

## Proposed Business Plan for 2023-28

To:	Strategy and Resources Committee
Meeting Date:	26 January 2023
From:	Chief Executive and Service Director: Finance and Procurement
Electoral division(s):	All
Key decision:	No
Forward Plan ref:	Not applicable
Outcome:	The committee is able to review the full draft business plan ahead of consideration by Full Council, including updated estimates, wider context and the outcome of the local government finance settlement.
Recommendation:	<p>It is recommended that the Committee:</p> <ol style="list-style-type: none"><li>1. Considers the draft Business Plan, including supporting budget, business cases, consultation responses and other material, in light of all the planning activities undertaken to date.</li><li>2. Agrees the proposed approach to balancing the budget in 2023-24 set out in section 3.</li><li>3. Reviews and endorses the following recommendations to Council:<ol style="list-style-type: none"><li>a) Approve the Service budget allocations as set out in each Service table in section 3 of the Business Plan.</li><li>b) Approve a total county budget requirement in respect of general expenses applicable to the whole County area of £998,433,000, including a levy of £9,878,676 payable to the Cambridgeshire and Peterborough Combined Authority for the delivery of Transport Services and a levy of £442,000 payable to the Environment Agency for flood and coastal services.</li><li>c) Approve a recommended County Precept for Council Tax from District Councils of £371,942,139.49 (to be received in equal instalments in accordance with the fall-back provisions of the Local Authorities (Funds) (England) (Amendment) Regulations 1995).</li><li>d) Approve a Council Tax increase for each Band of property, based on the number of "Band D" equivalent properties notified to the County Council by the Districts (241,071.60), reflecting a 2% Adult</li></ol></li></ol>

Social Care precept increase and a 2.99% increase in Basic Council Tax Precept:

<b>Band</b>	<b>Ratio</b>	<b>Amount</b>
A	6/9	£1,028.58
B	7/9	£1,200.01
C	8/9	£1,371.44
<b>D</b>	<b>9/9</b>	<b>£1,542.87</b>
E	11/9	£1,885.73
F	13/9	£2,228.59
G	15/9	£2,571.45
H	18/9	£3,085.74

- e) Approve the Capital Strategy as set out in Section 6 of the Business Plan including:
  - Commitments from schemes already approved;
  - Expenditure on new schemes in 2023-24.
- f) Approve the Treasury Management Strategy as set out in Section 7 of the Business Plan, including:
  - i. The Council's policy on the making of the Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (England) (Amendment) Regulations 2008.
  - ii. The Affordable Borrowing Limit for 2023-24 (as required by the Local Government Act 2003).
  - iii. The Investment Strategy for 2023-24 and the Prudential Indicators as set out in Appendix 3 of Section 7 of the Business Plan.
- g) Approves the establishment of an Executive Director for Children, Education and Families and an Executive Director for Adults, Health and Commissioning, revising Part 7 of the Constitution, utilising funding allocated through this Business Plan.
4. Authorise the Service Director: Finance and Procurement, as the Section 151 Officer, in consultation with the Leader and Deputy Leader of the Council, to make technical revisions to the Business Plan, including the foregoing recommendations to the County Council, so as to take into account any changes deemed appropriate. This may include updated information on District Council Tax Base and Collection Funds, Business Rates forecasts

and Collection Funds, capital receipts and prudential borrowing,  
and updated grant values from awarding bodies.

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# 1. Background and context for business planning

- 1.1 The Council's Business Plan sets out how we will allocate the resources we have at our disposal to achieve our vision and ambitions for Cambridgeshire, as set out in our Strategic Framework, and the outcomes we want to achieve. It is a statutory requirement under the Local Government Finance Act 1992 for the Council to approve a balanced budget "before 1 March in the financial year preceding that for which it is set". In doing so, the Council undertakes financial planning covering a five-year timescale to align spending plans with the projected resources available and ensure that we recognise and provide for growth in demand for services and the impacts of inflation.
- 1.2 This paper builds on the information which has been provided to committees in October and December and sets out the latest financial position for the period 2023-28 together with potential decisions Full Council could take in order to set a balanced budget in February.
- 1.3 The draft Strategic Framework for this business planning period was presented to this committee in December. That framework sets the direction for the Council to deliver on its Corporate Strategy, describing our vision for the county and the ambitions which will focus our work. The seven ambitions we have set are:
  1. Net zero carbon emissions for Cambridgeshire by 2045, and our communities and natural environment are supported to adapt and thrive as the climate changes
  2. Travel across the county is safer and more sustainable environmentally
  3. Health inequalities are reduced
  4. People enjoy healthy, safe, and independent lives through timely support that is most suited to their needs
  5. People are helped out of poverty and income inequality
  6. Places and communities prosper because they have a resilient and inclusive economy, access to good quality public services and social justice is prioritised
  7. Children and young people have opportunities to thrive
- 1.4 Our development of savings and income proposals, as well as the investments we intend to make, presented in this Business Plan, prioritise and drive forward these ambitions. For the first time we have also adopted a triple bottom line approach to business planning decisions, ensuring that across all changes we are actively considering financial sustainability and affordability for the Council alongside social and environmental outcomes for our communities.
- 1.5 The financial context in which the business plan is developed, remains challenging, with the country facing weak economic growth, high inflation, and rising interest rates. The UK economy has been in a recession since October 2022 which is expected to continue for the first half of 2023-24. Overall, UK economic output is not expected to return to pre-pandemic levels until well into 2024-25. This has resulted in fiscal constraint by the current government, with below inflation increases in government spending announced in the Autumn Statement in November 2022.
- 1.6 Inflation in particular is making setting a balanced budget for next year difficult. The prices that the Council pays for goods and services, our energy costs, the costs of paying our employees and heating our buildings are increasing by levels not seen for many years. The projections published by the Office of Budgetary Responsibility alongside the Autumn

Statement in November 2022 came late in our planning process and have resulted in increased pressure projections next year, set out below. The scale of the inflationary impact was not foreseen when the Council agreed its current business plan in February 2022. This follows a period of reducing and then constrained funding for local government in recent years, and an unprecedented pandemic, compounding the challenge to our spending power. Overall, inflation alone will have added more than £20m to our budget gap next year.

- 1.7 Inflation, and weak economic growth, is also having an impact on the people of Cambridgeshire, who are seeing household budgets squeezed by rising costs. This in turn increases demand for council services.
- 1.8 Projecting demand for council services over the medium-term remains difficult. In many cases, demand has changed since the pandemic, and we are having to adapt to new trends. Demand growth overall is a large part of our increasing costs each year, and there is a risk with uncertain demand that we set inaccurate budgets for services. We have tried to mitigate this by in all cases adopting a medium risk/central assumption to projections, with the aim that overall the right amount of funding will have been allocated.
- 1.9 It remains our ambition to set a medium-term budget that is closer to being balanced over the whole planning period, rather than just a legally compliant balanced budget for the next financial year. Continued uncertainty in Government funding, combined with short-term and late provisional settlements, as well as changing economic conditions, nationally and globally, make this difficult and, in particular, the second year of this business plan recognises that we continue to have a challenging budget gap to close. We will address this proactively and commence the next planning and replanning cycle straightaway this Spring.
- 1.10 As part of the December update to Committees, a number of assumptions and risks to the draft business planning figures were highlighted. The Council must make its best estimate for the effect of known pressures when setting its budget and retain reserves to mitigate against unquantifiable risks. Risks which remain are:
  - Inflation/interest rates  
If inflation/interest rates increase by more than our projections, then costs to deliver services and borrowing will increase, resulting in a cost pressure.
  - High needs  
The Council is spending £12m more per annum on meeting costs of high needs education than it receives in funding. Additional funding and national and local reforms are urgently needed. We are engaging with government in the Safety Valve process which we hope will unlock funding and help to reduce the overall and in-year deficit. HM Government has announced an extension to the regulations permitting a ringfenced deficit on this budget. However, it is essential the Council secures a safety valve deal to unlock revenue support and capital investment, our reform plans for this area are ambitious and complex. This means there are both local and national risks to this budget, given the scale of the challenge in an adverse scenario the deficit could exceed the total of our available reserves.

- **Forecast overspend**  
The Council is currently forecasting an overspend of £2.66m for 2022-23 (0.6%) due to rising costs in certain demand led services, particularly home to school transport, higher than assumed employee pay inflation and delays to some energy generation schemes. In line with Council policy, any overspend will be met from reserves. We have used the November 2022 forecast for planning purposes.
- **Employee pay award in 2023/24**  
We are currently assuming a 5% average increase in workforce costs in 2023-24. Presently, in public services beyond local government, there has been a significant increase in industrial disputes and associated action as pay proposals have fallen short of employees' requests. If the next nationally agreed pay award for Councils, and any subsequent local decisions, see upward pressure the budget we have allocated could be exceeded.
- **Adult Social Care (ASC) market sustainability / reforms**  
The government has delayed adult social care reforms until 2025, which averts a short-term uncertainty for our financial position as those reforms are expected to require a significant investment. We would expect funding to come from government, but experience so far is that implementation costs will not necessarily be fully funded. Following the provisional local government finance settlement, set out below, there is now uncertainty about how the government intends to fund these reforms from 2025 as earmarked funding has been re-allocated.
- **Partnerships**  
Budgets are based upon an assumption of a certain level of funding from or contributions to partner organisations, such as the NHS Cambridgeshire and Peterborough Integrated Care System (ICS) or the Mayoral Combined Authority. These assumed budget levels are still subject to discussion with the relevant body and will be updated as they are finalised.

1.11 Despite the pressures we are facing, and the uncertain planning environment, we have been able to prioritise planned investments, and make some new investments, in this business plan. To ensure that social and environmental outcomes are protected in the drive to set a balanced budget, a range of investments are included, such as:

- Ongoing investment from the Just Transition Fund over the next few years into net zero, flood risk management and development of local social care in communities
- Continuing commitment to paying the real living wage for Cambridgeshire County Council (CCC) employees and for adult social care provider staff
- Retention payments for qualified social workers, and the insourcing of some social care provision
- Investing in renewable energy generation to produce a long-term income stream for the Council as well as environmental benefits
- Increasing in-house workforce in the highways and transport service by over £500k, funded by reducing reliance on external contractors in the design/delivery of works and by achieving better value for money in the works we undertake.

- 1.12 In addition, we will continue this Council's commitment to funding free school meal vouchers during school holidays for eligible families. This will partly be funded through the extended Household Support Fund but there will be further funding to continue the enhanced scheme in Cambridgeshire for the coming financial year through committing some of our reserves.
- 1.13 We will also allocate £1.05m from reserves to the Highways and Transport service within the Place and Sustainability Directorate to enable two investments to take place. Firstly, we will create a civil engineering apprenticeship programme for a cohort to undertake both work and training in this area. The development of a comprehensive apprenticeship programme is a key element of CCC breaking the cycle of increasing demand for delivery and a declining supply of people with the appropriate skills and qualifications. This is an invest to save, local skills development and local skilled employment opportunities for Cambridgeshire, with the further opportunity to take the lead locally in addressing these issues and potentially reaching young people. Secondly, we will invest around £350k in implementing a cyclic programme of grip cutting to remove standing water on rural roads. Recutting lost grips will improve drainage and by removing surface water will improve road safety and reduce potholes and edge deterioration.

## 2. Updates to position from December Committee

- 2.1 At their December meetings, Policy and Service Committees received information about draft business planning proposals, which were developed in liaison with Members throughout the year using the strategic approach outlined above. These proposals, with some updates, now form the draft business plan alongside the strategic framework, business cases and financial strategies. Despite the budget gap more than doubling at the start of the process due to very high levels of inflation, through our approach we have been able to make progress towards closing the budget gap in 2023-24 by refining estimates for demand and inflation, income generation opportunities and savings.
- 2.2 Despite good progress, there remained a budget gap in all years of the medium-term plan, with a particularly large gap in 2024-25. The budget gap position set out to Committees in December was:

	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>
£000	12,886	25,398	17,977	13,053	14,333

- 2.3 Since the drafting of proposals for December committees, a number of updates have had to be made to reflect increased pressures. In the Autumn Statement in November 2022, the Chancellor of the Exchequer reported that inflation next year would be higher than anticipated, remaining as high as 6.5% through 2023-24. This has unfortunately required revisions to our inflation estimates, as the national inflationary position will feed through into increased prices that we pay for services.
- 2.4 As well as this, the national minimum wage will increase by 10p per hour more than expected. The Council pays its employees the real living wage and is moving towards ensuring that people employed by social care providers are likewise paid the real living wage. Inflation will also impact the cost of doing this, and the need for our suppliers to

maintain a pay differential with the rising minimum wage even where they are paying higher than that level.

- 2.5 Other changes include allocating budget to some services projecting overspends in 2022-23 to ensure a balanced starting position next year where we think these pressures are structural, or additional burdens placed on us by government regulations (such as Persistent Organic Pollutants waste disposal regulations). We have also amended capital financing cost projections – rising interest rates are increasing the revenue cost of our capital programme next year, and the revised capital programme set in the business plan has changed financing cost projections in other years.
- 2.6 We have fully reviewed all estimates included the current 2022-27 business plan and in previous updates to the draft 2023-28 business plan and have made some adjustments to reflect expected income phasing
- 2.7 The following table highlights the changes which have occurred since December Committees, before the Finance Settlement, that have impact on the budget gap for 2023-24 and beyond:

Area	Item	2023-24	2024-25	2025-26	2026-27	2027-28
	<b>Budget gap – December</b>	<b>12,886</b>	<b>25,398</b>	<b>17,977</b>	<b>13,053</b>	<b>14,333</b>
All	Inflation updates	5,685	1,469	-1,170	-1,143	-208
All	Income inflation updates	-273	53	108	40	-51
	<i>Service pressures/Investments:</i>					
CYP	HTS Transport Pressure	1,604	0	0	0	0
S&P	S&P Pressures	58	0	0	0	0
P&S	Coroners Staffing	90	24	0	-24	-24
P&S	Park & Ride and Busway Maintenance	190	0	0	0	0
F&R	Property maintenance, safety and compliance	190	0	0	0	0
P&S	Further waste pressures	1,473	-555	0	0	0
Peopl	Investment in leadership of People Services	800	0	0	0	0
P&S	Guided Busway periodic maintenance	0	0	0	0	1,075
Peopl	Intensive Therapeutic Support Hub for children	0	0	900	0	0
Peopl	Educational Psychologists	200	0	0	0	0
P&S	Guided Busway income estimate	110	0	0	0	0
	<i>Savings and invest-to-save:</i>					
Peopl	Invest to save - LD reviews	280	-280	0	0	0
Peopl	Mid-cost placement review	-203	-203	0	0	0
Peopl	Invest to save - digital social prescribing	28	0	0	0	0



Peopl	Recommissioning mental health contracts	0	-150	0	0	0
Peopl	Digital social prescribing	-61	0	0	0	0
All	Capital Financing	268	243	-1,334	838	1,282
P&S	Income phasing estimate - Energy schemes	1,652	-1,742	0	0	0
Peopl	Income phasing estimate - NHS income	1,700	0	-1,700	0	0
F&R	Business rates indexing	-4,718	0	0	0	0
F&R	Council tax and business rates taxbase estimates	0	-2,276	-254	-2,382	-767
	Miscellaneous Changes	-141	3	-747	-233	-146
	<b>Budget gap, pre- Settlement</b>	<b>21,818</b>	<b>21,984</b>	<b>13,780</b>	<b>10,149</b>	<b>15,494</b>

## 2.8 Local Government Finance Settlement

2.8.1 On Monday 19 December, the provisional local government finance settlement was announced by central government. This is a key part of the budget setting process as it confirms several financial allocations from government departments and the principles for setting Council Tax without requiring a local referendum. While this is a provisional settlement that is being consulted on, in reality the final settlement typically matches in all material aspects.

2.8.2 The key elements of the settlement announcements are set out below:

2.8.3 Core Spending Power – overall the government is announcing that core spending power of Cambridgeshire will increase by 9.5% next year (compared to an average across all councils of 9.2%). Of this, however, half relates to additional council tax raising powers, and a further third relates to compensation for business rates not increasing in line with inflation. Genuine new government support, therefore, will increase our budget by much less than the headline figure (and less than inflation).

2.8.4 Grants – the government confirmed announcements made in the Autumn Statement about new grant funding available and set out individual councils' allocations. The general 'services grant' will continue at a lower level to reflect the now reversed increase in National Insurance. Cambridgeshire will see an increase in the un-ringfenced social care grant, as well as further support for Adult Social Care through increased allocations to the Better Care Fund and the market sustainability grant. The New Homes Bonus continues to be reduced, with Cambridgeshire losing around £1m of funding from this grant. The independent living fund grant, also worth around £1m, has also been discontinued. A number of other significant grant allocations, including the Public Health Grant, have not yet been announced. These grant changes are summarised overleaf:

	Item	Additional Funding (£000)	Remarks
1	Services Grant	2,540	Continuation of 2022-23 grant with £2m removed to reflect reversal of funding related to abandoned NI rise.
2	Social Care Grant	11,661	Increase in existing grant relating to adult and children's social care – applied to demand and inflationary pressures.
3	Discharge Fund	2,127	New funding to be applied to the BCF and spent alongside NHS partners. New spend expected.
4	Adult Social Care Market Sustainability and Improvement Funding	3,873	Increase in existing grant, which provides support to adult social care providers. Spend to be reviewed alongside updated grant conditions.
5	New Homes Bonus	-1,085	Reduction in existing grant.
6	Revenue Support Grant	27	After an absence of several years, we now receive a modest allocation.

2.8.5 Items 1, 2 and 6 above are changes in grant that can be applied to cover pressures included in the draft budget, offset by the reduction in item 5. The expenditure relating to item 4 needs to be considered alongside further announcements to come about related grants and the final contribution to adult social care from the Better Care Fund. It is unclear how government will fund the social care reforms now delayed to 2025 as the funding it had earmarked for this has been recycled to create some of the funding in the above table.

2.8.6 There will be an extension to the Household Support Fund for 2023-24, which is used in Cambridgeshire to provide free school meals to eligible children during school holidays, and to provide payments and support to people in need (supplemented by local funds). The value of this extension and the exact parameters have not yet been confirmed by government. The draft business plan proposes that we will continue to use local funds to maintain the support next year to at least the level provided this year.

2.8.7 Council Tax – Council will have the ability in both 2023-24 and 2024-25 to increase general Council Tax by up to 3% without a local referendum, and that councils with adult social care responsibility will be able to levy a further 2% increase in the Adult Social Care Precept. In full, therefore, the Council has the flexibility to raise Council Tax by this much over the next two years:

- General Council Tax – 2.99% - estimated impact of around £10.5m per year
- Adult Social Care Precept – 2% - estimated impact of around £7.1m per year

2.8.8 The draft business plan already assumes that there will be a 2% increase in Council Tax in each year, so the net additional income that could be generated from additional Council Tax is around £10.5m in 2023/24 and then a similar amount again in 2024/25. Due to growth in the underlying taxbase, increases in Council Tax generate additional income in later years of around £135k per percentage point raised. The impact of raising Council Tax by the 2% assumed, and the 4.99% maximum for 2023-24, is set out below in section 3.6.

- 2.8.9 The settlement also announced £100m of support nationally to allow council tax billing authorities to deliver additional help with council tax to the most vulnerable households.
- 2.8.10 The settlement announced overall allocations for some grants relating to the 2024-25 financial year. This included increased allocations for the un-ringfenced social care grants and the specific discharge and market support grants in adult social care. Alongside assuming that New Homes Bonus will continue to reduce, we could expect around a further £4m of funding in 2024-25. At this stage, however, in the absence of authority-level grant allocations, it would be imprudent to formally factor into our projections for that year.
- 2.8.11 The government also stated in the settlement that they noted increased levels of reserves held by local authorities and encourages them 'to consider how they can use their reserves to maintain services in the face of immediate inflationary pressures, taking into account, of course, of the need to maintain appropriate levels of reserves to support councils' financial sustainability and future investment'. In the current 2022-27 business plan, unchanged for this draft plan, around £20m of reserves are to be deployed in a sustainable way over the medium term, including £7.4m in 2023-24 and £6.6m in 2024-25. These reserves predominantly come from the large Covid grants allocated to councils during the pandemic and reflect our estimates of its ongoing impact on services. We do then retain reserves for investment, particularly the Just Transition Fund, and identified time-limited pressures which are committed or earmarked over the medium-term and therefore already planned to reduce.
- 2.8.12 Additional government funding for social care, and the 2% adult social care precept element of council tax that they are permitting councils to levy, amount in total for Cambridgeshire to around £19m of additional funding. By way of comparison, the total inflation and demand growth in social care services in 2023-24 are estimated to be around £30m. Despite the additional funding, and additional taxation permitted, funding for growth in social care is still substantially un-funded by government. This funding gap amounts to around a further 2% of council tax.
- 2.9 There remain some uncertainties to be confirmed as part of the final stage of budget setting:

Category	Item	Remarks
Revenue	Local taxation	Taxbase forecasts will be updated by district council colleagues in January and may be different to those currently assumed. There may also be a variation on the collection funds, though we retain a reserve to offset fluctuations on collection funds.
Revenue	General Better Care Fund uplift	While a discharge funding allocation has been announced for the BCF, it is not clear if there will be a general increase in the social care element. In previous years, there has been a real terms increase in this, and we have assumed that for the draft 2023-24 budget.
Revenue	Public Health Grant	There is some indication that this grant may be increased in line with inflation, but as yet there is no confirmation and no authority-level allocations. These are expected in January 2022, and the use of any uplift will be reviewed.

Revenue	Capital financing / cost of debt	We will continue to update projections around the cost of borrowing to finance our capital programme.
Capital	Roads fund / potholes	We are awaiting local authority level allocations of the next stage of investment in roads and pothole.
Capital and Revenue	Safety Valve (High Needs)	We have participated in the safety valve process and our submissions are currently subject to ministerial consideration which could commit and release further funds.

### 3. Closing the remaining budget gap for 2023-24, and the medium-term

- 3.1 Significant progress has been made in identifying mitigations to pressures that have arisen as the draft business plan for 2023-28 has been developed. Despite over £10m of savings/income identified, the impact of inflation and other pressures as well as the scale of the opening budget gap has resulted in us still being some way off having a balanced budget for 2023-24. There are also budget gaps remaining in future years, all of them at a challenging level. The Council must set a balanced budget for 2023-24 at least.
- 3.2 The local government finance settlement announced several new or increased grants, shown above in table 2.8.4. This funding can be used to partially close the budget gap for 2023-24, but many of the grants are expected to come with conditions which require additional spend. Of the funding announced, we can apply around £13.1m to close the budget gap on an ongoing basis.
- 3.3 The opportunities to generate additional savings at the scale required to close the budget gap in 2023-24 without drastically impacting on the quality of services delivered, and risking being unable to meet statutory minimum service levels, are not there at this late stage of business planning.
- 3.4 The local government finance settlement also confirmed the limits for raising Council Tax without a referendum. The current assumption on Council Tax agreed as part of last year's business plan is that it will increase by 2% next year. Raising Council Tax by the maximum permitted 4.99% will generate over £10m of additional income. This is ongoing revenue to the Council and provides for a sustainable funding stream and has a cumulative effect as the value of Council Tax in future years is also increased. Maximising tax revenue also puts the Council in an advantageous position in terms of challenging central government funding allocations and campaigning for a fairer funding settlement. As noted in 2.8.3 above, the government assumes in calculations for local government spending power that all available tax rises will be used. Based on informal information gathered to date, we anticipate that at least three-quarters of County Council comparators will also increase their Council Tax precept by the maximum allowable for the coming year.

- 3.5 Since 2015-16, the Council has not raised council tax by the full amount permitted by regulations in some years, resulting in a lower baseline level of Council Tax than we might otherwise have had.

	Maximum tax rise	Council decision	Recurrent impact of tax not levied £000
2015/16	1.99%	1.99%	0
2016/17	3.99%	2.00%	4,944
2017/18	3.99%	2.00%	5,115
2018/19	4.99%	4.99%	0
2019/20	4.99%	4.99%	0
2020/21	3.99%	3.59%	1,169
2021/22	4.99%*	2.99%	
2022/23	2.99%*	4.99%	
<b>Total</b>			<b>11,228</b>

\*note: 2021-22 and 2022-23 need to be read together, as unused council tax flexibility was able to be transferred between years. CCC used 2% of 2021-22's allowance in the later year, and between the two years levied the maximum allowed.

### 3.6 Impact of raising council tax

- 3.6.1 Impact on budget position – the table below shows the cumulative impact of raising council tax by 4.99% in 2023-24 versus the current 2% assumption. As the underlying taxbase is assumed to grow each year, there is a small annual effect in future years from raising the tax level.

	2023-24	2024-25	2025-26	2026-27	2027-28
£000	10,588	-369	-405	-414	-416

- 3.6.2 Impact on households – the table below shows the average impact on all bands of the 2% increase currently assumed and a 4.99% increase. The second table shows what proportion of households in Cambridgeshire, and within each district, are in each council tax band. While most council tax numbers are measured against the impact on a band D household, around half of households overall in Cambridgeshire are in bands B and C.

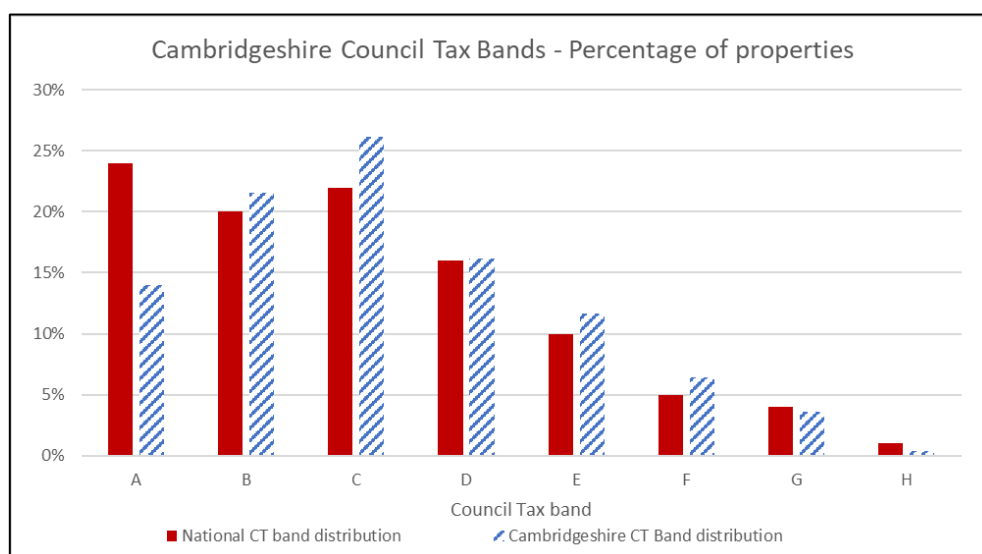
	A	B	C	D	E	F	G	H
Current annual county precept	£980	£1,143	£1,306	£1,470	£1,796	£2,123	£2,449	£2,939
2% Increase - Annual Effect	£20	£23	£26	£29	£36	£42	£49	£59
2% Increase - Weekly Effect	£0.38	£0.44	£0.50	£0.56	£0.69	£0.82	£0.94	£1.13
4.99% Increase - Annual Effect	£49	£57	£65	£73	£90	£106	£122	£147
4.99% Increase - Weekly Effect	£0.94	£1.10	£1.25	£1.41	£1.72	£2.04	£2.35	£2.82

3.6.3 The lower bands pay less in council tax on the following ratio (set out in relevant council tax legislation):

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
Ratio vs band D	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9

3.6.4 The proportion of households in each council tax band (to nearest percentage point) is shown in the table below. This pattern correlates with other measures of affluence, e.g. current property prices, with the average property selling for £238,414 in Fenland from April 2021 to March 2022 compared with £450,969 in South Cambridgeshire, and also with average mean annual pay per person. Broadly speaking, at a district level, higher band properties tend to be in places where there are higher average incomes. The following graph shows how Cambridgeshire's average banding compares nationally.

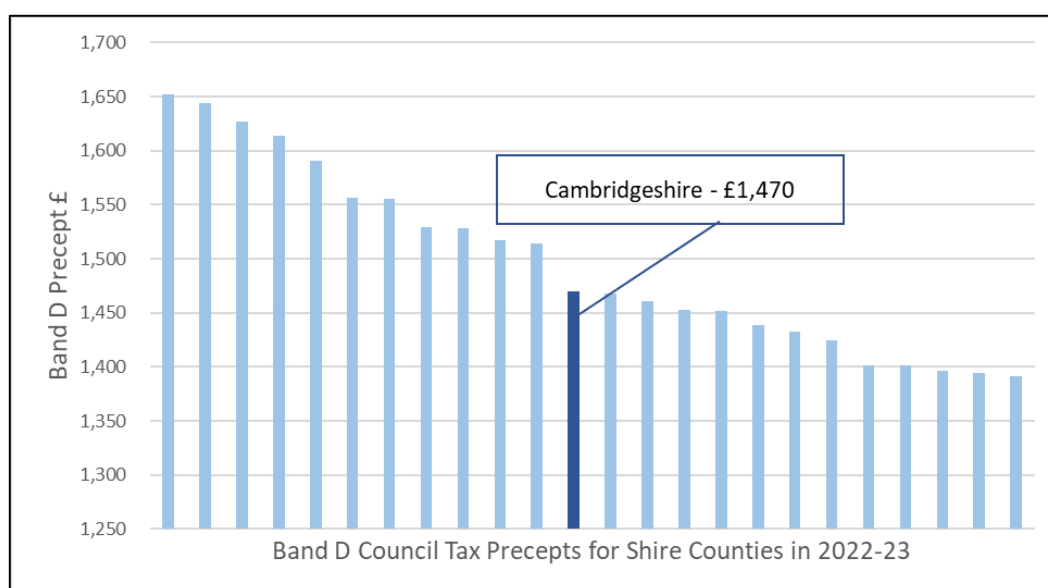
	Plurality Band	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
County	C	14%	22%	26%	16%	12%	6%	4%	0%
Cambridge	C	7%	18%	34%	17%	10%	7%	6%	1%
East Cambridgeshire	B	12%	29%	20%	18%	12%	6%	2%	0%
Fenland	A	37%	27%	19%	10%	5%	1%	0%	0%
Huntingdonshire	B	15%	26%	23%	15%	12%	5%	2%	0%
South Cambridgeshire	C	4%	11%	31%	19%	17%	12%	7%	1%



3.6.5 Each district council in Cambridgeshire has a Local Council Tax Reduction Scheme to reduce the tax liability for qualifying individuals, and to ensure that financially vulnerable households receive a bill that reflects their circumstances. Entitlement to the schemes and additional support options such as hardship payments are set by the relevant district council. Information about these can be found on the relevant district council's website. There are approximately 30,000 households claiming under these schemes in Cambridgeshire, around 8% of all households in the county. The government has announced £100m nationally to allow authorities to deliver additional support through these schemes. In addition, a resident's council tax bill can be reduced by a wide range of discounts and exemptions that reflect individual circumstances, such as single-person occupancy.

3.6.6 While CCC is not responsible for specific council tax relief schemes, it does contribute through the Council Tax collection base and also provides support to people in a more targeted way. For example, CCC's anti-poverty hub works to address financial inequality and the cost-of-living crisis and delivers the short-term financial support through the Household Support Fund alongside longer-term personalised support which aims to make a lasting difference to those suffering the effects of poverty. We also provide the Cambridgeshire Local Assistance Scheme, which can provide support to people in need through things like provision of white goods.

3.6.7 The graph below shows that, for the 2022-23 financial year, Cambridgeshire continues to have a below average band D precept compared to other shire counties:



### 3.7 Closing the remaining gap for 2023-24

3.7.1 The impact of the local government finance settlement on the budget position for 2023-24 is positive, overall, but does not provide enough funding to close the gap and meet all of the pressures caused particularly by inflation. New/expanded grants announced in the settlement close the gap by around £13m, leaving a residual gap of over £10m.

3.7.2 Due to the scale of this remaining budget gap, raising council tax by more than the 2% already budgeted for is unavoidable without creating an unsustainable medium-term financial position. The Council still faces budget gaps of around £60m in total over the final four years of the planning period, which would be even greater if an unsustainable approach to balancing 2023-24's budget was taken. As set out in section 2.8.11 above, much of the Council's unallocated reserves (other than the General Fund which is retained for unforeseen challenges) are committed already over the medium-term. The further items needed to produce a balanced budget for 2023-24 are therefore:

	2023-24	2024-25	2025-26	2026-27	2027-28
<b>Budget gap, pre-Settlement</b>	<b>21,818</b>	<b>21,984</b>	<b>13,780</b>	<b>10,149</b>	<b>15,494</b>
Settlement - Social care grant	-11,661	-55	-51	-49	0
Settlement - New Homes Bonus	1,085	501	510	0	0
Settlement - Services Grant	-2,540	0	0	0	0
Settlement - RSG	-27	0	0	0	0
Re-phasing of settlement reserve	1,913	-1,913	0	0	0
Council Tax increase of 4.99%, 2.99% above current plan	-10,588	-369	-405	-414	-416
Use of reserves that are above policy level	0	-3,776	3,776	0	0
<b>Final budget gap</b>	<b>0</b>	<b>16,372</b>	<b>17,610</b>	<b>9,686</b>	<b>15,078</b>

3.8 This set of decisions includes several that touch on reserves deployment. The settlement reserve was created to phase the one-off benefit that was seen in the 2022-23 local government finance settlement and was originally planned to be released equally into 2023-24 and 2024-25; in these proposals we would alter that phasing to deploy more in 2024-25 to even out budget gaps over the medium-term in line with the original purpose of that reserve. We also propose to release some reserve funding into 2024-25 from two other reserves. Firstly, the local taxation collection fund volatility reserve (which insulates us from variability in district council collection funds) has grown in recent years due to better than predicted collection rates for local taxes and so can see some funding release. Secondly, the post-pandemic and budgeting account (which was created in 2022 to offset impact of pandemic recovery) is applied to offset some short-term pressures in 2024-25 in line with its original purpose.

3.9 To ensure that we still have sufficient general reserves to meet unexpected costs, the medium-term financial strategy proposes retaining the General Reserve at 4% of gross expenditure excluding schools.

3.10 The above table shows that there remain significant budget gaps over the final four years of the plan. The government has announced already that upper-tier councils have flexibility to increase council tax by up to 4.99% in 2024-25 as well as next year, which would increase funding above the 2% increase that we have assumed for years 2 to 5 of the draft plan.

## 4. Capital Strategy

4.1 Including current commitments, the Council will be spending £715.9m on capital investment in the county over the period of the business plan. This is financed by the following funding streams:



- External grants and contributions (£517.1m)
- Prudential borrowing (£123.2m)
- Capital receipts (£75.5m)

4.2 The programme includes expenditure on the following major schemes from 2023-24 onwards:

Major schemes	£m
Schools' Basic Need	310.1
Schools' Conditions & Maintenance	27.3
Schools' Managed Capital	7.8
Schools' Specialist Provision	19.9
Independent Living Services	44.2
Integrated Transport	43.0
Operating the Highways Network (including additional Footpaths and Pavements, and Pothole funding)	105.0
B1050 Shelfords Road	6.8
Wheatsheaf Crossroads	6.4
St Neots and March Future High Street Funds	11.4
A14 De-trunking	24.8
Street-Lighting LED	13.3
Waterbeach Waste Treatment Facilities	19.3
St Ives, Babraham and Trumpington Smart Energy Grids	11.9
Close Landfill Projects	10.3
Decarbonisation Fund	12.1

For further detail, please see section 5d of the Capital Strategy (Appendix 6), or the Capital Tables 4 and 5 (Appendix 3).

4.3 The capital financing budget is now forecast to spend £38.3m in 2023-24, increasing to £43.2m by 2027-28. The table below sets out the advisory limit on capital financing costs for 2024-25 to 2026-27 as agreed by this committee in December, compared against the capital financing costs budget (excluding Invest to Save / Earn schemes). The proposed capital financing budget remains currently exceeds the limit for this 3-year period based on the proposed Capital Programme. This provides little/no headroom for additional schemes

to be added to the programme moving forward, or for capacity to manage any future increases to costs of schemes.

<b>Financing Costs</b>	<b>2024-25 £m</b>	<b>2025-26 £m</b>	<b>2026-27 £m</b>
2023-24 Business Plan (net figures excluding Invest to Save / Earn schemes)	44.0	43.2	43.4
Recommend limit	42.2	43.0	43.9
<b>HEADROOM</b>	<b>1.8</b>	<b>0.2</b>	<b>-0.4</b>
Recommend limit (3 years)	129.1		
<b>HEADROOM (3 years)</b>	<b>1.6</b>		

- 4.4 The Highways and Transport Service is proposing to reallocate existing capital budgets, within limits for schemes that have already been set or are proposed in this business plan, to increase the number of Cambridgeshire employed highways staff. This is a revision since the December committee cycle and will reduce the required spend on external agency workers, who cost more than Council employees, and should ensure better optimisation of works. There is no increase in the prudential borrowing requested. A further update will be provided to Highways and transport Committee in due course.

## 5. Treasury Management Strategy

- 5.1 The Council is required to set a Treasury Management Strategy (TMS) and to approve and monitor a series of Prudential Indicators for 2023-24 to 2027-28. These include indicators for the authorised limit and operational boundary for external borrowing, the cost of servicing debt as a percentage of net revenue and the Council's underlying borrowing requirement. Maximum principal sums invested for periods longer than 365 days, fixed and variable interest rate exposure and the maturity profile of debt are also reported. The TMS is available as Appendix 7.
- 5.2 The updated requirements for CIPFA's revised Prudential Code and Treasury Management Code published in December 2021 are due to be implemented for the 2023-24 financial year. This version of the TMS, therefore, includes more fundamental revisions than the usual updates. Changes made to it include:
- Requiring all investments and investment income to be attributable to either treasury management activity, service delivery, or commercial return.
  - Adoption of a new 'liability benchmark' in the TMS and in treasury reporting, to support decision makers with risk management in the funding of our capital requirement, showing the differences between our liability benchmark and the actual loans we have.
  - More rigorous requirements on knowledge and skills monitoring for officers and members.
  - Reporting to members must be done quarterly.
  - Environmental, social and governance (ESG) issues are to be addressed within an authority's treasury management policy and practices.

- Risks associated with service and commercial investments should be proportionate to financial capacity, and authorities must not borrow to invest (subject to a small number of caveats).
- An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt
- A new prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream

- 5.3 Throughout 2023-24, the Council intends to maintain an under-borrowed position, which means borrowing will continue to be lower than it might have been by utilising internal cash balances. This ultimately keeps the level of loan debt, and costs of borrowing, down. As a result, cash balances will generally be lower than they otherwise would be, but we do set a minimum day-to-day cash balance that is available to us. Despite this, loan debt is expected to rise over the medium-term as a direct result of increased capital investment.
- 5.4 Increased interest rate projections have been factored into the TMS and into capital financing cost projections. We anticipate higher interest rates than we have been used to in recent years to be with us for several years. However, these higher rates do have a beneficial impact in increased rates on our treasury investments.
- 5.5 The Council will continue to prioritise the security and liquidity of capital and achieve an investment return that is commensurate with these priorities. A prudent investment strategy is proposed, and external advice provides a guide on the creditworthiness of institutions. The majority of the Council's treasury management investments are in liquid instruments and shorter-term deposits with the money market funds and high credit-quality banks. The Council also has previously invested money into multi-class credit funds, infrastructure funds, and the CCLA property and diversified income funds as medium-term investments to generate additional interest income given the inflationary outlook. Our ability to invest anything other than excess cash balances (e.g., borrowing to invest) is constrained by limits put in place in the newly revised Prudential Code.

## 6. Impact of proposals

- 6.1 The Equality Duty set out in S149 of the Equality Act requires the Council to demonstrate 'due regard' to consciously think about the following three aims as an integral part of developing policy, making decisions, and delivering inclusive services:
- Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the act
  - Advance equality of opportunity between people who share a protected characteristic and people who do not share it
  - Foster good relations between people who share a protected characteristic and people who do not share it
- 6.2 The Council takes very seriously the need to be aware of the impact that our policies, decisions, and services have on our workforce and communities across Cambridgeshire

including people from any protected characteristic group(s) or people experiencing socio-economic inequalities, and the importance of using this information to inform the preparation of the Business Plan. It is important the Council understands the potential positive and negative impacts that its decision-making has on these groups and the need to ensure compliance with the Equality Act 2010 and its Public Sector Equality Duty. Equality Impact Assessments ensure our plans and outcomes are inclusive. There are nine protected characteristics under the Equality Act (2010); the Council also considers the Socio-economic Inequalities Duty. If a plan or decision has potential adverse effects on people from any protected characteristic group(s) or people experiencing socio-economic inequalities, then a full Equality Impact Assessment is completed.

- 6.3 Where relevant for each of the detailed business case proposals, services have undertaken an Equality Impact Assessment (EqIA). A summary of the findings of these assessments are included within the business cases summaries. These are published within section 4 of the Business Plan.
- 6.4 Each Business Case in this Business Plan has been assessed using the triple bottom line approach scoring criteria. These scores are shown in the table overleaf reflecting the portfolio which has been assessed:

BUSINESS CASE		SOCIAL	ENVIRONMENTAL	FINANCIAL
Decommissioning of Block Contracts for car rounds providing homecare	A & H	Neutral	+1	+3
Adults MH Employment Support	A & H	+1	Neutral	+1
Adults Hospital Discharge	A & H	+1	Neutral	+1
LD Mid Cost Placement Review	A & H	Neutral	Neutral	+1
ICB Integration (Adults Early Help BSO)	A & H	Neutral	Neutral	Neutral
Mental Health S75 Vacancy Factor	A & H	Neutral	Neutral	Neutral
Public Health Vacancy Factor	A & H	Neutral	Neutral	+1
Public Health Savings	A & H	Neutral	Neutral	+1
Realigning Schools Partnership & Improvement Service	CYP	Neutral	Neutral	+1
Review of non-statutory services	CYP	Neutral	+1	+1
Family Safeguarding	CYP	Neutral	Neutral	+1
Special guardianship orders	CYP	Neutral	Neutral	+1
Children in Care Placements	CYP	Neutral	Neutral	+4
ICT Service	CYP	Neutral	Neutral	+1
Cambridgeshire Music	CYP	Neutral	Neutral	Neutral
Childrens Residential Short Breaks	CYP	Neutral	Neutral	-2
Teachers Pensions	CYP	Neutral	Neutral	+1
Passenger Transport	CYP	Neutral	Neutral	-5
Educational Psychologists	CYP	+4	Neutral	-1
Investment into Communities	COSMIC	+5	+2	-1
Coroners Service	COSMIC	Neutral	+1	-1
P&S Vacancy Factor	E&GI	Neutral	Neutral	+1
Persistent Organic Pollutants	E&GI	Neutral	Neutral	-4
Waste Gate Fees	E&GI	+1	Neutral	Neutral
Street lighting efficiencies	H&T	+1	+3	+5
Highways materials recycling	H&T	Neutral	+5	-1
Stopping weed killing	H&T	Neutral	+1	+1
Resilience Winter Highway Network	H&T	Neutral	+1	+1
Guided busway yearly maintenance	H&T	Neutral	Neutral	-2
Guided busway 5 yearly maintenance	H&T	Neutral	+1	-1
Council-wide milage reduction	S&R	Neutral	Neutral	+2
Corporate Vacancy Factor	S&R	Neutral	Neutral	+2
Biodiversity developer offsets	S&R	+3	+3	+2
Commercial Investment	S&R	Neutral	Neutral	+5
Insurance Claims & re-procurement	S&R	Neutral	Neutral	+3
External Auditor Fees	S&R	Neutral	Neutral	Neutral
ITDS Capital to Revenue	S&R	Neutral	+2	-5
Property Maintenance	S&R	Neutral	Neutral	-1
Investment into Adults and Children's Services Staffing	S&R	Neutral	Neutral	-3

Note – the scores above relate only to changes to budgets for next year; the underlying services are not being scored.

## 7. Budget Consultation

7.1 The Council carries out a consultation process to inform the business planning process. It is a statutory requirement for councils to consult on budget proposals each year, and the results should be considered alongside other statutory requirements such as delivering a balanced budget and providing certain services. This year, the Budget Consultation had three parts:

- Door-to-door survey – undertaken by a market research company, using a random stratified sample of households in Cambridgeshire, profiled to match the age, gender and district location of the population and deliver statistically robust results.
- Website survey – open to all to respond to, advertised on the website and via other channels
- Partners' contribution – partners were invited by email by the Director of Strategy and Partnerships to respond to the survey

7.2 The door-to-door survey and the website survey were based on the same questionnaire, which asked whether respondents supported several proposals relating to Council services and whether Council Tax should be increased and by how much. The door-to-door survey was analysed by the market research company, the website survey was analysed by the Research Group in the Business Intelligence Service.

7.3 Results for the door-to-door survey were as follows:  
(Comments and further analysis by district / age / socio-economic segmentation are available in the full report in Appendix 5)

As part of the Business Planning process, the County Council wanted to consult with the public to gain insight into residents' views on areas of investment, ways to make additional savings or generate incomes, and on options of Council Tax. M&L Research was commissioned to undertake a public survey on the Council's behalf.

A doorstep survey was carried out with residents which was representative by district, age group and gender to the county as a whole. The fieldwork took place in November 2022 and 1,102 residents responded to the survey. The sections below presents the key findings of the research.



### LEVEL OF SUPPORT: SAVINGS AND INCREASING INCOME

(% Strongly support/support)

Looking at opportunities to generate more renewable energy



**88%**  
n=1,093

Closing or disposing of some of the buildings the Council works from



**73%**  
n=1,067

Increasing its offer to older adults and people with disabilities to provide technology enabled care



**69%**  
n=1,085

Taking action to drive down the cost of streetlighting, to save energy and reduce carbon emissions



**69%**  
n=1,095

Holding vacancies for those that chose to leave and only recruiting and replacing roles for the most vital frontline services



**40%**  
n=1,005

Making savings by reducing road maintenance work in non-emergency areas



**14%**  
n=1,094

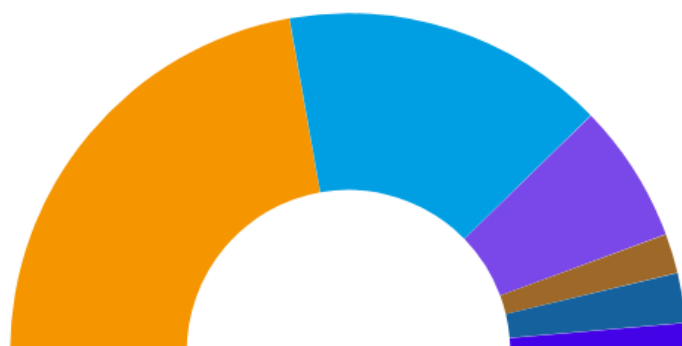
Reducing the amount the Council spends on the improvement of local schools and early years through non-statutory support services



**7%**  
n=1,096



### COUNCIL TAX



- Option 1 – no increase to Council Tax
- Option 2 – total increase of 2% (1% ASCP and 1% General Council Tax)
- Option 3 – total increase of 3% (1% ASCP and 2% General Council Tax)
- Option 4 – total increase of 4% (including ASCP and General Council Tax)
- Option 5 – total increase of 5% (including ACSP and General Council Tax)
- Option 6 – total increase of more than 5%

**56%** in support of a Council Tax increase

n=1,102

#### 7.4 The website survey results were as follows:

##### Savings and increasing income

- The majority of respondents supported the Council looking at opportunities to generate more renewable energy (82%).
- The majority of respondents supported taking action to drive down the cost of the Council's electricity bill on streetlighting (74%).
- The majority of respondents supported closing or disposing of some of the buildings the Council works from (72%).
- The majority of respondents supported the Council increasing its offer to older adults and people with disabilities to provide technology enabled care (61%).
- Over half of respondents supported holding vacancies for those that chose to leave and only recruiting and replacing roles for the most vital frontline services (52%).
- The majority of respondents opposed reducing the amount the Council spends on the improvement of local schools and early years through non-statutory support services (61%).
- The majority of respondents opposed making savings by reducing non-emergency road maintenance (71%).

##### Council Tax

- The majority of respondents indicated they supported an increase of at least 2% (72%).
- Over a quarter of respondents indicated they supported "Option 1 – no increase to Council Tax" (28%).
- Just under a quarter of respondents indicated they supported "Option 2 – total increase of 2% (1% ASCP and 1% General Council Tax)" (24%).
- Less than a fifth of respondents indicated they supported "Option 3 – total increase of 3% (1% ASCP and 2% General Council Tax)" (17%).

Comments are available in the full report within the appendix, along with the responses received from partners.

#### 7.5 Summary

Both surveys showed high levels of support for renewable energy, reducing the cost of the electricity bill for streetlights, reducing the costs of Council buildings and increasing the offer of technology enabled care. There was some support for the idea of holding vacancies outside front line services, but not a majority in the door-to-door survey and only a very slim majority in the website survey.

#### 7.6 The proposals to reduce road maintenance and reduce non-statutory support were not supported by the results of either survey.

#### 7.7 There was a small majority in support for a rise in Council Tax of at least 2% in the door-to-door survey. However, a larger proportion supported 'no increase' compared to last year (44% this year compared to 37% last year), and only 22% supported a rise of 3% or more (compared to 34% last year). Attitudes to Council Tax rises are less favourable than last year.



- 7.8 The survey did highlight that there may be a desire to protect key services, with very few people supporting reductions to key areas such as road maintenance or school improvement, which may be required if sufficient funding cannot be generated.
- 7.9 It is recommended to review the detailed comments in the two reports from the survey. Affordability concerns were the main reason for opposing any increase. Amongst people who supported an increase, they cited the need for the services the Council provides and that an increase was fair and in line with inflation.

## 8 Robustness of estimates and adequacy of reserves

- 8.1 The Local Government Act 2003 (Section 25) requires that when a local authority is agreeing its annual budget, and precept, the statutory Section 151 chief financial officer must report to it on the following matters:
- the robustness of the estimates made for the purposes of the calculations; and
  - the adequacy of the proposed financial reserves.
- 8.2 This statement should be considered along with the rest of this report and the full Business Plan by the County Council in February.
- 8.3 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. Development of the business plan and budget proposals has progressed iteratively and was submitted to all Service Committees in October and December, as well as this Committee in those months and at this meeting (and thereafter Full Council). This enables multiple layers of challenge, revision and review, by Officers and Members to test and amend the assumptions that have been used to construct that budget.
- 8.4 There was continued enhancement in the last twelve months of the governance processes enabling business planning with both the business planning panels for revenue and capital budgeting now chaired by a senior finance officer, convening corporate challenge from across the organisation and reporting to the Corporate Leadership Team. There was focused attention on the Cambridgeshire budget from the dedicated leadership team and active engagement at both strategic and operational levels as well as from Members, with Committee Chairs and Vice-Chairs participating in budget focus sessions convened by the Leader, Deputy Leader and the Chief Executive. There is a strong culture of budgetary control and purposeful application to addressing medium term budget constraint to maintain a sustainable financial position.
- 8.5 In formulating estimates for future demand for services, the Council has drawn on long-term and medium-term trend analysis of activity levels, local estimates of population growth as well as the Council's own in-year experience of spending levels, which are closely monitored from month-to-month. Demand estimates are the result of collaboration and insight from commissioning and operational colleagues and financial professionals, quality assured by business intelligence specialists.
- 8.6 Building a robust projection of the level of demand for services is always challenging, but the pandemic has greatly increased this difficulty. After a significant underspend was reported against the 2021-22 budget (chiefly attributed to government grants) the Council

has seen forecast outturn return to a more predictable position this financial year (currently within 0.7% of budget). Historically, Adults and Children's social care are two of the most volatile activity-led budgets and patterns of demand for older people's services were particularly disrupted by the pandemic. This year, the overall forecasts for these areas has remained broadly stable and in line with budget estimates notwithstanding the complex service and system pressures that these areas are facing.

- 8.7 The inflation risk presenting to the Council has increased substantially since the County Council considered the 2022-27 business plan. We set out in section 1 and 2 of this report the impact that inflation is having on our budgets, and the consequence is greatest for budgets with exposure to energy prices, travel and fuel related services, construction costs and on our direct staffing and indirect supply chain labour costs. In this budget, our estimates for inflation and cost increases refer to more than 90 individual indices relevant to different service activities. We have drawn on nationally published statistics, economic projections and the Council's direct experience of rising prices in local markets. The Council's Corporate Leadership Team (CLT) Risk and Assurance group and Procurement Governance Board have also recently adopted a price variation protocol that ties our approach to supplier requests to price uplifts to contractual obligations, market conditions and budget allocation/affordability. We have needed to revisit inflationary estimates repeatedly during business planning in recent months to reflect new emerging pressures (such as on home to school transport recognised in December) or updated government estimates. Through this targeted and comprehensive approach, this budget is based on appropriate estimates of inflation, which will be closely monitored, and further reset, given the continuing uncertainty and risk in this area.
- 8.8 In addition to the challenges of forecasting demand patterns and estimating inflation, the principal risks and uncertainties referred to in this business plan include those set out at section 1.10. It is highlighted that:
- **High Needs Block** – the recurrent annual overspend has exceeded £11m per annum. Although the statutory override ringfencing this deficit (effectively a negative reserve on the balance sheet) has been extended and the Council has actively engaged in the safety valve programme, has support from mainstream schools for an increased block transfer and ambitious plans to reform and respond to growing demand in this area, ultimately cashflowing the carried forward deficit is the Council's responsibility. Performance will need to be closely monitored to ensure adherence to plans.
  - **Waste management** – as a result of legislative and regulatory developments, as well as contractual obligations, this budget is facing elevated risk. Revenue budgets have been increased (as described in section 2.5) and the Council is planning for a substantial capital investment. Successfully delivering changes this programme and responding effectively to future national reforms is a significant budgetary assumption.
  - **Partnerships** – the Council operates in a complex system of partnerships including with other public sector bodies. This includes, for example, the close dependency between NHS and social care (where this winter the focus on successfully discharging patients from hospital is again paramount), as well as with the Combined Authority who are the major funder of local transport and skills services and

neighbouring Councils with which we jointly deliver or share services. Restricted resources can present major issues for collaboration or future funding; we work in partnership to deliver the most cost-effective outcomes for local residents.

- **Debt and borrowing costs** – against the economic backdrop which has seen high levels of inflation, the second half of 2022 also witnessed major volatility and increases in borrowing costs for the UK public sector. Although the peaks and volatility of September and October has receded, interest rates at the PWLB are around 175 basis points higher than they were this time last year. This has been a significant driver in increasing our cost of capital in this budget. Cambridgeshire has amongst the highest levels of external debt compared to other county councils (both in per capita and absolute terms). There is important context to this in that the County has rightly invested in growth (such as in transport infrastructure and school places) and has a number of commercial and rural property assets set against those liabilities. Nevertheless, the longer-term exposure to interest rates underlines the need for a disciplined and realistic approach to capital budgeting and sound governance for the monitoring of funds previously lent on to the Council's housing development subsidiary, This Land.
- **Net Zero** – the Council's first ambition, reported at section 1.3 above, is to reach Net Zero for the county by 2045. Risk to Cambridgeshire from the climate crisis is not an uncertainty but the level of investment required and where this will be sourced from is not yet fully known. The Just Transition Fund is funding a number of areas of enabling activity to bring forward more detailed plans.
- **Workforce and resourcing** – Delivering local services, whether directly, or through our supply chain relies on people. Like many organisations across the economy, we face challenges recruiting colleagues. In the past 12-18 months we have seen agency and locum spending by the Council increase, higher levels of succession/changeover of chief officers and the budgetary impacts from suppliers unable to staff at full capacity meaning supply reductions. This feeds into the inflationary risk we have described above as well as the responses we are making to this through investments in our workforce, growing apprenticeships, and focused occupational specific programmes of work.

8.9 In 2023-24 this budget proposes appropriate budget allocations to address these risks and uncertainties. These include planned proactive investments as well as the earmarking of specific reserves in the event that budget pressures or risks are realised (such as from high needs, waste, commercial factors or litigation).

8.9.1 There is continuing, planned and sustainable draw down of reserves to sustain service levels, unwinding the build-up of reserves during the pandemic in a strategic way linked to our long-range estimate of the impact of covid on patterns of demand (referred to in section 2.8.11 of this report). This is in addition to specific one-off deployment of reserve balances for time-limited or single-event pressures and priorities. Although this budget plans to speed up the overall use of one-off funds, and Cambridgeshire sits in the bottom quartile of county councils for overall reserve levels, it avoids a sudden cliff edge during the term of the MTFS tapering investment and prioritising our strategic ambitions. Investing now in this way should aid the Council's long term financial position.

- 8.9.2 A target general reserve balance of £28.9m is set through this budget. These funds are unearmarked and available for unforeseen contingencies and sensitivities such as those detailed at 9.1 of the MTFS document. This balance is justified given the heightened risks and uncertainties detailed throughout the business plan documents.
- 8.10 In terms of cashflow, the Council has also undertaken detailed modelling through the period to 31 March 2024 which demonstrates the Council's ability to work within its Capital Financing Requirement (CFR) and cash management framework throughout the period. The only expectation of external borrowing is to support the Capital Programme, which is consistent with our plans and normal practice. The key assumption within this forecast includes the achievement of £6.8m of savings and income generation proposals in 2022-23 and a further target of £18.7m for 2023-24, following the provisional Local Government Finance Settlement announced in December.

## 9. Next steps

- 9.1 This meeting of Strategy and Resources Committee on 26 January 2022 is the last opportunity for the Committee to publicly scrutinise the business plan before Full Council debates the plan for approval on 8 February 2021.

January	Strategy and Resources Committee will review the whole draft Business Plan for recommendation to Full Council
February	Full Council will consider the draft Business Plan

## 10. Alignment with corporate priorities

The purpose of the Business Plan is to consider and deliver the Council's vision and priorities and section 1 of this paper sets out how we aim to provide good public services and achieve better outcomes for communities. As the proposals were developed, they considered the existing corporate priorities, below, and the revised ambitions within the new Strategic Framework, as set out in section 1.3 of the report:

- Environment and Sustainability
- Health and Care
- Places and Communities
- Children and Young People
- Transport

## 11. Significant Implications

### 11.1 Resource Implications

The proposals set out the response to the financial context described in section 5 and the need to change our service offer and model to maintain a sustainable budget. The full detail of the financial proposals and impact on budget will be described in the financial tables of

the business plan. The proposals will seek to ensure that we make the most effective use of available resources and are delivering the best possible services given the reduced funding.

**11.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

There are no significant implications for the proposals set out in this report. Details for specific proposals will be set out in the business cases. All required procurement activity will be fully compliant with the Council's Contract Procedure Rules.

**11.3 Statutory, Legal and Risk Implications**

The proposals set out in this report respond to the statutory duty on the Local Authority to deliver a balanced budget. Cambridgeshire County Council will continue to meet the range of statutory duties for supporting our residents.

**11.4 Equality and Diversity Implications**

Each of the proposals will be developed alongside an Equality Impact Assessment to ensure we have met our duties in line with the Equality Act, including the Public Sector Equality Duty, as well as met our commitment to implementing the Socio-economic Inequalities Duty. Business cases will include a summary of key points from the relevant Equality Impact Assessment. These summaries will highlight any positive impacts identified and outline mitigations for any negative impacts or justification for retaining a negative impact where this is appropriate.

**11.5 Engagement and Communications Implications**

Our Business Planning proposals are informed by the CCC public consultation and will be discussed with a wide range of partners throughout the process. The feedback from consultation will continue to inform the refinement of proposals. Where this leads to significant amendments to the recommendations a report would be provided to Strategy and Resources Committee.

**11.6 Localism and Local Member Involvement**

As the proposals develop, we will have detailed conversations with Members about the impact of the proposals on their localities. We are working with members on materials which will help them have conversations with Parish Councils, local residents, the voluntary sector and other groups about where they can make an impact and support us to mitigate the impact of budget reductions.

**11.7 Public Health Implications**

It will be important to secure a better understanding of the impact of COVID-19 upon Public Health outcomes along with other service areas. There is emerging evidence of increases on obesity and smoking along with other key Public Health areas. Over the longer term this will increase demand for preventative and treatment services. Savings made in the Public Health service will need to be realised through the substitution of grant funding against other existing Council services that are eligible under the Public Health Grant.

**11.8 Environment and Climate Change Implications on Priority Areas**

The climate and environment implications vary depending on the detail of each of the proposals. Any positive or negative impacts has been considered for each proposal as part of its development. Environmental impact has further been assessed through the triple bottom line approach, as set out in 6.4.

Have the resource implications been cleared by Finance?

Yes

Name of Financial Officer: Stephen Howarth

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement?

Yes

Name of Officer: Clare Ellis

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or Pathfinder Legal Services?

Yes

Name of Legal Officer: Linda Walker

Have the equality and diversity implications been cleared by your Service Contact?

Yes

Name of Officer: Faye McCarthy

Have any engagement and communication implications been cleared by Communications?

Yes

Name of Officer: Christine Birchall

Have any localism and Local Member involvement issues been cleared by your Service Contact?

Yes

Name of Officer: Julia Turner

Have any Public Health implications been cleared by Public Health?

Yes

Name of Officer: Jyoti Atri

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer?

Yes

Name of Officer: Emily Bolton

## 12. Source documents

### 12.1 Business Plan contents:

Appendix 1: Business Plan Section 1	Strategic Framework
Appendix 2: Business Plan Section 2	Medium Term Financial Strategy
Appendix 3: Business Plan Section 3	Finance Tables
Appendix 4: Business Plan Section 4	Business Cases
Appendix 5: Business Plan Section 5	Public Consultation
Appendix 6: Business Plan Section 6	Capital Strategy
Appendix 7: Business Plan Section 7	Treasury Management Strategy
Appendix 8: Business Plan Section 8	Sustainable Procurement Strategy