APPENDIX A

2024/25 TO 2027/28 MEDIUM TERM FINANCIAL PLAN (MTFP)

The council's Medium Term Financial Plan (MTFP) for the four financial years between 1 April 2023 and 31 March 2027 (2023/24 to 2026/27) was approved by Full Council on 8 March 2023.

This document seeks to update the MTFP's assumptions on expenditure, income and financing for the four years between 2024/25 and 2027/28 (2024/28).

The main aims of the MTFP are to:

a) deliver the council's Community Plan objectives over the life of the relevant Community Plan;
b) clearly present the council's current predictions of its financial position between 2024/25 and 2027/28; and
c) enable members to make decisions which ensure the council's future financial sustainability.

The MTFP tries to do this by:

a) bringing together in one place all known factors which will affect the council's financial position; and
b) matching how the council plans to spend to deliver its Community Plan objectives with the expected resources available to fund that spend.

1.1 Financial Projections

The table below shows high level budget projections for the next four years, assuming annual increases of 2.99% in the rate of average band D council tax (excluding local precepts), together with annual increases in the council tax base based on forecast housing growth.

Table 1

	2024/25 (£m)	**2025/26 (£m)**	**2026/27 (£m)**	**2027/28 (£m)**
Net Service Expenditure (less capital charges)	19.787	20.749	20.718	21.376
Total Other Expenditure	0.092	1.348	2.250	2.250
Total Expenditure	**19.879**	**22.097**	**22.968**	**23.626**
Business Rates: receivable annually	(9.117)	(9.597)	(9.597)	(9.597)
Business Rates: other adjustments	(0.093)	0.000	0.000	0.000
Council Tax: receivable annually	(8.286)	(8.614)	(8.955)	(9.307)
Council Tax: other adjustments	0.117	0.000	0.000	0.000
Other Grants	(3.294)	(2.597)	(0.407)	(0.353)
Contribution (to) or from Reserves	0.994	0.272	0.278	0.283
Funding Shortfall prior to Mitigations	**0.200**	**1.551**	**4.277**	**4.642**

1.2 Financial Landscape

The government has had plans to reform the local government finance system for a number of years. The government initially intended for these reforms to take effect from 2020/21. It has now delayed these reforms further to 2026/27 at the earliest.

The reforms of the system are principally to increase the proportion of non-domestic rates (NDR) ('business rates') retained locally; and to make fairer the government's annual funding allocations for local authorities.

The impact of the government's decision to delay the reform to the system has been positive on the funding position of Newark and Sherwood District Council. The delay in re-setting the NDR baseline has meant that expected NDR income in 2023/24 to 2025/26 is c£12.3m higher than forecast within the MTFP that was approved on 8 March 2022.

As it is not known how exactly the local government finance system will change or from when these changes will take effect from, the council's current modelling of funding projections for 2026/27 and future years are subject to high levels of volatility.

The scope of reforms is still uncertain which would include the Fair Funding Review, a reset in the baseline for Business Rates Funding and changes to New Homes Bonus.

It is expected, however, that the government's changes to the local government finance system will incorporate transitional arrangements where appropriate, and that changes will be made manageable for individual authorities or classes of authorities.

Officers will closely monitor the government's announcements relating to the local government finance system and assess the implications of these on the council's funding for 2026/27 and future years.

1.3 Fair Funding Review

The government is reviewing how it assesses the relative needs and resources of English local authorities, so that it can distribute funding to councils based on a more robust and up-to-date approach. Its review (the Fair Funding Review) aims to address concerns that the current formula for determining each council's Baseline Funding Level (BFL) is unfair, out of date and overly complex.

The government now plans to use an updated approach to distributing funding to councils expected from 2026/27. Much of the data that Government hold in relation to the current formula relates to 2013/14 and before hence significant work is necessary in order to recalibrate the formulae.

The Fair Funding Review will have an enormous effect on the Council's budget because it will affect the amount of BFL the government will give the council in future years, and thus also the amount of business rates the council can retain. As per the table in section 1.1, business rates are expected to account for a large proportion of the council's total expenditure (excluding capital charges) in each year of the council's MTFP.

1.4 Retained Business Rates

The introduction of the current 50% business rates retention system in 2013/14 has allowed councils which have increased their locally raised business rates income since this time to benefit from the additional income generated.

The government plans to implement a reformed business rates retention system, though for changes not to take place until 2026/27 at the earliest. The reforms aim to:

- give local authorities greater control over the money it raises;
- support local economic growth;
- update the balance of risk (of loss) and reward (for growth) in the system; and
- make the system simpler and income less volatile.

Two main changes have been proposed for the business rates retention system. These are:

1) to increase the proportion of business rates retained locally from 50% to 75% or 100%; and
2) to reset the Business Rates Baseline (BRB).

The BRB is the government's prediction of how much each council is able to raise locally in business rates.

As the government intends to reform the business rates retention system in a way which is fiscally neutral, councils currently benefitting from growth in locally raised business rates income could see some of this income transferred to councils with reduced Business Rates Baselines.

Nonetheless, the planned increase in proportion of NDR retained locally means that promoting economic growth and inward investment will become ever more crucial to ensuring the council's sustainability going forward.

The council's MTFP accounts for planned reforms to the NDR retention system, though amounts for 2026/27 and future years are subject to higher levels of volatility. These have been modelled with the assistance of Pixel, the Council's external advisors who assist many authorities on national funding.

2024/25 Business Rates

Under the NDR system, businesses pay councils based on the open market rental value of their business property, as estimated by the government's Valuation Office Agency (VOA). The rate payable by small businesses in 2024/25 will be 49.9p per pound (49.9%) of their property's rateable value, and the rate payable by other businesses will be 54.6p (54.6%).

Within the draft LGFS the government have changed the mechanism for the multiplier. Previously all businesses paid the small business multiplier, with those businesses with a rateable value (RV) of over £51,000 then paying an additional supplement (last year an additional 1.3p hence 51.2p in the pound). Within the LGFS government have separated the multipliers in order to inflate them separately. Therefore, being able to increase the charges to businesses occupying premises with an RV of over £51,000 without having to increase charges to businesses occupying premises with an RV less than that. They have chosen to freeze the multiplier at 49.9p for those properties with an RV less than £51,000.

The original legislation set out that the multiplier should increase by CPI for September in each year, but in practice the multiplier has been frozen since 2021/22. It had also not increased by CPI, but RPI, in some of the preceding years.

The government compensates local authorities for their decisions relating to business rates through s31 grants, and hence the Council does not lose out for the decision to freeze the multiplier (and in the previous years applied RPI increases rather than CPI).

The council is budgeting to retain £9.117m of business rates for 2024/25. This includes the £3.986m from the LGFS; additional income, such as local growth above this baseline and from relevant renewable energy projects; and offset by additional expenditure; such as the levy on additional income.

Below are some of the key risks which could affect the amount of business rates income collected and thus retained in future years:

- slower than anticipated local economic growth, or local economic growth at a rate less than the change in Consumer Price Index (CPI) used to determine annual business rates payable;
- successful backdated appeals from businesses regarding the amounts of business rates payable in previous years;
- uncollectable debts which need to be written off; and
- unpredictable increases in the amounts of discretionary reliefs granted to businesses.

Currently, the Council use external consultants Analyse local, who assist the Council with forecasting losses in RV based on future appeals that may come forward. For the 2024/25 financial year £0.400m has been set aside in order to provide for any successful appeals.

If appeals that the council has provided for (set money aside) are unsuccessful or are successful but cost the council less than the amount set aside for these appeals, the council can release the surplus provisions back into the Collection Fund, in order that this may then be re-distributed back to the council and its preceptors. Similarly, where appeals are settled higher than funds set aside, an additional charge would need to be levied from the council and its preceptors in order to fund the deficit arising.

1.5 Council Tax

Chapter IVA (Limitation of Council Tax and Precepts) of the *Local Government Finance Act 1992* requires billing authorities to hold referenda if their relevant basic amount of council tax for a financial year is in excess of a set of principles determined by the Secretary of State.

An authority's relevant basic amount of council tax is its average band D council tax excluding local precepts. The relevant basic amount of council tax for Newark & Sherwood District Council includes the levy that Internal Drainage Boards charge the council. These are the Upper Witham Internal Drainage Board and the Trent Valley Internal Drainage Board.

Since 2016/17, shire district councils have been able to increase council tax by the greater of the core principle or £5.00 without holding referenda. For 2018/19 and 2019/20, the core principle was 3%; and for all other years, the core principle was 2%.

The proposed core principle for 2024/25 is 3%. The government's proposed council tax referendum principle for shire district councils therefore permits increases in the council's 2023/24 relevant basic amount of council tax of up to (and including) the greater of 2.99% or £5.00 without holding a referendum.

The council calculates how much annual council tax income it can receive by multiplying the council tax base (CTB) by the average band D council tax rate. The council tax base is the total number of properties equivalent to band D which are liable for council tax after discounts, exemptions and premia.

The council's MTFP assumes that the 2024/25 CTB will be 1.8% higher than the 2023/24 CTB, and that there will be an increase of 400 band D equivalents in CTB for 2025/26 and subsequent years.

The table below shows the additional income the council would expect to receive over the four years of the MTFP, based on council tax increases of 2.99% in 2024/25, compared to if council tax was frozen at the 2023/24 level during 2024/25 but increased by 2.99% annually thereafter:

Table 2

Effect of council tax changes	**2024/25 (£m)**	**2025/26 (£m)**	**2026/27 (£m)**	**2027/28 (£m)**	**MTFP (£m)**
Additional income from 2.99% increase in all years	0.241	0.250	0.260	0.270	**1.021**

1.6 New Homes Bonus (NHB)

New Homes Bonus (NHB) is a government grant paid to councils to incentivise local housing growth, based on the extra council tax income raised from new homes. NHB is paid to councils with growth in their housing stock above 0.4% of their existing council tax base.

The government plans to consult on the future of NHB, with a view to implementing reform in 2025/26.

Details of the government's final NHB allocations for 2024/25 and the three years previous are in the table below.

Table 3

Year	**2021/22 (£m)**	**2022/23 (£m)**	**2023/24 (£m)**	**2024/25 (£m)**
Total	1.187	1.573	0.888	0.327

NHB is not ring-fenced, and thus can be used to fund either revenue or capital expenditure. To-date, the council has not needed to budget to use NHB to fund its General Fund revenue expenditure, as budgeted funding from council tax, business rates and other sources has been sufficient.

In previous years, NHB has been used to fund key regeneration projects. This is expected to continue. As capital resources are scarce, the termination of multi-year payments on new NHB allocations will have significant impact on capital resources.

100% of the receipt of NHB has been budgeted to be received and transferred to the Capital Provision in order to fund short-life capital assets.

As per section 1.2, NHB is within scope of the proposed reforms to the local government finance system. As such, councils are not expected to receive NHB in 2025/26 or future years.

1.7 Income from Fees and Charges

The council's income from fees and charges for statutory and discretionary services is an essential part of the council's General Fund revenue budget. Section 93 (Power to charge for discretionary services) of the *Local Government Act 2003* requires charges to be set such that taking one financial year with another, the income from charges for a service does not exceed its costs of provision.

Discretionary services are those for which the council has the power, but not duty, to provide; though also include additions or enhancements to statutory services that the council provides above standards legislated for.

The Action Plan to the Commercial Strategy approved at Policy and Finance Committee on 27 January 2022 set the expectation that new areas for charging and understanding price elasticity of demand on existing charges would be reviewed to ensure that discretionary charges are set at the right levels and for the right activities. The council should ensure that fees and charges for discretionary services are set which:

- ensure the maximum revenues possible;
- are allowed by the council's Corporate Fees and Charges Policy; and
- are socially and politically acceptable.

The tables in section 1.10 identifies further fees and charges income as key to bridging the council's funding gap. It is anticipated that new annual income of £0.200m will be generated by delivering the Commercial Strategy. This may be by stretching existing fees and charges income targets, new income streams, and/or a combination of both. Individual projects which will contribute to this target are described at table 5 in section 1.10 below.

1.8 <u>Reserves and Balances</u>

Section 25 (Budget calculations: report on robustness of estimates etc) of the *Local Government Act 2003* requires local authority chief finance officers (Section 151 officers) to report on the adequacy of financial reserves in the council's proposed budget and robustness of estimates made.

The council has reviewed the adequacy of its useable financial reserves to ensure that these are neither too low (imprudent) or too high (overprudent) based on their purpose and likely use.

Council's generally hold useable reserves for three purposes:

- as a working balance, to mitigate the impact of uneven cash flows;
- as a contingency, to mitigate the impact of unexpected events or emergencies; and
- as earmarked reserves, to pay for known or predicted future requirements.

The council's £1.500m General Fund balance has been set aside to pay for exceptional items. Officers consistently review the appropriateness (prudence) of this amount in light of internal and external risks identified. For the council to maintain this balance, it is intended that it will only be used to fund expenditure once other appropriate reserves have been fully utilised.

Appendix B shows the balances which comprised the council's total reserves at the end of 2022/23. It also shows the balances expected to comprise the council's total reserves at the end of 2023/24 to 2027/28.

Over the years, the council's reserves have been used, for reasons such as to: cover the cost of one-off events not budgeted for; and support and improve service delivery. Whilst this principle still exists, the council has set up a Medium Term Financial Plan reserve, in order to mitigate future pressures based on the uncertainty over local government funding. This reserve will be released over the medium-term in order to smooth the impact of anticipated funding reductions arising from changes in the local government funding formula.

Members and officers are required to ensure the council operates as a going concern: that the council will continue to fulfil its functions for the foreseeable future. If this were not the case, for example, because of an imprudent use of council reserves, the council's external auditors would be required to express a going concern opinion (GCO). A GCO would be the external auditor's way of expressing significant doubt on the council's ability to operate longer-term.

ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

The *Local Government Act 2003* requires the Council's Chief Financial Officer (Section 151 Officer) to comment on the robustness of the estimates and also on the adequacy of the proposed reserves.

The council's total forecast General Fund revenue and capital reserves and fund balance to 31 March 2025 is £34,300,927.

The budget has been prepared in accordance with the budget strategy approved by Cabinet on 11 July 2023. The same strategy has been adopted for the period of the MTFP.

The Section 151 Officer also notes that in the future, all local authorities, and in particular district councils, will face a reduction in core funding from the Government once changes to the current funding regime (in particular New Homes Bonus and Business Rates). The Section 151 Officer is closely monitoring the progress of the Fair Funding Review, the government's departmental multi-year Spending Review and the redesign of the national Business Rates Retention System. The council's current projections within the Medium Term Financial Plan (MTFP) make prudent and robust assumptions around the likely level of funding in light of these government-led reviews.

1.9 Assumptions made within the MTFP

Finance officers and budget holders have developed detailed budgets for 2024/25 and future years. Officers have used the information available to them (past, present and future), and have made appropriate assumptions where the relevant information has been unavailable to them.

A 5% increase in basic pay has been assumed for 2024/25 and 5% for each subsequent year of the council's MTFP.

If the 2024/25 pay award is agreed at a higher rate than the 5% increase in basic pay assumed, and if reductions in employee costs elsewhere cannot offset the increase in pay award costs, the additional costs unbudgeted for will need to be funded from council reserves. Section 1.11 examines this in more detail.

Most non-pay expenditure budgets have been uplifted by 5% in each year of the council's MTFP. Some costs, such as insurance and utilities, are expected to increase by more than 5%; and others, such as fixed-price goods and services, have been increased in line with contractual obligations.

The council's General Fund revenue budget is charged for the purchase or creation of fixed assets where capital resources are unavailable at the time. These charges will be in line with the council's Minimum Revenue Provision (MRP) policy for 2023/24, which is recommended by the Audit and Governance Committee on 21 February 2024 for approval by Full Council on 7 March 2024.

Assumptions not made in the MTFP

The Government have recently issued all waste collecting authorities indicative capital transition costs for the introduction of weekly food waste collections. Within Nottinghamshire it has been agreed with Government that this service would not begin until 2027. Currently there have been limited conversations with Government regarding funding of this service, from an on-going revenue and a cyclical capital perspective. Government have indicated that there will be funding available for ongoing revenue costs, albeit there has been no detail to hand as yet. Due to this, there have been no costs for the running of this service accounted for within this MTFP. This will be reviewed further during the year and once further information is available, the MTFP will be revised at that point.

1.10 Proposed strategy for bridging the funding gap

The table below shows the contributions to and from reserves currently projected for each year of the council's MTFP (as described at the table in paragraph 1.1), and the actions currently proposed to mitigate the annual contributions from reserves projected for 2023/24, 2024/25 and 2025/26:

Table 4

	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)
Funding Shortfall prior to Mitigations	**0.200**	**1.551**	**4.277**	**4.642**
Dividends from Arkwood Developments Ltd	-	(0.500)	(0.650)	(0.650)
Savings from service reviews	-	(0.100)	(0.170)	(0.170)
Savings/efficiencies from making business processes more efficient	-	(0.100)	(0.150)	(0.150)
Increased income from the council becoming more commercial	-	(0.100)	(0.200)	(0.200)
Use of MTFP reserve to offset contributions from reserves in future years	(0.200)	(0.751)	(3.107)	(1.845)
Proposed General Fund Funding Gap	**0.000**	**0.000**	**0.000**	**1.627**

As per Appendix B the MTFP reserve is expected to have a closing balance at the end of March 2024 of £8.108m. As per table 4 above the proposed utilisation of balances from the MTFP reserve during 2024/25 to 2027/28 will leave a balance of £2.205m at the end of March 2028.

Officers will continue to work with Members to review the inherent deficit and address the longer-term financial sustainability of the authority.

As the Council has received, for a number of years, return funding from the Nottinghamshire Business Rates Pool in relation to the local growth retained (split with Nottinghamshire County Council), a forecast of the additional funding to be generated next financial year has been made of £0.800m. This has now been budgeted for within the main budget, and hence is now not shown in the table above.

Each update to this MTFP will therefore report on progress against each of the headings in the table above, to ensure that each year's budget is balanced.

Since 2010, the council has made significant savings in line with government grant reductions. Though further savings may become harder to identify and deliver, particularly from spend not on employees (as mentioned in section 1.11), it is essential that the council continues to identify areas where spend can be reduced and/or income increased. This is so that the council can continue to operate sustainably longer-term.

The council's total income will need to increase significantly, if it is to continue delivering and improving the services it currently provides and not use its reserves to cover the deficits currently anticipated for 2024/25 and future years.

Councils are severely restricted in how much funding they can raise from council tax increases without holding referenda. As mentioned in sections 1.5, the council can increase council tax in 2023/24 by the greater of 2.99% or £5.00 without holding a referendum. A 1% increase in council tax is equivalent to £80,453 of net expenditure.

The council's Commercial Strategy and Action Plan, approved by Policy and Finance Committee on 27 January 2022, aims to make Newark and Sherwood an *"innovative and entrepreneurial Council that continually achieves positive annual financial contributions; by generating new revenue and delivering cost reductions, through trading and business improvements"*. The council has begun to benefit from the projects which have been completed to date since the Commercial Plan 2017-18 to 2020-21 was approved in October 2017 and expects to increasingly benefit in future years from the implementation of the current strategy. The council's work across the district (externally) and with services council-wide (internally) will be crucial to enabling the council's future sustainability and growth. This is particularly as changes to the local government finance system increase the rewards for councils able to facilitate local economic growth.

At the Cabinet meeting 11 July 2023, an update report was presented, informing Members of progress against the Commercial Plan. The table below updates further progress against those projects identified:

Table 5

Project/Activity	Business Unit Lead	Detail	Expected income (£)	January 2024 Update
Development of Town Centre Brown Field Land	Corporate Property	Corporate property assessed the small areas of land in town centres (brownfield land not utilised) the Council owned to scope if these areas of land could be developed into contract car parking. As a result of this the area of land next to Newark Hospital (Bowbridge Road) was identified for car parking. Planning permission has been granted and the development expected to be completed by February 2024. The residual land has been valued and is being considered for sale to either Arkwood or the council's Housing Revenue Account (HRA) before possibly testing the open market.	£100,000	included in MTFP 23/24 onwards
Development of Clipstone Holdings	Corporate Property	Clipstone holdings site has now been purchased (freehold) to allow the Council to have flexibility of use and development. The site is being cleared and detailed design of the development is now being progressed with the aim of having a green employment park complemented by modern mixed-use sports facilities, education (a land management economy focus) and well-being provision in partnership with the Clipstone Miners Welfare Trust and YMCA. Site clearance is underway and construction work is anticipated to start on site during 2024/25.	£224,000	Included in MTFP £0.112 25/26 full £0.224 26/27 onwards

Industrial Units at Crew Lane, Southwell	Corporate Property	The 6 industrial units on this site have reached end of life and require some investment and 4 of the units are not occupied by tenants as these are not fit for purpose. A feasibility study of the site has been undertaken in order to examine the refurbishment options to modernise the units. This involves utilising the current structures but modernising the units by installing WCs to all plots, small kitchenettes, low-carbon, energy efficient buildings, fire compartmentation works, new door systems and windows. After some market testing, the units will be designed to suit potential new incoming tenants. There is also an opportunity to create a secure external storage area for larger items along the open perimeter of the site. It is anticipated that a report will be brought to Cabinet in March relating to this	£49,615	Not yet reflected within the MTFP
Expand the CCTV Partnership	Public Protection	Public Protection looked to increase the number of partners in the shared CCTV services to deliver savings and shared resilience. The current partners are Newark and Sherwood, Broxtowe, and Ashfield. Rushcliffe has now entered a temporary arrangement to join the CCTV partnership. This will be £7,200 per year for a three-year period. The same resource can be used to cover the additional cameras and the additional of another partner reduces the running costs for all current partners.	£2,400	£2,400 reduction in expenditure reflected in 24/25 budget onwards

The table below shows which areas have the biggest increases in expenditure budgets in each of the last three years of the council's MTFP, compared to the equivalent budget in the year before:

Pressures	**Increase in 2025/26 budget, compared to 2024/25 budget (£m)**	**Increase in 2026/27 budget, compared to 2025/26 budget (£m)**	**Increase in 2027/28 budget, compared to 2026/27 budget (£m)**
Employees	0.901	0.884	1.117
Electricity and gas costs	0.032	0.032	0.025

1.11 Risks Associated with the Budget Process

Budgets are only as accurate as the data available at the time they are developed. There are therefore risks that the proposed budgets in the council's MTFP will differ significantly from reality (actual expenditure and income). Some of the factors which could cause adverse variances are:

- higher than expected inflation and/or interest rates;
- the council receiving lower than expected amounts of grant funding and/or other income;
- the future differing significantly from the initial budgets proposed at the time of developing the MTFP;
- volatility of certain budget lines between years;
- underachievement of expected savings and/or efficiencies;
- unforeseen events and emergencies;
- unforeseen insurance costs or legal claims;
- lower than expected business rates growth.

Section 25 (Budget calculations: report on robustness of estimates etc) of the *Local Government Act 2003* requires local authority chief finance officers (Section 151 officers) to report on the adequacy of financial reserves in the council's proposed budget and robustness of estimates made. This section fulfils that requirement.

In considering the council's proposed budget for 2024/25 and the sensitivity of expenditure and income to changes, it should be noted that:

a) a 1% increase in Council Tax is equivalent to £80,453 of net expenditure; and

b) a £1 increase in Council Tax is equivalent to £42,532 of net expenditure.

Various assumptions were required to be made when preparing the proposed MTFP budgets. The two areas where it seems that variations between the proposed budget and reality could be greatest are employee pay and income receivable. Further details on each of these are below.

Employee costs

Employee costs form a significant proportion of all district council budgets. Employee costs comprise 50% of the council's proposed controllable service expenditure budget for 2024/25 (total spend, excluding spend on capital costs, internal recharges and Housing Benefit payments).

This makes it less likely to achieve savings solely by reducing non-employee spend. It also means that the council would need to use a greater proportion of its reserves if the costs of future years' pay awards exceed the 5% pay award currently budgeted for 2024/25 and/or the 5% pay awards currently budgeted for subsequent years.

Currently vacancies are expected to amount to around 3.1% of total employee spend to the year end of 2023/24, albeit this is the quarter three forecast and outturn will potentially be different to this. In previous years 5% has been the experience that the Council has seen. With this in mind a forecast of 5% in 2024/25 and all future years.

Income

A significant part of the council's annual net budget is dependent on income from rents; sales, fees and charges; and other receipts. Officers have reviewed the income that services have achieved against the current and previous years' budgets and have considered factors expected to affect future income levels, to ensure the 2024/25 income budgets for services have been set at levels considered achievable. Officers will monitor this closely over the coming year and revised forecasts over the medium term will be updated for the MTFP to be developed for the 2024/25 - 2027/28 years.

Significant underperformance against budgeted income would increase the council's annual net expenditure, and thus place unbudgeted demand on council reserves. A 1% reduction in council income from fees and charges would cost around £48,000 in 2024/25.

Interest rates

The proposed MTFP budgets include amounts for interest payable and interest receivable. This is because the council expects that it will both borrow money and lend money throughout the four years of the MTFP.

The council anticipates that it will use fixed interest rate loans when borrowing. This is so that the council knows exactly how much its loans will cost over their durations, and as this mitigates against the risk of interest rates and thus costs rising significantly over the loan period. As borrowing would be for longer than four years, the risk of the council being unable to borrow to repay existing debt (refinancing risk) does not apply.

The budgeted amounts have accounted for factors such as the amount of council funds expected to be available. The actual amounts of council interest payable and receivable for 2024/25 will likely differ from those budgeted.

The impact of a 1% change in interest rate would be insignificant on the council's overall budget.

Inflation

Most income budgets and non-pay expenditure budgets have been uplifted by 5%. Some costs, such as insurance and utilities, are expected to increase by more than 5%; and others, such as fixed-price goods and services, have been increased in line with contractual obligations.

The most recent month for which inflation data was available at the time of writing, December 2023, had a 4.2% increase in inflation (Consumer Prices Index (CPI)) from December 2022.

The small differences anticipated between actual inflation rates and the 5% budgeted for are expected to have insignificant impact on the council's budget.

1.12 Capital Investment Programme and Funding

The overall proposed General Fund Capital Programme for the period from 2024/25 and 2027/28 totals £64.400m. £13.219m is financed by external grant funding for Towns Fund Projects, Shared and Rural Prosperity Funds and Disabled Facilities Grant (DFG's). The DFG funding is received via the Better Care Fund (BCF) and is subject to an annual bidding process.

Other external financing in the form of contributions from external partners amounts to £0.220m. £0.170 of S106 funding towards the plans to reinvigorate Sherwood Avenue Park, along with a contribution from Newark Town Council. A project made possible by Shared Prosperity Grant.

Council internal capital resources employed amount to £15.126m, which relates to the Council's contribution to the acquisition of the former Belvoir Iron Works, the redevelopment of Clipstone Holding Centre, Yorke Drive Pavilion, the remaining remedial works required at Southwell Leisure Centre and replacing parts of the Council's refuse fleet and other equipment.

In 2025/26 to 2026/27 Community Infrastructure Levy receipts will be used to finance the cost of £5.5m to improve the A1 overbridge at Fernwood. This bridge is part of the highways mitigation work to deliver the expansion of Fernwood.

Borrowing is the balancing figure for the capital expenditure at £30.289m. This type of financing attracts a charge to revenue called the Minimum Revenue Provision (MRP) calculated using the asset life method as approved by Council within the Treasury Management Strategy each year. The current method approved is the asset life method. This apportions notional borrowing incurred over the life of the asset, which is in line with the timeline for receiving economic benefits generated by the asset.