

**REPORT TITLE: General Fund Medium Term Financial Strategy (MTFS)**

**2025/26-2034/35**

**To:**

Councillor Simon Smith, Executive Councillor for Finance and Resources

Strategy & Resources Committee 30 September 2024

**Report by:**

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**Wards affected:**

All

**1. Recommendations**

1.1 It is recommended that the Executive Councillor recommends to Council:

1. To approve the Council's General Fund Medium Term Financial Strategy (MTFS) 2025/26-2034/35, as attached at Appendix A.
2. To approve the 2024/25 capital bid of an additional £487,000 for essential repairs of the riverbank at Jesus Green, as set out at page 19 of the attached MTFS.
3. To note the other changes to the capital plan approved under delegated powers since approval of the Budget Setting Report, as set out in section 5 of the attached MTFS.
4. To set the General Fund reserve Prudent Minimum Balance at £6.541 million, and the target level at £7.849 million, as recommended by the Chief Finance Officer.

**2. Purpose and reason for the report**

2.1 Cambridge City Council produces two main financial documents each year, the Budget Setting Report (BSR) and the Medium Term Financial Strategy (MTFS). The MTFS draws together a review of the financial information halfway through the year, making

assumptions and forecasts for the future and providing a basis on which to prepare the budget for the year ahead.

- 2.2 The MTFS sets out the overarching strategy through which the Council will ensure its medium-term financial sustainability, including the high level approach to addressing any projected future budget gaps, and the way in which the Council uses its reserves in order to mitigate financial risk.

### **3. Background and key issues**

- 3.1 The purpose of the MTFS is to project the General Fund's financial position over the medium term, and set out the high level strategic approach to ensuring financial sustainability over this period.
- 3.2 The current MTFS projects a five-year budget gap on the Council's General Fund of £11.5 million. This means that projected expenditure for the 2029/30 financial year is currently £11.5 million higher than projected income. This is an increase from the £9.5 million budget gap identified as part of the Budget Setting Report in February 2024, driven primarily by changes to inflation assumptions based upon updated economic data.
- 3.3 This is, however, an estimate based upon a number of key assumptions as set out at section 3 of the MTFS. Scenario modelling shows that the actual budget gap could reasonably fall anywhere between £9.2 million and £22.7 million, depending upon external economic factors.
- 3.4 The projected General Fund reserve balance at 31 March 2025 is £19.1 million. Should no action be taken to address the ongoing future budget gaps, General Fund reserves will run out by 2028/29 at the latest.
- 3.5 Last year's MTFS set a target for the Council to find £6.0 million of recurring savings over the following three years. Whilst the 2024/25 Budget Setting Report did deliver around £1.2 million of recurring savings, it also identified an additional £1.0 million of service pressures, meaning a net improvement to service budgets of only £0.2 million. This has

left the Council in a position where the need to deliver ongoing revenue savings is becoming increasingly urgent.

- 3.6 In order to address this significant risk to the Council's medium term financial sustainability, a proposed budget strategy is set out at section 6 of this report. This approach would address the £11.5 million budget gap in full over the five-year period, whilst recognising the need for a realistic pace of delivery taking into account the scale of transformation which will be required. The first stage of this strategy would be an initial focus on delivering £6.0 million of recurring savings by 1 April 2026.
- 3.7 The approach to delivering savings would be twofold. Firstly, the Council would seek to maximise savings which do not impact upon its service users, for example through making Council structures and processes more efficient and challenging existing budget underspends. However, it will not be possible to deliver all the required savings through such activities alone, and there would be a need to consider changes to Council services and how these are funded.
- 3.8 Outline strategic budget proposals reflecting this need have been set out in the 'Our Cambridge – Group Design Programme and Alignment with BSR' report to the Strategy & Resources Committee, and, subject to approval by the Executive, these proposals will form the basis of the public consultation on the 2025/26 budget which will launch in October 2024.
- 3.9 The MTFs also includes a one-off capital bid of an additional £487,000 towards an existing project undertaking essential repairs to the riverbank at Jesus Green. The Council has a statutory duty to undertake these repairs as the landowner and riparian owner.

#### **4. Alternative options considered**

- 4.1 The Council is required to produce an MTFs on an annual basis. Alternative options were considered in respect of the Council's approach to addressing the future budget gap.

- 4.2 One option considered was to accelerate the Council's savings programme in order to deliver the savings required in each year without having to draw upon Council reserves. This approach is not being recommended, as it could only be realistically achieved by taking immediate drastic action such as ceasing all non-statutory Council services. This would have a significant detrimental impact on service users. The General Fund reserve has been built up over many years of prudent financial management, which means that the council now has some flexibility to take a considered approach in the coming years, ensuring it takes the right decisions at the right time to mitigate negative impacts, while still ensuring outgoings don't exceed income in the medium term.
- 4.3 Another option considered was to defer setting out any strategic outline budget proposals for savings until after the new government's first autumn statement at the end of October 2024. Due to the length of time required to consult thoroughly on service impacts, this would realistically mean that no significant savings would be possible for the 2025/26 budget year. This option is not being recommended as it is considered unlikely that the autumn statement will remove or significantly reduce the need to make savings. Local government is an unprotected public service, and the Chancellor has been clear in her comments to date that there is little or no money available for additional government spending in the short term. Given the scale of the challenge facing the Council, it is important that work starts as soon as possible on delivering the changes required to ensure medium term financial sustainability.
- 4.4 It should be noted that no final decisions will be taken on the 2025/26 budget until February 2025, following public consultation, and should the autumn statement (or subsequent local government finance settlement) vary significantly from current projections, there will be an opportunity to revise the approach accordingly.

## **5. Corporate plan**

- 5.1 The MTFS will support the delivery of all the objectives set out within the Council's Corporate Plan, but with a particular focus on priority 4, which includes transforming the Council so we can continue delivering our priorities and provide quality services despite reduced funding and income. [Corporate plan 2022-27: our priorities for Cambridge -](#)

## **6. Consultation, engagement and communication**

6.1 The MTFS underpins the strategic outline budget proposals which are being presented to the Strategy & Resources Committee on 30 September 2024. These will form the basis for a public consultation on the 2025/26 budget. Separate public consultations may also be held where individual proposals may have a significant impact on Council services. Council staff will also be consulted on any proposals which have a direct impact upon their role, in line with the Council's current HR policies and statutory requirements.

## **7. Anticipated outcomes, benefits or impact**

7.1 Approval of the MTFS will support modernising the Council to deliver its priorities in the face of reduced funding.

## **8. Implications**

### **8.1 Relevant risks**

The key risks are set out at section 7 of the MTFS, and include:

- Uncertainty surrounding the future of local government funding.
- The risk to the Council's financial sustainability should the required level of savings not be delivered.
- Financial risks associated with external economic factors (e.g. future inflation and interest rates), and unforeseen events (perhaps related to the Council's significant property portfolio and capital programme).
- Additional financial pressures associated with fast population growth within the city, and new or enhanced statutory duties which may be placed upon local government in the future.

8.2 The proposed strategy seeks to mitigate these risks by delivering savings at an ambitious but achievable rate, whilst maintaining sufficient General Fund reserve balances to protect the Council from future unforeseen financial shocks.

### **Financial Implications**

8.3 The financial implications are set out throughout this report and the attached MTFS, and are summarised as follows:

- The MTFS requires the Council to deliver £6.0 million of recurring revenue savings by 2026/27, and £11.5 million of recurring revenue savings by 2029/30.
- A one-off capital bid of £487,000 in 2024/25 towards essential repairs of the riverbank at Jesus Green, for which the Council has statutory responsibility.

### **Legal Implications**

8.4 The Council has a statutory duty to set a balanced budget in advance of each financial year. Alongside this, the Chief Finance Officer is obliged to issue a section 25 report on the adequacy of the Council's reserves each year. Adoption of the MTFS will support both of these statutory requirements.

### **Equalities and socio-economic Implications**

8.5 There are no specific equalities or socio-economic implications from the adoption of the MTFS. Any implications associated with individual budget proposals will be considered as part of the relevant decision-making process in line with the Council's statutory duties.

### **Net Zero Carbon, Climate Change and Environmental implications**

8.6 There are no specific net zero carbon, climate change or environmental implications from the adoption of the MTFS. Any implications associated with individual budget proposals will be considered as part of the relevant decision-making process in line with the Council's statutory duties.

## **Procurement Implications**

- 8.7 There are no specific procurement implications from the adoption of the MTFS. Any implications associated with individual budget proposals will be considered as part of the relevant decision-making process in line with the Council's statutory duties.

## **Community Safety Implications**

- 8.8 There are no specific community safety implications from the adoption of the MTFS. Any implications associated with individual budget proposals will be considered as part of the relevant decision-making process in line with the Council's statutory duties.

## **9. Background documents**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 9.1 Detailed MTFS working papers  
Budget Setting Report 2024/25 and associated working papers

## **10. Appendices**

- 10.1 Appendix 1 – General Fund Medium Term Financial Strategy 2025/26-2034/35

To inspect the background papers or if you have a query on the report please contact Jody Etherington, Chief Finance Officer, tel: 01223 458130, email: [jody.etherington@cambridge.gov.uk](mailto:jody.etherington@cambridge.gov.uk)