

TITLE: Medium Term Financial Strategy Update

Committee: Finance & Assets Committee

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1.0 Issue

- 1.1. To provide Committee with an update on the Medium-Term Financial Strategy (MTFS) since the 2025/26 budget was approved in February 2025.

2.0 Recommendations

- 2.1. Members are requested to note the contents of the report.

3.0 Background

- 3.1 The Council approved the budget for 2025/26 and with it the MTFS for 2026/27 to 2028/29 at its meeting on 25 February 2025. At that point, via the use of its Surplus Savings Reserve, the Council had a balanced budget for 2025/26 and 2026/27, but with significant savings to be found in the following years.
- 3.2 The Budget / MTFS was approved on the basis that the Council would not put up Council Tax in the budget year, but then put it up by the maximum allowed, £5 per year, each subsequent year.
- 3.3 The current expectation is that Local Government Reorganisation (LGR) will take place in April 2028, so only the initial two years of this plan will come into play, but for reasons of consistency and to ensure a full understanding of the Council's finances if LGR was delayed, the full four-year plan has been prepared.

4.0 Changes to previous years

- 4.1 The Council ended the 2024/25 financial year with an underspend of £2,621,278. This underspend was added to the Surplus Savings Reserve and is available to support the MTFS in future years.
- 4.2 The Council is currently forecasting a year-end underspend of £331,000 in 2025/26. This will also be transferred into the Surplus Savings Reserve at year-end and has been included in the figures detailed in this paper.

5.0 Changes made to the 2026/27 Budget

- 5.1 Fair Funding Review

Members will be aware that the Fair Funding Review, and associated Business Rates baseline reset, was promised, but not delivered by Government for a number of years (originally planned for 2020). This is now almost certain to happen in April 2026. This report details the latest intelligence on what Government intends to do and its impact on this Council.

In simplistic terms, the Fair Funding Review is the process by which Government calculates how much of its overall funding for Local Government goes to each individual council. The concern for this Council, however, is that the full Business Rates baseline reset will result in the Council losing the benefit it is currently receiving from the high level of Business Rate growth in the District since 2013. The current process allows Business Rate growth, since the last reset, to be retained locally, but under the reset this additional income will go into the overall quantum and be shared out across all authorities.

Government have provided details of the criteria they intend to use as part of the Fair Funding Review and which data sets they will be using to allocate funds, but have said, they will not announce cash values until the Provisional Local Government Settlement, expected in the Autumn. This presumably, to allow them to update the criteria and data right up to the point of publication. Pixel Financial Management (who provide financial analysis to over two hundred councils across the county) have used all of the information provided by Government, to update their MTFs model, and the figures in Appendix 1 match their analysis.

Government originally suggested that all but a very few councils would be protected from significant reductions in funding as part of the review, with the assurance that if councils increased Council Tax by the maximum amount allowed, they would be at least cash flat between years.

However, it later became known that 49 councils, including 41 district council, of which East Cambs is one, will face a reduction in cash funding of up to 7% even if they put Council Tax by the maximum. With there being an emerging view that these are the councils that have benefited most from increased Business Rate receipts in recent years. This treatment is being challenged by the District Council Network as part of the Government's consultation.

The impact of the changes on East Cambs are that New Homes Bonus (for which we received £828,863 in 2025/26), National Insurance compensation Grant (£118,594) and Funding Floor Grant (£405,396) will all be stopped in 2026/27.

We will receive additional Revenue Support Grant increasing from £125,690 in 2025/26 to £3,794,390 in 2026/27, while our retained Business Rates value will reduce from £5,393,410 to £2,726,182.

5.2 Inflation

Officers have made assumptions regarding inflation on specific budget lines in this report, but with the immediate inflationary pressures now apparently over, many budgets have not had inflation added, reverting to the approach in place prior to 2023/24.

A 2.5% inflationary pay rise has been assumed on salary budgets between the 2025/26 and 2026/27.

5.3 Council Tax

The Council and all other preceptors determine, as part of their budget preparations, how much they wish to collect in Council Tax and subsequently set their tax level in February prior to the year of collection, at a value to ensure that the required amount is collected. In year, this Council (as the collection authority) will pay across to the other preceptors and indeed ourselves, the budgeted value from the Council Tax Collection Fund.

The amount of Council Tax collected is determined by three factors, the Council Tax value for a band D property as determined by the Council, the number of band D equivalent properties in the District and the Council's calculation as to how much of the money will be collectable.

It is assumed at this stage that the value of Council Tax in 2026/27 for a band D property will be increased by £5 to £147.14, inline with the decision made in February 2025.

An initial calculation of the number of equivalent Band D properties in the District will be undertaken shortly, to which officers will make a judgement as to the amount which will be collectable. This figure will be reviewed and updated over the Autumn period.

5.4 Business Rates

Councils are required to prepare a report to Government (called the NNDR1) by the end of January each year, detailing the amount of Business Rates they anticipate collecting during the following financial year. The final budget presented to Council in February will reflect the figures detailed in this return, but for now, the figures in this report reflect those forecast by Pixel Financial Management and reflect the consequences of the Baseline reset as discussed in 5.1 above in 2026/27.

5.5 Waste

The Waste and Street Cleansing Service Proposal, as approved by Full Council on 17 October 2024, will result in a significant additional cost to the Council from April 2026. An initial estimate of these additional costs (as detailed in the paper) are included in the figures detailed in appendix 1 to this report. It should be noted however, that this paper represents the worse case scenario for these costs, in that, it includes the additional costs, but does not account, for the potential new income from Government for the new burden of separately collecting food waste. When the Government's Waste Strategy was originally announced, funding was promised, but it is now unclear if the Government see the funding received under the Extra Producer Responsibility (EPR) scheme as this payment or whether a further income stream will be announced in the Autumn.

Regarding the EPR scheme, we received initial figures for our 2025/26 allocation along side the Provisional Local Government Settlement in December 2024. It was assumed at the time that an equivalent figure would be received in

future years and that was built into the MTFS. However, Government have recalculated their figures and have now determined that East Cambs should get a lower value. This revised value is included in the figures in this report. (To note, Government have guaranteed the original amount for 2025/26, so it has no budget consequences in that year.)

5.6 Enterprise Zone Business Rates

Business Rates generated on the Lancaster Way Enterprise Zone had restrictions on their use in the original agreement with Government and the Cambridgeshire and Peterborough Combined Authority. A new agreement has recently been drafted which provides the Council with additional freedoms as to how it can use its share of these receipts. Moving forward it is therefore planned to meet the total cost of the Economic Development Team from these receipts.

5.7 Pension Costs

The three yearly actuarial review of the Pension Fund took place on 31 March 2025. The calculation concluded that the Pension Fund is in credit and as such, the Council's annual contribution will be reduced from April 2026.

In the current year, the Council's contribution into the fund is 17.4% of salary costs plus a lump sum contribution of £437,000, this equates to an overall percentage of 24.5%. From April 2026, the rate will be 18.5% of salary costs, with no lump sum payment.

6.0 Impact on the MTFS

6.1 As alluded to above, it is difficult at this time to forecast with any certainty, the longer term implications on the Council's finances, with the major unknown being around the impact of the Fair Funding Review for Local Government.

6.2 The figures detailed in Appendix 1, therefore need to be treated with caution, these will be updated further during the coming months as further information becomes available, with the Director, Finance updating Finance and Assets Committee as appropriate.

6.3 The figures presented however show that the 2026/27 financial year is balanced via the use of the Surplus Savings Reserve, but there are significant savings requirements in future years, with around £1 million to be found to balance 2027/28 – year 2 of the plan.

6.4 Therefore, whilst the Council is not expecting any issues with being able to publish a legal budget for 2026/27, savings are required to balance the budget in 2027/28 prior to LGR in April 2028. It is important, therefore, that work continues to look for opportunities and put in place plans to make savings or increase income levels in 2026/27 and future years, to reduce the immediate draw from the Surplus Savings Reserve, so that further funds are available in the future.

6.5 To this end, options to resolve the budget shortfalls in future years come from:

- Efficiencies in the cost of service delivery
- Reductions in service levels
- Increased income from fees and charges
- Increased commercialisation via its trading companies.

7.0 Additional Implications Assessment

7.1 In the table below, please put Yes or No in each box:

Financial Implications No	Legal Implications No	Human Resources (HR) Implications No
Equality Impact Assessment (EIA) No	Carbon Impact Assessment (CIA) No	Data Protection Impact Assessment (DPIA) No

8.0 Appendix

Appendix 1 – MTFS Model as at 2 September 2025.

9.0 Background Documents:

2025/26 Budget as approved by Full Council on 25 February 2025.

