

## **Report to Cabinet/ Council**

**Subject:** General Fund Revenue Budget 2025/26

**Date:** 13 February 2025

**Author:** Senior Leadership Team on behalf of Leader of the Council

### **Wards Affected**

Borough wide.

### **Purpose**

This report sets out the revenue budget which aligns to the Gedling Plan priorities, objectives and priority actions for the Council for the forthcoming year.

### **Key Decision**

This is a Key Decision because the proposals will have a significant impact on all wards in the borough and include financial implications that are above the threshold of £0.5m determined by Council for decisions to be regarded as a Key Decision.

### **Recommendation(s)**

Cabinet is asked to:

- i. Approve a 5% discretionary income inflation increase for the individual portfolios as shown in the table at paragraph 2.4.5.
- ii. Note the Annual Delivery Plan set out in Appendix 5.

Cabinet is asked to recommend to Council on 5 March 2025:

- iii. That the financial threshold above which decisions will be regarded as Key Decisions be set at £0.5m for 2025/26.
- iv. A provisional Council Tax increase of 2.986% (£5.64) which balances the financing of a Net Council Tax Requirement of £7,714,750 in 2025/26.
- v. That the detailed budget for 2025/26, as detailed in Appendix 1 be approved.

## **1. Background**

- 1.1 The Constitution of the Council requires the Leader to present, by 21 February each financial year, a draft Budget and Performance Plan to the Cabinet for approval, highlighting budget priorities, growth items and proposed efficiencies.
- 1.2 The Executive is required to consider any comments made on the draft Budget and Performance Plan and to present the final drafts to Council for adoption in accordance with the statutory requirements. To fulfil these requirements the 2025/26 budget proposals together with the Annual Delivery Plan for 25/26 will be presented to Budget Council on 5 March 2025. The Borough Council has a statutory responsibility to determine its Council Tax by 11 March each year.
- 1.3 This report ensures that these requirements will be met for the 2025/26 budget process.

## **2. Proposed General Fund Budget 2025/26**

- 2.1 The Council's proposed General Fund budget sets out the financial strategy and framework for overall financial control and administration for the Council. It also details how individual items such as Central Government Funding, Taxation levels, Resource Developments and Efficiency proposals impact on the annual budget and this has been taken into account in presenting this annual budget and Medium-Term Financial Plan (MTFP) Summary.

### **2.2 Principles Underpinning the Budget Strategy**

The Council has a number of agreed principles as a basis for financial management and budget planning as follows:

- Emerging pressures are managed within existing overall budgets.
- Spending is aligned to key priorities as set out in the Gedling Plan 2024-27 supported by the Annual Delivery Plan 2025/6.
- Income is only included in the budget when supported by robust proposals and is deliverable.
- The Council will optimise its commercial income where possible to ensure that fee charging services break-even over time and are provided with a nil cost subsidy from the taxpayer where appropriate or return a surplus where appropriate.
- Where possible, future liabilities are anticipated.
- Budgets are sustainable.
- Savings proposals are supported by project plans and the impact on service delivery is clear.
- Capital and revenue planning must be integrated to ensure that implications are fully anticipated.
- The Council's reserves and balances are not to be used as a primary method to balance the ongoing pressures in the budget. Earmarked reserves are

used for specific one-off purposes to support the delivery of corporate objectives and to mitigate risks.

Considering the anticipated medium term financial pressure, the Council has developed a forward strategy to inform future financial planning, by providing a framework for reducing planned expenditure over the medium term to ensure that the Council is financially sustainable, while still delivering the Council's key priorities as set out in the Gedling Plan 2024-27 and the Annual Delivery plan for 2025/26.

### 2.3 Gedling Plan 2024-27 and the Annual Delivery Plan 2025/26

In normal circumstances an updated Gedling Plan would be brought to Cabinet at the same time as the Budget reports, however, due to Local Government Reorganisation and the formulation of options being due in March 2025, updating the plan at this point in time does not seem appropriate. The Gedling Plan is a four year plan, and whilst there are no changes proposed to the plan 2025/26, at the moment, Annual Delivery Plan, see Appendix 5, has been created which prioritises actions for delivery during 2025/26. The Gedling Plan will be updated once we have clarity on how Local Government Reorganisation will impact on delivery plan in the medium-term.

Given the necessity to deliver significant revenue efficiencies in year and in preparation for future years, and the additional requirements of the preparatory work likely to be required to support Local Government Re-organisation, this year's Annual Delivery Plan is focused on activity that the Council must deliver to ensure financial sustainability, efficient service delivery and the effective mitigation of organisational and service risks. This plan replaces service plans which have previously been developed on an annual basis and against which performance is monitored. The plan ensures concise and targeted actions for the year are established and supports the Connected council approach to the delivery of priorities.

While the Annual Delivery Plan 2025/26 aligns to the core pillars of the wider Gedling Plan 2024 – 2027, it reflects what is achievable within the overall capacity of the organisation within the 12-month period. There is limited capacity for additional priorities to be added to the Plan without a commensurate removal of existing planned activity.

, Action tracking and Key Performance Indicators aligned to the Annual Delivery Plan will be refreshed to ensure robust delivery oversight throughout the year.

### 2.4 Local Government Reorganisation

The English Devolution White Paper was published on 16 December 2024. It placed great emphasis on creating blanket coverage of mayoral authorities across England, supplemented by Local Government Reorganisation to create new single-tier councils. For Nottinghamshire, this means that the seven district and borough councils and Nottinghamshire County Council will

be merged into one or two new unitary councils, as will Nottingham City as it is deemed too small to continue as is.

The White Paper set out that the Minister of State for Local Government and English Devolution would formally invite all affected councils to work together to submit plans for reorganisation, with a requirement that any new authority would have to have a population of 500,000 as a minimum. This formal invitation was made in a letter from the Minister on 5 February 2025. It confirmed a number of outstanding matters, such as the 500,000 population figure would remain unchanged, transition costs must be paid for from councils own budgets, and council debt will not be paid off by central government.

Interim plans for reorganisation must be submitted on or before 21 March 2025 with a full proposal to be submitted by 28 November 2025. It is likely that Nottinghamshire will be working to a date of 1 April 2028 and as such annual financial settlements for Gedling may continue up until this date.

## 2.5 Local Government Finance Settlement (LGFS) 2025/26

2.5.1 The local Government Finance settlement is the annual determination of funding for local government, distributing revenue raised from business rates and other funding streams through:

- Revenue Support Grant and Baseline Funding level for Business Rates Retention known as the Settlement Funding Assessment.
- Other Key Grants – e.g. New Homes Bonus, Recovery Grant.

The provision settlement was published in December 2024, another single year settlement, however the Government also published its intention to carry out a wider review of Local Government funding, with the intention of implementing changes from 2026/27. This review is likely to incorporate the long-awaited Fair Funding review, a multi-year settlement and a 'reset' of the Business rates retention system. This will be the first reset since 2013.

The provisional settlement also launched a consultation period which closed on 15 January 2025. Gedling responded to this, with the main issue raised being the unfair treatment of councils with a negative Core Spending Power based on 2015/16 levels.

The final settlement figures for 2025/26 were announced by the Ministry of Housing, Communities and Local Government (MHCLG) on 3 February 2025. The final settlement followed a consultation on the provisional settlement, which closed on 15 January 2025. The Government's assessment of the Core Spending Power of local authorities and its referendum principles for managing excessive council tax increases were also confirmed.

The settlement confirmed that Core Spending Power will rise by a national average of 6.8%, an increase from the 6% announced in the provisional settlement. This increase includes funds raised from an assumed increase in

Council Tax and rolled in grants. So not a real term increase.

There were new grants announced and repurposing of other grants, resulting in the deletion of the Services Grant and the Funding Guarantee Grant representing a loss of £247,200 to Gedling. These grants were replaced by a new Recovery Grant and a Funding Floor Grant with a combined award to Gedling of £63,695 resulting in a net loss of £183,505.

In the Autumn Statement the Government announced they would fund the increase in National Insurance Contributions for Councils, however, the final settlement revealed that Gedling's allocation is only £114k against a pressure of almost £400k.

It was announced that the New Homes Bonus would be continued for 2025/26, pending a review. In addition, Revenue Support Grant (RSG) this year was increased by grants previously paid separately but now rolled into the formula and uplifted by CPI. Unfortunately, RSG is now a much smaller figure than it used to be.

Despite the Government's statement that Core Spending Power will increase by 6.8% in real terms Gedling's Core Spending Power is an increase of 0.92%.

The Government will continue to support projects that reduce costs and improve efficiency with the flexibility to use capital receipts to fund the revenue costs of these projects until 2030.

The one-year settlement means that there is still no clarity over funding levels after March 2026. This continues to hamper meaningful financial planning at a time when demand for services is still high. This resulting level of uncertainty means in practice that local authorities will find it much harder to plan and fund not only capital expenditure, but also its core services to the public. This will be further hampered until a decision around the future structure of Local Government has been decided.

The 2025/26 Settlement Funding Assessment (SFA) figures are set out in the table below along with those from previous periods for comparative purposes:

Year	Revenue Support Grant £	Business Rates £	Total SFA £	Cash (Reduction) /Increase £	Movement from Prev. Year	Movement from 2015/16
2015/16	2,146,200	2,792,300	<b>4,938,500</b>			
2016/17	1,415,700	2,815,500	<b>4,231,200</b>	(707,300)	-14.3%	<b>-14.3%</b>
2017/18	780,500	2,873,000	<b>3,653,500</b>	(577,700)	-13.7%	<b>-26.0%</b>
2018/19	384,900	2,959,300	<b>3,344,200</b>	(309,300)	-8.5%	<b>-32.3%</b>
2019/20	0	3,027,100	<b>3,027,100</b>	(317,100)	-9.5%	<b>-38.7%</b>

2020/21	0	3,076,400	<b>3,076,400</b>	49,300	+1.6%	<b>-37.7%</b>
2021/22	0	3,076,400	<b>3,076,400</b>	0	0.0%	<b>-37.7%</b>
2022/23	500	3,076,400	<b>3,076,900</b>	500	0.0%	<b>-37.7%</b>
2023/24	117,500	3,191,600	<b>3,309,100</b>	232,200	+7.5%	<b>-33.0%</b>
2024/25	125,300	3,321,100	<b>3,446,400</b>	137,300	+4.1%	<b>-30.2%</b>
2025/26	146,100	3,355,400	<b>3,501,500</b>	55,100	+1.6%	<b>-29.1%</b>

The total cumulative settlement reductions equate to 29.1% or £1,437,000 in cash terms over the periods from 2016/17 to 2025/26 compared to the base position of 2015/16.

SFA is reduced to 22% of Gedling's net budget for 2025/26, before accounting for new required efficiency targets, compared to 40% in 2015/16.

## 2.5.2 Business Rates Retention – Current 50% Retention Scheme

Business Rates growth compared to baseline funding levels of £3,355,400 for 2025/26 is estimated at £2,535,900 giving total income from business rates of **£5,891,300**, including S31 grants to compensate for new reliefs and indexation introduced by the government since the scheme's introduction (Note: S31 Grants are used by central government to reimburse a local authority for additional activities which are not covered by existing funding methods).

Growth amounts for the medium term have been set at a conservative level relative to previous year's growth of £1,700,000 per annum from 2026/27 to 2029/30 due to the uncertainties that remain in the estimation process due to the delay in the review of the future local government funding system, including business rates retention and the potential for a system reset. In addition, the business rates retention scheme has shown volatility in respect of the appeals process, the prediction of future growth, and the potential for significant local impact where a large business relocates/closes.

## 2.5.3 New Homes Bonus

During 2011/12 Central Government introduced the New Homes Bonus (NHB) scheme which is funded from the centrally retained share of Business Rates income and paid as a separate non-ringfenced grant in addition to the Settlement Funding Assessment.

The principles of the grant are to reward local authorities for each new property completed within their boundary plus an additional reward for returning empty properties back into use. The value of the reward was linked to the national average council tax band D property for a number of specified years, initially set at six years.

When the NHB was introduced, the then Department for Communities and Local Government (now the Ministry of Housing, Communities and Local



2013/14	366	366								
2014/15	448	448								
2015/16	468	468	468							
2016/17	369	369	369	369						
2017/18		9	9	9	9					
2018/19			11	11	11	11				
2019/20				93	93	93	93			
2020/21					270					
2021/22						2				
2022/23							428			
2023/24								333		
2024/25									709	
2025/26										525
<b>Total MTFP</b>	<b>2,400</b>	<b>1,660</b>	<b>857</b>	<b>482</b>	<b>383</b>	<b>106</b>	<b>521</b>	<b>333</b>	<b>709</b>	<b>525</b>
<b>Reduction from 2016/17</b>		<b>(740)</b>	<b>(1,543)</b>	<b>(1,918)</b>	<b>(2,017)</b>	<b>(2,294)</b>	<b>(1,879)</b>	<b>(2,067)</b>	<b>(1,691)</b>	<b>(1,875)</b>

There still remains considerable uncertainty surrounding the future of the NHB scheme for which 2025/26 is expected to be the last year it will be awarded in this format. However, the Medium-Term Financial Plan assumes an equivalent amount of funding, albeit at a lower amount of £300,000 each year (roughly compared to 2023/24). This is because if NHB was to be deleted then an equivalent amount of protective funding would likely be received as an alternative.

#### 2.5.4 Removal of Services Grant and the Funding Guarantee Grant and Introduction of New Grants

For 2025/26 the Services Grant introduced in 2022/23, and the Funding Guarantee Grant introduced in 2023/24 both have been removed, with a loss of £247,200 from 2024/25 levels.

Two new grants have been introduced:

##### The Recovery Grant

This is a new one-off grant of £600m awarded on the basis of greater need and demand for services, using a deprivation measured as a proxy. Gedling's allocation is £49,100.

##### The Funding Floor

The government announced this new grant of £121m and is aimed at protecting local authorities from a year-on-year reduction in Core Spending Power Gedling has been allocated £14,600.

The Funding Guarantee was used to replace the previous Lower Tier Services Grant, but only protected CSP at 2021/22 levels, so only really benefited Councils with a healthy NHB in the base year. Whilst this has been addressed with the removal of the Funding Guarantee, there is still no consideration or allowance for CSP reductions suffered by Councils prior to 2021/22.

The overall impact of these changes for Gedling result in a net loss of £183,500.

### Extended Producers Responsibility

A new funding stream is payable in 2025/26, from producers of packing. This funding will come directly to Waste Collection authorities to assist with the increased cost of Waste Recycling and other changes in legislation. The award Gedling is £1,017,000. Whilst this funding is waste related in its intentions it is not ring-fenced. Therefore, it has been included in the MTFP to help to balance the budget over the next few years, in addition to covering the significant increase in the costs of waste service which are also included in the MTFP.

### 2.5.6 Core Spending Power 2025/26 Compared to 2015/16

As part of the Settlement announcements the Government includes its projection and comparison of Core Spending Power (CSP) for each authority. The government continues to use 2015/16 as their base year for comparative purposes.

For Gedling, the components of Core Spending Power include the Settlement Funding Assessment (Revenue Support Grant and Business Rates), the Government's estimate of Council Tax Receipts, the New Homes Bonus, the Funding Guarantee Grant, the Services Grant, the new Recovery Grant, the new Funding Floor Grant and S31 grants, these are summarised in the table below.

#### Core Spending Power 2015/16 to 2025/26 (based on Government projections)

Year	SFA and S31 Grant	Council Tax	NHB	Funding Guarantee/ Funding Floor	Service Grant/ Recovery Grant	National Insurance	Total	Movement	Movement from 2015/16
	£m	£m	£m	£m	£m		£m	£m	£m
15/16	5.2	5.5	2	0	0		12.7	N/A	N/A
16/17	4.3	5.5	2.4	0	0		12.3	-2.50%	-2.50%
17/18	3.8	5.7	1.7	0	0		11.2	-9.00%	-11.20%
18/19	3.5	6	0.9	0	0		10.4	-7.70%	-18.40%
19/20	3.3	6	0.5	0	0		9.8	-5.80%	-21.50%
20/21	3.3	6.3	0.4	0	0		10	2.30%	-21.30%
21/22	3.4	6.5	0.1	0.1	0.1		10.1	1.40%	-20.20%
22/23	3.6	6.7	0.5	0.1	0.2		11.1	10.30%	-12.40%
23/24	3.9	7	0.3	0.3	0.1		11.7	4.80%	-8.00%
24/25	4.1	7.3	0.7	0.2	0		12.5	5.80%	-2.00%

25/26	4.2	7.7	0.5	0.0	0.1	0.1	12.6	0.92%	<b>-0.62%</b>
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Core Spending Power for local authorities in England increased by an average of 6.8% in 2025/26. The table above shows a minimal increase for Gedling in 2025/26 of **0.92%** this is 86% below the average received by the sector as a whole and is still below the baseline funding in 2015/16, meaning that Gedling is still in negative CSP. The Government's estimate of council tax receipts assumes that District/Borough Councils will increase Council Tax by the maximum possible equating to £299,000 for Gedling. However, actual council tax receipts will be determined by local decisions for council tax increases and actual tax base growth.

The Government forecast presents a total cumulative reduction in Core Spending Power by 2025/26 of -0.62% when compared to 2015/16. **Gedling has the fifth largest reduction in Core Spending Power when comparing 2025/26 to 2015/16 out of 349 Authorities in England.** In previous years Gedling's positioning was as follows:

<b>Worst affected Council in England:</b>	<b>Gedling's Position</b>
<b>2025/26</b>	<b>5<sup>th</sup></b>
<b>2024/25</b>	<b>7<sup>th</sup></b>
<b>2023/24</b>	<b>5<sup>th</sup></b>
<b>2022/23</b>	<b>7<sup>th</sup></b>
<b>2021/22</b>	<b>1<sup>st</sup></b>
<b>2020/21</b>	<b>1<sup>st</sup></b>

Only 7 councils (including Gedling) remain in negative CSP growth, a further 17 are showing as zero growth (but they did not exist in 2015/16) and 15 have had CSP growth of less than 5%. The remaining 310 authorities have all seen growth of 5% and above since 2015/16.

### 2.5.7 Council Tax Increase Referendum Trigger

The Localism Act 2011 gives powers to the local community to either endorse or veto Council Tax rises that are above a limit which is to be set annually by the House of Commons. If a local authority decides to implement a council tax increase above the government set limit this will trigger a referendum so that local voters can either support or reject the proposed rise.

In the final settlement the Government confirmed the referendum principles for 2025/26. For Shire Districts a Council Tax increase will be considered excessive if it is either 3% (or more than 3%) and more than £5 greater than the amount for 2024/25. For Gedling the 3% limit equates to £5.67. Any Council which sets an increase greater than the referendum limit and does not get support from the electorate via a referendum will have to revert to a council tax level that is compliant and bear the costs of re-billing its residents.

## 2.5.8 Future of Business Rates Retention

As detailed above the Business Rates Retention Scheme will be retained at 50% for next year and there will also be no reset of the business rates baseline for 2025/26. If the reset is implemented in 2026/27 it is expected that some existing business rates growth could be removed upon reset, reducing income levels.

## 2.6 General Fund Budget 2025/26 Summary

2.6.1 The following table summarises the proposed General Fund Budget for 2025/26. The detailed budgets are presented at Appendix 1. In developing a budget proposal, assumptions on the core budget have to be made. These have been included in both the annual base budget and MTFP calculations.

### General Fund Budget Summary 2025/26

<b>Portfolio</b>	<b>Original Budget 2024/25 £</b>	<b>Base Budget 2025/26 £</b>	<b>Variance £</b>
Communities and Place	342,600	326,800	(15,800)
Lifestyles, Health and Wellbeing	2,144,800	1,748,300	(396,500)
Public Protection	1,319,200	1,352,000	32,800
Life Chances and Vulnerability	1,860,100	1,762,900	(97,200)
Environmental Services	4,071,300	4,507,900	436,600
Climate Change and Natural Habitat	2,126,200	1,930,000	(196,200)
Sustainable Growth and Economy	1,182,000	1,101,000	(81,000)
Corporate Resources and Performance	2,402,200	3,663,500	1,261,300
<b>Net Portfolio Budget</b>	<b>15,448,400</b>	<b>16,392,400</b>	<b>944,000</b>
Transfer to/(from) Earmarked Reserves	(510,500)	(808,200)	(297,700)
<b>Net Council Budget</b>	<b>14,937,900</b>	<b>15,584,200</b>	<b>646,300</b>

## 2.6.2 Major Budget Pressures

Since the approval of the original budget 2024/25 there has been a continuous increase in demand for services including Homelessness. Inflation has started to reduce albeit slower than expected. Salary increases remain high and the increase in employers' national insurance contributions has had a significant impact on the Councils budget across the medium-term.

The base budget includes the following major budget movements **greater than £50,000**, which are substantially above the previous Medium Term Financial Plan expectations due to prevailing economic conditions and resulting inflationary and demand pressures:

## Corporate Resources and Performance

- An estimated £1,290 pay award per full-time employee up to spinal column point (SCP) 42 and 2.5% for those over (SCP) 43. This is anticipated to cost £701,600. This is offset with an on-going saving from the 2023/24 pay award that was agreed at a lower amount than budgeted for of £315,000. This results in a net increase of **£386,600**. The pay award sits centrally for budget setting purposes and will be spread over each directorate as appropriate.
- The additional 1% National Insurance (NI) employers' contribution alongside the reduction in threshold from £9,100 to £5,000, is anticipated to cost £391,000. This is offset with government funding of £114,000 leaving a net revenue budget pressure of **£277,000**.
- Additional borrowing costs (Minimum Revenue Provision) due to increase in prudential borrowing to fund the Capital Programme of **£245,100**.
- Procurement transformation costs of **£111,300**, for a new in-house procurement manager and third-party support to ensure compliance with new Procurement Act legislation. This is an on on-going budget however, it is anticipated that efficiencies through contractual arrangements and improved processes will be identified to cover much of these costs in the future.
- Efficiencies approved for 2025/26 as part of the 2024/25 budget process of **(£307,000)**.
- New Efficiencies proposals for 2025/26 totalling **(£108,600)**, see 2.6.3 for details.
- Resource Developments totalling **£40,000**, see 2.6.4 for details.
- Increase in insurance premiums **£84,500**.
- Council tax relief for Care Leavers and CT Hardship fund, which is now a revenue pressure as the Housing Benefits earmarked reserve used to fund this in the past has been exhausted **£85,000**.
- Income inflation on fees and charges based on a nominal 5% forecast. Actual increases in fees and charges is determined at service level and based on cost for provision and legal powers to charge. This amount sits centrally for budget setting purposes and will be spread over directorates once fees have been agreed. **(£174,100)**.
- Gedling Country Park Car Parking income **(£200,000)**. This is additional income which will be offset in-year against the costs of maintaining the Country Park, and any surplus will be put into a sinking fund to fund future maintenance and investment into the park.

## Life Chances and Vulnerability

- Housing Benefits Rent Allowances increased subsidies **£245,100** due to an increase in the number of claimants who are ineligible for 100% subsidy.
- Net Additional income of **(£257,500)** from Homelessness reduction grants and additional income from rents on temporary accommodation offsetting additional Bed & Breakfast costs and funding homelessness reduction initiatives.

## Environmental Services

- Additional resources in Waste Services, following a review of the service area which was triggered by significant overspends, the review identified current resources were insufficient for service requirements and additional resource was needed to cover increases in number of rounds, and to ensure compliance against new waste regulations coming into effect over the next few years **£272,000**.

### **Lifestyles, Health & Wellbeing**

- Additional income expected from swimming lessons **(£420,800)**

#### 2.6.3 Major Budget Reductions – Efficiency Programme

In response to the budget pressures arising from the downturn in the economy and consequent reductions in central government grant funding, the Council has approved several efficiency/budget reductions programmes to ensure delivery of a sustainable Medium Term Financial Plan (MTFP).

The Council's efficiency programme has been developed in accordance with the themes contained in the approved Efficiency Strategy i.e.:

- **Efficiency & Effectiveness** – including service efficiencies delivering the same level of service with a reduced level of resource; effective asset management; new ways of working including service re-engineering and new delivery methods; demand management; and service reductions or cessation.
- **Contract Management** – improved value for money in procurement.
- **Income Generation** – to maximise all income and reduce the level of subsidy provided in our discretionary service areas moving towards full cost recovery where appropriate; innovation/new ideas for new income streams.

#### Efficiency Programmes – Progress Update

Since 2014/15 Council have approved eight separate efficiency programmes totalling £7.6m net of risk

The progress of the current programme delivery has been positive and budget reductions achieved remain broadly in line with the profiled estimate.

#### Efficiency Proposals – New Proposals 2025/26

Due to the uncertainties of future Settlement funding and the potential pressures arising from pay awards, inflation and increased demand for services, additional efficiencies will be required.

As part of the budget set for 2024/25 on 6 March 2024, efficiencies totalling £3,558,900 were required to balance the budget in the medium term. The Medium-Term Financial Plan has been refreshed and moved on a further year

and it is now anticipated that comparable efficiencies of **£4,467,300** are required.

In 2024/25 **£427,500** was identified and approved for delivery in 2025/26 – 2026/27, with an additional £500,000 identified for delivery through the Council's investment in the Digital Data and Technology Strategy, which has now increased to **£631,200**. In addition, this report proposes new efficiencies of **£108,600** as set out in the table below. This equates to identified efficiencies of **£1,167,300** out of the £4,467,300 that needs to be found by 2029/30, leaving **£3,300,000** to be identified in the next few years.

The new **efficiency programme totalling £108,600** for delivery in 2025/26 is now proposed for approval. A risk provision of £142,200 is included in the budget to manage the inherent risks of efficiency programme delivery and a **Transformation Fund budget of £663,500** (refer to paragraph 2.4.4b) is included to facilitate the implementation of the overall programme and any associated costs of transformation needed to deliver the efficiencies.

The tables below summarise the proposed budget reductions analysed by Portfolio and Reduction type, with a detailed list included in Appendix 4.

### **Summary of Budget Reduction Proposals by Type**

<b>Summary 2025/26</b>	<b>Efficiency &amp; Effectiveness £</b>	<b>Income Generation £</b>	<b>Total £</b>
Environmental Services	0	12,800	<b>12,800</b>
Public Protection	15,200	0	<b>15,200</b>
Corporate Resources & Performance	80,600	0	<b>80,600</b>
<b>Grand Total</b>	<b>95,800</b>	<b>12,800</b>	<b>108,600</b>

#### **2.6.4 Proposed Revenue Resource Developments**

The Revenue Resource Developments detailed in the table below are recommended to Cabinet for approval. These have been scored using the Council's approved methodology (which assesses schemes in accordance with the level of contribution made towards the achievement of the Council's Priorities and Improvement Plans).

##### **(a) Revenue Resource Developments 2025/26**

For 2025/26 there is just one revenue resource bid:

- Property conditions survey on our Temporary Accommodation (TA) units £40,000. Following survey completion, a report will follow advising on repairs and maintenance schedule for our TA property portfolio.

In addition to the revenue resource development proposals, capital resource development bids (see capital programme report elsewhere on this agenda) also have ongoing revenue implications which have been included in the revenue budget and MTFP.

(b) Revision of the Councils Digital Data & Technology Strategy and Senior Leadership Restructure

The Senior Leadership Team Structure along the Senior Management Restructure was completed in 2024/25. A number of these posts will be working on the Councils Transformation Programmes, therefore some of these salaries will be capitalised under the “flexible use of capital receipts direction from the secretary of state” for a two-year period. As the capitalisation comes to an end the impact on the revenue budget increases. The table below shows that by 2027/28 an additional £148,300 will be needed to maintain the current structure, this is currently all funded, however, once transformation nears its completion a further reorganisation to revise the current structure may be viable and further efficiencies identified, to release some of the on-going revenue pressure.

The Council’s Transformation project commenced in 2024/25, and is progressing well. A Customer Records Management System (CRM) has been purchased and will be implemented over the 2025/26. The projects initial scope has been revised to include implementation of a new Waste Management System, following the removal of the previous system. The new system (Whitespace) was purchased in 2024/25; however, project implementation costs extend into 2025/26 & 2026/27, therefore the scope of the project has been revised and the table below sets out the additional on-going costs of the system of £55,300 per year. The table set out the current funding for this, however it is expected that once the system has been implemented, there will be additional efficiencies across current service provision and processes which could reduce the amount of reserves needed to fund.

Revenue	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £
Digital Strategy	561,100	675,100	675,100	675,100	675,100
Management Restructure	37,500	0	0	0	0
<b>Total Already Approved 24/25 Budget</b>	<b>598,600</b>	<b>675,100</b>	<b>675,100</b>	<b>675,100</b>	<b>675,100</b>
Management Restructure	9,600	106,400	148,300	148,300	148,300
Waste Management System	55,300	85,300	55,300	55,300	55,300
<b>Additional for Approval</b>	<b>64,900</b>	<b>191,700</b>	<b>203,600</b>	<b>203,600</b>	<b>203,600</b>
<b>Total Budget</b>	<b>663,500</b>	<b>866,800</b>	<b>878,700</b>	<b>878,700</b>	<b>878,700</b>
<b>Funded by:</b>					
Earmarked Reserves	(411,100)	(319,200)	(231,000)	(223,500)	(223,500)
Existing Revenue Budget	(55,300)	(62,000)	(31,500)	(24,000)	(24,000)
Future efficiencies	(197,100)	(485,600)	(616,200)	(631,200)	(631,200)
<b>Total Net Revenue Impact</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**(c) General Fund Ongoing Revenue Implications of the Proposed Capital Development and Asset Replacement Proposals (excluding borrowing costs)**

Description	Capital Budget For Information £	Revenue implications 2025/26 and ongoing £
Redhill Gym Equipment replacement	270,000	(22,000)

**2.6.5 Discretionary Income Inflation**

The Medium-Term Financial Plan includes income inflation on discretionary income at 5% for 2024/25, 2025/26, 2026/27, 2027/28 and 2028/29 (excluding leisure DNA memberships, garden waste, trade waste, building control, town centre car parking, taxi licencing), which equates to £174,100 in 2025/26 and the increase per Portfolio is shown in the table below. Each additional 1% increase will raise a further £34,800. This 5% is an average increase required for balancing the budget, however actual increases will be determined at service level and be dependent on the costs of service and legal powers to recover costs.

It is suggested that the Portfolio Holder agrees individual charges with the relevant Corporate Director, with discretion to vary the percentage increase if the overall cash amount for that Portfolio is raised or exceeded, Overall a fees and Charges report will be approved by Cabinet

Portfolio	Discretionary Income £	1% increase £	5% increase £
Lifestyles, Health and Wellbeing	(2,629,100)	(26,300)	(131,500)
Public Protection	(7,000)	(100)	(400)
Life Chances and Vulnerability	(580,000)	(5,800)	(29,000)
Environmental Services	(114,800)	(1,100)	(5,700)
Climate Change and Natural Habitat	(2,200)	(0)	(100)
Corporate Resources and Performance	(148,300)	(1,500)	(7,400)
<b>Total</b>	<b>(3,481,400)</b>	<b>(34,800)</b>	<b>(174,100)</b>

Some of the services operated by the Council are not included in the general fee inflation increase due either to: the sensitivity of demand to price changes e.g. Leisure DNA memberships, or, being operated on a commercial basis and therefore required to breakeven e.g. Building Control. The levels of fees which are set in these areas are considered separately and the base budget amended to ensure appropriate fees are set.

Some fees for statutory services e.g. development control, are determined by

central government and any changes are reflected in the base budget.

#### 2.6.6 Review of Balance Sheet Reserves

The *Local Government Act 2003* requires authorities to consider the level of reserves when calculating their budget requirements. Professional guidance is set out to assist in this deliberation.

Earmarked reserves on the balance sheet have been reviewed to ensure appropriate levels of funds are retained for specific future purposes and risks. The estimated movement on reserves for 2024/25 and 2025/26 are detailed at Appendix 2 and show expected balances of £6.65m as at 31 March 2026. Whilst the majority is set aside to cover specific risk issues e.g. insurance risks; to support approved capital projects; to support ongoing service provision; including ring-fenced partner funds and grants; they may be diverted to support general expenditure should the need arise.

There is currently no reclassification of earmarked reserves proposed for the 2025/26 budget however, the classification of earmarked reserves will be kept under review and considered in the light of the outturn position for 2024/25 and recommendations made for reclassification at that time if required.

The Council's minimum General Fund Balance level is set at £1m or 7.5% of the Council's net operating expenditure, whichever is greater. For 2025/26 the required minimum General Fund balance estimated at 31 March 2026 is £1,168,815 compared to the current projected closing balance of £3,703,752.

This level of General Fund Balance indicates the increasing and immediate level of financial risk the Council is now facing as a result of the long history of government grant funding reductions, which are no longer related to the Relative Needs together with the substantial inflationary pressures, significant increase in Homelessness and demand for other services, and high pay awards.

The medium-term projection on the General Fund Balance is detailed in the Medium-Term Financial Plan summary at paragraph 3 below which demonstrates that substantial budget reductions must be achieved in the future to maintain the minimum level of General Fund Balance and achieve a sustainable financial position in the absence of additional government funding.

#### 2.6.7 Financing of the Capital Programme

As detailed in the Capital Programme report elsewhere on this agenda it is currently forecast that external PWLB borrowing will not be required to finance the capital programme in 2025/26 through to 2029/30, however some internal borrowing from cash reserves may still be required. Borrowing has an impact on the revenue budget in terms of interest costs and principal repayment. This is reflected in the Medium-Term Financial Plan.

#### 2.6.8 Collection Fund

## Council Tax

On 15 January each year, the Council is statutorily obliged to prepare an estimate of its Collection Fund transactions for Council Tax, and its expected position as at 31 March. This estimate enables Gedling and the three major precepting authorities to take account of any anticipated surplus or deficit on the Fund when they set their own authority budgets.

As detailed in Appendix 3, a surplus of £0.624m was declared on 15 January 2025 for the estimated position at 31 March 2025. The surplus of £0.624m will be shared by the preceptors with the sum of **£0.055m** being added to Gedling's General Fund in 2025/26.

## Business Rates

The estimated Business Rates Collection Fund deficit at 31 March 2025 of £0.082m was declared in January 2025, of which Gedling's share is £0.033m (40%) and will be charged to the General Fund in 2025/26.

### 2.6.9 Business Ratepayers Consultation

There is a statutory requirement to consult with business ratepayers on the budget proposal. The consultation has commenced, and any responses will be reported at the meeting.

## 3. **MEDIUM TERM FINANCIAL PLAN**

- 3.1 The implementation of the *Local Government Act 2003*, which introduced a requirement for the Council's Chief Financial Officer to comment on the robustness of the Council's estimates, and the need to look at the medium term (3 years) in order to produce the required indicators as detailed in the Prudential Code, means greater emphasis needs to be placed on the Council's medium term financial planning. Although an absolute requirement to look over three years is required, it is considered good practice to look over as long a period as is reasonable. This Council has a history of producing a Medium-Term Financial Plan (MTFP) over a five-year horizon. Although the Government's announcement on reorganisation has been made and expected timelines for delivery are within the five-year plan, the Council has decided that it will still prepare a five-year forecast in the absence of a defined set of delivery plans and a full and final decision.
- 3.2 The MTFP 2025/26 to 2029/30 is presented against a backdrop of economic uncertainty, in previous years the impact of the war in Ukraine, inflation, energy prices and problems in the global supply chain, are still having an impact also significant increase in homelessness and shortage of available housing. In addition, Local Government Reorganisation throws another unknown equation into the matrix. Other factors contributing to uncertainty associated with the MTFP include:

- The latest one-year Local Government Finance Settlement for 2025/26.
- Continued upward pressure on pay awards in response skills shortages in
- The removal of settlement grants, delay to the fair funding review and business rates reset.
- The one-off nature of some government grant funding, for example the New Homes Bonus and the Recovery Grant.
- The recent increase in National Insurance contributions and lack of funding to cover the increase.

3.3 The following table identifies the impact of all the proposals and assumptions that are contained in this report:

- Planned budget reductions and efficiency savings (paragraph 2.6.3).
- The incremental increase in base revenue expenditure from 2025/26 and budget growth items (paragraph 2.6.4).
- Pay Award of £1,250 for 2025/26, 3% for 2026/27 and 2% per annum from 2027/28 onwards. The April 2025 pay award for local government staff will not be known for some time, it is not currently anticipated to be the same as that awarded in 2024/25. This level of pay claim presents a downside risk to the current MTFP projections, as do potential market adjustments that may be required to address skill shortages in key service areas.
- Fees and charges to be increased by an average 5% in 2025/26 and onwards (paragraph 2.6.5).
- Anticipated cost of borrowing to finance the capital programme for 2025-2030.
- A 2.986% Band D Council Tax has been assumed for 2025/26. Beyond that a 2.99% Council Tax increase has been assumed for each year of the MTFP to maintain increases without triggering a referendum. However, future council tax increases will be dependent upon future spending decisions, total local government funding, the achievement of efficiency savings and Local Government Reorganisation.
- Based on the current information available, and in the absence of funding increases, in order to achieve a balanced MTFP and ensure the Council's balances do not fall below the minimum level required, additional ongoing budget reductions of **£3,300,000** will be required in the following profile, and are included in the MTFP:

Year	Adjusted Efficiency Target (£)	Identified Efficiencies (para 2.4.3) (£)	Digital Transformation Efficiencies (£)	New Efficiency Target (£)
2025/26	613,400	(416,300)	(197,100)	0
2026/27	408,300	(119,800)	(228,500)	0
2027/28	630,600	0	(130,600)	500,000
2028/29	2,037,000	0	(15,000)	2,022,000
2029/30	778,000	0	(0)	778,000
<b>Total</b>	<b>4,467,300</b>	<b>(536,100)</b>	<b>(631,200)</b>	<b>3,300,000</b>

Any new demand pressures arising will require an increase in these budget reduction/savings projections to maintain a balanced budget.

Of the efficiencies above £536,100 has already been identified and built into base budgets. A further £631,200 of efficiencies are required to be delivered as part of the Digital, Data & Transformation Strategy. The remaining £3,300,000 has been partially identified and is in the early stages of development and will be presented in more detail at a later date. Although efficiencies have been partially identified the Council will not be complacent and will consider options for further budget reductions during 2025/26 which can be implemented from 2026/27 onward in the event that additional funding is not available in the next or future Local Government Finance Settlement(s).

The following table demonstrates a balanced Medium Term Financial Plan with a small projected surplus on balances at the end of year 5 (2029/30) subject to identifying and delivery of significant efficiencies. The current budget relies in a small contribution from the General Fund Reserve in 2025/26, which increases significantly in 2026/27 and 2027/28 in order to maintain service delivery at current operational levels. From 1 April 2027 onwards the budget forecasts the General Fund will be operating at minimum levels with no further capacity to address funding gaps, indicating the increasing risk presented to the Council's financial sustainability arising from increased costs and uncertain funding levels, which is affecting many local authorities at this time.

The income from the Extended Producer Responsibility has been included in the MTFP as it is a non-ringfenced grant, the funding assumes a decrease over the next few years as producers will aim to reduce the amount of packaging to reduce the levy they need to pay. Whilst this funding is not ring-fenced it was designed to support waste functions, however, the funding is being used to balance the five year budget due to the amount of settlement funding received.

#### **MEDIUM TERM FINANCIAL PLAN 2025/26 TO 2029/30 - HIGH LEVEL SUMMARY**

	<b>2025/26 (£)</b>	<b>2026/27 (£)</b>	<b>2027/28 (£)</b>	<b>2028/29 (£)</b>	<b>2029/30 (£)</b>
<b>Net Council Budget</b>	15,584,200	16,206,649	16,753,607	15,043,858	14,941,312
<b>Financed by</b>					
SFA Business Rates Baseline	(3,355,384)	(3,422,492)	(3,490,942)	(3,560,760)	(3,631,976)
SFA – Revenue Support Grant	(146,105)	(146,105)	(146,105)	(146,105)	(146,015)
Recovery Grant (New)	(49,005)	(49,005)	(49,005)	(49,005)	(49,005)
National Insurance	(114,467)	0	0	0	0
Funding Floor (New)	(14,600)	(14,600)	(14,600)	(14,600)	(14,600)
New Homes Bonus (or equivalent funding)	(525,351)	(500,000)	(300,000)	(300,000)	(300,000)

Extended Producer Responsibility Funding (New)	(1,017,000)	(610,200)	(508,500)	(305,100)	0
Council Tax Collection Fund Deficit	(55,385)	0	0	0	0
NNDR Growth/ Collection Fund (Surplus)/Deficit/ S31 Grant	(2,535,874)	(1,870,749)	(1,870,749)	(1,870,749)	(1,870,749)
Less: Amount (from)/to Balances Core Budget	(56,279)	(1,572,958)	(2,035,987)	(130,842)	(8,608)
Council Tax Requirement	7,714,750	8,020,540	8,337,720	8,666,696	8,920,359
Council Tax increase	2.99%	2.99%	2.99%	2.99%	2.99%
Tax Base	39,664	39,939	40,214	40,489	40,764

**The MTFP above assumes that a 2.99% increase will be applied between 2025/26 and 2029/30 but the actual increase will be determined on an annual basis by Council.**

Expected balances at year end	4,872,600	3,299,600	1,263,600	1,132,800	1,124,100
Required balance	1,168,800	1,215,500	1,256,500	1,128,300	1,120,600
<b>(Surplus)/Deficit on required balances</b>	<b>(3,703,800)</b>	<b>(2,084,100)</b>	<b>(7,100)</b>	<b>(4,500)</b>	<b>(3,500)</b>

#### 4. **COUNCIL TAX**

4.1 The Council Taxpayer must meet the difference between the planned expenditure and the Government grant receivable after the use of any balances are taken into account. It is this difference that is used to calculate individual Council Tax bills for 2025/26.

4.2 Gedling's share of the council tax for a band D property for 2024/25 is £188.86. The level of council tax for 2025/26 depends on the extent of service reductions/developments and financial risk issues (see paragraph 5 below) that the Council decides to provide for in the budget for next year. For illustration, an increase in council tax by 1% provides additional funding of £74,900. In the above MTFP a 2.986% (equivalent to £5.64) increase has been assumed for 2025/26. **The MTFP at paragraph 3.2 assumes that a 2.99% increase will be applied for the whole period of the plan but the actual increase will be determined on an annual basis by Council.** The Council Tax referendum limit for a shire district at which an increase is considered excessive is 3% or more and £5 whichever is greater. To illustrate the impact of the proposed 2.986% increase, the overall position in terms of the increase for the year ahead on each Council Tax Band would be as follows:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Year	£3.76	£4.39	£5.01	£5.64	£6.89	£8.14	£9.40	£11.28
Week	7p	8p	10p	11p	13p	16p	18p	22p

- 4.3 At its meeting on 22 January 2025, the Council maintained its commitment to continuing the Council Tax Reduction Scheme unchanged, enabling a maximum award entitlement of up to 100% discount. This continues to mitigate the impact of council tax increases, including those levied by preceptors, for Gedling's most financially vulnerable households.

## 5. **ROBUSTNESS OF ESTIMATES**

- 5.1 *Sections 25 and 26 of the Local Government Act 2003* place a personal duty on the Chief Finance Officer to make a report to Council when considering its budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of reserves.

The Act requires Members to “*have due regard to the report in making their decisions*”. Where this advice is not accepted, it should be formally recorded within the minutes of the Council Meeting.

Under *Section 25 of the Local Government Act 2003* the Section 151 Officer is required to provide a commentary assessing the robustness of the estimates when Cabinet and Council are considering the budget proposals.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code reinforces this requirement stating that the statement in relation to the proposed financial reserves should consider whether the level of general reserves is appropriate for the risks (both internal and external) to which the Council is exposed and give reassurance that the authority's financial management processes and procedures are able to manage those risks.

The key strategic risks in considering the 2025/26 revenue budget proposals and Capital Programme in the context of the Medium-Term Financial Plan are detailed in paragraphs 5.2 to 5.8 below.

### 5.2 **Economic**

The Economic and Fiscal Outlook describes how the economy is expected to grow by just over 1% this year rising to 2% in 2025 before falling to 1.5%, slightly below its estimated potential growth rate of 1 ⅓ % over the remainder of the forecast. The recent decisions made in the Government's Autumn Budget 2024 should push up inflation by around ½ a percentage point at their peak, meaning it is projected to rise 2.6% in 2025, and then gradually fall back to target.

### 5.3 **Financial Settlement/Funding Streams**

The Autumn Budget 2024 announced in October 2024 contained some important funding announcements for local government in 2025/26 including:

- a 3.8% real-terms increase in Core Spending Power for the whole sector in 2025/26. This includes £1.3bn additional grant funding, of which at least £600m will be directed to social care.

- £233m new funding for homelessness prevention. This is in addition to the £1.3bn grant funding.
- £1bn to extend the Household Support Fund and Discretionary Housing Payments into 2025/26.
- £1.1bn new funding through implementation of the Extended Producer Responsibility scheme for recycling.

The Autumn Budget also confirmed that 2025-26 would be another one-year settlement, although multi-year settlements and funding reform were expected from 2026-27, however, the announcement of Local Government Reorganisation may impact on this.

There remains some uncertainty around the variables used as part of the budget-setting process for 2025-26, however planning has been based on what is known at this time. Without a multi-year Settlement, and with Funding Reform due, the medium to longer-term outlook remains unclear and all local authorities in the UK are faced with another period of substantial uncertainty. The Government's Local Government Department Expenditure Limit (DEL) is unprotected and without knowing what the individual funding allocations are likely to be beyond 2025-26, there is uncertainty as to whether there could be real terms spending reductions from 2026-27. The MTFP assumes that there is no reduction in the Council's general grant funding, other than its allocation of New Homes Bonus, which will end after 2025-26, however we assume it is to be replaced with alternative funding, albeit at a lower amount.

The planned spending review for April 2025 has been pushed back to June 2025, while the government struggles to get a grip with the volume of decisions it needs to make on its funding priorities. The last multi-year review was in 2021.

This means that Councils still have no clarity or certainty of how services will be funded beyond next year which presents incredible challenges, inhibiting meaningful financial planning and the development of a sustainable Medium Term Financial Plan. This is further exacerbated by the uncertainties resulting from the economic downturn in terms of ongoing demand and changes in legislation how they will be financed.

- **Business rates retention/Fair Funding Review:**

The extension of the business rates retention scheme reset, and implementation of the Fair Funding Review was originally planned for 2020/21 but this has been delayed for six years so far, with the earliest implementation expected to coincide with the next spending review in June 2025 and the 2026/27 Local Government Finance Settlement. In the absence of a review of the local government funding, pilots for the 100% business rates retention are continuing in 2025/26. The Government is committed to reforming Business Rates and has already announced permanently lower rates for the retail, hospitality and Leisure sector.

- Any retention of business rates will still require a mechanism to ensure funding is distributed in respect of need which will create winners and losers which will be determined by the Fair Funding Review. There is a real risk that district councils could lose further under any new allocation process. The original intention of the business rates retention scheme was for it to be fiscally neutral and in order to achieve this, additional responsibilities would need to be transferred to Local Government in a move to 100% retention. In this scenario care will be needed to ensure that any new transferred responsibilities are capable of being fully funded in both the short and long term although the risk of this materialising is now reduced if the retention level stays at the current 50%.

The current retention of business rates has shown the volatility of this funding in respect of the appeals process, the prediction of future growth, and the potential for significant local impact where a large business relocates/closes. These changes may require local authorities to hold higher levels of reserves in the future depending on the outcome of the review of the local government finance system.

It is currently unclear how Local Government reorganisations will affect any review.

- **New Homes Bonus**: the main body of the report at paragraph 2.5.3, identifies the significant impact that changes to this funding stream has had for Gedling Borough Council due to the introduction of a 0.4% growth baseline resulting in significantly reduced awards since 2016/17.

In line with the one year only local government finance settlement, the NHB award has continued on a one year only basis for 2025/26. Previously the government has stated that it is no longer clear that the NHB in its current form is focussed on incentivising homes where they are needed most. It has been confirmed that NHB for 2025/26 will be the last award under this funding regime. The MTFP does assume that an alternative funding stream will take its place, albeit at a lower value to ensure caution.

- **Council Tax**: The Government's Core Spending Power figures are based on the assumption that Council Tax will be increased by the maximum amount in accordance with the referendum principles and that growth in the tax base will be created through additional hereditaments. This rise is equivalent to the maximum possible without requiring a referendum and leaves no room for local discretion to set a higher Council Tax in order to plug any funding gaps. The MTFP contained in this report assumes that a 2.99% increase will be applied between 2025/26 and 2029/30, but the actual increase will be determined on an annual basis by the Council. In the absence of additional ongoing funding in the local government finance settlement, any Council Tax increase below the 2.99% will require an increase in the efficiency/budget reduction targets to ensure that a balanced MTFP is secured.

- **Economic Growth/Inflation**: Brexit, Covid-19, the war in Ukraine have all had a major adverse impact on the economy in recent years and the impact of this has had a cumulative effect on budgets. Ongoing uncertainty continues to create major challenges for economic forecasting. The UK economy is forecasted to grow albeit slower than previous expectations. Significant risks relating to labour supply shortages proving more enduring and depressing economic activity; however, inflationary pressures have been somewhat relieved. Inflation assumptions have been incorporated in the MTFP, including pay award of £1,250 for 2025/26, 3% for 2026/27 and 2% per annum from 2027/28 onwards. Without a multi-year settlement or an understanding of what any Fair Funding Review or business rates retention reset will bring, the demand from the economic downturn needs to be managed within local resources i.e. from further budget reductions or efficiencies.

5.4 A minimum balance of £1m on the General Fund, or 7.5% of net operating expenditure whichever is greater, is recommended by the Chief Financial Officer to be a prudent amount given the scale of the business conducted by the Council. The external auditor regards this level of balance on the General Fund to be satisfactory, and it is also appropriate to reflect uncertainties in the financial position in the medium term. Given the substantial inflationary pressures being experienced and the scale of the future budget reductions likely to be required in the absence of funding increases, the level of minimum balances will be kept under review and may need to increase to reflect the increasing level of risk in the MTFP.

5.5 The (surplus)/deficit on balances in the MTFP table in 3.3 shows amounts (above)/below the recommended minimum General Fund balance in any one year. Current spending plans show a surplus of £3,703,752 in 2025/26 declining to £3,573 by the end of 2029/30. Achievement of this position is reliant upon efficiency plans being progressed and delivered during the period of the MTFP or additional funding being made available via the local government finance reforms. Underlying this is an annual deficit between the amounts of income expected and anticipated expenditure which needs to be managed beyond the five-year horizon, but this is significantly reduced to manageable levels with the inclusion of the efficiency/savings programmes. However, this still does not leave significant capacity to manage future budget and inflation pressures that may arise which will have to be managed by further budget reductions.

The Council has a substantial programme of budget reductions planned for delivery, as detailed in paragraph 2.6.3. Whilst risk provisions and transformation funds have previously been approved (which mitigate the risk of non-delivery) and in the main the delivery of the programme has gone well, more recently difficulties have been experienced particularly with regards to projects that require more innovative and transformation approaches with inherent uncertainties which presents an increasing downside risk to successful delivery. Programmes are regularly monitored and progress reported to

Cabinet to manage this risk and as detailed in paragraph 2.4.3 new efficiency proposals recommended to ensure this downside risk is effectively managed.

The challenges that lie ahead are increasing compared to those in previous years, due to increases in pay awards, increases in employers' liabilities and demand for services but whilst recognising the significant challenges ahead, this plan is considered robust. Gedling is not alone in facing this challenge - it is a national problem – but with the Council's long track record in delivering successful efficiency programmes, it is well placed to react and to develop strategies to meet the set efficiency targets.

5.6 Initiatives introduced to manage within reduced resources bring increased risks both financially and in terms of service delivery. For example:

- Reduced maintenance budgets – can be accommodated in the medium term but may bring pressures in the longer term as major capital investment plans may need to be accelerated as assets deteriorate faster. Increased public building maintenance budgets have been included in the capital budget proposals to mitigate this risk.
- Earmarked reserves for specific purposes/risk management have been reviewed and will be managed at minimum requirement levels providing less scope for managing emerging risks.

5.7 The Authority continues with activities undertaken in association with a variety of partners. This requires reliance on partnership funding and/or the delivery of integrated programmes and is an approach which is integral to the Council's efficiency programme. However, a significant number of the Council's partners are public sector organisations which are also facing significant budget pressures and changing roles. This places increasing risk on the Council both directly, in respect of possible withdrawal of partnership funding, and indirectly, with the Council potentially facing additional burdens resulting from budget cuts in other organisations. This is especially true in respect of the most vulnerable in society which could therefore have a direct impact on families, homelessness and those with specialist housing need.

5.8 There is an increased risk arising from these assumptions and the level of minimum balances will be kept under review. As the Council is responding to the challenges through efficiency measures and service reductions it is considered that the annual and medium-term budgets are robust, but given the above risk assessment the achievement of the estimated Medium Term Financial Plan will be a significant challenge to deliver.

5.9 Given the Council's excellent track record for budget management, careful budget monitoring and financial planning, which will continue, the structural deficit that remains in the Medium Term Financial Plan is now significant, and it should be expected that there may need to be some contraction of service delivery/performance if existing efficiency plans do not proceed in line with expectations or there are funding reductions following the implementation of the Fair Funding Review.

## 6. Risk Assessment

Gedling needs to review its Financial Strategy and Medium-Term Financial Plan annually to ensure its projected expenditure is balanced with the income it receives, and where it does not, or is projected not to, corrective action needs to be identified and put in hand.

Risk	Impact	Comments
Time	Medium	<p>Gedling has always aimed to be at least one year ahead of the budget reductions it needs to make, so that any changes required are as trouble free as possible.</p> <p>The General Fund Balance is now forecast to be at minimum levels from 1 April 2027 and efficiency plans to meet the approved targets will continue to be implemented and developed over the next 4 years to help balance the MTFP.</p>
Viability	High	<p>The continuing one year local government finance settlements, the lack of a clear timeframe for the Fair Funding Review, uncertainty regarding the future of the New Homes Bonus, increase in service demand led by the cost of living crisis increases the risks to the finances of the Council; reserves to cushion the impact, are quickly reducing and delivery of the approved efficiency programmes and the development of new efficiency programmes will be essential.</p>
Finance	High	<p>With the continued removal of central government support, the Council will increasingly rely on income generated by local fees and charges, and council tax, and these will need to be consistently increased year on year to offset the momentum of continual reductions in available budgets. However restriction placed on surplus generating fees results in income not being able to be used to fund other core services. The cost of living crisis presents an additional risk to income levels for discretionary services.</p>

Profile	High	The achievement of a balanced and sustainable MTFP is reliant upon the effective delivery of the efficiency programme, with £613,400 due to delivery in 2025/26. In the absence of additional funding in the next local government finance settlement, or reduced inflationary pressures, further budget reductions totalling £3,300,000 over 2025-29 will be required.
Adaptability	High	Working with partners will be essential to successfully respond to the challenges that face the Council. The joint work with the DWP has provided a positive model of partnership working and Gedling is working more closely with the Police and the local Integrated Care Partnership to work laterally across the sector.

## 7. **Equality Issues**

The Council has a duty under the *Equality Act 2010* to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between protected groups (such as disabled people or ethnic minority groups) when considering proposed new or changing policies, services or functions, including decisions on funding for services.

Service leads have been asked to assess the equalities impact of the proposals for service changes contained in this report. It is not anticipated that there will be any significant cumulative impact on any protected group arising from these budget proposals.

Where appropriate, individual Equality Impact Assessments will be carried out in relation to specific proposals identified in this report. Any equality issues arising will be brought to the attention of the decision maker when the decisions on those proposals are made.

## 8. **Key Decision Thresholds**

In accordance with the Council's Constitution, full Council will in each year determine the financial thresholds for each service or function above which expenditure or saving is regarded to be significant and should therefore be regarded as a Key Decision. Traditionally the threshold has operated at above £0.5m and it is proposed that this value be continued for 2025/26.

## 9. **Alternative Options**

Cabinet could consider recommending an alternative budget and service plan. Recommending an alternative budget may alter the level of recommended Council Tax for 2025/26. If Cabinet chose not to recommend a budget to Council this would be in contravention of the Council's Constitution and would not be in compliance with the *Local Government Finance Act 1992*.

**10. Financial Implications**

As detailed in the report.

**11. Legal Implications**

It is a statutory requirement under the *Local Government Finance Act 1992* that the budget is presented to Council for approval. The budget has been prepared taking into account the Council's Gedling Plan 2024-27, the Annual Delivery Plan and priorities and Council objectives for the coming year, as well as with regard to statutory requirements.

**12. Carbon Reduction/Environmental Sustainability Implications**

The Council has committed through the Gedling Plan 2024-27 to promote a sustainable environment, recognising the responsibility it has to safeguard the local environment by reducing its own Carbon Footprint, and working with the local community to reduce global warming. This commitment impacts on the budget in terms of investments and expenditure required to deliver such changes, and in considering the risk of climate change to the Council in terms of impact on its residents and delivery of services.

**13. Appendices**

- Appendix 1 - Detailed Portfolio Holder Budgets 2025/26
- Appendix 2 - Movement in Earmarked Reserves
- Appendix 3 - Council Tax Collection Fund Estimate 2025/26
- Appendix 4 - Summary of Budget Reduction Proposals 2025/26
- Appendix 5 - Annual Delivery Plan 2025/26

**14. Background Papers**

- Central Government Report – Local Government Finance Report 2025/26
- Prudential and Treasury Indicators and Treasury Management Strategy Statement 2025/26
- Capital Programme and Capital Investment Strategy 2025/26 to 2029/30
- Gedling Plan 2023-27
- Annual Delivery Plan 2025/26

**15. Reasons for Recommendations**

To obtain approval of the General Fund Revenue Budget 2025/26 for referral to Council.

**Statutory Officer approval:**

**Approved by:** Chief Financial Officer

**Date:** 6 February 2025

**Approved by:** Monitoring Officer

**Date:** 10 February 2024