

Medium Term Financial Strategy

2026/27 to 2029/30

North Norfolk District Council

Executive Summary

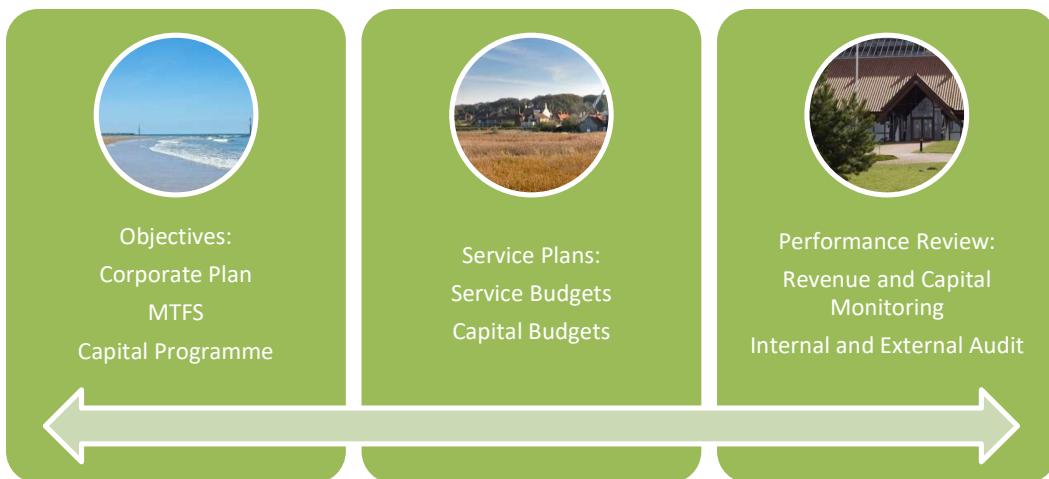
North Norfolk District Council's Medium Term Financial Strategy (MTFS) is a strategic document that supports the delivery of the Corporate Plan. The MTFS sets out how Council's priorities will be achieved by setting out the framework within which resources are available to the Council over the medium term and the financial challenges facing the Council in terms of future funding gaps.

The MTFS aims to:

- provide a high-level assessment of the resources available and outlines the projections for the following three financial years (beyond the current year);
- refresh the financial projections taking into account a number of local and national factors. These will include known spending pressures and commitments, along with forecast future funding reductions and the impact of the national economic outlook;
- provide preparatory work for the following year's budget;
- explore the demands on the capital programme both in terms of ambition and resources along with the impact on the revenue account and reserve levels held by the Council;
- address the sustainability of the Council's financial position.

The MTFS is fundamentally linked to the Corporate Plan, a summary of which can be found at: <https://www.north-norfolk.gov.uk/media/9394/corporate-plan-2023-to-2027.pdf>

The following diagram provides an overview of the financial processes undertaken by the Council to ensure value for money for the tax payers.



The Council is currently projecting a deficit position for the coming years. Forecasting the deficit allows the Council time to plan mitigating actions more effectively, meaning they are more likely to be successful. This strategy will explore some of the Council's plans for addressing this deficit.

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1. Context

The population of North Norfolk is gradually increasing, with residents living longer. There is a higher than average number of residents migrating into the district, particularly in the 50-64 years age group as people retire to the area. When compared to county and regional averages, there are far more over 55 year olds proportionately that live in North Norfolk; this puts pressure on services such as Adult Social Care in the district.

North Norfolk has a fairly low index of deprivation score, but is higher than the East of England averages. Areas of deprivation often require higher levels of service provision and are a budget pressure for both NNDC and the County Council. Barriers to housing services and living environment are the highest deprived domains within North Norfolk and these are increasing in deprivation.

The strongest business sectors in the district are:

- Accommodation and food services
- Manufacturing
- Construction
- Arts, entertainment and recreation
- Retail & Wholesale
- Agriculture

There is a higher than average number of micro-businesses in North Norfolk and this trend is increasing. This area has a lower than average number of new business start-ups. The Council offers support for its small businesses through Business Rates relief schemes.

North Norfolk has proportionally more residential property sales than the East of England average, with house prices higher than the County average. The unaffordability of houses and number of second homes is proportionally higher in North Norfolk. The high number of second homes particularly increases the burden on Council services, as well as affecting the sense of community in individual areas with a high number of second homes.

A large part of the North Norfolk economy is dependent on tourism and travel to the area, with the Council itself benefiting directly from tourism in the form of car parking income. Visitor trips to North Norfolk remain strong, with July, August and December being the most popular months for tourists. Overall, visitors spend and the numbers of jobs in the tourism sector are increasing.

2. National Pressures

Some pressures are driven nationally and are beyond the control of the Council and may come about due to policy directions or new legislation from Central Government.

Some of these which affect NNDC are shown below.

Local Government Reorganisation & Devolution

The Government has indicated its intention to proceed with Local Government Reorganisation (LGR) in England, with the objective of simplifying governance structures, improving service delivery, and strengthening financial sustainability. As part of this process, Norfolk councils were invited to submit proposals for reorganisation, and three proposals have now been developed and submitted covering the Norfolk area. These proposals set out alternative models for replacing the current two-tier structure with new unitary arrangements.

At this stage, no final decision has been made by Government. While the emerging direction of travel points towards larger unitary authorities, including indicative population thresholds, the timing, final structure, funding arrangements, and transitional support if any remain uncertain. The Government has signalled that a “minded-to” decision will be issued, currently expect in March 2026, following assessment of the proposals, with statutory consultation and implementation arrangements to follow.

For North Norfolk District Council, the LGR process introduces a period of strategic and financial uncertainty which must be reflected within the MTFS. In particular, the Council must consider the risk of committing to recurring expenditure, long-term savings plans, or significant structural change while the future governance framework remains unresolved. There is also uncertainty regarding the treatment of reserves, assets, liabilities, staffing, and the funding of transitional and implementation costs.

Discussions continue in relation to devolution for Norfolk and Suffolk, including the potential establishment of a combined strategic authority and the transfer of certain powers and responsibilities, such as transport, housing, economic development and skills. As of January 2026, no devolution deal has been formally agreed, and the scope, governance arrangements, funding mechanisms, and implementation timetable remain subject to ongoing negotiation with central government. The interaction between devolution and LGR including how responsibilities and funding would align between any new unitary authorities and a potential combined authority, is not yet fully defined.

The Government invited councils subject to reorganisation to request to hold elections for the short-lived authorities. This Council is not due to hold elections itself before the anticipated vesting day of any successor unitary authority of 1 April 2028, but may run elections for the County Council within our district.

Once any Structural Change Order for the new unitary authorities(y) are(is) approved by parliament this is likely to be accompanied by a section 24 notice compelling predecessor authorities to seek consent before committing significant sums. This uncertainty around elections, and the role of any future shadow unitary or mayoral authority and governance on spending, are relevant considerations for the MTFS, particularly when assessing the appropriateness of long-term financial commitments and permanent structural changes while the future local government framework remains unresolved. Moreover

In the context of continual efforts to mitigate any budget gaps, the Council's approach is therefore focused on short-term and medium-term measures that maintain financial stability while preserving flexibility. Once greater clarity is provided on the preferred LGR model, timescales, and funding arrangements, future iterations of the MTFS will be reviewed and updated accordingly to reflect the implications for NNDC's financial position.

National Pay Review

Pay costs remain a significant element of local authority expenditure and continue to influence medium-term financial planning. In recent years, pay settlements across the public sector have reflected the elevated inflationary environment and wider labour market conditions.

Across the public sector, a number of workforces have agreed pay awards over the past two years, including settlements for junior doctors, teachers, and NHS staff. These agreements were reached in response to a range of factors, including cost-of-living pressures and workforce considerations, and provide relevant context for local government pay negotiations.

The pay award for 2025/26 was agreed in July 2025 and comprised a flat-rate increase of 3.2% for all grades.

As at January 2026, pay negotiations for future years remain subject to national bargaining arrangements and will take place within the context of prevailing economic conditions and the funding available to local government. The MTFS reflects this uncertainty through its pay assumptions, which are kept under review and updated as national agreements are reached.

Interest rates

Interest rates fluctuate based on several factors, driven primarily by economic conditions, Bank of England policies, and market dynamics.

The Bank of England base rate was reduced to 3.75% in December 2025. These changes in rates have impacted the Council's investment strategy, as investment income remains a crucial source of revenue derived from the investment of reserves and surplus funds, including the timing of daily cash inflows and outflows.

While high interest rates have improved returns on investments, the cost of borrowing has increased, therefore meaning that any borrowing either short term to cover potential shortfalls in cash flows, or longer-term borrowing which may be sought to cover larger projects becomes more expensive. Therefore, requiring careful consideration in the current interest rate environment.

3. Local Pressures

Local Economic changes

NNDC derives significant sums of income from fees and charges for services such as car parking and planning. These will be affected by factors outside the Council's control, such as the weather, consumer confidence and the general health of the economy.

Coastal Erosion & Environmental considerations

North Norfolk's coastline is vulnerable to erosion and the impacts of climate change. Protecting coastal areas and managing flood risks is a growing priority that requires significant investment. The council must also address the environmental sustainability of its services, which includes reducing carbon emissions. Grants are sought where possible for such coastal schemes.

New statutory duties and service expansion

NNDC faces additional pressure from the introduction of new statutory burdens, most notably the requirement to implement separate domestic food waste collection. At present, there is limited certainty over the adequacy of new burdens funding once it is rolled into core grants. Early indications suggest a risk that both capital and revenue funding may be insufficient to cover the full ongoing costs of service delivery, placing further pressure on the Council's revenue budget.

Hidden Deprivation and Funding Formula Risk

While North Norfolk is generally characterised by relatively low levels of deprivation when measured at district-wide level, this masks the presence of pockets of significant deprivation within the district. These communities experience disproportionately high levels of housing insecurity, poor housing conditions, low incomes, health inequalities, and fuel poverty, which in turn drive demand for a range of Council services.

The use of area-wide averages within national funding formulas means that these concentrated pressures are not fully recognised within the funding system, resulting in a misalignment between NNDC's assessed funding need and the actual demand placed on services. This issue is compounded by the removal of certain rural and coastal adjustments and changes to the treatment of non-resident demand within the Fair Funding Review, further increasing the risk that NNDC's service pressures are under-funded over the medium term.

4. Inflation

Inflation is the rate at which the prices for goods and services that the Council buys are expected to rise. At the end of November 2025, Consumer Price Index (CPI) inflation was at 3.2%, which is higher than the Government's target rate of 2%

Inflation over recent years has been highly volatile, presenting a significant challenge for medium-term financial planning. Consumer Price Index (CPI) inflation peaked at 11.1% in October 2022, driven primarily by sharp increases in global energy prices, supply-chain disruption, geopolitical instability, and post-pandemic economic recovery effects.

Since that peak, inflation has moderated materially as supply pressures eased and monetary policy tightened. As at late 2025, CPI inflation was approximately 3.2%, remaining above the Government's long-term target of 2%. In response, the Bank of England's Monetary Policy Committee has maintained a restrictive monetary stance, with interest rates held at elevated levels for longer than previously anticipated to ensure inflationary pressures are brought sustainably under control.

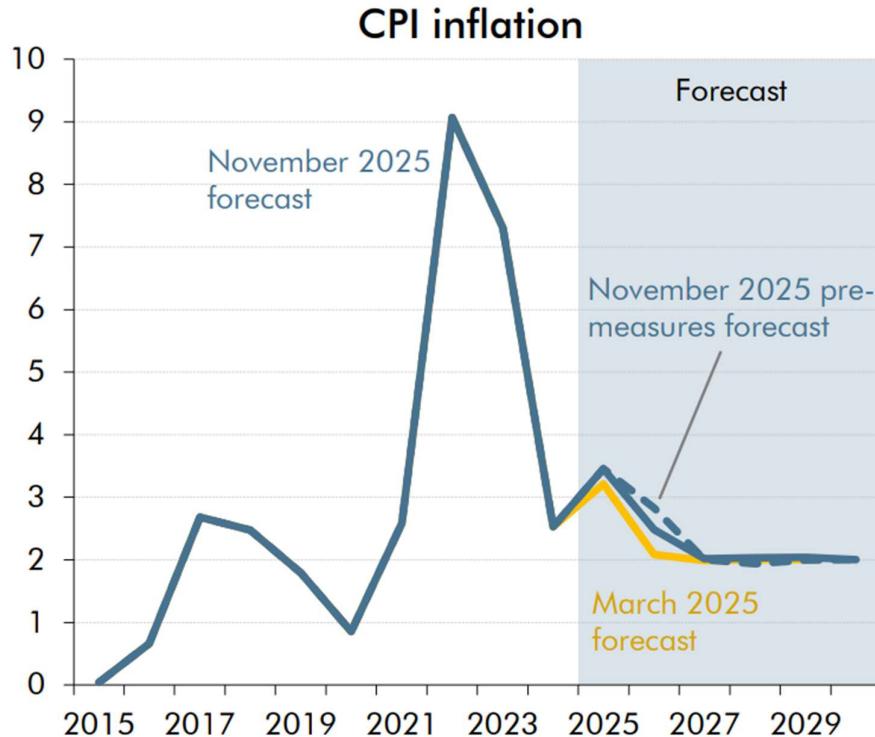
Current forecasts anticipate a gradual return of inflation towards target over the medium term, though risks remain skewed to the upside, particularly in relation to pay settlements, energy prices, and global economic uncertainty. For local government, this means that while inflation is substantially lower than the peaks experienced in 2022 and 2023, it continues to exert upward pressure on pay costs, contracts, and service delivery, and must therefore be treated as a continuing risk within the MTFS. Please refer to Chart 1 for the inflation forecasts for the upcoming period to Q3 2029.

General prices and contracts – There are also some areas and contracts, such as the waste contract, which use different indices to calculate annual increases, and these are taken account of where appropriate.

Income (fees and charges) – In recent years budgets for fees and charges have included a percentage increase reflecting the rate of inflation at the time, unless there have been specific reasons for higher or lower increases or alternatively the Council is not able to influence them.

Local Government is currently going through a significant period of change in terms of the way it is funded and the way the funding elements are to be calculated for the future.

Chart 1 – Inflation Forecast 2025/26 onwards (source latest OBR May 2025)



5. Funding changes

Settlement Funding

Local government funding is determined through the Local Government Finance Settlement, issued by the Ministry of Housing, Communities and Local Government (MHCLG). From 2026/27, the structure and composition of settlement funding changes significantly as a result of the Fair Funding Review, the full reset of the Business Rates Retention Scheme, and the consolidation of a number of historic grants into core funding.

For North Norfolk District Council, settlement funding in prior years comprised several elements, including Revenue Support Grant, New Homes Bonus, Baseline Funding Level through the Business Rates Retention Scheme, Council Tax, and a number of specific grants. From 2026/27 onwards, many of these funding streams are either abolished or rolled into a single core settlement, reducing transparency and flexibility within the funding system. Also, it is worth noting that the settlement published for 2026/27 was a multi-year settlement and contained 3 years' worth of information – which is a positive step as it allows for authorities to plan better for future years knowing that there is some certainty of the amount of funding provided by central government.

Historically, NNDC has been assessed as having sufficient locally raised resources such that it would generate a negative Revenue Support Grant position under the funding formula. In previous years, this has been managed through government intervention to hold authorities at a zero level of Revenue Support Grant rather than requiring repayment. From

2026/27, this position is overtaken by wider structural reform, with Revenue Support Grant, business rates baselines, and a range of former grants being consolidated into a single Settlement Funding Assessment.

Overall, NNDC's underlying settlement funding is anticipated to reduce in real terms over the medium term. While total resources show an initial small cash increases once council tax, assumed grant funding, and transitional protections are included, these increases are below forecast inflation, resulting in a real-terms reduction in spending power. The total amount of settlement funding is summarised below in Chart 2. Chart 3 shows the change in total funding sources, including Council Tax.

Fair Funding Review

The Fair Funding Review represents a fundamental recalculation of how local government funding is distributed, updating the data and formulas used to assess councils' relative need and ability to raise local resources. Many of the underlying datasets had not been comprehensively refreshed since 2011, and their update has resulted in significant redistribution across the sector.

The revised methodology places greater emphasis on population, deprivation and service demand associated with social care responsibilities, while reducing the impact of factors such as rurality, coastal pressures and non-resident demand. As a result, district councils, including NNDC, see a reduction in their relative funding position compared with authorities with upper-tier responsibilities. These changes are reflected in NNDC's revised Settlement Funding Assessment from 2026/27 and contribute to the structural weakening of the Council's funding base over the medium term.

From 2026/27, NNDC is covered by a 95% baseline funding guarantee, which provides transitional protection against reductions in core settlement funding. This guarantee does not represent growth in funding but reflects the limited overall increase in local government funding and the redistribution of resources towards authorities with the highest assessed levels of need. As a result, while the funding floor provides short-term stability, the quantum of funding available to district councils remains constrained, and NNDC continues to experience a real-terms reduction in spending power over the medium term.

Business Rate Reset

As part of the Government's wider reform of local government finance, a full reset of the Business Rates Retention System is being implemented from 2026/27, alongside the first phase of the Fair Funding Review. This represents a significant change to the way business rates income is treated within the funding system.

Under the reset, existing business rates baselines are recalculated and historic growth is incorporated into new baseline funding levels. This has the effect of removing accumulated business rates growth that has previously been retained locally, resetting councils' retained income to reflect updated assessments of need and resources. For district councils, including NNDC, this change reduces the benefit of historic growth and increases reliance on future growth generated after the reset.

The reset also alters the risk and reward balance within the system. While councils will continue to retain a share of growth above the new baseline, this growth may be subject to levy arrangements at lower thresholds, and future income is more exposed to volatility arising from valuation changes, appeals, and wider economic conditions. In addition, the benefits of business rates pooling are significantly reduced under the revised system –

NNDC will not be part of a business rates pool for the financial year 2026/27 as there was no appetite to create one in Norfolk for 2026/27.

Within the MTFS, assumptions on business rates income have therefore been updated to reflect the reset and the revised baseline position from 2026/27 onwards. The changes to the system reduce the predictability of business rates income over the medium term and increase the importance of cautious forecasting and ongoing monitoring. These risks are reflected within the MTFS assumptions.

Chart 2 - Settlement Funding Assessment, Revenue Support Grant and Baseline Funding Level

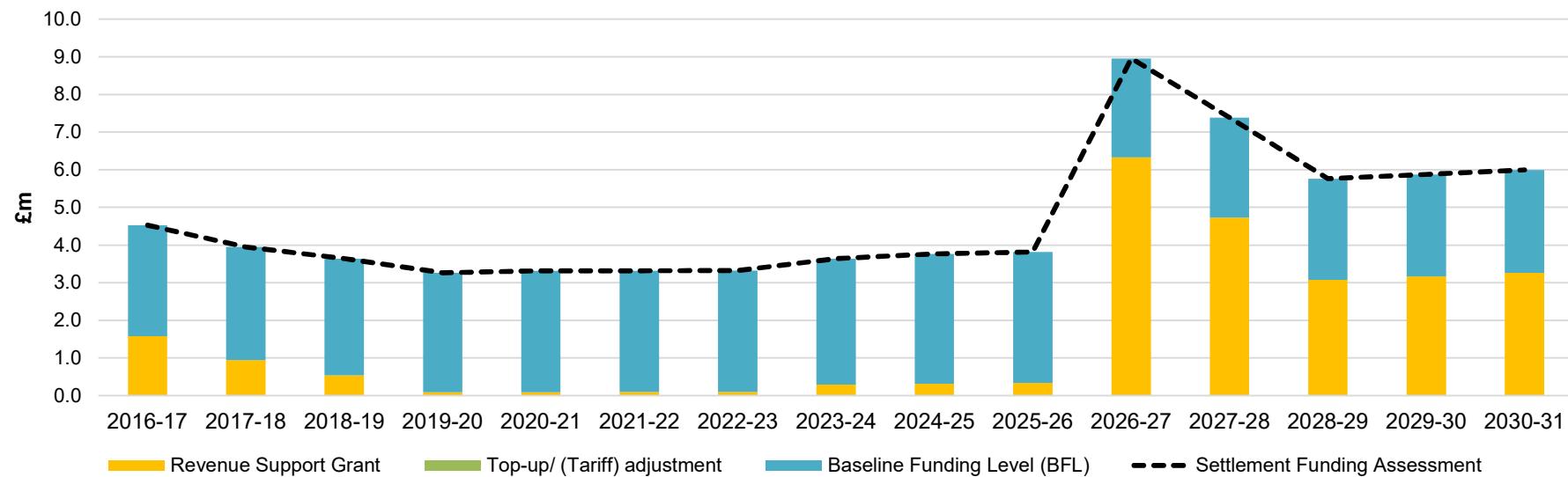
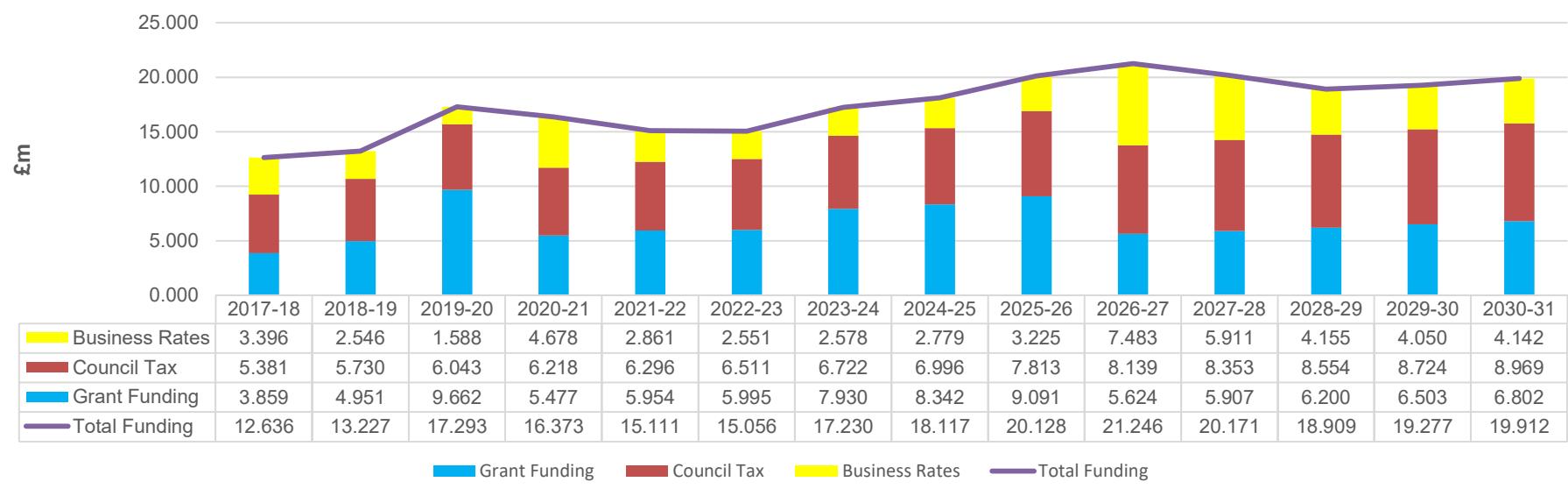


Chart 3: Sources of Funding



6. Income

The Council receives income from a range of sources, including locally raised taxes, fees and charges, and funding provided through the Local Government Finance Settlement and other specific grants. This section explains the Council's main income streams and how they are expected to change over the medium term.

Business Rates Retention

The Business Rates Retention System (BRRS) has historically enabled local authorities to retain a share of locally collected business rates, providing an incentive for economic growth and a degree of locally controlled income. Since its introduction in 2013/14, the system has undergone a number of incremental changes, including variations in local share, tariffs and top-ups, safety nets, and growth levies.

From 2026/27, the system changes significantly as part of the Government's wider reform of local government finance. A full reset of business rates baselines is being implemented alongside the first phase of the Fair Funding Review. Under this reset, historic business rates growth is incorporated into new baseline funding levels, effectively removing accumulated growth that councils have previously retained, and recalibrating retained income to reflect updated assessments of need and resources.

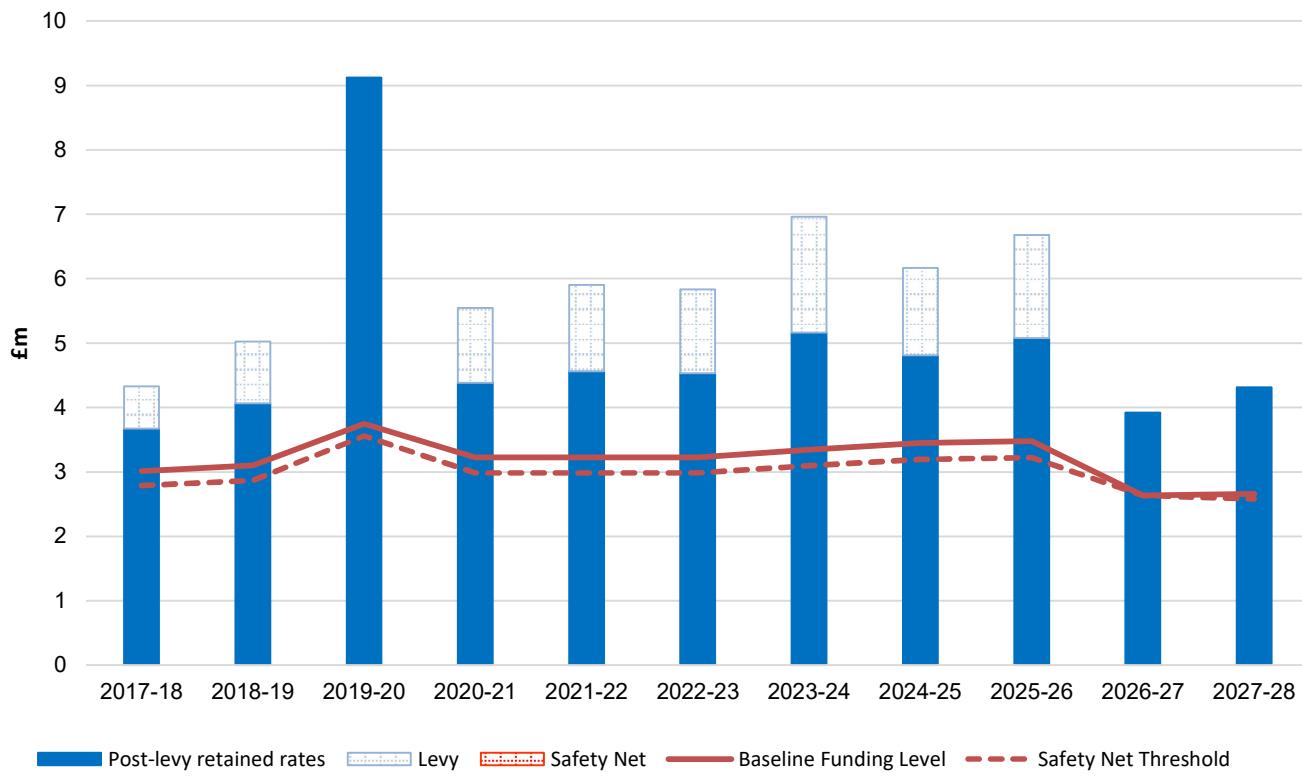
For NNDC, this reset results in a material reduction in retained business rates income, as historic growth is no longer reflected in the Council's baseline position. While the Council will continue to retain a share of growth generated above the new baseline, future growth is expected to be more limited and is subject to increased volatility arising from revaluations, appeals, economic conditions, and potential levy arrangements at lower thresholds than previously applied.

The revised system also significantly reduces the benefits of business rates pooling, and NNDC will not participate in a business rates pool for 2026/27. This further limits the scope to mitigate volatility or retain additional growth through collective arrangements.

Within the MTFS, business rates income assumptions have therefore been updated to reflect the post-reset baseline position from 2026/27 onwards. While transitional protections within the settlement provide short-term stability, the reset represents a structural change to NNDC's funding base, reducing predictability and increasing reliance on cautious forecasting, ongoing monitoring, and sensitivity analysis. These risks are reflected within the MTFS assumptions and risk framework.

Chart 4 visualises the changes in the funding expected from business rates. Retained rates represent the Council's net share of locally collected business rates after system adjustments, while the levy reflects the portion of growth that must be returned to central government under the Business Rates Retention Scheme.

Chart 4 - Funding from Business Rates (post-levy/ safety net)



New Homes Bonus

The New Homes Bonus was introduced in 2011/12 as an incentive and reward mechanism to promote housing growth. Councils receive payment for new houses built in the district and also long term empty properties that have been brought back into use with 80% kept by NNDC and 20% returned to the County. The New Homes Bonus was abolished as part of the wider reform of local government funding because it was no longer seen by Government as an effective, fair, or sustainable mechanism for distributing resources. NNDC will not receive this funding from 1 April 2026.

Revenue Support Grant

Historically, local government funding was made up of a wide range of separate grants and funding streams, alongside locally raised income. Revenue Support Grant (RSG) was the principal source of un-ringfenced funding within this system and was distributed through the Local Government Finance Settlement based on assessments of relative need and local resources. In addition to RSG, councils received a number of other specific and general grants, each with their own allocation methodologies and levels of transparency.

Over time, the role of RSG diminished for many councils as funding policy increasingly prioritised locally raised income, particularly council tax and business rates. For NNDC, the

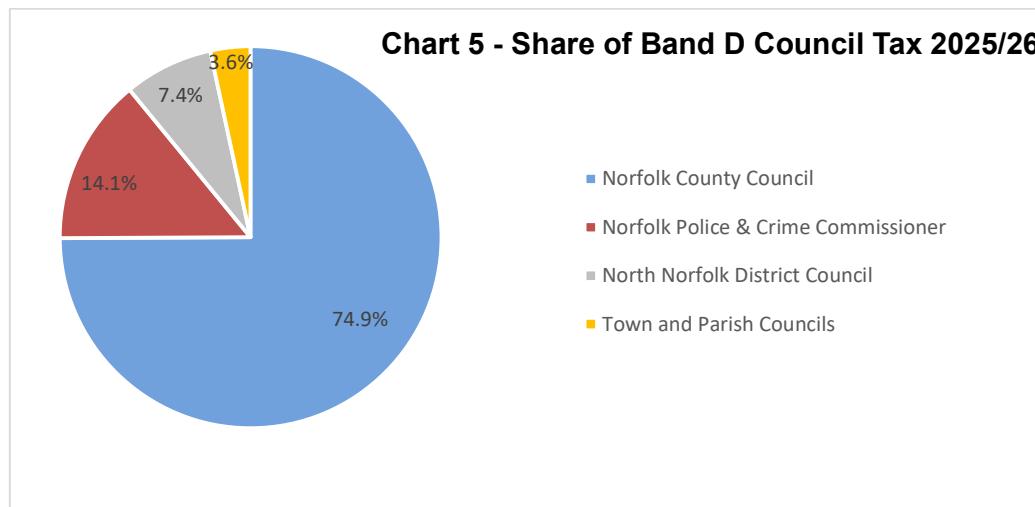
funding formula assessed the Council as having sufficient local resources, resulting in a very small RSG position.

From 2026/27, the structure of funding changes significantly as part of the Fair Funding Review and wider funding reforms. Rather than funding being delivered through a large number of separately identifiable grants, the settlement now places greater emphasis on a single core funding allocation, with Revenue Support Grant acting as the primary mechanism through which this funding is delivered, alongside business rates baselines. A number of grants that were previously paid separately, including New Homes Bonus and elements of homelessness and other service-related funding, are now rolled into this core allocation. A smaller number of grants remain outside the settlement where they continue to be paid separately.

As a result of this consolidation, it is no longer possible to clearly disaggregate individual historic grant streams within the settlement. While this approach simplifies the overall funding framework, it reduces transparency and limits the ability to directly match funding streams to specific service pressures. The MTFS therefore considers settlement funding in aggregate, rather than by reference to individual historic grants, reflecting the way funding is now provided under the reformed system.

Council Tax

NNDC is the billing authority for the district of North Norfolk. This means that NNDC send out the Council Tax bills to residents and collect the Council Tax, but most of this is then distributed to the County Council and Norfolk Police Authority with a further element then going to town and parishes councils.



The charge on a Band D property which is retained by NNDC is currently £173.52. Any increases on this amount are restricted by a cap put in place by the Government, which means that NNDC cannot increase its precept by more than 3% or £5, whichever is the greater. Within the MTFS, it has been assumed that NNDC will increase its precept annually by the maximum amount to partly offset the reduction in grant funding from Central Government.

Fees and charges

The Council generates income through various fees and charges for services provided to residents and businesses. These charges help fund essential services and maintain

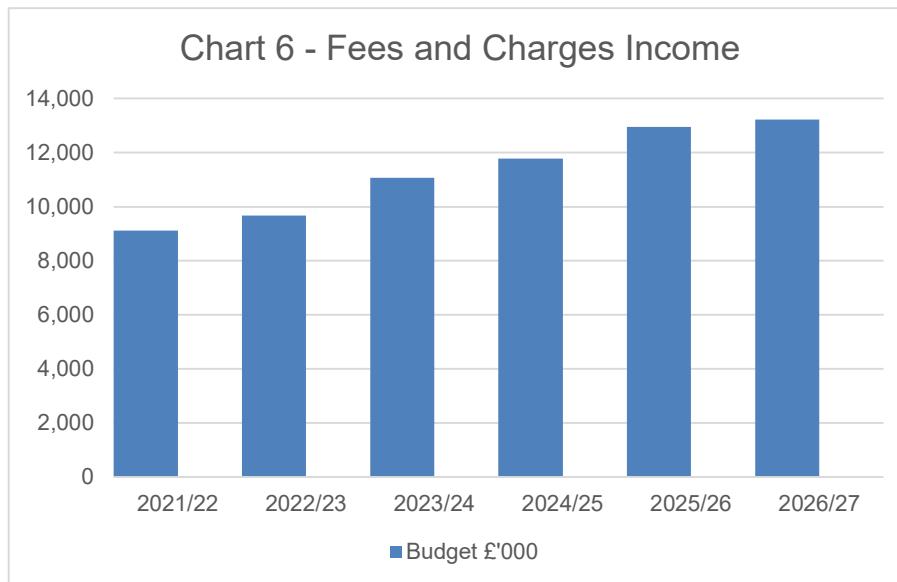
financial sustainability. The way these fees are determined can vary, with some being set by central government and others by the Council themselves. Additionally, some services have specific rules around how any profit or surplus is managed.

Typically fees and charges regulated by Central Government include the fee structures in place for planning applications and licencing fees, whereby any increases in such fees are within limits set by Central Government.

Other fees and charges are determined by local councils based on local priorities, needs, and economic conditions. Examples of such fees include leisure services and parking fees.

Ring fencing also exists for specific areas regarding any surplus generated through the fees and income, meaning that it can only be used in the specific area it was generated. This mechanism of Ring-fencing ensures transparency and accountability, ensuring that residents see a direct benefit from the fees they are charged.

Chart 6 below shows the actual income received for the years 2021/22 – 2024/25, alongside the budgeted income for 2025/26.



7. Looking forward

In the context of these pressures and reduced funding, the Council has produced a forecast for spend for Capital and Revenue purposes and also anticipated use of Reserves

General Fund

The General Fund shows how much the services provided by the Council cost the taxpayer, and how much funding is required from other sources.

This General Fund Summary is latest position as being presented ahead of the 2026/27 budget setting.

Table 1: General Fund Summary 2025/26 – 2028/29

	2025/26 Updated Base Budget £	2026/27 Proposed £	2027/28 Projection £	2028/29 Projection £
Net Operating Expenditure	23,569,539	24,408,540	24,698,599	25,218,900
Contributions to/(from) Earmarked Reserves:	5,417	1,000,431	352,767	411,980
Amount to be met from Government Grant and Local Taxpayers	23,574,956	25,408,971	25,051,366	25,630,880
Income from Government Grant and Taxpayers	(23,574,956)	(25,408,971)	(24,116,001)	(24,109,550)
(Surplus)/Deficit	-	-	935,365	1,521,330

Reserves

The Council holds a number of 'useable' reserves both for revenue and capital purposes which fall within one of the following categories:

- General Reserve
- Earmarked Reserves
- Capital Receipts Reserve

The General Reserve is held for two main purposes:

- to provide a working balance to help cushion the impact of uneven cashflows and avoid temporary borrowing
- a contingency to help cushion the impact of unexpected events or emergencies

As part of setting the budget each year the adequacy of all reserves is assessed along with the optimum level of general reserve that an authority should hold. The optimum level of

the general reserve takes into account a risk assessment of the budget and the context within which it has been prepared.

Earmarked Reserves provide a means of building up funds to meet known or predicted liabilities and are typically used to set aside sums for major schemes, such as capital developments or asset purchases, or to fund restructurings. A number of contingency reserves are also held by the Council to reduce the impact on Council Taxpayers of future uncertain events such as business rate appeals or clawback of benefit subsidy.

All reserves, general and earmarked, will be reviewed over the coming months as part of setting the budget for 2026/27, with a view that where commitments have not been identified and funds or reserve balances are no longer required these are re-allocated to specific reserves to address other requirements as applicable.

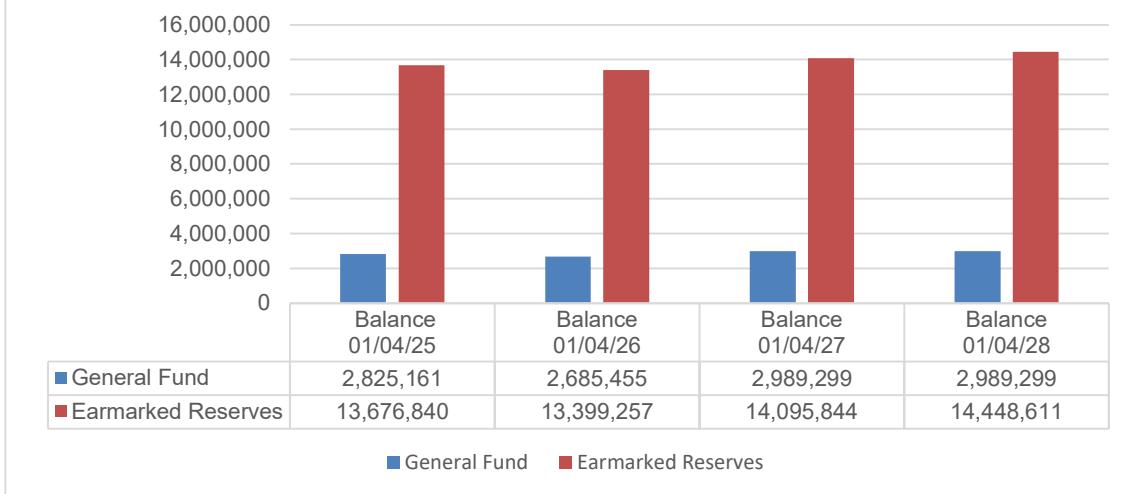
Use of reserves to balance a budget provides only a short-term solution as the funds can only be used once. They can however be used to smooth the impact of funding gaps over the short to medium term and to allow for planning and implementing projects and work streams that will deliver a longer-term financial benefit through reduced costs and/or additional income.

There are currently 28 earmarked reserves, with an additional LGR reserve being added as part of the 2026/27 budget papers, bringing the total to 29 earmarked reserves alongside the General Fund Reserve. The names and individual details of these earmarked reserves can be found in Appendix 2.

Similarly, reserves can be used to fund one-off costs for projects that will deliver a longer-term benefit. For example the use of the Restructuring and Invest to Save reserve to fund one-off restructuring costs, where a restructuring will deliver a longer term saving for a service and for some of the implementation and project costs for the Business Transformation programme that will deliver future savings. The use of reserves in this way will be considered as part of the full business case for individual project proposals, taking into account the payback period of the project along with indirect financial implications, for example, reduced balances available for investment and the associated loss of investment income.

The Capital receipts Reserve consists of capital receipts from the disposal of assets and land and is used to fund the capital programme. Capital receipts can not ordinarily be used to fund revenue expenditure.

Chart 7: Projected Reserves Balances



The above projection with Chart 7 predicts a movement of Reserves held from £16.50m in April 2025 to £17.44m by April 2028. Please note that these movements do not take into account the anticipated deficit positions for future years, or potential usage of reserves in future years budgeting for reasons not yet known to the authority.

Forward Looking Assumptions

Assumptions play a critical role in the development of a local council's MTFS. The assumptions made about future income, expenditure, inflation, and service demand directly affect the accuracy of forecasts and budgets. If assumptions are overly optimistic or fail to account for potential risks, the council could face significant financial shortfalls, while overly conservative assumptions might lead to under-utilisation of resources or unnecessary service cuts.

Some of the key forward-looking assumptions involve the following:

- **Inflation** – Inflation assumptions affect the costs of delivering services and are essential when forecasting salaries, contracts, and procurement costs. If inflation rises higher than forecasted, costs could outpace available funding.
- **Interest rates** – The Council invests when there is surplus cash, the returns on these investments are typically linked to interest rates. When interest rates are low, the Council earns less on their investments, reducing the income that can support service delivery. When interest rates rise, the cost of servicing debt increases, which can reduce the funds available for other services if borrowing is sought.
- **Government Funding** – The introduction of a three-year Local Government Finance Settlement provides greater clarity over baseline funding assumptions across the MTFS period than has been available in recent years. While individual years remain subject to annual confirmation and potential adjustment, the multi-year framework enables more informed planning around funding trajectories, transitional protections, and the timing of funding changes. This improved visibility supports more robust scenario planning and risk assessment within the MTFS,

while recognising that uncertainty remains beyond the settlement period and in relation to wider reform, including LGR and devolution.

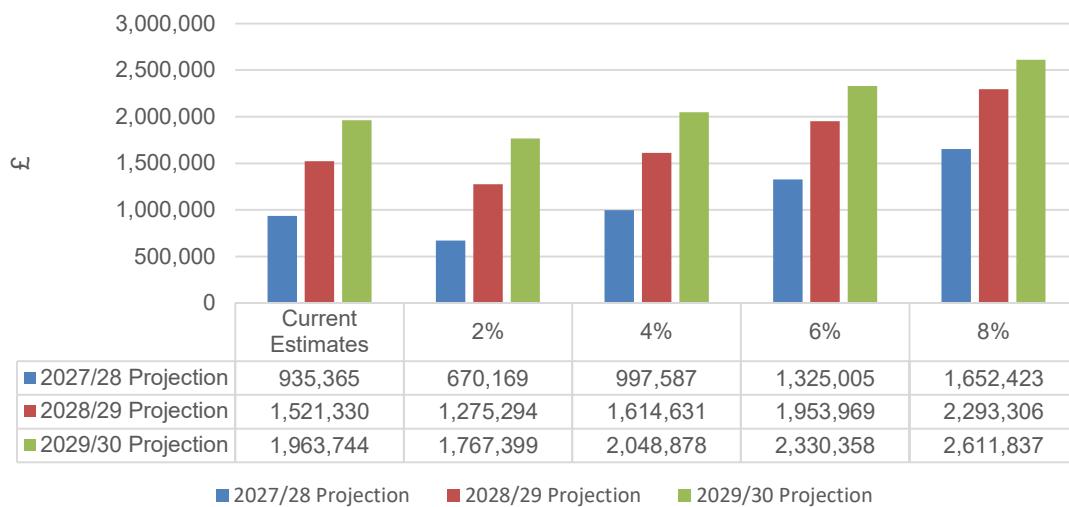
- **Service Demands** – If demand increases due to demographic changes or social factors, councils will need to allocate more resources, impacting their budgets. Incorrectly predicting demand can lead to underfunding or over-provision of services.
- **New burdens** – the largest new burden is the requirement to implement separate domestic food waste collection services. Funding for new burdens provided within the Local Government Finance Settlement; however, as a result of the wider funding reforms, this funding is not separately identified and is instead rolled into core settlement funding.

At this stage, there remains uncertainty around the most appropriate service delivery model for NNDC. As a result, robust costings cannot yet be confirmed, and assumptions have been built within the MTFS based latest information available at the time of writing.

- **Inflation** – detailed workings and charts are provided below

Inflation rates have been turbulent since 2021. To demonstrate how these variances have the potential to impact the projections Chart 8 below shows the impact of inflation on the overall surplus/deficit position at various increments; 2%, 4%, 6%, 8% alongside the current budget and projection as approved by the Council.

Chart 8 - Impact on overall deficit projections from inflation movements

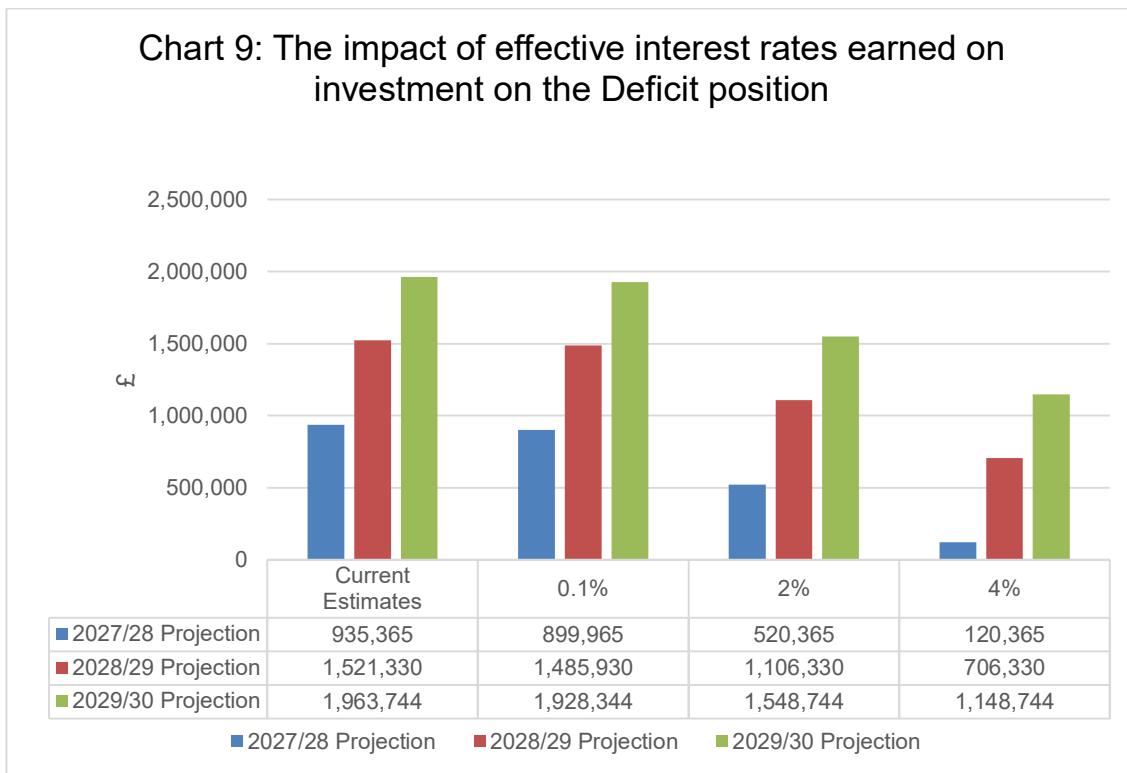


Interest rates have risen significantly since early 2022 as the Bank of England sought to address elevated inflationary pressures. The Bank Rate peaked at 5.25% in August 2023 and was subsequently reduced to 5.0% in August 2024. Since then, interest rates have remained at relatively high levels by historical standards, reflecting the Bank of England's cautious approach to returning inflation sustainably towards its 2% target.

There is also the potential for interest rates to be held at current levels for longer, or to rise again, should inflationary pressures re-emerge or economic conditions deteriorate.

For NNDC, changes in interest rates have a direct impact on the return earned on cash balances and investments, as well as on the cost of any borrowing. Higher interest rates have supported investment income in recent years; however, this benefit may reduce over time if rates fall, while borrowing costs would remain elevated relative to historic norms.

Chart 9 illustrates the sensitivity of the Council's financial position to changes in investment returns, showing the impact on the overall surplus or deficit should the interest rate levels alter by different amounts, alongside an updated forecast based on the latest interest rate projections. These sensitivities are reflected within the MTFS to support prudent financial planning and risk management. Current estimates in the below charts are based around the project movements in base rates as per advice from our financial adviser; and expected returns based on projected economic shifts.



Capital

The capital programme shows what the Council intends to spend on purchasing new assets and improving its existing ones over the next three years. As capital expenditure is incurred, a source of finance must be identified. This can be done through capital receipts, grants and other revenue resources or alternatively through borrowing.

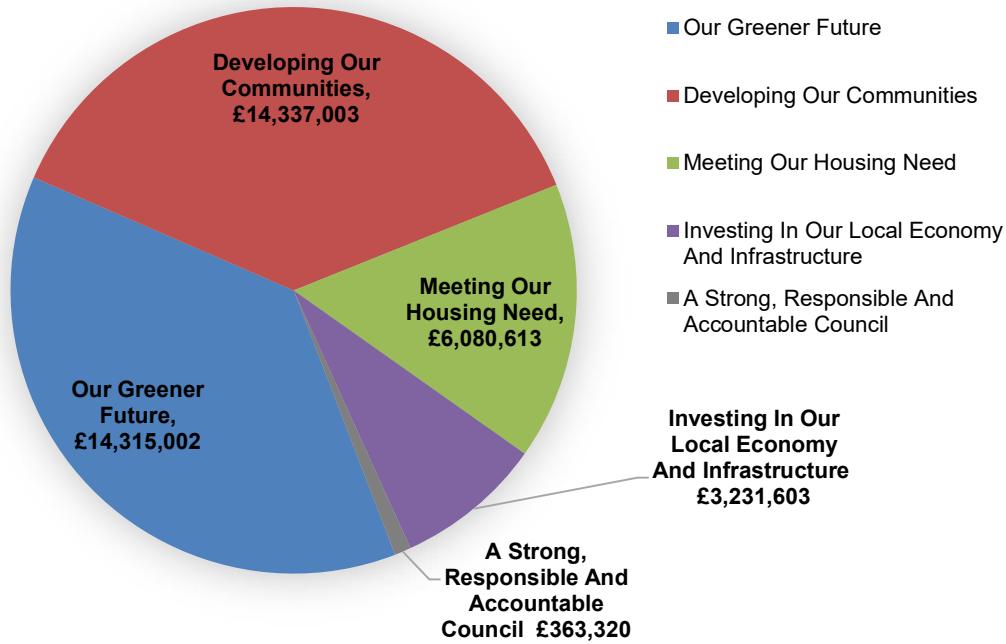
Any expenditure that is financed through borrowing increases the Council's 'Capital Financing Requirement' (CFR). Each year a revenue charge called the Minimum Revenue Provision (MRP) is made to reflect the funding of the CFR by the taxpayer, it is required to be set aside to cover the repayment of debt caused by the need to borrow for capital purposes. As the need to borrow increases, the CFR and MRP also increase. If the Council has sufficient cash resources to meet the expenditure, it will not be necessary to borrow externally and cash balances can be used to cover the expenditure. This is referred to as

'internal borrowing' and attracts an MRP charge in the same way that external borrowing does.

New projects, which are included in the programme in the future, will need to be financed by MRP if no capital resources such as capital grants or capital receipts from future asset sales are available. Alternatively existing revenue reserves could be used to finance these projects through a revenue contribution to capital which avoids an MRP charge.

Please see below for a visual representation of the Capital Programme Budget for 25/26.

Capital Programme Budget 25/26 - Total £38.3m



8. Mitigating any **Budget gap**

The Council's strategy for reducing the budget gap covers several work streams as outlined below.

North Norfolk District Council faces a substantial budget gap in future years, as outlined in the above section. Developing a detailed precise plan to achieve the required savings over the next 2 years is inherently challenging, as it is affected on both internal and external drivers. Internal factors include the council's operational efficiency and the ability to innovate, while external factors range from economic conditions and government policy changes to unforeseen global or regional events. This section sets out the strategy to address any shortfall, ensuring financial sustainability while maintaining essential services and meeting statutory obligations. The proposed measures encompass a combination of efficiency improvements, revenue generation, cost containment, and strategic realignment.

Local Government Reorganisation

At present, the ability to progress tangible, longer-term actions to close the budget gap is constrained by the uncertainty arising from Local Government Reorganisation. Until the Government issues a minded-to decision, the future structure of local government in Norfolk remains unclear, with one-, two- or three-unitary models all under consideration. Each option implies a different set of future partner authorities, governance arrangements, and opportunities for service integration or shared delivery. As a result, it is not currently practical to progress detailed joint financial planning or structural efficiency work with potential future partners. Once a minded-to decision is confirmed, the Council will be better positioned to work constructively with the relevant authorities to develop coordinated, evidence-based approaches to financial sustainability and the closing of the medium-term budget gap.

Property Investment and Asset Commercialisation

Opportunities for investment in property, whether direct or indirect, are being considered to achieve either a direct income stream from the asset or improved returns on investment.

Opportunities for the most efficient utilisation of the Council's assets and maximising returns where appropriate are vital. Indirect property investments via treasury instruments, such as the purchase of pooled property funds, can potentially provide a return in terms of a regular income and growth in the value of the investment. Under the Treasury Management Strategy, the Council has made investments in a number of pooled funds which invest in property. One of these funds, the LAMIT Pooled Property Fund, invests exclusively in various property assets with the aim of achieving a regular income and growth in the value of the investment. In addition to these investments, the Council has agreed to provide capital expenditure loans to registered providers of social housing to facilitate the delivery of housing in the district, along with achieving an income return on its investment. The Council can choose to use its capital resources to finance a programme of asset commercialisation which aims to deliver long-term revenue streams for the Council and work on an ongoing basis is required to identify the most appropriate projects. This strategy of direct property investment can ensure a secondary benefit to the district as it is possible

to generate an economic growth benefit when the investment is located in North Norfolk. This is; however, more resource intensive to manage than externalising these investments.

Service Reviews

Service reviews often reveal areas where costs can be reduced without severely impacting service quality. For example, a review might uncover inefficient processes, opportunities for automation. Service reviews may find through reviews that alternative models - such as partnerships, outsourcing, or shared services with neighbouring authorities - could deliver the same or even improved services at lower costs.

Service reviews will proceed by conducting detailed reviews of all service areas to evaluate cost-effectiveness, relevance, and alignment with strategic priorities.

- Identification of potential cost savings through consolidation, improved efficiency, or changes in service delivery models.
- Comparison of service performance and costs with similar councils to identify areas for improvement.
- Where necessary, consultations with relevant stakeholders to understand their priorities and ensure that any service changes align with public expectations.
- Gradual introduction of service adjustments to minimise disruption and allow time for adaptation.

Savings Proposals

The council will continue to engage with budget holders across all services to identify viable cost-saving measures and innovative solutions. Budget holders will be encouraged to propose initiatives aimed at reducing expenditure, improving efficiency, or generating additional revenue within their areas of responsibility. These proposals will undergo a structured evaluation process to assess their feasibility, potential savings, and impact on service delivery. Regular feedback will be provided to budget holders regarding the progress and implementation of accepted ideas, fostering accountability and transparency. This collaborative approach ensures that savings opportunities are identified comprehensively while maintaining a focus on strategic priorities and operational effectiveness. Please note that prior year savings and income targets which are still deemed achievable in the current year are planned to be actioned as soon as feasibly possible.

Generating additional income

Generating additional income through services like car parks and waste collection can provide a steady revenue stream that helps close the Council's budget gap reducing the impact on services the Council provides. Additionally the annual review of all discretionary fees and charges will ensure they reflect market rates and appropriately recover costs.

Consideration around economically unviable non-statutory services

One of the approaches to addressing any budget gap is the ongoing review of the Council's non-statutory services and discretionary activities, with a focus on those that are not economically viable in their current form. Non-statutory services - those not legally required by Government - are often valued by communities but can place pressure on the Council's finances where they require ongoing subsidy. As part of its normal financial management arrangements, the Council continually assesses whether service levels remain appropriate, whether delivery models can be adapted, or whether activity should be reduced or ceased where it is no longer sustainable.

This approach is supported by regular cost-benefit analysis to identify services that may be under-utilised, duplicative, or disproportionate in cost relative to the outcomes delivered. These assessments are undertaken on an ongoing basis and inform both annual budget setting and medium-term financial planning. Any changes are considered alongside statutory obligations and wider community impact, ensuring that essential functions continue to be delivered.

In parallel, the Council continually reviews enabling activity, such as repairs and maintenance, which, while not statutory services in their own right, are necessary to support compliance with statutory duties including health and safety, building compliance, and the provision of safe accommodation. This ongoing review focuses on ensuring value for money, prioritising public safety and emergency response, and strengthening planned maintenance to reduce reliance on reactive or emergency interventions.

Together, these continuous review processes support the effective prioritisation of resources towards statutory and essential functions, while maintaining financial resilience and flexibility as the Council works to close the medium-term budget gap.

Review of statutory services

Investigating the standard of statutory services provided offers an opportunity to identify where levels of service can be adjusted to ensure value for money in our approach while still meeting the essential needs of the community. By reviewing current service standards, the council can pinpoint areas where delivery might be scaled back without compromising basic requirements.

Shared Services, collaboration and selling services

Creating efficiencies through shared services continues to be a priority for central government. Identifying such opportunities must therefore continue at a local level, ensuring that realistic and deliverable benefits can be achieved. This could include joint procurement opportunities, shared service delivery where appropriate and selling services. Collaboration will become easier to achieve once an LGR minded-to decision is announced as NNDC will have more information on which partners we are likely to be working with in the future.

Council Tax

In the current funding environment, increasing council tax has become an important consideration for maintaining essential services amidst rising costs and budget constraints. Reduced central government funding, combined with inflationary pressures on service delivery, has intensified the need for councils to generate more local revenue. An increase

in council tax can provide the council with the necessary funds to bridge budget gaps, ensuring that statutory services and vital community support are maintained at an acceptable standard.

Central government funding calculations for local authorities are based on the assumption that councils will apply the maximum permitted increase in council tax for the relevant year. This assumption is embedded within the calculation of Core Spending Power and the wider Local Government Finance Settlement and is used consistently across the sector, regardless of whether individual councils ultimately choose to increase council tax to this level.

As a result, the funding figures presented within the settlement, and reflected within this MTFS, do not represent guaranteed funding unless the assumed level of council tax increase is implemented locally. Where a lower increase is applied, this creates a corresponding shortfall against the funding assumptions built into the national settlement.

The MTFS therefore reflects the Government's assumed council tax increase for planning purposes, while recognising that the final decision on council tax levels remains a matter for Members as part of the annual budget-setting process.

Conclusion

Closing the budget gap requires a bold and balanced approach, combining cost efficiencies, revenue growth, and strategic realignment. Through disciplined execution of this strategy, the council will achieve financial sustainability while continuing to serve the community effectively.

Appendix 1 – General Fund Summary

Service Area	2025/26 Base Budget	2025/26 Updated Budget	2026/27 Base Budget	2027/28 Projection	2028/29 Projection	2029/30 Projection
	£	£	£	£	£	£
Corporate Leadership/ Executive Support Resources	4,384,567 6,970,323	4,384,567 7,008,241	4,427,873 7,275,279	4,431,515 6,672,402	4,531,556 6,817,058	4,634,599 6,925,915
Service Delivery	10,994,087	11,004,087	12,618,062	13,758,977	14,029,506	14,240,343
Net Cost of Services	22,348,977	22,396,895	24,321,214	24,862,894	25,378,120	25,800,857
Parish Precepts	3,736,377	3,736,377	3,736,377	3,736,377	3,736,377	3,736,377
Capital Charges	(2,962,374)	(2,962,374)	(2,962,374)	(2,962,374)	(2,962,374)	(2,962,374)
Refcus	(761,647)	(761,647)	(761,647)	(761,647)	(761,647)	(761,647)
Interest Receivable	(1,403,400)	(1,403,400)	(1,375,700)	(1,375,700)	(1,375,700)	(1,375,700)
External Interest Paid	302,100	302,100	271,700	271,700	271,700	271,700
Revenue Financing for Capital:	320,000	1,458,051	278,600	0	0	0
Minimum Revenue Provision	527,257	527,257	624,090	651,069	656,144	637,801
IAS 19 Pension Adjustment	276,280	276,280	276,280	276,280	276,280	276,280
Net Operating Expenditure	22,383,570	23,569,539	24,408,540	24,698,599	25,218,900	25,623,294
Contributions to/(from) Earmarked Reserves:	2025/26 Base Budget	2025/26 Updated Budget	2026/27 Base Budget	2027/28 Projection	2028/29 Projection	2029/30 Projection
	£	£	£	£	£	£
Capital Projects Reserve	0	(474,807)	0	-	-	-
Asset Management	0	(172,169)	300,000	-	-	-
Benefits	(51,567)	(51,567)	0	-	-	-
Building Control	(19,874)	(19,874)	0	-	-	-
Business Rates Reserve	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)	-
Delivery Plan	(80,000)	(609,432)	(50,000)	-	-	-
Elections	60,000	60,000	0	-	-	-
Extended Responsibility Grant	1,616,000	1,283,233	0	-	-	-
Grants	(85,159)	(95,159)	(83,854)	(19,720)	(20,020)	-
Housing	(56,299)	(284,460)	(219,959)	(59,513)	-	-
Legal	(4,579)	(4,579)	0	-	-	-

Local Government Reorganisation	0	0	750,000	-	-	-
Major Repairs Reserve	0	(50,000)	0	-	-	-
Net Zero Initiatives	(300,000)	(21,400)	(278,600)	-	-	-
New Homes Bonus Reserve	(83,763)	(83,763)	0	-	-	-
Planning Revenue	46,763	46,763	12,000	50,000	50,000	50,000
Second Homes Premium	515,337	515,337	285,000	400,000	400,000	400,000
Contribution to/(from) the General Reserve	(14,706)	(14,706)	303,844	-	-	-
Amount to be met from Government Grant and Local Taxpayers	23,907,723	23,574,956	25,408,971	25,051,366	25,630,880	26,073,294
Funding	2025/26 Base Budget	2025/26 Updated Budget	2026/27 Base Budget	2027/28 Projection	2028/29 Projection	2029/30 Projection
Collection Fund – Parishes	(3,736,377)	(3,736,377)	(3,736,377)	(3,736,377)	(3,736,377)	(3,736,377)
Collection Fund – District	(7,812,582)	(7,812,582)	(8,138,972)	(8,352,530)	(8,553,805)	(8,553,805)
Retained Business Rates	(8,660,926)	(8,660,926)	(5,623,934)	(5,906,952)	(6,200,020)	(6,200,020)
New Homes bonus	(596,090)	(596,090)	-	-	-	-
3.2% Funding Guarantee	(805,165)	(805,165)	-	-	-	-
Revenue Support Grant	(335,416)	(335,416)	(6,322,463)	(4,726,529)	(3,073,972)	(3,073,972)
NI Compensation	(150,583)	(150,583)	-	-	-	-
Recovery Grant	(194,584)	(194,584)	(194,584)	(194,584)	(194,584)	(194,584)
Extended Responsibility Grant	(1,616,000)	(1,283,233)	(1,312,840)	-	-	-
Damping Funding	-	-	(79,801)	(1,199,029)	(2,350,792)	(2,350,792)
Income from Government Grant and Taxpayers	(23,907,723)	(23,574,956)	(25,408,971)	(24,116,001)	(24,109,550)	(24,109,550)
(Surplus)/Deficit	-	-	-	935,365	1,521,330	1,963,744

Appendix 2 – Projected Reserve Movements

Reserve	Balance	Updated	Forecast	Budgeted	Balance	Budgeted	Balance	Budgeted	Balance
	01/04/25	Movement	01/04/26	Movement	01/04/27	Movement	01/04/28	Movement	01/04/29
	£	£	£	£	£	£	£	£	£
General Fund - General Reserve	2,223,322	(139,706)	2,685,455	303,844	2,989,299	-	2,989,299	-	2,989,299
<u>Earmarked Reserves:</u>									
Capital Projects	474,807	(474,807)	-	-	-	-	-	-	-
Asset Management	427,948	(172,169)	255,779	300,000	555,779	-	555,779	-	555,779
Benefits	727,822	(51,567)	676,255	-	676,255	-	676,255	-	676,255
Building Control	105,085	(19,874)	85,211	-	85,211	-	85,211	-	85,211
Business Rates	1,683,890	(18,000)	1,665,890	(18,000)	1,647,890	(18,000)	1,629,890	(18,000)	1,611,890
Coast Protection	219,393	-	219,393	-	219,393	-	219,393	-	219,393
Communities	168,941	-	168,941	-	168,941	-	168,941	-	168,941
Delivery Plan	1,117,423	(609,432)	507,991	(50,000)	457,991	-	457,991	-	457,991
Economic Development and Regeneration	178,079	(34,000)	144,079	-	144,079	-	144,079	-	144,079
Election Reserve	123,000	60,000	183,000	-	183,000	-	183,000	-	183,000
Enforcement Works	39,884	-	39,884	-	39,884	-	39,884	-	39,884
Environmental Health	668,414	-	668,414	-	668,414	-	668,414	-	668,414
Environment Reserve	150,000	-	150,000	-	150,000	-	150,000	-	150,000
Extended Responsibility Producer Grants	-	1,283,233	1,283,233	-	1,283,233	-	1,283,233	-	1,283,233
Housing	2,719,520	(237,660)	2,481,860	(83,854)	2,398,006	(19,720)	2,378,286	(20,020)	2,358,266
Innovation Fund	1,551,341	(284,460)	1,266,881	(219,959)	1,046,922	(59,513)	987,409	-	987,409
Land Charges	250,052	-	250,052	-	250,052	-	250,052	-	250,052
Legal	52,914	(4,579)	48,335	-	48,335	-	48,335	-	48,335
Local Government Reorganisation	-	-	-	750,000	750,000	-	750,000	-	750,000
Major Repairs Reserve	456,327	(50,000)	406,327	-	406,327	-	406,327	-	406,327
Net Zero Initiatives	384,037	(21,400)	362,637	(278,600)	84,037	-	84,037	-	84,037

New Homes Bonus (NHB)	118,315	(45,763)	72,552	-	72,552	-	72,552	-	72,552
Organisational Development	98,881	-	98,881	-	98,881	-	98,881	-	98,881
Pathfinder	89,566	-	89,566	-	89,566	-	89,566	-	89,566
Planning	278,433	46,763	325,196	12,000	337,196	50,000	387,196	50,000	437,196
Restructuring & Invest to Save Proposals	699,748	(159,205)	540,543	-	540,543	-	540,543	-	540,543
Second Home Premium	-	515,337	515,337	285,000	800,337	400,000	1,200,337	400,000	1,600,337
Treasury	300,000	-	300,000	-	300,000	-	300,000	-	300,000
Total Reserves	16,502,000	(417,289)	16,084,711	1,000,431	17,085,142	352,767	17,437,909	411,980	17,849,889

Appendix 3 – Capital Programme 2025/26 and beyond

Approved Capital Programme	Budget	Budget	Budget	Budget	Budget	Budget
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£	£	£	£	£	£
Our Greener Future	14,315,002	7,040,612	300,000	-	-	-
Developing Our Communities	14,337,003	-	-	-	-	-
Meeting Our Housing Needs	6,080,613	2,300,000	2,000,000	2,000,000	2,000,000	2,000,000
Investing In Our Local Economy & Infrastructure	3,231,603	60,000	-	-	-	-
A Strong, Responsible & Accountable Council	363,320	60,000	-	-	-	-
Total Approved Capital Programme	38,327,541	9,460,612	2,300,000	2,000,000	2,000,000	2,000,000
Financing	Budget	Budget	Budget	Budget	Budget	Budget
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£	£	£	£	£	£
Grants	24,523,160	8,147,712	2,000,000	2,000,000	2,000,000	2,000,000
Other Contributions	3,780,000	300,000	-	-	-	-
Reserves	1,438,049	278,600	-	-	-	-
Revenue Contribution to Capital (RCCO)	20,000	-	-	-	-	-
Capital receipts	2,952,942	610,000	300,000	-	-	-
Borrowing	5,613,390	124,300	-	-	-	-
Total Financing	38,327,541	9,460,612	2,300,000	2,000,000	2,000,000	2,000,000