

Report of the Portfolio Holder for Resources and Personnel Policy**Medium Term Financial Strategy and Business Strategy 2026/27****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. This is in accordance with all the Council's key priorities and objectives.

2. Recommendation

Cabinet is asked to RESOLVE that the updated Medium Term Financial Strategy and the Business Strategy 2026/27 be approved.

3. Detail

As reported to Cabinet on 1 July 2025, there was an underspend of £1.4m on the General Fund revenue budget in 2024/54 resulting in a General Fund Reserve balance of £5.6m as at 31 March 2025. This was 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 several significant issues concerning local government finance that will have a major impact upon the financial position of this Council. These include the prevailing economy and the impact of inflation on pay and prices; the uncertainty with annual financial settlements from central government; and the outcome of its Fair Funding Review and the associated reset of the Business Rates baseline. 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**.

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 considered in producing the 2025/26 budget. Further details of the Business Strategy 2026/27 are set out in **Appendix 3** for consideration.

4. Key Decision

This report a key decision as defined under Regulation 8 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012. It will result in the Council incurring revenue or capital expenditure or savings of £250,000 or more and be significant in terms of its

effects on communities living or working in an area comprising two or more Wards or electoral divisions in the Council's area

5. Updates from Scrutiny

Not applicable.

6. Financial Implications

The comments from the Interim Deputy Chief Executive and Section 151 Officer were as follows:

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

7. Legal Implications

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

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

8. Human Resources Implications

There were no comments from the Human Resources Manager.

9. Union Comments

There were no Union comments in relation to this report.

10. Climate Change Implications

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

11. 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.

12. Equality Impact Assessment

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

13. Background Papers

Nil.

Appendix 1

1. General Fund Revenue BudgetIntroduction

There was an underspend of £1.402m on the General Fund revenue budget in 2024/25 resulting in a General Fund Reserve balance of £5.590m as at 31 March 2025. 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 several significant issues concerning local government finance that continue to impact upon the financial position of this Council and others, especially the 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 moved back towards the Bank of England's 2% target and even then it continues to be stubbornly higher than this target.

The Chancellor of the Exchequer has not yet announced any details on the Local Government Finance Settlement. 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 inflationary pressures has been made in the short-term.

The outcome of the government's 'Fair Funding Review 2.0' is expected to be used for the Local Government Finance Settlement and this will present considerable risk and uncertainty to the Council's funding allocations and the level of Business Rates retention. It continues to be difficult to accurately assess financial forecasts and the MTFS will be subject to revision as more information becomes available.

There continues to be significant budget pressures highlighted that will impact on the Council's 2026/27 budget. These include establishment costs (pay awards, National Insurance and pension contributions) and price inflation on energy, fuel, construction and property prices. There are also 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 2026/27 are set out below in Appendix 3.

Financial Settlement 2026/27

The Chancellor of the Exchequer has announced that the Autumn Statement 2025 will be delivered to Parliament on 26 November 2025. The finer details of the local government financial settlement for 2026/27, including the outcome of the long-awaited Fair Funding Review, will then follow in December. As such, the most reasonable financial planning assumptions have been made when refreshing the MTFS.

The 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 grants relating to cost and service pressures, with grant funding held flat across the period.

Fair Funding Review / Business Rates Review

A government consultation earlier this year confirmed that the outcomes of the 'Fair Funding Review 2.0' will be used for the Local Government Finance Settlement in 2026/27 and beyond. This, along with the associated resetting of Business Rates allocations and growth, presents considerable risk and uncertainty to the Council's funding allocations.

The Council, through its financial advisors, has undertaken some early modelling based upon the government's consultation proposals and these show a considerable range in what funding the Council may receive depending upon which Business Rates model is applied. An optimistic view could see the Council's Core Spending Power (CSP) benefitting by up to £1.2m, whilst an alternative, more pessimistic, view could see spending power fall by almost 1m. Final details will not be known until the Local Government Finance Settlement is released in December.

It is likely that for both scenarios that transitional arrangements will apply to limit the impact. It has therefore been assumed in this MTFS that existing funding levels will be retained across the period. This will be reviewed as part of budget setting once financing is known.

Business Rates (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 has been 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 with the Fair Funding Review being delayed.

Membership in the 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 has benefitted from investing more resources to ensure that business premises are identified and properly rated.

With the re-setting of business rates now expected as part of the Fair Funding Review, there is some doubt as to whether the Nottinghamshire Business Rates Pool will continue into 2026/27.

New Homes Bonus

The Council's income from New Homes Bonus (NHB) reduced considerably from a peak of £829k in 2016/17 to just £19k in 2021/22. The latest NHB allocation to Broxtowe for 2025/26 is £360k which aligns to the growth in domestic properties. This settlement did not benefit from earlier legacy payments which have now fallen out.

It is now anticipated that NHB will be discontinued from 2026/27 as part of the Fair Funding Review. For the purposes of the MTFS, it is assumed that some alternative funding will be provided to existing levels across the period. This assumption presents some risks to overall funding levels

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 2026/27 will be presented to Cabinet on 27 November 2025. In recent years the Council Tax Base has increased by around 1% over the previous and this has been assumed again for the MTFS.

Local Government Reorganisation

The Medium-Term Financial Strategy has not taken any account of the impact of LGR. The projected end date of this latest MTFS is set to extend beyond the potential start date for any new unitary authority.

Food Waste Collections and EPR Funding

There has been no consideration of the revenue cost impact of the rollout of government policies relating to the new food waste collection services for commercial and domestic properties. For the purposes of the MTFS, it is assumed at this stage that any additional operating costs, both capital and revenue, will be met by a combination of New Burdens Grant Funding and allocations from the new Extended Producer Responsibility for Packaging (EPR) funding.

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 bidding for the Government's Towns Deal funding to regenerate Stapleford, with £21.1m being secured for development projects in Stapleford over a five-year period. It was also successful in its bid for a significant grant allocation of £16.5m for investment in the 'Kimberley Means Business' regeneration project 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 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 was reflected in the annual update of the financial model that accompanies the 30-year HRA Business Plan. For 2025/26, the social housing rent cap for 2025/26 was 2.7%, based on the government's formula of the Consumer Price Index (CPI) in September 2024 plus 1%. This guidance may be subject to change and there has been no announcement, as yet, from the government as to what, if any, rent caps will be in place for 2026/27.

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 2025/26.

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 capital receipts ('Right to Buy' property 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 Council has recruited a Housing Development 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

There are regular updates provided to General Management Team and to Members on progress with the approved capital programme. This will occasionally include capital budget variation reports to Cabinet as required.

There is pressure on delivering the capital programme, with delays on schemes being attributed to a number of factors, sometimes beyond the Council's control. This includes a lack of internal resources (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 continues to limit 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 available, the General Fund capital programme has been boosted by significant capital grants earmarked towards economic regeneration schemes associated with the Stapleford Towns Fund, Kimberley Means Business 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 includes the anticipated borrowing costs for the existing capital programme.

Appendix 2

General Fund Financial Projections 2025/26 to 2029/30

	Revised Estimate 2025/26 £'000	Estimate 2026/27 £'000	Estimate 2027/28 £'000	Estimate 2028/29 £'000	Estimate 2029/30 £'000
BASE BUDGET	15,403	15,725	16,388	16,998	17,639
CHANGES TO BASE					
Revenue Developments	269	(158)	-	200	-
Inflation – Pay Award/JE Outcomes	40	485	320	327	333
Inflation – Energy and Fuel Prices	Included	30	23	21	21
Inflation – Price Others	Included	78	79	92	94
Increased Fees and Charges (General)	Included	(73)	(73)	(75)	(76)
Capital Borrowing Costs – MRP and Interest	13	301	261	75	1
BUDGET REQUIREMENT BEFORE SPECIAL EXPENSES	15,725	16,388	16,998	17,639	18,012
Beeston Special Expenses	26	26	26	26	26
BUDGET REQUIREMENT	15,751	16,414	17,024	17,665	18,038
FINANCED BY:					
NNDR Business Rates	4,610	6,790	6,910	7,032	7,157
NNDR Share of Previous Years Deficit	(35)	-	-	-	-
NNDR Section 31 Grants	2,754	Included	Included	Included	Included
NNDR Growth Levy/Safety Net to/from Pool	(1,491)	Included	Included	Included	Included
NNDR Returned Levy from Notts Business Rates Pool	850	Included	Included	Included	Included
Council Tax	6,862	7,069	7,283	7,503	7,729
CT Share of Previous Years Surplus	16	-	-	-	-
Gov't Grants - Revenue Support Grant	168	168	168	168	168
Gov't Grants - Recovery Grant	55	-	-	-	-
Gov't Grants - New Homes Bonus or similar	360	360	360	360	360
Gov't Grants – Funding Floor or similar	8	8	8	8	8
Beeston Special Expenses	26	26	26	26	26
TOTAL RESOURCES	14,183	14,421	14,755	15,097	15,448
DEFICIT/(SURPLUS) TO BE MET BEFORE MOVEMENT IN RESERVES	1,568	1,993	2,269	2,567	2,590
MOVEMENT IN RESERVES					
Movement into Earmarked Reserves	30	40	50	-	-
Movement from Earmarked Reserves	-	-	(132)	(200)	-
PLANNED (SURPLUS)/DEFICIT AFTER MOVEMENT IN RESERVES TO BE FUNDED FROM GENERAL FUND BALANCE	1,598	2,033	2,187	2,367	2,590

FORECAST BALANCES - 31 MARCH

General Fund Opening Balances

In-year Net Movement in Reserves

General Fund Closing Balances**BALANCE OF RESERVES**

Minimum Balance

Available Reserves

(Figures in **bold** - below minimum balance)

Earmarked Reserves Opening Balance

In-year Net Movement in Reserves

Earmarked Reserves Closing Balance

Revised Estimate <u>2025/26</u> £'000	Estimate <u>2026/27</u> £'000	Estimate <u>2027/28</u> £'000	Estimate <u>2028/29</u> £'000	Estimate <u>2029/30</u> £'000
5,590	3,992	1,959	(228)	(2,595)
(1,598)	(2,033)	(2,187)	(2,367)	(2,590)
3,992	1,959	(228)	(2,598)	(5,185)
1,500	1,500	1,500	1,500	1,500
2,492	459	(1,728)	(4,095)	(6,685)
3,047	2,991	3,031	2,949	2,749
(56)	40	(82)	(200)	30
2,991	3,031	2,949	2,749	2,749

Council Tax Base

Basic Council Tax

Change on previous year

35,568	35,924	36,283	36,646	37,012
£192.93	£196.79	£200.72	£204.74	£208.83
2.99%	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.

The latest refreshed Business Strategy proposals for 2026/27 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 Proposals

Proposal	Business Impact	Financial Impact
2026/27 Proposals		
Council Tax increase	Assuming 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 forecast which includes a 2% rise for 2025/26. However, if the Government changes its referendum limits and allows districts to increase Council Tax up to 5%, then the further 2% increase would result in an additional £120k.	£60,000 additional income (MTFS assumes 2%, whilst £5 increase Band D provides to an additional 1% rise).
Council Tax Single Persons Discount	Following the successful completion of the Single Persons Discount review in 2025, it is expected that additional Council Tax income can be achieved.	£20,000 additional income

Proposal	Business Impact	Financial Impact
Council Tax discounts and exemptions	Completion of a review of Council Tax discounts and exemptions, including second homes and empty homes.	£80,000 additional income
Garden Waste Income	Scheme has seen a reduction in subscribers in recent years. Additional income will be generated by increasing service users with the price of the first bin being frozen at £45 per annum. This price is still within a mid-range across Nottinghamshire and is far lower than in other parts of the region. Further income will be generated by increasing the price of each additional bin from £26 to £30 per annum with no further attrition.	£10,000 additional income
Beeston Square Development Income	Rental income to include new operators in Phase 2 and a full review of the budget. Any additional income will be confirmed as part of the forthcoming budget setting process.	£50,000 additional income
Industrial Units Income	Planned increase in unit rents over a two-year period, but remaining below market rents.	£30,000 additional income
Environmental Enforcement Income	Additional net income collected by enforcement allocated to the Environment Services. This is subject to the current pilot scheme being extended for at least one year.	£10,000 additional income
Planning Income	Planning fees income in 2025/26 is expected to more than achieve its budget targets due to several larger schemes coming forward in this financial year. Although there are no expectations of similar larger schemes coming forward in 2026/27, it is likely that with appropriate planning fee increases, the baseline budget for income can be increased.	£50,000 additional income
Homelessness – Grant Income	Government grant allocated to assist the management of the homelessness service. This includes applying residual balances held by the Council in earmarked reserves.	£150,000 additional income

Proposal	Business Impact	Financial Impact
Bramcote Crematorium	Potential additional and new income streams from various initiatives being development following the implementation of the Bramcote Bereavement Services Marketing Strategy. The operational impact of the new cremators on energy usage is being monitored. The cost of fuel to heat the Crematorium offices and water should be completely offset by the introduction of the heat exchange system. Furthermore, the efficiencies derived from the new cremators should result in additional capacity which could in turn generate additional net income. The aim was for the cost of borrowing for the new cremators to be offset by energy savings and additional income generated. Fee income is directly impacted by the prevailing death rate in a competitive market. A rise in service fees and operational activity and efficiency could generate additional income to be shared with Erewash Borough Council.	£50,000 additional income
Staffing efficiencies	Leveraging technology with new systems and software, taking advantage of vacancies to restructure and save money, managing vacancies, reducing administration and reducing reliance on more expensive agency staff. 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 General Fund (GF) establishment budget in 2025/26 is forecast to significantly underspend and over-achieve the £750k turnover target (4.9% of GF salary budget). In view of inflationary increases and growth in the overall establishment, it is recommended to increase the savings target to £800k (4.9% of the anticipated GF salary budget £16.3m).	£50,000 reduction in salaries spend with an increased savings target

Proposal	Business Impact	Financial Impact
Price inflation (non-contract)	The MTFS assumes a level of price inflation on premises, supplies and services budgets at 1% (energy and fuel budgets see a higher percentage and are shown separately), which adds around £60k to the base budget in 2026/27. There is an opportunity freeze those budgets at current levels, thereby challenging budget managers to absorb this inflationary cost within operational activity. The impact would be spread across the General Fund services.	£60,000 reduction in costs
Insurance – Premiums and Claims	The outcome of the insurance tender for the new policies from April 2024 was better than expected and has resulted in a budget saving for the General Fund, HRA and Liberty Leisure Limited. The target reductions have already been reflected in 2025/26 budgets. In addition, the Council can benefit from its positive risk management and effective claims handling arrangements and utilise Insurance Fund balances that may not be fully needed.	£80,000 release of Insurance Fund balances
Reshape the Leisure Offer	The current cost of the annual leisure management fee paid to Liberty Leisure Limited (LLL) is £269k. There is a proposal to reduce the management fee to £200k in 2026/27, reflecting the efficiency savings and sustained income levels achieved by LLL which follows an earlier review carried out by external partners. The full management fee was not taken in 2024/25, with one-third being retained by the Council in a Leisure Development Reserve. LLL held general reserves of £443k as at 31 March 2025. There will also be consideration of a revision to the company's operating model which may offer some potential tax efficiencies.	£70,000 saving from further reduction in the management fee

Proposal	Business Impact	Financial Impact
Parks – Park Attendants and Security	The Council currently uses the services of an external contractor to provide Park Attendant duties and security at several of its parks. With the development of an online sports bookings system and by utilising short-term agency cover, there are efficiency savings that could be generated for this service. A business case is being developed for the budget setting process.	£50,000 efficiency saving
Cemeteries	The Council uses an external contractor to provide a bin emptying service at the cemetery sites. An efficiency savings could be generated by utilising existing Grounds Maintenance teams that would also provide better resilience. This is being costed for the budget setting process.	£15,000 efficiency saving
Total 2026/27 additional savings and income identified		£835,000
Additional savings and income proposals considered – no financial targets recommended in 2026/27		
Business Rates Growth	In recent years, an assessment of a reasonable target of Business Rates growth would be built into the Business Strategy based on the latest economic forecasts, local knowledge and estimated performance of property inspectors. The resetting of Business Rates that will accompany the Government's Fair Funding Review will remove the ability to release the benefits of this growth in 2026/27.	Nil
Procurement	Re-packaging and tendering contracts will bring efficiencies and potential savings for both revenue and capital budgets.	Revenue and capital budget savings
Car Parking Income	No significant fee increases are proposed for general pay and display tariffs for 2026/27. This has provided a useful source of additional income for the Council in recent years. Demand for specific sites will continue to be monitored to ensure that tariffs remain appropriate.	None considered at this stage

Proposal	Business Impact	Financial Impact
Trade Waste Income	No additional income should be expected as the introduction of food waste for trade waste customers is likely to have an initial revenue cost which will negate any planned increase. Further analysis is being undertaken, and a marketing strategy will be developed, to ensure that the Council is meeting its operating costs and remains competitive in this market.	None considered at this stage
Leasing of Council Offices	Lease of the refurbished office space to public, voluntary or private sector organisations, taking advantage of businesses re-locating out of other nearby office buildings. Further opportunities for letting will be investigated following the refurbishment of the reception area.	None considered at this stage
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 grants (current budget at £20k).	None considered at this stage
Housing - Lifeline Income	Potential income from the additional marketing of lifeline. No further income targets for this service.	None considered at this stage
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 base budgets. No savings targets proposed for this service.	None considered at this stage