

This Appendix provides contextual information in regards to national Council Tax Policy as well as the impact on the finances of Cheshire East Council.

Local government finance policy statement 2025 to 2026

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Council Tax referendum limits

Council tax referendum principles must strike a balance between the burden on the taxpayer and funding local authority need, whilst acting as an additional local democratic check and balance. Whilst we recognise that council tax is a critical part of local government's funding, worth more than 50% of the Settlement, the government is also committed to protecting local taxpayers from excessive council tax increases.

The council tax referendum principles we are proposing are consistent with the assumptions made by the previous government and the Office for Budget Responsibility (OBR). They are not a cap, nor do they force councils to set taxes at the threshold level. The decisions on the level to set, or whether to hold a referendum to go beyond the referendum principle, sit squarely with local authorities, which must consider the pressures many households are facing, as well as their requirement to set a balanced budget. The proposed referendum principles are:

- A core council tax referendum limit for local authorities of up to 3%;
- An adult social care precept of 2% for all local authorities responsible for adult social care services;

Exceptional financial support

The government is under no illusions about the scale of the issues facing local government, and this Settlement will begin to address the pressures that councils are under. But this is a long-term project to deliver financial security for councils, and we recognise that we may see some continued instability as we adjust to the new system.

Any council concerned about its financial position or its ability to set or maintain a balanced budget should make contact with MHCLG. The government has a framework in place to support councils in the most difficult positions. As part of this, we will not seek to replicate conditions that made borrowing more expensive.

Where a council in need of exceptional financial support views additional council tax increases as critical to maintaining their financial sustainability, the government will continue to consider requests for bespoke referendum principles. Local proposals will be considered on a case-by-case basis. In considering any requests, the government will take account of councils' specific circumstances, for example their existing levels of council tax relative to the average, the potential impact on local taxpayers, and the strength of plans to protect vulnerable people.

Council Tax benchmarking - Cheshire East compared to others

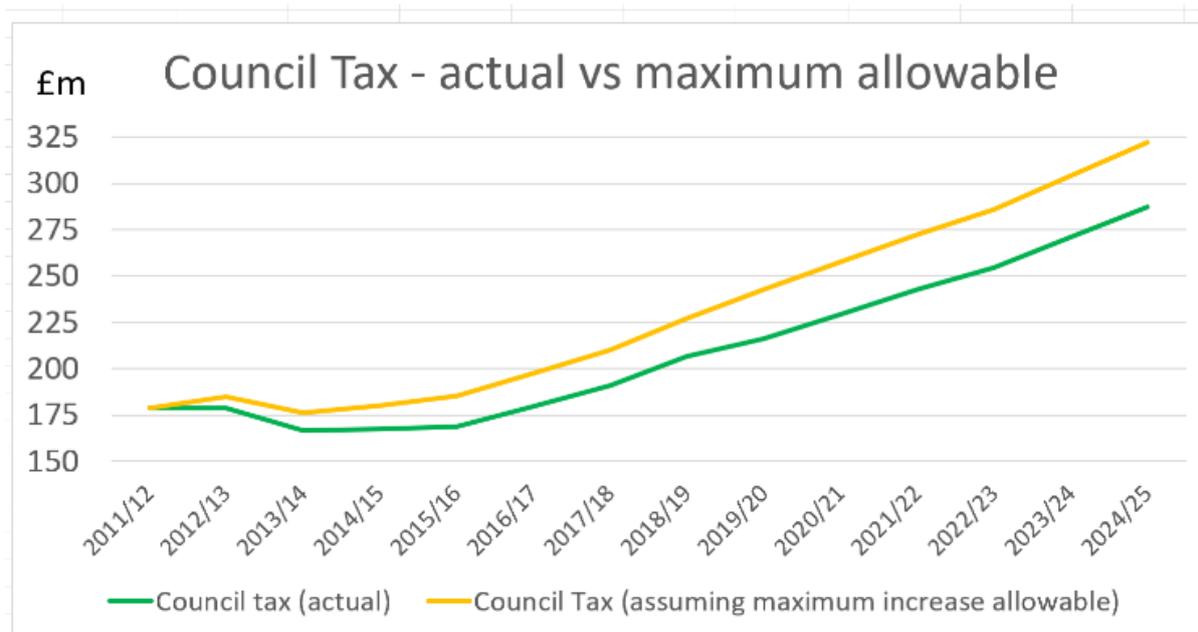
Cheshire East council tax compared to (average of) nearest neighbours – Average Band D of all NNs: £1,827.30 (CEC is 1.94% lower than the average).

Cheshire East core spending power compared to (average of) nearest neighbours – Average CSP per dwelling of all NNs: £2,202.36 (CEC is 5.77% lower than the average).

Council Tax income in 2024/25 if using Cheshire West and Chester Band D rate and CEC taxbase: Would equate to an extra £14.7m in 2024/25.

The chart below shows the amount of council tax foregone due to not raising council tax to the maximum referendum level. Results for this are a cumulative shortfall in income since 2011/12 of at least £120m, after taking account of the funding received via the Council Tax freeze grants (the assumption is that each annual grant then rolled into Formula grant/Settlement funding assessment (SFA) in some way with no future funding cuts).

The graph shows that for 2024/25, if we had increased council tax income to the maximum referendum limit every year then by the time we get to the 2024/25 year we would have had £35m more in council tax income for this year (albeit SFA may have been lower. RSG already almost nil).



Council Tax some indicative scenarios

When raising Council Tax in one year, the impact has a cumulative benefit in future years. Below are a number of indicative scenarios and the impact on the overall funding available to the council if the Council wished to request additional council tax flexibilities as part of its Exceptional Financial Support.

In the tables below, “Taxbase” is the number of “Band D” equivalent properties that the Council has. This will grow over time with housing growth but does also take into account the number of people receiving discounts such as Single Person Discount, Council Tax Support etc.

The increase of 4.99% is made up of both the general Council Tax increase and the allowed Social Care precept. Our current assumptions are that this will remain at this level across the life of the MTFS period.

For Cheshire East, 1% Council Tax rise is equivalent to c.£3m additional funding.

Current MTFS assumption -

Council Tax Income	2024/25 Actual	2025/26	2026/27	2027/28	2028/29
Taxbase	160,151.52	163,261.10	164,776.94	166,292.79	167,808.63
	£	£	£	£	£
Band D	1,792.59	1,882.04	1,975.95	2,074.55	2,178.07
Increase	4.99%	4.99%	4.99%	4.99%	4.99%
Council Tax revenue	£287.1m	£307.3m	£325.6m	£345.0m	£365.5m

Extra 5% in 2025/26 only

This scenario is based on the same taxbase growth but with a one-off request for an additional 5% Council Tax in 2025/26. In this scenario whilst the current MTFS gap is not fully closed for either 2025/26 and 2026/27, it would close gaps for the years after that. It would reduce the amount of Exceptional Finance Support (and subsequent borrowing required) in the first two years of the MTFS.

Council Tax Income	2024/25 Actual	2025/26	2026/27	2027/28	2028/29
Taxbase	160,151.52	163,261.10	164,776.94	166,292.79	167,808.63
	£	£	£	£	£
Band D	1,792.59	1,971.67	2,070.06	2,173.35	2,281.80
Increase	4.99%	9.99%	4.99%	4.99%	4.99%
Council Tax revenue	£287.1m	£321.9m	£341.1m	£361.4m	£382.9m
Additional Council Tax (compared to current MTFS assumptions)		+£14.6m	+£15.5m	+ £16.4m	+£17.4m
Cumulative 4 year impact					+£63.9m

Appendix D – Council Tax benchmarking and scenarios

Extra 2% in 2025/26, 2% in 2026/27 and 1% in 2027/28

This scenario is based on the same taxbase growth but with a one-off request for an additional 5% Council Tax but spread over the first three years. In this scenario whilst the current MTFS gap is not fully closed for either 25/26 and 26/27, it would close gaps for the years after that. It would reduce the amount of Exceptional Finance Support (and subsequent borrowing required) in the first 2 years of the MTFS. It would provide less overall funding.

Council Tax Income	2024/25 Actual	2025/26	2026/27	2027/28	2028/29
Taxbase	160,151.52	163,261.10	164,776.94	166,292.79	167,808.63
	£	£	£	£	£
Band D	1,792.59	1,917.89	2,051.95	2,174.86	2,283.39
Increase	4.99%	6.99%	6.99%	5.99%	4.99%
Council Tax revenue	£287.1m	£313.1m	£338.1m	£361.7m	£383.2m
Additional Council Tax (compared to current MTFS assumptions)		+£5.9m	+£12.5m	+ £16.7m	+£17.7m
Cumulative 4 year impact					+£52.8m