

TITLE: Medium-Term Financial Strategy Update

Committee: Finance & Assets Committee

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Issue

1. To provide the Committee with an update on the Medium-Term Financial Strategy (MTFS) since the 2026/27 budget was approved in February 2026.

Recommendations

2. Members are requested to note the contents of the report.

Background

3. The Council approved the budget for 2026/27, together with the MTFS for 2027/28 to 2030/31, at its meeting on 24 February 2026. At that point, through the use of its Surplus Savings Reserve, the Council had a balanced budget for 2026/27 and 2027/28, but significant savings were required in the following years.
4. 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.
5. The Government's position on Local Government Reorganisation (LGR) has recently changed. On 7 September 2026, the Government announced that its previous approach to LGR is being reviewed, with Cambridgeshire & Peterborough included within the areas to be considered. No decision has yet been taken on reorganisation in Cambridgeshire & Peterborough and, consequently, the timing and form of any future reorganisation remain uncertain.
6. In light of this uncertainty, the MTFS has been prepared through to 2030/31 to provide a complete view of the Council's potential financial position over the medium term. This ensures that the Council's financial planning remains robust should the timing or form of LGR change, including if reorganisation is delayed or does not proceed as previously anticipated.
7. The MTFS does not currently include any specific provision for costs arising from LGR. Given the uncertainty over the timing, scope and outcome of the Government's review, it is not considered appropriate to include specific LGR-related expenditure at this stage. The financial implications will be assessed once there is greater clarity on the Government's proposals and the Council's position,

and the MTFS will be updated accordingly as further information becomes available.

Changes to previous years

8. The Council ended the 2025/26 financial year with an underspend of £3,049,102. This underspend was added to the Surplus Savings Reserve and is available to support the MTFS in future years.
9. The Council is currently forecasting a year-end underspend of £199,000 in 2026/27. This will also be transferred into the Surplus Savings Reserve at year-end and has been included in the figures detailed in this paper.

Changes made to the 2027/28 Budget

Fair Funding Review

10. The Fair Funding Review and associated Business Rates baseline reset have now been implemented and reflected in the Council's updated Medium-Term Financial Strategy (MTFS). The confirmed funding arrangements cover the period to 2028/29. Revenue Support Grant is estimated at £3.509 million in 2027/28, reducing to £2.415 million in 2028/29. In the absence of confirmed funding allocations beyond 2028/29, the Council has used the Pixel modelling assumptions for the remainder of the MTFS period, with Revenue Support Grant estimated at £2.810 million in 2029/30 and £2.840 million in 2030/31.
11. The reduction in central government funding, together with the ongoing impact of the Business Rates reset, increases the financial pressure on the Council over the medium term. The updated MTFS therefore continues to recognise the need to identify and deliver savings and efficiencies to maintain a balanced budget throughout the period to 2030/31.

Inflation

12. Officers have made specific assumptions regarding inflation across individual budget lines. Given the stabilisation of inflationary pressures, a general inflationary increase has not been applied to all budgets. Where appropriate, individual budgets have been reviewed, and inflation has been applied based on the specific circumstances and expected cost pressures.
13. A 3% annual inflationary pay increase has been assumed on salary budgets for each year of the MTFS period from 2026/27 to 2030/31. This assumption recognises the ongoing pressure on pay costs, while allowing for the impact of staff vacancies and turnover within the Council's overall salary budget.

Council Tax

14. 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.

15. 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.
16. It is assumed at this stage that the value of Council Tax in 2027/28 for a Band D property will be increased by £5 to £147.14, in line with the decision made in February 2026.
17. 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.

Business Rates

18. Councils are required to prepare an NNDR1 return each year, setting out the amount of Business Rates they anticipate collecting during the following financial year. The final budget presented to Council will reflect the figures included in the NNDR1 return.
19. The Business Rates assumptions included within this MTFS have been updated to reflect the latest forecasts and the impact of the Business Rates baseline reset implemented as part of the Fair Funding Review. The MTFS assumes the funding arrangements arising from the Fair Funding Review for the initial three-year period, with the latest Business Rates forecasts incorporated for the remainder of the MTFS period.
20. The Business Rates position will continue to be reviewed as part of the annual budget-setting process and updated for any changes in the NNDR1 forecast.

Waste

21. The Waste and Street Cleansing Service changes approved by Full Council on 17 October 2024 have now been implemented, with the ongoing financial impact incorporated into the Council's base budget and updated MTFS.
22. The MTFS includes the latest expenditure estimates for the Waste and Street Cleansing service and assumptions regarding funding received through the Extended Producer Responsibility (EPR) scheme. EPR funding of £942,955 has been assumed for 2027/28, with reducing levels of funding assumed over the remainder of the MTFS period.
23. The EPR funding assumptions will be reviewed as further information becomes available from Government and PackUK, including the confirmed payment for 2027/28.

Enterprise Zone Business Rates

24. Business Rates generated from the Lancaster Way Enterprise Zone provide an important source of funding for the Council. Following changes to the arrangements

governing the use of these receipts, the Council has greater flexibility over the use of its share of Enterprise Zone Business Rates.

25. The MTFS assumes that Enterprise Zone Business Rates will continue to be used to support the Council's economic development activity, with the cost of the Economic Development Team funded from these receipts.
26. The MTFS includes £2.037 million of NNDR income from renewables and the Enterprise Zone in 2027/28, with the level of income assumed to remain broadly consistent over the MTFS period.

Pension Costs

27. The three-yearly actuarial valuation of the Cambridgeshire Pension Fund was undertaken as of 31 March 2025. The valuation showed a significant improvement in the funding position of the Fund and resulted in revised employer contribution rates being agreed for the period from April 2026.
28. From April 2026, the Council's employer contribution rate is 18.5% of pensionable salary costs, with no additional lump sum contribution. This rate has been incorporated into the Council's salary budgets and the MTFS projections for 2027/28 to 2030/31.

Impact on the MTFS

29. The updated MTFS incorporates the latest information available on the Council's funding, expenditure and income assumptions, including the confirmed impact of the Fair Funding Review and associated Business Rates baseline reset.
30. Whilst there remains some uncertainty over the Council's longer-term financial position, particularly in relation to future Government funding and Business Rates income, the updated figures provide a clearer basis for assessing the Council's financial position over the MTFS period to 2030/31. The projections will continue to be reviewed and updated as further information becomes available.
31. The updated MTFS assumes the use of the Surplus Savings Reserve to support the Council's financial position in 2027/28 and 2028/29, with contributions of £4.379 million and £4.141 million respectively. This will use the remaining balance of the reserve by the end of 2028/29. From 2029/30 onwards, the MTFS does not assume any further use of the reserve and significant savings will therefore need to be identified and delivered to balance the budget.
32. The Council is able to set a balanced budget for 2027/28, with the position supported by a contribution of £4.379 million from the Surplus Savings Reserve. A further £4.141 million is currently forecast to be required from the reserve in 2028/29.
33. The reserve is a finite resource and is not available to provide ongoing support beyond 2028/29. The MTFS therefore identifies a savings requirement of £0.839 million in 2028/29, increasing to £6.488 million in 2029/30 and £6.789 million in 2030/31.

34. It is therefore important that work continues to identify and implement savings, efficiencies and opportunities to increase income at the earliest opportunity. This will reduce the Council's reliance on the Surplus Savings Reserve and strengthen the Council's financial resilience over the remainder of the MTFS period.
35. To address the financial pressures identified within the MTFS, the Council will need to continue to identify and deliver a range of savings and income-generating opportunities. These will include:
- Efficiencies in the delivery of services
 - Changes to service delivery and, where necessary, reductions in service levels
 - Increases in fees and charges, where appropriate
 - Further opportunities to generate income through the Council's trading companies
36. The early identification and delivery of these measures will be important in reducing the Council's reliance on reserves and ensuring that the MTFS remains financially sustainable over the period to 2030/31.

Additional Implications Assessment

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

Appendix

Appendix 1 – MTFS Model as of 3 September 2026.

Background Documents:

2026/27 Budget as approved by Full Council on 24 February 2026.

DRAFT BUDGET 2026-27

	Budget 2026-27 £	Estimate 2027-28 £	Estimate 2028-29 £	Estimate 2029-30 £	Estimate 2030-31 £
Committees:					
Operational Services	8,368,382	8,493,101	8,619,380	8,951,257	9,295,871
Finance & Assets	8,284,422	8,391,215	8,784,026	9,037,084	9,270,832
Net District Spending	16,652,804	16,884,316	17,403,406	17,988,340	18,566,703
New Homes Bonus Grant	0	0	0	0	0
Dampening Grants (Transitional Protection)	-3,949	-713,309	-1,451,052	-120,811	4,739
Service Grant / Adjustment Support Grant	-564,608	0	0	0	0
Internal Drainage Board Levies	824,471	860,650	879,463	898,652	918,225
Net Operating Expenditure	16,908,718	17,031,657	16,831,817	18,766,181	19,489,667
Contribution to Corporate Reserve	264,858	12,294	-19,984	193,436	72,349
Contribution from Surplus Savings Reserve	-3,211,396	-4,378,904	-4,141,027	0	0
Savings to be identified	0	0	-839,025	-6,487,603	-6,788,989
ECDC Budget Requirement	13,962,179	12,665,046	11,831,781	12,472,014	12,773,028
Parish Council Precepts	3,843,212	3,958,509	4,077,264	4,199,582	4,325,569
DISTRICT BUDGET REQUIREMENT	17,805,392	16,623,555	15,909,045	16,671,596	17,098,597
Financed by:					
Council's share of Collection Fund Surpluses	-254,337	0	0	0	0
Revenue Support Grant	-4,566,956	-3,508,806	-2,415,112	-2,809,852	-2,839,889
Locally retained Non-Domestic Rates	-2,110,633	-2,159,047	-2,202,603	-2,246,541	-2,290,577
NNDR from Renewables / Enterprise Zone	-2,283,772	-2,037,442	-2,037,442	-2,037,442	-2,037,442
COUNCIL TAX REQUIREMENT	8,589,693	8,918,260	9,253,888	9,577,761	9,930,688

	Budget 2026-27 £	Estimate 2027-28 £	Estimate 2028-29 £	Estimate 2029-30 £	Estimate 2030-31 £
Unallocated Surplus Savings Reserve					
In hand at 1st April	11,532,328	8,519,932	4,141,027	0	0
Movement in year	-3,012,396	-4,378,904	-4,141,027	0	0
In hand at 31st March	8,519,932	4,141,027	0	0	0

IMPLIED BAND 'D' COUNCIL TAX
(District only i.e. excluding parish levies)

Demand on Collection Fund as above	8,589,693	8,918,260	9,253,888	9,577,761	9,930,688
Less Parish Precepts as above	3,843,212	3,958,509	4,077,264	4,199,582	4,325,569
	4,746,481	4,959,751	5,176,624	5,378,179	5,605,119
Council Tax Base	33,393.0	33,707.7	34,025.4	34,225.4	34,569.6
District Council Tax - Band D	142.14	147.14	152.14	157.14	162.14

Description	Budget				
	2026/27	Estimate 2027/28	Estimate 2028/29	Estimate 2029/30	Estimate 2030/31
Operational Services					
Building Regulations	45,677	50,106	54,744	59,597	64,674
Care and Repair	-25,836	-23,774	-21,626	-19,389	-17,061
Community Projects & Grants	212,295	215,483	218,767	222,149	225,633
Community Safety	73,219	82,151	83,894	85,689	87,538
Cons. Area & Listed Buildings	77,144	79,058	81,030	83,061	85,153
Crematorium	242,649	-30,371	-264,791	-299,935	-338,279
Customer Services	649,638	669,530	690,021	711,127	732,868
Dog Warden Scheme	50,674	52,034	53,433	54,873	56,354
Emergency Planning	34,578	35,143	35,725	36,324	36,941
Environmental	53,377	54,551	55,754	56,987	58,251
Environmental Health	708,373	728,721	749,682	771,274	793,515
Homelessness	383,692	395,416	407,588	420,223	442,028
Leisure Centre	-548,183	-548,183	-548,183	-548,183	-548,183
Licencing - Env Services	-102,213	-86,739	-70,801	-54,385	-37,477
Marketing & Grants	33,766	34,552	35,092	35,643	36,205
Nuisances	119,898	123,348	126,902	130,562	134,332
Parish Forums	1,561	1,561	1,561	1,561	1,561
Planning	419,250	442,024	465,720	490,369	516,005
Public Relations	130,557	134,372	138,302	142,350	146,519
Recycling	3,048,931	3,268,965	3,454,627	3,641,479	3,829,560
Refuse Collection	1,438,796	1,467,572	1,496,923	1,526,861	1,557,399
Street Cleansing	1,284,471	1,310,160	1,336,363	1,363,090	1,390,352
Street Naming & Numbering	36,067	37,049	38,065	39,116	40,204
Travellers Sites	0	372	588	814	1,779
	8,368,382	8,493,101	8,619,380	8,951,257	9,295,871
Finance & Assets					
Asset Management	153,442	153,442	153,442	153,442	153,442
Award Ditches	11,697	11,931	12,170	12,413	12,661
Civic Relations	19,212	19,564	19,924	20,293	20,671
Climate Change	232,687	236,254	239,919	243,686	249,496
Closed Churchyards	38,533	39,304	40,090	40,892	41,710
Community Transport	15,000	15,000	15,000	15,000	15,000
Corp. Man. Policy Research / Review	251,354	257,334	263,458	269,730	276,157
Council Tax Collection Costs	625,991	644,561	657,329	670,353	683,637
Data Management	138,122	141,030	143,027	145,064	147,142
Depot	-76,530	-78,081	-79,663	-81,277	-82,923
Economic Development	-68,922	-63,061	-57,039	-50,853	-44,497
Enterprise Zone Business Rates	500,816	773,993	773,993	773,993	773,994
Finance	396,762	407,886	419,332	431,109	443,226
General Gang	60,838	62,153	63,508	64,903	66,340
Health & Safety (Work)	29,900	29,900	29,900	29,900	29,900
Housing Benefits	508,800	532,371	545,467	558,825	572,450
Housing Strategy	193,762	202,710	211,907	221,359	231,074
Human Resources (including training)	300,371	306,491	312,788	319,265	325,929
Information Technology	1,310,335	1,446,108	1,454,044	1,446,917	1,477,866
Interest & Financial Transactions	-530,353	-577,794	-267,340	-199,471	-195,974
Internal Audit	89,548	91,771	94,050	96,386	98,780
Land Charges Admin	-24,758	-25,517	-26,272	-27,021	-27,763
Legal Services	177,887	182,733	187,730	192,883	198,197
Local Elections	25,000	25,000	25,000	25,000	25,000
Local Plans	318,652	326,088	333,147	341,035	349,160
Management Team	828,759	853,654	879,300	905,719	932,933

Markets	0	1,023	1,044	1,064	1,082
Member & Committee Support	729,619	759,082	765,273	783,943	803,101
Misc. Financial Services	44,478	-408,284	-504,971	-501,170	-497,266
Miscellaneous Properties	-54,229	-58,486	-59,258	-60,046	-60,849
NNDR Collection Costs	59,525	64,347	67,663	71,045	74,495
Out Of Hours Service	14,000	14,420	14,853	15,299	15,758
Parking of Vehicles	4,850	8,745	12,738	16,831	21,025
Parks and Open Spaces	539,859	554,228	568,886	583,836	599,086
Payroll	125,102	128,059	131,092	134,205	137,397
Public Conveniences	222,249	210,604	214,995	219,508	224,153
Registration of Electors	50,644	50,644	50,644	50,644	50,644
Reprographics	230,890	243,146	248,666	254,353	260,211
Office Accommodation	657,707	673,115	688,913	705,110	721,716
Sport & Recreation Admin	132,823	135,747	139,277	142,917	146,671
	8,284,422	8,391,215	8,784,026	9,037,084	9,270,832
Total	16,652,804	16,884,316	17,403,406	17,988,340	18,566,703