

REPORT TITLE: **Budget Setting Report and Medium-Term Financial Strategy 2026/27**

To: Performance, Assets and Strategy Overview and Scrutiny Committee

27 January 2026

Report by:

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Wards affected:

All

1. Recommendations

1.1 It is recommended that the Committee:-

1. *Scrutinise and make recommendations to Cabinet on the proposed Budget Setting Report 2026/27, incorporating the Medium-Term Financial Strategy and Housing Revenue Account 30-Year Business Plan, taking into account feedback received during the public consultation on the budget as set out at Appendix B.*

1.2 For the Committee's information and context, the recommendations which will be put to Cabinet in respect of the Budget Setting Report and Medium-Term Financial Strategy 2026/27 are to recommend that Full Council:-

Council tax:

- a) Confirms delegation to the Chief Finance Officer of the calculation and determination of the Council Tax base which is set out at Appendix A(a).
- b) Approves the increase to the city council share of council tax for 2026/27 at 2.99%, and the updated council tax levels as set out at section 10 of the Budget Setting Report 2026/27.

Housing rents and charges:

- c) Approves an increase in rents for all Social Rent, Social Rent shared ownership and Affordable Rent properties of 4.8% (September 2025 CPI plus 1%), plus the impact of rent convergence where applicable, with effect from 1 April 2026.
- d) Resolves to fully implement rent convergence for all Social Rent tenants at a maximum rate of £2 per week from 1 April 2026 for a period of up to 10 years (subject to a government decision expected in January 2026).
- e) Approves an increase in rents for Affordable Rent shared ownership properties in line with the maximum permitted in each individual property lease (generally RPI plus 0.5%).
- f) Approves that garage and parking space charges are increased by up to 4.8%, as set out at section 10 of the Budget Setting Report 2026/27.
- g) Approves the methodology for calculating Housing Revenue Account service charges and leasehold administration costs as set out at Appendix K, and delegates authority to the Chief Finance Officer to carry out the detailed calculation of 2026/27 charges in line with this methodology, noting that the council will endeavour to limit increases to 4.8% where possible.

Revenue budgets:

- h) Approves the General Fund revenue proposals shown at Appendix E.
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- i) Approves the Housing Revenue Account revenue proposals shown at Appendix H.

Capital budgets:

- j) Approves the General Fund capital proposals set out at Appendix F(a) and the revised General Fund capital plan set out at Appendix F(c).

- k) Approves the Housing Revenue Account capital proposals set out at Appendix I(a) and the revised capital plan set out at Appendix I(b).
- l) Approves the proposed capital financing plans set out at section 5 (General Fund) and section 7 (Housing Revenue Account) of the Budget Setting Report 2026/27, whilst noting that the constitution delegates all executive decisions on borrowing, investment or financing to the Chief Finance Officer, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities.
- m) Notes in particular that the council's ambitious Housing Revenue Account investment programme, including the 10-year new homes programme, will require new borrowing of around £478 million over the next 10 years, as set out at section 7 of the Budget Setting Report 2026/27.

Risks and reserves:

- n) Notes the key risks to the council financial standing and sustainability, and mitigations in place, as set out at section 8 of the Budget Setting Report 2026/27.
- o) Notes the impact of the Budget Setting Report 2026/27 on General Fund and Housing Revenue Account reserves, as set out at section 8 of the Report.
- p) Approves the new allocations to earmarked reserves set out at section 8 of the Budget Setting Report 2026/27, namely:-
 - £2.5 million to a new Local Government Reorganisation Reserve; and
 - £1.0 million to the Civic Quarter Development Reserve.
- q) Sets the 2026/27 prudent minimum balance at £8.059 million for the General Fund, and £6.801 million for the Housing Revenue Account, with a working target balance of 120% of the prudent minimum balance in each case, in line with the advice of the Chief Finance Officer.

Medium-Term Financial Strategy:

- r) Approves the council's Medium-Term Financial Strategy for the General Fund and Housing Revenue Account as set out at section 9 of the Budget Setting Report 2026/27.
- s) Notes the key assumptions used in the development of the Medium-Term Financial Strategy at Appendix C, and in particular the sensitivity of the Housing Revenue Account 30-Year Business Plan to changes in these assumptions, as set out in detail at Appendix K.

Capital and Treasury Management Strategy:

- t) Approves the Capital Strategy attached at Appendix O.
- u) Approves the Treasury Management Strategy 2026/27 at Appendix P, including the prudential and treasury management indicators set out at Annexe C.
- v) Approves an increase in the council's authorised limit for external debt to £650 million in 2027/28, £700 million in 2028/29, £750 million in 2029/30, then £850 million in 2030/31 in order to accommodate the borrowing required to support the new build homes programme.
- w) Approves an increase in the deposit limit for enhanced money market funds from £5 million per fund to £10 million per fund, and an increase in the deposit limit for money market funds from £15 million per fund to £20 million per fund, as set out at Annexe A to the Treasury Management Strategy 2026/27 (Appendix P).

Other:

- x) Delegates authority to the Chief Finance Officer to reallocate budgets between services in relation to corporate and/or departmental restructuring, and any reallocation of support service and central costs in accordance with the CIPFA Service Reporting Code of Practice for Local Authorities (SeRCOP) (including where necessary the recalculation of recharges between the General Fund and Housing Revenue Account).

- y) Delegates authority to the Chief Finance Officer to approve an in-year increase or decrease in the capital budget for Disabled Facilities Grants in any year, in direct relation to any increase or decrease in the capital grant funding available for this purpose, and to determine the most appropriate use of any additional Disabled Facilities Grant funding for the wider benefit of the Shared Home Improvement Agency.
- z) Delegates authority to the Director of Communities to review and amend the level of fees charged by the Shared Home Improvement Agency for Disabled Facilities Grants and repair assistance grants, in line with any recommendations made by the Shared Home Improvement Agency Board.
- aa) Notes the Equality Impact Assessments undertaken in respect of budget proposals in the General Fund (Appendix S(a)) and Housing Revenue Account (Appendix S(b)).
- bb) Approves the schedule of proposed fees and charges for 2026/27 set out at Appendix T(A) and confidential Appendix T(b).

Section 25 report:

- cc) Notes the Chief Finance Officer's section 25 report, covering the robustness of estimates and adequacy of reserves, included at section 11 of the Budget Setting Report 2026/27.

2. Purpose and reason for the report

- 2.1 The Budget Setting Report (BSR) is presented to the Performance, Assets and Strategy Overview and Scrutiny Committee to allow consideration and scrutiny of the draft budget proposals for 2026/27, Medium-Term Financial Strategy for the following five years, 30-Year Housing Revenue Account Business Plan, Capital Strategy and Treasury Management Strategy. Note that these items have been integrated into a single report this year following the recent Group Redesign Programme (which brought together the General Fund and Housing Revenue Account Finance functions) and changes to council

governance.

- 2.2 Comments made by the Committee will be reported to the Cabinet meeting taking place on 10 February 2026. The Cabinet will then recommend the budget for Full Council approval at its meeting on 26 February 2026.
- 2.3 This budget has been set in the context of the Budget Setting Context 2026-27 Report which was agreed by Cabinet in July 2025, and set out the council's savings targets and approach to budget setting.
- 2.4 The draft BSR attached to this covering report includes details of the provisional local government finance settlement for 2026/27. The announcement of the final settlement is likely to be made in early February. Should there be any changes, these will be reported to Cabinet and/or Full Council depending upon the timing of the announcement, and the BSR updated prior to Full Council approval.
- 2.5 There is an exempt appendix (Appendix T(b)) attached to this report that is not for publication by reason of paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest test has been applied to the information contained within this exempt appendix and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it.

3. Alternative options considered

- 3.1 To not provide a balanced budget would be contrary to the council's legal responsibilities.

4. Corporate plan

- 4.1 The budget has been set with due consideration to the Council's Corporate Plan.
[Corporate plan 2022-27: our priorities for Cambridge - Cambridge City Council](#)

5. Consultation, engagement and communication

- 5.1 A public consultation on the council's Priorities and Budgets 2026/27 was held between 7 October and 16 November 2025. The consultation was publicised through a number of digital and offline channels, including outward facing artwork at Mandela House, promotion on the council's website, and social media including paid-for posts. The council received 512 responses, and these have been taken into account in formulating budget proposals. More detail is set out at section 3 of the BSR.

6. Anticipated outcomes, benefits or impact

- 6.1 All budget proposals have a number of anticipated outcomes that can be beneficial to the local community or may adversely affect them. The impact of any decision is contained with the BSR and the relevant Equality Impact Assessments (see Appendices S(a) and S(b)).
- 6.2 A decision not to approve a revenue bid will impact on managers' ability to deliver the service or scheme in question and could have financial, staffing, equality and poverty, environmental, procurement or community safety implications.
- 6.3 A decision not to approve a capital or external bid will impact on managers' ability to deliver the developments desired in the service areas.

7. Implications

7.1 Relevant risks

The significant risks impacting upon the council's financial sustainability are set out at section 8 of the BSR.

Financial Implications

- 7.2 Financial implications of budget proposals are set out in detail throughout the BSR.

Legal Implications

- 7.3 Approval of the BSR will allow the council to fulfil its legal duty to set a balanced budget. Legal implications of budget proposals, where relevant, are summarised in the BSR.

Equalities and socio-economic Implications

- 7.4 A consolidated Equality Impact Assessment for the budget proposals is included at Appendix S(a) for the General Fund, and Appendix S(b) for the Housing Revenue Account. Individual Equality Impact Assessments have been conducted to support this where required.

Net Zero Carbon, Climate Change and Environmental implications

- 7.5 All budget proposals are assigned a 'climate rating' setting out their impact on climate change – these can be seen alongside each revenue and capital proposal in Appendices E, F(a), H and I(a).

Procurement Implications

- 7.6 Any procurement implications are outlined in the BSR.

Community Safety Implications

- 7.7 Any community safety implications are outlined in the BSR and the Equality Impact Assessments at Appendices S(a) and S(b).

8. Background documents

- 8.1 The following background documents have been used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985:
- Quarterly Performance Report
 - Budget Setting Context 2026-27
 - General Fund Budget Setting Report 2025/26 to 2029/30

- HRA Budget-Setting Report (BSR) 2025/26
- General Fund Medium Term Financial Strategy 2025/26 – 2034/35
- Housing Revenue Account (HRA) Medium Term Financial Strategy (MTFS) 2024/25

9. Appendices

9.1 Budget Setting Report 2026/27

Appendix A(a) – Calculation of Council Tax base 2026/27

Appendix B – Budget 2026/27 consultation responses

Appendix C – Key assumptions

Appendix D – General Fund expenditure and funding projection

Appendix E – General Fund budget proposals – revenue

Appendix F(a) – General Fund budget proposals – capital

Appendix F(b) – General Fund capital approvals since BSR 2025/26

Appendix F(c) – General Fund capital plan

Appendix G – Housing Revenue Account income and expenditure projection

Appendix H – Housing Revenue Account budget proposals – revenue

Appendix I(a) – Housing Revenue Account budget proposals – capital

Appendix I(b) – Housing Revenue Account capital plan

Appendix J – Housing Revenue Account sensitivity analysis

Appendix K – Service charges

Appendix L – Reserves policy

Appendix M – Prudent minimum balances

Appendix N – Earmarked reserves

Appendix O – Capital Strategy 2026/27

Appendix P – Treasury Management Strategy 2026/27

Appendix Q – MUFG interest rate forecast update

Appendix R – Savills Housing Revenue Account 30-Year Business Plan commentary

Appendix S(a) – Equality Impact Assessment – General Fund

Appendix S(b) – Equality Impact Assessment – Housing Revenue Account

Appendix T(a) – Fees and charges 2026/27

CONFIDENTIAL Appendix T(b) – Fees and charges 2026/27

9.2 To inspect the background papers or if you have a query on the report please contact
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