**Appendix 1**

## 1. General Fund Revenue Budget

Introduction

There was an underspend of £1.826m on the General Fund revenue budget in 2023/24 resulting in a General Fund balance of £6.060m as at 31 March 2024. 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 continue to impact upon the financial position of 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% in recent years, has only recently started to move back towards the Bank of England's 2% target and even then services inflation continues to be stubbornly higher than this target.

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 intends to review the level of Business Rates retention. A further uncertainty is inflationary pressures 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 significant budget pressures highlighted that will impact on the Council's 2025/26 budget. Firstly, the cost of the forecasted pay awards in both 2024/25 and 2025/26. Secondly the financial impact of the cost of living with inflationary pressures on energy, fuel, construction and property prices. Finally, with higher interest rates potentially impacting on the cost of future prudential borrowing to support the Council's capital investment programmes.

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 2025/26 are set out below in appendix 3.

Financial Settlement 2025/26

The Chancellor of the Exchequer has announced that she will present the Autumn Statement 2024 to Parliament on 30 October 2024. The finer details of the local government financial settlement for 2025/26 will then follow in December. As such, the most reasonable financial planning assumptions have been made 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.

At this stage, the MTFS does not assume the receipt of any additional government grants relating to inflationary pressures, although the previous Core Spending Power (CSP) Funding Guarantee has been uplifted by an assumed 2% year-on-year increase across the period.

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 previous 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 Nottinghamshire Business Rates Pool has continued in 2024/25 and it is expected that the Pool will continue into 2025/26 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 previous government was 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 would 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 2024/25 and is expected to continue into 2025/26.

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 2024/25 was £255k due to the growth in domestic properties. This settlement did not benefit from earlier legacy payments which have now fallen out.

No new allocations of NHB have been assumed for the 2025/26 settlement, although the MTFS does assume that NHB funding will remain at 2024/25 levels across the medium-term 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 2025/26 will be presented to Cabinet on 3 December 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 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 £21.1m 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 £16.5m secured investment for 'Kimberley Means Business from the Levelling Up Fund and allocations from the UK Shared Prosperity Fund.

The Council is a non-constituent member of the recently established East Midlands County Combined Authority (EMCCA), led by a new regional Mayor, and will be seeking funding opportunities through EMCCA to support its regeneration and housing objectives.

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 previous government announced that rents can be increased by CPI plus 1% each year from 2020/21 for the following five years. This is currently reflected in the annual update of the financial model that accompanies the 30-year HRA Business Plan. In view of economic conditions with high inflation, the previous government capped the increase in rents to a 7% ceiling for 2023/24. From 2024/25 onwards, the guidance was that rent caps will increase by CPI (as at September of the previous year) plus 1.5% annually. This guidance may be subject to change. There has not been an announcement as yet from the new government as to what, if any, rent caps will be in place for 2025/26. It is expected, however, to be CPI plus 1%.

The 30-year HRA Business Plan is regularly reviewed. A progress update report on the Plan, including the HRA medium-term financial position, will be presented to Cabinet later in 2024/25.

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, as recommended by the housing regulator.

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 sales since 2014/15 were 26; 27; 20; 39; 37; 17; 16; 34; 29 and 16 in 2023/24.

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 occasionally includes capital budget variation reports to Cabinet when required.

There has been pressure on delivering the Capital Programme, with delays on 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 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.