND BUSINESS STRATEGY 2024/25

1. Purpose of report

This report presents an update on the Council's Medium Term Financial Strategy and highlights progress with the delivery of the Business Strategy.

2. Recommendation

Cabinet is asked to RESOLVE that the updated Medium Term Financial Strategy and the Business Strategy 2024/25 be approved.

3. Detail

As reported to Cabinet on 4 July 2023, there was an underspend of £2.089m on the General Fund revenue budget in 2022/23 resulting in a General Fund balance of £6.387m as at 31 March 2023. This was predominantly due to a variety of underspends, additional income, budget carry forwards, changes in provisions, government grants and effective financial management across the Council.

There are a number of significant issues concerning local government finance that will have a major impact upon the financial position of this Council. These include the prevailing economy; the financial impact of inflation on pay and prices; uncertainty on the outcome of financial settlements from central government; and the delayed Fair Funding Review that intends to review the level of Business Rates retention. Further details of these and how they may impact upon the General Fund, Housing Revenue Account and the Capital Programme are set out in appendix 1.

It is also important to highlight two significant budget pressures continuing to impact on the Council's 2023/24 and 2024/25 budgets, namely the level of pay awards (the 2023/24 pay award has not yet agreed by the unions) and the significant inflationary cost of energy, fuel, construction and property services.

The Medium Term Financial Strategy (MTFS) is the Council's key financial planning document. An updated MTFS based upon the latest information and assumptions is set out in appendix 2.

In order to address the financial challenges facing the Council, a Business Strategy is maintained that sets out initiatives that will be pursued to reduce costs, generate additional income and/or improve services. A number of these initiatives have already been implemented and were taken into account in the production of the 2023/24 budget. Further details of the Business Strategy 2024/25 are set out in appendix 3 for consideration.

4. Financial Implications

   The comments from the Head of Finance Services were as follows:

   The financial implications are included in the report narrative and appendices.

5. Legal Implications

   The comments from the Head of Legal Services and Deputy Monitoring Officer were as follows:

   There are no direct legal implications that arise from this report.

6. Human Resources Implications

   There were no comments from the Human Resources Manager.

7. Union Comments

   There were no Union comments in relation to this report.

8. Climate Change Implications

   The Council’s response to Climate Change is a key consideration as part of the budget setting process.

9. Data Protection Compliance Implications

   This report does not contain any [OFFICIAL (SENSITIVE)] information and there are no Data Protection issues in relation to this report.

10. Equality Impact Assessment

    As there is no change to policy an equality impact assessment is not required.

11. Background Papers

    Nil

APPENDIX 1

1. General Fund Revenue Budget

Introduction

There was an underspend of £2.089m on the General Fund revenue budget in 2022/23 resulting in a General Fund balance of £6.387m as at 31 March 2023. This was predominantly due to a variety of underspends, additional income, budget carry forwards, changes in provisions, government grants and effective financial management across the Council.

There are a number of significant issues concerning local government finance that will have a major impact upon the financial position of both this Council and others, especially the significant impact of inflation on pay, energy, fuel, construction, property and other commodities. The rate of inflation (CPI), having peaked at over 11%, was still running at 7.9% in June. It is forecast to continue to remain well above the 2% Bank of England target into 2024/25.

The Chancellor of the Exchequer has not yet announced any details on local government funding. It is difficult at this stage to determine exact impact on the Council's future financial position and it is expected that any additional spending will be targeted at health and social care. As such, the assumptions within the Medium Term Financial Strategy (MTFS) assume modest increases in the Council's spending plans for future years, although some growth allowance for the current inflationary pressures has been made in the short-term. Also, no further information is available on the Fair Funding Review, which is intends to review the level of Business Rates retention. A further uncertainty is the high level of inflation, impacting on the economic and financial environment. It is difficult to assess accurately financial forecasts and will be subject to revision as more information becomes available.

There are two significant budget pressures highlighted that will impact on the Council's 2024/25 budget. Firstly, the cost of the forecasted pay awards in both 2023/24 and 2024/25 and secondly the financial impact of the 'cost of living crisis' with rising interest rates and high levels of inflation on energy, fuel, construction and property prices.

The MTFS is the Council's key financial planning document. An updated MTFS based upon the latest information and assumptions is set out further below in appendix 2. In order to address the financial challenges facing the Council, a Business Strategy is maintained that sets out initiatives that will be pursued to reduce costs, generate additional income and/or improve services. Further details of the Business Strategy 2024/25 are set out below in appendix 3.

Financial Settlement 2024/25

The Chancellor of the Exchequer has announced that he will present the Autumn Statement 2023 to Parliament on 22 November 2023. The finer details of the local government financial settlement for 2024/25 will then follow in December. As such, the most reasonable planning assumptions have been made the when refreshing the MTFS.

Central government's financial settlement allocates funding to its priority areas over the medium term such as health, housing, environment, defence, local government and welfare spending. Additional monies have previously been allocated to health and it is anticipated that any additional funds for local government will be directed to demand led services such as adult social care and children's services.

The MTFS, at this stage, does not assume the receipt of any additional government grant funding relating to the cost of living inflationary pressures.

National Non Domestic Rates

National Non-Domestic Rates (NNDR) is more commonly referred to as 'business rates'. The removal of some central government grants and significant reductions in New Homes Bonus (NHB), along with the rules limiting increases in Council Tax, mean that business rates have become an increasingly significant funding stream for the Council. The need to develop the business rates base across the Borough is important for the Council.

The Nottinghamshire authorities are part of a Business Rates Pool. This allows business rates income that would otherwise have been returned to central government to be retained within the county. It also provides a safety net for local authorities whose income falls below a defined level.

The current Business Rates Retention Scheme sees 50% of the business rates collected retained by the precepting bodies and 50% returned to central government. The Government had announced plans to move towards 75% local retention of business rates from 2020/21, but this has not taken place as the Fair Funding Review has not yet been completed. The current Nottinghamshire Business Rates Pool has continued in 2023/24 and, at this stage, it is expected that the Pool will continue into 2024/25 and beyond.

Membership in the Nottinghamshire Business Rates Pool has allowed the Council to maximise the benefits of public and private capital investment in the Borough which, in turn, has generated significant business rate growth. Furthermore, the Council continues to benefit from investing more resources to ensure that business premises are identified and properly rated.

Fair Funding Review / Business Rates Review

The Government is expected to undertake a Fair Funding Review to accompany the move towards 75% business rates retention. It is not possible at this stage to profile what, if any, impact this may have upon the Council. However, it would appear that priority in any redistribution exercise is likely to go to those authorities with social care responsibilities. The Business Rates Retention Scheme has continued into 2023/24.

New Homes Bonus

The Council's income from New Homes Bonus (NHB) has reduced considerably in recent years from a peak of £829k in 2016/17 to just £19k in 2021/22. The NHB allocation to Broxtowe for 2023/24 was £132k due to some growth in domestic properties. This settlement did not benefit from earlier legacy payments which have now fallen out.

No further new allocations of NHB have been assumed for the 2024/25 settlement, although the MTFS does assume that NHB funding will remain at 2023/24 levels across the period.

Council Tax and the Tax Base

For the purposes of the MTFS, the Council Tax increases have been calculated based upon a 2% price increase. Any potential for further increases in Council Tax charges are considered further in the attached Business Strategy.

The Council Tax Base for 2024/25 will be presented to Cabinet on 9 January 2024. In recent years the Council Tax Base has increased by around 1% over the previous year and this has been assumed again for the MTFS.

Other Funding Opportunities

The Council will continue to strive to make the most of new funding opportunities available for both capital investment projects and ongoing revenue costs.

The Council was successful in its bid for the Government's Towns Deal funding to regenerate Stapleford, with £21.1 million being received for development projects in Stapleford over a five-year period.

The Council was also successful in its bids for a significant allocation of £16.5 million secured investment for Kimberley from the Levelling Up Fund. from the government's Levelling-Up Fund for investment in Kimberley ('Kimberley Means Business') and for an allocation from the UK Shared Prosperity Fund.

There will also be further funding opportunities across the region, following the government’s support of a devolution deal for Nottinghamshire and Derbyshire. The £1.14bn devolution deal will provide the region with a guaranteed income stream of £38m per annum for the D2N2 area over a 30-year period.

The Council is also a key partner of the East Midlands Development Corporation, alongside other local authorities, as its seeks to secure funds for the development of life-changing plans to transform the Borough for the future. The EMDC has attracted positive investment from the government to support work in connection with the EMDC propositions.

The above demonstrates that the Council is striving to make the most of these funding opportunities for capital investment; working successfully in partnership to attract funding; and is at the forefront of some of the most strategic economic development opportunities in the East Midlands.

2. Housing Revenue Account (HRA)

The Government has previously announced that rents can be increased by CPI plus 1% each year from 2020/21 for the following five years. This is reflected in the annual update of the financial model that accompanies the 30-year HRA Business Plan.

The 30-year HRA Business Plan has recently been reviewed. A progress update report on the Plan, including the HRA medium-term financial position, is due to be presented to Cabinet in November 2023.

In view of current economic conditions with high inflation, the Government capped the increase in rents to a 7% ceiling for 2023/24. From 2024/25 onwards, the current guidance is that rent caps will increase by CPI (at September of the previous year) plus 1.5% annually. This guidance may be subject to change.

In order to maintain a sufficient balance on the HRA it has been necessary to reduce costs or increase income. Alternative strategies have been developed, including changes in other sources of income, such as garage rents and leaseholder charges, reduction in management costs through, for example, returning to in-house provision of voids works and electrical testing and the re-phasing of planned capital expenditure over the lifetime of the plan.

The removal of the capital borrowing cap has allowed for new-build housing projects to be funded, subject to viability and business case. There are numerous variables which affect the financial model, including the level of property ‘Right to Buy’ sales (RTB) and new builds achieved over the next 30 years as well as changes in the level of interest rates and inflation. There is also significant extra pressure on the HRA budget caused by increased emphasis on regulatory compliance and higher legislative standards for buildings.

The financial model makes assumptions about the levels of housing stock but these have tended to assume a level of RTB in single figures. The numbers of RTB sales since 2014/15 were 26; 27; 20; 39; 37; 17; 16; 34 and 29 in 2022/23.

The Council has appointed an Interim Housing Delivery Manager to accelerate the delivery of the approved housing delivery plan, which includes new-build, housing acquisitions and re-modelling of existing housing stock.

3. Capital Programme

Regular updates on progress with the approved Capital Programme are provided to General Management Team and to Members. This will occasionally include capital budget variation reports to Cabinet as and when required.

There has been pressure on delivering the Capital Programme, with delays on individual schemes being attributed to a number of factors including a lack of internal resources to deliver (both financial and non-financial); a shortage of available contractors; supply chain issues; and the impact of rising price inflation in the construction industry.

There has also been a lack of capital resources, in terms of capital receipts and/or unrestricted grants that can be applied to General Fund schemes. This is limiting progress with delivering some reserve schemes in the Capital Programme which have been unable to proceed at present due to the lack of a source of funds.

Whilst funding resources may not have been readily available, the General Fund Capital Programme has been boosted by significant capital grants earmarked towards schemes associated with the Stapleford Towns Fund, Kimberley Means Business (Levelling-Up Fund) and the UK Shared Prosperity Fund.

All new borrowing on both General Fund and HRA schemes, including Housing Delivery, needs to be prudential, affordable and sustainable. Any new scheme which requires prudential borrowing will be subjected to stringent review and will need to have a robust and supported business case before progressing. The base budget currently meets the anticipated borrowing costs for the existing Capital Programme.

APPENDIX 2

GENERAL FUND FINANCIAL PROJECTIONS 2023/24 TO 2027/28

	Revised Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000	Estimate 2027/28 £'000
BASE BUDGET	14,329	15,225	15,596	16,025	16,553
CHANGES TO BASE					
Revenue Developments – Net changes in year not required going forward	613	(654)	-	-	-
Inflation – Pay Award/JE Outcomes	283	556	290	295	301
Inflation – Energy and Fuel Prices	Included	128	27	23	24
Inflation – Price Others	Included	104	82	92	94
Increased Fees and Charges (General)	Included	(58)	(59)	(59)	(60)
Capital Borrowing Costs – MRP and Interest	Included	295	88	176	(35)
BUDGET REQUIREMENT BEFORE SPECIAL EXPENSES	**15,225**	**15,596**	**16,025**	**16,553**	**16,877**
Beeston Special Expenses	25	25	25	25	25
BUDGET REQUIREMENT	**15,250**	**15,621**	**16,050**	**16,578**	**16,902**
FINANCED BY:					
NNDR Business Rates	3,796	3,896	3,935	4,014	4,094
NNDR Share of Previous Years Collection Fund Deficit	-	-	-	-	-
NNDR Section 31 Grants	2,815	2,919	2,977	3,037	3,098
NNDR Growth Levy/Safety Net to/from Pool	(1,303)	(1,332)	(1,359)	(1,386)	(1,414)
NNDR Returned Levy from Notts Business Rates Pool	800	800	800	800	800
Council Tax	6,347	6,539	6,736	6,940	7,149
CT Share of Previous Years Collection Fund Surplus	(49)	-	-	-	-
Government Grant - Revenue Support Grant	121	127	127	127	127
Government Grant - Services Grant	117	117	117	117	117
Government Grant - New Homes Bonus	132	132	132	132	132
Government Grant - CSP Funding Guarantee	362	369	377	384	392
Beeston Special Expenses	25	25	25	25	25
TOTAL RESOURCES	**13,163**	**13,592**	**13,867**	**14,190**	**14,520**
DEFICIT/(SURPLUS) TO BE MET BEFORE MOVEMENT IN RESERVES	**2,087**	**2,029**	**2,182**	**2,388**	**2,382**
MOVEMENT IN RESERVES					
Movement into Earmarked Reserves	-	30	30	30	30
Movement from Earmarked Reserves	(253)	-	-	-	-
PLANNED (SURPLUS)/DEFICIT AFTER MOVEMENT IN RESERVES TO BE FUNDED FROM GENERAL FUND BALANCE	**1,834**	**2,059**	**2,212**	**2,418**	**2,412**

	Revised Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000	Estimate 2027/28 £'000
FORECAST BALANCES - 31 MARCH					
General Fund Opening Balances	6,387	4,553	2,494	282	(2,136)
In-year Net Movement in Reserves	(1,834)	(2,059)	(2,212)	(2,418)	(2,412)
General Fund Closing Balances	**4,553**	**2,494**	**282**	**(2,136)**	**(4,548)**
BALANCE OF RESERVES					
Minimum Balance	1,500	1,500	1,500	1,500	1,500
Available Reserves	3,053	994	**(1,218)**	**(3,636)**	**(6,048)**
(Figures in **bold** - below minimum balance)					
Earmarked Reserves Opening Balance	1,361	1,108	1,072	1,102	1,132
In-year Net Movement in Reserves	(253)	(36)	30	30	30
Earmarked Reserves Closing Balance	1,108	1,072	1,102	1,132	1,162

Council Tax Base	34,862	35,211	35,563	35,918	36,278
Basic Council Tax	£182.06	£185.70	£189.42	£193.20	£197.07
Change on previous year	2.95%	2.0%	2.0%	2.0%	2.0%

APPENDIX 3

BUSINESS STRATEGY

Since 2015 the Council has developed a Business Strategy which is designed to ensure that it will be:

- Lean and fit in its assets, systems and processes
- Customer focused in all its activities
- Commercially-minded and financially viable
- Making best use of technology.

A number of initiatives within the Business Strategy have been implemented and have resulted in either reduced costs or additional income and/or improved services for the Council.

The Business Strategy is complemented by the Commercial Strategy, which seeks to implement a more business-like approach to service analysis and delivery. A number of initiatives within both the Business Strategy and the Commercial Strategy have been implemented.

The latest refreshed Business Strategy proposals for 2024/25 are set out below and will be incorporated within the Medium Term Financial Strategy once agreed. A number of these proposals will arise from discussions with officers and will require further detailed engagement and development.

BUSINESS STRATEGY 2024/25 AND 2025/26 PROPOSALS

Proposal	Business Impact	Financial Impact – Additional Income/ Reduced Expenditure
2024/25 Proposals		
Business Rates Growth	Assessment of a reasonable target based on the latest economic forecasts, local knowledge and estimated performance of property inspectors. Previously factored in the larger industrial units (A610), Beeston Business Park and Cinema development.	£100,000 additional income
Garden Waste Income	Expected similar volumes of service users in 2023/24 and 2024/25 with a nominal increase in the subscription price of £3 per annum.	£100,000 additional income
Trade Waste Income	Potential growth in the number of service users and prices for 2024/25.	£10,000 additional income
Leasing of Council Offices	Lease of newly refurbished office space to public, voluntary or private sector organisations, taking advantage of businesses re-locating out of other nearby office buildings. A ground floor letting to a charity has been secured. Further opportunities for letting will be investigated following the refurbishment of the ground floor and 'zoning'.	£10,000 additional income
Council Tax increase	Assuming that the Government's Council Tax increase referendum limits are retained at the same level as recent years, then a Council Tax increase at £5 for a Band D equivalent equates to an increase of around 3% compared to the current MTFS which included a 2% rise for 2024/25.	£60,000 additional income (MTFS assumes 2%, whilst £5 increase Band D provides to an additional 1% rise).

Proposal	Business Impact	Financial Impact – Additional Income/ Reduced Expenditure
Staffing efficiencies	Leverage technology and the use of new software, taking advantage of vacancies to restructure to save money, manage vacancies and reduce administration. Where possible, the Council will aim to bring together and consolidate services under fewer senior managers where turnover allows and services can be improved. The staffing budget currently includes a turnover savings target of £500,000 (3.6% of GF salary budget). In view of the inflationary increases in the overall salaries budget it is recommended to increase this target to £600,000 (4.1% of anticipated GF salary budget).	£100,000 increase in the savings target
Beeston Phase 2 development income	Rental income to include new operators and a full review of the rental budget. The total additional income will be confirmed as part of the forthcoming budget setting process.	£100,000 additional income
Car Parking Income	Proposals for charging to be developed, including abolishing the free hour. Link to reduced carbon emissions, improved air quality and providing resources for investment. Current net cost of Parking Services is subsidised by the taxpayer at circa £100,000 per annum.	£270,000 additional income
Planning Income	Additional income expected dependent on speed of development and the new planning fee structure. A 5% increase in planning fees would generate additional income of around £28,000 of income. There is also a government consultation about increasing planning fees between 25% and 35% (the latter for major applications) and then linking fees to inflation (CPI) going forward. If this was to happens, an additional £100,000 might be anticipated.	£28,000 additional income There is potential for a further £100,000 if government proposals on planning fees materialises.
Housing - Lifeline Income	Potential income from the additional marketing of lifeline. The Commercial Manager will pursue this opportunity.	£5,000 additional income

Proposal	Business Impact	Financial Impact – Additional Income/ Reduced Expenditure
Homelessness – Reduce bed and breakfast.	Effective management of homelessness with the aim of reducing the use of bed and breakfast accommodation may generate a saving on the current base budgets.	£65,000 saving target
Bramcote Crematorium	Potential additional income from pet cemetery and natural burials, following the development and implementation of a new marketing strategy for Bramcote Bereavement Services. The impact of the new cremators on energy savings also needs to be considered with an anticipated 2024/25 installation. It is anticipated that the cost of borrowing for the new cremators will be offset by energy savings and the additional income generated. Fee income is directly impacted by the prevailing death rate. While the market share is currently being maintained, the business has not grown yet to the degree necessary – meaning that any borrowing costs may need to be covered from the annual surplus distribution.	Potential additional income and savings
Reduced Overtime	Remote working has impacted on overtime and this needs to be investigated further.	Any potential savings may be offset by challenges in recruiting to vacant posts.
Procurement	Re-packaging and re-tendering contracts will bring efficiencies and savings, which will be predominantly capital savings.	Capital budget savings

Proposal	Business Impact	Financial Impact – Additional Income/ Reduced Expenditure
Reshape the Leisure Offer	Current cost of the annual leisure management fee paid to Liberty Leisure Limited is £519,000. Proposal to reduce the management fee to £369,000 in 2024/25. This can be achieved by implementing the efficiency review of the company, carried out by 'active-4-today', which identified additional savings and income totalling £300,000. It is assumed that 50% of the review will be implemented in 2024/25. It is recognised that there will be an increased licence cost for LLL at Kimberley Leisure Centre. LLL held general reserves of £486,889 as at 31 March 2023.	£150,000 saving from further reduction in the management fee
ICT Broadband	Broadband savings from re-negotiation of contract.	£30,000 saving
Additional Voluntary Contributions (Pension)	Savings on National Insurance employer contributions as a result of pension fund Additional Voluntary Contributions	£5,000 saving
Grant Aid to Parish and Town Councils	A review of grant aid provided to parish and town councils, and consideration of bid writer to support parish and town councils accessing various external grants thereby allowing a reduction in Council's grants.	Potential saving
Council Tax Single Persons Discount	Completion of the Single Persons Discount review in 2023, it is expected that additional Council Tax income can be achieved.	£7,000 additional income
Reviews of Fees and Charges	Further management reviews of service fees and charges schedules to maximise revenues.	Potential additional income
	Total 2024/25 savings and additional income identified	**£1040,000**

Proposal	Business Impact	Financial Impact – Additional Income/ Reduced Expenditure
2024/25 – 2025/26 Proposals subject to commercial negotiations		
Sale of Crematorium Land (capital receipt)	Commercial negotiations with a developer to sell land adjacent to Bramcote Crematorium. Any proceeds would be shared 50/50 with Erewash Borough Council. The site has planning approval for housing.	Revenue savings arising from the use of capital receipts can replace borrowing costs (MRP and interest) and result in revenue savings.
Tram Compensation	Tram compensation negotiations with Nottingham City Council have been completed, with final balance of settlement anticipated in 2023/24.	Provide resources for the capital programme.
Sale of the ‘Argos’ block in Beeston Square	Following Cabinet approval on 4 September 2023, commercial negotiations will progress with a developer on converting the ‘Argos’ block into a medical centre. This could generate a significant capital receipt.	Revenue savings arising from the use of capital receipts to replace borrowing costs (MRP and interest).