

Cabinet – 3 December 2025

Medium Term Financial Plan – General Fund Update

Purpose	For Decision
Classification	Public
Executive Summary	<p>This report</p> <ul style="list-style-type: none">• Presents the latest medium-term financial plan (MTFP) of the Council’s General Fund.• Considers the ongoing development of the MTFP for the General Fund including the factors that will influence its delivery and that of the annual budget strategy 2026/27.• Develops the financial strategy to support the delivery of a legally balanced budget for 2026/27.• Details the ongoing budget planning process and timeline for key financial reports.
Recommendation(s)	<p>Cabinet is asked to:</p> <ol style="list-style-type: none">1. note the revised MTFP forecasts, as outlined within the report and appendices 1 – 3.2. endorse development of further options to close the budget gap for 2026/27 and through to 2029/30.3. endorse the approach taken to set the Asset Maintenance and Capital Programme Budgets for 2026/27, including the proposed approach for an enhanced Public Convenience renovation and maintenance programme over the next 2 years.
Reasons for recommendation(s)	<p>To comply with accounting codes of practice and best practice which requires councils to have a rolling multi-year MTFP.</p> <p>To provide Cabinet with the latest high-level overview of the MTFP.</p>

	To consider the ongoing development of the MTFP and consider the factors that will influence its delivery and that of the annual budget strategy to support the delivery of a balanced budget for 2026/27.
Ward(s)	All
Portfolio Holder(s)	Councillor Jeremy Heron - Finance & Corporate
Strategic Director(s)	Alan Bethune - Strategic Director Corporate Resources (Section 151 Officer)
Officer Contact	Paul Whittles - Assistant Director - Finance 02380 285766 paul.whittles@nfdc.gov.uk

Introduction and background

1. The Council has a legal requirement to set an annual fully funded balanced budget and must plan its finances over the medium-term period.
2. The Council's financial strategy seeks to achieve a medium-term financial position that creates additional financial resources through the crystallisation of efficiencies and the generation of additional income to ensure the alignment of overall resources to corporate priorities. Financial stability over the medium-to-long term has underpinned the Council's financial strategy, with due consideration being given to the potential implications that the Fair Funding Review, Business Rate Reset and allocation of new burdens funding will have on this Council. The Council has understood the need to consider its overall organisational business model in order to ensure the future protection of its services whilst seeking to align the financial plan to ensure delivery of statutory services and key priorities as outlined in the Corporate Plan and facilitate the orderly transition of services into the new unitary authority as part of Local Government Reorganisation.
3. The General Fund Medium Term Financial Plan has been populated using the most up to date information currently available covering the period to 2029/30. The effect of the Fair Funding Review and final design of the Business Rate Retention Scheme as outlined in paragraph 2, including the timing of the initial reset, and frequency thereafter of partial or full resets, and the ultimate proportion of rates to be retained by the District Council, remains uncertain and has the potential to significantly amend the funding figures currently forecast.

4. The Council's overall financial planning needs to consider inflation and the current cost of living faced by its residents and tenants when making difficult decisions on proposed Council Tax, Rent and Fees and Charges.
5. Actions need to continue on the development of future years' budgets. To support this work, it is necessary that an assessment is made of the likely financial scenario based upon latest available information. The October MTFP Scene Setting report is now updated for changes (including any Council decisions) and reviews undertaken since.
6. It is essential that Members remain mindful of the longer-term implications of the decisions taken during the budget-setting process. While immediate ambitions and pressures may necessitate important choices, these decisions can have lasting effects on service sustainability, financial resilience, and the Council's ability to deliver on strategic priorities. The impact of decisions taken now must be carefully considered to avoid unintended consequences in future years.
7. A separate report covers the MTFP for the Housing Revenue Account and the specific and unique challenges faced by this ring-fenced account.

Economic Commentary

8. The Chancellor delivered the 2025 Autumn Statement on 26 November 2025. Due to the timing of this report, the impact on the Council is still being assessed and will be incorporated into future iterations of the MTFP.
9. The Bank of England's base rate remains at 4.00% following the last 0.25% reduction in August. Changes to the base rate can negatively impact the Council's interest earnings from investments and conversely can reduce the cost of borrowing required to support our Capital Programme.
10. CPI (Consumer Price Index) inflation is above the Bank of England's ongoing 2% target. As at September 2025 inflation was 3.8% compared to 1.7% a year earlier.
11. Based on the 2025/26 National Employers Pay Award, the MTFP assumes a 3.2% pay award increase in future years. Furthermore, a review of the Council's pay bands has resulted in bands 1 and 2 being extended to include an additional scale point each, this increases the overall pay budget by £83,000 in 2026/27. The MTFP also includes a separate pay award contingency (£449,000) to enable the Council to respond to additional pay related matters or adverse variations in the current assumptions.

Fair Funding Finance Policy Statement

12. As a precursor to the release of the Provisional Finance Settlement, MHCLG published their final response to the Fair Funding Review consultation and a Finance Policy statement on 20 November 2025.
13. This Finance Policy Statement provided clarity on the updated settlement methodology and distribution formulae, and confirmed intended parameters around council tax setting over the next 3 years. Although sector advisors have then been able to provide educated assumptions around the Core Spending Power impacts to individual local authorities, the overall quantum of funding and so the direct likely outcome to NFDC remains to be clarified when the Finance Settlement is released in December.
14. Significant changes to the original proposals, which are likely to have a negative financial impact overall on the Council are as follows:-
 - a. Change in funding formula methodology, including the removal of the remoteness adjustment which disadvantages more rural councils and the reduction in weighting for visitor and commuter population compared to permanent residents. The latter disadvantages places with a high concentration of tourists and commuters.
 - b. Preservation of the Recovery Grant as at 2025/26 throughout the 3 year spending review period which consequentially means less centrally held for wider distribution.
 - c. More generous Funding Floor for councils with responsibility for social care and currently in receipt of Recovery Grant. This does not apply to NFDC, who could also be subject to a -5% Funding Floor.
15. The policy statement has confirmed the referendum thresholds remain at 3% or £5 (whichever is greater) for the annual Council Tax increase. The updated MTFP will now assume an annual increase in NFDC council tax by 2.99% over the first 3 years (covered by the Policy statement). This increases council tax revenue by an additional £78,000 compared to the October update for 2026/27 and £401,000 across the MTFP.

The General Fund

Update Medium Term Financial Plan (Appendices 1-3)

16. The October Medium Term Financial Plan - Scene Setting report outlined a forecast deficit to 2029/30 of £0.547 million. This however came with a significant health warning around the

potential range of government funding which will not be known until the release of the provisional finance settlement. This level of 4-year deficit assumed a prudent £5 annual increase in Council Tax, aligned to the flexibilities allowed by central government policy, which contributes cumulative income growth of £1.472 million to 2029/30 (otherwise the forecast deficit would have been over £2 million).

17. Significant quantifiable changes since the October reported position that have increased the forecast deficit position are as follows:

Pay related costs

18. A pay spine review focussing on reflecting the April 2026 implication of the agreed 2025/26 pay award and further enhancing the lower pay scale points has resulted in additional costs totalling £83,000.
19. The pay award contingency has been increased by £200,000.
20. Following the triannual review of the pension fund and the ongoing successful returns on investments, the contributions required from the council will be reduced by £620,000 per annum.

Council Tax

21. A review of the underlying data, including second homes and changes to the total number of dwellings has increased the forecast council tax income by £26,000.

Leisure contract

22. Following a period of stability regarding energy costs which was supported by the council's pain share agreement with its health and leisure provider the £375,000 leisure contract contingency can now be removed.

Waste

23. As previous reported, risks were highlighted regarding the anticipated cost of the new food waste collection service being funded through new burdens funding. The latest understanding suggests no specific funding will be provided due to an increased likelihood of the new burdens funding for food waste being subsumed within the core government funding. Consequently, this has reduced our expected income by £1.5 million.
24. Previously the Council was waiting for greater clarity on our level of Extended Producer Responsibility funding to be received. The latest information is positive with a further £1.2 million anticipated (£2.4 million in total) in 2026/27. However, there remains significant risk with this income stream due to its volatility and therefore

confidently forecasting future income levels is challenging. It is also worth noting that this payment is predicated on the delivery of an efficient waste collection service, with likely financial penalties imposed by the scheme administrator if they adjudge that a Council is running an inefficient service.

25. As covered in the more detailed Waste Service Budgetary Provision report elsewhere on this Cabinet agenda, an additional £1.5 million is being sought for approval for the new waste service reflecting a change of policy to collect food waste from behind cattlegrids / gates to prevent animal interaction with food waste. The report also covers the review of how the council manages Bring Sites following usage adjustments following learnings from phases 1 and 2.

Treasury Management

26. Following improved returns in recent years, the interest receivable budget has been increased by £400,000, as confidence remains this will continue in the short term during 2026/27.

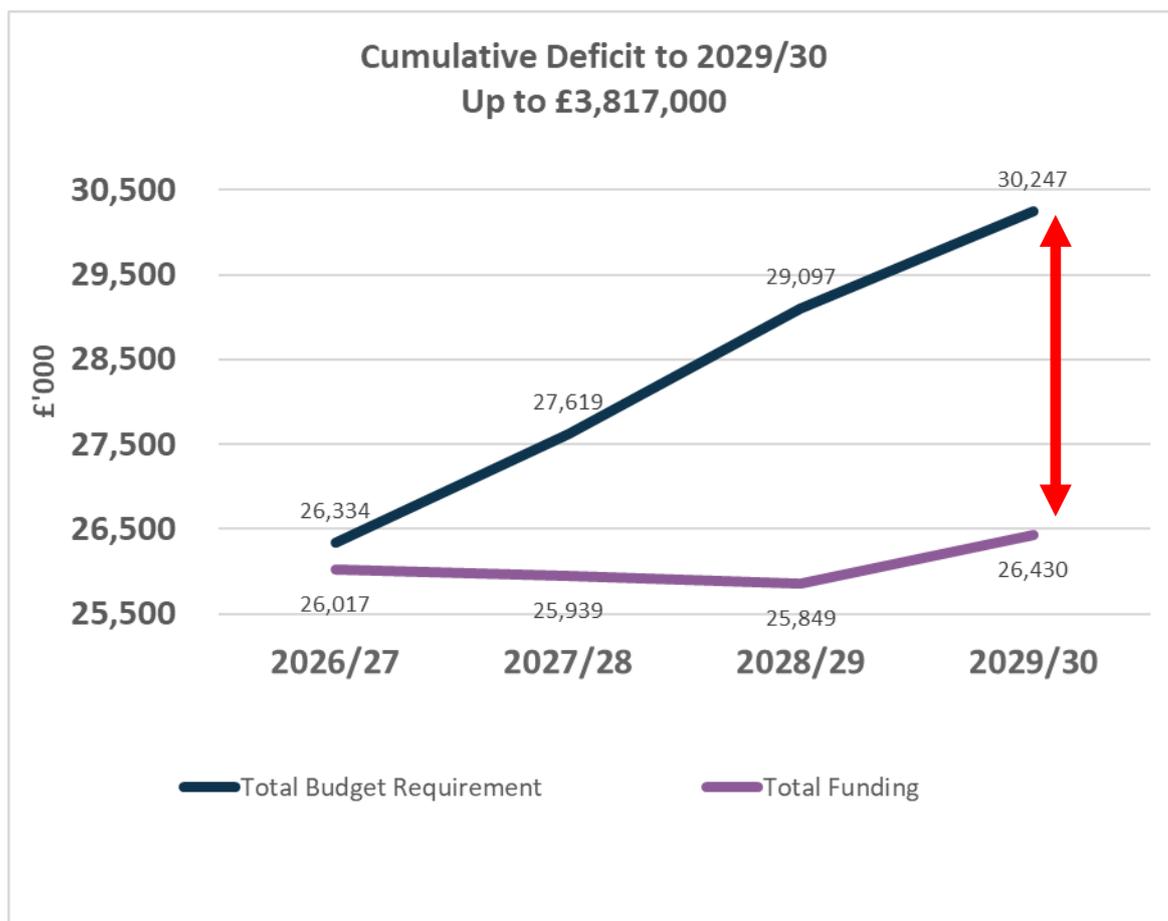
Revised MTFP Position

27. The resultant latest summary financial position showing the cumulative forecast deficit to 2029/30 is demonstrated in Table 1, including known items and the potential impact of the Finance Policy Statement.

28. **Table 1 – Updated Forecast Deficit to 2029/30**

	2026/27 £	2027/28 £	2028/29 £	2029/30 £
October MTFP cumulative budget surplus (-) / deficit	-755,000	-243,000	159,000	547,000
Net adjustments post October	584,000	826,000	1,313,000	1,283,000
December MTFP cumulative budget surplus (-) / deficit	-171,000	583,000	1,472,000	1,830,000
Potential Impact of Finance Policy Statement	488,000	1,097,000	1,776,000	1,987,000
Potential MTFP cumulative budget surplus (-) / deficit	317,000	1,680,000	3,248,000	3,817,000

29. **Figure 1 – Cumulative Deficit to 2029/30, up to £3.817 million**



30. As a result of the likely significant impact of the Fair Funding Review, plus the additional budgetary requirements identified since October, the council will need to develop further options to address the forecast MTFP deficit and may ultimately be required to make use of the budget equalisation reserve during the medium term.
31. The appendices to this report are based on the October scenario updated for the known adjustments and does not reflect the likely impact of the Finance Policy statement yet to be confirmed through the provisional settlement.
32. Following the recommendation from Cabinet to Council in the November Financial Monitoring Report to transfer £1.5 million to the Local Government Reorganisation reserve, the budget equalisation reserve value stands at £1.199 million. This reserve should only be used in exceptional circumstances to support the delivery of a balanced budget.

Other Financial Matters to Note

Homelessness Prevention Grant

33. The Council currently receives £1.7 million of grant monies to support homelessness activity. The level of future grants is uncertain, in particular the Homelessness Prevention Grant (£1.3 million). Any reduction in funding could have a significant adverse impact on the MTFP and the services provided to our most vulnerable people.

Bring Sites review

34. Following the full implementation of the new waste collection service the Council could choose to review its provision of Bring Sites across the district and seek to realise savings through efficiencies, more detail is covered in the separate Waste Service Budgetary Provision report elsewhere on this agenda.

Revenue Contribution to Capital Outlay (RCCO)

35. The Council has historically contributed £1.1 million from its revenue resources to fund its capital programme. This is a sustainable approach to funding long term investments and helps reduce the need for external borrowing. There are no statutory requirements to make a RCCO and therefore the Council could choose to adjust this figure permanently or as a one-off, noting the likely impact on increasing the Council's debt and associated costs.
36. It is worth noting that should the non-settlement backed homelessness grant or EPR funding be reduced (by way of two example), this RCCO figure would be the only sustainable revenue budget that could be flexed to offset any reductions to these grant levels. If it is removed from the budget ahead of then, this option is effectively removed with it and tougher choices may need to be made to balance the budget including but not limited to service reduction and a reduction in overall headcount.

Fees and Charges

37. Further to the October MTFP Scene setting report, work has commenced within services to analyse benchmarking data and review their NFDC fees and charges. Further work will be ongoing as we approach the budget setting in February.

Asset Maintenance and Replacement Programme (AMR)

38. The forecast General Fund budget for 2026/27 includes an unchanged budget for asset maintenance and cyclical asset replacement totalling £2.5 million, subject to the volume and quantum of requests received during the proposed process, consideration may need to be given as to whether this budget should be enhanced.

39. Table 2 demonstrates the indicative budgets for 2026/27, with the general £300,000 AMR budget to be allocated according to the priority order of bids submitted, as outlined further in paragraph 37 below;

40. **Table 2 – Asset Maintenance and Replacement Budget Allowance 2025/26 (Indicative Budget for 2026/27)**

	2025/26 £'000 Approved February 2025
Health and Leisure Centres (Landlord maintenance)	750
ICT Replacement programme	190
AMR budget for 2025/26	300
Cyclical replacement of vehicles and plant	1,650
Proportion chargeable to the HRA	(390)
TOTAL	2,500

41. Services were invited to submit their project requirements during the month of October with the bids collectively scheduled to be reviewed by the Capital Board (CB) in the first instance in November.

42. Successful bids passed by CB shall be presented to the Resources and Transformation Overview and Scrutiny Panel at its January meeting.

43. At this stage, via this report, the Cabinet is asked to endorse the approach being taken to set the Asset Maintenance and Replacement Programme Budget for 2026/27.

Capital

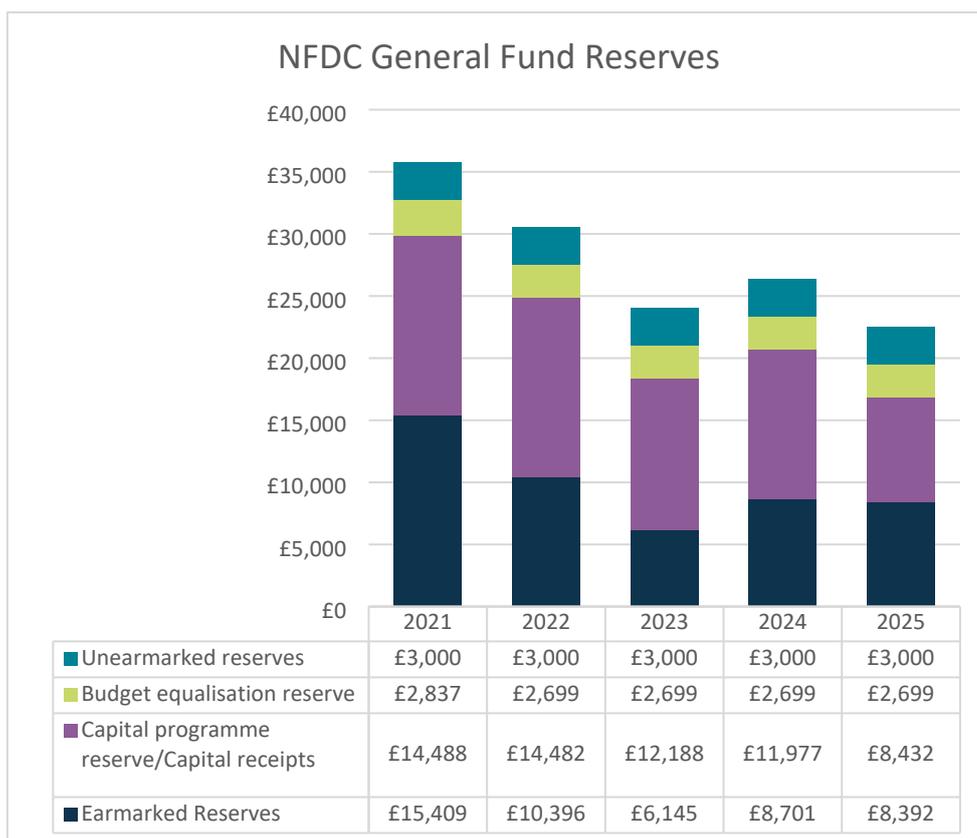
44. Services were similarly invited to submit their capital project requirements during the month of October with the bids collectively scheduled to be reviewed by the Capital Board (CB) in the first instance in November.

45. Successful bids passed by CB shall also be presented to the Resources and Transformation Overview and Scrutiny Panel at its January meeting.
46. The proposed capital programme to 2029/30 and its associated financing will be fully explored in the updated Capital Strategy for 2026/27.
47. At this stage, via this report, the Cabinet is asked to endorse the approach being taken to set the Capital Programme.

Reserves

48. The Council must ensure it retains unearmarked reserves at an appropriate level to provide adequate resources for any unforeseen pressures or to allow sufficient time for more considered mitigations to be put in place.
49. A minimum of 5% of net revenue expenditure is advised by the Chartered Institute of Public Finance and Accountancy (CIPFA). NFDC has £3 million representing c11% of net revenue expenditure.
50. In addition to unearmarked reserves the Council has a series of earmarked reserved set aside for specific spending purposes totalling £22.523 million as at 31 March 2025, including a:
 - a. £2.699 million Budget Equalisation reserve to manage short term budget gaps (noting the pending council decision to transfer £1.500 million to the Devolution and Local Government Reorganisation reserve)
 - b. £8.432 million Capital Programme reserve
 - c. £1.846 million Corporate Priority reserve (allocated to waste transition and SAMP delivery)
 - d. £0.500 million Devolution and Local Government Reorganisation reserve (noting the pending council decision to transfer £1.500 million from the Budget Equalisation reserve)

51. **Figure 2 – NFDC General Fund Reserves**



52. It is important to remember that reserves can only be used once and therefore do not represent a long-term solution to ongoing budget pressures and deficits. Furthermore, the Council must have an appropriate level of reserves in order to respond to and mitigate against future and unforeseen risks.

Strategic Asset Management Plan (SAMP)

53. As part of the initial workings of the SAMP, stock condition surveys were independently carried out across all public conveniences. The outcome has highlighted five locations requiring significant or urgent investment.
54. Reflecting on the priority of the administration to deliver improvements to assets owned by the Council across the District, an increased budget will be sought. Funded from the Capital Programme Reserve, the Cabinet is asked in principle to allow officers to devise a programme to overhaul/replace a minimum of 4no. Public Conveniences and to carry out necessary prioritised maintenance on others within the next 12-24 months. The February budget report will confirm the budget sum required.

Budget Consultation

55. The Resources and Transformation Overview and Scrutiny Panel received feedback from the Financial Strategy Task and Finish group when the panel met 20 November 2025.
56. Based on this feedback Portfolio holders have been asked to consider specific aspects of their budget a refine them accordingly. This work is ongoing.
57. Additionally, the panel will also receive an overview of a few specific and key variable elements within the budget, namely the asset maintenance and replacement programme, and Capital programme at its January meeting.
58. The Council is required to run an annual budget consultation with business rate payers. A consultation is planned conclude by the end of 2025.

Reporting Timeline

59. It is important that the Medium-Term Financial Planning of the General Fund supports the ambition of the Council and remains driven by the objectives set out in the Corporate Plan. The organisation must be able to support both and must remain vigilant and susceptible to change. An updated timeline is set out in Table 3, paragraph 56, which supports the development of the MTFP, through to the final setting of the 2026/27 budget.

60. Table 3 – Reporting Timeline

Item	Date	Meeting	Report
1	20 November 2025	<i>Resources and Transformation Overview and Scrutiny</i>	<ul style="list-style-type: none"> • <i>Financial Strategy Task and Finish Group feedback</i>
2	3 December 2025	<i>Cabinet</i>	<ul style="list-style-type: none"> • <i>Medium Term Financial Plan (MTFP) Update</i>
3	22 January 2026	Resources and Transformation Overview and Scrutiny	<ul style="list-style-type: none"> • Asset Maintenance and Replacement Programme (AMR) and Capital Programme 2026/27 • Capital Strategy 2026/27 • Budget update
4	23 January 2026	Audit Committee	<ul style="list-style-type: none"> • Investment Strategy • Treasury Management Strategy
5	4 February 2026	Cabinet	<ul style="list-style-type: none"> • Capital Strategy 2026/27 • Community Grants 2026/27

			<ul style="list-style-type: none"> • AMR and General Fund Capital Programme 2026/27
6	18 February 2026	Cabinet	<ul style="list-style-type: none"> • MTFP and Budget 2026/27

Corporate plan priorities

61. The Council's General Fund Medium Term Financial Plan sets out to align the financial resources available to meet and deliver on Corporate Plan Priorities. More will be done on this as the budget preparation process evolves, heading towards the February 2026 adoption date.

Options appraisal

62. The Council's General Fund Medium Term Financial Plan sets out to provide options in the ultimate achievement of a balanced budget. As noted, some options will be more or less palatable than others as the process evolves, but key to a sound MTFP is that decisions are taken in the context of the medium-long term, not the short-term.

Consultation undertaken

63. Internal consultation between finance officers, service managers and budget holders has informed the latest assumptions included in the report and will continue throughout this process.
64. Additional consultation with partners, external stakeholders, the Financial Strategy Task and Finish Group and portfolio holders will continue during the lead up to the February 2026 decision.

Financial and resource implications

65. This is a financial report; therefore, all financial and resource implications are contained within the body of the report.

Legal implications

66. The council has a fiduciary duty to its taxpayers to be prudent in the administration of the funds on their behalf and an equal duty to consider the interests of the community which benefit from the services it provides.
67. It is the responsibility of councillors to ensure the council sets a balanced budget for the forthcoming year. In setting, such a budget councillors and officers of the council have a legal requirement to ensure it is balanced in a manner which reflects the needs of both current and future taxpayers in discharging these responsibilities. In

essence, this is a direct reference to ensure that Council sets a financially sustainable budget which is mindful of the long-term consequences of any short-term decisions.

68. As a billing authority, failure to set a legal budget by 11 March each year may lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999. It should however be noted that the deadline is, in reality, the 1 March each year to allow sufficient time for the council tax direct debit process to be adhered to.

Risk assessment

69. None at this stage.

Environmental / Climate and nature implications

70. None at this stage.

Equalities implications

71. None at this stage.

Crime and disorder implications

72. There are no direct implications regarding crime and disorder as a result of this report.

Data protection / Information governance / ICT implications

73. There are no direct implications regarding data protection, information governance or ICT as a result of this report.

Appendices

Appendix 1 – General Fund Medium Term Financial Plan 2026-2030 - Summary of Resources

Appendix 2 – General Fund Medium Term Financial Plan 2026-2030 - Summary of Budget Requirement

Appendix 3 – General Fund Medium Term Financial Plan 2026-2030 – Options Identified to Close Budget Shortfall

Background Papers:

Cabinet 21 February 2024 – Budget Reports 2024/25

Medium Term Financial Plan and Annual Budget 2024/25

Cabinet 1 October 2025

Medium Term Financial Plan – Scene Setting

Cabinet 3 December 2025

Waste Service Budgetary Position Cabinet report

APPENDIX 1

MEDIUM TERM FINANCIAL PLAN 2026 - 2030

SUMMARY OF RESOURCES	2025/26	2026/27	2027/28	2028/29	2029/30
	Original				
	Budget £'000's	Forecast £'000's	Forecast £'000's	Forecast £'000's	Forecast £'000's
Total Government Determined Resources	10,253	10,566	10,555	10,583	10,795
Total Council Tax (Tax Base growth only)	15,094	15,739	16,281	16,842	17,422
Total Collection Funds	162	200	200	200	200
TOTAL FUNDING	25,509	26,505	27,036	27,625	28,417
Cumulative Change from Original 2025/26		996	1,527	2,116	2,908
%age change		3.9%	6.0%	8.3%	11.4%

APPENDIX 2

MEDIUM TERM FINANCIAL PLAN 2026 - 2030

SUMMARY OF BUDGET REQUIREMENT	2026/27	2027/28	2028/29	2029/30
	Forecast	Forecast	Forecast	Forecast
	£'000's	£'000's	£'000's	£'000's
Baseline Funding 2025/26	25,509	25,509	25,509	25,509
Budget Adjustments 2026/27 - 2029/30				
Pay & Price Increases	1,483	1,200	1,200	1,200
Budget adjustments relating to one-off items	-40	0	0	0
Waste Service Changes	748	-114	100	100
Ongoing Savings and Income Generation	-1,613	-59	-52	-150
New Budget Requirements and Alignment of Budget to Priorities	247	258	230	0
Cumulative effect of Known Budget Adjustments	825	2,110	3,588	4,738
Total Budget Requirement (Baseline + Adjustments)	26,334	27,619	29,097	30,247
Total Funding Available (as Appendix 1)	26,505	27,036	27,625	28,417
Estimated Cumulative Surplus / Shortfall (-)	171	-583	-1,472	-1,830

MEDIUM TERM FINANCIAL PLAN 2026 - 2030

OPTIONS IDENTIFIED TO CLOSE BUDGET SHORTFALL

Cumulative Targeted Fees and Charges Growth

MTFP 27/28 Potential Impacts....

Mitigation: Additional Property Investment Income
 Mitigation: Transformation Programme Efficiencies
 Impact OR Mitigation: Business Rate Changes
 Impact OR Mitigation: Fair Funding Review
 Mitigation: EPR Income from HMT
 Mitigation: Tax Raising Flexibilities
 Mitigation: Reduce RCCO

Total of the Options Identified

Use of Equalisation Reserves (-) / Headroom +

2025/26	2026/27	2027/28	2028/29
Forecast	Forecast	Forecast	Forecast
£'000's	£'000's	£'000's	£'000's
160	460	760	1,060
- ?	- ?	- ?	- ?
- ?	- ?	- ?	- ?
+ / - ?	+ / - ?	+ / - ?	+ / - ?
+ / - ?	+ / - ?	+ / - ?	+ / - ?
- ?	- ?	- ?	- ?
- ?	- ?	- ?	- ?
- ?	- ?	- ?	- ?
160	460	760	1,060
331	-123	-712	-770

Reserves Supporting the MTFP

General Fund Balance	3,000	3,000	3,000	3,000	3,000
Budget Equalisation Reserve	2,699	2,699	2,699	2,699	2,699