

Agenda Item No:	6	
Committee:	Cabinet	
Date:	23 February 2026	
Report Title:	Revised General Fund Budget and Capital Programme 2025/26; General Fund Budget Estimates 2026/27 and Medium Term Financial Strategy (MTFS) 2026/27 to 2030/31; Capital Programme 2026/27 to 2028/29	

1 Purpose / Summary

1.1 To consider and approve:

- the revised General Fund Budget and Capital Programme for 2025/26 and;

1.2 To consider and recommend to Council:

- the General Fund Budget Estimates 2026/27 and the Medium Term Financial Strategy 2026/27 to 2030/31;
- the Council Tax levels for 2026/27;
- the Capital Programme 2026/27-2028/29;
- the Treasury Management Strategy Statement, Capital Strategy and Annual Treasury Investment Strategy for 2026/27.

2 Key issues

- The Final Local Government Finance Settlement was announced on 9 February 2026. This provided £643,035 less resources including business rates income compared with what was included in the draft budget report in December 2025.
- There was no New Burdens funding for the Food Waste Strategy which has added a budget of £981k to the 2026/27 budget.
- The proposal in this report is to reduce the Council Tax levels in 2026/27 by 0.55% and then remain at the same level across the MTFS.
- Council Tax Referendum limits for 2026/27 have been set at an increase of 3% or £5 whichever is the higher.
- Latest projections for 2025/26 are showing a surplus of £107k (Section 6 of the report).
- Current forecasts for 2026/27 show a shortfall of £2.856m based on the assumptions detailed in Appendix C. It is proposed that a contribution of £2.865m from the Council's Reserve be made to achieve a balanced budget.
- The MTFS projects shortfall increases year on year, reaching £2.529m in 2028/29 and £3.487m in 2030/31. 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.
- As a result of the Fairer Funding Review and the Business Rates Reset in the 2026/27 Financial Settlement the projected shortfalls are 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 and fund shortfalls from reserves, necessarily increases the scale of that challenge.

- This settlement has resulted in more redistribution of funding within the sector than any other for at least the last 25 years. The potential for redistribution would have been enormous, even if the only changes had been to update key datasets and council tax levels.
- Added to that, there has been a full baseline reset (for the first time since the BRRS was introduced in 2013/14), major changes to all the Relative Needs Formulas (RNFs), and the simplification of many grants into either the Settlement Funding Assessment (SFA) or into one of four Consolidated Grants. The distribution of resources between authorities will be very different by 2028/29 than it is now.
- This is a 3-year settlement, which gives certainty to authorities in the second and third year of the settlement. Each of these latter two years will still be subject to an annual settlement process, but any changes will be upwards, with the 3-year settlement.
- Although there are currently many uncertainties regarding the budget for 2026/27 and the MTFs, there remains a significant structural deficit which the Council will need to address. The Council will need to consider reviewing both income and expenditure budgets across the Council and encourage further external funding to help address the long-standing structural deficit.
- An updated Capital Programme for 2025/26 and for the medium term 2026/27 -2028/29 is proposed.

3 Recommendations

- It is recommended that:
 - (i) the revised estimates for 2025/26 as set out in Section 6 and Appendix A showing an estimated surplus of £107k which will be transferred to the Budget Equalisation Reserve be approved;
- It is recommended to Council that:
 - (ii) the General Fund revenue budget for 2026/27 as set out in Section 7 and Appendix A be approved;
 - (iii) the Medium Term Financial Strategy as outlined in this report and Appendix B be adopted;
 - (iv) the Capital Programme and funding statement as set out in Appendix D be approved;
 - (v) the adoption of the additional Business Rates Relief measures as detailed in Section 5 using Discretionary Relief Powers be approved;
 - (vi) the expenses detailed in Section 10 be approved to be treated as general expenses for 2026/27;
 - (vii) the Port Health levy for 2026/27 be set as shown in Section 11;
 - (viii) the current working age Council Tax Support Scheme be adopted with effect from 1 April 2026 as set out in Section 13, with appropriate changes to the prescribed pensioner scheme as determined by regulations;
 - (ix) the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement (including amending the MRP calculation to be based on the 'Annuity method' from 2025/26 onwards), Treasury Investment Strategy, Prudential and Treasury Indicators for 2026/27 and Capital Strategy 2026/27 as set out in Section 14 and Appendix E be approved;
 - (x) the Band D Council Tax level for Fenland District Council Services for 2026/27 be set at £253.35, a reduction on the current year.

Wards Affected	All
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Corporate Director and Chief Finance Officer (S.151 Officer) Sian Warren, Chief Accountant
Contact Officer(s)	Paul Medd, Chief Executive Peter Catchpole, Corporate Director and Chief Finance Officer (S.151 Officer) Sian Warren, Chief Accountant
Background Paper(s)	Final Finance settlement – Ministry of Housing, Communities and Local Government (MHCLG). Autumn Statement and Budget 2025 (HM Treasury) Medium Term Financial Strategy working papers. Government announcements since February 2025.

This report contains the following Appendices:

Appendices

- A. (i) General Fund Revenue Estimates - Summary
(ii) General Fund Revenue Estimates – Individual Services
- B. Medium Term Financial Strategy (MTFS)
- C. Assumptions built into Budget and Medium Term Strategy
- D. Capital Programme
- E. Treasury Management Strategy Statement, Minimum Revenue Provision Strategy, Annual Treasury Investment Strategy and Prudential Indicators and Capital Strategy
- F. Parish Precepts
- G. Earmarked Reserves

1 INTRODUCTION

- 1.1 This report sets out the financial implications of the council's priorities described in the Business Plan 2026/27. The Revenue budget estimates and the Capital Programme are final at this stage for approval. The draft Business Plan 2026/27 and draft Budget Estimates 2026/27 considered by Cabinet on 15th December 2025 together were subject to a public and stakeholder consultation from 5th January to 1st February 2026, prior to final budget and council tax setting for 2026/27 on 23rd February 2026. The results from the consultation are published on the Council's website. There were a small number of comments in favour of increasing Council Tax.
- 1.2 Much of the financial information is necessarily based on a number of assumptions which are wholly or partly influenced by external factors. However, where final actual costs and revenue is known then they are included, for example the Final Local Government Finance Settlement for 2026/27 was announced on 9 February 2026. In addition, the Business Rates income estimates have been finalised following completion of the 2026/27 NNDR1 return at the end of January 2026. Equally, some additional costs and income discussed later in this report have been updated since the Draft Budget Estimates were prepared.

2 LOCAL GOVERNMENT FINANCE SETTLEMENT 2026/27

- 2.1 In June 2025, the government carried out a consultation on the fair funding of local authorities. This followed an earlier consultation proposing major changes to the retention of business rates by local authorities. These consultations proposed substantial changes to the method by which central government allocates funds, set to take effect from April 2026.
- 2.2 The outcome of the Fairer Funding Review (FFR) consultation was published alongside the policy statement on 20th November. Historically, this statement has provided a useful indication of the funding the Council could expect for the upcoming year. The changes set out in the policy statement were significant with some of these being unexpected. Due to the significant uncertainties present in the policy statement as a result of FFR, the Council was unable to accurately quantify its funding allocation until the provisional settlement was published on 17 December 2025, leaving limited time to undertake effective planning at such a late stage.
- 2.3 **Key Features of FFR**
- 2.4 Revised Relative Needs Formulae (RNFs): replacing outdated 2013–14 formulas with new ones tailored to current service demands, driven by nine distinct RNFs covering services such as adult social care, children's services, highways, and temporary accommodation.
- 2.5 Simplification of Grant Structures: several specific grants rolled into Revenue Support Grant and 4 new consolidated grants introduced, streamlining the funding landscape and reducing administrative complexity.
- 2.6 Council Tax Equalisation: a new resources adjustment aims to account for differences in local tax bases, ensuring authorities with lower council tax capacity are not disadvantaged.
- 2.7 Business Rates Reset: a full reset is planned for 2026–27 which will remove accumulated growth since 2013–14. This is expected to reallocate surplus business rates in line with updated needs assessments.
- 2.8 Multi-year settlements: removing a large part of the uncertainty for medium-term planning and enabling more accurate future forecasting. • Implementation over the 3-year settlement: transitional arrangements will be in place over the course of the three-year

settlement, phasing in the new methodology gradually to move local authorities to their updated funding allocations.

2.9 The Final Finance Settlement for 2026/27 was announced on 9 February 2026 incorporating the FFR and Business Rates Reset and confirmed an overall increase in Core Spending Power (CSP) for 2026/27 for local government of 5.7%. FDC's overall increase in CSP (as defined by the government) is 2.0%.

2.10 Council Tax

2.11 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.

2.12 This analysis of the settlement shows that the increase in Core Spending Power (CSP) in the 3-year settlement is very reliant on councils applying the maximum increase in Band D and delivering the assumed taxbase growth. Council tax is becoming an increasingly important share of local government's funding settlement, and the growth of resources within it. It also means that when council tax is (periodically) equalised it will have a very redistributive effect on funding.

2.13 The settlement assumes that council tax will rise with the maximum uplift in Band D, and that taxbase will grow in line with the 4-year increase in taxbase. Maximum increases are 4.99% for upper-tier authorities, the higher of 2.99% or £5 for shire district councils, £5 for fire authorities and £15 for police and crime commissioners. Taxbase growth is based on the change between the 2021-22 and 2025-26 CTR1s. The Council Tax requirement in the Settlement is assumed at £8.6m but the amount in the Council's draft budget is £8.3m, a difference of £0.3m.

2.14 Core Spending Power

2.15 The CSP for the Council has increased by 2% (including the Council Tax requirement of £8.6m which is assumed and not what the draft budget includes) in 2026/27 and increase by 5.3% in 2027/28 and 4.3% in 2028/29.

2.16 The Settlement Funding Assessment (SFA) now includes £13.2bn in rolled-in grants from within the current CSP settlement, plus other rolled in grants, and the rolled-in amounts from the BRRS.

2.17 Revenue Support Grant (RSG)

2.18 The Council's RSG has increased to £3.845k from £203k but this includes various grants that have been rolled into this funding stream which are listed below plus other funding which to date is not clear.

2.19 Grants worth £13.2bn from the current CSP roll into SFA, as above. In addition there are further grants from outside the current settlement that are rolling into SFA. These are:

- New Homes Bonus
- Employers' National Insurance Grant
- Funding Floor
- Recovery Grant - £0.4m
- Temporary Accommodation element of Homelessness Prevention Grant (HPG) - 0.9m.

2.20 Consolidated Grants.

2.21 Four new consolidated grant streams have been created to simplify funding from a range of different sources. Some grants from within the current CSP will be included:

- Domestic Abuse Safe Accommodation Grant – £0.9m
 - Crisis and Resilience Fund - £0.2m
- 2.22 By bringing together these grants into consolidated streams within the settlement, the Council will have to think about how to present these grants in their budget-setting process ,as these grants are currently treated as service grants rather than corporate resources
- 2.23 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 introduced in 2025/26 for one year has been continued for the next three years in a grant allocation of **£435,149**.
- 2.24 **NNDR (Business Rates) - Reset**
- 2.25 The Business Rates Retention System (BRRS) was designed from the outset to be periodically reset, to ensure that the distribution of resource is realigned with need. It has been over a decade since the BRRS was introduced and a reset has not yet happened.
- 2.26 From April 2026, the Business Rates Retention Scheme (BRRS) will be reset as part of Fair Funding Review 2.0, introducing new baselines for Business Rates and aligning them with updated Fair Funding Allocations (FFA). This reset recalibrates the Business Rates Baseline (BRB) using 2026 revaluation data, adjusted for appeals, bad debts, and reliefs, with section 31 grant payments continuing for statutory discounts.
- 2.27 This will better align funding across the county to the areas that need it. This includes the growth currently retained by the authority over current Base Funding Levels (BFLs), and the grant compensation that has been awarded in respect of government relief schemes and for historic under-indexation of business rates multipliers. However, as part of the reset, this funding will be distributed differently across the sector from 1 April 2026.
- 2.28 From 2026/27 onwards, ministers have used 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;
- 2.29 The five business rates multipliers have been set for 2026-27:
- National small and standard multipliers have been set considering: 2026 Revaluation and an allowance for appeals. The impact of either revaluation or appeals on the multipliers are unknown at present.
 - The RHL multipliers will be set 5p lower than their national equivalents.
 - The higher multiplier will be 2.8p above the standard national multiplier.

2.30 **Table – 2026/27 Multipliers**

Multiplier	2025-26	2026-27	Scope
Small business RHL multiplier		38.2p	RHL hereditaments with RVs under £51,000
Standard RHL multiplier		43.0p	RHL hereditaments with RVs between £51,000 and £499,999
National small business multiplier	49.9p	43p	Non-RHL hereditaments with RVs under £51,000
National standard multiplier	55.5p	43.2p	Non-RHL hereditaments with RVs between £51,000 and £499,999
High-value multiplier		48.0p	All hereditaments with RVs of £500,000 or above

2.31 Other Changes in Business Rates

- 2.32 There are various other changes to the business rates system from 2026-27:
- Business rates Transitional Relief Supplement. 1p supplement from 1 April 2026 for those businesses not receiving Transitional Relief or Supporting Small Business Scheme.
 - Various Supporting Small Business schemes. To provide transitional support to small businesses losing from the transition from RHL relief, and small business rates relief and rural rate relief. .
 - Extension of SBRR grace period.
 - 100% relief on eligible electric vehicle charging points, and electric vehicle charging points
- 2.33 Internal Drainage Board (IDB) grant funding of £5m nationally was provided in 2025/26 to the 15 councils most affected by increases in IDB levies. FDC's allocation was £520,000. The national total for 2026/27 has remained at £5m although no allocations have yet been made. An estimate of £520,000 has been included in the final budget figures detailed in this report. The total budget for IDB levies for 2026/27 is £233,979 higher than the actuals for 2025/26.
- 2.34 Although the settlement was for 2026/27 and the next two years, the Medium Term forecasts detailed in Appendix B have assumed a continuation of the current policy of increasing business rates baselines by inflation based on current Treasury forecasts over the medium term.

3 LOCAL GOVERNMENT REORGANISATION

- 3.1 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 2024 and Finance Settlement 2025/26 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.
- 3.2 Members will be aware of the Government's white paper on English Devolution (published in December 2024) and their proposals for local government reorganisation and the creation of unitary authorities in two-tier areas ('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').
- 3.3 It is envisaged that new unitary authorities will come into force by 1st April 2028 which means that Fenland District Council will cease to exist by 31st March 2028. Members will receive separate reports and updates as this process develops over the coming months and years.
- 3.4 The business cases for the Cambridge and Peterborough unitary status was submitted in November 2025 and the outcome of the decision should be announced by June/July 2026.
- 3.5 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.

4 NEW HOMES BONUS (NHB)

- 4.1 The Finance Settlement detailed in paragraph 2.2 above confirmed that NHB has been abolished from 2026/27, but the Revenue Support Grant has increased from £203k to £3,845m which includes funding to support the loss of the NHB grant funding.
- 4.2 Business Rates Pooling Arrangement – 2026/27
- 4.3 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.

- 4.4 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.
- 4.5 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.
- 4.6 Consequently, an amount of £350k per annum has been included for the projected outturn for 2024/25. Following completion of the NNDR1 forms for 2025/26, £350k has again been included as a 'pooling' benefit.
- 4.7 Due to the major reform in the Business Rates baseline reset for 2026/27 the County Council, Peterborough City Council, Fire Authority, East Cambridgeshire and South Cambridgeshire Pool have decided not to continue with the pooling arrangement in from 2026/27 so therefore the £350k per annum the Council were including in the MTFS has had to be removed.

5 ADDITIONAL BUSINESS RATES RELIEF MEASURES 2026/27

5.1 2026/27 Retail, Hospitality and Leisure Relief Scheme

- 5.2 At the Autumn Statement on 30 November 2025, the Chancellor announced that the New Pub Relief which is awarded under S47 of the Local Government Finance Act 1988 and the other reliefs. The following are the a list of the reliefs that need to be approved by Cabinet before the 1st April 2026.
- 5.3 The award of rate reliefs under the Supporting Small Business (SSB) scheme using its discretionary relief powers under section 47 of the Local Government Finance Act 1988 as amended.
- 5.4 The award of rate relief for Pubs and Live Music Venues using its discretionary relief powers under section 47 of the Local Government Finance Act 1988 as amended.
- 5.5 The award of rate relief for eligible Electric Vehicle Charging Points and Electric Vehicle only forecourts (EVCP relief) using its discretionary relief powers under section 47 of the Local Government Finance Act 1988 as amended.
- 5.6 Grant the Section 151 Officer delegated authority to award any further rate relief during 2026-2027 arising from Government decisions under these powers.

6 FORECAST OUTTURN 2025/26

- 6.1 The approved budget set by Council in February 2025, showed a balanced budget by using £1,432k of funding required from the Budget Equalisation Reserve.
- 6.2 An updated projection for 2025/26, taking into account the latest estimate of spending and income pressures, was included in the draft budget report presented to Cabinet on 15 December 2025. At that time, a shortfall of £307k was being projected for 2025/26. The reasons for the decrease in the projected shortfall were detailed in the draft budget report.
- 6.3 The latest projected outturn for 2025/26 is set out at Appendix A and show the likelihood of a surplus in the region of £107k by the end of this financial year.

- 6.4 The main reasons for the changes since the draft budget report are a reduction in Employee Costs (-£45k), reduced Premises costs (-£54k) and various other areas across the service areas.
- 6.5 There are still many uncertainties around the potential surplus for 2025/26. 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.
- 6.6 Any potential surplus in 2025/26 will be transferred to the Budget Equalisation Reserve which will be used to support the Council's ability to fund any shortfall in 2026/27 from reserves. Details of the Council's reserves are at Section 15 and Appendix G.

7 BUDGET ESTIMATES 2026/27 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 (2026/27) but for forecast years as well, within a reasonable level of tolerance.
- 7.2 The impact of the Final Local Government Finance Settlement has been incorporated into the figures in this report although there is still further clarity needed in some areas and in particular food waste.
- 7.3 Although current government policy regarding Local Government reorganisation would result in this Council being abolished on 31 March 2028, the MTFS has exemplified the financial position over the 5-year period to March 2030.
- 7.4 The Council's medium term forecasts are shown at Appendix B and summarised in Table 2 below. The table includes for a 0.55% decrease in the Band D Council Tax in 2026/27 and a flat income level from 2027/26 onwards.

Table 2 - MTFS – Decrease in Council Tax in 2026/27 and 0% increases from 2027/28 onwards

Summary Medium Term Financial Plan					
	Estimate	Forecast	Forecast	Forecast	Forecast
	2026/27	2027/28	2028/29	2029/30	2030/31
	£000	£000	£000	£000	£000
Expenditure					
Net Service Expenditure	17,885	18,801	19,085	19,210	19,560
Corporate Items	2,168	2,513	2,242	2,672	2,959
Contribution to/from(-) Earmarked Reserves		-458	-558	-480	-458
Net Expenditure (before use of balances)	20,053	20,856	20,769	21,402	22,061
Funding					
Revenue Support Grant	-3,491	-4,084	-4,293	-4,380	-4,471
Business Rates Funding <i>(detailed in Appendix B)</i>	-5,445	-5,530	-5,609	-5,686	-5,764
Business Rates Collection Fund Deficit (+)	0	0	0	0	0
Council Tax Collection Fund Surplus(-)	28	-50	-50	-50	-50
Council Tax <i>(0% increase from 25/26 onwards)</i>	-8,289	-8,289	-8,289	-8,289	-8,289
Total Funding	-17,197	-17,953	-18,241	-18,405	-18,574
Surplus(-)/Shortfall(+) before use of balances	+2,856	+2,903	+2,528	+2,997	+3,487
Contribution from Reserves	-2,856	0	0	0	0
Shortfall(+) after use of balances	0	+2,903	+2,528	+2,997	+3,487

- 7.5 The net budget requirement for 2026/27 is currently estimated at £17.197m after all identified savings, contingencies and reserve transfers are included. This includes the assumptions detailed at Appendix C. With the final funding assumptions and a 0.55% decrease in the Band D Council Tax level, a shortfall of £2.856m is currently forecast for 2026/27.
- 7.6 It is proposed that a contribution of £2.856m from the Reserves be made at this time to achieve a balanced budget for 2026/27.
- 7.7 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 and loan interest receipts 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 these further potential returns (over and above the recharges and loan interest to FFL) have been included in the MTFS at the current time.
- 7.8 Officers are currently 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), The timings of these initiatives are now more certain but still remains a risk in the 2026/27 estimates.
- 7.9 Members will be aware that the Service Review Savings Programme, is critical in achieving the necessary savings over the course of the MTFS. An amount of £372k has currently been included in the 2026/27 estimates as savings but decreasing onwards through the MTFS. Significant savings over and above these will be required from this programme over the MTFS period.
- 7.10 **Extended Producer Responsibility**
- 7.11 This Council has received the first three quarterly payments of the £1.537k pEPR payment due in 2025/26. Whilst this payment resulting from the collection of producer fees may still change, to provide certainty to authorities, the government is guaranteeing that in 2026/27 we will receive at £1.572k which has been included in the MTFS. For 2027/28 onwards, this amount will be adjusted to reflect actual figures which may decrease as shown in the MTFS.
- 7.12 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.
- 7.13 Taking into account the proposals in 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 £2.903m in 2027/28, £2.529m by the end of 2028/29 and £3.487m by the end of 2030/31.
- 7.14 There is still considerable uncertainty around the estimates for 2026/27 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:
- 7.15 **Risks associated with the MTFS forecasts:**
- The ongoing impact of the Finance Settlements on 2026/27 and the medium term;
 - 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 (4% increase included for 2026/27 onwards);
- Impact of potential additional costs and income in 2026/27 from the Extended Producer Responsibility scheme for managing packaging waste;
- Impact of costs of the governments' Food Waste strategy without any New Burdens Funding being provided in the Financial Settlement;
- Impact on income streams being greater than anticipated due to external factors such as Port Income;
- Continuing impact of homelessness temporary accommodation costs in 2026/27 and the medium term and the impact on recovery of housing benefit subsidy;
- Impact of increases in Fees and Charges (where feasible) on the 2026/27 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 service reviews programme with associated savings. Further detailed work is required to quantify the extent of these savings;
- Review of the recharge of staff time to the LATCO (Fenland Future Ltd) to quantify potential revenue savings. Currently recharges of £125k in 2026/27 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 **Whatever impact the above issues may have however, there will remain a significant structural deficit for the Council to address over the medium term.**

7.17 The forecasts for the years 2027/28 – 2030/31 are provisional at this stage and should be considered with extreme caution. 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 future Service Review programme.

7.18 As detailed earlier in this report, Business Rates Retention Reform, Local Government Funding reform and changes to the New Homes Bonus have had a significant impact on the Council's forecast resources over the 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.

7.19 **Other Risks**

7.20 **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 30 year life, funded by prudential borrowing, would result in around an additional £83,000 per annum in interest (4.96%) and repayment costs.

7.23 Consequently, a review of the current capital programme together with potential new schemes (as detailed in Section 16) and the ongoing revenue cost impact will be undertaken to ensure the programme is sustainable within the context of the Council's Medium Term Financial Strategy.

8 **PARISH PRECEPTS**

8.1 The levels of parish precepts set throughout Fenland are provided for information at Appendix F. These will be reported to Council as part of the Council Tax setting process.

9 **FEES AND CHARGES**

9.1 The Overview and Scrutiny Panel reviewed fees and charges for 2026/27 at its meeting on 19 January 2026 and these were subsequently considered by Cabinet on 26 January 2026. All of the recommendations from these meetings have been included in the financial forecasts.

10 **SPECIAL AND GENERAL EXPENSES**

10.1 For the purposes of Section 35 of the Local Government Finance Act 1992, the Council needs to pass appropriate resolutions for each financial year to determine how expenses which could legally be regarded as special should be treated.

10.2 If expenses are treated as special expenses, then they must be charged against the parts of the Council's area to which they relate.

10.3 Parish precepts are special expenses and cannot be treated as general expenses.

10.4 Drainage Board and Port Health levies which affect only part of the Council's area are treated as general expenses unless the Council resolves otherwise. These are currently treated as general expenses and it is recommended that this position continues for 2026/27.

10.5 Expenses incurred by the Council in performing, in part of its area, a function performed elsewhere by a parish council are special expenses unless the Council determines otherwise. Currently, these are treated as general expenses. To maintain this position, it is recommended that the Council determines that such expenses should not be treated as special expenses for the financial year 2026/27.

11 **PORT HEALTH**

11.1 The Port Health levy for 2026/27, based on expected expenditure, is recommended as shown in Table 4 below for Council to approve.

Table 4: Port Health Levy 2026/27

Description	£
a) Port Health anticipated expenditure	20,241
b) Port Levy	
Fenland District Council	17,913
South Holland District Council	1,417
King's Lynn and West Norfolk Borough Council	911
Total	20,241

12 COUNCIL TAX 2026/27

- 12.1 The government has set the referendum limit for 2026/27 at 3% or £5, whichever is higher for District Councils (the same as 2025/26). A 3% increase on the Band D Council Tax equates to £7.60 per annum.
- 12.2 Social care authorities, such as Cambridgeshire County Council can also increase their element of council tax by a further 2% (5% in total).
- 12.3 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.
- 12.4 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.
- 12.5 The proposal in this report is to reduce the headline Band D Council Tax for 2026/27 by 0.55% (£1.44) from £254.79 to £235.35.
- 12.6 For information, an additional 1% increase in Council Tax in 2026/27 would generate in the region of £83,000 of revenue per annum to the Council. Even with this additional revenue included, the estimates for future years show a significant shortfall (see Table 5 below).
- 12.7 **Council Taxbase**
- 12.8 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 2026/27, 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.
- 12.9 In addition, an allowance for growth and for non-collection is included to produce the estimated taxbase. For 2026/27, the taxbase has been calculated as 32,719 (Band D equivalents), an increase of 565 (1.76%) on 2025/26.
- 12.10 After the estimates of expenditure and income have been prepared, and the Final Settlement has been received, the next step is to set the council tax for 2026/27 for Fenland District Council.
- 12.11 Council Tax income for 2025/26 has been set at a 0.55% decrease in the Band D level and then no further increases in council tax over the period of the MTFs.
- 12.12 At this level of Council Tax, there will be a significant deficit to fund in 2026/27 and 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, particularly based on the additional impacts from the funding reforms from 2026/27 onwards together with the impact of new capital schemes.

- 12.13 The implications of not increasing Council Tax over the remainder of 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 not raising Council Tax levels 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 significant use of reserves and eventually impacting on front-line services and delivery.
- 12.14 Council can of course agree to a higher increase (up to the referendum limit of 3%) and a 1% increase in Council Tax raises around £83k revenue per annum. Table 5 shows the implications of increasing the Council Tax in 2026/27 by 3% per annum and thereafter compared to decreasing the Council Tax in 2026/27 and staying at 0% increase throughout the MTFS period.

12.15 **Table 5: MTFS Net Position at Differing Council Tax increases in 2026/27 onwards**

Deficits based on different levels of Council Tax	2026/27	2027/28	2028/29	2029/30	2030/31
	£'000	£'000	£'000	£'000	£'000
Deficits at CT at 0% increases (as shown in Table 2/Appendix B)	+2,856	+2,903	+2,529	+2,997	+3,487
Additional CT with 3% increase p.a. from 2026/27	-249	-503	-776	-1,067	-1,376
Deficits at 3% increase	+2,607	+2,400	+1,753	+1,930	+2,111

- 12.16 **Table 6 shows the Band D Council Tax for spending at the level proposed, together with Council Tax levels from the major preceptors and Parishes.**

Table 6: Band D Council Tax Levels 2026/27

COUNCIL TAX BASE	2026/27 32,719		2025/26 32,154	
	£	Band D £	£	Band D £
Fenland District Council Precept (Appendix A)	<u>8,289,359</u>		<u>8,192,513</u>	
Fenland District Band D Council Tax	-0.55%	253.35	0.00%	254.79
MAJOR PRECEPTORS				
County Council	(4.99%)	1,785.42	(4.99%)	1,700.64
Police & Crime Commissioner	(4.89%)	314.37	(4.89%)	299.43
Fire Authority	(5.68%)	92.16	(6.02%)	87.21
Combined Authority	(0.00%)	36.00	(0.00%)	36.00
Sub Total BAND D TAX		2,481.30		2,378.07
Parish Councils-average Band D (Appendix F)	(3.11%)	56.44	(3.77%)	54.74
Total average Band D Tax		2,537.74		2,432.81
Total average Band D increase over 2026/27	£104.93 (4.13%)			

12.17 The County Council increase for 2026/27 includes 2% for the Adult Social Care precept and 2.99% on the general council tax, giving a total increase of 4.99% (£84.78). For 2026/27, the Police and Crime Commissioner is allowed to increase council tax by up to £15.00 on a Band D property. The actual increase is £14.94 (4.89%). The Fire Authority is allowed to increase council tax by up to £5 on a Band D property. The actual increase is £4.95 (5.68%). Cambridgeshire and Peterborough Combined Authority has agreed a Band D council tax of £36.00 for 2026/27, the same level as 2025/26.

13 COUNCIL TAX SUPPORT SCHEME 2026/27

13.1 Each year, the Council is required to review and approve its Council Tax Support Scheme (CTSS). The only changes relate to the prescribed pensioner scheme for 2026/27 which are determined by the usual annual regulations and which the Council has no discretion over.

13.2 The Council can only determine the working age CTSS and there are no proposals to change the current scheme for 2026/27. The current scheme is set out in the following link: [Fenland CTRS Scheme 2024-25](#)

13.3 Consequently, it is proposed that the current working age CTSS scheme be continued with effect from 1 April 2026 with the prescribed pensioner scheme being updated by the relevant regulations.

14 TREASURY MANAGEMENT STATEMENT, ANNUAL TREASURY INVESTMENT STRATEGY AND CAPITAL STRATEGY 2026/27

14.1 Full details of the proposed Treasury Management, Annual Investment Strategy and Capital Strategy for 2026/76 are contained in Appendix E.

14.2 The key issues relating to the strategies and their impact on the MTFs are as follows:

- The prudential and treasury indicators detailed in paragraphs 2-13 of Appendix E, include for the impact of the additional contingency sum of £30m for capital spend on new projects in 2025/26 and over the next two years. This sum is being funded by external borrowing and consequently has a significant impact on the indicators and on the Council's budget for 2026/27 and over the MTFs. Consideration must be given as to the ongoing affordability of the significant additional financing costs associated with this level of external borrowings within the Council's MTFs.
- The MRP policy sets out how the Council will make prudent provision for the repayment of borrowing needs over the medium-term forecast. It is proposed that the MRP calculation, currently based on the 'Equal Instalment Method' over the Asset Life, be amended from 2026/27 onwards to the 'Annuity Method' over the Asset Life (see 16.3 below).
- The Treasury Management Strategy has been organised so that the Council will have sufficient cash resources to meet capital expenditure plans and operational cash flows.
- Total external interest payments are projected to be £842,452 and £1,165,480 for 2025/26 and 2026/27 respectively
- MUFG Corporate Markets Treasury Limited forecast a pattern of Bank Rate cuts quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (May, August and November).
- The current Medium Term Financial Strategy assumes that significant external borrowing will be required over the four-year period to 31 March 2029. Overall, better value can currently be obtained at the shorter end of the borrowing curve.
- The aim of the Council's annual investment strategy is to provide security of investments whilst managing risk appropriately; investment returns are

commensurate with the Council's historic low risk appetite although we are in the process of transition as a Council from a low-risk policy to an appropriate managed risk policy. The Council achieves these objectives through differentiating between "specified" and "non-specified" investments and through the application of a creditworthiness policy.

- The council holds £2m in Property Funds which are long term investments. Although the returns from this investment can be higher than short term investments there is an increased risk that capital values will rise and fall.
- Total investment income from temporary investments is estimated at £518,000 for 2025/26 and £539,000 for 2026/2027. Income from pooled property funds is estimated at £65,000 in both years.

14.3 The main change from previous years' Strategy is the proposal to amend the Minimum Revenue Provision (MRP) calculation. As currently stated in the Strategy at Appendix E (Section 6, MRP Policy Statement), it is the Council's principal responsibility to ensure that it can demonstrate that whatever MRP approach is adopted across their asset base is prudent. Previously, the 'Equal Instalment method' over the asset life has been adopted but from 2025/26 onwards, it is proposed that this be changed to the 'Annuity method'. The reason for the change is to ensure prudent appropriate charging of MRP to relevant accounting periods, taking into account the changing value of money over the years and bearing in mind the Council's residual Capital Financing Requirement (CFR) is scheduled to be transferred to a new Unitary Authority in April 2028 under the Governments proposals for Local Government Review.

15 REVIEW OF GENERAL FUND BALANCE AND EARMARKED RESERVES

15.1 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.

15.2 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

15.3 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.

15.4 Consequently, a review of the level of the General Fund Balance and the number and purpose of the earmarked reserves (Appendix G) will be undertaken and any amendments will be presented to a future meeting of Cabinet and Council.

15.5 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 not increasing Council tax each year. The current

balance on this reserve is £2,213m and is available to meet potential budget shortfalls for 2026/27.

- 15.6 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 2026/27 and increase significantly in 2027/28 and over the MTFs. 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.
- 15.7 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 £2.213m 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, 2026/27 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.
- 15.1 Alternatively, the Council could decide to fund future MTFs deficits to the extent that other earmarked reserves are not ringfenced. Consequently, a review of the level of the General Fund Balance and the number and purpose of the earmarked reserves (Appendix G) will be undertaken to determine which of these reserves could be re-purposed for future funding of the MTFs. Any proposals will be presented to a future meeting of Cabinet and Council.
- 15.2 **Table 7: Net Deficit/Surplus(-) transferred from/(to) Budget Equalisation Reserve**

	Budget £000	Outturn £000		Outturn Transferred to(+)/from(-) Budget Equalisation	Reserve Balance
2025/26	1,432	107 (projected)		107	2,213
2024/25	-3	130		130	1,784
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	

- 15.3 The analysis of reserves at Appendix G details the projected General Fund and earmarked reserves position at 31 March 2026 and 31 March 2027 taking into account the proposals detailed in this report. The proposal to maintain the current level of Band D Council Tax for 2026/27 has no effect on the projected value of the General Fund Balance in 2026/27.

16 CAPITAL PROGRAMME

- 16.1 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.
- 16.2 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).
- 16.3 An updated Capital Programme for 2025-29 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.
- 16.4 As a result of the proposed timescale for Local Government reorganisation and the expectation that this Council will be abolished on 31 March 2028, Members decided that a number of capital projects under the banner of 'Fenland Inspire' will be implemented and funded over the 3 years 2025/26 – 2027/28. These projects are now under way and are in addition to the current approved programme.
- 16.5 Consequently, a contingency sum of £30m (£5m in 2025/26, £10m in 2026/27 and £15m in 2027/28) has been included in the programme detailed at Appendix D(i) for these prospective new projects. Further reports will be presented to future Cabinet and Council meetings as and when the individual projects require the necessary approval.
- 16.6 The estimated financing costs (MRP and Loan interest) associated with both the current approved programme and the additional prospective projects have been included in the estimates for 2026/27, detailed at Appendix A(i) and over the MTFS as detailed in Appendix B. Including the costs associated with the prospective new projects has significantly increased the shortfall over the MTFS.
- 16.7 In addition, no allowance has yet been made for the following developments which will also significantly impact the Council's capital programme.
- 16.8 **Structural Works – Wisbech Port**
- 16.9 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. On going assessments are being undertaken to ascertain what further work needs to be done to the quay for ensure health and safety measures are in place. Ultimately, the long-term replacement of the suspended quay could cost in the region of £50m.
- 16.10 **Leisure Centres**
- 16.11 At a separate agenda item, the outcome of the Leisure Centre Facility Strategy details the required refurbishment and improvement projects at the Councils Leisure Centres together with high level costings. The Council has approved two projects at the Leisure Centres, include a large refurbishment at the Manor Leisure Centre which will be funded by the capital 'Fenland Inspire' funding along with further capital budgets being provided for the specific refurbishment and improvement projects.

- 16.12 Depending on the strategy adopted regarding the timing and costs of implementing individual projects, there may be additional capital funding (borrowing) required over and above the £30m contingency detailed in 18.5 above. This will have consequential effects on future financing costs funded from the revenue account.
- 16.13 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.
- 16.14 The Council's Borrowing Strategy which is incorporated into the Council's Treasury Management Strategy Statement, recognises that some prudential borrowing will be required over the life of the capital programme. The projected additional annual revenue costs for the programme detailed at Appendix D(i) are reflected in the medium term forecasts at Appendix B.

17 RISK ASSESSMENT

- 17.1 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.
- 17.2 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.

18 REPORT OF THE CHIEF FINANCE (SECTION 151) OFFICER UNDER SECTION 25 OF THE LOCAL GOVERNMENT FINANCE ACT 2003.

- 18.1 Under Section 25 of the Local Government Act 2003 and CIPFA Code of Practice, the Council's Chief Finance Officer (Section 151 Officer) is required to report on the robustness of the estimates made for the purpose of the budget calculations and the adequacy of the proposed reserves.
- 18.2 **Cabinet and Council are required under the 2003 Act to consider and give due regard to the Chief Finance Officer's report as part of the budget approval and council tax setting process.**

- 18.3 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 has made 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.
- 18.4 **The Corporate Director and Chief Finance Officer (Section 151 Officer) makes the following statement:**
- 18.5 The robustness of the 2026/27 Budget estimates and the adequacy of the reserves are largely dependent on the levels of risk and uncertainty. There is an element of judgement as budget estimates of spending and income are made at a point in time and may change as circumstances change, particularly given the uncertainty relating to Local Government reform and Local Government reorganisation.
- 18.6 This statement on the robustness of estimates cannot give a 100% guarantee about the budget but should give the Council reasonable assurance that the budget has been based on the best information and assumptions available at the time.
- 18.7 The estimates that support this budget have used all the data and supporting information that the Council has at its disposal at this point in time. The principal financial assumptions made in the Budget are noted in this report and attached at Appendix C. Budget monitoring throughout the year will be an important tool in identifying, at an early stage, potential issues so appropriate action can be taken.
- 18.8 Although there are still many uncertainties around the estimates for 2026/27 and over the medium term to 2030/31 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 the new prospective capital schemes.
- 18.9 As detailed in the report, Council Tax in the MTFs has been included at a decrease of 0.55% and then no increases in future years. These show a funding gap of £2.903m in 2027/28, £2.529m by the end of 2028/29 and £3.487m by the end of 2030/31.
- 18.10 These represent a significant challenge for the Council and it is therefore, imperative that a robust savings and use of reserves strategy is in place to meet these challenges. As detailed in the report, significant savings (£372k) are expected from the Service Review programme.
- 18.11 Even with these, the scale of the forecast deficits means that significant funding from earmarked reserves is inevitable if the current Council Tax strategy of no increases per annum is maintained in future years. Table 5 in Section 12 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.
- 18.12 The continuing use of earmarked reserves to fund future deficits is a high-risk strategy for the Council. Although current government policy would see this Council abolished on 31 March 2028, this cannot be guaranteed and if this did not proceed as expected, the Council would be left in a significantly reduced funding position. Consideration must be given to the longer-term financial sustainability of the Council and the assumption that the Council has no longevity beyond March 2028 is still subjective. Borrowing to deliver the Fenland Inspire projects must be carried out prudently and in line with the Treasury Management Strategy agreed by Full Council. As stated previously the continued use of reserves is not sustainable and an adequate level of reserves must be maintained.

- 18.13 At present this budget is prepared on the basis that LGR is not going ahead which is prudent until legislation is passed. However, if and when legislation is passed and it is certain that LGR is going ahead a further review of reserves will be necessary including the level of the General Reserve to confirm adequacy.
- 18.14 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 above.
- 18.15 My assessment of the process that has been undertaken is that the calculations used in the preparation of the estimates for the Budget for 2026/27 are fair and robust and that reserves are adequate to reflect known circumstances and to be able to manage the stated uncertainties and risks that could realistically be anticipated at this point. All earmarked reserves are held for the purpose for which they are set up and are considered to be adequate to meet the requirements of those purposes when called upon based on the best information available as at the time of writing.
- 18.16 As stated above careful consideration needs to be given to future years when forecasted deficits are likely to outstrip available reserves.

APPENDIX A

FENLAND DISTRICT COUNCIL

Summary of Revenue Estimates

	Council 24.02.25 Original Estimate 2025/26 £	Cabinet 23.02.2026 Projected Outturn 2025/26 £	Cabinet 23.02.26 Draft Estimate 2026/27 £	
Service Summary				
Growth & Infrastructure	1,459,230	779,064	890,414	
Communities, Environment, Leisure & Planning Resources & Customer Services	6,611,090	6,426,293	7,251,552	
ERS NI Contributions - Government Grant	10,495,204	10,225,735	10,719,444	
Vacancy Factor (1.5%)	-123,812	-123,812	0	
Service Review Programme Savings	-239,000	-116,424	-240,000	
	-550,000	0	-372,000	
NET COST OF GENERAL FUND SERVICES	17,652,712	17,190,856	18,249,410	
Corporate Items				
Internal Drainage Board Levies	2,468,240	2,242,621	2,354,740	
Internal Drainage Board Levies Grant	-313,000	-520,000	-520,000	
Contributions to/ (from) Earmarked Reserves	-1,034,595	-692,014	0	
RTB/VAT Sharing Income	-20,000	-164,505	-50,000	
Financing Charges - <i>Interest on External Borrowings</i>	1,169,467	824,452	1,655,480	
Financing Charges - <i>MRP current Capital Programme</i>	652,000	652,000	945,666	
Investment Income and Property Funds Income	-660,000	-575,000	-266,000	
Property Funds Costs	0	362,948	0	
New Homes Bonus	-592,628	-592,628	0	
Recovery Grant	-435,149	-435,149	-435,149	
Extended Producer Responsibility Payment -pEPR	-958,000	-1,536,888	-1,572,348	
Corporate Items	276,335	-434,163	2,112,389	
Net Expenditure	17,929,047	16,756,693	20,361,799	
Contribution to/from(-) Reserves	-1,432,283	0	-2,856,000	
NET EXPENDITURE after use of balances	16,496,764	16,756,693	17,505,799	
Core Funding				
Revenue Support Grant	-203,673	-203,673	-3,845,000	
Homelessness Prevention Grant (Now part of RSG)	0	0	354,000	In the bas
Consolidated Grants	0	0	0	In the bas
Prevention and Relief element of HPG	0	0	0	In the bas
Rough Sleeping Accommodation Programme	0	0	0	In the bas
Rough Sleeping Prevention & Recovery Grant	0	0	0	In the bas
Domestic Abuse Safe Accommodation Grant	0	0	0	In the bas
Discretionary Housing Payments	0	0	0	In the bas
Domestic Abuse Accommodation Support	0	0	0	In the bas
	-203,673	-203,673	-3,491,000	
Business Rates - Income due in Year				
Business Rates Funding	-11,580,863	-11,580,863	-14,953,214	
Tariff Payment to Government	7,636,697	7,636,697	11,214,000	
Renewable Energy Rates Retained	-1,578,437	-1,578,437	-1,705,919	
Business Rates Pool - FDC Share of Benefit	-350,000	-400,000	0	
Business Rates S31 Grants due in year	-2,999,641	-3,372,954	0	
Business Rates Levy due in year	775,691	801,029	0	
Business Rates Levy Account Surplus allocation	-31,046	0	0	
	-8,127,599	-8,494,528	-5,445,133	
Business Rates Collection Fund Deficit(+)/Surplus(-)	45,154	45,154	45,692	

Council Tax Collection Fund Deficit(+)/Surplus(-)	-18,133	-18,133	28,000
Council Tax	-8,192,513	-8,192,513	-8,289,359
Business Rates and Council Tax Funding	-16,496,764	-16,863,693	-17,505,800
Surplus(-)/Shortfall(+)	0	-107,000	0

APPENDIX B

(Council Tax income same level as previous year onwards)

Medium Term Financial Strategy	Estimate 2025/26 £000	Estimate 2026/27 £000	Forecast 2027/28 £000	Forecast 2028/29 £000	Forecast 2029/30 £000	Forecast 2030/31 £000
<u>Expenditure</u>						
Service Expenditure/Income						
Gross Service Expenditure	28,883	29,752	31,001	31,495	32,001	32,637
Gross Service Income	-11,692	-11,255	-11,753	-11,924	-12,299	-12,579
Vacancy Factor (1.5%)	0	-240	-244	-250	-256	-262
Service Reviews Savings Programme	0	-372	-203	-236	-236	-236
Total Net Service Expenditure	17,191	17,885	18,801	19,085	19,210	19,560
Corporate Items						
Corporate Expenditure/Savings						
Internal Drainage Board Levies	2,243	2,355	2,482	2,606	2,736	2,873
Internal Drainage Board Levies Grant	-520	-520	-520	-520	-520	-520
Financing Charges - Interest on External Borrowing	824	1,655	1,755	1,310	1,360	1,460
Financing Charges - MRP Current Capital Programme	652	945	751	801	851	901
	3,199	4,435	4,468	4,197	4,427	4,714
Corporate Income Items						
Contribution to(+)/from(-) Earmarked Reserves	-692	0	-458	-558	-480	-458
RTB/VAT Sharing Income	-165	-50	-20	-20	-20	-20
Investment and Property Fund Income	-575	-210	-500	-500	-400	-400
Property Fund Costs	363	0	0	0	0	0
New Homes Bonus	-593	0	0	0	0	0
Recovery Grant	-435	-435	-435	-435	-435	-435
Extended Producer Responsibility Payment -pEPR	-1,537	-1,572	-1,000	-1,000	-900	-900
Contribution to/from(-) Reserves	0	-2,856	0	0	0	0
	-3,634	-5,123	-2,413	-2,513	-2,235	-2,213
Total Corporate Items	-435	-688	2,055	1,684	2,192	2,501
Gross Service/Corporate Expenditure	32,082	33,575	35,022	35,206	35,936	36,853
Gross Service/Corporate Income	-15,326	-16,378	-14,166	-14,437	-14,534	-14,792
Net Budget Requirement	16,756	17,197	20,856	20,769	21,402	22,061
<u>Funding - RSG, Business Rates & Council Tax</u>						
Revenue Support Grant	-204	-3,491	-4,084	-4,293	-4,380	-4,471
Business Rates						
Business Rates Baseline Funding	-11,581	-14,953	-15,292	-15,604	-15,916	-16,228
Tariff Payment to Government	7,637	11,214	11,468	11,702	11,936	12,170
Renewable Energy Rates Retained	-1,578	-1,706	-1,706	-1,706	-1,706	-1,706
Business Rates Pool - FDC Share of Benefit	-400	0	0	0	0	0
Business Rates S31 Grants due in year	-3,372	0	0	0	0	0
Business Rates Levy due in year	801	0	0	0	0	0
Business Rates Collection Fund Deficit/Surplus(-)	0	0	0	0	0	0
Total Business Rates Funding	-8,493	-5,445	-5,530	-5,608	-5,686	-5,764
Council Tax						
Council Tax Collection Fund Surplus(-)/Deficit	27	28	-50	-50	-50	-50
Council Tax (Constant level 2025/26 onwards)	-8,193	-8,289	-8,289	-8,289	-8,289	-8,289
Total Council Tax Funding	-8,166	-8,261	-8,339	-8,339	-8,339	-8,339
Total Funding - RSG/Business Rates/Council Tax	-16,863	-17,197	-17,953	-18,240	-18,405	-18,574
Surplus(-)/Shortfall(+)	-107	+0	+2,903	+2,529	+2,997	+3,487

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 £8.289m in 2026/27 and kept flat at that level over the period of the MTFS. With the estimated increases in the Council Tax base, this equates to a reduction in Band D Council Tax levels of £1.44 or 0.55% for 2026/27 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 £83k of resources and a 3% increase around £249k of resources in 2026/27).
- Council Tax base in 2026/27 of 32,719 and thereafter an increase of 500 Band D equivalent properties in 2027/28 rising to 530 in 2030/31.
- Business Rates Reset income from 2026/27 onwards. The impact of the reset has reduced the retained income from Business Rates which has impacted the 2026/27 financial settlement onwards.
- 4% pay award in 2026/27 (£304k cost) and thereafter together with an allowance for pay increments of around 0.5% p.a. (£76k cost).
- Inclusion of a vacancy factor for 2026/27 onwards, equivalent to a reduction in staff costs of 1.5% (£240k in 2026/27).
- 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 2026/27 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 £5m nationally to the worst affected authorities. In 2025/26 we were allocated £520k of IDB grant and the same amount has been included for 2026/27. Allocations for 2026/27 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, 2026 before subsequently decreasing back to 3% in Q4, 2026 (£266k estimated income from temporary investments in 2026/27).
- Investment income includes the £2m investment in property funds in March 2022 (£59k p.a. income net of costs in 2026/27).
- Forecast income levels from fees and charges in 2026/27 include increases in fees already approved (eg. Garden Waste subscriptions) together with a review of activity levels. Final fee levels were set at the Cabinet meeting in January 2026.
- For 2026/27 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 2026/27 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.
- A budget of £981k has been added into the medium term forecasts for the potential impact of the government's waste strategy particularly relating to Food Waste. Although the Council were promised New Burdens Funding for this new service it has been included in the final settlement figures although exact amounts are unclear.
- Extended Producer Responsibility scheme for managing packaging waste has approved a payment of £1.572m in 2026/27 which is included in the MTFS but there is still some uncertainty about the future years.
- £372k of in-year savings have been included in 2026/27 for potential savings from the Service Reviews Savings Programme and 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 2025 - 2029

	2025/26	2026/27	2027/28	2028/29
	£000	£000	£000	£000
CURRENT FORECAST EXPENDITURE	16,898	20,815	27,909	3,154
FORECAST RESOURCES AVAILABLE				
Capital Grants	5,996	2,994	3,694	1,194
Usable Capital Receipts - In Year	250	650	250	0
Reserves used in year to fund Capital	224	0	0	0
Section 106s and Other Contributions	0	0	0	0
Borrowing (Internal and Prudential) - Capital Programme	5,553	12,671	23,965	1,960
Borrowing (Prudential) - CIS	4,875	4,500	0	0
TOTAL FORECAST RESOURCES	16,898	20,815	27,909	3,154

CAPITAL PROGRAMME SUMMARY 2026/26 - 2028/28																												APPENDIX D						
	Revised 2025/26	Capital Grants	Capital Receipts	Reserves	S106 Contributions	Borrowing (Internal & External)	Total Funding	2026/27	Capital Grants	Capital Receipts	Reserves	S106 Contributions	Borrowing (Internal & External)	Total Funding	2027/28	Capital Grants	Capital Receipts	Reserves	S106 Contributions	Borrowing (Internal & External)	Total Funding	2028/29	Capital Grants	Capital Receipts	Reserves	S106 Contributions	Borrowing (Internal & External)	Total Funding	Total	FDC Funding	External Funding	External Funders and FDC Reserves/S106		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000		
Leisure Centres																																		
1 Condition Survey Improvements	1,572	-	-	-	-	1,572	1,572	500	-	-	-	-	500	500	500	-	-	-	-	500	500	500	-	-	-	-	500	500	3,072	3,072	0			
2 Energy Efficiency Works - Solar PV Manor GHP Manor Pool AHU	403	-	-	-	-	-	403	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	403	403	0			
3 Manor Basketball/Tennis/Netball Improvements including site investment appraisal	47	47	-	-	-	-	47	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47	0	47		E35k CPCA Growing Ferland; £12k FCC Communities Grant		
4 Leisure Centres - Facility Strategy	25	-	-	-	-	-	25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25	25	0				
5 Cardio Gym KI Replacement	-	-	-	-	-	-	-	100	-	-	-	-	100	100	-	-	-	-	-	-	-	-	-	-	-	-	-	100	100	0				
6 Resistance Gym KI Replacement	-	-	-	-	-	-	-	500	-	-	-	-	500	500	-	-	-	-	-	-	-	-	-	-	-	-	-	500	500	0				
Regeneration Programmes																																		
5 Heritage Lottery Fund - Non-FDC Properties	98	-	-	-	-	-	98	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	98	98	0			E38k HLF Grant	
6 Heritage Lottery Fund - 24 High Street, Warboch	563	-	-	-	-	-	563	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	563	563	0			E20k CPCA Grant; E238k HLF	
7 Future High Street Fund, March	1,766	1,766	-	-	-	-	1,766	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,766	0	1,766			E1,766k CPCA	
8 Whitlesey Market Place Improvements	15	-	-	-	-	-	15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15	15	0			E20k CPCA Growing Ferland Grant		
9 Pride in Place Impact Fund	-	-	-	-	-	-	-	1,500	1,500	-	-	-	-	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	1,500	0	1,500			Pride in Place Grant Funding	
Parks and Open Spaces																																		
10 Winsbeck Park - Play Area Refurbishment	45	45	-	-	-	-	45	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45	0	45			E20k DLUHC Levelling Up Parks Fund; E25k S106	
11 The construction of a sports pavilion on open space in Manea	40	40	-	-	-	-	40	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40	0	40			S106 Funding		
12 Footpath link between Charles Road and the Taylor Wimpey Site	28	28	-	-	-	-	28	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28	0	28			S106 Funding		
13 Open Spaces Pathway Remediation	-	-	-	-	-	-	-	50	-	-	-	-	50	50	-	-	-	-	-	-	-	-	-	-	-	-	50	50	0					
Railways																																		
14 Fenland Railways	200	200	-	-	-	-	200	300	300	-	-	-	-	300	2,500	2,500	-	-	-	-	2,500	-	-	-	-	-	-	3,000	0	3,000			CPCA Funding	
Cemeteries																																		
15 Cemetery Chapels Condition Survey Works	24	-	-	-	-	-	24	100	-	-	-	-	100	100	100	-	-	-	-	100	100	100	-	-	-	-	100	100	324	324	0			
16 Remedial Works in Closed Cemeteries	300	-	-	-	-	-	300	200	-	-	-	-	200	200	200	-	-	-	-	200	200	200	-	-	-	-	200	200	900	900	0			
17 Whitlesey St Andrew Church - Wall Maintenance	195	-	-	-	-	-	195	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	195	195	0				
Highways																																		
18 Category 2 Street Lights - FDC Lights	138	-	-	-	-	-	138	160	-	-	-	-	160	160	160	-	-	-	-	160	160	160	-	-	-	-	160	160	618	618	0			
Environment																																		
19 Replacement and Additional Litter Bins	27	-	-	-	-	-	27	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27	27	0				
Sub Total	5,476	2,116	0	0	0	3,360	5,476	3,410	1,800	0	0	0	1,610	3,410	3,460	2,500	0	0	0	960	3,460	960	0	0	0	0	960	960	13,306	6,890	6,416			

POTENTIAL NEW CAPITAL SCHEMES 2026/27 - 2028/29										APPENDIX D(ii)
		2026/27 £000	2027/28 £000	2028/29 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106		
Leisure Centres										
1	Hudson Leisure Centre	700	-	-	700	700	-	Pending outcome of Leisure Centre Facility Strategy		
2	George Campbell Leisure Centre	600	-	-	600	600	-	Pending outcome of Leisure Centre Facility Strategy		
Parks and Open Spaces										
3	North Drive Park Path	12	-	-	12	12	-			
4	Park Infrastructure (paths / gates etc)	350	-	-	350	350	-			
5	Tree Works	100	-	-	100	100	-			
Cemeteries										
6	Remedial Works in Open Cemeteries	240	-	-	240	240	-			
7	Flood Management Programme - Eastwood Cem, March	100	-	-	100	100	-			
Highways										
8	Algores Way, Wisbech - Road Resurfacing Works	300	-	-	300	300	-			
9	Europa Way, Wisbech - Road Resurfacing Works	275	-	-	275	275	-			
10	Brewin Chase, March - Road Resurfacing Works	250	-	-	250	250	-			
Port										
11	Suspended Quay Works	1,733	-	1,420	3,153	3,153	-	Pending outcome of Port Operations Review		
Vehicles and Plant										
12	Bring Banks	-	-	-	-	-	-	Budget and Funding to be decided		
Improvement of Assets										
13	West End Park Moorings, March	155	-	-	155	155	-			
14	Boat House, Wisbech	-	-	-	-	-	-	Budget and Funding to be decided		
15	Creek Hostel - Roof	-	-	-	-	-	-	Budget and Funding to be decided		
Car Parks										
16	Chapel Road Car Park, Wisbech	750	-	-	750	750	-			
Total - Potential New Schemes		5,565	0	1,420	6,985	6,985	0			

1 Introduction

CIPFA Treasury Management Code and Prudential Code (Revised 2021)

1.1 CIPFA published the revised codes on 20 December 2021 and has stated that revisions need to be included in the reporting framework from the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

1.2 The revised codes will have the following implications:

- a requirement for the Council to adopt a debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- address Environmental, Social and Governance (ESG) issues within the Capital Strategy;
- require implementation of a policy to review commercial property, with a view to divest where appropriate;
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- ensure that any long term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to Treasury Management Practice 1 to address ESG policy within the treasury management risk framework;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

1.3 In addition, all investments and investment income must be attributed to one of the following three purposes: -

Treasury management

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments. The Council's investment in property funds falls into this category.

Service delivery

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is “either related to the financial viability of the project in question or otherwise incidental to the primary purpose”.

Commercial return

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council’s financial capacity – i.e., that ‘plausible losses’ could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return. This does not preclude the Council from taking forward investments as part of its Commercial and Investment Strategy so long as financial return is not the primary reason for taking forward the scheme. This particularly applies in the case of projects relating to housing where service delivery objectives can be achieved as well as a financial return.

- 1.4 As this Treasury Management Strategy Statement and Annual Investment Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report
- 1.5 These changes are now fully adopted within the 2026/27 TMSS report.

2 Background

- 2.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's assessment of its risk appetite, providing adequate liquidity initially before considering investment return.
- 2.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 2.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and pursuit of optimum performance consistent with those risks."

- 2.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually

from capital expenditure), and are separate from the day-to-day treasury management activities.

3 The Capital Strategy Reporting Requirements

3.1 The CIPFA revised 2021 Prudential and Treasury Management Codes require all local authorities to prepare an additional document, a Capital Strategy which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

3.2 The aim of the Capital Strategy is to ensure that all elected members on full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

4 Treasury Strategy Reporting Requirements

4.1 The Council is required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised by the Audit and Risk Management Committee and Cabinet before being recommended to the Council. Due to the timings of the Audit and Risk Management Committee in February 2026, this report has been recommended for approval directly to Cabinet.

4.2 **Prudential and Treasury Indicators and Treasury Strategy** (this report), the first and most important report is forward looking and covers:

- the capital plans (including prudential indicators);
- a Minimum Revenue Provision policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how investments and borrowings are to be organised) including treasury indicators; and
- an Investment Strategy (the parameters on how investments are to be managed).

A Mid-Year Treasury Management Report - This will update Members with the progress of the capital position, amending prudential indicators as necessary and whether any policies require revision.

An Annual Treasury Report - This is a backward looking review document and provides details of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

4.3 The Strategy covers two main areas:

Capital issues

- the capital expenditure plans and associated prudential indicators;
- the MRP policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;

- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and the MHCLG Investment Guidance.

4.4 **IFRS16 - Leases** The CIPFA Local Authority Accounting Code Board deferred implementation of IFRS16 until 1 April 2024, the 2024/25 financial year. IFRS 16 defines a lease as a contract or part of a contract, which conveys the right to use an asset (the underlying asset) for a period of time in exchange for a consideration. Under the new standard the distinction between finance leases and operating leases under the previous leasing standard is removed and all leases are treated in the way the finance leases currently are. A 'right of use' asset is shown on the balance sheet with a corresponding liability of the discounted value of the future lease payments. There are exceptions for short, dated leases (under a year, or with less than a year remaining at transition) and low value leases (low value to be determined by the council using its approach to determining de minimus items). This means that all leases that do not meet the exceptions will be treated as capital expenditure from 2024/25 and form part of the Capital Financing Requirement. Although legally the Council doesn't own the asset during the lease duration, International Accounting Standards require that the Council capitalise the asset and liability on its balance sheet, much like a loan. Whilst this increases the CFR, the nature of the finance lease agreement doesn't require the Council to separately borrow to fund the asset.

4.5 **Training** - The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

The training needs of treasury management officers and members are periodically reviewed.

5 Capital Prudential Indicators 2026/27 to 2028/29

5.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans are prudent, affordable and sustainable.

5.2 The capital expenditure prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously and those forming part of this budget cycle. Commercial activities/non-financial investments relate to areas such as capital expenditure on investment properties, loans to third parties etc.

5.3 The table below summarises the capital expenditure plans and how these are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital Programme	2025/26 Revised	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
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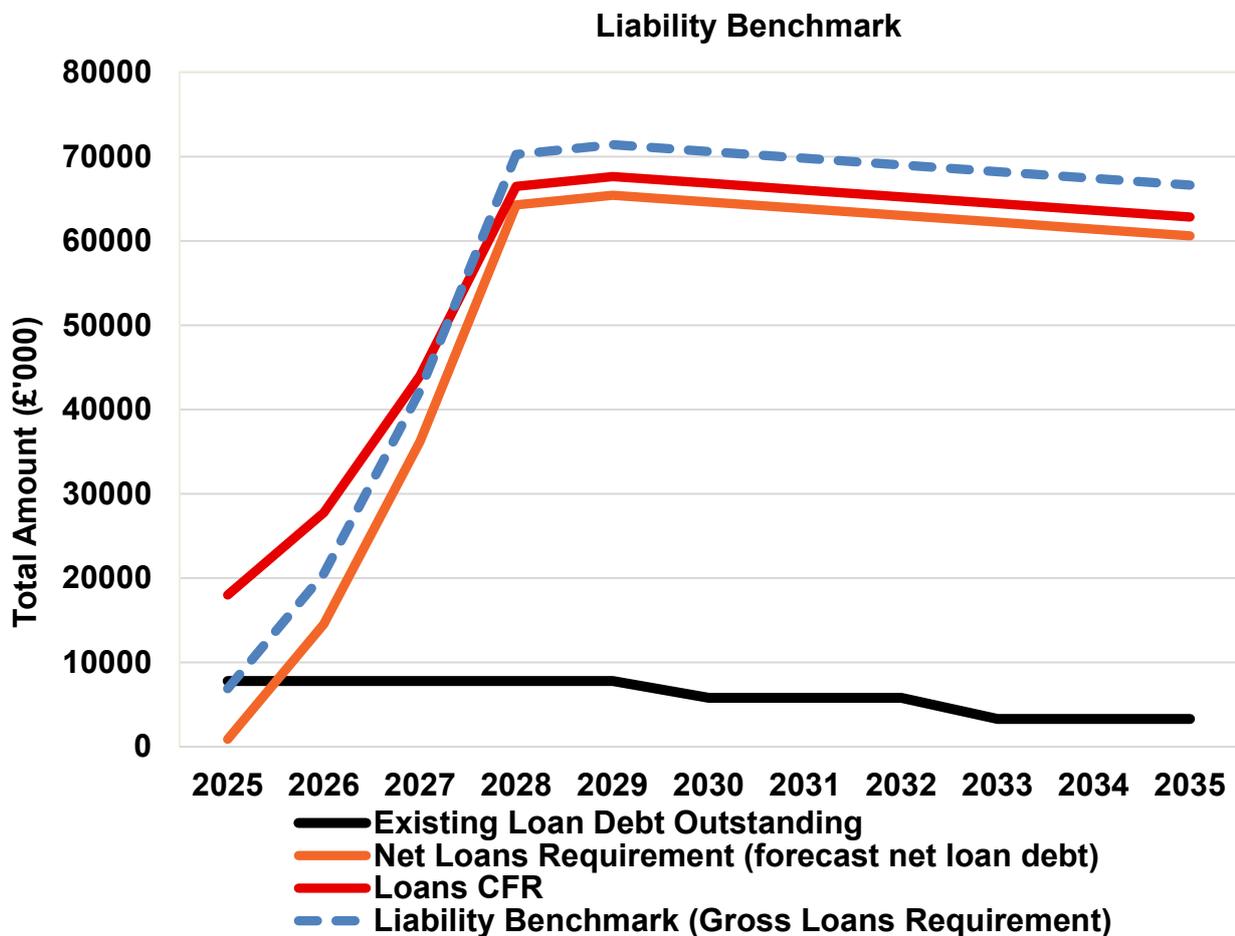
	Estimate £000	£000	£000	£000
Forecast Capital Expenditure	12,023	16,315	27,909	3,154
Commercial and Investment Strategy Schemes	4,875	4,500	0	0
TOTAL	16,898	20,815	27,909	3,154
Financed by:				
Capital Grants	5,996	2,994	3,694	1,194
Capital Receipts	250	650	250	0
Reserves used in year to fund Capital	224	0	0	0
Section 106 and Other Contributions	0	0	0	0
Total Financing	6,470	3,644	3,944	1,194
Net Financing Need for The Year (Borrowing)	10,428	17,171	23,965	1,960

- 5.4 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness, its underlying borrowing need. Any capital expenditure shown above, which has not immediately been paid for will increase the CFR.
- 5.5 The CFR does not increase indefinitely, as each year the Council is required to pay off an element of the capital spend (including finance leases) through a statutory revenue charge (MRP). In the case of schemes taken forward as part of the Council's capital programme this has the effect of reducing the Council's (CFR) broadly over the asset's life.
- 5.6 In the case of capital expenditure incurred in accordance with the Council's Commercial and Investment Strategy the MRP charge cannot be determined until such time that the Investment Board approves a scheme. Where the projected Capital Financing Requirement is disclosed in this report the figures used reflect the impact of borrowing to fund the full allocation of the remaining budget over the next 4 years but no assumptions have been made regarding how MRP might reduce the CFR attributable to these schemes. This approach is considered reasonable until such time that any new schemes are formally approved by the Investment Board. In accordance with the current Minimum Revenue Policy, a provision for MRP in relation to the investment and residential property acquired in previous financial years is incorporated into the information in this report and the Council's Medium Term Financial Strategy.
- 5.7 In this context, it is also important to note that, as well as the statutory MRP charge, the Council is permitted to make additional voluntary payments to reduce the CFR. These voluntary payments will typically reduce the statutory charge that would have been due in future years. Voluntary payments can be funded from capital resources. This is particularly significant in the context of the Council's Commercial and Investment Strategy. As a result of investments undertaken, the Council may receive significant capital receipts and/or repayments of amounts due under the terms of loan agreements with third parties, including the Local Authority Trading Company. These amounts may be received before the maturity date of the external borrowing used to undertake the initial investment. Any assumptions regarding the anticipated use of capital resources to reduce the CFR will be reported as part of future treasury management reporting.

5.8 The Council's CFR projections are set out below:

Capital Financing Requirement (CFR)	2025/26 Revised Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
CFR – as at 31 March				
Opening CFR	18,255	28,032	44,258	67,472
Movement in CFR	9,777	16,226	23,214	1,159
Closing CFR	28,032	44,258	67,472	68,631
Movement in CFR represented by				
Net financing need for the year	10,428	17,171	23,965	1,960
Less MRP and other Financing Movements	-651	-945	-751	-801
Movement in CFR	9,777	16,226	23,214	1,159

- 5.9 The third prudential indicator is the Liability Benchmark (LB). The liability benchmark is a measure of how well the existing loans portfolio matches the authority's planned borrowing needs.
- 5.10 The purpose of this prudential indicator is to compare the authority's existing loans outstanding (the solid black line) against its future need for loan debt, or liability benchmark (the blue dotted line).
- 5.11 The liability benchmark below indicates a future borrowing requirement over the life of this strategy.
- 5.12 The timing of actual borrowing arranged may differ from the liability benchmark depending on actual cash balances, the rate at which the capital programme is delivered and actual use of reserves and working capital.



6 Minimum Revenue Provision (MRP) Policy Statement

- 6.1 The Council is required to pay off an element of the accumulated general fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision).
- 6.2 MHCLG regulations have been issued which require the Council to approve an MRP statement in advance each year. A variety of options are provided to Councils within the guidance. Councils are permitted under the guidance to establish their own approach to setting MRP, and different approaches can be applied for different types of assets. The Council's principal responsibility is to ensure that it can demonstrate that whatever approach they adopt across their asset base it is prudent. Given the Council's decision to adopt a Commercial and Investment Strategy it was necessary to revise the MRP policy in 2020/21 to take account of investments which might feasibly be taken forward in accordance with the Commercial and Investment Strategy. The policy applicable for the current financial year onwards is as follows:
- (1) For unsupported borrowing (including finance leases) undertaken to fund the Council's capital programme, excluding any capital expenditure approved by the Council's Investment Board for Investment Properties, MRP will be based on the estimated useful life of the assets to be purchased or acquired. Repayments made under the terms of finance leases shall be applied as MRP.
 - (2) For Investment Properties purchased or constructed (following a decision taken by the Council's Investment Board) the MRP charge shall be based on the difference between the value of the asset and the value of any outstanding unsupported borrowing secured to fund the original purchase of the asset. A calculation shall be undertaken at the end of each financial year to identify the

difference between the value of the asset and the amount borrowed. Where a difference exists MRP shall be charged over a period commensurate with the period the Council expects to hold the asset as set out in reports presented to the Investment Board.

- (3) For any loans made to third parties, including those made to the Local Authority Trading Company, no MRP shall be charged where the loan requirement requires the third party to make repayments on at least an annual basis over the life of the loan. In the unlikely event of the Council providing a maturity loan to a third party, MRP shall be charged in equal amounts over the life of the loan.
- (4) Should the Council acquire an equity stake in any third party, the MRP charge will be for the lower of twenty years or the scheduled completion date of any projects funded by the third party using the proceeds from selling an equity stake to the Council.
- (5) For investment in Property Funds which the Council, following consultation with its Treasury Advisors, assesses as meeting the definition of capital expenditure MRP shall be charged over the period the Council expects to hold the investment. The period over which MRP can be charged for this type of investment shall not be permitted to exceed 20 years. The property funds referred to elsewhere in this document do not meet the definition of capital expenditure.

6.3 MHCLG published the revised Capital Finance: guidance on minimum revenue provision (5th Edition) which applies to the accounting periods starting on or after 1st April 2025. The two additions to the guidance are as follows:

- Capital receipts may not be used in place of the revenue charge. The intent is to prevent authorities avoiding, in whole or part, a prudent charge to revenue. It is not the intention to prevent authorities using capital receipts to reduce their overall debt position, which may have the effect of reducing the MRP made with respect to the remaining debt balance.
- Prudent MRP must be determined with respect to the authority's total capital financing requirement. The intent is to stop the intentional exclusion of debt from the MRP determination because it relates to an investment asset or capital loan. Authorities should still be able to charge MRP over the period in which their capital expenditure provides benefits, and begin charging MRP in the year following capital expenditure, in accordance with proper accounting practices set out in the government's statutory guidance on Minimum Revenue Provision.

7 The Use of Council's Resources and the Investment Position

The application of resources (capital receipts, reserves etc) and temporary use of 'surplus cash balances' to both finance capital expenditure and other budget decisions to support the revenue budget reduces cash investment balances held (see below). Unless resources are supplemented with new sources (asset sales, capital grants, etc) then new borrowing will be required to fulfil the objectives as set in the Council's Business Plan. Detailed below are estimates of the year end balances for each resource.

Year End Resources	2025/26	2026/27	2027/28	2028/29
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	Revised Estimate £000	Estimate £000	Estimate £000	Estimate £000
Fund balances / reserves	16,250	11,700	11,500	11,500
Expected investments	6,480	7,900	13,500	14,000

8 Affordability Prudential Indicators

- 8.1 The previous sections cover the overall capital and control of borrowing prudential indicators; also within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators.
- 8.2 This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs) against the net revenue stream.

Financing Costs to Net Revenue Stream	2025/26 Revised Estimate	2026/27 Estimate	2027/28 Estimate	2028/9 Estimate
General Fund	6.94%	14.04%	17.26%	18.97%
Net Revenue Stream	£17.891m	£17.536m	£18.292m	£18.579m

- 8.3 Net Income from Commercial and Service Investments as % of net revenue stream. This indicator identifies the authority's reliance on income from Commercial and Service Investments such as rents from the Council's long-standing portfolio of non-operational assets managed to secure rental income and income from fees and charges earned from providing facilities for conferences and meetings (economic estates) and one commercial investment property.

Ratio of Income from Commercial and Service Investments to net revenue stream	2025/26 Revised Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
General Fund	6.75%	7.06%	6.90%	6.93%
Net Revenue Stream	£17.891m	£17.536m	£18.292m	£18.579m

9 Treasury Management Strategy

- 9.2 The capital expenditure plans set out in section 5 provide a summary of future level of spend. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet service activity and the Council's capital strategy. This will involve both the organisation of cash flow and where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.
- 9.3 The Council's treasury portfolio as at 31 March 2025 for borrowing and investments was £7.8m and £6.907m respectively. As of 31 January 2026, investments are £9.974m (see Appendix A attached) and borrowing £7.8m.

- 9.4 The Council's forward projections for borrowings are summarised below. The next table shows the actual external debt, against the underlying capital borrowing need (the Capital Financing Requirement - CFR).

	2025/26 Revised Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
Debt at 1 April	7,800	18,230	40,400	69,365
Expected change in Net debt	10,430	22,170	28,965	1,960
Actual gross debt at 31 March	18,230	40,400	69,365	71,325
Capital financing requirement (CFR) at 31 March	28,032	44,258	67,472	68,631
Borrowing less CFR – 31 March	(9,802)	(3,858)	1,893	2,694

- 9.5 At 1 April 2025 the Council's Debt position comprised £7.8m of external borrowing. These loans were taken out at prevailing market rates between 1994 and 2004. The term of these loans is between 25 and 50 years. The Council did not seek to repay these loans at the date of the transfer of the Council's Housing Stock in 2007, which generated a significant capital receipt for the Council. Prevailing interest rates since the loans were taken out mean that a high premium would be payable by the Council if it were to seek to repay the PWLB loans (£4.5m) early. The premiums to be applied are considered to be prohibitively high for early redemption to be regarded as a reasonable treasury management decision. Repaying the Barclays market rate loan of £3.3m may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment. The Council continues to keep this situation under review with the support of its appointed treasury management advisors. However, for the purposes of this strategy, it has been assumed that external borrowing of £7.8m brought forward, as at 1 April 2025, will continue to be carried forward.
- 9.6 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2026/27 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that long term borrowing is not undertaken for revenue or speculative purposes (in the sense of anticipating future upward movements in interest rates), other than where the borrowing fits in with the Council's approved Investment Strategy.
- 9.7 The Council notes that the Prudential Code published by CIPFA prohibits local authorities from borrowing in advance of need. This prohibition has been recently re-affirmed by MHCLG in its Statutory Guidance on Local Authority Investments which states that this prohibition extends to undertaking borrowing to fund the purchase of financial and non-financial investments, including investment properties. This is on the basis that in such circumstances local authorities would be borrowing 'purely in order to profit from investment of the extra sums borrowed'. Section 4 of the Council's Capital Strategy explains how the Council has had regard for this guidance and notes the Council's approach to determining whether the motivation behind any proposed investment is purely to profit from investment of any sums borrowed.
- 9.8 Interest repayments associated with the external debt (including finance leases) above are shown below.

YEARS	INTEREST DUE £000
2025/26	589
2026/27	1,518
2027/28	2,405
2028/29	2,720

9.9 The operational boundary is the limit beyond which external debt is not normally expected to exceed. In most cases this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual debt.

Operational Boundary	2025/26 Revised Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
Debt	13,355	31,025	56,990	58,950
Other long term liabilities	1,000	1,000	1,000	1,000
Commercial Activities / Non Financial Investments	4,875	9,375	12,375	12,375
Total	19,230	41,400	70,365	72,325

9.10 The authorised limit is a key prudential indicator, which represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term but is not sustainable in the longer term.

9.11 This is a statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all council's plans, or those of a specific council, although this power has not yet been exercised. The Council is asked to approve the following authorised limit.

Authorised Limit	2025/26 Revised Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000	2028/29 Estimate £000
Debt	18,355	36,025	61,990	63,950
Other long term liabilities	1,000	1,000	1,000	1,000
Commercial Activities / Non Financial Investments	4,875	9,375	12,375	12,375
Total	24,230	46,400	75,365	77,325

10 Prospects for Interest Rates

10.1 The Council has appointed MUFG Corporate Markets Treasury Limited as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives MUFG Corporate Markets central view.

MUFG Corporate Markets Interest Rate View 22.12.25													
	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	3.80	3.50	3.50	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	3.80	3.50	3.50	3.40	3.30	3.30	3.30	3.40	3.40	3.40	3.40	3.40	3.40
12 month ave earnings	3.90	3.60	3.60	3.50	3.40	3.50	3.50	3.50	3.50	3.50	3.60	3.60	3.60
5 yr PWLB	4.60	4.50	4.30	4.20	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
10 yr PWLB	5.20	5.00	4.90	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60	4.60	4.70
25 yr PWLB	5.80	5.70	5.60	5.50	5.50	5.40	5.30	5.30	5.30	5.20	5.20	5.20	5.20
50 yr PWLB	5.60	5.50	5.40	5.30	5.30	5.20	5.10	5.10	5.10	5.00	5.10	5.00	5.00

- 10.2 Since late summer, a combination of tepid growth (0.2% q/q GDP for Q2 and 0.1% q/q GDP for Q3), falling inflation (currently CPI is 3.4%), and a November Budget that will place more pressure on the majority of households' income, has provided an opportunity for the Bank of England's Monetary Policy Committee to further reduce Bank Rate from 4% to 3.75% on 18 December.
- 10.3 Given the wafer-thin majority for a rate cut it was not unexpected to hear that although rates would continue on a "gradual downward path", suggesting a further rate cut or cuts in the offing, MPC members want to assess incoming evidence on labour market activity and wage growth. Indeed, with annual wage growth still at 4.5%, the MPC reiterated that the case for further rate cuts would be "a closer call", and Governor Bailey observed there is "limited space as Bank Rate approaches a neutral level".
- 10.4 Accordingly, the MUFG Corporate Markets forecast central view is for a rate cut in Q2 2026 to 3.5%, likely to take place in the wake of a significant fall in the CPI inflation reading from 3% in March to 2% in April (as forecast by Capital Economics), followed by a short lull through the summer whilst more data is garnered, and then a further rate cut to 3.25% in Q4.
- 10.5 Any movement on Bank Rate will, nonetheless, be very much dependent on inflation data and political factors domestically and, crucially in the US.
- 10.6 Gilt Yields and PWLB Rates – The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of the forecasts, but the risks to the forecasts are to the upside.
- 10.7 MUFG's target borrowing rates are set two years forward (as they expect rates to fall back).
- 10.8 Borrowing advice: MUFG'S long-term (beyond 10 years) forecast for the neutral level of Bank Rate remains at 3.5%. As all PWLB certainty rates are still above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve (<5 years PWLB maturity/<10 years PWLB EIP) and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will generally, fall in line with Bank Rate cuts.
- 10.9 The current forecast shown in paragraph 10.1, includes a forecast for Bank Rate to fall. The Medium Term Financial Strategy (MTFS) reflects expected investment rate income in future years.
- 10.10 As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

11 Borrowing Strategy

- 11.1 As noted above in paragraph 9.7 the Council recognises that statutory guidance indicates that whilst the Council has the necessary powers to borrow in advance of need the government and CIPFA state it should refrain from doing so where such borrowing takes place purely in order to profit from investment of the extra sums borrowed. None of the Council's current borrowing was undertaken in advance of need.
- 11.2 The Council has previously maintained an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow have

been used as an alternative funding measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels, albeit only once prevailing inflation concerns are addressed by restrictive near-term monetary policy. That is, Bank Rate remains relatively elevated in 2026 even if some rate cuts arise.

- 11.3 The current MTFs assumes that external borrowing will be required over the four-year period to 31 March 2029. Assumptions about the level of external interest payable are reflected as part of the prudential indicators included in this document. Responsibility for deciding when to borrow externally, together with details of the amount to borrow and the term and type of any loan, rests with the Chief Finance Officer. The Chief Finance Officer's decision will be informed by advice from the Council's treasury management advisors and information regarding the progress of schemes set out in the capital programme. Any borrowing decisions will be reported to Cabinet through either the mid-year or annual treasury management reports.
- 11.4 When the Council borrows externally it will ordinarily do so using funds borrowed from the Public Works Loan Board, though this does not preclude the Council considering other sources of lending. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to borrow short-term loans instead. Fixed LA to LA monies should also be considered.
- 11.5 Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing and are required for upper and lower limits.

Maturity structure of fixed interest rate borrowing 2026/27	Lower %	Upper %
Under 12 months	0	100
12 months to 2 years	0	100
2 years to 5 years	0	100
5 years to 10 years	0	100
10 years and above	0	100

Maturity structure of variable interest rate borrowing 2026/27	Lower %	Upper %
Under 12 months	0	100
12 months to 2 years	0	100
2 years to 5 years	0	100
5 years to 10 years	0	100
10 years and above	0	100

12 Debt Rescheduling / Repayment

- 12.1 Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.
- 12.2 If rescheduling was done, it will be reported to the Cabinet at the earliest meeting following its action.

13 Annual Investment Strategy - management of risk

- 13.1 The Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed

by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

- 13.2 The Council's investment policy has regard to the following: -
- MHCLG's Guidance on Local Government Investments ("the Guidance");
 - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code"); and
 - CIPFA Treasury Management Guidance Notes 2021.
- 13.3 The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite
- 13.4 The above guidance from the MHCLG and CIPFA, place a high priority on the management of risk. The Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means.
- 13.5 Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.
- 13.6 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
- 13.7 Investment instruments identified for use in the financial year are listed below under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.
- 13.8 **Specified Investments** – All such investments will be sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' level of credit quality where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.) Investment instruments identified for use in the financial year are as follows:
- term deposits with local authorities;
 - term deposits with high credit criteria deposit takers (banks and building societies);
 - callable deposits with local authorities;
 - callable deposits with high credit criteria deposit takers (banks and building societies);
 - money market funds (CNAV) / (LVNAV) / (VNAV);
 - Debt Management Agency Deposit Facility (DMADF); and
 - UK Government gilts, custodial arrangement required prior to purchase.
- 13.9 **Non-Specified Investments** – These are any investments which do not meet the specified investment criteria, with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration

by members and officers before being authorised for use. Investment instruments identified for use in the financial year are as follows:

- term deposits with high credit criteria deposit takers (banks and building societies);
- term deposits with local authorities;
- callable deposits with local authorities;
- callable deposits with high credit criteria deposit takers (banks and building societies);
- Debt Management Agency Deposit Facility (DMADF);
- UK Government gilts, custodial arrangement required prior to purchase; and
- Property funds.

13.10 As a result of the change in accounting standards under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. Subsequently, a further extension to the over-ride to 31.3.29 was agreed by Government but only for those pooled investments made before 1st April 2024.

13.11 At present, Patrizia Hanover Real Estate Investment Management Limited are in advanced stages of a proposed merger with a third-party property trust. At an Extraordinary General Meeting (EGM) to be held in the first half of 2026, the Council, as a trust unitholder, will be asked to vote to approve the trust merger or to terminate the fund. Depending on the outcome of the vote and the structure of the new property trust the Council may be required to declare (in full) a surplus or loss on its original investment in its accounts in the year the transaction is concluded. It is Recommended that The Corporate Director and Section 151 Officer be given delegated authority to vote in the best interests of the Council in the EGM and report the decision in the annual review report.

13.12 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. Short term cash flow requirements (up to 12 months) include payments such as, precepts, business rate retention, housing benefits, salaries, suppliers, interest payments on debt etc.

13.13 The current forecast shown in paragraph 10.1, includes a forecast for Bank Rate to fall to a low of 3.25% in 2026.

13.14 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

<i>Average earnings in each year</i>	<i>Now</i> %
2025/26 (residual)	3.80
2026/27	3.40
2027/28	3.30

- 13.15 Estimated investment income including from loans to Fenland Future Limited is £518,000 2025/26 and £539,000 in 2026/27. These estimates assume that none of the existing cash balances held by the Authority will be utilised to fund schemes approved by the Investment Board.
- 13.16 £2m of the Council's investments are held in externally managed pooled property funds (see paragraph 13.11 above).
- 13.17 As the Council's externally managed funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's medium to long-term investment objectives are regularly reviewed. Although the returns from these investments can be higher than short term investments there is an increased risk that capital values will rise and fall. Estimated income from property funds in 2025/26 and 2026/27 is ££65,000 and £56,000 respectively.
- 13.18 **Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year end.

	2026/27 £000	2026/27 £000	2027/28 £000
Maximum principal sums invested > 365 days	5,000	5,000	5,000

- 13.19 For its cash flow generated balances, the Council will seek to utilise its call accounts and short dated deposits (overnight to 180 days) in order to benefit from the compounding interest.
- 13.20 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

14 Creditworthiness Policy

- 14.1 The Council applies the creditworthiness service provided by MUFG Corporate Markets. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:
- "watches" and "outlooks" from credit rating agencies;
 - Credit Default Swaps spreads to give early warning of likely changes in credit ratings;
 - sovereign ratings to select counterparties from only the most creditworthy countries.
- 14.2 This modelling approach combines credit ratings, Watches and Outlooks in a weighted scoring system, which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:
- yellow 5 years;
 - dark pink 5 years for ultra-short dated bond funds with a credit score of 1.25;
 - light pink 5 years for ultra-short dated bonds funds with a credit score of 1.5;
 - purple 2 years;
 - orange 1 year;

- red 6 months;
- green 100 days
- no colour not to be used.

- 14.3 The MUFG creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue preponderance to just one agency's ratings.
- 14.4 Typically, the minimum credit ratings criteria the Council will use will be short term rating (Fitch or equivalent) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use
- 14.5 The Council's own bank currently meets the creditworthiness policy. However, should they fall below MUFG Corporate Markets Group creditworthiness policy the Council will retain the bank on its counterparty list for transactional purposes, though would restrict cash balances to a minimum.
- 14.6 All credit ratings are monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the MUFG Corporate Markets Group creditworthiness service.
- If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
 - In addition to the use of credit ratings the Council will be advised of information in movements in credit default swaps against the iTraxx European Senior Financials benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.
- 14.7 Sole reliance will not be placed on the use of MUFG Corporate Markets Group Creditworthiness policy. In addition, this Council will also use market data and market information, information on any external support for banks to justify its decision making process.
- 14.8 To further mitigate risk the Council has decided that where counterparties form part of a larger group, group limits should be used in addition to single institutional limits. Group limits will be as set through the Council's Treasury Management Practices – schedules.
- 14.9 In relation to financial institutions, the Council currently only invests in UK banks and building societies, which provides sufficient high credit quality counterparties to meet investment objectives. It should be noted that in some cases these banks are subsidiaries of foreign banks, but these are of the highest credit quality.

15 External Service Providers

- 15.1 The Council uses MUFG Corporate Markets Treasury Limited as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the authority at all times and will ensure that undue reliance is not placed upon our external service providers. All decisions will be undertaken with regards to available information, including, but not solely, our treasury advisors.
- 15.2 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

15.3 The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The Council will engage specialist advisers for commercial-type investments.

PARISH PRECEPTS 2026/27

TAX BASE (Equated Band D Properties)	PRECEPT 2025/26 £	COUNCIL TAX PER BAND D PROPERTY £	PARISH	TAX BASE (Equated Band D Properties)	PRECEPT 2026/27 £	COUNCIL TAX PER BAND D PROPERTY £	INCREASE FROM 2025/26 %
363	14,000	38.57	BENWICK	365	14,000	38.36	-0.5
3,517	189,500	53.88	CHATTERIS	3,593	209,500	58.31	8.2
298	22,200	74.50	CHRISTCHURCH	290	32,200	111.03	49.0
890	65,000	73.03	DODDINGTON	890	68,000	76.40	4.6
1,291	80,772	62.57	ELM	1,288	84,003	65.22	4.2
406	23,000	56.65	GOREFIELD	411	24,500	59.61	5.2
1,240	62,000	50.00	LEVERINGTON	1,243	64,500	51.89	3.8
932	90,400	97.00	MANEA	941	97,500	103.61	6.8
6,945	375,000	54.00	MARCH	7,129	385,000	54.00	0.0
251	26,000	103.59	NEWTON IN THE ISLE	253	41,000	162.06	56.4
469	20,071	42.80	PARSON DROVE	469	23,176	49.42	15.5
429	25,600	59.67	TYDD ST GILES	419	26,880	64.15	7.5
6,226	177,000	28.43	WHITTLESEY	6,406	177,000	27.63	-2.8
903	67,168	74.38	WIMBLINGTON	1,000	67,168	67.17	-9.7
6,694	412,060	61.56	WISBECH	6,741	414,710	61.52	-0.1
1,300	110,257	84.81	WISBECH ST MARY	1,281	117,543	91.76	8.2
32,154	1,760,028	54.74	GRAND TOTAL	32,719	1,846,679.55	56.44	3.11

EARMARKED AND GENERAL RESERVES - Revised 2025/26 and Estimated 2026/27

APPENDIX G

Reserve Name	Balance	Revenue Contributions to(+)/from(-)	Capital	Revised Balance	Revenue Contributions to(+)/from(-)	Capital	Estimated Balance	Comments / Conditions of Use
	01.04.25 £	2025/26 £	Funding £	31.03.26 £	2026/27 £	Funding £	31.03.27 £	
Travellers Sites	542,481	22,678		565,159	34,920		600,079	Can only be used for specific future maintenance liabilities.
CCTV - Plant & Equipment	61,128			61,128			61,128	Available for future CCTV maintenance & replacement liabilities.
Station Road, Whittlesey - Maintenance	16,000			16,000			16,000	Required for future road maintenance.
Management of Change	27,623	-14,400		13,223			13,223	Available for the effective management of any organisational changes required to meet the Council's future priorities.
Business Rates Equalisation Reserve	800,516			800,516			800,516	Available to assist the Council in smoothing out volatility in the business rates retention system.
Capital Contribution Reserve	116,117			116,117			116,117	Available to fund specific spending commitments in future years.
Port - Buoy Maintenance	145,798			145,798			145,798	Available for future buoy maintenance to service windfarms.
Repairs and Maintenance	808,706	-18,000		790,706			790,706	Available to provide funding for one-off schemes, not covered by the normal Repairs and Maintenance revenue budgets.
Heritage Lottery Fund (HLF) - Wisbech	49,235			49,235			49,235	To manage the Heritage Lottery Funded scheme in Wisbech.
Highways Street Lighting	82,523			82,523			82,523	Available to fund future repairs and maintenance relating to street lighting.
Local Government Reform Reserve	1,440,168			1,440,168			1,440,168	Available to fund potential costs linked to Local Government Reform
Budget Equalisation Reserve	2,212,647			2,212,647			2,212,647	Year-end surpluses are transferred to this reserve. If a deficit is forecast this reserve can be used to offset the expected shortfall.
Planning Reserve	663,673	244,931		908,604			908,604	Available to fund additional planning costs not reflected in the annual budget, including the development of the Local Plan.
Elections Reserve	107,832	-34,110		73,722			73,722	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.
Port - Pilots Staff Development Training	11,875			11,875			11,875	Available to fund the training of maritime pilots to fulfill the authority's statutory functions.
Cambridgeshire Horizons	1,802,544	-507,570		1,294,974			1,294,974	Available for the Council's future use in accordance with the conditions attached to the receipt.
Specific Government Grants (received in previous years)	2,297,132	-385,543	-200,000	1,711,589	51,190		1,762,779	Available to fund specific spending commitments in future years.
TOTAL EARMARKED RESERVES	11,185,997	-692,014	-200,000	10,293,983	86,110	0	10,380,093	
General Fund Balance	2,000,000			2,000,000			2,000,000	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.
TOTAL RESERVES	13,185,997	-692,014	-200,000	12,293,983	86,110	0	12,380,093	

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.