

## REVENUE BUDGET, CAPITAL STRATEGY AND COUNCIL TAX 2024/25

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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 2024/25. 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 To approve:

- i) The formal Council Tax Resolution which calculates the Council Tax requirement as set out in Appendix 1
- ii) The draft revenue budget for 2024/25 and MTFS for 2025/26 to 2027/28 as set out in Appendices 2(a) and 2(b)
- iii) A Council Tax freeze in 2024/25
- iv) The draft Statement of Reserves as set out in Appendix 3
- v) The draft Capital Strategy and financing as set out in Appendix 4
- vi) The 2024/25 Fees and Charges as set out in Appendix 5
- vii) The extension of the Retail, Hospitality and Leisure 75% Business Rate relief (and potentially other reliefs) (which will be fully funded by the Government through Section 31) as detailed in Sections 6.6 to 6.8 of this report.

### **3.0 BACKGROUND / OPTIONS**

- 3.1 At the Full Council meeting on 21<sup>st</sup> February 2023, members approved a net budget for 2023/24 of £10,399,934 and a frozen Council Tax. The budget had a planned draw of £1,975,579 from the Surplus Savings Reserve. The Medium Term Financial Strategy at that time showed a balanced budget in 2024/25 (using further resources from the Surplus Savings Reserve and an increase in Council Tax of £5), but with significant budget deficits in 2025/26 and 2026/27.
- 3.2 The outturn position for 2022/23 was initially reported to the Finance and Assets Committee on the 3<sup>rd</sup> July 2023 with then an update provided as part of the MTFS

report on the 28<sup>th</sup> September 2023. This showed that due to the actions taken by management to reduce the Council's cost base prior to and during 2022/23 and the prudent forecast of Business Rates receipts, the Council underspent in 2022/23 by £1,645,109. 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. Although in year, these have been matched to some degree by inflationary increases in excess of those expected when the budget was built, the current year-end forecast for 2023/24, as presented to Finance and Assets Committee on the 25<sup>th</sup> January 2024, is an underspend of £852,000. 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 was announced on the 5<sup>th</sup> December 2023. This was the second such Policy Statement, repeating a practice started in 2022.
- 4.2 Local Government has, for a number of years, been expecting a major change in the way it is funded by Government. This change includes two elements:
- Local Government Fair Funding Review, a review of the relative needs of all local authorities to determine how much of the funding allocated to local government by Government should be allocated to each individual authority.
  - At the same time as the Fair Funding Review, a Business Rates base line reset is expected. This would result in all the growth in Business Rates in the District since the last Review (2013) (which we retain 40% of) being put back into the overall pot to be allocated out as part of the Review. This is expected to result in this Council retaining significantly less in Business Rates, as we will lose the benefit of the growth which has taken place.
- 4.3 The Policy Statement makes it clear that no funding reforms or changes in funding distribution will be implemented until at the earliest 2025/26. With 2024/25, to the most part, being a rollover settlement. [It should be noted that the MTFs assumes that the changes will not happen until 2026/27, as with a General Election to happen in 2024, the view is that there will not be enough time for the new Government to implement any change for 2025/26.]
- 4.4 The Policy Statement also made provision for shire districts to increase Council Tax by 2.99% or £5, whichever is the greater, in 2024/25 without the need for a referendum.
- 4.5 The Business Rate multipliers were also announced in the Policy Statement. The Non-Domestic Rating Act 2023 provided ministers with the power to set the small and standard business rate multipliers separately from one another. Until 2023/24, these two multipliers had to be increased (or frozen) by the same percentage, but the Chancellor has decided to use this new power in 2024/25. The small business rate multiplier will be frozen; it will remain at 49.9p. The standard multiplier (payable by businesses with premises valued at more than

£51,000) will increase from 51.2p to 54.6p. Compensation in the form of the Section 31 grant, will be provided to councils for the frozen small business multiplier.

## **5.0 LOCAL GOVERNMENT FINANCE SETTLEMENT**

- 5.1 The Provisional Local Government Finance Settlement was announced on the 18<sup>th</sup> December 2023, with the Final Settlement being announced on the 5<sup>th</sup> February .
- 5.2 The Council's Revenue Support Grant was increased by inflation; in 2023/24 we received £102,089, this increasing to £108,851 for 2024/25.
- 5.3 The Settlement extended the New Homes Bonus grant for a further year, with amounts earned for year fourteen of the scheme, between October 2022 and October 2023, attracting one year's worth of reward in 2024/25, with no legacy payments in future years. This was the same approach as in 2023/24. Due to the continued high level of house building in the District in the past year, our New Homes Bonus grant for 2024/25 will be £1,069,518, which is an increase on the £837,838 received in 2023/24. Government continues to undertake a consultation on the future of New Homes Bonus, so this grant is not confirmed for 2025/26, but a similar value has been built into the Council's budget for that year, as it is thought that Government will continue to provide some incentive for housing growth, and it is considered highly unlikely that it would be removed without some replacement to ensure that overall grant levels remain reasonably consistent.
- 5.4 The Settlement also included details of other grants, including the Rural Services Delivery grant, an allocation to the most rural authorities, which will be £219,465 in 2024/25 (this is an increase of £29,927 when compared to the amount received in 2023/24). This was increased as part of the Final Settlement, the Provisional Settlement had this grant at the same cash amount as 2024/25.
- 5.5 Government also announced the extension of the Services Grant, first awarded in 2022/23. East Cambridgeshire's allocation in 2023/24 was £99,740, reducing to £17,218 in 2024/25.
- 5.6 The Settlement also continued Government's use of a Funding Guarantee Grant to ensure that every authority has an increase in Core Spending Power of at least 4% before any local decision on Council Tax. A 3% guarantee was included in the Provisional Settlement, but this was increased to 4% in the Final Settlement. The 4% Funding Guarantee will be worth £256,020 to East Cambridgeshire in 2024/25, this is a reduction on the £353,678 received in 2023/24. This is a consequence of the increase in New Homes Bonus, which has the effect of requiring less funding from this pot, to reach the 4% target.
- 5.7 The Settlement further identified the local authorities who will have a Business Rates Pool during 2024/25, Cambridgeshire was amongst those councils (see paragraph 6.4).
- 5.8 The Final Settlement also made reference to £3 million of grant nationally to support councils worst impacted by increases in Internal Drainage Board Levies. The final allocation of this grant to be announced in the coming months. In 2023/24 East Cambridgeshire benefited by £104,160, so it is hoped that we will

also benefit in 2024/25, but as this is not guaranteed, no grant income is included in the Budget.

## **6.0 BUSINESS RATES**

6.1 The NNDR 1 return for 2023/24 was produced by the end of January in line with statutory requirements. Figures from this have been included in the budget as presented.

6.2 While the Council benefits significantly from the growth in Business Rates since the last Base reset in 2013, there is always the risk that appeals against Business Rates can be lodged and, if successful, can be backdated for several years. The Council does therefore include a provision for appeals in determining how much of the rates collected should be posted into the budget.

6.3 The MTFs assumed that the Collection Fund for Business Rates would be in balance as at 31<sup>st</sup> March 2024, however the completed NNDR1 shows that the Fund will be in surplus at this time and that £959,054 of additional income will be available to this Council in 2024/25.

6.4 East Cambridgeshire applied to be, and was accepted by Government to be, part of a newly invoked Business Rate Pool in 2024/25, alongside a number of other authorities in Cambridgeshire.

- Cambridgeshire County Council
- Cambridgeshire Fire Authority
- Peterborough City Council
- South Cambridgeshire District Council

(Cambridge City Council, Fenland District Council and Huntingdonshire District Council will not be members of the Pool in 2024/25.)

A review of the scheme was undertaken in the Autumn of 2023, supported by Pixel Financial Management. As a consequence of the modelling undertaken at this time, Fenland District Council withdrew their membership from the previous Pool as this provided a greater benefit to the County area overall. This withdrawal required the original Pool to be disbanded. A new Pool was then created including East Cambridgeshire, thus ensuring that the Council will continue to benefit from being a member in 2024/25.

6.5 As highlighted elsewhere in this report, forecasts for retained Business Rates beyond the Fair Funding Review, now assumed to be in 2026/27, are almost impossible to calculate at this time, but the figures presented take a prudent view, showing a significant reduction on those expected in 2025/26. These figures have been informed by our external adviser Pixel Financial Management.

6.6 In the Autumn Statement, on the 22<sup>nd</sup> November 2023, the Chancellor announced that the Retail, Hospitality and Leisure (RHL) 75% Business Rate relief would be extended into 2024/25 and that the small business Business Rate multiplier will be frozen for that year.

6.7 The RHL relief requires the Council to use its discretionary powers (Section 47 of the Local Government Act 1988, as amended) to grant these reliefs in line with the relevant eligibility criteria set out in the guidance. The full cost of granting

these reliefs will be compensated to the Council through a Section 31 grant from Government.

- 6.8 With the National Budget to take place in March 2023, if any further discretionary reliefs to Business Rates are announced, Council is asked to give the Director, Finance approval to implement these, as long as they are fully funded by Government via the Section 31 Grant.

## **7.0 THE 2024/25 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 2024/25 is fully funded.

- 7.2 The draft budget for 2024/25 is set out in Appendix 2 to this report.

- 7.3 The following key assumptions have been made in preparing the draft budget:

- The April 2024 inflationary pay increase for staff has been assumed at 4%;
- The staff establishment is budgeted in full – i.e. without a turnover allowance;
- Electricity budgets have been reduced and gas budgets frozen, when compared to those in 2023/24, to reflect the stabilisation of the respective markets;
- Where known, inflation on contracts has been included to reflect the expected increase in these during the year. These include insurance and IT licences;
- 16% inflation has been added to the Waste contract for 2024/25. Within this, additional budget has been provided to allow the new Waste fleet purchased in 2023/24 to use HVO fuel, this reducing carbon emissions. In addition to the percentage increase, additional funding is provided for the capital costs of the new recycling vehicles (purchased in 2023/24) which will start being charged to East Cambs Street Scene (ECSS) in 2024/25 and the potential additional costs of the Mechanical Recycling Facility (MRF), where the contract is to be renewed in October 2024;
- 7% inflation has been added to the Parks and Gardens contract with East Cambs Trading Company (ECTC);
- Internal Drainage Board levies have been inflated by 8% based on information received from Middle Level Commissioners, this in advance of the individual drainage boards setting their detailed budgets;
- Other expenditure budgets have been increased by 2% for inflation;
- Pension Fund revaluations take place every three years, with the most recent one being on 31<sup>st</sup> March 2022. The Council is therefore aware of its contribution into the Fund for the coming years, its primary rate will be 17.4% for the three years from April 2023, with in addition, the Council's lump sum contribution being £465,000 in 2024/25 (a reduction of £28,000 compared to 2023/24) and £437,000 in 2025/26;
- The Housing Benefit budget reflects the mid-year position for 2023/24: 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 and the Leisure Centre management fee both remain reduced when compared to the value in the 2020/21 budget to reflect the on-going implications of the Covid-19 pandemic and subsequent "cost of living crisis" on these services;

- Funding is included in the budget to prepare a new Local Plan during the MTFS period, including £100,000 in 2024/25 and £300,000 in 2025/26;
- £125,000 has been included in the 2024/25 budget (only) for the development of a new website.

## **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 3.
- 8.3 The sole unearmarked reserve is the General Fund. This currently stands at £1,237,551. 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 (before any movement to reserve) for 2024/25 is £13,858,517. Using the 10% figure, this requires an unearmarked reserve of £1,385,852 an increase of £148,301.

## **9.0 FEES AND CHARGES**

- 9.1 Officers have reviewed the fees and charges, and details of the proposed charges for 2024/25 are shown at Appendix 5. The proposed budgets have been adjusted to reflect the change in price and volumes expected in 2024/25.
- 9.2 No new fees or charges will be introduced for 2024/25.
- 9.3 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 4%. 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.
- 9.4 It is proposed to increase the car parking charges at the Council's Angel Drove and The Dock car parks from £3 to £4 per day, with similar increases applied to multi-day tickets. This increase still means that these car parks are significantly cheaper than the nearby Network Rail car park.
- 9.5 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 This Council has one major capital project planned at this time, with the remainder of the programme, to the most part, being a continuation of the previous programme. The medium term Capital Programme is attached at Appendix 4; the total value of the programme in 2024/25 is £6,574,965.
- 10.3 The Council's Treasury Management Strategy is a separate document, which is also on today's Council agenda for approval.
- 10.4 The major capital project in the Capital Programme is to build a District Bereavement Centre, consisting of a crematorium and modular function room, with associated natural burial and pet cemetery facilities at the Council owned Mepal site on Ireton's Way. This remains subject to formal Council approval at this evening's meeting. The total cost of the scheme is £9,060,223 and will be funded by CIL contributions, with the build stage starting in 2024/25 and continuing into 2025/26.
- 10.5 With the Council's Waste Service being provided by ECSS, the Council is purchasing waste fleet and hiring this to the Company. The hire charge reflects the Council's capital costs of doing this, both the MRP and interest costs. Spend in 2023/24 is forecast to be £1.912 million as vehicles previously purchased by the use of the Weekly Collection Grant from Government, have now reached and indeed surpassed their useful, economic life and require replacing.
- 10.6 It is proposed to carry the remaining balance of the approved capital allocation into 2024/25 to provide funding if further vehicles are required in that year. This is part of the ongoing review of the service and/or to meet the needs of the Government's new Waste Strategy. At this point, the budget in 2024/25 is funded from internal borrowing,
- 10.7 The precise capital costs needed to implement the Government's Waste Strategy are not known at this point, and indeed may well be significantly in advance of the funding that is being carried forward. However, it is hoped/assumed that Government funding will become available for the implementation of the Strategy, and therefore will not be a cost to the Council. These costs will be included in future MTFS's as the position becomes clearer.
- 10.8 Where the additional cost of vehicles purchased in 2023/24 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.
- 10.9 If, as a consequence of the Government's Waste Strategy, the Council decides to move to a three bin solution, then bins will also need to be purchased. A capital

provision of £1 million is therefore included for the purchase of these wheelied bins if it is decided to move forward with this option. This is again funded from internal borrowing.

- 10.10 Council at its meeting on the 21<sup>st</sup> 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 £2,300,000 will be provided in 2024/25. This funding is to ensure that ECTC has the finance available to progress three further building developments, at the former Paradise Pool site and for 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.
- 10.11 There are a number of capital budgets that continue into 2024/25, 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 2024/25 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.
- 10.12 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 2024/25 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).
- 10.13 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 2026 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 2024/25 and 2025/26 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<sup>st</sup> March 2024. However, due to the increased number of houses built in the District during 2023/24 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 £153,650 from the Collection Fund surplus in 2024/25.
- 11.2 The taxbase for 2024/25 estimated in last year's budget was an equivalent of 32,513.1 Band D properties. However, the current forecast, including the real change in housing numbers between October 2022 and October 2023, an estimation of future movements in 2024/25 and a small top-slice for non-payment, means that the new forecast for 2024/25 is now 32,972.0 equivalent 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 £46,866, whereas a £1 increase would generate a further £32,972. For this Council therefore the £5 figure would be the highest, generating additional income of £164,860 in the year.
- 11.4 This budget is however drafted on the assumption that the Council will freeze Council Tax at £142.14 for the eleventh consecutive year in 2024/25.
- 11.5 The County Council, Fire Authority, Police Authority and Cambridgeshire and Peterborough Combined Authority budgets and precepts were considered by their respective decision making bodies in early February and we have been notified of their precept requirements.
- 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 All parish precepts have also been notified to the Council. These are shown along with the precepts set out in paragraphs 11.4 and 11.6, in the formal Council Tax Resolution as detailed in Appendix 1.
- 11.8 Also to note, Council agreed at its meeting on the 19<sup>th</sup> October 2023, to leave the Authority's Local Council Tax Reduction Scheme unchanged for 2024/25.

## **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 key risks are around Government funding of the Council and inflation. The Settlement provides clarity around grant funding for 2024/25, but looking beyond that, there is very limited information to put forward a MTFs based on confident assumptions on future Government funding.
- 12.3 Possibly the greatest concern for this Council, is the Government's intention to implement a full Business Rate baseline reset at the time of the Fair Funding Review. The current baseline was set in 2013, when all councils were given a share of Business Rates equal to their calculated needs. Since then councils have been allowed to keep a share of their growth, which for us as a district council has been 40%. In broad figures our baseline is £2.66 million, where we actually budget for £5.42 million of Business Rates because of this growth. If the baseline is fully reset, we will lose this growth and won't know what our revised baseline will be until the results of the Local Government Fair Funding Review (as detailed in 4.2) are announced. An allowance has been made in the MTFs for this probable reduction, but at this point, there is no certainty on what this is likely to be.
- 12.4 Unlike the position for a number of years, inflation and the consequential higher pay rises are, for the second year, having a major impact on the Council's costs. Section 7.3 of this report details the inflation built into the 2024/25 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 4% increase in staff costs from the 1<sup>st</sup> April 2024, if pay was to increase by 5% this would cost the Council a further £85,000.
- 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 2024/25 are **prudent** and show how these will sustain the functions of the Council in that year.
- 12.7 However, the MTFs assumes the remainder of the Surplus Savings Reserve is utilised during 2024/25, 2025/26 and 2026/27, which 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 further 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 2023/24 and 2024/25 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 however, 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 2024/25 to 2027/28. As highlighted earlier in the report, the Policy Statement announced by Government for 2024/25 provides assurance about the grant position for the budget year only. The MTFS further assumes that Government funding will remain, for the most part, unchanged in 2025/26 as it will be too soon after the General Election for detailed plans to have been prepared.

13.3 However, it is extremely difficult to develop a robust MTFS to cover the period 2026/27 and beyond while the uncertainties around future funding levels from Government remain. As detailed earlier in this report, the Government is currently considering options around the Local Government Fair Funding Review to determine how much of the overall funding pot is allocated to individual authorities. This issue creates considerable uncertainty for local authority funding and is an issue which will require monitoring in the coming years, to ensure the Council can adjust its MTFS as new information becomes available. Updates will be provided to the Finance and Assets Committee as and when further information becomes available.

13.4 The assumptions used in the MTFS include:

- Government funding through Revenue Support Grant, New Homes Bonus, Rural Services Grant, Services Grant and Funding Guarantee Grant will all end in 2025/26 with the Fair Funding Review being implemented in 2026/27;
- Inflation on staff pay is included at 4% in 2024/25 and then 2% in all future years;
- The loans to ECTC are planned to be repaid in 2026, the interest received by the Council on these loans 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;
- Amongst the requirements of the Government's new Waste Strategy is the need for food waste to be collected weekly from all homes from 2026. The revenue cost of this could be around £500,000 with then additional capital

costs for the provision of additional vehicles and caddies (see paragraph 10.7). At this stage the assumption is that external funding, either from Government or from producers, will be provided to fund both these revenue and capital costs. At this point no figures are therefore included in the MTFS for this, but updates will be provided as the position becomes clearer;

- On interest receipts, it is assumed that interest rates will remain at around 5% in 2024/25, but then reducing during the MTFS period to 3% in 2027/28;
- 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 significant benefit from ECTC, with interest being paid on the loan provided, the recharge of management and support services costs to the Company (forecast to be £194,735 in 2024/25), the hire of the Market Place and part of the depot, 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 subject of another paper on today's agenda;
- 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 2. This shows the budgets for 2024/25 and 2025/26 are fully funded. However, there are significant budget shortfalls projected in 2026/27 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 2025/26 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 year four.

<b>2022/23 Budget</b>	
2022/23 – budget year	Balanced
2023/24 – MTFS year 1	Balanced
2024/25 – MTFS year 2	Savings to find £2,815,916
2025/26 – MTFS year 3	Savings to find £4,021,675
<b>2023/24 Budget</b>	
2023/24 – budget year	Balanced
2024/25 – MTFS year 1	Balanced
2025/26 – MTFS year 2	Savings to find £1,645,402
2026/27 – MTFS year 3	Savings to find £4,797,033

<b>2024/25 Budget</b>	
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

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 2024/25 and 2025/26, it is strongly recommended that early consideration is given as to how savings in future years will be achieved. All the bullets above need to be considered, with a quickening of the pace of commercialisation and the 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 2023/24 and 2024/25 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 ARGUMENTS / CONCLUSION(S)**

14.1 The proactive actions already taken have led to balanced budgets for 2024/25 and 2025/26 (based on known information and the use of the Surplus Savings Reserve). The budget for 2024/25 therefore has minimal risk attached to it, although the Medium Term Financial Strategy, especially when the new funding regime comes in, now expected in 2026/27, does contain significant uncertainty and therefore risk. While there is little this Council can do to remove the uncertainty at this point, it does need to look now for opportunities within its own control, which will bridge some part of the funding gap currently being forecast.

**15.0 FINANCIAL IMPLICATIONS / EQUALITY IMPACT STATEMENT / CARBON IMPACT ASSESSMENT**

15.1 The proposed net operating budget of £14,006,818 will be financed by Revenue Support Grant, retained Business Rates, Council Tax and a contribution from the Surplus Savings Reserve.

15.2 An Equality Impact Assessment is not considered necessary, as no public facing services are being reduced in 2024/25.

15.3 A Carbon Impact Assessment (CIA) is also not considered necessary, as there will be no changes to service provision in 2024/25.

## **16.0 APPENDICES**

Appendix 1 – Formal Council Tax Resolution (to follow)

Appendix 2 - Draft Budget 2024/25 and MTFS

Appendix 3 – Draft Statement of Reserves

Appendix 4 – Draft Capital Programme

Appendix 5 - Schedule of Fees and Charges

### **Background Documents:**

2023/24 Budget to Full Council – 21<sup>st</sup> February 2023

MTFS up-date report to Finance and Assets Committee – 28<sup>th</sup> September 2023

Budget Report to Finance and Assets Committee – 25<sup>th</sup> January 2024