Appendix 8

General Fund – Medium Term Financial Strategy

1. Summary

This report is aligned with financial reports covering the Council's revenue and capital budgets, prudential framework indicators, the treasury management strategy and the investment strategy. The figures and assumptions within these other financial reports have been applied to produce this Medium-Term Financial Strategy (MTFS). The key changes around proposed savings and additional income identified within the Business Strategy have all been considered.

A key element of the Code of Corporate Governance is the existence of a periodically reviewed MTFS. The proposed strategy for the next four years including the basis of any broad assumptions used to produce the medium-term forecasts is set out below.

It is the view of the Interim Deputy Chief Executive and Section 151 Officer that the estimates for 2026/27 and future years that have been used to produce the budget and MTFS are robust and that, if further initiatives to reduce expenditure or increase income are implemented, there are sufficient retained reserves to meet the Council's needs over the lifetime of the strategy. Members will be aware that some savings or income proposals are still being developed and finalised and may carry some implementation risk which could have an impact on the savings or income profile. As such, it is essential to maintain a rigorous approach to financial management which will enable the Council to continue to set a balanced budget over time without further depletion of reserves.

2. Revised 2025/26 Position and 2026/27 Assumptions

The purpose of the MTFS is to:

- provide indicative financial projections which can be used to inform the Council's decision making and budget setting process.
- provide a document for use by the Council which can assist in the development of policies and planning future initiatives and which integrates with the Council's performance management system and corporate plan priorities.
- enable the Council to have a wider appreciation of its overall financial standing.
- provide a solid basis for the stabilisation of the Council's financial position such that it is not overly dependent upon using reserves to achieve a balanced budget or to restrict Council Tax increases at or below government guidelines.

The MTFS is based on the revised budget assumptions for 2025/26. In 2026/27 there were three areas of major potential risk to estimates which need to be taken account of in future financial years:

- Impact of the economic environment, with inflationary pressures and supply issues resulting in higher prices and an impact on income. It has also seen a slower than anticipated reduction in interest rates.
- Impact of the Fair Funding Review and re-set of the Business Rates Retention Scheme.
- Efficiencies, employee savings and income proposals.

Economic Environment

In view of the current economic climate with inflation impacting on pay awards and fuel and energy prices, and supply chain issues, particularly with construction, suitable allowances have been made in the budgets and medium-term forecasts of cost pressures. These are considered further below.

The financial risks associated with an economic downturn could also impact upon potential impact on income growth, with lower receipts from council tax, business rates, planning fees, car parking and other fees and charges.

Impact of Fair Funding Review and the Business Rates Reset

The outcome of the Fair Funding Review and the impact of the reset of Business Rates and changes to the Business Rates Retention Scheme has been covered elsewhere on this report. This will impact on the Council's abilities to generate growth in future and therefore presents a key financial risk.

Efficiencies and employee savings and income proposals

In order to mitigate the effect of the shortfall of resources, an updated Business Strategy was approved by Cabinet on 4 November 2025. The Business Strategy identified a range of efficiencies and additional sources of income. The refresh of the Business Strategy was undertaken during the budget process, with the aim of identifying sufficient efficiencies and additional income to produce a balanced budget over the lifetime of the strategy. It is essential for the financial health of the Council over the medium term that these efficiencies and additional income are achieved.

It is important to note that if any future proposed employee savings are developed, this will attract potential redundancy and pension strain costs, and that there will be a lead-in time period for the implementation of service reviews and associated employee savings.

2. Financial Projections to 2029/30

The projections for the financial years 2025/26 to 2029/30 are summarised further below. Several assumptions have been made in formulating the projections. The risks and assumptions which have a material impact on the MTFS are described in more detail below.

Assumptions

As with the Council's normal budget-setting process the basic underlying assumption within the MTFS is that current levels of service will be maintained wherever possible. However, any proposed budget changes will be set out in the detailed budget papers to the Cabinet, and have taken due regard of the Council's priorities, the overarching need for cost effectiveness and the expected level of government funding in years to come.

In summary, the assumptions contained in the MTFS are that:

- Council Tax levels will increase by 2.94% in 2026/27 and thereafter will increase at a rate of 2% per annum.
- Estimated income from Business Rates will be broadly in line with the Baseline Funding Level provided in the Provisional Local Government Finance Settlement with only limited growth included in future years.
- Continuation of Revenue Support Grant (in line with the Fair Funding Assessment), Income Protection Floor Grant and Recovery Grant allocations into the medium-term.
- Removal of the New Homes Bonus scheme.
- A pay award of 3% is included for all employees in 2026/27, which falls back to an assumed 2% for 2027/28 onwards.
- An allowance for price inflation relating to the cost of fuel and energy is included in the base budget for 2025/26 and further allocations have been added at up to 3% for 2026/27 and beyond.
- Efficiency schemes and income set out in the Business Strategy will be realised during 2026/27.
- Further ongoing efficiencies need to be realised in each subsequent year.

Reserves

The Council has been undertaking a planned use of reserves when setting the budget. However, when expenditure levels are finalised the actual use of reserves has often been less than anticipated.

The latest projected level of General Fund reserves (excluding earmarked reserves) at 31 March 2026 is £4.215m. The Chartered Institute of Public Finance and Accountancy (CIPFA) has published guidance on factors to be taken into account when assessing the adequacy of reserves. Such factors include:

- pressures arising from inflation and movements in interest rates
- estimates of the level and timing of capital receipts
- potential demand led pressures
- any planned efficiency savings/productivity gains
- financial risks arising from any major partnership arrangements
- availability of other funds to deal with major contingencies and the adequacy of provisions.

After taking into account this advice and reviewing the various factors as they relate to the Council, the advice from the Interim Deputy Chief Executive and Section 151 Officer is that General Fund reserves of at least £1.5m should be maintained at the present time. This reflects the continued risk and uncertainty that the Council now faces with the transition from direct Government funding to locally raised sources of finance. If all the assumptions as set out in this MTFS arise, and no further action is taken with regards to Business Strategy proposals, then overall reserve levels will reduce to just £300k by the end of 2028/29 and the fall into a negative position during 2029/30 and beyond. An anticipated budget underspend in the current financial year will directly improve this position.

General Fund Financial Projections 2025/26 to 2029/30

	Revised Estimate 2025/26 £'000	Base Budget 2026/27 £'000	Estimate 2027/28 £'000	Estimate 2028/29 £'000	Estimate 2029/30 £'000
BASE BUDGET (NET EXPENDITURE)	15,609	16,102	16,102	16,718	17,399
CHANGES TO BASE					
Revenue Developments (One-off changes within prior year not required going forward)	Included	Included	-	200	-
Inflation – Pay Award/Other Pay Factors	Included	Included	321	327	334
Inflation – Energy/Fuel Prices	Included	Included	23	21	21
Inflation – Prices Other	Included	Included	79	92	94
Increased Fees and Charges	Included	Included	(73)	(75)	(76)
Capital Borrowing Costs – MRP and Interest	Included	Included	266	55	165
BUDGET REQUIREMENT BEFORE SPECIAL EXPENSES	**15,609**	**16,102**	**16,718**	**17,339**	**17,877**
Beeston Special Expenses	26	26	26	26	26
BUDGET REQUIREMENT	**15,635**	**16,128**	**16,744**	**17,365**	**17,903**
FINANCED BY:					
Council Tax Precept	6,862	7,190	7,407	7,631	7,861
CT Share of Collection Fund Surplus/(Deficit)	(50)	28	-	-	-
NNDR Business Rates (BFL)	4,610	2,995	3,063	3,125	3,188
NNDR Share of Collection Fund Deficit	(55)	(387)	-	-	-
NNDR Section 31 Grants	2,754	Included	Included	Included	Included
NNDR Growth Levy/Safety Net	(1,491)	-	(5)	(5)	(5)
NNDR Growth/ Funding from Pool	850	-	55	55	55
Gov. Grants (Revenue Support Grant)	167	4,791	4,111	3,400	3,400
Gov. Grants (Income Protection Floor Grant)	8	230	554	907	907
Gov. Grants (Recovery Grants)	55	55	55	55	55
Gov. Grants (New Homes Bonus)	360	-	-	-	-
Beeston Special Expenses	26	26	26	26	26
TOTAL RESOURCES	**14,097**	**15,203**	**15,266**	**15,194**	**15,487**
DEFICIT/(SURPLUS) TO BE MET BEFORE MOVEMENT IN RESERVES	1,538	925	1,478	2,171	2,417
MOVEMENT IN RESERVES					
Movement into Earmarked Reserves	-	-	50	50	-
Movement from Earmarked Reserves	(196)	(165)	(282)	(313)	(137)
PLANNED (SURPLUS)/DEFICIT AFTER MOVEMENT IN RESERVES TO BE FUNDED FROM GENERAL FUND BALANCE	**1,342**	**760**	**1,246**	**1,908**	**2,280**

	Revised Estimate 2025/26 £'000	Base Budget 2026/27 £'000	Estimate 2027/28 £'000	Estimate 2028/29 £'000	Estimate 2029/30 £'000
FORECAST BALANCES - 31 MARCH					
General Fund Opening Balances	5,557	4,215	3,455	2,209	300
In-year Net Movement in Reserves	(1,342)	(760)	(1,246)	(1,908)	(2,280)
General Fund Closing Balances	**4,215**	**3,455**	**2,209**	**300**	**(1,979)**
BALANCE OF RESERVES					
Minimum Balance	1,500	1,500	1,500	1,500	1,500
Available Reserves	2,715	1,955	709	(1,200)	(3,479)
Earmarked Reserves Opening Balance	3,047	2,851	2,411	2,179	1,916
In-year Net Movement in Reserves	(196)	(440)	(232)	(263)	(137)
Earmarked Reserves Closing Balance	**2,851**	**2,411**	**2,179**	**1,916**	**1,779**

COUNCIL TAX BASE	**35,568**	**36,201**	**36,563**	**36,929**	**37,298**
BASIC COUNCIL TAX	**£192.93**	**£198.61**	**£202.58**	**£206.63**	**£210.77**
CHANGE ON PREVIOUS YEAR	**2.94%**	**2.94%**	**2.0%**	**2.0%**	**2.0%**

Risk Assessment – Revenue Budget 2026/27

1. Employee Expenses – Assessment: Medium Risk

   The pay budget is a significant area of spend for the Council and includes salaries and employer contributions for National Insurance and Pensions. The Council operates within an approved establishment, and the respective budget headings are based upon this establishment. Provision has been included within the budget figures based on an anticipated pay award of 3% in 2026/27, with a 2% pay award assumed thereafter.

   There is a risk that any future uplifts in the rate of employer's National Insurance Contributions will not be fully compensated by the government.

   A suitable provision has been made for pension contributions. The actuarial valuation of the Pension Fund at March 2025, set out fixed increases in employer's pension contribution rates for 2026/27 to 2028/29. The Pension Fund continues to perform well, with the Broxtowe element now fully funded at 105%. The employer's primary contributions has reduced from 19.0% to 16.8% of salary per annum. Also, with the Broxtowe element being fully funded, there is no back-funding element so secondary contributions are not included in the forecasts. This may change again at the next actuarial valuation in March 2028 which will identify the employer's pension contributions required from 2029/30.

Provision has been made within base budgets for the approved establishment after taking account of any market supplements applied where there are recruitment challenges for specific roles. Pay budgets have been increased appropriately to take account of the outcome of job evaluation reviews.

Progress towards employee savings targets are dependent on turnover and any requests for voluntary redundancy, flexible retirement and changes to working hours coming forward from employees and/or from posts being deleted as a result of changes to services based on a robust business case. First year costs from redundancy payments or pension strain may limit the benefit in year one from these sources. Moreover, the extent to which establishment reductions can be accommodated without significant impact on services reduces across the duration of this MTFS. General Management Team (GMT) will regularly monitor the situation and Cabinet will also be kept regularly informed of progress.

2. Capital Financing – Assessment: Medium Risk

Borrowing costs on the Council's current debt are largely known in advance since long-term borrowing is generally at fixed rates. For 2026/27, new prudential borrowing of £3.0m is proposed to help fund the General Fund capital programme. The Council will seek low-cost borrowing from other sources including the Public Works Loan Board (PWLB) and/or other local authorities. However, financing of capital schemes will also be dependent upon the availability of capital receipts and capital grants.

Should anticipated capital receipts not materialise, the Council will need to fund its infrastructure, including any new construction projects, fleet vehicles, maintenance and development of ICT systems and key assets, from other resources. This may have a significant impact on the viability of the MTFS.

There is also another potential risk linked to the impact of interest rates not reducing as much as originally expected.

3. Reserves – Assessment: Medium Risk

Based upon the proposals, the overall level of available General Fund reserves as at 31 March 2027 (excluding Earmarked Reserves) is estimated at £3.454m. There is no historical evidence of overspending against service budgets.

Professional advice from CIPFA indicates that reserves should be held for three main purposes, being as a:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing, which forms part of general reserves;
- A contingency to cushion the impact of unexpected events or emergencies, which also forms part of general reserves; and
- A means of building up funds to meet known or predicted liabilities, which is referred to as earmarked reserves.

Earlier guidance from the former Audit Commission indicated that, as part of the comprehensive performance assessment, it would expect to see general reserves at least equal to 5% of a Council's net operating expenditure in a 'good' council. For Broxtowe this would equate to £800k. The Interim, Deputy Chief Executive and Section 151 Officer advises that for district councils, which have relatively high levels of income compared to other classes of authority, the reference to net operating expenditure is not appropriate since any 'target' should reflect the risk to income and expenditure levels separately. In the light of this risk assessment and the MTFS as proposed, the Interim Deputy Chief Executive and Section 151 Officer advises that, in his opinion, general reserves should remain at or above £1.5m.

Whilst this does not pose an immediate problem, the MTFS highlights pressures on reserve levels in future years as the public sector may face spending reductions through the next government spending review. Careful monitoring of the situation, advance planning and responding quickly to changes will be of particular importance moving forward.

Members should also be aware that the level of reserves held also reflects on the investment interest received. Each £500k change in reserves has the effect of increasing or decreasing net expenditure by around £15k per annum.

4. Central Government Funding – Assessment: High Risk

The outcome of the Fair Funding Review, as part of the Provisional Local Government Finance Settlement, has provided some clarity in terms of the ongoing funding available to support the Council and its residents and businesses.

There does remain some uncertainties though, particularly associated with the availability of future government support towards the cost of implementing food waste collections through New Burdens funding.

The re-set of the Business Rates Retention Scheme has highlighted risks and vulnerability that local authorities face for reasons which are outside of their control. Increased understanding of the operation of the new Business Rates arrangements and the use of local data to monitor expected income during the year may reduce, the risks but this remains significant.

Delays experienced in dealing with rates appeals from businesses by the Valuation Office remains a source of uncertainty. Whilst the Council has a list of outstanding appeals it is a challenge to come up with a meaningful estimate as to the level of rate reductions that may arise from such appeals and therefore predictions as to rates yield are subject to significant change.

5. Fees and Charges – Assessment: Medium Risk

   Over 10% of the Council's income arises from fees and charges, of which the largest are planning fees, car parking, garden waste, trade waste, licensing and commercial rents. Take up for garden waste collection has exceeded original expectations although growth in subscriptions has slowed.

   The establishment of Liberty Leisure Limited in October 2016 was designed to implement a new delivery model for leisure services. The aim was to create stronger ownership of the function with an increased focus on business management. The Leisure Client Officer within the Deputy Chief Executive's Department provides a client-side focus for managing the Council's relationship with the company and exploring commercial opportunities.

   Further challenges exist as the facilities through which leisure service operates are reaching the end-of-life stage and are placing increasing pressures on capital budgets. The Council is reviewing its Leisure Facilities Strategy, in order develop a way forward for leisure services provision across Broxtowe.

   Most of the other service areas are customer led and close monitoring of these budgets has taken place for several years. Given the economic impact, several fees and charges across various services have been increased although projections assume similar demand levels across the period.

6. Insurance – Assessment: Low Risk

   The Council's insurance cover is generally provided through external insurers with varying excess levels, depending upon the nature of any claim. The insurance policies were retendered with new contracts awarded from April 2024 for a period of up to seven years. The Council was prudent in increasing its budgets to anticipate any potential uplift in premiums.

   Premiums is only one element of the overall cost of insurance with a significant part also relating to the claims excesses which the Council directly meets itself. Budget performance in terms of the nature and value of any successful claims against the Council is also of direct relevance. The Strategic Risk Management Group meets regularly to appraise and monitor strategic issues, some of which can have direct influence on insurance cover and the levels of claims received. No adverse trends have become apparent in the past financial year.

7. Other Running Expenses – Assessment: Medium Risk

   Almost a quarter of the Council's gross expenditure is in this area, which includes fuel and energy, repairs and maintenance, vehicle operating costs, purchase of supplies and services, printing, postages and ICT. These cost areas are tightly controlled and where possible central contracts are put in place.

Limited inflation provision was made in earlier years, but this changed from 2022/23 with additional risks relating to high inflationary pressures for energy and fuel, materials and supply costs relating to construction costs which may continue into 2026/27.

As regards to other running costs, although there are clearly cost pressures, it is anticipated that costs can be contained within overall available budgets given the general rules about virement.

8. Housing Benefits – Assessment: Low Risk

Housing Benefit expenditure accounts for around 40% of the Council's gross expenditure. Spending is demand led and the housing benefit aspects are mainly governed by national benefit schemes.

The 2025/26 Housing Benefit budgets have been prepared assuming a reduction to claimant compared to those for the current year, due to the continued rollout of the Universal Credit migration. Given that effectively the value of housing benefit payments is almost 100% reimbursed through government grant, the overall effect of any changes in caseload is felt not to be significant at this stage.

9. Investment Income – Assessment: Low Risk

Investment levels have remained healthy in 2025/26 due to good cash flow management and significant grants and capital funding being received in advance of application. Wherever reasonable to do so investment levels have been reduced rather than taking out any new borrowing to meet capital financing requirements.

The position regarding interest rates has been reflected in the base budget for 2026/27 and is anticipated to remain relatively stable in future years.