

Title: Revenue Budget, Capital Strategy and Council Tax 2026/27

Committee: Finance and Assets Committee

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1.0 Issue

1.1 This report sets out the Council's proposed revenue budget, capital strategy, and the required level of Council Tax in 2026/27. The report assesses the robustness of the budgets, the adequacy of reserves and updates the Council's Medium Term Financial Strategy (MTFS).

2.0 Recommendations

2.1 Committee is asked to recommend to Full Council that it approve:

- i) The draft revenue budget for 2026/27 and MTFS for 2027/28 to 2029/30 as set out in Appendix 1
- ii) The Statement of Reserves as set out in Appendix 2
- iii) The Capital Strategy and financing as set out in Appendix 3
- iv) The 2026/27 Fees and Charges as set out in Appendix 4
- v) The application of Business Rate reliefs for 2026/27, including those announced in the Autumn Budget and fully funded by Government through Section 31 grant, as detailed in sections 6.6 to 6.7 of this report.
- vi) The changes to the Local Council Tax Reduction Scheme and premiums for Long-Term Empty and Second Homes as detailed in sections 11.8 and 11.9 of this report.

2.2 To authorise the Director, Finance, in consultation with the Chairman of Committee to adjust the use of the Surplus Savings Reserve in 2026/27 and future years (as available), to ensure that the net budget as detailed in 2.1 remains unchanged (in the event of any additional information becoming available, principally in relation to (but not exclusive too) the Final Local Government Settlement and/or the NNDR1 return). These adjustments to be made in advance of the report being presented to Full Council on the 24 February 2026.

3.0 Background / Options

3.1 At the Full Council meeting on 25 February 2025, members approved a net budget for 2025/26 of £12,487,403 and a frozen Council Tax. The budget had a planned draw of £1,812,895 from the Surplus Savings Reserve. The Medium-

Term Financial Strategy at that time showed a balanced budget in 2026/27 (using further resources from the Surplus Savings Reserve and an increase in Council Tax of £5), but with significant budget deficits in 2027/28 and 2028/29.

- 3.2 The outturn position for 2024/25 was reported to the Finance and Assets Committee on the 26 June 2025. This showed that due to the actions taken by management to reduce the Council's cost base prior to and during 2024/25 and the prudent forecast of Business Rates receipts, the Council underspent in 2024/25 by £2,621,278. This was transferred into the Surplus Savings Reserve.
- 3.3 Management has continued to look for opportunities to reduce the Council's cost base during the current financial year. This work has led to further one-off and ongoing savings being made, which both contribute to the projected outturn for this financial year and also provide savings throughout the term of the MTFS. The current year-end forecast for 2025/26, as presented to this meeting in a separate report, is an underspend of £1,271,162. This too will be transferred to the Surplus Savings Reserve at year-end and has been reflected in the figures in this report.

4.0 Local Government Finance – Policy Statement

- 4.1 The Local Government Finance Policy Statement 2026/27 to 2028/29 was published on 20 November 2025, setting out the Government's plans for the first multi-year Local Government Finance Settlement in a decade. The statement outlines substantive reforms to deliver a fairer and simpler funding system for local government in England.
- 4.2 At the heart of the policy is the implementation of the Fair Funding Review 2.0, which updates how funding allocations are calculated to better reflect councils' relative needs and resources. This follows extensive consultation and represents the most significant overhaul of local government funding in many years.
- 4.3 The Government's objective is to align funding with need and to redistribute resources towards authorities facing the greatest demand pressures and lowest capacity to raise income locally. The statement sets out the Government's response to the Fair Funding Review 2.0 and explains how the new funding system will be delivered through the 2026/27 Settlement.
- 4.4 To support the transition to the new funding system, a full reset of the Business Rates Retention System (BRRS) is planned from 1 April 2026. This reset will establish new business rates baselines and redistribute retained business rates income in line with updated assessments of need. A transitional baseline will be used to phase changes over the multi-year settlement and to mitigate potential sudden funding losses.
- 4.5 The policy introduces phasing arrangements to manage the impact of funding redistribution. Revenue Support Grant will be used to move authorities gradually to their new funding positions over the three years of the settlement, preventing abrupt changes to councils' funding levels in 2026/27.
- 4.6 Consistent with the Government's aim to provide certainty for local authorities, the policy consolidates a large number of revenue funding streams into the core Settlement. An unprecedented 33 funding streams — previously paid outside the Settlement across multiple departments — will be brought into the Settlement

framework over the three-year period. This simplifies funding, reduces fragmentation, and gives councils greater predictability.

- 4.7 The Government has confirmed a continuation of flexibility on Council Tax referendum principles for the period of the multi-year Settlement. This provides local authorities with clarity on the parameters within which they can set Council Tax levels to support service delivery.
- 4.8 Transitional protections include increased Safety Net arrangements, with protection at 100% of set Baseline Funding Levels for 2026/27, providing a safeguard against significant falls in funding during the reset and recalibration of the business rates system. The Safety Net threshold will return gradually to its standard level over the course of the settlement.
- 4.9 The policy also confirms continued support for key services and targeted funding, including a guaranteed continuation of the Recovery Grant for authorities previously eligible, coupled with a Recovery Grant Guarantee to ensure minimum real-terms funding increases for eligible upper-tier authorities. Further additional grant funding for services such as adult social care and children's services has also been built into the multi-year Settlement.
- 4.10 For levies that have disproportionately impacted some authorities (e.g., Internal Drainage Board levies), the Government plans dedicated support funding for 2026/27, with allocations to be announced ahead of the provisional Settlement.
- 4.11 Overall, the 2026/27 Policy Statement marks a fundamental shift towards a fairer, simpler and more evidence-based funding system, underpinned by transitional protections and multi-year certainty. The reforms are intended to create a more rational distribution of government funding that better reflects local need while providing councils with increased planning stability.

5.0 Local Government Finance Provisional Settlement

- 5.1 The Provisional Local Government Finance Settlement for 2026/27 was announced in December 2025 and represents the first year of the new multi-year settlement following the implementation of the Fair Funding Review and the Business Rates baseline reset. This marks a significant change in the way funding is distributed to local authorities, including East Cambridgeshire District Council.
- 5.2 As part of the new settlement arrangements, Revenue Support Grant (RSG) is no longer allocated on a traditional basis. Instead, it is used as a transitional mechanism to manage the redistribution of funding arising from the Fair Funding Review. For East Cambridgeshire, RSG now reflects transitional support rather than a direct funding stream linked to inflation or service pressures.
- 5.3 The New Homes Bonus scheme has been fully discontinued from 2026/27, in line with Government policy. There are no legacy payments or further allocations. For East Cambridgeshire, this removes a previously significant and variable source of income, with funding effectively absorbed into the revised baseline funding assessment as part of the Fair Funding Review.
- 5.4 The Provisional Settlement includes transitional protections to manage the impact of funding changes resulting from the Fair Funding Review and Business Rates

reset. These protections are built into baseline funding levels rather than provided through a separate grant mechanism. While this provides short-term stability for East Cambridgeshire, it also means that funding reductions are phased rather than avoided entirely.

- 5.5 The Recovery Grant continues in 2026/27 but remains targeted at authorities experiencing the highest levels of financial pressure. East Cambridgeshire does not qualify for this grant and therefore receives no allocation.
- 5.6 The Provisional Settlement confirms that support for authorities facing higher Internal Drainage Board (IDB) levies will continue in 2026/27. Final allocations will be confirmed in the Final Settlement. Given the Council's historic eligibility for this funding, a prudent assumption has been included within the budget, although the final amount remains uncertain.
- 5.7 The lead authority for Cambridgeshire requested that the existing Cambridgeshire Business Rates Pool be revoked. As a result, East Cambridgeshire District Council will not participate in a Business Rates Pool in 2026/27 and will instead operate on an individual authority basis for business rates purposes.

6.0 Business Rates

- 6.1 The NNDR 1 return for 2025/26 will be produced by the end of January in line with statutory requirements. Figures from this will be included in the budget presented to Full Council in February. However, for this report, estimated figures as provided by Pixel Financial Management have been used.
- 6.2 While East Cambridgeshire District Council has previously benefitted from retained Business Rates growth, the full Business Rates baseline reset implemented in 2026/27 means that future growth is redistributed through the new funding system. There remains a risk that successful appeals could be lodged and backdated, potentially affecting income over multiple years. Accordingly, the Council continues to include a provision for Business Rates appeals when determining the amount of rates income to be recognised within the 2026/27 budget.
- 6.3 The MTFS assumed that the Collection Fund for Business Rates will be in balance as at 31 March 2026, however this will not be known until the NNDR1 is completed at the end of January. This figure will be included in the report to Full Council as in 6.1 above.
- 6.4 East Cambridgeshire District Council will not participate in a Business Rates Pool in 2026/27, following the revocation of the Cambridgeshire Business Rates Pool by the lead authority. The other authorities previously in the Pool – Cambridgeshire County Council, Cambridgeshire Fire Authority, Peterborough City Council, and South Cambridgeshire District Council – will now operate independently. Cambridge City Council, Fenland District Council, and Huntingdonshire District Council were not members of the Pool and continue to operate outside it. As a result, East Cambridgeshire will account for business rates on an individual authority basis, with no pooling of growth or risk-sharing arrangements.

- 6.5 The approach to business rates support in 2026/27 includes the replacement of the temporary 40% Retail, Hospitality and Leisure relief (available for 2025/26) with the new permanently lower multipliers for qualifying properties from April 2026. Any other business rates reliefs announced in the national budget are also reflected, as detailed in section 6.6. These assumptions have been informed by advice from our external consultant, Pixel Financial Management.
- 6.6 Although the 2026/27 business rates multipliers and reliefs were set out in the Autumn Budget on 26 November 2025, the Council must use its discretionary powers under Section 47 of the Local Government Finance Act 1988 to grant certain reliefs, including Supporting Small Business Relief. Central Government will fully reimburse the cost of these nationally mandated reliefs through Section 31 grants.
- 6.7 With the Spring Statement expected to take place in March 2026, if any further discretionary reliefs to Business Rates are announced, Council is asked to delegate authority to the Director of Finance to implement these, provided they are fully funded by Government through Section 31 grant.

7.0 The 2026/27 Budget

- 7.1 Due to the proactive actions taken by management to reduce costs and generate new sources of funding in recent years, the revenue budget for 2026/27 is fully funded.
- 7.2 The draft budget for 2026/27 is set out in Appendix 1 to this report.
- 7.3 The following key assumptions have been made in preparing the draft budget:
 - The April 2026 inflationary pay increase for staff has been assumed at 2.5% with then in addition the additional employer National Insurance contributions built into the budget;
 - Service leads are provided budget to cover their full staff establishment – i.e. without a turnover allowance;
 - Where known, inflation on contracts has been included to reflect the expected increase in these during the year. These include insurance and IT licences;
 - Inflation has been added to the Waste contract for 2026/27, Funding is also provided for the capital costs of the new vehicles (purchased in 2025/26) which will start being charged to East Cambs Street Scene (ECSS) in 2026/27.
 - The budget also reflects a clearer client and contractor split within Waste, with the costs of the Mechanical Recycling Facility (MRF); income from Recycling Credits and the Extended Producer Responsibility Grant, as well as some staff costs, now being treated as client costs;
 - 9% inflation has been added to the Parks and Gardens contract with East Cambs Trading Company (ECTC);
 - Internal Drainage Board levies have been inflated by 6% based on information received from Middle Level Commissioners, this in advance of the individual drainage boards setting their detailed budgets. Drainage levies have increased significantly above general inflation in recent years as a consequence of higher electricity costs and water volumes;
 - Other expenditure budgets have been increased between 0% and 2% for inflation;

- Pension Fund revaluations are undertaken every three years, with the most recent valuation completed as at 31 March 2025. Following this valuation, employer contribution rates for the period from 1 April 2026 to 31 March 2029 have been confirmed. As a result of the improved funding position of the Pension Fund, the Council is no longer required to make a lump sum (secondary) contribution. From 1 April 2026, the Council will instead pay a single employer contribution rate of 18.5%.

This replaces the previous arrangement under which the Council paid a primary rate of 17.4% together with a lump sum contribution of £437,000 in 2025/26. The revised contribution rate of 18.5% will apply for the full valuation period to 31 March 2029 and has been reflected in the Medium Term Financial Strategy.

- The Housing Benefit budget reflects the mid-year position for 2025/26: the latest information received from Anglia Revenues Partnership (ARP);
- No adjustments to spend have been made to reflect the anticipated increase in population within the District;
- Budgeted income from the commuter car park has been increased by £10k in line with the expected increase seen in year 2025/26.
- A budget allocation of £50k is set aside as a match funding to support the parish councils in support of neighbourhood plans with a maximum payment of £5k;

8.0 Reserves

8.1 The Council holds reserves, at levels which remain prudent. It is important to review the level of reserves on a regular basis, in particular to ensure that potential liabilities not in the Council's base budget can be funded from earmarked reserves; and that unearmarked reserves are at a sufficient level to cover any unforeseen events.

8.2 As part of the process of preparing this budget, officers have reviewed each reserve to ensure its purpose and level is appropriate. A Statement of Reserves is attached at Appendix 2.

8.3 The sole unearmarked reserve is the General Fund. This currently stands at £1,426,014. There is no statutory minimum level set for local authority reserves; it is a matter for each local authority's own judgement after taking into consideration the strategic, operational and financial risks it faces. It has been this Council's policy for some time that the level of the unearmarked reserve be set at 10% of the net operating budget (before any movement to the reserve). This is a reasonably prudent approach and a higher percentage than many other authorities locally. The proposed net operating budget for 2026/27 is £17,295,161. Using the 10% figure, this requires an unearmarked reserve of £1,729,516 an increase of £303,502.

9.0 Fees and Charges

9.1 Officers have reviewed the fees and charges, and details of the proposed charges for 2025/26 are shown at Appendix 4. The proposed budgets have been adjusted to reflect the change in price and volumes expected in 2026/27.

9.2 Where we have control over the fee level, as opposed to where these are negotiated nationally, and where the fee relates to work undertaken by officers, it

is proposed to increase fees and charges by approximately 2.5%. This reflects the forecast 2.5% inflationary increase in pay on the 1st April 2026. This approach ensures that the additional cost of providing the service is met by the person / organisation benefiting from the service, rather than the general populous through Council Tax.

- 9.3 As external funding from Government grants continues to reduce, the Council's approach to fees and charges will need to reflect the increasing importance of this as a funding source.

10.0 Capital Strategy

- 10.1 The CIPFA revised 2017 Prudential and Treasury Management Codes required, from 2019/20, all local authorities to prepare a capital strategy report, which provides:
 - a high level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
 - an overview of how the associated risk is managed;
 - the implications for future financial sustainability.
- 10.2 The Council currently has one major capital project underway, with the remainder of the programme representing a continuation of existing and ongoing schemes. The medium-term Capital Programme is set out in Appendix 3, with a total value of £7,474,882 for 2026/27.
- 10.3 The Council's Treasury Management Strategy is a separate document, which is also on today's Finance and Assets Committee agenda with the recommendation to ask Full Council to approve.
- 10.4 The principal capital project within the 2026/27 Capital Programme is the development of a District Bereavement Centre on the Council-owned Mepal site at Ireton's Way. The scheme comprises a crematorium, a modular function room, and associated natural burial and pet cemetery facilities. The project commenced in 2025/26, with a total estimated cost of £12,890,617. The budget provision for 2026/27 is £2,482,583, with completion expected by July 2026. Funding will be provided through Community Infrastructure Levy (CIL) contributions.
- 10.5 Where the additional cost of vehicles purchased in 2025/26, 2026/27 and future years impact the charge to ECSS, the Council has increased the management fee it pays ECSS for providing the service as detailed in paragraph 7.3 to ensure that it can meet these additional costs.
- 10.6 Council at its meeting on the 21 April 2022, approved a further loan facility to ECTC of £7.5 million. Much of this has been provided in the current year and previous years, with the current profile assuming that £4,000,000 will be provided in 2026/27. This funding is to ensure that ECTC has the finance available to progress and complete two building development schemes, these being phase two and three at the former MoD site in North Ely. The Council has security in place with regard to this loan in the form of a debenture which provides it with first ranking security over all unsecured assets of the Company.

10.7 There are a number of capital budgets that continue into 2026/27, having been in place in previous years, where there is a commitment to continue spending in each year of the capital programme:

- The purchase of new wheelied bins. As further residential properties are built within the District, these need to be supplied with bins, so the Council needs to have these available. The cost of these, estimated at £40,000 per annum, will be covered by a combination of Section 106 funding from developers and capital receipts.
- Disabled Facilities, both mandatory and discretionary. The Council receives Government funding (from the Better Care Fund), via the County Council to assist with the funding of this work. The total budget in 2026/27 is £772,299.
- Vehicle replacement funding for the Parks and Gardens team. These vehicles are purchased by the Council using Section 106 funding, and then hired to ECTC at a rate to cover the notional MRP and interest costs using the same approach as with Waste vehicles.

10.8 As agreed in the 2017/18 budget, the Council now funds expenditure that would have previously been funded from external borrowing, on schemes such as the Leisure Centre, Waste fleet and bins and the loan to the ECTC, from internal borrowing. As interest chargeable on external borrowing is higher than interest receipts on investments, this provides a net saving to the Council. The expectation is that all borrowing in 2026/27 will be funded from internal borrowing, thus preventing any external borrowing costs. More details of the Council's borrowing requirement and investment strategy are detailed in the Treasury Management Strategy (also on the agenda for this meeting).

10.9 In summary therefore, the Council has limited exposure to the ongoing costs of capital expenditure at this time. The MRP costs of the Leisure Centre are being met by the operator through the management fee; the loan to ECTC is due to be repaid in full by March 2027 and in the intervening period a commercial interest rate is being charged, and the costs of the Waste fleet will be passed onto ECSS, although the Council's management fee payable to ECSS has been increased in 2026/27 and 2027/28 to reflect the additional MRP payments the Company will be paying on the replacement vehicles.

11.0 Council Tax

11.1 The MTFS assumed that the Collection Fund for Council Tax would be in balance as at 31 March 2026. However, due to the increased number of houses built in the District during 2025/26 and the fact that Council Tax receipts have not been impacted by the cost of living crisis as much as expected, the Fund is now forecast to be in surplus at the end of this financial year. The net position being that the Council will benefit by £150,313 from the Collection Fund surplus in 2026/27.

11.2 The taxbase for 2026/27 estimated in last year's budget was an equivalent of 33,393.0 Band D properties.

11.3 As detailed earlier in this report, the Local Government Policy Statement detailed that district councils can increase Council Tax by 2.99% or £5 without the need for a referendum. A 1% increase in Council Tax for this Council would generate an additional £48,115, whereas a £1 increase would generate a further £33,850.7. For this Council therefore the £5 figure would be the highest, generating additional income of £169,253 in the year.

11.4 This budget is drafted on the assumption that the Council will apply the maximum increase available, therefore increasing Council Tax to £147.14 in 2026/27.

11.5 The County Council, Fire Authority, Police Authority and Cambridgeshire and Peterborough Combined Authority budgets and precepts will be considered by their respective decision making bodies in early February and we are expecting to be notified of their precept requirement prior to Full Council approving the budget at its February meeting.

11.6 It should be noted that the County Council's precept comes in two parts, a general precept and an adult social care precept, this following the Secretary of State's offer to all adult social care authorities (those with functions under Part 1 of the Care Act 2014). The offer was the option of an adult social care authority being able to charge an additional "precept" on its council tax without holding a referendum, to assist the authority in meeting its expenditure on adult social care. This arrangement has been in place since 2016/17.

11.7 Where parish precepts have been notified to the Council, these are shown in Appendix 5. Again, it is expected that these will all be available prior to this report going to Full Council on the 24th February 2026.

11.8 Finance and Assets Committee at its meeting on the 27th November 2025 agreed to make one change to the Local Council Tax Reduction Scheme (LCTRS), that being, that DWP passported benefit status for LCTRS assessments will be disregarded where the Council is satisfied that the assessment is incorrect based on information obtained by the Council's Fraud Investigation Team.

11.9 At the same meeting, it was agreed to apply a premium of 100% to Second Homes from the 1st April 2027 and allow Long-Term Empty premiums to be applied after one year as opposed to two, this coming into effect on the 1st April 2026. There were some exemptions from these additional premiums which were detailed in the paper presented to Finance and Assets Committee. Both these decisions need formal approval from Full Council.

12.0 Risk and Sensitivity Analysis

12.1 The Local Government Act 2003 places two specific requirements on an authority's Section 151 Officer in determining the Council's budget and Council Tax. Under Section 25, the Section 151 Officer must advise on the **robustness of the estimates** included in the budget. The advice given to the Council on this issue is that the estimates have been produced on a prudent basis, with a strong emphasis on ensuring all cost pressures are included. Budget estimates have

been developed with senior officers, with regular updates and discussions with members of Management Team.

- 12.2 The main financial risk for the Council continues to be uncertainty around future Government funding. While the Fair Funding Review introduces a multi-year funding settlement from 2026/27, providing greater short-term stability, there remains limited clarity on how the new funding formula and Business Rates reset will impact individual councils over the medium term. As a result, the Medium Term Financial Strategy has been developed using prudent assumptions, recognising that funding allocations may change as the new arrangements are implemented.
- 12.3 One of the most significant financial challenges facing the Council arises from the implementation of the Fair Funding Review and the associated full reset of Business Rates from 2026/27. Under the new national funding framework, the existing Business Rates baseline—originally set in 2013—will be replaced, and historic growth retained by councils will no longer be reflected in future funding levels. Although the Government has now confirmed the introduction of the new funding system, the final allocation for individual authorities has not yet been published. The Medium Term Financial Strategy therefore reflects the expected reduction in Business Rates income based on the best information currently available, but there remains a degree of uncertainty until final funding figures are confirmed.
- 12.4 Unlike the position for the past two years, inflation and the consequential higher pay rises are anticipated to be less of an issue in 2026/27. Section 7.3 of this report details the inflation built into the 2025/26 budget, but in addition to this a £100,000 provision of additional unknown inflation has been built into the budget. To put some context to this figure, we have budgeted for a 2.5% increase in staff pay from the 1st April 2026, if pay was to increase by 3.5% (1% higher) this would cost the Council a further £105,474.
- 12.5 To mitigate the above risks, the Section 151 Officer will continue to report on a regular basis to Management Team and Members as new information becomes available.
- 12.6 The Section 151 Officer is also required to report on the **adequacy of reserves**. The projected level of reserves, specifically the General Fund Reserve and Surplus Savings Reserve, and their use in 2026/27 are **prudent** and show how these will sustain the functions of the Council in that year.
- 12.7 However, the MTFS assumes the Surplus Savings Reserve is utilised during 2026/27 and 2027/28, with only a small amount being carried into 2028/29. This will reduce the overall level of reserves significantly. Reserves can only be utilised once and while the purpose of the Surplus Savings Reserve is to provide one-off funding to balance the budget in future years, the Council needs to consider all options to reduce the speed that this is being utilised so that it remains available as far as possible into the future. The Council has a track record of delivering additional savings and generating extra income in advance of the budget requirement, so work done during 2025/26 and 2026/27 financial years will hopefully lead to a reduced draw from the Surplus Savings Reserve in these and future years through the MTFS period.

12.8 Another key risk for the Council is its loan to ECTC. Should ECTC encounter any financial difficulties and be unable to repay the £7,500,000 loan facility, then the Council will need to account for this within its financial statements. In such an event, the Council would need to draw on its reserves to meet such a liability. At this point, it should be noted there is no indication that this is likely to be the case and indeed not all of the loan facility has, as yet, been drawn down. To limit this risk further and as detailed in 10.10 above, the Council has security in place with regard to this loan in the form of a debenture which provides it with first ranking security over all unsecured assets of the Company.

13.0 Medium Term Financial Strategy

13.1 The Council's Medium Term Financial Strategy is to set a robust financial framework for the Council's plans over the next four years which support the delivery of the Council's priorities within a context of an annual balanced budget. Specifically, the MTFS:

- Looks to the longer term to help plan sustainable services within an uncertain external economic and funding environment;
- Maximises the Council's financial resilience to manage risk and volatility, including managing adequate reserves;
- Helps ensure that the Council's financial resources are directed to support delivery of the Council's priorities over the medium term.

13.2 The MTFS covers the period 2026/27 to 2029/30. As highlighted earlier in the report, the Policy Statement and Local Government Finance Settlement announced by Government for 2026/27 provide assurance about the grant position for the budget year.

13.3 Developing a robust Medium Term Financial Strategy for 2027/28 and beyond remains challenging due to ongoing uncertainties around future Government funding. As set out earlier in this report, the Fair Funding Review and the associated full reset of Business Rates are now confirmed, but the final allocations to individual councils, including East Cambridgeshire, have not yet been published. This creates a degree of uncertainty for the Council's funding position in future years. The MTFS will continue to be monitored and updated as further details of the Government's funding decisions are released. Any significant changes will be reported to the Finance and Assets Committee to ensure that the Council can respond appropriately and maintain financial stability.

13.4 The assumptions used in the MTFS include:

- Government funding from 2026/27 is assumed to be based on the Fair Funding Review and a multi-year funding settlement, following the cessation of the New Homes Bonus and Funding Floor Grant in 2025/26.
- The MTFS includes transitional funding arising from the Government's 95% income protection arrangements, as reflected in the Local Government Finance Settlement. This funding is included only for the years explicitly indicated, up to 2028/29, and is transitional in nature. It has not been assumed as ongoing funding beyond this period, and any change to, or withdrawal of, this protection represents a financial risk to the Council.

- Inflation on staff pay is included at 2.5% in 2026/27 and then 2% in all future years;
- The loan to ECTC is planned to be repaid by March 2027, the interest received by the Council on this loan will therefore stop at this point. The loan repayments will be used to reduce / prevent the Council needing to borrow externally and/or to invest in line with the Treasury Management Strategy;
- As discussed earlier in this report, one of the requirements of the Government's new Waste Strategy is the introduction of weekly food waste collections for all households from 2026. The revenue cost of delivering this service has been included in the 2026/27 budget and future years of the MTFS. Under the provisional 2026/27 Local Government Finance Settlement, funding for local authorities is now being allocated through a multi-year settlement covering 2026/27 to 2028/29, which includes the Fair Funding Review 2.0 reforms to the distribution of Revenue Support Grant and business rates allocations. This new multi-year framework is intended to provide greater stability and certainty of funding compared with previous annual settlements. At this stage, it remains unclear whether additional, specific Government funding (such as new burdens funding or targeted grants) will be provided to fully offset the costs associated with the introduction of weekly food waste collections, or the extent to which income from the Extended Producer Responsibility (EPR) regime will mitigate these costs. In the absence of confirmed funding allocations, no additional specific funding has therefore been assumed within the MTFS, and this position will be kept under review as further details of the Local Government Finance Settlement and final funding allocations become available.
- On interest receipts, it is assumed that interest rates will remain at around 3.5% in 2026/27, but then reducing during the MTFS period to 2.75% by 2028/29;
- There remains no assumption in the MTFS for any dividends being received from ECTC. (While noting that no dividends are budgeted for, it should not be forgotten that the Council continues to get a benefit from ECTC, with interest being paid on the loan provided, the recharge of management and support services costs to the Company, the hire of the Market Place and part of the depot (the remainder is charged to ECSS), as well as Capital Receipts, Section 106 contributions and additional Council Tax receipts from the properties developed.);
- The budget and MTFS include the impacts of the construction or running costs of the proposed new Crematorium at Mepal;
- The Council has a track record of delivering cost reductions; it is anticipated therefore that a contribution to the budget deficit forecast in future years will be achieved during the term through general efficiencies and income generating opportunities. However, to be prudent, no account of these is shown within the forecasts in this report.

13.5 The impact of the above assumptions is attached at Appendix 1. This shows the budgets for 2026/27 and 2027/28 are fully funded. However, there are significant budget shortfalls projected in 2028/29 and subsequent years. Clearly many things

will change between now and then, so Members should not focus on the precise numbers. It is far more important that Members appreciate the direction of funding facing this and many local authorities, and the likely scale. It will be necessary to develop a plan to meet these shortfalls, although the Council does have time (although limited) to put the necessary plans in place. The Council also has access to a reasonable level of reserves, as described in Section 8 of this report.

13.6 While noting the uncertainty that is highlighted in this report about the 2027/28 financial year, it is considered unlikely that the quantum of funding from Government will increase and as such, this Council will need to identify measures to bridge the budget gap. A comparison between this year's MTFS and the past two last years does highlight an increased savings need particularly in years three and four.

2024/25 Budget	
2024/25 – budget year	Balanced
2025/26 – MTFS year 1	Balanced
2026/27 – MTFS year 2	Savings to find £3,196,858
2027/28 – MTFS year 3	Savings to find £5,586,743
2025/26 Budget	
2025/26 – budget year	Balanced
2026/27 – MTFS year 1	Balanced
2027/28 – MTFS year 2	Savings to find £4,502,091
2028/29 – MTFS year 3	Savings to find £5,602,453
2026/27 Budget	
2026/27 – budget year	Balanced
2027/28 – MTFS year 1	Balanced
2028/29 – MTFS year 2	Savings to find £2,028,819
2029/30 – MTFS year 3	Savings to find £6,499,212

13.7 Options to resolve the budget shortfalls in future years include:

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

13.8 While noting the Council's favourable position of having a balanced budget (by use of the Surplus Savings Reserve) for 2026/27 and 2027/28, it is strongly recommended that early consideration is given to how savings in future years will be achieved. All the bullets above need to be considered, with a quickening of the pace with a review of all income generating opportunities, as these are potentially the areas that could generate the highest returns, while having least impact on the services provided by the Council. However, within the MTFS period, all options will need to be considered and potentially implemented.

13.9 Any savings achieved in 2025/26 and 2027/28 resulting in potential underspends in those years, will allow further funding to be moved into the Surplus Savings Reserve and therefore available to assist in the balancing of the budget in future years.

14.0 Conclusions

14.1 The proactive actions already taken have enabled a balanced budget for 2026/27, utilising the Surplus Savings Reserve where necessary. With the Fair Funding Review allocations and multi-year settlement now confirmed, the Council has greater certainty over its funding for 2026/27 compared with previous forecasts. While this reduces the overall level of uncertainty, the Medium-Term Financial Strategy still contains risk, particularly relating to future service pressures and cost increases beyond 2026/27. The Council will continue to identify opportunities within its control to manage these risks and support financial sustainability in future years.

15.0 Additional Implications Assessment

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

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

15.2 Financial Implications

The proposed net operating budget of £17,295,161 will be financed by Revenue Support Grant, retained Business Rates, Council Tax and a contribution from the Surplus Savings Reserve.

16.0 Appendices

Appendix 1 - Draft Budget 2026/27 and MTFS

Appendix 2 – Draft Statement of Reserves

Appendix 3 – Draft Capital Programme

Appendix 4 – Draft Schedule of Fees and Charges

Appendix 5 – Parish Precepts

17.0 Background Documents

2025/26 Budget to Full Council – 25 February 2025

Year-end Finance report for 2024/25 to Finance and Assets Committee – 26 June 2025

MTFS up-date report to Finance and Assets Committee – 25 September 2025

Local Council Tax Reduction Scheme (LCTRS) update for 2026/27 and change to Council Tax on Long-Term Empty and Second Homes report to Finance and Assets Committee – 27 November 2025