

**TITLE: Medium Term Financial Strategy Update**

Committee: Finance & Assets Committee

Date: 26 September 2024

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Report No: Z63

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**1.0 Issue**

- 1.1. To provide Committee with an update on the Medium Term Financial Strategy (MTFS) since the 2024/25 budget was approved in February 2024.

**2.0 Recommendations**

- 2.1. Members are requested to note the contents of the report.
- 2.2. Members are asked to approve the introduction of a £70 civil fine to those residents that disclose incorrect information regarding their circumstances around Council Tax discounts as detailed in section 5.4.

**3.0 Background**

- 3.1 The Council approved the budget for 2024/25 and with it the MTFS for 2025/26 to 2027/28 at its meeting on the 20<sup>th</sup> February 2024. At that point, via the use of its Surplus Savings Reserve, the Council had a balanced budget for 2024/25 and 2025/26, but with then significant savings to be found in the following years.
- 3.2 The Budget / MTFS was approved on the basis that the Council would not put up Council Tax in the budget year, but then put it up by the maximum allowed, £5 per year, each subsequent year.

**4.0 Changes to the Plan since February 2024**

- 4.1 The Council ended the 2023/24 financial year with an underspend of £2,596,480. This underspend has been added to the Surplus Savings Reserve and is available to support the MTFS in future years.
- 4.2 The Council is currently forecasting a yearend underspend of £12,718 in 2024/25, all things being equal, this will also be transferred into the Surplus Savings Reserve at yearend, and has been included in the figures detailed in this paper.

## **5.0 Assumptions Made**

### **5.1 Fair Funding Review**

Members will be aware that the Fair Funding Review has been promised, but not delivered by Government for a number of years (originally planned for 2020). In simplistic terms, the Fair Funding Review is the process by which Government calculates how much of its overall funding for Local Government goes to each individual council. As a full Business Rates Baseline reset is expected at this time, this Council would lose the benefit it is currently receiving from the high level of Business Rate growth in the District since 2013. The delay has therefore been good news for us.

The previous Government's official position was that the Fair Funding Review would come into effect from April 2025. However, with the change in Government following the General Election the strong opinion of most commentators, including our own advisers, Pixel Financial Management, is that the new Government will not be in a position to have formed an opinion on this prior to the Provisional Local Government Settlement being announced later in the year (expected to be December) and therefore the review will not be implemented until April 2026 at the earliest.

Indeed, more recent narrative from the new Government is that a three year Spending Review will be published in Spring 2025, clearly after the Local Government Settlement for 2025/26 and so adding weight to the view that 2025/26 will be to the most part, a roll forward budget broadly based on that of 2024/25. Although clearly the new Government may wish to make tweaks to this to reflect their new political priorities. For clarity, a Spending Review is the process whereby the money allocated by Government to Local Government will be determined, but there will still need to be a subsequent Fair Funding Review to determine how much of this total pot is allocated to each authority.

An April 2026 implementation date is therefore reflected in these papers, but clearly if the Review does go ahead in April 2025, there will be a considerable downside to the Council, whereas if it is delayed further to April 2027 for example, this will have an up-side to this Council. Officers will be monitoring the situation throughout the Autumn period and will update Committee as the situation becomes clearer, before presenting the draft budget report to Committee in January, at which point we should have full details of all Government Funding for 2025/26.

### **5.2 Inflation**

The Council has benefited in previous years until 2023/24 from low inflation levels that had allowed us to leave many budgets at the same cash value as the previous year. While this remained the case on some budgets, the vast majority of budget lines had inflation added in 2023/24 and 2024/25 while the Country went through the "cost of living crisis" with significant inflationary pressures on many products and services and associated higher pay awarded to staff.

Officers have made a number of assumptions regarding inflation levels on specific budget lines in this report, but with the immediate inflationary pressures now apparently over, many budgets have not had inflation added, reverting to the approach in place prior to 2023/24.

A 2% inflationary rise has been assumed on salary budgets between the 2024/25 and 2025/26, this again matches the approach prior to 2023/24.

### 5.3 Council Tax

The Council and all other preceptors determine, as part of their budget preparations, how much they wish to collect in Council Tax and subsequently set their tax level in February prior to the year of collection, at a value to ensure that the required amount is collected. In year, this Council (as the collection authority) will pay across to the other preceptors and indeed ourselves, the budgeted value from the Council Tax Collection Fund.

The amount of Council Tax collected is determined by three factors, the Council Tax value for a band D property as determined by the Council, the number of band D equivalent properties in the District and the Council's calculation as to how much of the money will be collectable.

It is assumed at this stage that the value of Council Tax in 2025/26 for a band D property will be increased by £5 to £147.14, inline with the decision made in February 2024.

An initial calculation of the number of equivalent Band D properties in the District will be undertaken shortly, to which officers will make a judgement as to the amount which will be collectable. This figure will be reviewed and updated over the Autumn period.

### 5.4 Introduction of Council Tax Civil Penalties for those failing to report changes in their circumstances.

Schedule 3 of the Local Government Finance Act 1992 allows Local Authorities to impose a financial penalty of £70 if a person fails to notify the authority, without reasonable excuse, any change in their circumstances within 21 days. There is no requirement to formally adopt the imposition of this penalty, as it is provided for within legislation and is already included on customers Council Tax bills. To date, however, penalties have not been imposed.

Penalties are added to the Council Tax account and collected alongside existing Council Tax instalments. A penalty can be challenged via a formal Council Tax appeal and can also be cancelled at any time by the billing authority. A warning is already printed on Council Tax bills that a penalty can apply and is included on the Single Person Discount (SPD) reviews undertaken by the ARP Fraud Team.

The main purpose of implementing Council Tax Penalties is to encourage those wrongly in receipt of SPD to notify the Council of their circumstances and to deter false applications.

The intention is to implement Civil Penalties from 1<sup>st</sup> April 2025 in conjunction with a widespread marketing campaign, individual communications and utilisation of newer review methods. ARP will work with our Communications Team to implement a robust communications strategy to ensure clear messaging.

The administration of civil penalties will be conducted on a case-by-case basis, with any vulnerabilities or other impacting factors being considered. The most serious cases of SPD fraud will continue to be criminally investigated and sanctioned.

As part of the implementation plan, a process of monitoring and reporting outcomes will be introduced, to include a regular review of the types of cases penalties are issued for. This will allow adaptation to the approach and consider targeting different cohorts to help increase effectiveness.

#### 5.5 Business Rates

Councils are required to prepare a report to Government (called the NNDR1) by the end of January each year, detailing the amount of Business Rates they anticipate collecting during the following financial year. The final budget presented to Council in February will reflect the figures detailed in this return, but for now, the figures in this report match those forecast by Pixel Financial Management and assume the continuation of the benefit we are gaining from Business Rate growth in the District as discussed in 5.1 above in 2025/26.

#### 5.6 Future Spending Commitments

The Council's contract for the disposal of recyclable materials was retendered with the new service starting in September 2024. This tendering exercise, was undertaken by the RECAP partnership, but has resulted in considerable additional costs to the Council. These additional costs have been incorporated into the figures detailed in this paper.

The wider Waste and Street Cleansing Service Proposal, as detailed in a paper to Operational Services Committee on the 23<sup>rd</sup> September 2024, result in a significant additional cost to the Council from April 2026. These additional costs (as detailed in the paper) are also included in the figures detailed in appendix 1 and 2. It should be noted that this paper represents the worse case scenario for these costs, in that it includes all the additional costs, but doesn't account at this point, for any new income either from Government for the new burden of separately collecting food waste or the extended producer responsibility. It is expected that more information will become available on both of these income streams before the final budget will be brought to Committee in early January.

### **6.0 Impact on the MTFS**

6.1 As alluded to above, it is very difficult at this time to forecast the longer-term implications on the Council's finances, with the major unknowns being around the timing of the Fair Funding Review for Local Government, inflation and the new income streams associated with the Waste Strategy.

- 6.2 The figures detailed in Appendix 1, therefore need to be treated with caution, these will be updated further during the coming months as further information becomes available, with the Director, Finance updating Finance and Assets Committee as appropriate.
- 6.3 The figures presented however show that the 2025/26 financial year remains balanced via the use of the Surplus Savings Reserve, but there are significant savings requirements in future years, with over £2 million to be found to balance 2026/27 – year 2 of the plan.
- 6.4 Therefore, whilst the Council is not expecting any issues with being able to publish a legal budget for 2025/26, savings are required to balance the budget, especially after the implementation of the Fair Funding Review. It is important therefore that work continues to look for opportunities and put in place plans to make savings or increasing income levels in 2025/26 and all future years, to reduce the immediate draw from the Surplus Savings Reserve, so that further funds are available in the future.
- 6.5 To this end, options to resolve the budget shortfalls in future years come from:
- Efficiencies in the cost of service delivery
  - Reductions in service levels
  - Increased income from fees and charges
  - Increased commercialisation via its trading companies.

## 7.0 Additional Implications Assessment

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

<b>Financial Implications</b>  <b>No</b>	<b>Legal Implications</b>  <b>No</b>	<b>Human Resources (HR) Implications</b>  <b>No</b>
<b>Equality Impact Assessment (EIA)</b>  <b>No</b>	<b>Carbon Impact Assessment (CIA)</b>  <b>No</b>	<b>Data Protection Impact Assessment (DPIA)</b>  <b>No</b>

## 8.0 Appendix

Appendix 1 – MTFS Model as at 2<sup>nd</sup> September 2024.

### Background Documents:

2024/25 Budget as approved by Full Council on the 20<sup>th</sup> February 2024 (agenda item 16).