

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

CORPORATE LEADERSHIP TEAM'S REPORT TO

Finance Assets and Performance Scrutiny Committee **04 September 2025**

Report Title: Medium Term Financial Strategy 2026/27 to 2030/31

Submitted by: Service Director for Finance (Section 151 Officer)

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

<u>Purpose of the Report</u> <input type="checkbox"/> To present an update regarding the financial pressures facing the Council for the period 2026/27 to 2030/31.	<u>Key Decision</u> Yes <input checked="" type="checkbox"/> No
<u>Recommendation</u> 1. The funding pressures of £1.777m in 2026/27 and £3.069m over the 5-year period covered by the Medium-Term Financial Strategy (MTFS) be noted. 2. To note the approach regarding the development of savings and income generation proposals in the medium-term. 3. Note the continued uncertainty regarding the medium-term impact of local government funding. 4. Note the letter sent to the Chancellor of the Exchequer (Appendix B) from the Portfolio Holder for Finance, Town Centres and Growth requesting further funding in respect of Temporary Accommodation.	
<u>Reasons</u> To ensure that the Council meets its statutory duty to set a balanced budget in February 2026.	

1. **Background**

- 1.1 Full Council agreed a Medium-Term Financial Strategy (MTFS) for the period 2025/26 to 2029/30 in February 2025 as part of the budget setting process. This report updates the assumptions regarding financial pressures facing the Council from that time and sets out the strategy for development of the 2026/27 budget and MTFS for 2026/27 to 2030/31.

2. **Issues**

- 2.1 The MTFS provides an overarching framework for the allocation of resources to the Council's key priorities as set out in the Council Plan.
- 2.2 The financial strategy will continue to focus on the need for the Council to become self-sustaining through developing a strong and growing tax base, making best use of its resources, promoting an 'everyone's responsibility' culture in which there is widespread internal ownership of the Council's financial position, a robust financial position and a fair funding settlement for Newcastle-under-Lyme.
- 2.3 The MTFS assumes that the Fair Funding Review will be completed ahead of 2026/27 which would see the accumulated growth built up since 2013/14 from Business Rates Retention being redistributed across the system alongside the introduction of a new Settlement Funding Assessment. As a member of the Staffordshire Business Rates Pool the Council currently saves in levy payments which would be payable to the Treasury if the Council ceased to be part of a pooling arrangement. In addition to this, growth within the Borough has enabled further business rates income to be retained by the Council (this has been recognised in previous savings) over and above the funding baseline set by Central Government.
- 2.4 Funding received and retained by the Council in 2025/26 that is subject to redistribution under the Fair Funding Review amounts to £9.360m, for 2026/27 it is anticipated through comprehensive modelling that this will amount to £8.396m – a reduction in funding of £0.964m. As part of the 2025/26 budget setting £0.500m was set aside to contribute to this anticipated reduction, as such a gap of £0.464m remains and has been included as a pressure to be addressed for 2026/27.
- 2.5 The Council has been successful in securing resources required to regenerate the Borough via Town Deals and Future High Street Fund funding. It is important that the Council continues to work, including closely with partners, to secure inward investment in the Borough to drive growth and employment opportunities for local people.
- 2.6 The current MTFS approved by Council as part of the budget setting process in February 2025 forecast a budget gap of £5.275m over the period 2025/26 to 2029/30 (including £1.821m for 2026/27). The MTFS is being rolled forward by a year and assumptions are constantly revisited. The current forecast around financial pressures facing the Council is for a gap in 2026/27 of £1.777m and over the 5-year period of the MTFS, £3.069m. Further details are shown in Appendix A.
- 2.7 Pressure will continue to be placed on the Council's finances in the medium term. These include inflation and interest rates that place pressure on the Council in terms of fuel and utilities, contractor costs, supplies and services and borrowing costs and the continuing rising costs of temporary and supported accommodation that the Council is required to provide for vulnerable and homeless residents.
- 2.8 The Portfolio Holder for Finance, Town Centres and Growth has recently written to the Chancellor of the Exchequer requesting further funding in relation to temporary accommodation. A copy of the letter can be seen in Appendix B.

- 2.9 In addition to the above, a budget pressure in respect of Local Government Reorganisation has been included in the MTFs. It is not yet known how much this will cost, therefore this will be closely monitored and updated.
- 2.10 With regards to the Local Government Reorganisation, the Council has continued to prepare its Medium Term Financial Strategy over a 5 year period until confirmation of transitional arrangements and dates have been received.
- 2.11 Work on the detail of the 2026/27 budget including investment and savings proposals is underway and is being overseen by an Efficiency Board chaired by the Leader of the Council. Draft budget proposals will be presented to Cabinet and the Finance, Assets and Performance Scrutiny Committee (FAPSC) in December.
- 2.12 The vigorous Efficiency Board process including challenge sessions for each of the Cabinet Portfolios involving Cabinet Members, the Corporate Leadership Team and Service Directors has been in operation since 2017/18. The savings and funding strategies identified for the nine year period of 2017/18 to 2025/26 amounts to £16.837m. This has enabled a balanced budget position to be provided in each and every year.
- 2.13 Based on this work, key themes for further exploration are anticipated to include digital transformation, commercial opportunities, sustainable and asset management.
- 2.14 A full risk assessment is being carried out on the Council's reserves. A preliminary assessment suggests that the current General Fund reserve of £2.007m will be required to provide sufficient cover for potential risks. Further consideration of the levels of other reserves held will be considered as part of this assessment.
- 2.15 The Council agreed a 10 year Capital Strategy in February 2025. The Capital Strategy sets out how the Council will invest capital resources to support service delivery and facilitate the achievement of key objectives. The strategy has been reviewed and updated including expected capital receipts from asset disposals.
- 2.16 The capital financing requirement is estimated to increase to £42.490m by 2035/36 based on the current capital programme and the revenue implications have been reflected in the revised MTFs. It is anticipated that the current borrowing revenue budget of £0.947m will need to be increased by £0.058m to provide for borrowing costs that may be incurred during 2026/27.
- 2.17 The table below sets out the key dates of the events to take place before the budget for 2026/27 is finally approved:

Event	Committee	Date
First draft savings proposals	Cabinet	2 December 2025
Budget consultation	Mid November to mid December	
Scrutiny of first draft savings proposals	FAPSC	4 December 2025

Approval of final MTFS & consideration of draft budget proposals	Cabinet	13 January 2026
Scrutiny of draft budget proposals	FAPSC	15 January 2026
Final budget proposals recommended for approval by Full Council	Cabinet	3 February 2026
Full Council to approve budget	Full Council	11 February 2026

3. **Proposal**

- 3.1 That Cabinet note the funding gap of £1.777m in 2026/27 and £3.069m over the life of the MTFS.
- 3.2 That Cabinet agree the approach regarding the development of savings and income generation proposals in the medium term.
- 3.3 That Cabinet note the continued uncertainty regarding the medium-term impact of local government funding.
- 3.4 Note the letter sent to the Chancellor of the Exchequer (Appendix B) from the Portfolio Holder for Finance, Town Centres and Growth requesting further funding in respect of Temporary Accommodation.

4. **Reasons for Proposed Solution**

- 4.1 The Council has a statutory duty to set a balanced budget by February 2026. Best practice is for financial planning to take place over a 5-year period in the form of a Medium-Term Financial Strategy that sets out how the Council plans to allocate resources to meet its objectives.

5. **Options Considered**

- 5.1 None.

6. **Legal and Statutory Implications**

- 6.1 The MTFS is not a statutory document but it is considered best practice.

7. **Equality Impact Assessment**

- 7.1 Local authorities have a responsibility to meet the Public Sector Duty of the Equality Act 2010. The Act gives people the right not to be treated less favourably due to protected characteristics. It is important to consider the potential impact on such groups and individuals when designing or delivering services and budgets. Budget proposals requiring changes or new services and policies will be subject to Equality Impact Assessments including consultation with affected people and organisations.

8. Financial and Resource Implications

8.1 These are addressed in the body of the report.

9. Major Risks

9.1 Section 25 of the Local Government Acts 2003 places a duty on the Section 151 Officer to report on the robustness of the budget. The main risks to the budget include spending in excess of budget; income falling short of the budget (including capital receipts from disposal of assets); and unforeseen elements such as changes to Government funding. In the context of the cost-of-living crisis and uncertainty regarding Government funding reforms there are significant budget risks that will need to be managed. It will be essential the Council has sufficient reserves to call on if required.

10. UN Sustainable Development Goals (UNSDG)

10.1 In shaping detailed budget proposals consideration will be given to the need for investment in order to deliver the Council's Sustainable Environment Action Plan.



11. One Council

11.1 Please confirm that consideration has been given to the following programmes of work:

One Commercial Council ☒

We will make investment to diversify our income and think entrepreneurially.

One Digital Council ☒

We will develop and implement a digital approach which makes it easy for all residents and businesses to engage with the Council, with our customers at the heart of every interaction.

One Sustainable Council ☒

We will deliver on our commitments to a net zero future and make all decisions with sustainability as a driving principle.

12. **Key Decision Information**

12.1 Final approval of the MTFS as part of the budget setting process will be a key decision.

13. **Earlier Cabinet/Committee Resolutions**

13.1 None

14. **List of Appendices**

14.1 Appendix A – MTFS 'Gaps'

14.2 Appendix B – Letter to the Chancellor of the Exchequer

15. **Background Papers**

15.1 None

Appendix A – 2026/27 to 2030/31 MTFS ‘Gaps’

Detail	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	Description
Employees:						
Increments	68	45	17	4	-	Employees due an increment
Pay awards	396	465	479	494	509	3% pay award assumed for all years (2026/27 includes 2025/26 difference of 0.3%)
Members pay awards	8	9	9	9	10	3% pay award assumed for all years
Superannuation increases	108	107	104	104	106	20.9% of salary increases
Superannuation lump sum increases	-	27	28	29	30	Net increase of lump sum pension payment
National Insurance	78	77	74	75	76	15% of salary increases
Premises:						
Business Rates	22	23	24	24	25	Inflationary increase in business rates payable (per CPI)
Utilities	29	30	31	32	33	Inflationary increase in gas and electric (per CPI)
Transport:						
Fuel	16	17	17	18	18	Inflationary increase in fuel/HVO (per CPI)
Financing:						
Borrowing costs	58	(9)	(53)	200	535	Borrowing costs regarding the financing of capital expenditure
New Pressures:						
ICT software	10	10	10	10	10	ICT costs re. systems maintenance and software licences
Restructuring	25	-	-	-	-	Potential additional resource requirements
Inflationary Pressures (contracts)	50	50	50	50	50	Inflationary uplifts allowance
Local Government Re-organisation	400	(200)	(200)	-	-	One off costs re. re-organisation (£400k in 2026/27, reduced to £200k in 2027/28 and nil in 2028/29)
Income:						
Fees and charges	(288)	(296)	(305)	(314)	(324)	3% increase in fees and charges assumed for all years
Settlement Funding Assessment baseline funding level	464	(535)	(535)	(95)	(96)	The Council currently receives £9.36m from Business Rates Retention and grants that are to be rolled into a new Settlement Funding Assessment for 2026/27 onwards. Initial forecasts estimate that this will amount to £8.40m in 2026/27 with increases of £0.535m in 2027/28 and 2028/29. £0.5m has already been included in the base budget for 2025/26 to allow for part of this reduction in 2026/27, a further allowance of £0.464m in 2026/27 is therefore required.
National Insurance reimbursement	233	-	-	-	-	Shortfall in grant re. National Insurance rises
Income pressures	100	100	-	-	-	General income shortfalls
TOTAL GAPS	1,777	(80)	(250)	640	982	