



Report to: Cabinet Meeting – 6 December 2022

Portfolio Holder: Councillor David Lloyd, Strategy, Performance & Finance

Director Lead: Sanjiv Kohli – Deputy Chief Executive and Director - Resources

Lead Officer: Nick Wilson, Business Manager – Financial Services, Ext. 5317

Report Summary	
<b>Type of Report</b>	Open, Non-Key Decision
<b>Report Title</b>	Update to the Medium-Term Financial Plan 2022/23 to 2025/26
<b>Purpose of Report</b>	To update Members on the position of the currently approved Medium Term Financial Plan
<b>Recommendations</b>	Members note the update to the Medium-Term Financial Plan
<b>Alternative Options Considered</b>	None
<b>Reason for Recommendations</b>	To update Members on the current assumptions forecast in the Medium Term Financial Plan

## 1.0 Background

- 1.1 The current Medium Term Financial Plan (MTFP) was set at Council on 8 March 2022 for the period 2022/23 to 2025/26.
- 1.2 The tables below are extracts from that report and show the forecasted financial position of the authority at that point in time.

<b>Table 1</b>	<b>2022/23 (£m)</b>	<b>2023/24 (£m)</b>	<b>2024/25 (£m)</b>	<b>2025/26 (£m)</b>
Net Service Expenditure (less capital charges)	14.388	14.517	14.900	15.343
Total Other Expenditure	1.172	1.877	1.874	1.898
<b>Total Expenditure</b>	<b>15.560</b>	<b>16.394</b>	<b>16.774</b>	<b>17.241</b>
Business Rates: receivable annually	(6.744)	(4.413)	(5.082)	(5.639)
Business Rates: other adjustments	0.341	0.000	0.000	0.000
Council Tax: receivable annually	(7.646)	(7.966)	(8.299)	(8.646)

Council Tax: surpluses/(deficits)	(0.333)	0.000	0.000	0.000
Council Tax: other adjustments	0.047	0.000	0.000	0.000
Other Grants	(0.568)	(0.568)	(0.464)	(0.475)
<b>Contribution (to) or from Reserves</b>	<b>0.657</b>	<b>3.447</b>	<b>2.929</b>	<b>2.481</b>

<b>Table 2</b>	<b>2022/23 (£m)</b>	<b>2023/24 (£m)</b>	<b>2024/25 (£m)</b>	<b>2025/26 (£m)</b>
<b>Contribution (to) or from reserves</b>	<b>0.657</b>	<b>3.447</b>	<b>2.929</b>	<b>2.481</b>
Contribution (to) or from reserves other than MTFP reserve	(0.096)	0.200	0.200	0.200
<b>Contribution (to) or from MTFP reserve, before proposed mitigations below</b>	<b>0.561</b>	<b>3.647</b>	<b>3.129</b>	<b>2.681</b>
Use of MTFP reserve to offset contributions from reserves in future years	0.039	(2.947)	(1.979)	(0.635)
Contribution from Nottinghamshire Business Rates Pool	(0.600)	-	-	-
Dividends from Arkwood Developments Ltd	-	(0.500)	(0.500)	(0.500)
Savings from service reviews	-	-	(0.100)	(0.100)
Savings/efficiencies from making business processes more efficient	-	(0.100)	(0.200)	(0.200)
Increased income from the council becoming more commercial	-	(0.100)	(0.200)	(0.200)
Rental income from town centre regeneration	-	-	(0.150)	(0.150)
<b>Contribution (to) or from MTFP reserve, after proposed mitigations above</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.896</b>

- 1.3 The tables showed that over the four-year period of the MTFP that £0.896m would need to be found in order to fund the budget. This was after the mitigations described in Table 2, which are yet to be realised.
- 1.4 The national context around future local government funding is uncertain. At the time of writing the MTFP in January 2022 it was expected that a consultation paper would be published during Spring/Summer 2022 (prior to the Summer Recess) on the Fair Funding Review which would seek to rebalance the funding formula used to assess resource needs for local authorities.
- 1.5 The Budget Strategy presented to Cabinet on 12<sup>th</sup> July 2022 suggested that Civil Servant and Ministerial time has been diverted from the review of local government funding onto other activities (Omicron, War in Ukraine, Increase in the cost of living etc) and hence it is inevitable that a delay in the local government funding reforms until after 2023/24 will occur. The modelling in the table above assumed that the reforms would be implemented during 2023/24 and hence, as this is now unlikely, there will be a positive impact on the Councils current MTFP.

- 1.6 Officers have forecast for some time that changes based on the Fair Funding Review and the reset of the baseline funding levels for Business Rates will come into force. Originally these changes were meant to be implemented from the 2020/21 financial year, although Brexit was the main cause of the first delay. Since that point the pandemic has pushed the timetable backwards. Secretary of State Michael Gove (whilst he took that position over the summer period) described at the LGA conference that the Local Government Finance Settlement for the 2023/24 financial year would be a two year financial settlement, which would give ministers the time in order to properly consider the changes and the impacts on local authorities, whilst also giving local authorities the certainty of funding for a two year period.
- 1.7 Due to this Officers have used the assumptions set within the Budget Strategy and liaised with our external advisors regarding future government funding to complete a desktop review and revise the MTFP.
- 1.8 The tables below show the updated position based on the increases in inflation set within the Budget Strategy, together with the assumption that the changes in the local government finance system will not be brought in until 2025/26 at the earliest.

<b>Table 3</b>	<b>2023/24 (£m)</b>	<b>2024/25 (£m)</b>	<b>2025/26 (£m)</b>
Net Service Expenditure (less capital charges)	15.733	16.027	16.573
Total Other Expenditure	1.954	1.951	1.975
<b>Total Expenditure</b>	<b>17.687</b>	<b>17.978</b>	<b>18.548</b>
Business Rates	(8.474)	(9.430)	(7.722)
Council Tax	(7.966)	(8.299)	(8.646)
Other Grants	(0.568)	(0.420)	(0.316)
<b>Contribution (to) or from Reserves</b>	<b>0.679</b>	<b>(0.171)</b>	<b>1.864</b>

<b>Table 4</b>	<b>2023/24 (£m)</b>	<b>2024/25 (£m)</b>	<b>2025/26 (£m)</b>
<b>Contribution (to) or from reserves</b>	<b>0.679</b>	<b>(0.171)</b>	<b>1.864</b>
Contribution (to) or from reserves other than MTFP reserve	0.244	0.256	0.262
<b>Contribution (to) or from MTFP reserve</b>	<b>0.923</b>	<b>0.085</b>	<b>2.126</b>
Use of MTFP reserve to offset contributions from reserves in future years	0.177	1.665	(0.976)
Contribution from Nottinghamshire Business Rates Pool	(0.600)	(0.600)	0.000
Dividends from Arkwood Developments Ltd	(0.500)	(0.500)	(0.500)
Savings from service reviews	0.000	(0.100)	(0.100)
Savings/efficiencies from making business processes more efficient	0.000	(0.200)	(0.200)

Increased income from the council becoming more commercial	0.000	(0.200)	(0.200)
Rental income from town centre regeneration	0.000	(0.150)	(0.150)
<b>Contribution (to) or from reserves, after proposed mitigations above</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

- 1.9 As can be seen from the two tables, the overall impact has had a positive impact over the revised MTFP. The gap of £0.896m in 2025/26 will be funded should all of the initiatives as described in Table 4 be implemented.
- 1.10 Should the initiatives identified in the table above not be implemented, this would require a contribution from the MTFP reserve in order to fund the budget.
- 1.11 The detailed budgets are currently being produced which will give further clarity over budget requirements going forward. The draft Local Government Finance Settlement will be released during December 2022, which will give clarity over the Councils' funding together with the parameters for any increases in Council Tax.
- 1.12 The MTFP will then be brought back to Cabinet in February 2023 to be recommended on to Council in March 2023 for approval, alongside the budget setting report for the 2023/24 financial year.

## 2.0 Implications

In writing this report and in putting forward recommendations officers have considered the following implications; Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding, Sustainability, and Crime and Disorder and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

### **Background Papers and Published Documents**

Medium Term Financial Plan 2022/23 to 2025/26