



Basingstoke
and Deane

Medium Term Financial Strategy 2025/26 to 2028/29



A place where people
can have pride in their
communities and the
borough



A borough where we
protect, restore, reconnect
and enhance our natural
environment



A council that delivers
high-quality services for our
residents



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Section 1: introduction

1.1 Aims and purpose of the Medium Term Financial Strategy

The purpose of the Medium Term Financial Strategy (MTFS) is to provide the strategic framework and a forward-looking approach to achieve long term sustainability. It is central to the delivery of priority outcomes in the Council Plan in an affordable and sustainable way over a four year period. It aids robust and methodical planning as it forecasts the council's financial position, taking into account known pressures, major issues affecting the council's finances, including international, national, sub-regional and the borough's economic influences as well as local priorities and factors.

It helps the council to respond, in a considered manner, to pressures and changes as a result of many internal and external influences. The MTFS recognises the key role that financial resources play in the future delivery of outcomes and in enabling the effective planning, management and delivery of services that contribute to the priorities in the Council Plan. The strategy concentrates on the principles that will provide a strong direction for the medium term.

An overarching MTFS is not only good practice but is required to provide the strategic financial framework for the authority at a time of considerable pressure and change, be this delivering key priorities and ongoing efficiency gains, closer budget scrutiny, the management of financial pressures or political change.

The key overriding aim of the MTFS is:

to provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the council's key strategic outcomes, priorities and sustainable services.

The key objectives of the MTFS are:

- to provide financial parameters within which budget and service planning should take place
- to ensure the council sets a balanced budget
- to focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources
- ensuring services are defined on the basis of a clear alignment between priority and affordability
- to ensure the council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area
- to plan the level of fees, charges and taxation in line with levels that the council regard as being necessary, acceptable and affordable to meet the council's aims, objectives, policies and priorities whilst meeting the need to reduce the council's reliance on central government funding and
- to ensure that the council's long term financial health and viability remain sound.

The MTFS sets out the council's strategic approach for using and managing its financial resources and provides a robust framework within which decisions can be made. It also supports all other council strategies, such as the Capital Strategy, the Strategic Asset Management Plan, the Property Investment Strategy and the Treasury Management Strategy. In particular, it acts as the framework linking the council's more detailed service plans, asset management plans and capital plans for the longer term to help ensure that the council's plans are financially achievable.

One of the main objectives of the MTFS is to plan for the delivery of services within an uncertain external environment and to ensure the achievement of value for money. The MTFS needs to set out a stable and sustainable financial plan over the medium term to allow the council to shape the way the borough responds to economic challenges whilst continuing to provide high-quality services.

By agreeing a four-year MTFS the council is identifying the financial pressures and opportunities that lie ahead at an early stage and is able to make better decisions as there is time to fully consider different options, engage with stakeholders, carry out risk assessments and develop contingency plans to manage future uncertainties.

1.2 Key strategies and plans

The Council Plan

The Council Plan for 2023 to 2027 is a high level, medium-term document that sits alongside the Medium Term Financial Strategy and these two documents set out the council's vision for future years, including how it will deliver key priorities. It links with other key strategies and plans by identifying the priorities that will guide service planning and contribute to the delivery of the objectives for the borough.

The Council Plan priorities for 2023 to 2027 are:



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A place where people can have pride in their communities and the borough



A council that delivers high-quality services for our residents

Financial strategies

Capital Programme Strategy

The capital programme sets out the capital plans for the next four years, taking account of any capital investment required to deliver outcomes, transformational change and executive priorities. The capital programme covers the same timeframe as the MTFS to ensure all plans are coordinated and the focus is on the medium term. The programme is reviewed annually to ensure projects are still in line with outcomes, and that the programme is affordable.

The Capital Programme Strategy details the priorities of the council in terms of capital expenditure and provides a framework for the council's capital plans to be agreed and delivered within.

The Capital Programme Strategy and supporting capital programme are approved each year in February by Council.

Treasury Management Strategy

The Treasury Management Strategy is reviewed annually and provides the framework within which authority is delegated to the Chief Finance Officer (Section 151 Officer) to make decisions on the management of the council's investment of surplus funds.

The council is able to borrow on a long-term basis to finance capital expenditure and on a short-term basis to manage cash flow fluctuations. The council is also able to invest surplus funds.

The core elements of the 2025/26 Treasury Management Strategy are to maintain a balanced and diversified portfolio which has the flexibility to respond to changes in the interest rate environment, investing surplus funds prudently, with the council's priority being:

- security of invested capital
- liquidity of invested capital
- achieve an optimum yield which is commensurate with security and liquidity
- to record borrowing limits that provide for financing opportunities; and
- to minimise the cost of any temporary borrowing (which may be required for day to day cash flow reasons).

The council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Where balances are expected to be invested for more than one year, the council will aim to achieve a total return that is equal to or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. However it should be noted that a lower rate is an acceptable offset for higher credit quality and less risk, for example treasury bills or covered bonds.

For internally managed direct investments the council has a minimum credit rating of A- or equivalent. Most of the council's

investments are highly diversified through the use of externally-managed collective investment funds. The majority of cash used for cash flow purposes is invested in money market funds.

Investment limits are set as part of the strategy to help mitigate and spread risk across a number of financial institutions. The Chief Finance Officer has the delegated authority to review these each year and they will be periodically updated in line with advice received from the council's treasury management advisors, MUFG Pension & Market Services.

The investment rates assumed in the MTFS are included in the section on key assumptions.

The council is also able to make non-treasury investments such as service investments (loans / shares) and commercial property investments. Further details of non-treasury investments can be found in the Investment Strategy (Non-Treasury) 2025/26.

The council's cash resources are forecast to fall from £111.8M to £45.9M by 2028/29 as capital receipts, contributions and reserves are used to finance the capital programme and revenue reserves are used to support the revenue budget.

The council currently has no plans or intentions to carry out any long-term external borrowing during 2025/26 because it has sufficient cash resources and can effectively "internally borrow" in the short term if required.

Strategic Asset Management Plan

The Strategic Asset Management Plan for 2022/23 to 2025/26, builds on the work of previous years with more active asset management of the portfolio.

The Property Investment Strategy, forms part of the Strategic Asset Management Plan 2022/23 to 2025/26. Whilst the overall aim of this strategy is to maintain the current overall level of property investment, the council, assisted by its property advisors (JLL), has identified a number of opportunities to generate improved long-term sustainable revenue by both working its existing capital asset base (for example through disposals or re-gearing of leases) or by making new property investments from the capital sums generated by the former activity.

The core aims and objectives of this strategy will be to achieve one or more of the following objectives:

- Generate improved sustainable revenue streams
- Diversify the existing asset base to reduce volatility and position for growth
- Modernise the estate and improve lot size
- Enhance the overall sustainability credentials of the portfolio towards net zero carbon
- Stimulate economic regeneration within the Basingstoke area.

Development of an updated plan for the period 2026/27 to 2029/30 will progress during 2025, for approval by Council in February 2026.

Internal context

The council is pressing ahead with its ambitious projects, working alongside partners to attract additional investment for Basingstoke and Deane. As well as providing additional income for the council to help fund services, our strategic projects are helping to shape the future of the borough to ensure it remains a great place to live and work.

Manydown Garden Communities LLP has been established to deliver a new garden community at Manydown with up to 3,520 homes and other facilities. This reached a significant milestone in October 2024 with the purchase of the freehold of the northern part of the site. Following the purchase of the land, our development partner Urban&Civic can now start to prepare for early work to get the site ready for development including access for construction, roads and installation of utilities, before new homes can be built.

Planning for the future, the council is working closely with partners to ensure the appropriate infrastructure is in place while ensuring this helps us to achieve our challenging targets of becoming a zero-carbon borough by 2030.

As an organisation, we are driving forward an ambitious transformation programme to speed up processes and improve customer access through better use of technology, giving customers more choice over how they communicate with and access council services. As part of this, we have created a more flexible working environment for our staff and making better use of technology to ensure we are working as efficiently as possible.

The council’s focus on investing in the future of the borough through strategic projects produces a double benefit of generating additional income while also supporting the borough in terms of employment, town centre / local economic vitality and business rates.

Within the organisation, a programme of digital transformation delivering benefits to staff and customers of more joined up and efficient service delivery, giving customers more choice over how they communicate with and access council services. Linked to this, the organisation has adopted smarter ways of working and innovative use of technology for office and frontline services.

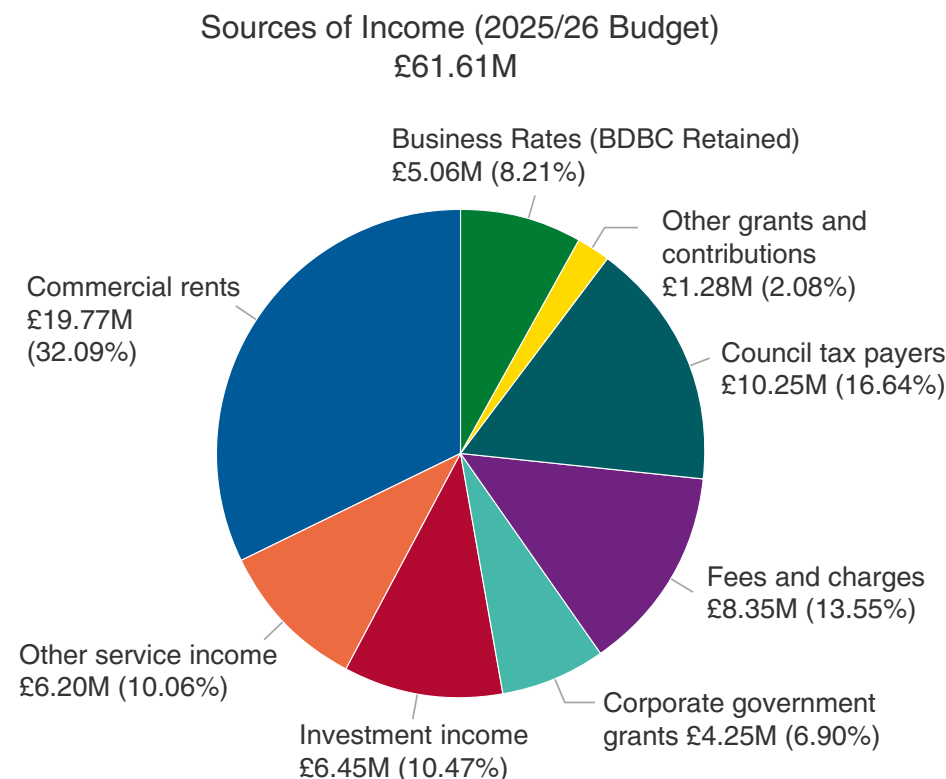
This council has a long track record of good financial planning and management. As a result of past decisions and innovations, the council is underpinned by excellent financial foundations and has a strong balance sheet with diversified investments and no borrowing. This financial position supports the delivery of high quality services with a very low level of council tax.

Since 2009 savings of £17.5M (28% of the gross underlying expenditure budget) have been achieved, within an extended period of national public expenditure reduction and historically low interest rates. These have been delivered with minimal impact on delivery of services.

In addition to making savings the council has also successfully implemented a Property Investment Strategy that has invested in modernising the council’s property portfolio to generate additional rental income, supporting the delivery of our services.

This has improved the resilience of the council by diversifying funding sources and reducing reliance on government grants over which the council has little control or influence. As shown in chart 1 below, the council has a wide range of income sources including commercial rent, investments, fees and charges, business rates and council tax.

Chart 1 - Income sources



1.3 National and external factors

The MTFs are set within the context of national economic and public expenditure plans and takes into account the national legislation setting out the council's ability to borrow and to raise income from council tax and other sources.

Local Government Finance Settlement 2025/26

The 2025/26 Provisional Local Government Financial Settlement (PLGFS) was announced on 18 December 2024 and the implications of these announcements are detailed below and have been included within the updated MTFs and budget position. A consultation on the 2025/26 PLGFS closed on 15 January 2025 and the outcome was used to inform the Final Local Government Financial Settlement (FLGFS).

The 2025/26 local government finance settlement is for one year only and is based on the funding levels set out in the budget announced on 30 October 2024.

The Final Local Government Settlement on 3 February 2025 confirmed the proposals in the PLGFS and provided confirmation of the NI compensation grant of £0.32M.

The changes relevant to this council are as follows:

Council Tax – The council tax referendum limit will be 2.99% for local authorities, with social care authorities allowed an additional

2% social care precept. The provisional settlement confirmed that districts will be allowed to apply the higher of the referendum limit or £5.

Local Government Funding Reform – The government published the consultation paper – Local Authority Funding Reform: Objectives and Principles, with the consultation closing in February 2025. It is expected there will be changes in funding announced later in 2025, with a multi-year settlement provided for 2026/27 onwards.

Business Rates Retention – The small business rates multiplier will remain frozen for 2025/26 at 49.9p, with a 1.7% increase in the standard multiplier (from 54.6p to 55.5p). Councils will be compensated for the inflation increase lost to the small business rates multiplier element of their taxbase (as well as on both multipliers in respect of prior years).

Services Grant – This grant has been discontinued (£87M in 2024/25).

New Homes Bonus – The 2025/26 allocations have been announced at £290M (£291M in 2024/25). The New Homes Bonus (NHB) continues for a further year as a one-year award using the standard methodology. MHCLG intends that 2025/26 will be the final year of the NHB in its current format. The Government is consulting on the NHB beyond 2025/26 as part of the consultation on the principles and objectives of funding reform which has been launched alongside this consultation.

Funding Floor (previously Funding Guarantee) – All local authorities are guaranteed no reduction to their core spending power in 2025/26 in cash terms. This is less generous than 2024/25, where a 3% floor was in place excluding the assumed council tax rate increase. The resources required have reduced from £269M in 2024/25 to £121M for 2025/26.

Other – announcements with limited direct impact on BDBC;

- **Recovery Fund** – This new grant of £600M was announced as part of the Policy Statement.
- **Social Care Grant** – The grant has increased by £880M to £5,924M; this increase is £200M more than previously announced in the Policy Statement.
- **Children’s Social Care Prevention Grant** – This new grant of £250M was announced as part of the Policy Statement.
- **Improved Better Care Funding / discharged fund** – The total funding for these two grants remains at £2.640M, but they are now being shown under a single line.
- **Rural Services Delivery Grant** – This grant has been discontinued (£110M in 2024/25).

Fair Funding Review

On 18 December 2024 the government published the consultation paper – Local Authority Funding Reform: Objectives and Principles. The consultation focusses on remedying the existing finance system, with the reforms expected to be implemented through a multi-year settlement, beginning in 2026/27.

Retained business rates

There will be a reset of accumulated business rates retention growth in 2026/27. The consultation indicates that there will be a ‘full reset’ in 2026/27 (100% reset).

MTFS funding assumptions

The MTFS assumes that any impact of government funding changes is likely to be phased in through transitional arrangements.

The MTFS assumes that core spending power will increase by 2% each year from 2026/27, including the impact of that council tax will increase of £5 each year of the MTFS to 2028/29. It is assumed that the share of government grants as a proportion of core spending power will remain at the 2025/26 level of 16% for the MTFS period to 2028/29.

Funding Floor

The financial settlement sets a core spending power total which has remained at £17.4M for 2025/26. This includes income from business rates, council tax and new homes bonus, excluding the impact of the NI compensation grant. The difference between the income from these sources and the core spending power is a funding floor grant (previous the funding guarantee grant), for 2025/26 this is £2.10M, down from £2.45M in 2024/25.

New Homes Bonus

New Homes Bonus for 2025/26 is £0.72M, this is a reduction from £0.89M in 2024/25.

Further consultation on detailed proposals for reforming the New Homes Bonus is expected in the first half of 2025. It is expected that 2025/26 will be the final year of New Homes Bonus allocations in their current form. Therefore, the MTFS assumes no New Homes Bonus grant from 2026/27 onwards.

Council tax referendum limits

The FLGFS confirmed that the council tax referendum limit would continue to be 2.99%. As in recent years the FLGFS has confirmed the flexibility for districts to increase council tax by up to £5 and this has been included in the MTFS for each year.

The council tax base was set by the S151 Officer on 3 January 2025 and is reflected in this MTFS.

Extended Producer Responsibility

In November 2024 the Department of Environmental, Food and Rural Affairs (Defra) shared provisional estimates of local authority income from the extended producer responsibility for packaging (pEPR) scheme. This income is derived from a levy charged on producers of packaging waste.

The allocation for 2025/26 is £1.21M, this is a guaranteed minimum for this year only. The calculation for 2025/26 is based on indicative data on waste collected. Future payments will be based on actual data, including performance measures. Given the uncertainty of the income in future years it is assumed that the income will be £1.00M in 2026/27 reducing to £0.75M in 2028/29. This will be kept under review as the operation of the scheme becomes established.

National Insurance Compensation

The budget in October 2024 reduced the threshold for employer NI contributions from £9,100 to £5,000 and increased the rate from 13.8% to 15% from April 2025. It was confirmed that the public sector would be compensated for the impact, this included directly employed staff of local authorities. The direct impact on the council is £0.70M per year, however the compensation grant is £0.32M, resulting in a £0.38M pressure in each year of the MTFS.

Interest rates

It is forecast that base interest rates are likely to decrease to 4.50% in the early part of 2025, falling further to reach 3.50% in late 2026 but then remain at that level for a period of time.

1.4 Key assumptions

Local authority budgeting is by its very nature difficult to forecast with absolute certainty since there are so many variables that need to be assessed.

Table 1 summarises the key assumptions contained within the Medium Term Financial Strategy. These assumptions will be the standard assumptions used to drive all financial planning within the MTFS.

Table 1 – Key MTFS assumptions

Key Area	Central case 2025/26 to 2028/29
Pay	3% pa in 2025/26 and 2% pa from 2026/27
Inflation	0% pa except: 3% pa contracted services (any need that cannot be managed within budgets to be met from the MTFS Risk Reserve in the short term)
Fees and charges:	For 2025/26 it is proposed some fees and charges are reset based on benchmarking and a review of cost recovery.
Interest rates	Base rate remains at 4.75% until March 2025 when it reduces gradually to 4.00% by September 2025, with a further reduction to 3.50% by September 2026. It will then remain at this rate over the MTFS period.
Business rates income	Retained rates after allowing for inflation of 2.00% pa.
Council tax increase	Higher of £5.00 or 2.99% increase each year.
Tax base (band D equivalent properties)	Increase 225 band D properties pa in 2025/26 and c. 950 onwards from 2026/27 after adjustments for Council Tax Support and doubtful debts.
Core government funding	Assumed that core spending power will increase by 2% each year, with grants being 16% of this.
Contributions from revenue to fund future capital expenditure	£4.00M per year in all years of the MTFS.

Business Rate Retention Scheme

The Business Rate Retention (BRR) Scheme was introduced in April 2013 and represented a major change in the way in which local government is funded. It is seen by the government as providing a direct link between business rates growth and the amount of money local authorities have available to spend on local services.

Councils are able to retain a proportion of their growth in business rates and will also be taking the risk of reductions in business rates, although there are 'safety net' arrangements in place to protect against very large reductions. It is expected that there will be a reset in 2026/27, however at this stage it is not anticipated to have a significant impact on the MTFS in future years, this will be revised in future MTFS updates.

Council tax

As set out in Table 1, the assumption is that council tax will be increased at the current referendum limit of £5 in each year of the MTFS to 2028/29.

The tax base that has been assumed for each financial year is detailed in Table 1. This reflects the required adjustments as a result of the localisation of council tax benefits and changes to associated funding which was implemented from 2013/14. It also incorporates growth in the tax base arising from new developments.

The Local Council Tax Scheme (LCTS) was introduced in 2013/14 which, as a result of the localisation of council tax benefits, allows

the council to set its own criteria for offering reduced council tax for those eligible. The forecast position includes a grant for LCTS administration grant. The LCTS is reviewed on an annual basis.

Pay inflation

Assumptions have been made in the forecast about the likely level of pay inflation that will apply from April 2025. As a large proportion of the council's expenditure is pay related, this can have a significant impact if actual rates are much higher than predicated.

The assumptions assumed in the prior year MTFS have not changed, this assumed a 3% pay award for 2025/26 and returning to assumed 2% increase from 2026/27 onwards.

General inflation

Assumptions have been made in the forecast about the likely level of general inflation that will apply from April 2025. If inflation were to increase at a higher rate than anticipated then this would have an impact on the council, not least because the council's major contracts are uplifted by indexation linked to inflation on an annual basis.

The risk has been mitigated by the inclusion of amounts in risk reserves to cover key elements of inflation, for example in relation to fuel and energy costs, which can be volatile. Beyond this provision, it is likely that this would be managed as an 'in year' issue and that services would be expected to absorb the difference.

1.5 Key risks

There is a significant degree of uncertainty, arising from both internal and external factors, which could have a significant impact on the key assumptions made within the MTFS. The macro financial systems within which the council operates are complex and highly sensitive to a range of variables and it is therefore important that risks, that could have a material effect on the financial position of the council, are identified and understood in terms of the potential impact (positive or negative) and the likelihood of occurrence. This foregoing recognises the importance of having adequate mechanisms in place to identify and manage risks in order to support the achievement of financial stability.

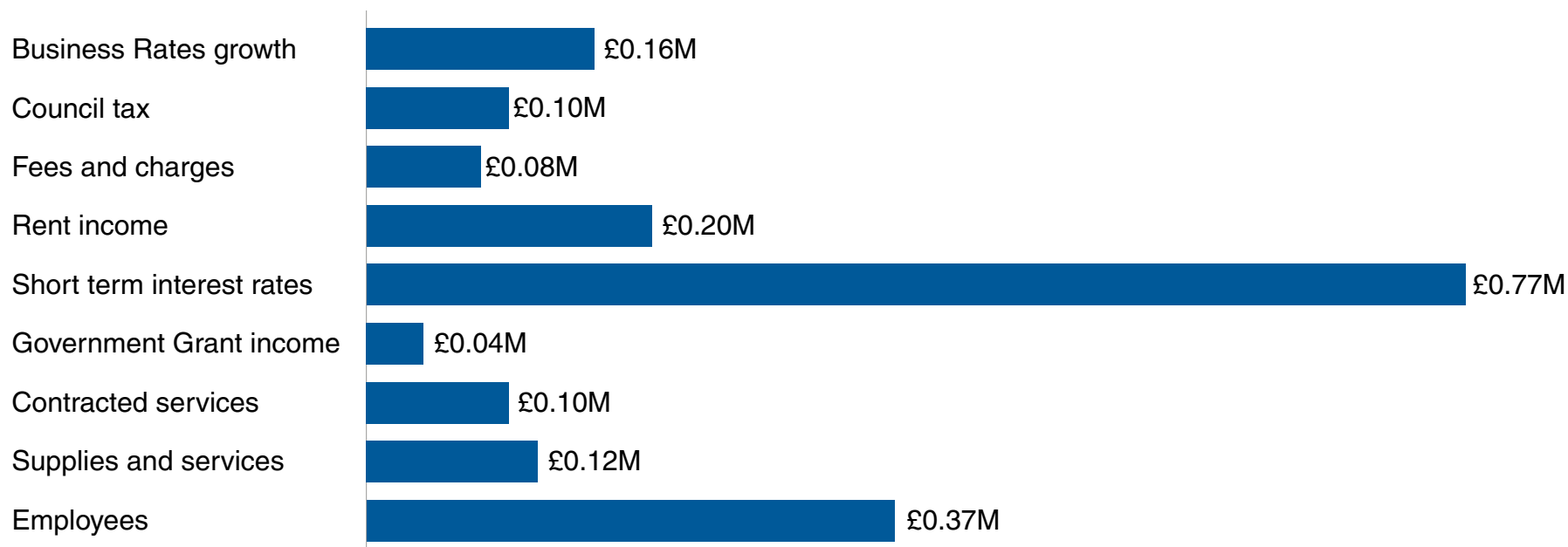
The key financial risks to the council's financial position over the short to medium term are reflected in the assessment of the adequacy of estimates and reserves.

Factors that can have a material effect on the financial position of the council include:

- the lack of certainty in government funding for future years including grants and the new fair funding formula
- changes in function
- changes in how services are funded
- changes in the economy
- changes in councillors' priorities
- unmanaged service pressures and increases in demand
- council tax policy
- changes in legislation and government policy
- devolution agenda
- level of future pay awards and general inflation assumptions
- adequacy of contingencies in any one period
- business rate volatility, more frequent business rates revaluations and business rates retention
- treasury management and interest rate changes
- projected income levels from fees and charges
- non achievement of savings
- level of provision for insurances
- new burdens
- welfare reforms
- provider failure, and
- demographic changes.

It is important to note that the revised forecast represents the most realistic forecast position moving forward. However, there are a number of risks associated with these revised forecasts, the main risks being as follows:

Chart 2 – Annual impact of 1% change in key sensitivities



1. Financial risk – The majority of the future years' financial strategy and model is based on a series of assumptions, the further into the future there is a higher risk that these assumptions are more volatile than usual in the current economic climate especially with the impact of the pandemic. The MTFS is reviewed

annually and will need to remain flexible to respond to changing circumstances. A relatively small change in key underlying assumptions can produce a significant change in the forecast. The key sensitivities are employee costs, business rates income, rent income and investment income. These are outlined in chart 2.

2. Political risk – The ongoing uncertainty about the way in which local government funding will be determined and distributed remains a risk. Until further announcements are made about potential timescales, forecasting across the period of the MTFS is very challenging.

3. Treasury risk – The MTFS is based on a challenging global financial position. If the assumptions change it may have a major impact on the financial position of the council particularly around commercial rents, business rate income and interest payments. The Treasury Management Strategy sets the parameters in which borrowing can be undertaken and along with longer term forecasts for low interest rates. The council holds risk reserves for rents, business rates and interest to meet one-off shortfalls in income as the council's funding position becomes more reliant on these sources of funding.

4. Hampshire County Council (HCC) transformation savings

- HCC has identified a budget gap of £182M in 2025/26, due to rising costs and demand pressures, particularly around social care for vulnerable children and adults. They have made a request to ministers for Exceptional Financial Support (EFS) for 2025/26, by allowing the Council to increase council tax by a further 10% above the 5% referendum limit, to a total of 15%.

As a key major service provider to the residents of this district, reductions in services provided by HCC can increase demands on the services provided by this council with potential financial impacts for our MTFS.

5. Local Government Reorganisation - Following the publication of the devolution white paper in December 2024, in January 2025 Hampshire County Council, along with the three unitary authorities in the county, applied to join the Government's Devolution Priority Programme, which alongside the devolution of powers to a combined authority, is expected to result in local government reorganisation across the county. If this progresses reorganisation would then be expected to be in place by either April 2027 or April 2028. The MTFS presented does not reflect the potential local government reorganisation, but if this is progressed this would result in the abolition of all district councils, including this council, and the county council, replaced by a number of unitary authorities. While the exact structure that results from any reorganisation is not known, the white paper indicated that for most areas the size of any unitary authority is expected to cover a population of around 500,000 or more.

Section 2: the financial challenge

2.1 Forecast financial position 2025/26 to 2028/29

The council's current forecast financial position is detailed below and includes the implications of the LGFS 2025/26, implementation of the transformation agenda and will be reviewed each year of budget setting to reflect any new pressures and any revision to the Council Plan.

Where possible factors described in the preceding sections have been built into the financial modelling to ascertain the forecast financial position.

Table 2 shows the summary position, with the detail being included in the following paragraphs and Annex 1. The updated MTFS shows a balanced budget in 2025/26, 2026/27 and 2027/28 and the council is required to make savings of £2.90M in 2028/29

Table 2 – Summary of Future Savings Required (Budget Gap)

	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Budget gap - Approved February 2024	0.00	1.30	2.80	5.43
Central items	(0.88)	(2.49)	(2.89)	(2.27)
Saving proposals	(0.84)	(1.05)	(1.12)	(1.10)
Additional income	(0.49)	(0.64)	(0.64)	(0.64)
Service investments	0.51	0.50	0.51	0.51
Cost pressures	2.53	2.13	1.98	1.80
Less funded from external grants or existing budgets and reserves	(0.85)	(0.64)	(0.37)	(0.15)
Transfer to/(from) MTFS Risk Reserve	0.02	0.89	(0.27)	(1.14)
Revised budget gap – November 2024	0.00	0.00	0.00	2.44
MTFS update changes - February 2024				
Central items	(1.29)	(0.16)	(0.12)	(0.09)
Revised budget proposals	0.46	0.36	0.36	0.36
FLGFS	0.54	0.38	0.26	0.16
Less funded from reserves	0.29	(0.58)	(0.50)	0.03
Budget Gap – February 2025	0.00	0.00	0.00	2.90

Additional cost pressures

Table 3 summarises the updated pressures that have been included in the medium term financial forecast. These are pressures that have been identified via the individual service areas through regular financial monitoring and budget setting.

Table 3 – Summary of pressures

	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Council Priority				
A borough where we protect, restore, reconnect and enhance our natural environment	0.32	0.30	0.46	0.46
A council that delivers high-quality services for our residents	1.66	1.53	1.48	1.29
A place where people can have pride in their communities and the borough	1.41	1.06	0.80	0.81
Total cost pressures 2025/26 and future years	3.39	2.89	2.74	2.56

Savings and additional income

Tables 4 summarises the updated savings identified as part of annual review of budgets.

Table 4 - Summary of savings proposals

	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Council Priority				
A borough where we protect, restore, reconnect and enhance our natural environment	(0.35)	(0.35)	(0.40)	(0.40)
A council that delivers high-quality services for our residents	(0.27)	(0.44)	(0.44)	(0.44)
A place where people can have pride in their communities and the borough	(0.13)	(0.17)	(0.19)	(0.17)
Total savings 2025/26 and future years	(0.75)	(0.96)	(1.03)	(1.01)

Table 5 – Summary of additional income proposals

	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Council Priority				
A borough where we protect, restore, reconnect and enhance our natural environment	(0.07)	(0.07)	(0.07)	(0.07)
A council that delivers high-quality services for our residents	(0.06)	(0.21)	(0.21)	(0.21)
A place where people can have pride in their communities and the borough	(0.35)	(0.35)	(0.35)	(0.35)
Total overall savings 2024/25 and future years	(0.48)	(0.63)	(0.63)	(0.63)

Overall position

Table 6 – Summary of overall pressures, savings and additional income proposals

	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Council Priority				
A place where people can have pride in their communities and the borough	(0.10)	(0.12)	(0.01)	(0.01)
A borough where we protect, restore, reconnect and enhance our natural environment	1.33	0.88	0.83	0.64
A council that delivers high-quality services for our residents	0.93	0.54	0.26	0.29
Total overall pressures 2025/26 and future years	2.16	1.30	1.08	0.92

2.2 Collection Fund

The assumptions made around council tax and NDR are reflected initially in the Collection Fund Account, which is a statutory account that records the collection and distribution of taxation.

The forecast position for the council's share of the Collection Fund, utilising the Key Assumptions is shown in Table 7 below.

Table 7 – council tax and business rates retained income

	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Council tax	10.25	10.75	11.25	11.78
Business rates	5.06	5.16	5.29	5.46
Total From Collection Funds	15.31	15.91	16.54	17.24

2.3 Capital

Planned capital expenditure and the associated financing is detailed within the Capital Programme Update and Capital Programme Strategy which is to be approved by Council in February 2025. The proposed programme for 2025/26 to 2028/29 totals £131.135M and is detailed in Annex 2, which also shows how the programme is financed.

The main service based capital projects are; home improvement financial assistance (disabled facilities grants) of £8.520M; rolling IT and operational vehicle replacement programme £6.752M; Council owned asset management plan works of £11.614M; replacement waste vehicles to support the introduction of food waste collections of £6.526M; improvements to sport and recreation schemes, including redevelopment of the leisure park, of £49.066M; play area and open space enhancements of £3.674M; community facilities of £1.826M; Community Infrastructure Fund schemes of £2.151; and parking and access schemes of £2.092M.

Plans for the funding of the capital programme are also set out in the in the Capital Programme Update and Strategy. In summary the main sources of funding are capital receipts generated by the council, external capital grants and contributions direct revenue financing and internal borrowing. There is no external debt financing. All the revenue implications of the capital projects are built into the General Fund Estimates.

2.4 General fund balance

In accordance with the best practice guidance issued by CIPFA, the minimum level of general fund balances is reviewed and risk assessed on an annual basis.

The General Fund Balance is forecast to be £1.5M at the end of 2025/26.

The required level of balance is determined by assessing the level of risk the council faces taking into account consideration both risk and affordability. This is currently assessed by the Chief Finance Officer (S151 Officer) at £1.50M. This equates to 3.3% of the Net Direct Cost of Services and is broadly comparable to other borough councils.

The General Fund Balance should only be used to fund one-off revenue expenditure and is held to meet unforeseen expenditure. Use of the general fund balance should be prudent and is subject to the agreement of the S151 Officer.

2.5 Earmarked reserves

As well as maintaining a risk based General Fund balance the council can also set aside Earmarked Reserves for specific items.

Reserve balances are derived by taking a risk-based approach to assessing the council's key financial risks including reviewing key areas and assumptions within the estimates, realism of income targets, interest rate exposure, third party provider risks, and any other potential issues which may need to be taken into consideration.

The financial risks facing the council in the medium term are assessed within the MTFS. This includes assessing the risk of continuing reductions in central government funding; budget shortfalls that the council faces and overall local and national economic factors which can affect the financial stability of the council.

In light of the level of risk and uncertainty identified within the MTFS, a full review of useable reserves and provisions has been undertaken. Each year as part of closing the accounts a view is taken on maintaining and strengthening, where necessary, those reserves specifically earmarked to support the highest areas of risk resulting in the rationalisation of reserves and provisions where possible and in some cases additional funding being set aside. funding being set aside.

The most significant reserves are listed below with the expected value of the reserve at the end of the MTFS period:

Rent Risk Reserve (£2.0M) - covers the risk of not achieving the required amount of rent income supporting the revenue budget.

Business Rates Risk Reserve (£3.3M) - covers the increased risk and volatility from the impact of the localisation of business rates and council tax benefits.

Interest Risk Reserve (£1.0M) - covers the risk of not achieving the required amount of interest income supporting the revenue budget.

Medium Term Financial Strategy (MTFS) Risk Reserve (£5.79M) - covers the increased volatility and financial risk from legislative and statutory changes, economic pressures and delays or failing to achieve future years savings or income targets.

Insurance Reserve (£0.25M) - provides funds to cover the risk of future payments to Municipal Mutual Insurance Company resulting from future claims and any uninsured losses.

The overall level of earmarked revenue reserves that will be held at the end of the MTFS period is forecast to be £20.3M, along with a £1.5M General Fund Balance.

2.6 CIPFA Resilience Index

In light of local authorities facing increasing financial pressures as demand for services increase alongside increased cost for services and cuts in funding the Chartered Institute of Public Finance and Accountancy (CIPFA) has introduced an authoritative measure of local authority financial resilience through the creation of a new index to aid a clearer understanding of areas of financial risk.

The index uses a range of indicators to associated with financial risk including the rate of depletion of resources, level of resources generally, demographic and social services pressures and level of borrowing.

The index is used as an indicator for whether an appropriate and robust independent challenge and support could be given to some councils on financial strategy and trajectories which is intended to provide challenge where needed so that appropriate action can be taken at a local level.

The index forms part of a broader strategy that CIPFA has for ensuring that S151 Officers have the support needed to achieve a balanced budget linked a concern that financial management capabilities and sharing good practice have at times been hollowed out by the repeated need to cut budgets.

The index was first published in December 2019, with the latest update provided in December 2024 with no material changes for the council.

2.7 Addressing the budget gap

The council has a forecast budget gap of £2.90M in the final year of the MTFS in 2028/29. The approach to addressing this gap can be seen within a number of work programmes:

- growth and development opportunities within the borough
- commercialisation – understanding what this means for the council and what opportunities are there for income generation
- review of all services – are there efficiencies that can be achieved – with possible links major transformation projects such as Digital
- improved asset management
- review of central activities such as treasury management
- reviewing our policies around things such as council tax and
- use of reserves, and
- understanding our capital spend needs and how best to meet the cost of these.

2.8 Managing budgets and forecasts

In setting the annual budget and the MTFS the council will ensure potential risks are assessed and managed so that their impact is minimised or accounted for either via contingencies, balances or earmarked reserves as is necessary.

In year, the council will monitor its revenue and capital budgets on a monthly basis and report to Cabinet on a quarterly basis.

Accountability and responsibility

Whilst the responsibility lies with the Chief Finance Officer for reporting to Cabinet the financial position, the responsibility and accountability for the financial position of each service lies with the budget holder.

All budget holders are responsible for ensuring external income is maximised for their service and for seeking out new opportunities to generate income. If the budget holder cannot resolve issues within their own service area budgets these should be dealt with by Directors.

Where pressures are identified action plans are required to be agreed and implemented in year which look to address in year pressures and identify ongoing pressures that may need to be addressed as part of setting the budgets over the medium term.

2.9 Governance framework for updating and monitoring the medium term financial forecast model

The Medium Term Financial model is a dynamic model and as such will be changing constantly. It is anticipated that this model will be updated on a quarterly basis via the quarterly financial monitoring reports. A major review will be undertaken each year following the announcement of the council's settlement funding, when a review of the financial model and assumptions will need to be undertaken.

Section 3: conclusion

This MTFS provides a robust framework for setting the budget for 2025/26 and ensuring the council remains in a sustainable financial position over the medium term. The current forecast position is still very challenging. The council has seen a significant reduction in its grant funding alongside increasing demand for services and funding reducing at an unprecedented rate. This has, however, given the opportunity for the council to reshape how it currently operates and

interact with its customers and to develop its Council Plan priorities in the provision of services to the borough.

The likely changes to local government funding from a spending review in 2025 and changes to the Business Rate Retention Scheme are likely to present further challenges.

Medium Term Financial Forecast summary position

	Original budget 2024/25 £M	Forecast budget 2025/26 £M	Forecast budget 2026/27 £M	Forecast budget 2027/28 £M	Forecast budget 2028/29 £M
Net cost of services	43.25	45.77	46.42	46.45	46.96
Investment Property Trading Accounts	(18.31)	(19.12)	(19.19)	(19.52)	(19.57)
Interest and Investment Income	(7.10)	(6.44)	(6.14)	(5.61)	(4.81)
Council Tax Income (base)	(9.87)	(9.87)	(9.87)	(9.87)	(9.87)
Council Tax Growth	0.00	(0.03)	(0.17)	(0.30)	(0.45)
Council Tax £5 Increase	0.00	(0.35)	(0.71)	(1.08)	(1.46)
Collection Fund (Surplus)/Deficit (council tax)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Retained Business Rates	(4.96)	(5.06)	(5.16)	(5.27)	(5.27)
New Homes Bonus Grant	(0.89)	(0.72)	0.00	0.00	0.00
Funding floor	(2.45)	(2.10)	(2.96)	(3.07)	(3.19)
Extended producer responsibility income	0.00	(1.22)	(1.00)	(0.90)	(0.75)
Other Government Grants	(0.38)	(1.43)	(0.71)	(0.73)	(0.72)
Corporate income	(44.01)	(46.39)	(45.96)	(46.42)	(46.33)
Use of revenue budget to finance future capital spend	4.00	4.00	4.00	4.00	4.00
Net expenditure (surplus) / deficit	3.24	3.38	4.46	4.03	4.63

Medium Term Financial Forecast summary position (continued)

	Original budget 2024/25 £M	Forecast budget 2025/26 £M	Forecast budget 2026/27 £M	Forecast budget 2027/28 £M	Forecast budget 2028/29 £M
Contribution to / (from) reserves:					
Infrastructure Reserves	(0.14)	(0.47)	(0.20)	0.00	0.00
Earmarked Revenue Reserves	(1.12)	(1.16)	(1.09)	(0.85)	(0.65)
Risk Reserves	(1.98)	(2.20)	(3.17)	(3.18)	(1.08)
Total contribution to (from) reserves:	(3.24)	(3.38)	(4.46)	(4.03)	(1.73)
Future savings requirement	0.00	0.00	0.00	0.00	2.90
Council tax base	69,800.3	70,025.3	70,985.4	71,926.6	72,977.3
Band D council tax	141.42	146.42	151.42	156.42	161.42

Capital Programme by Council Plan Priority 2024/25 to 2028/29

	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M	Total £M
A place where people can have pride in their communities and the borough	7.261	14.078	6.656	6.230	3.209	37.434
A place where people can have pride in their communities and the borough - Manydown	16.054	3.304	0.304	0.304	0.000	19.966
A place where people can have pride in their communities and the borough - Leisure Park	0.433	0.806	4.900	20.000	20.000	46.139
A borough where we protect, restore, reconnect and enhance our natural environment	1.078	2.097	1.487	1.062	0.710	6.434
A council that delivers high-quality services for our residents	5.442	7.785	3.079	2.829	2.027	21.162
Proposed Capital Programme	30.268	28.070	16.426	30.425	25.946	131.135

Capital Programme Financing 2024/25 to 2028/29

	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M	Total £M
Capital Receipts	22.166	15.774	8.749	2.075	3.835	52.599
Other Capital Grants and Contributions	2.968	5.010	1.865	1.792	1.754	13.389
S106 developer contributions	1.839	2.935	0.100	0.105	0.000	4.979
Community Infrastructure Levy	0.433	0.467	3.900	7.682	2.000	14.482
Revenue Reserve - General/AMP	0.003	0.000	0.970	18.710	8.774	28.457
Revenue Reserve - Local Infrastructure Fund Reserve	0.200	0.000	0.000	0.000	0.000	0.200
Revenue Reserve - Efficiency, Transformation and Digital	0.094	0.250	0.283	0.000	0.000	0.627
Revenue Reserve - Climate Change/ Green Initiatives	0.200	0.524	0.559	0.061	0.000	1.344
Revenue Reserve - Housing and Homelessness	0.000	0.110	0.000	0.000	0.000	0.110
Internal Borrowing - Manydown (B Loan Note)	2.365	3.000	0.000	0.000	0.000	5.365
Internal Borrowing - Redevelopment of the Leisure Park	0.000	0.000	0.000	0.000	9.583	9.583
Total use of resources	30.268	28.070	16.426	30.425	25.946	131.135

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