


Agenda Item No:	8	
Committee:	Overview and Scrutiny Panel	
Date:	20 January 2025	
Report Title:	Revised General Fund Budget and Capital Programme 2024/25; Draft General Fund Budget Estimates 2025/26 and Draft Medium Term Financial Strategy (MTFS) 2025/26 to 2029/30; Capital Programme 2025/26 – 2027/28	

## Cover sheet:

### 1 Purpose / Summary

To consider and make any appropriate recommendations to Cabinet on:-

- the Draft Medium Term Financial Strategy, Draft General Fund Budget 2025/26 and Draft Capital Programme 2025-2028 for consultation.

### 2 Key issues

- The draft budget proposals for 2025/26 as considered for consultation by Cabinet on 16 December 2024 are detailed in the attached report.
- The Provisional Local Government Finance Settlement for 2025/26 has been announced (on 18 December 2024) along with clarification of the Autumn Statement 2024 announcements. Detailed below are the main points of the provisional finance settlement and how they directly impact on this Council.
- Core Spending Power (CSP)** for local government as whole has increased by 6.0%. Shire Districts have received the lowest average increases in CSP, only 0.32%. Our increase in CSP is 1.51%. CSP is a measure of the revenue funding available for local authority services. This includes council tax; business rates; Revenue Support Grant; New Homes Bonus; Recovery Grant, adult social care grants and other grants (including the Funding Guarantee Grant).

These government forecasts assume that every local authority will raise their council tax by the maximum permitted without a referendum.

Assumed Council Tax increases make up 55% of the increase in CSP and Council Tax is now around 56% of the total CSP. The increased reliance on increasing council tax has been a feature of the finance settlements and CSP over the past few years.

- Council Tax Referendum limits** have been confirmed as 2.99% or £5 (on a Band D property), whichever is higher, for shire districts, but no additional flexibility. Social care authorities will be able to levy an additional 2% adult social care precept. Police & Crime Commissioners can increase their Band D by up to £14. Fire and Rescue authorities can increase their Band D by up to £5. There will be no referendum principles for Mayoral Combined Authorities or Town and Parish Councils.

- **Business Rates** adjustments are more complicated. In technical terms, the continuing impact of de-coupling the multiplier makes the settlement more difficult to understand.

**Business Rates Baseline Funding Levels (BFL)** will be uplifted to account for the increase in the standard multiplier. The small business multiplier will be frozen and the standard multiplier will increase by September's CPI (1.67%). This is referred to in paragraph 2.2 of the attached draft budget report which also details the continuing reliefs available in 2025/26 for eligible retail, hospitality, and leisure properties. Local authorities will be compensated for the under-indexing of the small business multiplier (the cap compensation) and for the new reliefs by S31 grant.

Although BFL's and the cap compensation grant have increased as if both business rating multipliers had increased by CPI, we will not be able to confirm the final business rates figures for 2025/26 until the NNDR1 return is completed (usually around mid-January).

Initial indications are that this Council could receive around **£19,162 additional income** than detailed in the attached report although this is far from certain.

**Until the NNDR1 return is completed however, the above Business Rates figures should be treated with extreme caution.**

- **Revenue Support Grant (RSG)** allocations have increased by September's CPI (1.67%) and the rolling in of two small 'New Burdens' grants relating to the Transparency Code and Electoral Integrity. The overall impact of this is **£15,684 higher** grant than included in the attached report.
- **New Homes Bonus (NHB)** payment for 2025/26 will be £592,628 for this Council, exactly the same as included in the draft budget report. The government have said yet again that 2025/26 will be the final year of the NHB although the design of a replacement is no clearer than it was when the government issued its' consultation over three years ago. Consequently, the future of the NHB and its' replacement is a considerable risk to the Medium Term Strategy from 2026/27 onwards.
- The **Services Grant** has been abolished in 2025/26 and the **Minimum Funding Guarantee Grant** (now known as the **Funding Floor**) allocations have been amended to ensure that no authority has a CSP of less than 0% in 2025/26 (2024/25 minimum increase was 4%). As our CSP is 1.51%, we have received no Funding Floor grant resulting in **£814,404 less** grant than included in the attached report.
- However, the **new Recovery Grant** (£600m nationally), allocated on the basis of 'Need' as determined by deprivation and population and 'Resource' as determined by the council tax base, has resulted in a grant allocation of **£435,149 higher** than included in the draft budget.
- There is one other allocation within the Provisional Settlement relating to **Domestic Abuse Safe Accommodation Grant**, resulting in an allocation of **£34,664 higher** than included in the draft budget.
- In summary and based on the analysis above, **the allocations within the provisional settlement** has provided **£309,745 less** resources compared with what was included in the draft budget report.
- In addition to the allocations within the Provisional Settlement, there have been other announcements which fall outside the settlement as follows:
  - **Homelessness and Rough Sleeping Grant** – an **additional £328,628** has been allocated to FDC. This grant comes with conditions and more work is

needed to understand any further cost implications before we know what the net increase in grant will be.


- **Extended Producer Responsibility payments (pEPR)** – the Council has been notified that its pEPR payment for 2025/26 is **£958,000**. Again we need to understand any cost implications relating to this allocation. The payment for 2025/26 is guaranteed but future years payments will be more volatile as they will be based on actual figures rather than calculated estimates.
- **Employers National Insurance Contributions** – the government will be providing £515m of funding to local authorities to off-set the changes to these contributions in 2025/26. Individual allocations to Councils will not be available until the final settlement later this month but based on current information, FDC's allocation could be around **£150,000**. This is considerably less than the £280,000 additional cost to FDC of these changes.
- Taking into account the announcements both inside and outside the Provisional Settlement, results in an estimated **£1,126,883 of additional funding** compared with the draft budget (albeit there may be additional costs associated with this as mentioned above). Without the pEPR payment of £958,000, there would only be an estimated £168,883 increase in funding.
- A summary of the estimated impact of the provisional settlement is detailed in the table below. Subject to any additional costs being incurred, the additional funding would reduce the estimated shortfall in 2025/26 from £2,657,710 to £1,530,827.
- **However, until the final confirmation of the business rates income, following completion of the NNDR1 return in mid-January 2025, this should be treated with caution.** The business rates income will undoubtedly change for the final budget report.
- Whilst the provisional settlement is overall, positive for 2025/26, we still have to incorporate into the final budget report the impact of various risks highlighted in paragraph 7.15 of the attached draft budget.
- The final allocations for 2025/26 may also change following the consultation period and the publication of the Final Settlement in late January/early February 2025.
- **It is also important to reiterate that there remains an underlying structural deficit over the medium term for the Council to address.**
- The Government is committed to the Fair Funding Review (the Review of Relative Needs and Resources) to begin in 2026/27 together with a reset of accumulated business growth.
- Any changes resulting from the Fair Funding Review or resets of the Business Rates Retention system is a significant risk to FDC from 2026/27 onwards. FDC retain considerable business rates income (around £1.4m) above its Baseline Funding Level (determined in the Settlement) and for Renewable Energy (around £1.6m). These amounts are at considerable risk following any reset of the system in 2026/27.
- The attached report has not been updated with any of the above announcements. The final budget report to Cabinet and Council on 24 February 2025 will incorporate the above together with any further announcements.

Estimated Impact of Provisional Settlement		Draft Budget	Provisional		
		2025-26	Settlement	Additional (+)	
		Cabinet	2025-26	/ Less (-)	
		16.12.24	18.12.24	Funding	
1. <u>Allocations within Provisional Settlement</u>		£	£	£	
<b>Revenue Support Grant</b>		187,989	187,982		
Transparency Code Grant*	]		8,103		
Electoral Integrity Grant*	]		7,588		
		<b>187,989</b>	<b>203,673</b>	<b>15,684</b>	
* Rolled into RSG for 2025-26 onwards					
<b>New Homes Bonus</b>		<b>592,628</b>	<b>592,628</b>	<b>0</b>	
<b>Funding Guarantee Grant/Funding Floor</b>		<b>814,404</b>	<b>0</b>	<b>-814,404</b>	
<b>Recovery Grant</b>		<b>0</b>	<b>435,149</b>	<b>435,149</b>	
<b>Domestic Abuse Safe Accommodation Grant</b>		<b>0</b>	<b>34,664</b>	<b>34,664</b>	
<b>Total Impact - excluding Business Rates adjustments</b>		<b>1,595,021</b>	<b>1,266,114</b>	<b>-328,907</b>	
<b>Business Rates Adjustments</b>					
Retained Rates - NNDR1 Estimate		11,603,273	11,603,273 *	0	Tbc
Tariff		-7,680,607	-7,636,697	43,910	
		3,922,666	3,966,576	43,910	
Renewable Energy Rates Retained		1,588,253	1,588,253 *	0	Tbc
Business Rates Pool - FDC Share of Benefit		350,000	350,000 *	0	Tbc
Business Rates - S31 Grants due in year		2,968,071	2,976,918 *	8,847	Tbc
Business Rates Levy due in year		-707,386	-740,981 *	-33,595	Tbc
Business Rates Collection Fund Deficit		-47,526	-47,526	0	Tbc
<b>Total Business Rates adjustments</b>		<b>8,074,078</b>	<b>8,093,240</b>	<b>19,162</b>	
<b>Total estimated impact of Provisional Settlement</b>		<b>9,669,099</b>	<b>9,359,354</b>	<b>-309,745 *</b>	
<b>2. <u>Allocations outside the Provisional Settlement</u></b>					
<b>Homelessness/Rough Sleeping Grants</b>					
Housing Prevention Grant		362,890	697,545	334,655	
Rough Sleeping (Prevention and Recovery)		384,000	377,973	-6,027	
Rough Sleeping (Accommodation)		64,159	64,159	0	
		<b>811,049</b>	<b>1,139,677</b>	<b>328,628</b>	
<b>Extended Producer Responsibility Payment -pEPR</b>		<b>0</b>	<b>958,000</b>	<b>958,000</b>	
<b>Employer National Insurance Contributions Funding</b>		<b>0</b>	<b>150,000 *</b>	<b>150,000</b>	Tbc
<b>Total estimated impact of other announcements</b>		<b>811,049</b>	<b>2,247,677</b>	<b>1,436,628</b>	
<b>Total estimated impact of Provisional Settlement and other announcements</b>		<b>10,480,148</b>	<b>11,607,031</b>	<b>1,126,883</b>	
<b>Overall Budget Shortfall</b>		<b>2,657,710</b>	<b>1,530,827</b>	<b>-1,126,883</b>	

### 3 Recommendations

- It is recommended that Members consider and make any appropriate recommendations to Cabinet on:
  - (i) the draft budget proposals for 2025/26 outlined in this report;
  - (ii) the updated capital programme.

<b>Wards Affected</b>	All
<b>Portfolio Holder(s)</b>	Cllr Chris Boden, Leader and Portfolio Holder, Finance
<b>Report Originator(s)</b>	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
<b>Contact Officer(s)</b>	Paul Medd, Chief Executive Peter Catchpole, Corporate Director and Chief Finance Officer (S.151 Officer) Mark Saunders, Chief Accountant
<b>Background Paper(s)</b>	Provisional Finance Settlement 2025/26 – Ministry of Housing, Communities & Local Government (MHCLG). Autumn Statement 2024 (HM Treasury) Medium Term Financial Strategy working papers. Government announcements since February 2024.

Agenda Item No:	5	
Committee:	Cabinet	
Date:	16 December 2024	
Report Title:	Revised General Fund Budget and Capital Programme 2024/25; Draft General Fund Budget Estimates 2025/26 and Draft Medium Term Financial Strategy (MTFS) 2025/26 to 2029/30; Capital Programme 2025/26 to 2027/28	

## Cover sheet:

### 1 Purpose / Summary

To consider and approve:

- the revised General Fund Budget and Capital Programme for 2024/25;
- the Draft General Fund Budget Estimates 2025/26 and the Draft Medium Term Financial Strategy 2025/26 to 2029/30 for consultation;
- Capital Programme 2025/26 – 2027/28.

### 2 Key issues

- The Provisional Local Government Finance Settlement announcement is expected week commencing 16 December 2024. **Consequently, until the details of the Finance Settlement have been received, the figures detailed in this report should be treated as being provisional.**
- In accordance with the decision of Council at their meeting of 17 July 2023 (Minute C8/23), the cash amount of Council Tax raised has been kept at the current level for 2025/26 and over the MTFS period.
- Council Tax Referendum limits for 2025/26 will remain unchanged from 2024/25 and set at an increase of 3% or £5 whichever is the higher.
- Current forecasts for 2025/26 show a shortfall of £2.658m based on the assumptions detailed in Appendix C, before any adjustment to the level of Council Tax. The MTFS projects shortfall increases year on year, reaching £4.061m in 2029/30. Projected shortfalls in the MTFS are usual, both in FDC and in Local Government generally. They represent the challenge to be faced in future years in reaching a balanced budget position each year. The projected shortfalls are however significantly higher than previous years forecasts and represent significant challenges for the Council. Any decision this year to not increase the level of Council Tax necessarily increases the scale of that challenge.
- At this time, more detailed work is required on a number of issues which could potentially impact on these figures, both positively and negatively (as detailed in paragraph 7.15 of the report). Further information is expected over the next few weeks and this will be incorporated where possible, into the final budget report in February 2025.

- **Although there are currently many uncertainties regarding the budget for 2025/26 and the MTFS, there remains a significant structural deficit which the Council will need to address.** The ongoing Transformation 2 programme (of re-basing the establishment and underlying operation environments of the Council) will be crucial in helping to address that long-standing structural deficit.
- Any final deficits for 2024/25 and 2025/26 will have to be funded from Council reserves (current balances shown in Appendix E). At this stage, due to the many uncertainties around the potential deficits, there is no requirement to formally approve any amounts to be funded from reserves.
- An updated Capital Programme for 2024/25 and for the medium term 2025/26 - 27/28 is proposed.
- Further work is required on the potential new capital schemes identified in Appendix D(ii) and the final proposals will be considered as part of the final budget report in February 2025.

### 3 Recommendations

- It is recommended that:-
  - (i) the revised General Fund Budget and revised Capital Programme for 2024/25 be approved;
  - (ii) the draft budget proposals for 2025/26 outlined in this report be approved for consultation;
  - (iii) the proposed Capital Programme for 2025/26 – 2027/28 be approved.

<b>Wards Affected</b>	All
<b>Portfolio Holder(s)</b>	Cllr Chris Boden, Leader and Portfolio Holder, Finance
<b>Report Originator(s)</b>	Peter Catchpole, Corporate Director and Chief Finance Officer (S.151 Officer) Mark Saunders, Chief Accountant
<b>Contact Officer(s)</b>	Paul Medd, Chief Executive Peter Catchpole, Corporate Director and Chief Finance Officer (S.151 Officer) Mark Saunders, Chief Accountant
<b>Background Paper(s)</b>	Provisional Finance settlement – Ministry of Housing, Communities & Local Government (MHCLG). Autumn Statement 2024 (HM Treasury) Medium Term Financial Strategy working papers. Government announcements since February 2024.

## Report:

### 1 INTRODUCTION

- 1.1 This report sets out the financial implications of the council's priorities described in the draft Business Plan 2025/26. Revenue budget estimates are draft at this stage and along with the draft Business Plan will be subject to public and stakeholder consultation prior to final budget and council tax setting for 2025/26 in February 2025.
- 1.2 Much of the financial information provided is necessarily based on a number of assumptions which are wholly or partly influenced by external factors. Some of these factors, such as the outcome of the Local Government Finance Settlement will not be known until after this Committee meeting. In addition, actual Business Rates income will not be finalised until the completion of the 2025/26 NNDR1 return by the deadline of the end of January 2025. Both of these could have a significant impact on the figures detailed in this report. Other issues as detailed in paragraph 7.15 of this report will also impact on the MTFS and any amendments will be reported to Cabinet and Council at the February 2025 budget setting meeting.

### 2 AUTUMN BUDGET 2024

- 2.1 On 30 October 2024, the Chancellor delivered her Autumn Budget confirming the Government's spending plans for 2025/26.
- 2.2 The relevant points for this Council from these announcements are as follows:

#### **Council Tax**

- Although no formal announcement in the Autumn Budget, it has been confirmed since then that the Council Tax referendum limit will be set at increases of up to 3% (or £5 whichever is the higher), together with an additional 2% increase for authorities with responsibilities for Adult Social Care (the same as for 2024/25).

#### **Business Rates**

- **Retail, Hospitality and Leisure Relief (RHL)** will continue in 2025/26 with the level of relief reducing to 40% (currently 75%) with a maximum of £110,000 per business. Local authorities will be compensated in the usual way through S31 grants.
- **The small business rates multiplier in 2025/26 will be frozen** (currently 49.9p which normally would increase in line with the CPI rate as at September 2024, ie.1.67%), while **the standard multiplier will be uprated by September CPI to 55.5p** (from 54.6p currently). Local authorities will be fully compensated for the decision to freeze the small business multiplier;
- From 2026/27 onwards, ministers will use their new powers over the multiplier to set **new sectoral multipliers**, with permanently lower multipliers for RHL properties. Lower multipliers for these sectors will be paid for by higher multipliers for businesses with properties with rateable values of more than £500,000;
- A discussion paper has been published on **business rates reform**. The government's manifesto committed to reforming the current business rates system. It wanted to 'replace' business rates with a tax that will 'raise the same revenue but in a fairer way'. In particular, the government wanted to 'level the playing field between the high street and online giants'. This consultation

however appears to be looking at options to reform rather than replace business rates;

- The next **business rates revaluation** is still expected in 2026. The methodology for applying a revaluation to the Business Rates Retention System (BRRS) is now relatively well-developed (albeit extremely complicated). As usual, it is expected that the revaluation will be revenue neutral for individual authorities and for the sector as a whole.

### **Employers National Insurance**

- From April 2025, this will increase from 13.8% to 15% and the threshold at which it starts to be paid has reduced substantially, from £9,100 to £5,000. This has increased this Council's staffing costs by around £280,000 per annum.
- The government has indicated that local government will receive additional funding to compensate for this increase. We are awaiting details of the amount and distribution of this funding. It is expected that this funding will be in addition to the £1.3bn grant increase detailed below.

### **Core Spending Power and Other Announcements**

- There will be a 3.2% real-terms increase in Core Spending Power (CSP) in 2025/26 and within this is a £1.3billion increase in grants. Although this is better than expected, it is lower than in recent years.
- Full details of the allocation of funding within CSP will be announced later this month in the 2025/26 Finance Settlement. There are still a number of issues remaining to be resolved and decisions will have to be made about the Services Grant, Core Spending Power Guarantee Grant and the New Homes Bonus.
- Within the **£1.3bn additional grant funding is a £600m increase in the Social Care Grant and a further £700m for other areas**. It is anticipated that distribution of the £700m will use a 'targeted approach' which is likely to be focussed on distributing more funding to higher-need authorities without changing the existing basis of grant distribution.
- There is an additional **£230m grant for homelessness** which is additional to the £1.3bn grant above and will be outside of CSP.
- There is an additional **£86m for Disabled Facilities Grant** and this is also outside CSP.
- **New Homes Bonus (NHB)** was not mentioned in the budget. We are expecting that NHB will continue for a further year in 2025/26 but this is yet to be confirmed. An updated position is detailed in Section 4 of this report;
- The **Extended Producer Responsibility (EPR)** scheme is due to commence next year and local authorities will receive an estimated £1.1bn in additional income in 2025/26. The Treasury will guarantee authorities' funding streams in 2025/26 with local authorities taking the risk on any changes in income from 2026/27 onwards. We are awaiting details of how this income will be allocated (especially in two-tier areas), or the extent to which it will have to be used to fund additional costs. Income allocations are due shortly from DEFRA. An updated position is detailed at paragraph 7.3 of this report.

## Local Government Funding Reform

- The Budget confirmed that the government is planning to implement funding reforms in 2025/26. There is very much a focus on directing funding towards authorities with higher needs and also taking local revenues (business rates and council tax) into account. A broader redistribution of funding through a multi-year settlement will take place from 2026/27 onwards.
- The government is also looking to simplify the wider local funding landscape, reducing the number of grants and consolidating them into the Local Government Finance Settlement, as well as moving towards a multi-year settlement so local authorities can plan more effectively.

## Local Government Reorganisation

- This government is broadly continuing the previous government's policy around devolution, with a focus on increasing the powers and funding available to combined authorities. The Budget confirmed that the first integrated finance settlements for Greater Manchester and the West Midlands will be in place in 2025/26 and for other combined authorities from 2026/27.
- A white paper on English Devolution is expected later this year. It is likely to incorporate local government reorganisation ('to move to simpler structures that make sense for their local areas, with efficiency savings from council reorganisation helping to meet the needs of local people').
- Taken together with the funding reforms above, this is a huge agenda which will have profound implications for local government funding, both in terms of how funding is distributed and how the system operates.

- 2.3 Details of how the above announcements will be converted into specific funding allocations for individual local authorities will be announced as part of the provisional local government finance settlement which is expected week commencing 16 December 2024.

## 3 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 3.1 The Provisional Finance Settlement for 2025/26 is expected to be announced during the week commencing 16 December 2024. Consequently, the figures included in this report are estimates based on previous funding announcements. It is therefore, almost certain that the figures announced in the Provisional Settlement will be different from those detailed in this report. An update on any changes will be given to members as soon as they are available.

### Local Government Policy Statement 2025/26

- 3.2 The Local Government Policy Statement 2025/26 was published on 28 November 2024 and provides more details on how funding will be allocated in the 2025/26 settlement although actual funding allocations will not be announced until the provisional settlement itself.
- 3.3 It is clear though, that the government will target the additional funding on the most-deprived local authorities as well as on those authorities with social care responsibilities. Shire districts will have a lower share of funding in 2025/26 than we had previously forecast. Details of the proposals for 2025/26 are as follows:
- **Targeted deprivation fund ("Recovery Grant")**. £700m was announced in the 2024 Autumn Budget, and this has now been reduced to £600m. The grant will be highly targeted towards authorities with the highest levels of deprivation.

We still do not know how allocations will be calculated, but it will “go to places where, weighted by population, deprivation outweighs council tax raising ability”.

- **Settlement Funding Assessment (SFA)** will be indexed in the usual way. Revenue Support Grant will increase in line with the Consumer Price Index (CPI) (1.7%), and the Baseline Funding Level (BFL) will be uplifted in line with the increase in the standard business rates multiplier. Under-indexing (of the small business rates multiplier) will be funded through the cap compensation grants.
- **Council Tax Band D thresholds.** Thresholds will increase as we expected (2.99% core increase, 2% ASC Precept). Both shire districts and fire authorities will be able to increase by the higher of 2.99% or £5. Police and Crime Commissioners (PCCs) will be able to increase their precepts by £14 (higher than the £13 which has been available to PCCs in the past two years).
- **Minimum Funding Guarantee (MFG).** The methodology used to calculate MFG will be changed: the threshold will be set at 0% (rather than 4% in 2024/25), and it will “take account of council tax levels” (which we assume includes the maximum Band D increases rather than just taxbase growth). The government expects that every authority will have more resources in 2025/26 than in 2024/25 – but for some, this will only be when income from the pEPR scheme is included.
- **Services Grant.** This grant will be abolished in 2025/26 (it was £87m nationally in 2024/25).
- **New Homes Bonus (NHB).** NHB will be continued into 2025/26 but abolished in 2026/27.
- There will continue to be “**no negative RSG**”.
- In line with the previous two years, £3m will be made available for authorities impacted by **Internal Drainage Board** levies. The allocations for this funding will be announced in due course.
- **Various grants will be rolled into RSG in 2025/26** including the Electoral Integrity Programme New Burdens and Transparency Code New Burdens. The Domestic Abuse New Burdens grant will be consolidated as a new separate line in the Settlement, maintaining its existing allocation.
- The government has committed to provide support for departments and other public sector employers for **additional employer NICs costs**. This applies to those directly employed by the public sector, including local government. More information on this will be provided in the provisional Settlement. Funding will only be for the direct costs affecting local authorities and not for third-party additional NICs costs.

3.4 The statement also confirms that there will be a full package of funding reforms in 2026/27, and that this will be the start of a multi-year settlement. The funding reforms will build on “the previous government’s” Fair Funding Review, and there will also be a full business rates baseline reset. The statement is careful to note that they “will move gradually towards an updated system” and will consult on “possible transitional arrangements”. The statement “begins the process of redirecting as much funding as possible to the places that need it most”.

- 3.5 For the purposes of this report, it has been assumed that the Council's overall Settlement Funding Assessment for 2025/26 (Revenue Support Grant, Business Rates Baseline Funding and Tariff Payments) will increase by CPI (1.67%) in line with the above policy statement announcements. No increase has been assumed for the Guarantee Grant (now called the Minimum Funding Guarantee Grant) following the policy statement announcement. In addition, no allowance has been made for any potential allocations from the £600m Recovery Grant as it is not possible to estimate this at this time. The figures included in the draft budget are detailed below.

**Table 1 – Settlement Funding Assessment (Core Funding) – Estimate prior to provisional settlement**

	<b>Actual 2024/25 £000</b>	<b>Estimate 2025/26 £000</b>	<b>2025/26 % Increase</b>
<b>Settlement Funding Assessment</b>			
<b>Revenue Support Grant (RSG)</b>	<b>184</b>	<b>188</b>	<b>1.67%</b>
<b>Business Rates income</b>	<b>11,559</b>	<b>11,753</b>	
<b>Tariff Payment to government</b>	<b><u>-7,554</u></b>	<b><u>-7,681</u></b>	
<b>Business Rates Baseline Funding</b>	<b>4,005</b>	<b>4,072</b>	<b>1.67%</b>
<b>Services Grant and Core Spending Power Guarantee Grant – Minimum Guarantee Grant from 2025/26</b>	<b>814</b>	<b>814</b>	<b>0.00%</b>

- 3.6 The provisional settlement will also detail any allocations from the additional grant funding announced in the budget and detailed in section 2 and the Policy Statement announcements detailed in paragraph 3.3 above.
- 3.7 The Medium Term forecasts detailed in Appendix B have also assumed a continuation of the policy of increasing business rates baselines by CPI inflation from 2026/27 onwards, based on current Treasury forecasts over the medium term.

#### **4 NEW HOMES BONUS**

- 4.1 The Policy Statement detailed in paragraph 3.3 above confirmed that there would be one more year of NHB in 2025/26 but would be abolished from 2026/27.
- 4.2 Actual NHB received in 2024/25 was £442k and an estimate of £593k has been included for 2025/26 (calculation based on the increase in dwelling numbers between October 2023 – October 2024).
- 4.3 The New Homes Bonus will be abolished from 2026/27. The current national total of £291m per annum allocated by way of NHB is likely to be repurposed in future spending reviews. The impact on this Council's funding could be significant. We have included £593k of funding in the MTFS from 2026/27 onwards although this will likely be included within the Settlement Funding Assessment allocations from 2026/27 and could result in a lower allocation.
- 4.4 **The lack of clarity around the future allocations of the NHB total funding is a significant risk to the MTFS.**

## **5 BUSINESS RATES**

- 5.1 Members will be aware that the Business Rates Retention system was introduced in April 2013. Under this system, authorities would benefit if their actual Business Rates income collected in a year was higher than the baseline funding determined by government.
- 5.2 There has been real business rates growth in Fenland over the last eight years, however how this impacts on the resources available to this Council is complex, due to the rules and the operation of the current 50% Business Rates Retention system. The complexity of the system has been exacerbated by the number of business rates relief schemes and multiplier caps and freezes implemented by the government over the last few years.

### **Business Rates Pooling Arrangement – 2024/25 and 2025/26**

- 5.3 The Council joined with the County Council, Peterborough City Council, Fire Authority, East Cambridgeshire and South Cambridgeshire to become part of a pooling arrangement for business rates from 2020/21 up to and including 2023/24. Unlike the Business Rates Pilot schemes, this is not a bidding process against other pools but is part of the existing system whereby authorities can choose to apply to become a pool with the agreement of the constituent authorities.
- 5.4 The benefit of being in a pool is that authorities will not be liable to levy payments on their business rates growth, which is then shared amongst the pooled authorities by a mutually agreed method. This will be based on where the growth has originated from with an appropriate share allocated to the County Council and Fire Authority.
- 5.5 As a result of further detailed analysis of forecast business rates income, the pool members decided that the most financially beneficial arrangement for 2024/25 would be a pool without Fenland. As recompense for not being in the pool, agreement was reached with the other pool members that Fenland would be no worse off as a result of the revised pooling arrangement for 2024/25.
- 5.6 Consequently, an amount of £350k per annum has been included in 2024/25 and 2025/26 as a 'pooling' benefit. The figure for 2025/26 will be firmed up over the coming weeks as all authorities in the pool complete the annual statutory business rates estimate, the NNDR1 form, due to be returned to MHCLG by the end of January 2025. This Council's estimated share of any additional resources will then be calculated and included in the final budget report in February 2025.
- 5.7 There will be no further major changes to the rates retention system until 2026/27 at least. Consequently, assuming the proposed pooling and 'no detriment' arrangements to this Council continue, an amount of £350k per annum has been included in the MTFS as a pooling benefit to this Council.

### **Business Rates Reform – 2026/27 onwards**

- 5.8 As stated earlier, no major changes will take place until 2026/27 at least. At that time, it is likely that the Baseline Funding Level of all Councils will be reset with all 'growth' income being taken into account nationally and redistributed in the new system. In the estimate for 2025/26 and the medium term forecasts, around £1.4m of business rates above the Council's Baseline Funding Level is being retained. Under a baseline reset, this would mean that initially the additional £1.4m business rates income would be removed and redistributed. What remains unclear, is how much of this £1.4m will be returned to the Council as part of its recalculated Baseline Funding Level.

- 5.9 In theory therefore, the Council could lose all of this additional £1.4m in the absolute worst case scenario. However, this is unlikely and would create significant volatility within future funding allocations nationally, which the government does not wish to see. There will also undoubtedly be some kind of transitional arrangements which would also limit the extent of any gains and losses in funding arising from the new system.
- 5.10 Although it is extremely difficult to exemplify the impact of this redistribution, in broad terms, if the Council were to lose 50% of its growth income then this would add a further £700k per annum from 2026/27 to the current forecast MTFS shortfalls. A 20% loss of growth income would add a further £280k per annum to the current shortfalls.
- 5.11 In addition, the current system of retaining 100% of business rates from businesses generating Renewable Energy (estimated £1.588m in 2025/26) and the benefits from current pooling arrangements (estimated £350k in 2025/26) could also be reviewed and amended.
- 5.12 At the time of writing, local government funding reforms, the implementation of Business Rates Reform and the changes to the New Homes Bonus are all major risk areas for this Council over the medium term.**

## **6 FORECAST OUTTURN 2024/25**

- 6.1 The approved budget set by Council in February 2024, showed a balanced budget without any funding required from either the Budget Equalisation Reserve or the General Fund Balance.
- 6.2 The latest projected outturn for 2024/25 is set out at Appendix A and show the likelihood of a shortfall in the region of £536k by the end of this financial year.
- 6.3 There have been numerous significant variations during this year to date which have contributed to the projected shortfall.
- 6.4 The main additional cost variations compared with the February 2024 budget include the following:
- Increase in net additional cost of the difference between Housing Benefit paid and subsidy reclaimed from DWP of £436k. Officers are progressing a number of initiatives to increase the amount of subsidy reclaimed;
  - £303k of additional staffing costs of the Planning service due to the difficulties in recruiting and retaining employed staff and the necessity to engage contract/agency staff. The use of contract/agency staff is reducing as vacant posts become filled;
  - Net additional cost of Internal Drainage Board levies of £117k (£152k additional levies off-set by £35k additional government grant);
  - £101k cost of legal fees relating to Wisbech Incinerator (£87k paid in 2023/24 making a total cost of £188k);
  - £139k of increased costs of Council Transport (Refuse, cleansing vehicles etc) consisting of £82k additional staffing costs and £57k of additional running costs (repairs, parts etc);
  - Net additional cost of £376k for providing temporary accommodation for homeless persons. The current programme of purchasing additional properties

for temporary accommodation as detailed in the current capital programme will be beneficial in future years in reducing this cost;

- £431k lower planning fees than estimated.

6.5 To off-set these additional cost increases, there has been a number of higher income and lower cost variances including the following:

- £204k of additional homelessness prevention grant;
- £112k of lower recycling gate fees and disposal costs;
- £90k of additional income from the VAT/RTB sharing arrangement with Clarion Housing;
- £487k lower financing and MRP charges as a result of re-profiled capital spend and timing of new borrowing;
- £259k of additional business rates income from higher retained renewable energy rates and lower levy due;
- £215k of additional income across a variety of services from grants, reimbursements and contributions;

6.6 There are still many uncertainties around the potential shortfall for 2024/25 and there is no requirement at this time to formally approve an amount to be funded from reserves. At the present time, Corporate Management Team, Senior Managers and the Accountancy Team are managing and monitoring the position carefully and will continue to review spending levels to ensure where possible, the amount to be funded from reserves at the year-end is minimised.

6.7 Use of reserves to fund any potential shortfall in 2024/25 will have a consequential impact on the Council's ability to fund any shortfall in 2025/26 from reserves. Details of the Council's reserves are at Section 10 and Appendix E.

## **7 DRAFT BUDGET ESTIMATES 2025/26 AND MTFS**

7.1 The Council's MTFS has to ensure that the commitments made in the Business Plan are funded not only in the year for which formal approval of the budget is required (2025/26) but for forecast years as well, within a reasonable level of tolerance.

7.2 The impact of the Provisional Local Government Finance Settlement (expected to be announced during week commencing 16 December 2024) will also need to be clarified and the figures in this report make no assumptions about any potential changes to government funding.

### **Extended Producer Responsibility**

7.3 This Council received its provisional notice of assessment of the pEPR payment due in 2025/26 on 28 November 2024. This amounted to £958,000. Whilst this payment resulting from the collection of producer fees may still change, to provide certainty to authorities, the government is guaranteeing that in 2025/26 we will receive at least this amount. For 2026/27 onwards, this amount will be adjusted to reflect actual figures.

7.4 Officers are still assessing any costs associated with our obligations to maximise the collection and recycling of packaging material and any other conditions attached to the above payment.

- 7.5 As detailed in paragraph 3.3, there will be some significant funding changes announced as part of the Finance Settlement and at this stage it is not possible to determine the net impact of these changes together with the allocated pEPR funding. Of particular concern is the Minimum Funding Guarantee being set at 0% in 2025/26 (compared with 4% in 2024/25) and which now will also take into account increases in council tax income. The worst case scenario could result in this Council losing all of its assumed MFG grant of £814k in 2025/26.
- 7.6 Consequently, as a result of the above uncertainties, the MFG grant of £814k has been included in the estimates for 2025/26 but no allowance has been made for the net funding from pEPR.
- 7.7 Taking all the above into account, the Council's medium term forecasts are shown at Appendix B and summarised in Table 2 below. The table includes for Council Tax income to remain at its' current level from 2025/26 onwards.

**Table 2 - MTFS – Council Tax income constant level from 2025/26 onwards**

	Estimate	Forecast	Forecast	Forecast	Forecast
	2025/26	2026/27	2027/28	2028/29	2029/30
	£000	£000	£000	£000	£000
<b>Expenditure</b>					
Net Service Expenditure	18,304	17,820	18,104	18,229	18,579
Corporate Items	1,480	1,678	1,777	2,129	2,394
Contribution to/from(-) Earmarked Reserves	-805	-189	-189	-111	-89
<b>Net Expenditure (before use of balances)</b>	<b>18,979</b>	<b>19,309</b>	<b>19,692</b>	<b>20,247</b>	<b>20,884</b>
<b>Funding</b>					
Revenue Support Grant	-188	-193	-198	-202	-208
Business Rates Funding ( <i>detailed in Appendix B</i> )	-8,121	-8,243	-8,333	-8,428	-8,520
Business Rates Collection Fund Deficit (+)	47	0	0	0	0
Council Tax Collection Fund Surplus(-)	-14	-50	-50	-50	-50
Council Tax ( <i>cash level constant from 24/25 onwards</i> )	-8,045	-8,045	-8,045	-8,045	-8,045
<b>Total Funding</b>	<b>-16,321</b>	<b>-16,531</b>	<b>-16,626</b>	<b>-16,725</b>	<b>-16,823</b>
<b>Surplus(-)/Shortfall(+) before use of balances</b>	<b>+2,658</b>	<b>+2,778</b>	<b>+3,066</b>	<b>+3,522</b>	<b>+4,061</b>
Contribution to Budget Equalisation Reserve	0	0	0	0	0
<b>Shortfall(+) after use of balances</b>	<b>+2,658</b>	<b>+2,778</b>	<b>+3,066</b>	<b>+3,522</b>	<b>+4,061</b>

- 7.8 Government support for 2025/26 will be announced as part of the provisional finance settlement. This Council currently receives retained business rates and a small amount of Revenue Support Grant from the finance settlement. The projections for 2025/26 onwards are based on the best estimates and information available and are consistent with the announcements in the Autumn Budget 2024 and the Policy Statement issued on 28 November 2024. However, subject to further clarity on the detailed implementation of the announcements there remains significant uncertainty in these projections.

- 7.9 The net budget requirement for 2025/26 is currently estimated at **£18.979m** after all identified savings, contingencies and reserve transfers are included. This includes the assumptions detailed at Appendix C. With the provisional funding assumptions and Council Tax income remaining at current levels, **a shortfall of £2.658m** is currently forecast for 2025/26.
- 7.10 The estimates for 2024/25 benefited from a significant estimated surplus on the Business Rates Collection Fund account at the end of 2023/24. This surplus of £1.292m was a result of a significant decrease in the appeals provision required in 2023/24. There will always be an estimated surplus or deficit relating to the Business Rates Collection Fund in a particular year which is then included in the following years estimates. A deficit of £48k has been included in the estimates for 2025/26, a significant change from the surplus in 2024/25.
- 7.11 The development of the Commercial and Investment Strategy has the potential to generate additional significant returns over the MTFS. Currently, recharges to Fenland Future Ltd (FFL) for officer time, loan interest receipts and future dividends from current FFL developments have been included in the forecasts at Appendix A and B. These are based on the current business plan of FFL over the next three years. Additional returns may also be realised depending on the type and timing of investment opportunities. These are however limited at the current time due to high interest rates and the current policy of the PWLB not to lend for purely investment for yield projects. Consequently, no allowance for any further potential returns (over and above the recharges, loan interest and dividends from FFL) have been included in the MTFS at the current time.
- 7.12 As mentioned in Section 6 above, officers are progressing a number of initiatives to increase the amount of Housing Benefit subsidy reclaimed and together with the anticipated reduction in temporary accommodation costs (partly resulting from the additional houses purchased with assistance from the Local Authority Housing Fund and also from other properties to be purchased from the Council's own resources), **a significant increase in subsidy reclaimed and lower temporary accommodation costs of £600k has been included in the estimates for 2025/26**. As the timings of these initiatives are uncertain, this reduction remains a significant risk in the 2025/26 estimates.
- 7.13 Members will be aware that the Transformation Agenda 2 (TA2) programme is now underway and together with the Accommodation Review, is critical in achieving the necessary savings over the course of the MTFS. An amount of £170k has currently been included in the 2025/26 estimates as savings from the TA2 programme, increasing to £236k per annum by 2029/30. Significant savings over and above these will be required from this programme over the MTFS period.
- 7.14 Taking into account the proposals in the Table 2 above, the estimated net budget requirement in 2025/26 is detailed in Appendix A. The level of forecast resources available to the Council and the estimated levels of expenditure over the medium term are set out in detail in Appendix B. **These show a funding gap of £2.778m in 2026/27 rising to £4.061m by the end of 2029/30.**
- 7.15 There is still considerable uncertainty around the estimates for 2025/26 and the forecasts for the medium term. Currently there are a number of 'unknowns' which could both positively and negatively impact on the forecasts including:

### **Risks associated with the MTFS forecasts:**

- Potential impact of the Provisional Finance Settlement (announcement in mid-December 2024) on 2025/26 and the medium term;
- Impact of potential changes to the New Home Bonus national total distribution and allocations from April 2026;
- Impact of the longer-term changes to the Business Rates Retention system from April 2026;
- Impact of pay awards higher or lower than currently allowed for in the MTFS (2% increase included for 2025/26 onwards);
- Impact of potential additional costs and income in 2025/26 from the Extended Producer Responsibility scheme for managing packaging waste;
- Impact of potential net costs of the governments' Food Waste strategy;
- Impact on income streams being greater than anticipated due to external factors such as Port Income;
- Impact of the current review of Port operations and the future liability of the quay at Wisbech Port;
- Continuing impact of homelessness temporary accommodation costs in 2025/26 and the medium term and the impact on recovery of housing benefit subsidy;
- Impact of increases in Fees and Charges (where feasible) on the 2025/26 estimates and MTFS;
- Impact of service developments eg. Car Parking Enforcement (CPE);
- Revenue impact of funding new capital schemes not currently included in the capital programme. There are currently a number of significant unfunded capital schemes which will need to be considered over the MTFS;
- Potential impact of the Council's future transformation programme with associated savings. Further detailed work is required to quantify the extent of these savings;
- Potential positive impact over the MTFS of implementing the outcomes from the Accommodation Strategy;
- Review of the recharge of staff time to the LATCO (Fenland Future Ltd) to quantify potential revenue savings. Currently recharges of £125k in 2025/26 onwards have been assumed in the MTFS;
- Potential net benefits from FFL of loan interest and dividends from future developments over and above already included in the MTFS generating revenue income;
- Commercial and Investment Strategy and future potential positive returns to the Council;
- Review of the General Fund Balance and Earmarked Reserves to ensure they align with the future requirements of the Council.

7.16 Further details relating to several of the above issues should become clearer with the publication of the Provisional Finance Settlement expected to be announced in mid-December 2024.

- 7.17 Between now and the final budget report in February 2025 further analysis will be carried out on the impact of the issues detailed above, as and when further information becomes available. Consequently, the estimate for 2025/26 could change significantly from that detailed at Appendix A.
- 7.18 **Whatever impact the above issues may have however, there will remain a significant structural deficit for the Council to address over the medium term.**
- 7.19 The forecasts for the years 2026/27 – 2029/30 are provisional at this stage and should be considered with extreme caution. The Provisional Finance Settlement announcements regarding local government funding are imminent and therefore, the figures could be different to those included in the forecast. Future announcements and consultation outcomes will also determine government policy and therefore the funding in the future years. In addition, the forecasts are dependent on permanently maintaining the savings identified through the My Fenland transformation initiative and the current TA2 programme.
- 7.20 As detailed earlier in this report, Business Rates Retention reform, Local Government Funding reform and changes to the New Homes Bonus could have a significant impact on the Council's forecast resources over term of the MTFS. Further to the risks associated with these externally determined funding streams the Council should also ensure that income budgets are achieved and new income streams considered and implemented for medium to long term sustainability in combination with any operational and transformational benefits that the Council realises. The use of general reserves to support revenue expenditure adds to the overall risks to the Council as such reserves can only be used once but the cumulative impact of such use will continue to be felt into the future.

### **Other Risks**

#### **Capital Programme – Future Funding**

- 7.21 The Council is increasingly relying on borrowing (Internal and Prudential) to fund its future programme as the amount of capital receipts and the level of reserves available to fund the capital programme are reducing considerably over the next two years. Consequently, any new capital schemes (which do not generate a return to repay borrowing costs) will have to be funded through borrowing which will result in revenue costs and therefore will impact on the MTFS and future shortfalls.
- 7.22 For example, a £1m scheme with a 20 year life, funded by prudential borrowing, would result in around an additional £100,000 per annum in interest (5%) and repayment costs.
- 7.23 Consequently, a review of the current capital programme together with potential new schemes (as detailed in Section 11) and the ongoing revenue cost impact will need to be undertaken prior to the final budget report in February 2025, to ensure the final approved programme is sustainable within the context of the Council's Medium Term Financial Strategy.
- 7.24 To exemplify the effect on the MTFS of potential additional costs arising from the above risks, Table 3 below details a scenario whereby the Council loses 50% of its business rates growth income and 50% of its current NHB funding following the reforms in 2026/27.

**Table 3: MTFs Potential Impact of Major Risks – for illustrative purposes only**

	Estimate	Forecast	Forecast	Forecast	Forecast
	2025/26	2026/27	2027/28	2028/29	2029/30
	£000	£000	£000	£000	£000
<b>MTFS Shortfall - Appendix B</b>	<b>2,658</b>	<b>2,778</b>	<b>3,066</b>	<b>3,522</b>	<b>4,061</b>
<i>(Council Tax income level constant from 25/26 onwards)</i>					
50% loss of NNDR growth income		700	700	700	700
50% loss of NHB funding		296	296	296	296
Additional £1m per year borrowing	25	125	225	325	425
<b>Revised Shortfall</b>	<b>2,683</b>	<b>3,899</b>	<b>4,287</b>	<b>4,843</b>	<b>5,482</b>

- 7.25 As stated earlier, it is important to note that the figures detailed in the above table are purely illustrative as no decisions have yet been made regarding changes to these funding streams or new capital schemes and the potential impact on this Council.

## **8 FEES AND CHARGES**

- 8.1 The Overview and Scrutiny Panel will consider all fees and charges for 2025/26 at its meeting on 20 January 2025 and recommend the Schedule of Fees and Charges to Cabinet at its meeting on 27 January 2025.
- 8.2 For the purposes of this report, no increase in fees over and above what has already been agreed (eg. Planning Fees and Garden Waste Subscriptions) has been included in the estimates for 2025/26 and the medium term. Income forecasts within the figures in this report are based on current fees and projected activity levels.
- 8.3 Members will be aware that several of our fees and charges are set by government or other bodies and we have no discretion to amend these. The number of fees and charges which we have discretion to amend and the extent to which any increases significantly impact the Medium Term Forecasts detailed in this report are limited.

## **9 COUNCIL TAX – 2025/26**

- 9.1 The government has set the referendum limit for 2025/26 at 3% or £5, whichever is higher for District Councils (the same as 2024/25). A 3% increase on the Band D Council Tax equates to £7.56 per annum.
- 9.2 Social care authorities, such as Cambridgeshire County Council can also increase their element of council tax by a further 2% (5% in total which would equate to £80.91 on the County Council's Band D Council Tax if increase taken in full).
- 9.3 Council at its meeting on 17 July 2023, agreed to re-position the MTFs by keeping the cash level of Council Tax raised at the current level rather than the previously adopted 0% increase, while recognising that the Council continues to face significant financial challenges and uncertainties that may not allow this ambition to be met.
- 9.4 Members of the Council need to act responsibly each year when setting the precept to balance the ambition of keeping Council Tax income at its' current level with the legal need to balance the budget. It was agreed that raising Council Tax in any of

the next four years will be a last resort in order to minimise the financial effects of Council Tax on all of Fenland's households.

- 9.5 For information, an additional 1% increase in Council Tax in 2025/26 would generate in the region of £82k of revenue per annum to the Council. Even with this additional revenue included, the estimates for future years show a significant shortfall (see Table 4 below).

### **Council Taxbase**

- 9.6 The amount of Council Tax income recognised in the estimates is determined by the Council Taxbase (Band D equivalents) and the level of Band D Council Tax. For 2025/26, the Council Taxbase has been calculated using the number of dwellings (as notified by the Valuation Office Agency), the impact of exemptions and discounts (eg. Single Person discount) and the amount of Council Tax Support awarded as reported in the Council Tax Base return submitted to MHCLG in October 2024.
- 9.7 In addition, an allowance for growth and for non-collection is included together to produce the estimated taxbase. For 2025/26, the draft taxbase has been calculated as 32,050 (Band D equivalents), an increase of 479 (1.5%) on 2024/25.
- 9.8 The number of dwellings included on the VOA valuation list will be kept under review together with further analysis of growth within the district to ensure the final taxbase calculation reflects the latest position.
- 9.9 In line with the motion agreed by Council on 17 July 2023, assumed Council Tax income has remained at its' current level for 2025/26 and over the period of the MTFS.
- 9.10 At this level of Council Tax, there will be a significant deficit to fund over the period of the MTFS. Consequently, the Council will need to continually consider its strategy to meet the estimated shortfalls shown at Table 2 and in Appendix B.
- 9.11 The implications of not increasing Council Tax over the MTFS is that the Council will be reducing its financial base permanently as it would not be able to recover potential revenue foregone due to the cumulative year on year impact. The consequences of setting Council Tax at its' current level and not achieving the necessary savings/additional income have been clearly demonstrated by the events at other Councils. The ability to achieve significant year on year savings (without increasing existing and/or introducing new revenue streams together with transformational change) to balance the budget becomes progressively difficult without eventually impacting on front-line services and delivery.
- 9.12 Council can of course agree to an increase up to the referendum limit of 3% and a 1% increase in Council Tax raises around £82k revenue per annum. Table 4 shows the implications of increasing the Council Tax in 2025/26 by 2.97% per annum and thereafter compared to keeping the Council Tax income constant and compared to freezing the Council Tax in 2025/26 and throughout the MTFS period.

**Table 4: MTFS Deficits at Differing Council Tax levels in 2025/26 onwards**

Deficits based on different levels of Council Tax	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
<b>Deficits at CT at current level (as shown in Table 2/Appendix B)</b>	<b>+2,658</b>	<b>+2,778</b>	<b>+3,066</b>	<b>+3,522</b>	<b>+4,061</b>
Additional CT with 0% increase p.a. from 2025/26	-121	-248	-378	-511	-646
<b>Deficits at 0% increase</b>	<b>+2,537</b>	<b>+2,530</b>	<b>+2,688</b>	<b>+3,011</b>	<b>+3,415</b>
Additional CT with 3% increase p.a. from 2025/26	-363	-749	-1,152	-1,575	-2,018
<b>Deficits at 3% increase</b>	<b>+2,295</b>	<b>+2,029</b>	<b>+1,914</b>	<b>+1,947</b>	<b>+2,043</b>

## 10 REVIEW OF GENERAL FUND BALANCE AND EARMARKED RESERVES

- 10.1 An important part of any budget strategy is the review and consideration of reserves. Earmarked Reserves are typically held and used in a planned way to deal with issues where it is foreseen that resources need to be set aside to meet a specific need but the exact amount and timing is not known. General Reserves are held to cushion the impact of an event or events that cannot be foreseen whilst maintaining these resources at a consistent and reasonable level over the medium term.
- 10.2 Sufficient levels of reserves are necessary to provide for various contingent and unplanned items that could include:-
- significant increased costs of providing statutory services
  - significant increased contractual costs
  - an unexpected and/or significant event or disaster, e.g. civil emergency
  - an unexpected major liability in law
  - the need to make significant payments in relation to prior year adjustments under the direction of the external auditor
- 10.3 The Council's current uncommitted General Fund Balance is £2m. It is good practice to keep the balance on this reserve under review alongside ensuring that the purposes for which other earmarked reserves were allocated remain consistent with and relevant to the Council's Medium Term Financial Strategy.
- 10.4 Consequently, a review of the level of the General Fund Balance and the number and purpose of the earmarked reserves will be undertaken and any amendments will be presented to Cabinet and Council in the final budget report in February 2025.
- 10.5 The Budget Equalisation Reserve was established in 2019/20 to provide a smoothing mechanism between financial years which could provide resources to help achieve balanced budgets in future years whilst maintaining a 0% Council tax increase each year. The current balance on this reserve is £1.654m and is available to meet potential budget shortfalls for 2024/25 and 2025/26. Funding the £536k current projected shortfall for 2024/25 from this reserve would reduce the balance available for future years to £1.118m.

- 10.6 In previous reports, the Leader has stated that one of the main purposes of the Budget Equalisation Reserve was to facilitate a form of feedback loop to counter what he described as the Council's systemic historic outturn surpluses. However, the deficit incurred in 2023/24 of £212k was the first for several years and demonstrated the challenging financial environment all Councils are currently experiencing. Table 5 below, details the historic surpluses prior to 2023/24 and the significant shift to a deficit position from 2023/24. This deficit position is projected to worsen in 2024/25 and increase significantly in 2025/26. It is, ultimately, a matter of political interpretation whether the pattern of historic repeated outturn surpluses was evidence of taxing residents more than we need to each year, or if it bears a different interpretation. That is entirely a political matter for Cabinet and Full Council to consider. It is though quite clear that the pattern of historic surpluses will not be repeated and there will be significant deficits over the MTFS for the Council to address.
- 10.7 At a time of much personal financial pressure for households across Fenland, the Leader proposed, and Full Council approved at their budget meeting in February 2023, a one-off 2% reduction in Council tax in 2023/24. Subsequently, Council at its meeting on 17 July 2023, agreed to re-position the MTFS by keeping the cash level of Council Tax raised at the current level rather than the previously adopted 0% increase, while recognising that the Council continues to face significant financial challenges and uncertainties that may not allow this ambition to be met. The decisions by Council in February and July 2023 was considered a more effective and appropriate way to eliminate the Council's pattern of outturn surpluses, and that the fact that the Budget Equalisation Reserve now stands at £1.654m (before any potential use to fund any shortfall in 2024/25) provides a limited facility to smooth any short term revenue account budget pressures in any year(s) over the term of the MTFS. The scale of the forecast deficits in the current year, 2025/26 and over the MTFS are significantly higher than what will be available to fund from the Budget Equalisation Reserve and further significant cost savings and/or income generation (eg. Council Tax increases) will be required to set a legally balanced budget.

**Table 5: Net Deficit/Surplus(-) transferred from/(to) Budget Equalisation Reserve**

	Budget £000	Outturn £000		Outturn Transferred to(+)/from(-)	
				Budget Equalisation	Reserve Balance
2024/25	-3	536 (projected)		-536	1,118
2023/24	-4	212		-212	1,654
2022/23	203	-800		800	1,866
2021/22	842	-584		584	1,066
2020/21	0	-167		167	482
2019/20	151	-115		115	315
2018/19	73	-200		200	

- 10.8 The analysis of reserves at Appendix E details the projected General Fund and earmarked reserves position as at 31 March 2025 and 31 March 2026 before any use of these reserves to fund the potential shortfalls detailed at Appendix A. The final budget report to be considered by Cabinet and Council on 24 February 2025 will consider the use of these reserves.

## **11 CAPITAL PROGRAMME**

- 11.1 Capital Expenditure and Income plans have been prepared through the Council's service and financial planning cycle. The Council's capital resources are dependent on government funding, external grants or through the ongoing disposal of assets.
- 11.2 Since February 2024, Members have continued to receive regular updates on several high-profile schemes including Wisbech High Street. In addition, Cabinet at their meetings of 30 September 2024 and 15 November 2024, have approved the purchase of additional properties to help support the Council's housing duties and these are included in Appendix D(i).
- 11.3 An updated Capital Programme for 2024-28 is presented at Appendix D(i) for approval. The programme has been updated to ensure it adequately reflects the cost and anticipated timing of schemes previously approved. **At this stage, no further capital schemes over and above those already approved have been included in the updated programme and no further financing costs included in the MTFS.**
- 11.4 No allowance has yet been made for any potential new schemes detailed in Appendix D(ii). These schemes will be subject to further review by officers and members prior to determining the final budget proposals in February 2025. **The potential additional revenue costs associated with any new schemes will increase the financial challenges facing the Council over the MTFS period.**
- 11.5 In addition, no allowance has yet been made for the following developments which will also significantly impact the Council's capital programme.

### **Accommodation Strategy**

Currently members and officers are working closely with the Council's professional advisors to produce a Full Business Case in relation to the preferred Accommodation Strategy option agreed by Cabinet on 30 September 2024. The final decisions taken will inform the level of work required at Fenland Hall and The Base over the life of the capital programme. When final decisions are taken, the capital programme will need to be adjusted accordingly. On this basis no commitments relating to Fenland Hall and the Base have been included in the current programme. Whatever option is finally agreed, there will be a significant impact on the capital programme and future financing costs.

### **Structural Works – Wisbech Port**

Major structural concrete repair works were carried out during 2023/24 to address the deteriorating condition of the suspended quay at Wisbech Port. Extensive further work will be required over the next few years to ensure the quay at the port of Wisbech remains safe and operational. Full details of this work was presented to Cabinet at their meeting on 16 March 2023. A detailed option appraisal regarding the future of Wisbech Port will be required before any further investment in the quay is considered. Ultimately, the long-term replacement of the suspended quay could cost in the region of £50m. Further reports will be brought to Cabinet for consideration of the future of Wisbech Port.

## **Leisure Centres**

Following approval by Cabinet in November 2023, a Leisure Centre Facility Strategy to inform capital investment required over the next 5 years has been developed. Officers are currently assessing the outcome of this strategy and any potential available funding opportunities and a report on the various options for each centre will be presented to Cabinet at a future meeting. What is clear however, is that major investment in the Council's leisure centres is required to ensure they are fit for the future. This will have a very significant impact on the capital programme and future additional financing costs.

- 11.6 Should resources from external funding and/or capital receipts not generate the level of receipts forecast, or there is a delay in disposal of assets, then the capital programme will need re-visiting to ensure funding is sufficient to meet proposed expenditure including through borrowing. Reviews of the programme and resources available are carried out regularly during the year.
- 11.7 The Council's Borrowing Strategy which is incorporated into the Council's Treasury Management Strategy Statement, recognises that prudential borrowing will be required over the life of the capital programme. Details of the estimated borrowing required is detailed at Appendix D. The projected annual revenue costs for the Council of the current approved programme are reflected in the medium term forecasts at Appendix B.
- 11.8 As stated earlier, a review of the current and future capital programme and its ongoing revenue cost impact will be undertaken to ensure the programme is sustainable within the context of the Council's Medium Term Financial Strategy.

## **12 RISK ASSESSMENT**

- 12.1 There is an element of risk inherent in any process that looks into the future to make forecasts, particularly in the current economic climate and other national and international events now or in the future that may impact on the Council either directly or indirectly. The Council has a strong track record in good financial management as recognised in the recent Annual Audit Letter. This risk is further minimised by adopting the following methodology when preparing the estimates:-
  - Service managers and the Accountancy Team working together to define likely service income/expenditure patterns matched with service delivery plans;
  - Maintaining "earmarked" reserves for expenditure that it is known will occur but the exact amount and timing of the expenditure is not known;
  - Maintaining an adequate level of general reserves to meet sudden and or unforeseen expenditure;
  - Adopting clear guidelines and control systems (robust revenue and capital budget management and monitoring procedures, Financial Regulations and Contract Procedure Rules etc.) to alert service managers, and members before variances reach tolerance levels;
  - Using professional and expert advice and economic forecasts where these are available, e.g. treasury management, interest rates;
  - Maintaining a rolling review of forecast estimates beyond the current year.
- 12.2 These assumptions are made with all available information but are necessarily calculated based on broad assumptions. In the current economic climate, some of these assumptions are particularly volatile. The MTFS will be prepared annually on

a rolling basis so that as information becomes more certain the figures will be updated and early consideration can be given to any action or changes in direction that may be required.

### **13 CORPORATE DIRECTOR AND CHIEF FINANCE OFFICER (S151 Officer) STATEMENT**

- 13.1 The proposed budget is set against the context of significant economic uncertainty, the current cost of living crisis, together with considerable uncertainty regarding government funding over the MTFS. The Government intends to make fundamental changes to the funding system for Local Government through the introduction of a new needs based fairer funding formula and the introduction of business rates. In addition the New Homes Bonus is being abolished in 2026/27 and there is still uncertainty around the net impact of the introduction of EPR, Food Waste and the Simpler Recycling reforms. The cumulative impact of these changes and lack of visibility on any transition or damping arrangements means that financial planning for 2026/27 and the medium term is very uncertain.
- 13.2 Although there are still many uncertainties around the estimates for 2025/26 and over the medium term to 2029/30 detailed in this report, there are undoubtedly significant challenges facing the Council over the next few years. The report also highlights several major areas of risk which could also adversely affect the estimates over the MTFS. Of particular concern is the additional revenue impact of any new capital schemes which may be included in the final budget in February 2025.
- 13.3 As detailed in the report, Council Tax over each year of the MTFS has been included at its' current level in accordance with the decision by Council at its' meeting on 17 July 2023. At this level, there are currently estimated shortfalls of £2.658m in 2025/26, rising to £4.061m in 2029/30.
- 13.4 These represent a significant challenge for the Council and it is therefore, imperative that a robust savings strategy is in place to meet these challenges. As detailed in the report, significant savings are expected from the Transformation Agenda 2 (TA2) programme and the outcome of the Accommodation Review.
- 13.5 Consequently, the delivery of the planned savings and major business projects **is critical** to the successful delivery of the Council's budget strategy. **Even with these, the scale of the forecast deficits over the MTFS period means that the current Council Tax strategy of keeping the level at the same cash amount as this year (or even a 0% increase per annum), is unsustainable and future increases in Council Tax inevitable to help deliver a balanced budget.** Table 4 in Section 9 of this report exemplifies the impact of increasing Council Tax by up to 3% (the current referendum limit) on the shortfalls over the MTFS detailed in Appendix B.
- 13.6 Given the uncertainties detailed in this report, it is imperative that the Council maintains sufficient resources to cover any in-year unforeseen expenditure. A risk based approach to the consideration of the level of reserves is a component of the Council's overall risk management framework. Operational risks should be managed within Services' bottom line budgets and thus will not normally result in any further call on the Council's General Balances, as detailed in Section 10 above.

## APPENDIX A

## FENLAND DISTRICT COUNCIL

## Summary of Revenue Estimates

	<b>Council 26.02.24 Original Estimate 2024/25 £</b>	<b>Cabinet 16.12.24 Projected Outturn 2024/25 £</b>	<b>Cabinet 16.12.24 Draft Estimate 2025/26 £</b>
<b>Service Summary</b>			
Growth & Infrastructure	1,454,340	1,330,666	1,329,910
Communities, Environment, Leisure & Planning	5,402,610	6,315,700	6,905,640
Resources & Customer Services	10,304,470	10,628,973	10,476,764
Vacancy Factor (1.5%)	-230,000	0	-238,000
Transformation Programme - TA2 savings	-225,000	-115,585	-170,000
<b>NET COST OF GENERAL FUND SERVICES</b>	<b>16,706,420</b>	<b>18,159,754</b>	<b>18,304,314</b>
<b>Corporate Items</b>			
Internal Drainage Board Levies	2,098,570	2,251,010	2,363,550
Internal Drainage Board Levies Grant	-177,280	-213,000	-213,000
Contributions to/ (from) Earmarked Reserves	-652,874	-878,913	-805,826
RTB/VAT Sharing Income	-20,000	-110,000	-20,000
Financing Charges - <i>Interest on External Borrowings</i>	906,325	556,325	835,267
Financing Charges - <i>MRP current Capital Programme</i>	587,700	451,166	651,200
Investment Income and Property Funds Income	-795,000	-765,000	-730,000
New Homes Bonus	-442,392	-442,392	-592,628
Services Grant	-25,846	-25,846	0
Core Spending Power Guarantee Grant/ Minimum Funding Guarantee	-788,558	-788,558	-814,404
<b>Corporate Items</b>	<b>690,645</b>	<b>34,792</b>	<b>674,159</b>
<b>Net Expenditure</b>	<b>17,397,065</b>	<b>18,194,546</b>	<b>18,978,473</b>
Contribution to/from(-) Budget Equalisation Reserve	<b>2,515</b>	<b>0</b>	<b>0</b>
<b>NET EXPENDITURE after use of balances</b>	<b>17,399,580</b>	<b>18,194,546</b>	<b>18,978,473</b>
<b>Core Funding</b>			
Revenue Support Grant	<b>-184,901</b>	<b>-184,901</b>	<b>-187,989</b>
<b>Business Rates - Income due in Year</b>			
Business Rates Funding	-11,177,561	-11,177,561	-11,603,273
Tariff Payment to Government	7,554,448	7,554,448	7,680,607
Renewable Energy Rates Retained	-1,476,267	-1,593,684	-1,588,253
Business Rates Pool - FDC Share of Benefit	-300,000	-350,000	-350,000
Business Rates S31 Grants due in year	-3,166,574	-3,066,658	-2,968,071
Business Rates Levy due in year	744,929	553,388	707,386
	<b>-7,821,025</b>	<b>-8,080,067</b>	<b>-8,121,604</b>
<b>Business Rates Collection Fund Deficit(+)/Surplus(-)</b>	<b>-1,291,784</b>	<b>-1,291,784</b>	<b>47,526</b>
<b>Council Tax Collection Fund Deficit(+)/Surplus(-)</b>	<b>-57,899</b>	<b>-57,899</b>	<b>-13,830</b>
<b>Council Tax</b>	<b>-8,043,971</b>	<b>-8,043,971</b>	<b>-8,044,866</b>
<b>Business Rates and Council Tax Funding</b>	<b>-17,399,580</b>	<b>-17,658,622</b>	<b>-16,320,763</b>
<b>Surplus(-)/Shortfall(+)</b>	<b>0</b>	<b>535,924</b>	<b>2,657,710</b>

## APPENDIX B

(Council Tax income level constant  
2025/26 onwards)

Medium Term Financial Strategy	Projected 2024/25 £000	Estimate 2025/26 £000	Forecast 2026/27 £000	Forecast 2027/28 £000	Forecast 2028/29 £000	Forecast 2029/30 £000
<b><u>Expenditure</u></b>						
<b>Service Expenditure/Income</b>						
Gross Service Expenditure	31,161	30,297	30,020	30,514	31,020	31,656
Gross Service Income	-12,885	-11,585	-11,753	-11,924	-12,299	-12,579
Vacancy Factor (1.5%)	0	-238	-244	-250	-256	-262
Transformation Programme - additional savings	-116	-170	-203	-236	-236	-236
<b>Total Net Service Expenditure</b>	<b>18,160</b>	<b>18,304</b>	<b>17,820</b>	<b>18,104</b>	<b>18,229</b>	<b>18,579</b>
<b>Corporate Items</b>						
<b>Corporate Expenditure/Savings</b>						
Internal Drainage Board Levies	2,251	2,364	2,482	2,606	2,736	2,873
Internal Drainage Board Levies Grant	-213	-213	-213	-213	-213	-213
Financing Charges - Interest on External Borrowing	556	835	1,285	1,310	1,360	1,460
Financing Charges - MRP Current Capital Programme	451	651	751	801	851	901
	<b>3,045</b>	<b>3,637</b>	<b>4,305</b>	<b>4,504</b>	<b>4,734</b>	<b>5,021</b>
<b>Corporate Income Items</b>						
Contribution to/(+)/from(-) Earmarked Reserves	-879	-805	-189	-189	-189	-189
RTB/VAT Sharing Income	-110	-20	-20	-20	-20	-20
Investment and Property Fund Income	-765	-730	-1,200	-1,300	-1,100	-1,100
New Homes Bonus	-442	-593	-593	-593	-593	-593
CSP Guarantee Grant	-788	-814	-814	-814	-814	-814
Services Grant	-26	0	0	0	0	0
Contribution to/from(-) Budget Equalisation Reserve	0	0	0	0	0	0
	<b>-3,010</b>	<b>-2,962</b>	<b>-2,816</b>	<b>-2,916</b>	<b>-2,716</b>	<b>-2,716</b>
<b>Total Corporate Items</b>	<b>35</b>	<b>675</b>	<b>1,489</b>	<b>1,588</b>	<b>2,018</b>	<b>2,305</b>
<b>Gross Service/Corporate Expenditure</b>	<b>34,090</b>	<b>33,526</b>	<b>33,878</b>	<b>34,532</b>	<b>35,262</b>	<b>36,179</b>
<b>Gross Service/Corporate Income</b>	<b>-15,895</b>	<b>-14,547</b>	<b>-14,569</b>	<b>-14,840</b>	<b>-15,015</b>	<b>-15,295</b>
<b>Net Budget Requirement</b>	<b>18,195</b>	<b>18,979</b>	<b>19,309</b>	<b>19,692</b>	<b>20,247</b>	<b>20,884</b>
<b><u>Funding - RSG, Business Rates &amp; Council Tax</u></b>						
<b>Revenue Support Grant</b>	<b>-185</b>	<b>-188</b>	<b>-193</b>	<b>-198</b>	<b>-202</b>	<b>-208</b>
<b>Business Rates</b>						
Business Rates Baseline Funding	-11,178	-11,603	-12,111	-12,309	-12,510	-12,715
Tariff Payment to Government	7,554	7,681	7,850	8,007	8,167	8,330
Renewable Energy Rates Retained	-1,594	-1,588	-1,598	-1,606	-1,619	-1,628
Business Rates Pool - FDC Share of Benefit	-350	-350	-350	-350	-350	-350
Business Rates S31 Grants due in year	-3,065	-2,968	-2,673	-2,692	-2,711	-2,730
Business Rates Levy due in year	553	707	639	617	595	573
Business Rates Collection Fund Deficit/Surplus(-)	-1,292	47	0	0	0	0
<b>Total Business Rates Funding</b>	<b>-9,372</b>	<b>-8,074</b>	<b>-8,243</b>	<b>-8,333</b>	<b>-8,428</b>	<b>-8,520</b>
<b>Council Tax</b>						
Council Tax Collection Fund Surplus(-)/Deficit	-58	-14	-50	-50	-50	-50
Council Tax (Constant level 2025/26 onwards)	-8,044	-8,045	-8,045	-8,045	-8,045	-8,045
<b>Total Council Tax Funding</b>	<b>-8,102</b>	<b>-8,059</b>	<b>-8,095</b>	<b>-8,095</b>	<b>-8,095</b>	<b>-8,095</b>
<b>Total Funding - RSG/Business Rates/Council Tax</b>	<b>-17,659</b>	<b>-16,321</b>	<b>-16,531</b>	<b>-16,626</b>	<b>-16,725</b>	<b>-16,823</b>
<b>Surplus(-)/Shortfall(+)</b>	<b>+536</b>	<b>+2,658</b>	<b>+2,778</b>	<b>+3,066</b>	<b>+3,522</b>	<b>+4,061</b>

## Assumptions built into Budget and Medium Term Financial Strategy (MTFS)

Within the forecasts are a number of assumptions which are necessary to produce the overall budget strategy. However, there is an element of risk associated with this process although the aim is to mitigate these risks as detailed in section 12 of the main report.

The main assumptions are as follows:

- Council Tax income has been included at its current level over the period of the MTFS (£8.045m in 2025/26 and thereafter). With the estimated increases in the Council Tax base, this equates to a reduction in Band D Council Tax levels of £3.78 or 1.48% for 2025/26 with further similar reductions in the following years. The cumulative reduction in Council Tax by 2029/30 would be around £18.90 or 7.42%. (For comparison, a 0% increase would generate £121k of resources and a 3% increase around £363k of resources in 2025/26).
- 1.52% increase in Council Tax base in 2025/26 (Tax-base 32,050) and thereafter (increase of 500 Band D equivalent properties in 2026/27 rising to 530 in 2029/30).
- Inflation increases in Retained Business Rates income from 2026/27 onwards. Future net benefits or reduced retained income from Business Rates will be dependent upon the impact of the system re-set and other changes from April 2026 onwards.
- Inclusion of this Council's share (£350k) of the potential benefit arising from the continuation of the Cambridgeshire Business Rates Pool in 2025/26 onwards. Although Fenland will not formally be part of the Pool for 2025/26, the Pool members have agreed for Fenland to be no worse off as a result of the new Pool arrangements. Potential benefit from the Pool in future years will be dependent on any changes to the Business Rates Retention System from April 2026.
- Minimum Funding Guarantee Grant included at £814k in 2025/26 (the current total of the Services Grant and the Core Spending Guarantee Grant) and over the medium term. Although the national totals of these grants will remain in the Local Government sector in future years, they may be allocated differently as a result of changes to the Local Government funding system from April 2025, which could negatively affect our funding from this source.
- The New Homes Bonus (£442k allocated in 2024/25) has been included at £593k per annum from 2025/26. NHB will be abolished in 2026/27 and the total amount of funding included within the overall Finance Settlement. An allowance of £593k per annum has been included from 2026/27 onwards but this will be dependent on how the current funding is redistributed and allocated.
- 2% pay award in 2025/26 (£304k cost) and thereafter together with an allowance for pay increments of around 0.5% p.a. (£76k cost).
- Employer's Pension Contributions – following the triennial valuation as at 31.03.2022, the contribution rate for 2023/24 – 2025/26 increased slightly to 17.6% of salary (17.4% in 2022/23) with an additional past deficit lump sum payment of £922k for 2023/24, £884k for 2024/25 and £845k for 2025/26 representing an overall increase of 1% p.a. in total contributions.
- Inclusion of a vacancy factor for 2025/26 onwards, equivalent to a reduction in staff costs of 1.5% (£238k in 2025/26).

- Specific allowance for inflation where required eg: employee costs (as detailed above), business rates, external contracts, energy and water, fuel costs etc. Otherwise, no allowance for inflation has been included.
- Estimated 5% increase in Internal Drainage Board Levies in 2025/26 and thereafter. The actual levies are not set by the Drainage Boards until after we have set our budget and Council Tax levels. To help off-set these increases, the government is once again allocating £3m nationally to the worst affected authorities. In 2024/25 we were allocated £213k of IDB grant and the same amount has been included for 2025/26. Allocations for 2025/26 will be announced in the coming months (and likely after we have set our budget) so the actual amount of grant received may be different to this.
- Investment interest rates are forecast to remain at current levels until Q1, 2025 before subsequently decreasing back to 3% in Q4, 2026 (£300k estimated income from temporary investments in 2025/26).
- Investment income includes the £4m investment in property funds in March 2022 (£130k p.a. income net of costs in 2025/26).
- Forecast income levels from fees and charges in 2025/26 include increases in fees already approved (eg. Garden Waste subscriptions) together with a review of activity levels. Final fee levels will not be set until the Cabinet meeting in January 2025.
- For 2025/26 onwards, provision has been included for a reduction in costs/increase in housing benefit subsidy reclaimed of £600k relating to temporary accommodation. This is a result of various initiatives currently progressing, in conjunction with current providers and from the impact of the additional houses purchased with support from the Local Authority Housing Fund and the current capital programme.
- Recharges to Fenland Future Limited to reflect the use of FDC officer time on the company's behalf has been included (£125k in 2022/23 and future years). This amount could vary depending on the amount of time and types of activities being carried out for the company.
- Potential net benefits from Fenland Future Ltd of loan interest and dividends from future developments have been included. These amounts could vary depending on the timing and profitability of developments being carried out by the company.
- No allowance has been made in the medium term forecasts for the potential impact of the government's waste strategy particularly relating to Food Waste.
- No additional income (or costs) from the Extended Producer Responsibility scheme for managing packaging waste (effective from 2025/26) has been included. Although we have been allocated £958k for 2025/26, we will not be in a position to understand the net impact until the outcome of the provisional finance settlement.
- £170k of in-year savings have been included in 2025/26 for potential savings from the Transformation Agenda 2 programme, rising to £236k savings from 2027/28 onwards.
- Estimated financing costs (Interest and MRP) of the current capital programme as detailed in Appendix D(i) are included in the MTFS. No allowance has been made for any additional new capital schemes.

**APPENDIX D(i)****CAPITAL PROGRAMME AND FUNDING 2024 - 2028**

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>CURRENT FORECAST EXPENDITURE</b>	<b>17,932</b>	<b>8,802</b>	<b>9,314</b>	<b>1,794</b>
<b>FORECAST RESOURCES AVAILABLE</b>				
Capital Grants	8,010	1,516	1,194	1,194
Usable Capital Receipts - In Year	250	250	250	250
Reserves used in year to fund Capital	1,205	200	0	0
Section 106s and Other Contributions	120	0	0	0
Borrowing (Internal and Prudential) - Capital Programme	4,847	1,836	350	350
Borrowing (Prudential) - CIS	3,500	5,000	7,520	0
<b>TOTAL FORECAST RESOURCES</b>	<b>17,932</b>	<b>8,802</b>	<b>9,314</b>	<b>1,794</b>

CAPITAL PROGRAMME SUMMARY 2024/25 - 2027/28						APPENDIX D(i)			
		Revised 2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106
<b>Leisure Centres</b>									
1	Condition Survey Improvements	1,055	1,055			2,110	2,110	0	
2	Energy Efficiency Works - Solar PV; Manor CHP; Manor Pool AHU	443				443	366	77	£110k CPCA Growing Fenland; £250k Sport England
3	Manor Basketball/Tennis/Netball Improvements including site investment appraisal	60				60	0	60	£55k CPCA Growing Fenland; £25k FCC Communities Grant
4	Leisure Centres - Facility Strategy	89	25			114	114	0	
<b>Regeneration Programmes</b>									
5	Heritage Lottery Fund - Non-FDC Properties	98				98	0	98	HLF Grant.
6	Heritage Lottery Fund - 24 High Street, Wisbech	1,903				1,903	1,665	238	£220k CPCA Grant; £238k HLF
7	11 -12 High Street	20	30			50	50	0	
8	Future High Street Fund, March	5,139				5,139	0	5,139	£2,000k CPCA, £3,139k DLUHC Future High Streets,
9	Nene Waterfront Infrastructure Improvements	273				273	33	240	£181k Brownfield Land Release Fund £59 FFL
10	Whittlesey Market Place Improvements	20				20	0	20	£20k CPCA Growing Fenland Grant
11	Whittlesey Southern Relief Road - SOBC	174				174	0	174	£174k CPCA Growing Fenland Grant
<b>Parks and Open Spaces</b>									
12	Wisbech Park - Play Area Refurbishment	45				45	0	45	£20k DLUHC Levelling Up Parks Fund, £25k S106
13	National Trust Peckover House	40				40	0	40	£40K DLUHC Changing Places Grant
14	The construction of a sports pavilion on open space in Manea	40				40	0	40	S106 Funding
15	Manea PC - Purchase Land	15				15	0	15	S106 Funding
16	West End Park, March	10				10	0	10	S106 Funding
17	Manea PC - Play Park Improvements	10				10	0	10	S106 Funding
<b>Cemeteries</b>									
18	Cemetery Chapels Condition Survey Works	128				128	128	0	
19	Remedial Works in Closed Cemeteries	179	150			329	329	0	
20	Whittlesey St Andrew Church - Wall Maintenance	100				100	100	0	
<b>Highways</b>									
21	Category 2 Street Lights - FDC Lights	41	100			141	141	0	
22	Growing Fenland - Civil Parking Enforcement	0	322			322	0	322	£322k CPCA Grant
						0	0	0	
<b>Environment</b>									
23	Replacement and Additional Litter Bins	27				27	27	0	
<b>Sub Total</b>									
		9,909	1,682	0	0	11,591	5,063	6,528	

[illegible]

POTENTIAL NEW CAPITAL SCHEMES 2025/26 - 2027/28										APPENDIX D(ii)
		2025/26 £000	2026/27 £000	2027/28 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106		
Leisure Centres										
1	Manor Leisure Centre	2,500	0	0	2,500	2,500	0	Pending outcome of Leisure Centre Facility Strategy		
2	Hudson Leisure Centre	700	0	0	700	700	0	Pending outcome of Leisure Centre Facility Strategy		
3	George Campbell Leisure Centre	600	0	0	600	600	0	Pending outcome of Leisure Centre Facility Strategy		
4	Cardio Gym Kit Replacement	100	0	0	100	100	0			
5	Resistance Gym Kit Replacement	0	500	0	500	500	0			
Parks and Open Spaces										
6	North Drive Park Path	12			12	12	0			
7	Park Infrastructure (paths / gates etc)	350	0	0	350	350	0			
8	Play Park Re-furb Programme	405	0	0	405	405	0			
9	Tree Works	100	0	0	100	100	0			
Cemeteries										
10	Remedial Works in Open Cemeteries	240	0	0	240	240	0			
11	Flood Management Programme - Eastwood Cem, March	100	0	0	100	100	0			
Highways										
12	Algores Way, Wisbech - Road Resurfacing Works	300	0	0	300	300	0			
13	Europa Way, Wisbech - Road Resurfacing Works	275	0	0	275	275	0			
14	Brewin Chase, March - Road Resurfacing Works	250	0	0	250	250	0			
Port										
15	Small Twin Screw Tug, Wisbech Port	500	0	0	500	500	0	Pending outcome of Port Operations Review		
16	Suspended Quay Works	1,733	0	1,420	3,153	3,153	0	Pending outcome of Port Operations Review		
Vehicles and Plant										
17	Vehicles (additional to current programme)	639	532	665	1,836	1,836	0			
18	Bring Banks							Budget and Funding to be decided		
Improvement of Assets										
19	West End Park Moorings, March	155	0	0	155	155	0			
20	Boat House, Wisbech							Budget and Funding to be decided		
21	Creek Hostel - Roof							Budget and Funding to be decided		
22	Accomodation Review							Pending outcome of Accommodation Full Business Case		
23	11 -12 High Street, Wisbech	5,220	0	0	5,220	720	4,500	£1m NLF: £2m Towns Fund; CPCA £1.5m		
Car Parks										
24	Chapel Road Car Park, Wisbech	750	0	0	750	750	0			
Total - Potential New Schemes										
		14,929	1,032	2,085	18,046	13,546	4,500			

**EARMARKED AND GENERAL RESERVES - Revised 2024/25 and Estimated 2025/26**
**APPENDIX E**

Reserve Name	Balance 01.04.24 £	Capital Funding £	Revenue Contributions to(+)/from(-) 2024/25 £	Revised Balance 31.03.25 £	Capital Funding £	Revenue Contributions to(+)/from(-) 2025/26 £	Estimated Balance 31.03.26 £
Travellers Sites	479,244		47,260	526,504		46,620	573,124
CCTV - Plant & Equipment	51,128		10,000	61,128		10,000	71,128
Station Road, Whittlesey - Maintenance	13,200		2,800	16,000		2,800	18,800
Management of Change	234,313		-206,690	27,623		-27,623	0
Business Rates Equalisation Reserve	800,516			800,516			800,516
Capital Contribution Reserve	116,117			116,117			116,117
Port - Buoy Maintenance	145,798			145,798			145,798
Repairs and Maintenance	658,706	-5,000		653,706	-200,000		453,706
Heritage Lottery Fund (HLF) - Wisbech	49,235			49,235			49,235
Highways Street Lighting	85,140		-2,420	82,720		19,230	101,950
Solid Wall Remediation	100,000			100,000			100,000
Investment Strategy Reserve	1,340,168			1,340,168			1,340,168
Budget Equalisation Reserve	1,654,142			1,654,142			1,654,142
Planning Reserve	335,601		-267,330	68,271		-21,234	47,037
Elections Reserve	111,382		-750	110,632		-4,110	106,522
Port - Pilots Staff Development Training	11,875			11,875			11,875
Cambridgeshire Horizons	2,320,442	-1,200,000	-174,780	945,662		-663,830	281,832
Specific Government Grants (received in previous years)	1,763,481		-287,003	1,476,478		-167,680	1,308,798
<b>TOTAL EARMARKED RESERVES</b>	<b>10,270,485</b>	<b>-1,205,000</b>	<b>-878,913</b>	<b>8,186,571</b>	<b>-200,000</b>	<b>-805,826</b>	<b>7,180,745</b>
General Fund Balance	2,000,000			2,000,000			2,000,000
<b>TOTAL RESERVES</b>	<b>12,270,485</b>	<b>-1,205,000</b>	<b>-878,913</b>	<b>10,186,571</b>	<b>-200,000</b>	<b>-805,826</b>	<b>9,180,745</b>

*Comments / Conditions of Use*

Can only be used for specific future maintenance liabilities.

Available for future CCTV maintenance & replacement liabilities.

Required for future road maintenance.

Available for the effective management of any organisational changes required to meet the Council's future priorities.

Available to assist the Council in smoothing out volatility in the business rates retention system.

Available to fund specific spending commitments in future years.

Available for future buoy maintenance to service windfarms.

Available to provide funding for one-off schemes, not covered by the normal Repairs and Maintenance revenue budgets.

To manage the Heritage Lottery Funded scheme in Wisbech.

Available to fund future repairs and maintenance relating to street lighting.

Available to fund potential costs linked to solid wall installations in the District.

Established to provide future funding for Commercial and Investment Strategy projects.

Year-end surpluses are transferred to this reserve. If a deficit is forecast this reserve can be used to offset the expected shortfall.

Available to fund additional planning costs not reflected in the annual budget, including the development of the Local Plan.

Available to fund four-yearly District-wide elections. Transfers are made to this reserve each year to fund the cost of the next District-wide election.

Available to fund the training of maritime pilots to fulfill the authority's statutory functions.

Available for the Council's future use in accordance with the conditions attached to the receipt.

Available to fund specific spending commitments in future years.

Unallocated general reserve required for various and unplanned for contingencies, to mitigate risks associated with future financial planning as well as for general day to day cash flow needs.

NB: In accordance with the Council's Financial Rules and Scheme of Financial Delegation ( Part 4, Rule 6 of the Constitution), paragraphs B57 - B60 delegates authority to the Chief Finance Officer to approve expenditure from these reserves in accordance with their approved use as detailed above.